

Analysis of the Indian Government's Support for the Development of Medium, Small, and Micro Enterprises

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Abstract. The rapid growth of the Indian economy would be impossible without micro, small and medium-sized enterprises. The Indian government enacted a series of supporting policies with counterpart funding in succession and implemented many quality infrastructure development facilitation programs to make full use of the technical superiority of the national quality infrastructure, improve the quality of products and services and promote the healthy development of small and medium-sized enterprises with a view to promoting the development of micro, small and medium-sized enterprises and increasing corporate competitiveness. This paper, through an analysis of the experiences and serial practices of the Indian government in promoting the development of micro, small and medium-sized enterprises, provides a point of reference for China's quality infrastructure to support SMEs and create a good business environment.

1. Introduction

The rapid growth of the Indian economy would be impossible without micro, small and medium-sized enterprises ("MSMEs"). In the entire industrial system, MSMEs account for over 80% of India's total industrial enterprises, 45% of the total manufacturing output and 40% of the total export, producing over 8,000 value-added products and having over 60 million employees. The outstanding contributions of MSMEs to the national industrial production, import and export, economy and employment would be impossible without a series of quality infrastructure support programs implemented by the Indian government.

2. Evolution of the Indian government's policies supporting MSMEs

From the beginning of the Indian independence to the 1990s, the government provided extensive policy support for MSMEs, including technical consulting, tax cut, technical assistance, credit preference, targeted procurement and other policy measures, the implementation of which allowed the number of MSMEs at that time to grow dramatically and remarkably increased the survival rate of small and micro enterprises. In the late 1990s, as the market economy was fully opened up, increasing the competitiveness of MSMEs became a common issue facing the Indian government and the corporate sector. During this period, the Indian government began gradually revoking some unreasonable overprotective measures and made gradual adjustments to policy measures in light of the reality of MSMEs.

In 2006, the Indian government enacted the MSME Development Act, clearly defining MSMEs for the first time and defining the scale of manufacturing enterprise and service enterprise separately. In addition, this act also readjusted the service organizations of MSMEs.

On May 9, 2007, the Ministry of Micro, Small and Medium Enterprises was established. As the leading body in collaborative service of MSMEs by the quality infrastructure, the Ministry of MSME's functions include MSME quality development policy design, promoting the implementation of the quality infrastructure-related programs, monitoring the implementation of the programs, supporting technical innovation and providing technical consulting and assistance to MSMEs, creating conditions for product sales of MSMEs, actively expanding overseas markets, enacting delayed payment act and increasing the amount of unsecured loans.

On August 2, 2009, the Indian government established an MSME task force led by the Indian

Prime Minister personally, providing detailed suggestions concerning the issues facing and concerning MSMEs. Suggestions cover market, infrastructure, labor force, policy improvement, credit, technology and skills development and taxation, among others.

On April 20, 2015, to adapt to the changing economic environment at home and abroad, the Indian government once again revised its MSME Act, brought forward the “MSME Development (Revised) Act” and increased financial input into SMEs, allowing MSMEs to better adapt to market changes and obtain good benefits.

3. National Manufacturing Competitiveness Programme

India’s National Manufacturing Competitiveness Programme (NMCP) is a program intended to safeguard the healthy development of MSMEs and increase the corporate competitiveness, formulated and announced by the Indian government in 2005 and implemented by the Ministry of MSME established by the Indian government.

The NMCP program unfolds surrounding the lean production, technology and quality upgrading, quality management standards and quality and technical tools, SME design and diagnosis plan, information communication tool rollout, MSME marketing assistance, intellectual property awareness-raising campaign and industrial incubator, providing Indian MSMEs with one-stop, specialized support and services in the fields of quality, technology and others. In terms of project management and implementation, the Ministry of MSME formed a three-level organizational management model for the NMCP program by coordinating the expert teams and specialized institutions inside the system and establishing partnership with external entities: the first level is the review steering committee responsible for policymaking and plan implementation and monitoring and consisting of the Development Commission Office of the Ministry of MSME; the second level is the Ministry of Supervision and Implementation responsible for implementation and supervision of various activities of basic quality and technical services at the national level and consisting of the Quality Council of India and state-level organizations/associations with respect to quality management; the third level is advisory committees and implementing agencies operating under the national supervision and implementation department, responsible for basic implementation activities about quality and technology at the regional level and providing consulting and assessment services to corporate clusters.

The conduct of the NMCP program effectively responded to the daunting challenge of a massive influx of overseas companies to the domestic market due to the Indian economic reform, alleviating the pressure from global market competition and creating a favorable environment for the development of Indian MSMEs in terms of quality and technology. From the implementation of the NMCP program to date, MSMEs account for over 80% of India’s total industrial enterprises, 45% of the total manufacturing output and 40% of the total export, becoming an important part of India’s manufacturing sector. In addition, the demand for Indian MSMEs for the services provided by this program continues growing and the utilization rate of quality infrastructure grows year by year, bringing increased actual benefits to MSMEs year by year. In 2014~2015, through the quality and technical services provided by the NMCP program, the gains of Indian MSMEs were 319 million rupees; in 2015~2016, such gains increased to 363.7 million rupees; as of 2017, such gains were 471.3 million rupees. Table 1-8 indicates the actual gains brought by this program to Indian MSMEs over the past three years.

