



## Policy initiatives towards efficacy of MSMEs in Andhra Pradesh

Chiruvoori Ravi Varma, Research Scholar, Department of Management Studies  
Andhra University Campus, Kakinada

### Abstract:

An attempt is made in this article to present the government role in promotion and development of MSMEs and SMEs in Andhra Pradesh –policy initiatives. With the view of the role of MSMEs, the primary responsibility of promotion and development is of the State Government. GoAP aims to give fillip to the MSME sector to facilitate inclusive growth and development. The objectives are to provide eco-system to encourage MSMEs and attract new investments into the sector. Among the strategies to be pursued for accelerating growth of SMEs, a few prominent ones are presented.

**Key words:** primary responsibility, promotion, development

### Introduction

With the view of the role of MSMEs, the primary responsibility of promotion and development is of the State Government. However, the Government of India, supplements the efforts of the State Government through various initiatives.

<sup>1</sup>. The schemes / programmes undertaken by the Ministry and its organizations seek to facilitate/ provide- i) adequate flow of credit from financial institutions/ banks, ii) support for technology upgradation and modernization, iii) integrated infrastructural facilities iv), modern testing facilities and quality certification; v) access to modern management practices vi), entrepreneurship development and skill upgradation through appropriate training facilities vii) , support for product development, design intervention and packaging viii), welfare of artisans and workers, ix) assistance for better access to domestic and export markets and x), cluster-wise measures to promote capacity-building and empowerment of the units and their collectives.

The role of the MSME and its organizations is to assist the States in their efforts to encourage entrepreneurship, employment and livelihood opportunities and enhance the competitiveness of MSMEs in the changed economic scenario

### Frame Work towards development of MSMEs

A major and accelerating trend observed in the last one decade has been the role that innovation is playing in driving the growth and expansion of small businesses. Several factors are playing a role in this. Various stakeholders have been advocating a MSME Policy for India. It would be noticed that in India, with some honourable exceptions, policies are concentrating on Regulatory Regime and Subsidy Frameworks. Some additionalities would be noticed in various States depending on their own needs. To enable Indian service enterprises to become global players, to prescribe for providing basic minimum level of standards, to set up Skill Development Centres which teach these standards and should there be a regulatory framework are points need to



be addressed in framing MSME Policy of the country. The major elements of the Policy should be the following<sup>2</sup>.

**Start-up Regime Framework:** There is a need to encourage entrepreneurship in the country by providing a suitable eco system for startups for creating new enterprises both in Manufacturing and Service Sector.

**The Regulatory Regime Framework:** The Regulatory Regime framework is required, but, should not become a crippling regime to discourage growth. It should also have automatic approval based on a robust IT back bone.

**The Subsidy Regime Framework:** The subsidy may be on a sliding scale and of a varying nature. Thus for a start-up regime, he may be required a subsidy.

**The Promotional Scheme Framework:** What steps should be taken by the Government to promote the successful businesses to attain the next level or the next cycle of growth.

**New Product Development Framework:** steps and elements to be taken to help the industry develop new product.

**The Value Addition Mechanisms and Framework:** By increasing value addition, the total return to the Indian industry would increase substantially and they would become more globally competitive.

**Knowledge & Innovation Framework:** Ministry of MSME has already taken steps to unlock this knowledge base and make it available for the industry.

**Manufacturing and Services “Excellence” Framework:** It should be the element helping the Manufacturing and Service “Excellence” Framework.

**Export Promotion and Marketing Framework:** If the Indian industry has to grow, it must start exporting more and tapping existing as well as new markets. Several elements already exist in the ongoing schemes of Department of

Commerce, Ministry of Commerce and Industry.

**Financial Regime Framework:** The high interest rates often make an otherwise internationally competitive MSME loose with competitive edge. On the other hand, a broad debt is available at the very low rate of interest. Should the Government consider a mechanism of pooling the needs of MSMEs and acting as an intermediary for providing debt at international prices (but including exchange risk coverage) to MSMEs.

**Resources Provisioning Framework:** Human resources are a key for any MSME. On one hand we have a demographic dividend; on the other hand, we have a situation where industry complaints of not getting adequate trained labour.

The forthcoming chapter deals the policy frame work regarding MSMEs in India.

**SMEs in Andhra Pradesh –policy initiatives**

Until June 2, 2014 as the appointed date for the bifurcate state in to the united Andhra Pradesh (Telangana and Seemandhra) was the largest state in the southern peninsular region, with an area of 2,75,100 sq kms and a coast line of 974 kms. Based on the physical features, the State is divided into three regions - Eastern hills, the coastal plains and peninsular plateau. Godavari, Krishna, Pennar and Vamsadhara are the major rivers flowing through the state. The state has 23 (twenty three) districts, with 9 districts in the coastal area, 10 districts in the Telangana area, and 4 districts in the Rayalseema region. Even though the state was dived into two states as Andhra Pradesh and Telanga in 2014, data for MSME has not shown separately by the State governments of the both state. The study was confined to undivided state of



Andhra Pradesh and the period is also confined to 2014.

