

Bridging Policy and Practice: MSME Development, Industrial Promotion Policies, and Emerging Challenges in Dewas, Madhya Pradesh

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Abstract

The regional economic growth and employment generation are the key drivers which get enhanced with the development of Micro, Small and Medium Enterprises (MSMEs). But their effective implementation at the local level decides the effectiveness of industrial promotion policies. The current case investigates the gap between policy design and actual execution in the industrial ecosystem of Dewas, Madhya Pradesh, one of the state's prominent industrial hubs. Despite the availability of supportive policy measures and a strong industrial base in the region, MSMEs continue to struggle with several operational bottlenecks. The problems are bureaucratic delays, overlapping regulations, shortage of skilled workforce, and low levels of digital adoption. Further the case captures the experiences of industry stakeholders, particularly the leadership of the Association of Industries Dewas (AID), as they are the one dealing with administrative fragmentation and coordination challenges between agencies such as the Madhya Pradesh Industrial Development Corporation (MPIDC) and the MSME Department. Through a qualitative approach, the current study initiates to identify the governance bottlenecks that distress the industrial growth and investment decisions. It also discovers how industry associations can ease the negotiation between entrepreneurs and government institutions. Whatever discussion is projected in the case is helpful for policy makers and implementors for economic development of areas like Dewas. It is projected for use in management education, public policy courses, and entrepreneurship programs.

Keywords: Industrial Policy, MSMEs, Industrial Governance, Single Window Clearance, Skill Gap, Digital Transformation, Dewas Industrial Cluster

Introduction

MSME plays a crucial role for economic development of any country, especially for developing countries. It offers various benefits like employment generation, resource allocation, poverty control at regional level. So, it's a duty of central government and state government to focus on working of local or regional industrial development by providing support for smooth functioning of industrial activities especially in term of governance related activities.

Ashok Khandelia, a prominent industrialist with inclination in the business of textile and granite sectors, serves as the Chairman of the Association of Industries Dewas (AID). The association represents more than 500 industrial units in Dewas, ranging from small manufacturing enterprises to large national and multinational corporations. As a leading personality in MSME Mr. Ashok is working continuously for industrial growth in Dewas. Dewas being one of the biggest industrial hubs in central India facing a lot of operational and regulatory challenges. Working constantly with such a huge group of industries that too in this challenging situation is not an easy task.

The major challenge which industries in Dewas is facing is coinciding roles between the MSME and MPIDS for their compliances and other regulatory requirements. Meaning the coordination between central and state government

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bodies those who are accounted for constant support for industrial development.

For example, to get NOC (No objection certificate) for Fire safety industries need to face unnecessary delays from approving departments. Similarly, for tax related processing too they are facing unnecessary delays for clearances and regulatory checks. So, these are very few examples of multiple layers clearance and verification in regulatory system. There are some other issues also which were discussed during interaction.

Dewas is blessed with adequate resources and infrastructure required for industrial development including strategic location, established clusters, natural resources, connectivity. But the problem is due to overlapping and other challenges these strengths of Dewas are overshadowed. So, being a leader of industrial development in Dewas, Mr. Ashok is trying his best to address these issues and has written multiple letters to Central government and other authorities.

So, the study intended to achieve following objectives which are framed after discussion with Mr. Ashok.

Objectives

- To identify the gap between policy formulation and its implementation for MSME or industrial development in Dewas.
- To address various challenges faced by MSMEs in Dewas.
- To examine the role of collaboration between government agencies and industrial units in Dewas.
- To initiate the discussion for development of ecosystem for industrial units in Dewas.
- To discuss the expected outcomes which industries will get through these strategic interventions.

Literature Review

MSME is a crucial segment for any country's economic development through resource allocation, employment generation, regional development, export enhancement etc. MSME requires very less resources to operate so, government's major focus is to increase the quantity of MSMEs for development of economies by increasing volume. Every time they keep on updating policies for

this segment and trying to implement the same for filling the gap, Pedraza (2021).

Although government is trying to focus more on MSME through skill development, technological development, regulatory reforms etc. but still they are facing a lot of challenges like insufficient funds and resources, regulatory compliances, approval process, shortage of skilled labours etc which shows inefficiency in developing MSMEs (Maheshkar, 2022).

