

Role of MSME in growth and development of manufacturing sector

G. Ramu

Assistant Professor, Department of Business Management, Holy Mary Institute of Technology and Science,
Telangana, India
Email - ramu.gandi35@gmail.com

Abstract: *The Micro, Small, and Medium Enterprises (MSMEs) play a vital role in nurturing economic growth, particularly in the perspective of the manufacturing sector. It explores the contributions of MSMEs to the growth and development of the manufacturing industry, impact on innovation, employment generation, and overall economic sustainability. Smaller enterprises are more agile and flexible, to high tendency of experimentation and acceptance of new technologies in manufacturing sector, which helps in improving efficiency and competitiveness. The article has focused on employment generation, direct contribution to the economy and a challenge faced in access to finance and regulatory hurdles and highlights the role of MSME in growth and development of manufacturing sector.*

Key Words: *MSMEs, Manufacturing sector, Economic growth, Development, Innovation.*

1. INTRODUCTION:

MSMEs are micro, small and medium enterprises that focus on service or manufacturing, processing, production and preservation of goods. The former Ministries of Small Scale Industries and Agro and Rural Industries were consolidated into the Ministry of Micro, Small and Medium Enterprises (MSME) on May 9th, 2007, as a result of a change in the Government of India (Allocation of Business) Rules, 1961. MSME is also a source, which is contributing to Indian GDP, and the objective of nation is to increase its contribution to 50% in the coming future. MSMEs are acting as strength to the economy as they are employing lakhs of skilled and semi-skilled individuals. Before 2018, MSMEs are classified based on the investment but after change in regulations they were categorised based on annual turnover the new conditions are micro enterprises when annual turnover is up to Rs. 5 crore, small enterprises when turnover is between Rs. 5 crore and less than Rs. 75 crore and medium enterprises of turnover between Rs. 75 crore and less than Rs. 250 crore. The central government and RBI has launched many schemes to support MSMEs like MSME Samadhaan, MSME Sambandh, Udyog Aadhaar, MUDRA, ZED Scheme, Make in India, Stand up India.

In the newly formed Telangana state for the fast growth of industries the government has come up with various industrial policies to support the growth of industries like T-IDEA-, TS – iPASS, T-PRIDE- Incentives, Pavala Vaddi and Power cost, Telangana Electrical Vehicle (EV) and Energy Storage Solutions (ESS) Policy, 2020-2030, Telangana Textile and Apparel Policy (T-Tap), 2017- 18Telangana Innovation Policy 2016. Telangana State Food Processing Policy, 2021, Telangana State Logistics Guidelines 2021-2026, Telangana State E-waste Management Policy 2017, Electronics Policy, 2016 etc. MSME is supporting for the entrepreneurial accomplishments through business innovations and they were producing different products and offering various services to meet the local and global market demands. MSME is trying to reduce regional imbalances through encouraging industrialisation of both rural and urban areas where employment opportunities were growing. According to the good governance, report given by Department of Administrative Reforms and public Grievance government of India for the year 2020-21 declared Telangana as No.1 state for Industry and Commerce. Industrial Sector is contributing around 24% to state GDP providing employment opportunities about 17.8%.

Infrastructure: For the support of MSME the state has, a land of 1.50 lakh acres for this TSIIIC is ready to respond to the needs of new up comings and the state was focusing on establishment of four dry ports for logistics. Industrial Parks

like Textiles in Warangal, IKEA Furniture Park, Plastics Park, Food Park at Buggapadu, Sattupalli, Aero park, NIMZ are all in the making.

Financial Assistance: After the state formation, banks have reported about 8,000 MSE have fallen sick by august 2016 of which banks reported 90% found no more and then 2% were potentially viable and retrieved. Understanding the issues faced by the banks state government has set up Telangana Industrial Health Clinic Ltd a NBFC as associate of TSIDC supported by appropriate Revival and Restructuring Policy for sick units.

Marketing Assistance: Ministry of MSME is providing marketing support to manufacturing sectors under Marketing Assistance Scheme through National Small Industries Corporation (NSIC). NSIC & KVIC are the government agencies for providing marketing assistance to MSME units. The supports schemes are Organizing International Technology Exhibitions in Foreign Countries by NSIC and participation in International Exhibitions/Trade Fairs. Organizing Domestic Exhibitions and Participation in Exhibitions/ Trade Fairs in India. "Techmart" exhibition by NSIC. Support for Co-sponsoring of Exhibitions organized by other organizations/ industry associations/agencies. Buyer-Seller Meets organized by NSIC. Intensive Campaigns and Marketing Promotion Events.

Production: MSMEs are manufacturing about one-third of total India's output and they employ more than 11 crore people and the objective is to increase its number by 15 crore in near futures. It is also supporting in providing training in product development and quality improvement by using local resources, support in advancement of production process through modern machines and equipments.

