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INSTITUTIONAL SUPPORT SYSTEM TO MICRO, SMALL AND MEDIUM ENTERPRISES (MSME) WITH SPECIAL REFERENCE TO BIHAR

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ABSTRACT

The micro, small and medium enterprises (MSME) sector is the growth engine of the country and well recognized as an effective tool for the socio-economic development. There are approximately 49 million industrial units contributing 45 percent of manufacturing output, 40 percent of total exports and around 8% of the GDP of the country which provide better opportunities for employment. The enterprise or industrial units need assistance and support for their startup or expansion of businesses provided by various institutions. The assistance and support provided by different institutions are for varied purposes. This paper focuses on the identification of institutional support to MSME in Bihar.

KEYWORDS: MSME, Institutional Support System to MSME, Entrepreneurs, Institutions in Bihar

INTRODUCTION

The Micro, Small and Medium Enterprises (MSMEs) sector is the backbone of the country's economy as it is the principal contributor to manufacturing, exports and employment generation. In terms of value, there are approximately 49 million micro, small and medium enterprises (MSME sector) across the country in various industries and

employing 111 million people.¹ The micro, small and medium enterprises (MSME) sector account for 45 percent of manufacturing out and 40 percent of total exports and around 8 percent of the GDP of the country.² The MSME sector is an effective tool for the socio-economic development and provides better opportunities for employment with relatively less capital involvement.

1. Annual Report MSME, GOI, 2014 -15
2. Inter-Ministerial Committee for Accelerating Manufacturing in Micro, Small & Medium Enterprises Sector (Shri Madhav Lal) – Ministry of MSME 2013

Table 1: performance of MSME, Employment and Investments

| Sl.No | Year | Total Working Enterprises (in Lakh) | Employment (in Lakh) | Market Value of Fixed Assets (Rs. in Crore) |
|--|----------|-------------------------------------|----------------------|---|
| I | II | III | IV | V |
| 1. | 2006-07 | 361.76 | 805.23 | 868,543.79 |
| 2. | 2007-08# | 377.36 | 842.00 | 920,459.84 |
| 3. | 2008-09# | 393.70 | 880.84 | 977,114.72 |
| 4. | 2009-10# | 410.80 | 921.79 | 1,038,546.08 |
| 5. | 2010-11# | 428.73 | 965.15 | 1,105,934.09 |
| 6. | 2011-12# | 447.64 | 1,011.69 | 1,182,757.64 |
| 7. | 2012-13# | 447.54 | 1,061.40 | 1,268,763.67 |
| 8. | 2013-14# | 488.46 | 1,114.29 | 1,363,700.54 |
| Including activities of wholesale/retail trade, legal, education & social services, hotel & restaurants, transports and storage & warehousing (except cold storage) for which data were extracted Economic Census 2005, Central Statistics Office, MOSPI. Estimated on the basis of per enterprises value obtained from sample survey of unregistered sector for activities wholesale/retail trade, legal, education & social services, hotel & restaurants, transports and storage & warehousing(except cold storage) which were excluded from Fourth All India Census of MSME, unregistered sector. # - Projected. | | | | |

Source: MSME Annual Report 2014-15

Despite of their commendable contribution to the economy (as shown in table 1), the MSME sector operate out of poor infrastructure, financial crisis, lack of proper planning and execution, limited market access etc. which create obstacles for them to achieve their optimum growth potential.

The support system provided by institutions play an important role to minimize the several hardships for the better growth of micro, small and medium enterprises (MSME) sector.

DEFINITION OF MSME SECTOR

The micro, small and medium enterprises are defined under Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 and are classified in two classes as under:

Manufacturing Enterprises – The enterprises which are engaged in manufacture or production, processing or presentation of goods and are defined in terms of investment in plant & machinery.

Service Enterprises – The enterprises which are engaged in providing or rendering of services and are defined in terms of investment in equipment.