It is ok to formulate policies for MSME development which leads to economic development of countries. But when it comes to practical implementation the major Gap is witnessed here. So, to bridge this gap proper implementation strategies need to be designed, and governance structure needs to be formulated. Because the success of any activity depends on its proper implementation of plan to achieve its objective. Because the implicit cost of any business is delaying regulatory approvals, overlapping of governance system, administrative ambiguities, lack of resources etc. so by keeping in mind these challenges the policies need to be framed and implemented. So, the author has identified that it is important to focus on industrial collaboration with industries for implementation of policies (Baboo, 2025).

So, this study focuses on major policy implementation part and various challenges faced by industrial units at various levels while operating in business. Because understanding these challenges through case study is the easiest approach which is helping reader to visualize situation Infront of our eyes.

Methodology

The qualitative research designs have been used to perform this study and address the challenges faced by the industrial units in Dewas. Where the data is collected from primary and secondary sources and with discussion with Mr. Ashok Khandelia. For primary sources, we have collected insights received from Mr. Khandelia. Based on his insights, only the objectives are framed. The secondary sources include all published materials, like industrial reports, government documents, regional reports, policy documents, research papers etc. published for MSME and its development.

After collecting data, data is analysed to gain the insight to fulfill the objectives. Further, the insights which we have received from industrial stakeholders and representatives of AID are used for contextual clarity. Which gave us clear idea about the challenges faced by industrial units in this region.

After collecting data from both the sources, it has been analysed to get contextual clarity about the case. And based on that the proper shape has been given to the information and developed case on that. Because case is the best method to visualise the situation. So, this case is helpful to improve the current ecosystem of this region by providing solutions for development of MSMEs in Dewas.

About AID

The Association of Industries Dewas or (AID), is the supreme authority working for industrial development of Dewas. This body is constantly working towards policy making, addressing issues faced by stakeholders, work as liaison between government and industries, regulatory framework and many more. They work from basic level to advanced level for industrial development in this region.

Dewas being the largest industrial hub in central India showed tremendous growth during 1970 to 1980. But this growth started declining after that because of various reasons like insufficient resources and infrastructure, overlapping of processes, and less support from government for their development.

AID tried their level best to help them out, but it's very challenging for them to work alone in this direction. Industrial units in Dewas are facing challenges of policy overlap, inefficient infrastructure, delay in approval process, duplicity of work etc. like these various problems they were facing which take out the interest of the investors for investing in this sector.

So, the challenges which they were facing are further elaborated in the following section.

Challenges Faced by MSMEs in Dewas

As discussed by Mr. Ashok during his address, there are challenges which are deep rooted in the industrial units of Dewas. Challenge could be governance, infrastructure,

policies, overlapping, resources, labour etc. and all these problems are restricting this region to economically grow further in spite of having all the required resources and connectivity. Those challenges are as follows:

- *Bureaucratic Delays Caused by Having to Navigate Too Many Desks and Departments*

Most of the entrepreneurs, either starting or expanding a business in Dewas, seem to be navigating the never-ending labyrinth. Ideally a smooth process would be that the concerned departments should make several trips with a checklist, get instructions that are necessary for paperwork. Overlapping departments create confusion even if it is Madhya Pradesh Industrial development Corporation or MSME departments. Often these procedural overlapping cause delays in important projects, increase compliance costs, and more serious cause loss of morale of entrepreneurship. In the absence of an integrated, streamlined system that keeps the owners of small businesses stuck in the end, which is awaiting anything for approval.

- *Bridging the Skills Gap*

Even though technology and equipment can come in industrial units there is an elusive shortage of hands to operate them. Granite owners voiced, "We have invested in world-class machinery, but we are forced to train workers right from scratch every few months." Absence of trained manpower is a frequent issue in the industries in Dewas. It may also be noted that most MSMEs are in semi-urban and rural belts where formal training centres are usually rare. Although the current skill development programs are well with intent, but they often fail to join with real-time industrial needs. Subsequently there is a mismatch between the available talent and required skills, leading to incompetence, high employee turnover and decrease in technology. Industries in Dewas require hands-on, job-specific training to escalate the approval process. Which will speed up the operational efficiency of departments. They should get customized trainings as per the requirement of the departments like textiles, food processing, engineering, and pharmaceuticals. Further, training could be provided in quality control, industrial safety departments, digital tools and software's etc. to make it fully digital system in all the departments. However, for MSMEs, foundational operational and compliance capabilities must be strengthened before investing in advanced technological upgrades to avoid financial strain and implementation failure.

