

The Expansion and Success of the MSME sector in India's Economy

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Abstract: *In a rising nation like India, Micro Small Medium Entrepreneurial industries are the backbone of the economy, generating a wide variety of goods and services to satisfy both domestic and international market demands. Increased exports of goods and services have been made possible by MSME's contribution to the Indian economy in terms of creating jobs, raising GDP, and eliminating regional inequities.*

The MSME contributes 45% of total industrial employment in India (nearly 60 millions) and 40% of India's total exports. In India, 90% of the industrial/commercial units belong to MSME, producing 6000 types of products, contributing for economic development of the country (28.9% of GDP is from MSME Sector). The MSMEs that make up the national economic structure are continuously acting as the backbone of the Indian economy, giving it the resiliency to withstand shocks and adversities from the global economy.

Examining how the MSME sector has impacted the growth of the Indian economy is the study's primary goal and also to investigate the factors affecting MSME sectors in terms of the economy's expansion is the main objective.

Key Words: *MSME – Micro, Small and Medium Enterprises. GDP – Gross Domestic Product, Regional Disparities, Indian Economy.*

1. INTRODUCTION:

The Micro, Small, and Medium Enterprises (MSMEs) industry in India has emerged as a thriving and dynamic industry for the economy. It is acknowledged as serving as a catalyst for growth and development. MSMEs are playing a pivotal role in creating a huge amount of employment at meager cost of capital in comparison to large industries, helping in establishment of industries in economically backward regions and truncating regional inequalities, promising justifiable dispersion of national income and wealth.

MSMEs are actively participating in a variety of industries as enabling organizations, expanding the possibilities for vertical integration in rural and distant locations. As a result, this sector is significantly advancing the country's finances. Beyond agricultural sector MSME provides huge opportunities for personal and wage employment. MSME is conjoined with superior rate of economic growth, constructing inclusive and tenable populace in numerous ways through promoting non-agricultural livelihood at least cost, unbiased regional development, equality in the society as well as gender, ecologically continuous up growth and apart from all, providing a protection against deflation, which MSME has always demonstrated.

Make-in-India concept was launched with a lot of flourish to inculcate new vitality in the manufacturing sector. It is an attempt to bridge the paramount gap between the Chinese and Indian market. 'Make in India' initiative needs active participation of all stake holders from all the corners of the nation.

Skill development for providing input support as factor services is most important for happening of the very purposeful initiative of Indian Government, which is ensured at grass root level from involvement of MSMEs.

In this connection, this paper attempted to examine the contribution of MSMEs Sector in the nation's growth and also the areas which are required to strengthen the MSMEs sector to its continuous contribution to the development of India.

The Micro, Small and Medium Enterprises sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSMEs not only play significant role in providing employment opportunities at comparatively lower cost of capital than large scale industries but also help in establishment of industrialization of rural and backward areas, which leads to reduce regional imbalances and assure equitable distribution of national income and wealth.

1.1 OBJECTIVES OF THE STUDY:

- To understand the definition of MSMEs on the bases of investment limits
- To understand the role and performance of MSMEs in Indian economy
- To know about the government policies towards the MSMEs in India
- To understand the problems of MSMEs in India. ↯
- To examine the growth and performance MSMEs,
- To reveal the contribution of MSMEs to the growth of the GDP and
- To understand the various problems of MSMEs and give conclusion.

2. LITERATURE REVIEW:

There are various studies and surveys which indicate that women entrepreneurship is on the rise. The brief discussion of some of them is as follows:

- (1) Dr.Shankar (2009) in his article has viewed that SME's in India face many challenges, but perhaps none are as difficult as the challenge of financing, both short term and long term.
- (2) K,Vasanth, Majumdar M., K. Krishna (2012) in their paper have stated that since several successful models of the sustainable SME are gradually evolving, networks of SMEs would become essential for addressing the systemic problems under lying the industrial ecology, enterprise resilience, and global supply chain sustainability.
- (3) Export-Import Bank of India, (2012) has critically analyzed the present situation of MSMEs and support systems available in India as well as in the global context. It has suggested that MSMEs in India should have access to alternative sources of capital like angel funds/risk capital etc. and that existing laws should effectively address issues like insolvencies/bankruptcies; need to redefine the ceiling limits to encourage MSMEs to move up the value chain and need for cluster development approach to increase the level of competitiveness.

3. RESEARCH METHODOLOGY:

Only secondary data is taken into consideration for purpose of the study. The relevant secondary data is collected from the publication of Ministry of Micro, Small and Medium Enterprises, journals, Government of India" published by Reserve Bank of India and Handbook of Statistics on Indian Economy.

