

An Overview of Msme Policy of Andhra Pradesh and its Implications on Msme Sector

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Abstract

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. According to National Sample Survey (NSS) conducted by National Sample Survey Office, Ministry of Statistics & Programme Implementation during the period 2015-16, there are 33.87 lakh Micro, Small and Medium Enterprises in the state of Andhra Pradesh, with an over all share of 5% in the Nation's MSMEs. Andhra Pradesh Government has identified development of MSMEs as a catalyst for job creation and balanced regional development. In this direction, it has introduced its recent MSME policy keeping in view the problems that MSMEs are facing. Hence, an attempt is made in this paper to explain the various general incentives, marketing assistance initiatives, land related incentives, measures taken for addressing sickness and other measures provided by the Government of Andhra Pradesh for strengthening MSMEs in Andhra Pradesh through its policy.

Keywords: MSMEs, Incentives, Marketing assistance, Sickness, Felicitation Desk.

Introduction

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. According to National Sample Survey (NSS) conducted by National Sample Survey Office, Ministry of Statistics & Programme Implementation during the period 2015-16, there are 33.87 lakh Micro, Small and Medium Enterprises in the state of Andhra Pradesh, with an over all share of 5% in the Nation's MSMEs. At current prices, Andhra Pradesh's Gross State Domestic Product (GSDP) was Rs. 9,72,782.11 crore (US\$ 138.19 billion) for 2019-20 as opposed to Rs. 8,62,957.08 crore (US\$ 126.1 billion) for 2018-19. The government is striving towards creating quality infrastructure, coupled with congenial industrial environment in the state, to make AP an attractive destination for both domestic and foreign investors. MSMEs in Andhra Pradesh are facing a number of problems like sub-optimal scale of operation, technological obsolescence, supply chain inefficiencies, increasing domestic and global competition, fund shortages, change in manufacturing strategies and turbulent and uncertain market scenario. Andhra Pradesh Government has identified development of MSMEs as a catalyst for job creation and balanced regional development. In this direction, it has introduced its recent MSME policy keeping in view the problems that MSMEs are facing.

Review of Literature

Cecile Carpenter and Jean Marc Suret (2005) reviewed the taxation policy introduced by the government for the progress of the MSME sector. They suggested that there is an urgent need to introduce more result-oriented measures. Jogendra Kumar Nayak et al (2006) studied the perceptions of managers regarding outsourcing and the impact of outsourcing in small and medium enterprises. Prof. B.Appa Rao (2007) had done a survey on policy framework of SMEs sector. He found that the incentives that are offered by the selected countries towards promotion of SMEs are mainly in the form of tax reliefs, subsidies, soft credit facilities, preferential treatment in government policies etc. T. Gopi (2009) examined the promotional policy measures for the development of small entrepreneurs from time to time. Anthony K. Ahiawodzi and Thomas C. Adade (2012) had developed an econometric model to examine the impact of various factors on the development of the MSME sector. Bhoomika Garg (2014) has highlighted the challenges that the Indian MSME sector is facing along with the government policy considerations. Ashu Katyal and Betsy Xaviour (2015) held the view that MSME sector has greater role for the overall economic development in India. They also said that MSMEs have the capacity to absorb low skilled workers who are otherwise left unemployed. Dr.Venkateswararao.Podile, Siva Sree. Chinta and Prof. SuryachandraRao.D (2017) examined comprehensively the various schemes introduced by the Government of India for the development of MSMEs. It is found that there was no study which dealt with recent MSME policy of Government of Andhra Pradesh.

Objectives

The main objective of this paper is to examine the MSME policy of Andhra Pradesh as a whole and to ascertain its implications. The specific objectives are the following

- a. To explain various general incentives provided by the Government of Andhra Pradesh to MSMEs through its recent MSME policy.
- b. To provide information relating to marketing assistance initiatives.
- c. To describe the land related incentives provided to MSMEs of Andhra Pradesh.
- d. To elucidate the measures of the Government of Andhra Pradesh for addressing sickness of MSMEs.
- e. To explain the purpose of creation of Felicitation desk for supporting MSMEs in Andhra Pradesh.
- f. To spell out other measures initiated by the Government of Andhra Pradesh for strengthening MSMEs.

Methodology

The study namely “An overview of MSME policy of Andhra Pradesh –and its implications on MSME sector” is a descriptive study. An attempt is made to review the existing literature on MSMEs. After extensive survey of the literature, it is found that there was no study which dealt

with recent MSME policy of the Andhra Pradesh Government. Hence, an attempt is made to explain the various general incentives, marketing assistance initiatives, land related incentives, measures taken for addressing sickness and other measures provided by the Government of Andhra Pradesh for strengthening MSMEs in Andhra Pradesh.