The industrial sector has gained in strength slowly but surely in many ways over the last decade or so. This has become possible due to proactive role of the State, viz., effective policy implementation including single window clearance and incentives, establishing world class infrastructure and most important, making available power at the cheapest industrial tariff, thereby releasing entrepreneurial energies in private as well as public sector.

#### **Department of Industries, 1960**

The Department of Industries was established in 1960 with the objective establishing Cottage and Small Scale Industries, Industrial Co-operatives and extending credit to artisans. Block-level training-cum-production centers, Rural Artisan Complexes and Guilds were established for giving necessary training to the artisans in rural areas. The Department was transformed into a technical and promotional agency for providing necessary assistance and service for establishment of industries. The Department has implemented several self-employment schemes promoted by State and Central governments for educated unemployed youth. The Department has rendered its services to other government agencies, like DRDA, Youth Services, STEP Societies, SC/ST/BC/Minorities/Women's Finance Corporation, etc., by providing necessary technical guidance. The Department is now entrusted with the task of attracting investments (domestic as well as foreign) by preparing suitable policies for various sectors of the industry, to explore the availability of resources, to provide conducive industrial

environment, to increase in labour intensive industries and to improve the exports by providing market inputs to exporters.

The Department is concentrating on development of key sectors like pharmaceuticals, biotechnology, food processing, agro-based, chemicals, leather, textiles, precision components, aero-space engineering, electronics, semi-conductors, automobile and auto-components to accelerate the industrial growth in the State. It is achieved by creating sector-specific industrial infrastructure such as biotech parks, textile parks, leather parks, auto parks, fabcity and hardware parks.

#### **District Industries Centers:**

District Industries Centers were established in 1978 to serve as the nodal agency in the districts to assist the entrepreneurs for establishment of the Industries. The District Industries Centers are entrusted with the responsibility of providing all approvals/clearances needed for setting up an industry under single window. The District Industries Centers are implementing agencies of MSMED Act and issue Entrepreneur Memorandum (EM) for Micro, Small and Medium Enterprises (MSME) besides maintaining effective liaison with various financial institutions in arranging required credit facilities. The District Industries Centers maintain all the data pertaining to the industrial development of the district.

#### **Single Window Act:**

Government has enacted "Industrial Single Window Clearance Act" in 2002 for speedy processing and issue of various approvals/ clearances/ permissions required for setting-up of industrial



undertakings and also to create an investment friendly environment in the State. Statutory time limits have been prescribed for various departments and concept of deemed approvals have been introduced under this Act. Since the beginning of the Single Window Act, 70,302 clearances were issued under single window in respect of 40,129 units (Micro, Small, and Medium and Large units) with a proposed investment of Rs.2, 32, 958 crore and an employment potential of Rs.9, 40, 869 as on 30-09-2009. The District Industries Centers (DICs) have been delegated the powers to process the proposals up to Rs.5.00 crore investment in plant and machinery in District Single Window Clearance Committee (DSWCC).

#### **Micro, Small and Medium Enterprises Development Act 2006**

The Micro, Small and Medium Enterprises Development Act 2006, provides for constitution of Micro and Small Enterprises Facilitation Council by State Governments in their State for redressal and recovery of amount due to delayed payments. APMSE Facilitation Council, a quasijudicial body, provides impetus towards facilitating the payments to MSEs from their buyers<sup>3</sup>. The MSME sector in Andhra Pradesh manufactures a variety of products with a high concentration of Micro and Small units belonging in the Sectors of food, mineral and building materials, drugs and pharmaceuticals, fabricated materials, trading and service sector. Andhra Pradesh has identified development of MSMEs as a catalyst for job creation and balanced regional development.

GoAP aims to give fillip to the MSME sector to facilitate inclusive

growth and development. The objectives are to provide eco-system to encourage MSMEs and attract new investments into the sector. Among the strategies to be pursued for accelerating growth of SMEs, a few prominent ones are presented under. Cluster development, export potential, and promoting complementary between small, and medium and large units can be the directions for fostering speedy growth. Another dimension is focusing on emerging and high value added product lines to create wealth.

A few emerging areas indicated for the State are: drugs, pharmaceuticals, information technology (IT and IT enabled services and business process outsourcing – BPO), bio-technology, nanotechnology, leather, textiles, garments, electronic hardware and telecommunication equipment, agro and food processing, and mineral-based product lines, gems and jewellery, apparel parks, etc. Cluster approach for modernisation, and overall planning for a group of enterprises in product lines which have the potential for development is being practiced in many locations in the State, on the pattern being followed in other parts of the country. This will also result in greater degree of dispersal of industries in smaller towns, apart from growth centres which are reasonably well developed in earlier years. A few product lines in this category for cluster approach in the State are: cashew processing, mango jelly, fruit canning, biscuits and confectionery, marine foods, brass metal works, cast brass hardware, aluminium utensils, steel furniture, automobile industry, agricultural implements, ceiling fans, distribution transformers, wooden toys, steel rolling mills, wooden furniture, etc.