The Data required for the study has been collected from secondary sources. The Data Collection includes

- (i) Annual Reports of Ministry of Micro, Small and Medium Enterprises, Government of India,
- (ii) Various Websites connected with the relevant topics of MSMEs
- (iii) Journal papers
- (iv) Articles and
- (v) other relevant sources for MSMEs.

Government Schemes:

A host of other initiatives such as Make-In-India, Digital India, Start-Up India and Skill India for the holistic growth of the Indian MSME sector have been taken by the Government of India (GOI). The Make-In India was launched in September, 2014 and is a wider set of nation building initiative. The main objective was to transform India into a global design and manufacturing hub.

The Make in India is a different kind of campaign. It provides framework for a vast amount of technical information on 25 industry sectors and reach out to a vast local and global audience via social media and constantly keep them updated about opportunities, reforms etc.

The Digital India revolution provides an ample opportunity for promotion of MSME and also greater participation of MSME in the Information, Communication and Telecommunication (ICT) sector. Digital enabled technologies can further allow SMEs to develop their own market intelligence, spread scale without mass and access global markets and knowledge networks at relatively low cost.

There are several initiatives under this campaign such as National Skill Development Mission, National Policy for Skill Development and entrepreneurship, 2015, Pradhan Mantri Kaushal Vikas Yojana, Skill Loan Scheme and Rural India Skill and moreover.

The Government of India has launched various MSME schemes such as

- Udyog Aadhaar memorandum
- Zero defect zero effect
- Quality management standard and quality technology tools
- Grievance monitoring system
- Incubation
- Credit linked capital subsidy scheme
- Women's entrepreneurship

Merits of MSME:

- Generate more employment per unit of capital investment.
- Requires relatively less start-up capital.
- Facilitates for entrepreneurship development.
- Promotes and accelerates growth of the region.
- Contributes in increasing the Export of nation.
- Helps in optimum utilization of resources.
- Increases the GDP of nation.

The following are the industries under MSME:

- Food processing agriculture inputs
- Chemicals and pharmaceuticals
- Engineering
- Electrical s
- Textiles and garments
- Meat product
- Sports goods
- Plastics product
- Computer software's

Micro Small and Medium Enterprises - An Indian Perspective

Micro, Small and Medium Enterprises in India offer a heterogeneous and varied nature of fabric in terms of the size and structure of the units, variety of products and services, scale of production and application of technology.

These enterprises are quite complementary to the large scale industries as ancillary units. They contribute to the socioeconomic development of the country quite significantly. The MSMEs in India constitute about 80% of the total number of industries and produce about 8,000 value added products. An appropriate definition of Micro, Small and Medium Enterprises and their proper classification in a national or international context offers a varied perspective.

The term 'MSME' is normally used to describe small industrial or business units in private sector. MSMEs have been classified differently in different contexts in terms of their nature of assets and scale of production etc. while others have

defined those units in term of employment generation, shareholder funds, scale of investment or sale of products etc. The definition according to the World Bank is that, a business classified as MSMEs when it meets two of the three criteria – employee strength, size of assets or annual sales.

4. Data Analysis:

State wise distribution of MSME Enterprises

Sl.No	State/UT	Estimated numbers of MSMEs	
		Number(in lakh)	Share (in %)
1	Uttar Pradesh	89.99	14
2	West Bengal	88.67	14
3	Tamil Nadu	49.48	8
4	Maharashtra	47.78	8
5	Karnataka	38.34	6
6	Bihar	34.46	5
7	Andhra Pradesh	33.87	5
8	Gujarat	33.16	5
9	Rajasthan	26.87	4
10	Madhya Pradesh	26.74	4
11	Total of above ten states	469.36	74
12	Other state/UT's	164.52	26
13	All	633.88	100

Source: . msme.gov.in

Category Wise Distribution Of Enterprises :

Sector	Micro	Small	Medium	total	Share (%)
Rural	324.09	0.78	0.01	324.88	51
Urban	306.43	2.53	0.04	309.00	49
All	630.52	3.31	0.05	633.88	100

Source :msme.gov.in

5. FINDINGS:

Employment Opportunities through MSMEs

According to various economic surveys organized, MSMEs are providing good employment opportunities to youth. The good growth of MSME sector is making backward and forward linkages strong inviting more investments in this sector.