Employment potentiality: MSMEs has become one of the sources for self-employment and developed in providing employment opportunities to others in rural areas of country. Where it is improving socio-economic status of people, which is leading to the growth of rural economy and was trying to eradicate or reduce poverty in country.

Technological: MSMEs use technology to reduce cost and helps in automating back offices, such as record keeping; accounting etc. Tech firms enable SMEs to plan and manage logistics and develop cross-departmental processes while enhancing collaboration, execution, and profitability using cutting-edge technology and subject expertise.

Barriers to MSMEs: The major problems faced by MSMEs are people, financial, information, government policy, and infrastructure. For the development of MSMEs skilled labour is required, more than 85% of firms were lacking skilled workers where it became one of the biggest challenges to industries. Financial problems are availability of fund and cost of innovation is high where more than 87% of firms face the problem of less availability of funds. Lack proper information is also leading to poor performance of company where they do not have proper awareness regarding technology access for gathering right information related to markets. Government policy are also important for MSMEs for financial support, training for human resource, availability of research sources and proper awareness need to conducted from the side of government. For infrastructure development, R & D based innovations and proper laboratory and research facilities need to be provided.

2. SIGNIFICANCE OF STUDY:

As MSME is employing about 12 crore people and became a second largest source after agriculture and it is contributing about 6.11% of GDP from manufacturing and 24.63% of GDP from service activities. The job opportunities are available for weaker section people in rural areas, which help in improving their socio-economic status, and it is also encouraging people coming up with ideas and aspires to be entrepreneur where it is increasing market competitiveness and leads to growth of economy. As many studies were available on role of MSME in growth and development of industries as time is passing there are many changes in the policies MSME sector. As Telangana a newly formed state, also it has shown fast growth in the state economy and according people aspirations in Telangana has come with a goal Bangaru Telangana for the improvement of quality of life of future generations. Where Telangana government has come up many Innovative schemes to support MSME, which helps in developing entrepreneurs where self employment and job opportunities increases. The present study is focusing on the role of MSMEs in growth and development of manufacturing sectors in Telangana of selected MSMEs. In the study, we want focus to analyse the current growth of MSMEs and to analyse the level of policies support to MSMEs in the area of finance, production & marketing, infrastructure policies, technological policies, employability and entrepreneurial factors influencing growth and development of industries.

3. LITERATURE REVIEW:

Sumanjeet Singh(2022) The paper shows the financial and non-financial revival measures such as firm revival, marketing training, customer relationship management (CRM), financial incentive and firm support, extending worker social security and financial access and price control impact on MSMEs' lead to business sustainability and also perceived as future opportunity to the respondents.

Emil Joseph (2022) SMEs are the backbone of India's economy; due to effect of the pandemic COVID-19, almost all the sectors are in serious problems. SMEs are important sources in the globe, especially for the emerging countries. According to the World Bank, SMEs account for 90% of businesses and more than 50% of jobs. However, there is also a large diversity of SMEs due to different market conditions. According to the country's Ministry of Economy, SMEs represent more than 98% of the total number of companies operating in the country.

CA Rupasree Basu Mallik (2021) according to the paper it is concluded that as years were passing MSMEs are playing a significant role in Indian economy as employment opportunities are increasing and rural industrialisation is growing to support "Make the India". In the study Gujarat, Tamil Nadu, and Andhra Pradesh follow the state of Maharashtra among the poor states Rajasthan, Madhya Pradesh, Odisha, and Bihar, Assam. MSMEs contribute 30.74% in Indian GDP also creates 11 million job opportunities, in terms of value 45% of manufacturing output and 40% of total exports in 51million units and 37% if the workforce.

Mr. Dipak Kumar Das(2021) Micro, Small, and Medium Enterprises (MSMEs) plays an vital role in the development of economy of a country. Their role is in terms of production, employment generation, contribution to exports and facilitating equitable distribution of income. MSMEs currently contribute to about 30% of India's GDP now. But, there is a need to carefully nurture and support this sector.

Dr.Ratan Suryavanshi (2020) according to the review it was observed that mostly MSME had less than 25 employees and regular training should be given to the employees working in the industries so that productivity increase and they have majorly focus on quality. It was also seen that many MSMEs were problems reliance finance, labour availability, marketing and technology relates issues and from the side of government they need to support MSME financially and also see that proper power supply was provided.

Srivastava, S. (2020) said that the MSME sector had developed as a vigorous sector of the Indian economy and a vital important part of economic development. It had produced the second largest employment prospects. He had pointed out the second largest employment prospects of MSME that would generate more than 40% of exports, over 28% of GDP and would create opportunity of employment around 111 eleven million people. This study had emphasized the impact of the MSME segment in Indian economy and had made clear the significance of Gujarat as a state in developing economies through MSME sector

Shelly. R., Sharma. T & Bawa. S.S. (2020) MSME was playing a major role in the growth of economy for a developing country this one of the source of proving employment, control poverty and adds advantage to the economy after agriculture this one of the source that adds revenue to GDP , employment and exports of Indian MSMEs.