- *The Digital Divide in Industry*

The complexity emerges from a lot of policies to support MSME. Mr. Khandelia hinted at a recurring problem. He mentioned that separate departments often introduce similar schemes but with overlapping objectives, but with very less coordination. The Madhya Pradesh Technology and Research Development Center (MTRDC) could offer an incentive, while the MSME ministry could promote various eligibility criteria, necessary paperwork and the time limit. Navigating this conflicting policy environment entrepreneurs often find it tedious and risky. Instead of feeling strong, they often feel lost as the scheme is uncertain to follow and a question of getting timely support. This misalignment causes confusion but also bothers effective implementation and also reduces the effects of best prepared initiatives.

Digital changes can be first made more inclusive and affordable through subsidized digital tools, basic tech training, easily used platforms and government support programs that reduce costs and create confidence through subsidized digital tools, basic tech training, easy-to-use platforms and government support programs. For the first time, the state government can tie with the IT industry under the Corporate Social Responsibility (CSR) initiative to make digital changes more inclusive and affordable for MSME entrepreneurs. Through such partnerships, IT companies can provide subsidized digital tools, customized software solutions and cloud infrastructure support, while MSME can also conduct basic digital literacy and technical training programs to suit the needs. CSR funds can be directed towards setting up digital empowerment centers in industrial groups such as Dawas, offering on-ground assistance, helpline and workshops. This cooperation not only fulfills the CSR mandate to promote inclusive growth but also helps in building a technical-capable entrepreneurship ecosystem.

- *Too Many Hands in Policymaking*

To add to the complexities from a lot of policies that support MSME, Mr Khandelia referred to a recurring problem. Separate departments often introduce similar schemes with overlapping objectives, but with very little coordination. The Madhya Pradesh Technology and Research Development centre (MTRDC) can offer an incentive, while the MSME ministry promotes various eligibility criteria, paperwork and time limit. The

owner of a business, navigating this conflicting policy environment becomes tedious and risky. Instead of feeling strong, they often feel lost as the scheme is uncertain to follow and a question of getting timely support. This misalignment causes confusion but also bothers effective implementation and reduces the effects of best prepared initiatives.

- *Challenges in Human Resources and Social Infrastructure*

As they are facing the challenges of migration of workers due to subsidized wage system, so they require multi-dimensional strategy to retain them, rather than relying on simple wage system. Because competitive and performance-based wage system is not beneficial in long run to attract talent. Industries need to focus more on their ecosystem development and lifestyle changes. Which includes providing good health care services, good houses, transportation facilities, meals, kids' education etc. which give them belongings towards organization. In social infrastructure, they need to focus on upgrading school's education system through introducing professional and technical courses, adopting digital learning tools, and partnering with local industries for skill-based training can strengthen secondary education.

For Career progression pathways, they should have regular training programs, and leadership development opportunities for their workers to enhance their professional satisfaction. Because ultimately the overall, sustainable retention purely depends on integrating wage competitiveness with social, educational, and career advancement opportunities.

Findings, Results and Discussion

From the analysis it is inferred that there are a lot of challenges the industrial units in Dewas are facing. Out of those the biggest problem is of unexpected delay in approval process. Where units must talk to various departments and authorities to get it cleared so it is advisable to use the Single Window Clearance System, which is strategically prepared by central government for development of this system. But at regional level it's not actually followed in few departments.

Apart from this another problem which industries are facing is about migration of skilled workers. Due to lack of skilled manpower, the companies are facing

resource crunch and whosoever is available and skilled is frequently migrating because of inefficient wage system. So proper training programs need to be framed for upgrading them develop their competencies in technically and operationally.

Technical and infrastructural capabilities also exert an influence on the competitiveness of Micro, Small, and Medium Enterprises (MSMEs) in this sector. While industrial zones in Dewas benefit from basic infrastructure, certain areas still face limitations regarding logistics, technological modernization, and digital integration.

The ideal approach for smooth coordination between departments is led by the hybrid approach where state government can collaborate with central governments and industries. It should work in a sequential manner

where industries can raise their concerns like duplication or policy overlapping to state government. Here the state government can provide structured resolution to solve this issue. They (State governments) further need to raise this issue to central government as many of the departments leading to overlapping comes under their control too.

