

MSME Sector and its Major Initiatives in West Bengal: An Overview

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Abstract: *The MSME sector, which is also considered the backbone of the country's manufacturing output, is facing stiff competition from large-scale as well as multinational manufacturers. The Cluster Development Programme (CDP) was introduced by the Ministry of MSME, Government of India in 2007. The CDP acts as a protection mechanism for the second largest employment generating MSME sector. CDP is used to improve the productivity, competitiveness and capacity building of MSMEs. The aim of this study is to examine the MSME sector and its major initiatives in West Bengal. The results of the study show that MSMEs have benefited greatly from CDP and other allied activities. The results could be useful to the MSME department and its policymakers, new entrepreneurs, researchers, as well as government and academic institutions.*

Keywords: *Cluster, CDP, MSME Sector, Major Initiatives, Academics.*

Background

Over population and unemployment are two basic problems in eastern and north-east region (NER) of India. Population density in urban areas is very high. Primary sector is generating highest employment in rural India. Here role of MSMEs is extravagant to employ second highest employment and engaged to produce thousands of products across the India. Micro, Small and Medium Enterprises (MSMEs) sector has emerged as a dynamic and vibrant sector of every emerging economy. MSME sector acts as a growth accelerator and helps in overcoming poverty and unemployment. Micro enterprises are sizable portion in the MSME sector. It caters to serve the development process for growth and prosperity of this region. Indian economy can realize its dream to reach \$5 trillion economy when MSME sector flourishes optimally. This sector contributes drastically to manufacturing output, employment and exports of our country. Thus, MSME sector is considered as backbone of Indian economy. MSME sector consists of over 6 crore units employing over 11 crore people and is a significant contributor to the economic growth with over 30 per cent of contribution to GDP and over 49 per cent overall exports from India.

Problems Analysis

In the 2019-2020 Annual Report released by the Ministry of MSME, West Bengal has emerged as one of the top performers in the MSME sector, hiring 135.52 thousand people in 88.67 thousand units. Despite Covid-19 and Super Cyclone Amphan, West Bengal maintained its consistency and secured second place in the MSME sector after Uttar Pradesh. Despite their commendable contribution to the nations' economy, MSMEs are suffering from series of key issues and concerns and rigid government policies. Nature and magnitude of problems have been changing over time. One of the biggest challenges faced by the sector includes the deficiency in required financial support from banks and financial institutions coupled with high cost of credit. It has been observed that financial crisis has been shifted to lack of technological adaptation by the MSMEs. In this context, MSME clusters perform as a vehicle to achieve collective efficiency which is higher than that could be achieved at the individual level.

Conceptual Issues

Micro, Small, and Medium Enterprises Development (MSMED) Act in 2006, the enterprises are classified into two divisions.

1. **Manufacturing enterprises** – engaged in the manufacturing or production of goods in any industry
2. **Service enterprises** – engaged in providing or rendering services

The Government has introduced a new composite formula of classification of MSME. Accordingly, the ministry has removed the difference between the definition of manufacturing-based MSMEs and service-based MSMEs. As per the notification, MSMEs are classified based on the composite criteria of investment in plant and machinery and turnover.

After 14 years since the MSME Development Act, a revision in MSME definition was announced in the Atmnirbhar Bharat package on 13.05.2020 to bring more units under the purview of the schemes announced. According to this package, the composite criteria for the definition of MSME are the investment and turnover; both the investment and the turnover limit have been revised upwards. The distinction between service and the manufacturing sector has also been eliminated.

MSMED Act, 2006		
Sector	Manufacturing Sector	Service Sector
Type of Enterprise	Investment in Plant & Machinery	Investment in Equipment
Micro	Up to 25 Lakh	Up to 10 Lakh
Small	> 25 Lakh < 5 Crore	> Rs 10 lakh < Rs 2 crore
Medium	> 5 Crore < 10 Crore	> Rs 2 crore < Rs 5 crore

Revised MSME Classification, June 2020		
Type of Enterprise	Investment (Rs. In Crore)	Turnover (Rs. In Crore)
Micro	< 1	< 5
Small	< 10	< 50
Medium	< 50	< 250

Review of Literature

Satyanarayan and Misra (2001) identified chronic sickness among SSIs due to inadequate application of internal management techniques about marketing, organizing, management, financial control, and changes in decision making. The study stressed upon the effectiveness of works management, receivable management for seeking adequate control on cash flow pipeline and above all ensuring reliable scientific planning for the prevention of sickness.