**Export Promotion Industrial Parks (EPIPs), Software Technology Parks (STPs), and Special Economic Zones (SEZs) in Andhra Pradesh**

Among the programmes of infrastructure development initiated by the Union Government with focus on exports, Special Economic Zones (SEZs) is a recent phenomenon in the country, with its earlier programmes known as Export Processing Zones (EPZs) and Export Promotion Industrial Parks (EPIPs), and 100 per cent Export Oriented Units (EOUs). All infrastructure programmes implemented with export orientation are known as Export Promotion Industrial Parks. Programmes other than SEZs implemented in recent years are recalled first stating the position at the end of December 2011. This is followed by a detailed presentation of SEZs with district-wise and product group-wise break up at the end of July 2012. The presentation in respect of all these programmes is in greater detail for Andhra Pradesh with the All India position in the background<sup>4</sup>.

**Vision 2020 document:** The Vision 2020 document for Andhra Pradesh<sup>5</sup> envisages a growth rate of 10.3 per cent per annum gross state domestic product (GSDP), and a nine-fold increase in per capita income over a period of 25 years (1995-2020).

**Industries investment promotion policy 2010-2015**

The State considers industrial growth as a means to mitigate poverty and unemployment. Industrial development promotes higher capital formation; raises wage incomes to higher levels; and

absorbs surplus workforce, bottled up in rural areas, to industry. To realize these benefits and hasten up the socio-economic changes, industrial development is accorded top priority by the State Government. The Andhra Pradesh "Industries Investment Promotion Policy, 2010-15 (IIPP 2010-15) is aimed at "advancing the cause of inclusivity, distributive justice, and creating employment opportunities across different skill sets". The strides made under IIPP 2005-10 during the past five years have been truly outstanding and the state had implemented an investment of Rs. 40,120 Crores providing employment to 4,57,900 people. Of which, Rs. 29,152 Crores pertains to Large Scale Sector and the remaining Rs. 10,968 Crores pertains to MSME's sector<sup>6</sup>.

**Andhra Pradesh MSME Policy 2015-20**

The Andhra Pradesh MSME Policy 2015-20 is aimed at "establishing state-of-the-art infrastructure, advancing inclusivity, fostering innovation and creating employment opportunities across different skill sets. The MSME sector in AP manufactures a variety of products. There is a high concentration of micro and small units in the food sector, mineral and building materials sector, drugs and pharmaceuticals, fabricated materials, trading and service sector. GoAP will create a fund of Rs. 100 Cr in FY 2015-16 to support the revival of MSMEs across the State. The fund should be specifically utilized to achieve the goals of speedy revival, additional employment generation, enhance market linkages and discipline the management of MSMEs to create a robust Eco-system.

**Conclusion**



The State considers industrial growth as a means to mitigate poverty and unemployment. Industrial development promotes higher capital formation; raises wage incomes to higher levels; and absorbs surplus workforce, bottled up in rural areas, to industry. To realize these benefits and hasten up the socio-economic changes, industrial development is accorded top priority by the State Government. The industrial development in Andhra Pradesh has been witnessing a downward trend and declined from 7.7 per cent during 2011-12 to 0.73 per cent during 2012-13. The registered manufacturing sector recorded a steep decline in its growth rate from 9 per cent to a negative growth of 4.2 per cent. Even the unregistered manufacturing sector recorded negative growth rate during the year 2012-13 making the combined manufacturing sector growth rate negative. Severe power crisis faced by the industrial sector for more than 20 months coupled with high input costs, inflation, high interest rates, delay in implementation of projects and the global economic slowdown are the primary causes for the marginal performance of the industrial sector. The steep fall in rupee value too added to the woes.

---

<sup>4</sup> *Annual Reports of 2011-12* of the Department of Electronics and Information Technology, Department of Commerce, Ministry of Food Processing Industries, and Ministry of Textiles, Government of India, New Delhi

<sup>5</sup> Government of Andhra Pradesh, Planning Department (2001), *Andhra Pradesh – Vision 2020*, Hyderabad

<sup>6</sup> Govt. of Andhra Pradesh, IIPP -2010-2015, Commissioner OF Industries. AP

---

<sup>1</sup> Rose, Kalima, "Where Women are Leaders – The SEWA Movement in India", Zed Books Limited, London, 1996

<sup>2</sup>[http://msme.gov.in/WriteReadData/What new/MSME%20Policy%20final%20document.pdf](http://msme.gov.in/WriteReadData/What%20new/MSME%20Policy%20final%20document.pdf)

<sup>3</sup> Socio economic survey (2015-16), Govt. of Andhra Pradesh, P.93