General incentives for the MSMEs

The following incentives were offered to MSMEs by the Government of Andhra Pradesh

1. **Stamp Duty Reimbursement:** Stamp duty and transfer duty paid by the MSME for purchasing or leasing of land meant for industrial use is being reimbursed by Hundred percent. Stamp duty paid by the MSME for leasing of shed or buildings, mortgages and hypothecations is being reimbursed by Hundred percent. All the reimbursements are being done within six months.
2. **Tax Reimbursement:** Hundred percent Sales taxes paid in any form are being reimbursed for a period of five years from the date of commencement of commercial production for micro and small Enterprises. Seventy Five percent Sales taxes paid in any form is being reimbursed for a period of seven years from the date of commencement of commercial production or up to realization of hundred percent fixed capital investments, whichever is earlier.
3. **Power at Subsidy and Continuous Supply:** Andhra Pradesh is one of the states selected for the “power for all” scheme of the Central Government. This scheme ensured quality and reliable power supply round the clock in the State. Power is being provided at the rate of Rs.1 per unit to MSMEs for a period of five years from the date of commencement of commercial production. The MSMEs generating power from captive power plant are not eligible for the power subsidy.
4. **Subsidy in Fixed Capital Investment:** Micro and Small enterprises are provided with fifteen percent investment subsidy on fixed capital investment subject to a maximum of Rs. 20 lakhs. Investment subsidy was also extended to the identified service activities.
5. **Seed Capital Assistance:** Seed capital assistance is offered to the extent of ten percent of the Machinery cost for First Generation Entrepreneurs to set-up Micro Enterprises. This assistance will be deducted from the eligible investment subsidy.
6. **Support for Skill Up Gradation:** Government of Andhra Pradesh identified the quantum requirement of skilled manpower, industry specific skill sets required and provided courses at different levels of education. The Government reimburses fifty percent of the cost involved in skill up gradation and in training the local manpower for 10 persons in micro and 20 persons in small and medium industries. The support is limited to Rs.5000 per person.

Marketing Assistance Initiatives

1. Andhra Pradesh Government provided financial assistance to MSME associations for funding market studies, market creation efforts, quality improvement effort and disseminating this information to MSMEs.

2. District Industries Centers hold bi-annual meets of MSME and also invite large companies to facilitate a strong network between MSMEs and them.
3. Andhra Pradesh Government appointed a consultancy to conduct sector or district-wise study to identify possible specific clusters based on development of MSMEs, to identify potential upstream and downstream linkages in each Cluster, to create an enabling framework for effective tie-ups with MSMEs in developed countries like China, Japan and Singapore and to create an enabling framework for mapping skill inventories with upcoming Industrial demand and methodology to augment the same.
4. Andhra Pradesh Government leveraged the Public Procurement Policy of Government of India for Micro and Small Enterprises, which mandates the ministries, departments and Public Sector Undertakings to procure minimum of twenty per cent of their annual value of goods or services from MSMEs and Andhra Pradesh Government had taken all necessary steps to create a base of MSME suppliers in Andhra Pradesh.

Land Related Initiatives

1. Andhra Pradesh Government reserved fifteen percent of total area of land for MSMEs in any two of developed industrial parks of APIIC in every district, which will not be less than 40 acres of developed land in every district
2. Andhra Pradesh Government reimburses twenty five percent of land conversion charges for industrial use up to a limit of Rs.10 lakhs.
3. Andhra Pradesh Government provided twenty five percent rebate in land cost up to a limit of Rs.10 lakh in industrial estates or parks.
4. The Government allocated 15 percent of plots to SC entrepreneurs, 5 percent of plots to ST entrepreneurs, 20% to BC classes and 5% to the Minorities out of the land reserved for MSME's.
5. The Government allocated 10 percent of plots to women entrepreneurs out the land reserved for MSMEs.

Measures for Addressing Sickness of MSMEs

1. The Government has constituted the Andhra Pradesh Micro and Small Enterprises Facilitation Council to prevent sickness of MSMEs on account of delayed payments by the government.
2. DICs hold regular meetings in association with all the concerned departments every month in each Industrial estate or cluster or IDA, to understand the issues faced by MSMEs. Such issues will be brought to the notice of DIPC for resolution. The issues which require Government intervention will be forwarded to the Director of Industries by DIPC.
3. State Level Inter Institutional Committee (SLIIC) and sub-committee are constituted under the chairmanship of the Director of Industries for revival and rehabilitation of sick units with the cooperation of bankers. SLIIC identifies the sick units for revival and rehabilitation

while the sub-committee looks into the problems of individual sick MSE units and submits its recommendations to SLIIC for consideration.

4. State Level Bankers' Committee (SLBC) is formed to discuss measures for revival of sick units

Creation of Facilitation Desk

Andhra Pradesh Government as per the policy constituted an MSME Facilitation Desk to provide one-stop solution to all MSME related queries or grievances. A helpline was also established for ensuring better reach and coordination between the Government and the MSME sector. This Desk is envisaged to play a crucial role in identifying incipient sickness.

Other Measures

Other measures include helping MSMEs in quality certification, assisting in patent and trade mark registration, instituting awards for MSMEs both at district or state levels on the basis of highest growth in production and profit, quality improvement measures, environment improvement measures, innovation and new product or process or technology development, employment generation and on the basis of innovation and productivity. Other measures also include establishing a dedicated MSME Park in each district up to an extent of twenty five acres with common infrastructure like roads, industrial water supply, power, effluent treatment plant, increasing the credit flow to MSME sector, relief in energy charges, creating a fund of Rs.100 crores to support the revival of MSMEs across the State.

Conclusion

To conclude, Andhra Pradesh Government had taken several measures in its recent MSME policy to provide a conducive eco-system for encouraging MSMEs and for attracting new investments into the sector. The measures taken definitely enhance competitiveness of the sector, make Andhra Pradesh as one of the most preferred destinations for MSMEs, attract new investments, and create additional employment opportunities as expected by the Government.

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