Further, the decentralize approach is also helpful but only in grievance redressal at local level, cluster-level consultations, and operational flexibility. So that they can defined the accountable system where they can try to solve the issue within 30 days at state level and 60 days at central level.

The economic capacity of Dewas will foster through technical intervention and multidimension strategic changes. The actionable insights of these interventions are explained further.

Table 1: Expected Economic Outcomes Through Strategic Interventions

<i>Focus Areas</i>	<i>Strategic Interventions</i>	<i>Expected Outcomes</i>
Access to Finance	Organize district-level MSME Finance Melas in collaboration with banks and NBFCs to improve awareness and access. Establish a Credit Facilitation Centre within the Dewas Collectorate to assist enterprises in navigating financial products and documentation. Promote usage of central government credit schemes such as CGTMSE, PMEGP, and MUDRA to ease financial constraints.	Improves access to working capital and process of issuing term loans for MSMEs. Financial exclusion for trade expansion and decreased increased capacity.
Infrastructure Development	Infrastructure Development Upgrade AKVN Dewas with Industrial Area: ● Round-the-clock electricity and water supply. Improve better internal roads, drainage and hygiene systems. ● High-speed, reliable internet connectivity. ● Install a general facility center (CFC) offer: ● Shared manufacturing equipment. ● Test lab, warehousing and cold storage facilities.	Increase in production efficiency reduced operational costs, and scalability for small units.
Skill Development and Capacity Building	Set a Dewas Skill Innovation Center in partnership with NSDC to offer industry-handled training programs. Organise job-specific skill training in areas such as: ● Food Processing ● Engineering Equipment and Auto components ● Agriculture-based product handling. Foster Apprenticeship Model by creating a relationship between ITI and local MSME.	A skilled, job-taiyar task force that reduces recruitment and training costs. Alignment to meet better industry-academia sectoral demands.

<i>Focus Areas</i>	<i>Strategic Interventions</i>	<i>Expected Outcomes</i>
Market Relations and Promotion	Launch a dedicated Dewas MSME Digital Portal to increase B2B and B2C opportunities. Train more than 500 MSMEs to reach digital commerce platforms such as ONDC, Gem, Amazon, etc. Bring domestic and global buyers together, organizing the annual MSME Expo Dewas. Especially promote “Made in Dewas” branding for niche products in agriculture-processing and pharma packaging. MSME highlights the stories of success in adopting digital adoption and innovation.	More market visibility and sales access to local MSME. Digital integration in national and global value chains.
Technology & Innovation Support	Technology and innovation support ERP systems encourage adopting digital tools such as accounting software and supply chain platforms. Offer 50% subsidy under the CLCSS scheme for technology upgradation in plants and machinery. Install a technology incubation hub in partnership with institutions like NIFTEM, IIM Indore and RGPV Bhopal. Conduct live performance and onboarding workshops for devices such as GEM, ONDC and cloud-based management systems.	Increased innovation, productivity and quality control in areas. Empowering MSME through tech-competent decision making.
Policy & Governance Reforms	Policy and Governance Reforms established a dedicated District MSME Facility Cell to support: Licensing, compliance and approval. Fast-track Grievance Redressal. Digitize land allocation, regulatory processes and approval through single window system. Ensure MSME representation in local policy -making forums. Roll-plays of single-window platforms simplified the simplified workflows to promote awareness.	The delay in bureaucracy and the trust of investors would improve. Transparent, responsible and industry friendly governance.
Sector-Specific Development Models	Categorize based on regional requirements to ensure targeted intervention: Agro and Food Processing: Support through cold chains, FSSAI certification and export enrichment. Engineering and auto components: Install tool rooms, provide standardization and certification aid, and enable access to global markets. Pharmaceutical and Packaging: Invest in R&D features, cluster-based supporting unit development and regulatory facilities.	Extended product shelf-life through cold chain integration. Better food safety compliance through FSSAI certification. Increase in access to domestic and global markets through export promotion. Better product quality and manufacturing precision. Increased competition in both national and international supply chains. Acceleration in product development cycle and innovation. Strengthen the backward and further linkage within the pharma ecosystem. Increase in export capacity and high confidence from global buyers and regulators.