As per the annual report of Ministry of MSMEs there were near 362 lakh s enterprises in the year 2006-07 providing around 805 lakh s employment and it has increased to 510.57 lakh s enterprises 1,171.323 lakh s employees in the 2014-2015 an increase of 45.5% in employment and 41 % International Journal of Pure and Applied Mathematics Special Issue 1729 in number working enterprises. This increase has clearly indicates the significant contribution of MSMEs in creating employment opportunities.

Major Contributor to GDP

MSME sector has become a major contributor to nation's GDP. In the fourth quarter of 2012-13 (January to March 2013) witnessed a slid of GDP to 4.8 percent. MSME sector constitutes an inevitable portion of GDP and for this reason it needs attention of the policy makers. The statistics show that the contribution of MSME to GDP is ever increasing. The below given Table explains the percentage share of MSME in the nation's GDP over the years. It has managed to increase from 35.13 percent in 2006-07 to 37.54 percent in 2012-13. Share of MSME manufacturing output in GDP is 7.73 and 42.02 in total manufacturing out of nation in 2006-07 and it has got slight decrease in 2012-2013 i.e., 7.04 share in total GDP and 37.33% in total manufacturing output.

Limitations of MEME's

There are various evidences that the MSMEs contributes prominently to the Indian economy through creating employment opportunities, generating production volumes and exports, introducing innovations and development of entrepreneur skills. However, the MSMEs faces some limitations which are as follows:

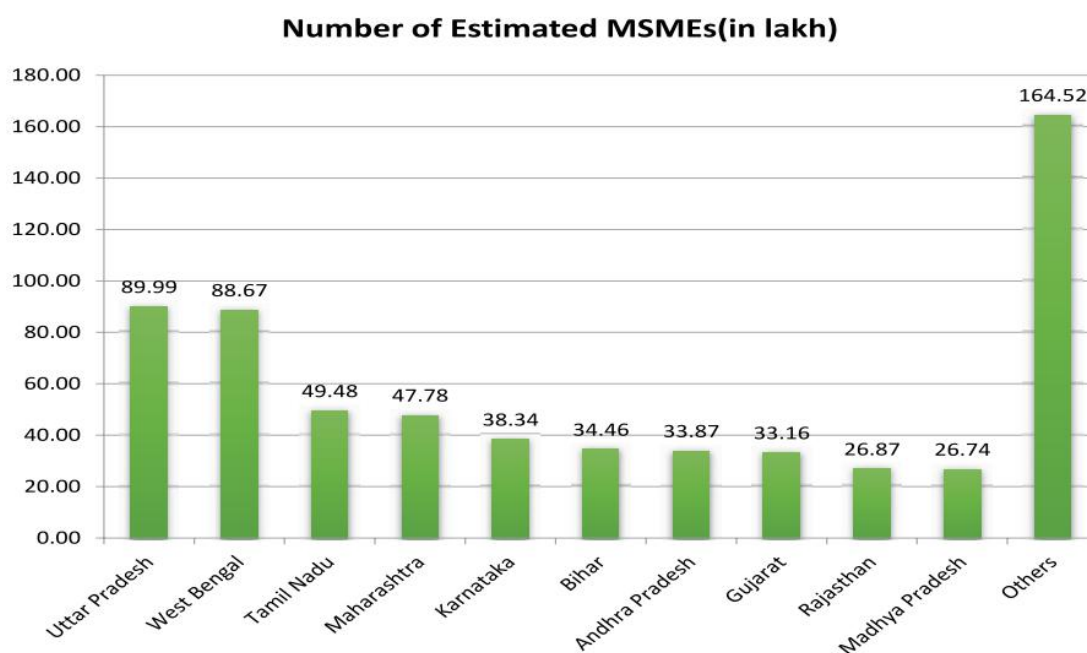
- Unduly delayed payments by large industry players.
- Absence of adequate and timely affordable bank credit.
- Lack of infrastructure inputs and banking support.
- Limited capital and knowledge.
- Low managerial capability and return on investment.
- Lack of suitable technology and productivity.
- Ineffective marketing strategies and Non-Identification of new markets.
- Hurdles in expansions, modernization and innovations.
- Inadequate power supply, water supply, transportation facilities.
- Lack of adequate warehousing facilities and timely information.

6. CONCLUSION:

The micro, small and medium (MSMEs) enterprises play a significant role in contribution to the development of Indian economy in terms of production system, employment generation, GDP etc. MSMEs also have an aptitude for innovation, creativity, and flexibility which enabling them to respond with more quickly to structural changes and to adapt the dynamic demand patterns of consumers.

Figures/ Tables/Charts:

Distribution of MSMEs in Top Ten States in India during 2022-23



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