Table 1 Gains from the NMCP program

Actual gains (10 million rupees)	Year
31.90	2014~2015
36.37	2015~2016
47.13 (as of December 2016)	2016~2017

4. ZED Program

In his speech at the 68th Independence Day Celebration of India, Indian Prime Minister Narendra Modi pointed out that India's industrial sector, especially MSMEs, needs to manufacture products without defect and negative environmental impact and domestic and overseas companies are encouraged to open factories in India to help India become a manufacturing power. In 2015, the Quality Council of India (QCI) established the Zero Defect Zero Effect (ZED) program, also known as ZED program, in response to the Indian manufacturing sector's goal of "zero defect and zero effect".

The ZED program is a comprehensive system of quality infrastructure assessment, certification and rating, including the maturity assessment model, certification and rating and industry quality awareness raising, among others. The implementation of this program is intended to make MSMEs aware of zero defect and zero environmental impact through quality and technical assessment; establish a "zero-defect manufacturing" ecosystem; promote the use of high-quality technical tools to enable MSMEs to produce high-quality products; encourage MSMEs to continuously optimize and update product quality, technological process and related quality and technical standards; drive the energy-saving manufacturing, reduce wastage and increase corporate productivity. The maturity assessment model provides quality infrastructure assessment to companies in terms of production management, quality management, design management, safety management, environmental management, energy management, natural resources management, human resources management, intellectual property management and performance management. Its indicators cover comprehensive quality assessment indicator parameters of Indian MSMEs, including quality management system or quality and technical tools, lean manufacturing competitiveness program, clinical design, technology and quality upgrading and establishment of intellectual property awareness, in addition to specific model indicators for different sectors based on the unique operating conditions of each sector.

The implementation of the ZED program further drives Indian MSMEs to intensify quality efforts and focus on quality of products and services, reducing quantities of defective products, intensifying the production process and the testing technologies for nonconforming products, as well as increasing the corporate competitiveness through assessment and management of production process design, quality maintenance and environmental benefits. The rating results should be used in conjunction with multiple incentive policies to enable MSMEs to more easily acquire bank loans, creditable and reliable supply data and the opportunities to work closely with benchmark companies. The ZED program is now at its initial stage, where 25,873 MSMEs have participated in the publicity and implementation projects, 20,748 companies have signed up for ZED program, 2,676 companies have completed the self-assessment and 63 MSMEs completed the ZED certification and licensing according to the current official statistics.

5. Make in India

Make in India is a comprehensive program launched by the Indian government on September 25,

2014, to drive Indian manufacturing sector forward, with a view to building India into a manufacturing power by building first-class manufacturing infrastructure, driving the high quality and new technology, promoting innovation and entrepreneurship and facilitating investment. This program has identified 25 critical fields, including aviation, aerospace, auto parts, auto industry, biotechnology, chemicals, construction, defense manufacturing, motor, electronic system design and manufacturing, food processing, IT, leather, media and entertainment, mining, oil and gas, pharmaceuticals, port, railway, road and highway, renewable resources, textiles, thermal power generation, tourism and medical industry. It involves formulating technical solutions from the perspectives of policy initiatives, fiscal incentives, infrastructure construction, business environment, R&D innovation and skills development, implemented by the Department of Industrial Policy and Promotion in a coordinated manner.

The contents of Make in India can be summarized as “five tasks” and “four pillars, where five tasks are enhancing skills, driving innovation, attracting investment, protecting intellectual property and searching high-level manufacturing infrastructure; the four pillars are new capital construction, new process, new department and new concept. The new capital construction means manufacturing infrastructure construction and its upgrading and renovation, including quality infrastructure construction for such emerging industries as modern communications and integrated logistics, construction of modern industrial corridors and smart cities as well as specialized quality and technical teams competent for industrial technical requirements; the new process means ‘de-licensing’ and “deregulation” of business creation and operation, i.e., simplifying the business running procedure, which is regarded as the most important way to cultivate the entrepreneurship; new department means significantly opening up such fields as military industry, construction and railway to foreign companies; the new concept involves changing the mode of government-business relationship, i.e., the government is not only the manager of companies but also the service provider and question answerer for companies.

The implementation of the Make in India program has yielded considerable results. According to the Indian central bank’s data, the growth rate of Indian manufacturing sector was 5.5% and 9.3% in 2014-2015 and 2015-2016 respectively, as opposed to 5.6% in 2013-2014. Compared with other sectors, the growth rate of its manufacturing sector in 2015-2016 was only second to that of the financial, real estate and specialized service sector (growth rate of 10.3%) and the added value of the manufacturing sector accounted for 17.5% of the GDP, a level unchanged from the previous two years. In 2014-2015, foreign direct investment inflow increased by 48% compared with the same period of 2013-2014. According to the assessment results contained in the World Bank report “Doing Business 2018: Reforming to Create Jobs”, the ranking of India’s business environment rose by 30 spots.

6. Conclusion

Both India and China are major developing countries, sharing similarities in terms of population, stage of economic development and other aspects. At present, China faces a critical period of the need to develop emerging industries and transform traditional industries, in which the quality infrastructure supports the steady development of all sectors as an important technical means and serves as the foundation for China’s economic restructuring and upgrading. India’s successful experiences in promoting the quality infrastructure can provide a very good point of reference for establishing and improving China’s quality infrastructure, supporting SMEs to grow and creating a favorable business environment.

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