Table 2 Investment Limit for Micro, Small and Medium Enterprises

| Manufacturing Sector | |
|----------------------|---|
| Enterprises | Investment in Plant & Machinery |
| Micro Enterprises | Does not exceed Rs. 25 lakhs rupees |
| Small Enterprises | More than Rs. 25 lakhs rupees but does not exceed Rs.5 crore rupees |
| Medium Enterprises | More than Rs.5 crore rupees but does not exceed Rs.10 crore rupees |
| Service Sector | |
| Enterprises | Investment in Equipment |
| Micro Enterprises | Does not exceed Rs. 10 lakhs rupees |
| Small Enterprises | More than Rs. 10 lakhs rupees but does not exceed Rs.2 crore rupees |
| Medium Enterprises | More than Rs. 2 crore rupees but does not exceed Rs.5 crore rupees |

OBJECTIVES

1. To study the institutional support system to MSME in Bihar.
2. To find out the specialized support system provided by different institutions.
3. To suggest the measure for better and effective support system to MSME sector.

RESEARCH METHODOLOGY

This study is based on the secondary data only which has been collected from various journals, theses, books, brochures and websites.

Table 3: Year wise Micro, Small and Medium Registered Units set up in Bihar

| Year | Medium | SSI | Tiny/ micro | Total | Investment (Rs. crore) | Employment (in No.) |
|----------------------------|--------|-----|----------------|--------|---------------------------|------------------------|
| Upto 2006-07 | | 143 | 162063 | 163496 | 801.15 | 536890 |
| 2007-08 | 4 | 42 | 7156 | 7202 | 134.83 | 19963 |
| 2008-09 | 7 | 25 | 6122 | 6154 | 118.86 | 17474 |
| 2009-10 | 2 | 41 | 5048 | 5091 | 128.64 | 16011 |
| 2010-11 | 3 | 33 | 4799 | 4835 | 185.57 | 17365 |
| 2011-12 | 2 | 56 | 3904 | 3962 | 385.64 | 16079 |
| 2012-13 | 3 | 53 | 3681 | 3737 | 253.85 | 10894 |
| 2013-14, upto September | 6 | 13 | 457 | 476 | 200.95 | 9823 |
| Total | 27 | 169 | 193230 | 194953 | 2209.40 | 644499 |

Source : Department of Industry, GOB

Note: Since 2008-09 artisans have been merged with micro units

INSTITUTIONAL SUPPORT TO MSME

The micro, small and medium enterprise (MSME) sector is the backbone of socio-economic growth of a territory. The contribution of MSME sector is over 90% of enterprises in most of the countries. As MSME sector contribute major share of industrial output and exports besides creating better employment opportunities, government policies play a crucial role for the growth of MSME sector. The government policies can not fulfilled without institutional support system.

The institutional support system is necessary for MSME sector, as micro, small and medium enterprises lack information about the current available support systems by central government as well as state government. This sector also lack the technical and managerial skills, strong financial background, knowledge about different facilities,

MSME IN BIHAR

In Bihar, during 2007-08, 7202 units were registered under MSME. However, the number of units registered showed a decline in 2011-12 & 2012-13 and only 3962 units & 3737 units were registered respectively. During the first half of 2013-14 too, the emerging picture does not appear to be promising. In comparison to all-India figures, the investment and employment levels are rather low and it indicates that a overwhelming number of MSME units in Bihar fall under the category of 'small and tiny'.

subsidies, incentives etc. by central government and state governments.

The success of an enterprise depends on the support system provided by different institutions at different stages of the enterprise development. The types of supports which have been taken into consideration of this study are entrepreneurship development and training, financial support, technology support, marketing support, common facility centre and information & consultancy.

The institutions which provide support to MSME in Bihar are categorized as central support system, state support system and non-government support system. The main institutions are followings:

Micro, Small and Medium Enterprises - Development Institute (MSME-DI):-

Micro, Small & Medium Enterprises Development Institute, Patna & Muzaffarpur are the field institutes of the office of development commissioner Micro, Small & Medium Enterprises

(MSME) under the ministry of MSME, Government of India. The institutes provide assistance for the promotion and development of Micro, Small & Medium enterprises in the state of Bihar.

The twin institutes provide support to MSME in the area of skill development, technical assistance, market development, export promotion and workshop facilities. There are different schemes provided by these institutes for the industrial growth in the state. The main schemes are National Manufacturing Competitiveness Programme (NMCP), Cluster Development Programme, Credit Linked Capital Subsidy Scheme, Credit Guarantee Scheme and ISO 9000/ ISO 14001 Certification Reimbursement Scheme. These institutes are on the top of all the institutes which provide support system to MSME sector in Bihar.