Source: Compiled by authors of the study based on findings.

Overall, the findings suggest that improving the MSME ecosystem requires not only supportive policies but also stronger institutional coordination, improved administrative efficiency, and greater collaboration among stakeholders.

Conclusion

In India, MSME remains the central point of attraction for economic development, and area like Dewas which remains the strong historical base for industrial

development is facing the challenges due to regulatory complexities, multilevel and centralised approval system, and shortages of skilled manpower due to wage system.

Dewas, one of the most significant industrial centres in Madhya Pradesh, is home to a range of MSMEs covering pharmaceutical, textile, engineering and agro-processing sectors. To nurture this ecosystem, the state government has introduced focused efforts, both in the form of land allotment for dedicated clusters along with incentives in the MP Industrial Promotion Policy and MSME Development Policy that provide capital subsidy, interest support, and infrastructure modernisation. Industrial Development Association (AID) support is extended through schemes such as CGTMSE, MSE-CDP and facilities from MPIDC with emphasis on credit facilitation, cluster formation and plug-and-play facilities. While Dewas has robust connectivity and presence of industrial activity, there are challenges in form of infrastructure, skilled manpower, land acquisition, among others.

The study has identified, the fact is that government has supportive and favourable policies at central and state level for the development of this sector, but the implementation mechanism used by state and local government is different. So, there is a strong need of healthy collaboration and effective monitoring by central and state government for implementing various government policies. For that the support needs to be provided for educational institutions, skill development agencies and locals agencies for industrial development.

Based on the inputs received from various stockholders in Dewas, this study wants to focus more on reducing the gap between policy making and policy implementation for the development of MSME's in Dewas by creating supportive, healthy and dynamic environment.

Implications of Research

A lot of implications have inferred through this case for researchers, policy makers and practitioners. The present study has focused on the lacuna in MSME Dewas cluster, but the future researcher could focus on different clusters, regions or areas where the situation may not be similar. Even comparison could be made between different clusters.

Whereas policy makers could use this information for collaborating with state and central government for

development of this sector through industries. Their strong collaboration will focus more on skill development, technological development and digital upgradation in various sectors.

Various implications have emerged from the analysis of this case. Policy makers could consider strengthening the coordination mechanisms amongst the government departments, simplifying regulatory procedures, extending support for industry-oriented skill development programs, greater engagement with local industries associations can also improve policy responsiveness and ensure that reforms address the practical needs of entrepreneurs. Further, the insights of the case may be useful for executives, industrialists, MSME, entrepreneurs, state and central government officers, bank officials.

It is expected that MSME Dewas would take all approvals through a Single Window Clearance System (SWCS) with the help of a single digital platform. So that the need for taking approvals from multiple departments would be eliminated like MPIDC department, the MSME. Department, fire safety department, pollution control department, and taxation department etc. Even the system of getting duplicated compliances and NOC from various departments would be removed through these platforms. It should work parallelly for various platforms rather than sequential approval system of various departments, so that the details could be validated and checked wherever it is required and reduced timely delay in this system. There are couple of other benefits of this process like reduced paperwork would reduce timely delay in approval and cost of handling too. The system could check realtime scanning of applications to process it. Overall, SWCS would enhance the ease of doing business in Dewas and encourage more investment in the region.

Limitations

The findings of the study reflect the experiences of one particular region i.e. the industrial ecosystem of Dewas in Madhya Pradesh, whereas the condition and challenges of may not be equal in other regions or states, which can be studied further.

In addition, the developed case is purely depending on qualitative insights and secondary data available on public platforms rather than extensive empirical data.

Future researchers may further extend this research to get additional insights into the problem through broader stakeholder surveys, analysis of different clusters, regions etc.

Acknowledgements

The authors of this case acknowledge the valuable insights shared by members of the AID. The authors also appreciate the academic guidance received during the case writing workshop conducted at Shri Vaishnav Vidyapeeth Vishwavidyalaya.

Funding Disclosure

The author(s) declare that no specific funding was received for the research, authorship, and/or publication of this article.

Conflict of Interest Statement

The author(s) declare no conflicts of interest regarding the publication of this paper. The research was conducted independently and reflects the authors' academic analysis.

AI Disclosure

The authors confirm that no AI-based tools were utilized in conducting this research or writing the manuscript. All content is original and reflects the authors' own work.

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