Morris, et al. (2001) argued that the organizational structure of Indian banks and their processes have taken them far from task orientation and also have created a specific bias against small loan portfolios for the MSME sector.

Reddy (2003) evaluated the entrepreneurial process and identified problems of poverty, low capital base, insufficient base security needed for securing financial assistance from development agencies, complex administrative procedures, lack of awareness about government schemes, non-cooperation by officers, low repayment of borrowed in three regions of Andhra Pradesh.

Banerjee, P (2005) examined that the small firms suffered from poor managerial know how, poor access to rich factors and poor governance. This has resulted in decreasing their competitiveness. These firms, however, needs cooperation with each other and enjoy privileged access to information about other firms.

Chaudhary and Ahalawat (2014) examined financing problems of the SMEs in a study titled ‘Credit Flow of SMEs in India’. The study also highlighted on SMEs and its various socio-economic contributions like employment generation, fostering new entrepreneurship, providing volume to the industry base and contribution to national output and exports of our country.

Jaiswal, J. (2014) formulated an outline for raising the awareness connected to environmental, social, resources and energy issues. It also provides them support to availing facilities from the legislation and encourages enhancing their environmental and energy performance by elevating their skills, qualifications and training.

Dubal, Jahn timer K. (2015) in his paper on Financing of SME Firms in India identified major issues in the financing of SMEs in the Indian context. The study stressed on formalities that maintained by the banking authorities to create problems of these enterprises regarding procurement of funds and information asymmetry.

Objectives of the Study

- (i) To review of MSME problems in West Bengal and
- (ii) To analyze the major initiatives available to the MSME sector in West Bengal

Research Methodology

The study is exploratory and empirical in nature which is analyzed with the help of secondary data. Secondary data is based on existing literature on the subject including books, journal articles, and newspaper reports and MSME annual reports, and consulted various web sources.

Major MSME Problems

Fourth All India Census of MSMEs conducted by Ministry of MSME, Government of India identified the following reasons for sickness which is shown in Table 1.

Table 1: Causes of Sickness as identified in the Fourth All India Census of MSME

Sl. No.	Reasons for Sickness/ incipient Sickness	Proportion of Sick*/ incipient Sick* Units
1.	Lack of demand	41.94%
2.	Shortage of working capital	20.49%
3.	Non-availability of raw materials	5.11%
4.	Power shortage	5.71%
5.	Labour problems	5.64%
6.	Marketing problems	11.48%
7.	Equipment problems	3.17%
8.	Management problems	6.46%
	Total	100.00%

(Source: Fourth All India Census of MSME, Ministry of MSME, Govt. of India, 2006-07)

In order to overcome the problems of MSME sector, CDP (soft skills development and creation of common facility) has emerged. The CDP initiative is formulated with the objective of strengthening the institutional framework, creating stronger backward and forward linkages and introduction of modern technology to enhance the productivity and competitiveness of the enterprises in the cluster. Thus, CDP approach involves participatory diagnosis of the problems to build up synergies between institutions and entrepreneurs in the clusters.

Cluster development approach is different from the concept of development of Industrial Estates. Cluster development aims at holistic development covering wide areas like marketing, export promotion, skill up-gradation, and infrastructure and so on and may be designed to cover industrial estates as well as natural clusters, which may have evolved on their own historically at any place. The later industrial estates are largely based on infrastructure development and creation of new assets.

Major Initiatives in the MSME Sector

Cluster development programme in the MSME sector is going on with priority basis in West Bengal. The State of West Bengal is taken holistic approach of cluster development programme (CDP) for boosting up of MSMEs. MSME clusters contribute various products across the State and meet the local needs of the growing people in some regions. Cluster creates huge jobs and income for the MSME sector.

