



India- MSMEs Under Co operative Federalism

1.0. Introduction

In order to understand the Indian reality of small enterprises, and to plan and strategize for them, one need to have a decentralized view of how the entrepreneurial base and the enterprise story in the States, regions, and hubs of enterprise activity. As in 2015, the MSME scene in the States need to be examined in relation to the significant changes in the policy perspectives, under the new government that came into power in May 2014. The new policy perspective is that, India has outlived the context of a planning era, and therefore, the State level programs and policies need to be largely autonomous, without any major direct intervention by the Union government. While the Union government has some broad national priorities, which get reflected through its flagship programs, at the State level, it is the responsibility of the State governments to situate them according to the local needs and conditions. While, the Planning Commission was a central body providing some form of uniformity to national programs and their funding , the new organization, Niti Aayog, assumes a more independent role as a think tank. Such a paradigm shift necessitates the State governments to articulate their need for enterprise development, have an appropriate knowledge base, and to evolve appropriate policies and strategies around that.. The purpose the following discussion is three-fold: First, it seeks to understand the MSME ecosystem in the states. Secondly, it examines the new initiatives by the States. Thirdly , it outlines the challenges and opportunities for particular States, against the emerging policy paradigm and priorities.

2.0.Cooperative Federalism : The New Paradigm

While the role of the Niti Aayog is yet to be concretised in terms of its activities under its various departments, the broad perspective is that it should not interfere with the development priorities as laid down by the State governments. At the operational level, the imperatives in this context are two fold : 1). The State level data system on enterprise development need to be strengthened ; and 2). such data system must be in alignment with the needs of shaping public policy and strategies. This necessitates a realistic understanding of the concept of co operative federalism.

2.1. Political Dimension

The concept of 'cooperative federalism' evolved in the 1930s as a process of enforcing federal laws and programmes in the States in the United States of America. In the USA, the constituent States were empowered to frame and enforce their own laws and schemes regardless of the federal prescriptions, although the federal regime enforced federal laws in the States by federal agencies particularly in the areas of taxation, defence, currency and such other subjects reserved by the Constitution. In the 1930s, following the Great Depression, constitutional amendments were sought to enable the Federal Parliament to enact laws on subjects of overall national interest, and to develop schemes of similar relevance. The States were at liberty to adopt those laws and schemes or to refuse them. For the adopted schemes funds were channelized to the States from Federal resources, in the form of outright grants or matching finance. In course of time, the State judiciary recognized Federal laws as enforceable by the State machinery, side by side with the Federal enforcement agencies.

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