National Small Industries Corporation Ltd. (NSIC):-

National Small Industries Corporation Ltd. (NSIC) is an ISO 9001-2008 certified Government of India Enterprise under Ministry of Micro, Small and Medium Enterprises (MSME). NSIC has been working to fulfill its mission of promoting, aiding and fostering the growth of small industries and industry related to micro, small and medium enterprises in the country. NSIC carries forward its mission to assist small enterprises with a set of specially tailored schemes designed to put them in a competitive and advantageous position. The schemes comprise of facilitating marketing support, credit support, technology support and other support services like exhibitions and technology fairs, buyer-seller meets, performance and credit rating scheme for small industries, incubation of unemployed youth for setting up of new micro & small enterprises, international cooperation etc.

National Institute for Entrepreneurship & Small Business Development (NIESBUD):-

NIESBUD is an apex body under the Ministry of Micro, Small & Medium Enterprises (MSME), Government of India for coordinating and overseeing the activities of various institutions/agencies engaged in entrepreneurship development. The primary focus of NIESBUD is in the area of small industry and small business. The Institute is very active in entrepreneurship and self-employment development by different activities and programmes which are largely government funded. The major activities of the institute consist of Training of Trainers (ToT), Management Development Programmes (MDP), Entrepreneurship- cum-Skill Development Programmes (ESDP) and Entrepreneurship Development Programmes (EDP) etc. The research & publications, Creation &

Capacity Building of EDP Institutions, National/International Forum for Exchange of Ideas & Experiences, Developing Entrepreneurial Culture, and Sustaining Entrepreneurship are some other activities to support its main objectives.

The institute has a significant number of training centres across the country including Bihar to fulfill its main objective of entrepreneurship development. NIESBUD has the noticeable involvement in Entrepreneurship Development Programmes (EDP) and some other trainings for the self-employment in state of Bihar.

Small Industries Development Bank of India (SIDBI):-

SIDBI was established as a principal financial institution for the promotion, financing, development of industry in the small scale sector and to co-ordinate the functions of the institutions engaged in the promotion and financing or developing industry in the small scale sector and related activities. The business domain of SIDBI consists of Micro, Small and Medium Enterprises (MSMEs), which contribute significantly to the national economy in terms of production, employment and exports. In addition, SIDBI's assistance also flows to the service sector including transport, health care, tourism sectors etc.

SIDBI fulfills its objectives with help of its subsidiaries, SIDBI Venture Capital Limited (SVCL) And SIDBI Trustee Company Limited (STCL) and associates, Credit Guarantee Fund Trust for Micro And Small Enterprises (CGTMSE), India SME Technology Services Limited (ISTSL), SME Rating Agency of India Ltd. (SMERA) and India SME Asset Reconstruction Company Ltd (ISARC). SIDBI runs a portal (www.smallb.in), as an initiative taken for promoting youth entrepreneurship in the country.

Bihar State Financial Corporation (BSFC):-

Bihar State Financial Corporation was established in the year 1954 to promote Small and Medium enterprises by way of providing financial assistance. BSFC plays major role in growth of micro, small and medium industries. It provides financial assistance for setting up hotels / motels including marketing complex, nursing homes and also for electro diagnostic equipments etc. BSFC also provides financial assistance for expansion of established businesses and acts as an exchequer of the State Government. BSFC has been restructured and strengthened to meet the growing needs of entrepreneurs. It also undertakes the appraisal of projects coming up in the State with a view to raise money from the capital market.

BSFC has contributed significantly for the growth of different sectors. It provides liberal

financial assistance under special schemes like educated unemployed, composite loans to small artisans, Mahila Udyog Nidhi, etc. for creating self-employment opportunities to educated unemployed, women entrepreneurs, artisans and ex-service men.

Bihar Industrial Area Development Authority (BIADA):-

Bihar Industrial Area Development Authority (BIADA) was established under the statutory provision of the Bihar Industrial Area Development Act 1974. BIADA. It promotes and assist industrialisation and create awareness among entrepreneurs and investors about the industrial policy of the state of Bihar and also creates environment for consistent growth of industries. There are fifty in numbers of Industrial Areas (IA), Large Industrial Estates (LIE), Mega Industrial Parks (MIP), Industrial Estates (IE), Growth Centres (GC), under four regional offices of Patna, Bhagalpur, Muzaffarpur and Darbhanga.