CDP initiative is formulated with the objectives of strengthening of the infrastructural framework, creating stronger backward and forward linkages with industry or technical institutions. Using of modern technology in the cluster in order to enhance the productivity and competitiveness of the enterprises. The policy adopted

involves a versatile strategy comprising of a mix of institutional (academic and technological), marketing and capacity building which can help the sector to sustain and gain growth momentum.

Apart from that, some common benefits have been provided by the MSME Department, Govt. of India and concerned State agencies, Govt. of West Bengal for overall development of working environment of this segment which shown below in Table 2.

Table2: Common benefits provided by the MSME Department and concerned State agencies

Sl. No.	Nature of Benefits	Supported by
1	Identification of Project Profiles, Techno-economic and managerial consultancy services, market survey and economic survey reports.	MSME – Development Institute, Directorate of Industries, WBSIDC
2	Land and Industrial shed	WBSIDC, WBIIDCL
3	Financial Assistance	WBIDCL, SIDBI, WBFC, UBI
4	For raw materials under Govt. Supply	National Small Industries Corporation. Ltd.,
5	Plant and Machinery under hire/purchase basis	National Small Industries Corporation Ltd.,
6	Power/ Electricity	WBSEDCL, CESCL, Durgapur Projects Ltd., Dishergarh Power Supply Company Ltd.
7	Technical Know – how	(1) IIT, Kharagpur, (2) Deptt. Of Engineering & Technology, Jadavpur University, Kolkata
8	Quality & Standard	MSME Testing Centre, Kolkata
9	Marketing /Export Assistance	(1) Zonal Joint Director General of Foreign Trade, Kolkata (2) W.B. Small Industries Dev. Corpn, Kolkata

Present Scenario of CDP in West Bengal

MSE-CDP scheme is gearing up productivity and competitiveness of the enterprises in these clusters. State Government is an important stakeholder in the MSE-CDP scheme. Government of West Bengal has been taking similar types of cluster development initiatives for generating much employment as well as income for the MSMEs.

West Bengal is dominated by large numbers of handicraft and handlooms clusters. Handicraft and handloom products are rich in the state due to long presence of traditional skilled artisans. In the face of growing competitiveness in the textile industry both in the national and in the international markets, there is growing need of adopting a flexible and holistic approach in the sector to facilitate handloom weavers to meet the challenges of globalized environment. The Integrated Handlooms Cluster Development Programme is an attempt to facilitate the sustainable development of handloom weavers across the various districts in Bengal.

Silk & Muslin Khadi have the extensive coverage of the districts of Malda, Murshidabad, Nadia, Birbhum, Bankura, Hooghly, Purulia, Burdwan. Village Industries Programme is equally important in the State. The West Bengal Khadi & Village Industries Board (WBKVIB) plays an important role in implementation of Village Industries Programme in the State.

Up to now, 23 clusters got approval from Development Commissioner, MSME, New Delhi and enterprises under these clusters have been receiving assistance from either soft interventions commonly known as trust building measures or from both soft interventions and hard interventions commonly known as common facility centre (CFC).



Sal Leaf Plate Unit



Dokra Unit

(Source: West Bengal Khadi & Village Industries Board)

Concluding Observations

CDP in West Bengal is very much effective. It is found that cluster MSME sector has been built-up their individual capacity in terms of productivity and competitiveness. Therefore, CDP in the MSME sector as a whole is effective. However, conducting seminar and workshop at regular intervals are induced to build up confidence level of the beneficiary units and adoption of sophisticated technology is also being enhancing competitiveness of the MSMEs. Based on literature review, specific observations may be summed-up below:

- Legal entity like special purpose vehicle (SPV) formation is a crucial step for enhancing capacity building and synergy.
- Exposure visits to model clusters is a constructive technique to strengthen their capacity building of the MSMEs and
- Industry and academia's involvement in a cluster is an excellent initiative for increasing capacity building of the beneficiary units.

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