BIADA has been working to fulfill its main objectives of promoting and developing infrastructure for industries, supporting entrepreneurs to setup industries and provide assistance & incentives and creating an investor friendly environment in the state.

Bihar State Credit and Investment Corporation Ltd. (BICICO):-

Bihar Industrial Credit and Investment Corporation (BICICO) provides term lending facilities to entrepreneurs. The basic objective is to promote and develop small and medium enterprises (SME) sector in the state with a special focus on spreading industrial culture in the semi-urban, rural and backward regions of the state. The main services of BICICO are lease finance, loan syndication, merchant banking, consultancy, support for technology and upgradation entrepreneurial skill development to the industries in the State. BICICO is operating a number of assistance schemes for the benefit of the entrepreneurs such as assistance for equipment finance, marketing activities and special assistance schemes for ex-servicemen.

Udyog Mitra (Friend of Enterprises):-

Udyog Mitra works as a promotional agency for showcasing Bihar as a potential investment destination. It provides all type of assistance in setting up industries. The main objectives of Udyog mitra are to provide single window assistance in dealing with different government departments. It acts as a consultant, facilitator and guidance centre for the investors and potential entrepreneurs in many ways. Besides providing guidance to the entrepreneurs to start units, Udyog Mitra also assists entrepreneurs through helping them to prepare project reports, and solving the problems coming in their way of establishment of industries. It also helps

the entrepreneurs in selection of the type of industry, and providing other assistance at the preliminary stage. It participates in different activities like the international trade fairs, state level industrial fairs, and organises seminars and publishes book or bulletins etc. It provides latest information on patent, design, trade marking etc. under Intellectual Property Right to the entrepreneurs. It also prepares the programmes for the training of entrepreneurs.

District Industries Centre (DIC):-

District Industries Centres (DIC) are responsible for promoting the enterprises, especially the micro, small and medium enterprises at the district level and provide all possible assistance and guidance in setting up the industrial units. The main objectives of DICs are to accelerate the overall effort for industrialization in rural and urban areas of the district for the attainment of economic equality. Economic investigation, technology up-gradation, training & education, credit facilities, marketing assistance etc. are the activities of District Industries Centre (DIC). DIC acts a focal point of district industrialization. Besides, the DIC is also involved in implementation of Prime Minister Employment Generation Programme (PMEGP) in the districts.

Bihar Industrial Association (BIA):-

Bihar Industries Association (BIA) is only non-government apex representative body of manufacturing and service sector in Bihar. BIA is a membership based organization comprises of small, medium and large scale industries and is open to any organization, institutions, associations and individual engaged in any type of industries and services. The promotion of industrial development in the state of Bihar is the main objective of Bihar Industrial Association (BIA). It also assists in maintaining the better legislative environment for the protection of industries in Bihar. It maintains the relations between industries and labour forces and works for the labour welfare. Bihar Industrial Association (BIA) also provides the support in entrepreneurship development, training, technology upgradation, research and development, information and consultancy etc. and conducts different surveys for the purpose of industrial growth in Bihar.

CONCLUSIONS AND RECOMMENDATIONS

This study was focused on the support system provided by different institutions to MSME in Bihar. The MSME- DI of the office of Development Commissioner Micro, Small & Medium enterprises (MSME – DC) plays an important role for the overall growth of MSME Sector in the country. It has been found that the entrepreneurship development and common facility centre are the two important support provided by almost all the institutions. The major

constraint of an enterprise is the lack of finance and this obstacle overcome by most of institutions except few. MSME-DI and NSIC provide support in all areas i.e. entrepreneurship development and training, financial support, technology support, marketing support, common facility centre and information & consultancy. Udyog Mitra is a helping desk which provide all information, available schemes, incentives, subsidies etc. for the development of industries in Bihar.

There are number of institutions which provide support system to micro, small, and medium enterprise in Bihar but no coordination among them. There should be a proper coordination among them through a centralized system. The support system should be simple, transparent and less time consuming. The institutions and government should encourage prospecting entrepreneurs through proper advertisements like banners, hoardings, social media advertisements etc. The government should be focused on cluster development at district level. There are huge potential for industrial development in Bihar with large number of labour forces, better road and railway connectivity, improved power supply etc. The government and policy makers should introspect the backwardness of Bihar in micro, small and medium enterprises (MSME) Sector.

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