Gade. S. (2018) according to this paper it is identified that Micro, Small and Medium Enterprises (MSMEs) sector had performed an active part in the economy. MSME was playing a major role in generating high employment opportunities and their high progress in industrial sector. They have worked on role of MSMEs in growth of economy and the areas to strengthen and in the near past MSMEs supports for the growth of economy.

Das. P. (2017) according to the study that MSME is one of the pillars of Indian economy and it is significantly growing and providing employment opportunities. This acting a path for economic growth and social progress in many advanced and developing countries. The role of MSMEs in the Indian economy in terms of employment generation, having regional disparities, promote equitable economic development and increasing export potential of the country had been quite remarkable. The study had attempted to emphasize on the massive growth and opportunities in India for improvement of the MSME sector.

Prabhakar Pudari(2016) Paper focused on empirical evidence of MSMEs role in the economy and has provided solutions to various aspects such as contribution of MSMEs to individual, comparison of national and world economy with non MSMEs in terms employment sources, dynamics, innovation, productivity, growth and contribution to nation's economy and challenges faced in the economy.

4. Objective of the Study:

To study the role of MSME in growth and development of manufacturing sector in Telangana

5. Methodology of Study:

The collection of data for proposed research study is done using both the sources of primary and secondary data.

5.1. Primary Data

Primary data is the primary source for making an affective analysis on proposed research study. The primary data is collected using following sources.

1. Direct Personal Interview with employees and employers who are working in MSMEs
2. Survey through Questionnaire

5.2. Secondary Data

The secondary data is an important source for making analysis on MSMEs. The secondary data sources are Annual reports of MSMEs published, Reserve bank of India related articles, magazines and Journals.

5.3. Limitations of Study

The present study is on the role of Micro, Small and Medium Enterprises in growth and development of manufacturing Industries the economic development is confined to select MSMEs of Telangana. Therefore, the scope of the study evaluates their role in different dimensions of the sample MSME. The availability of data for the study in order to examine the role of MSME in different dimensions would be a limiting factor. Further, the insufficient interaction with the entrepreneurs of MSME would also be a limiting factor in order to study the trends over a period. The availability of time and financial resources of the researcher compelled to limit the study to select MSME only.

5.4. Sample Size & Frame

The present sample is considered total of 50 sample observations approximately these included employers and employees working MSME's linking to manufacturing sector in select districts of Telangana.

5. ANALYSIS:

Evaluation of study the role of MSME in growth and development of manufacturing sector

Statements	1	2	3	4	5	N	Mean	SD
Ease of doing business	32	12	3	2	1	50	1.56	.92
Access to finance	26	13	5	4	2	50	1.86	1.14
Awareness towards government schemes	20	9	6	7	8	50	2.48	1.52
Skill Development and Training programmes	30	10	8	1	1	50	1.66	0.96
Level of employment generation	25	10	4	6	5	50	2.12	1.40
Innovation and Technology Adoption	18	12	10	5	8	50	2.34	1.33
Engage with global supply chains and international markets	20	9	6	7	8	50	2.48	1.52

It was observed that awareness towards government scheme, and they were engaged more in global supply chains and international markets was high with a mean of 2.48, level of employment generation is also better with 2.34 mean and level of employment generation is with a mean of 2.12.

The major growth trends observed in our country were in the area of where after covid-19 there is a lot of change in MSME's system it has changed from traditional approach to digital approach and according to the reports of crisil 53% of SME's and 47% of micro enterprises are digitalised. MSME Global Mart is also one of the digital changes where

small business units also can sell product using E-Commerce. Registration of business under Udyam Registration helps to know about categorised or unknown business to be known and can gain benefit of government schemes, credits, and tax benefits. As Indian exports have grown to 37% in 2022 and predicted that exports will exceed \$1 trillion by 2028 and it was observed that MSEM's is contributing 50% of India exports and focused majorly on exports and reduced imports, in coming years it's focus is to successfully implement Make in India concept in country. According to the Fitch solutions, that consumer spending in India will experience solid growth over 2023 with buying power of household expected to grow by 7.1% in 2023-compared year on year to 2022.

6. CONCLUSION:

MSME not only plays an important role in providing large employment opportunities at lower capital costs than large industries, but also develops the industrialization of rural and backward areas to reduce regional imbalances. This sector is also supporting for socio- economic development but also observed various drawbacks in areas like lacking skills, financial, marketing, technological issues and has to come up with different policies to support manufacturing industries. The institution should hold regular meetings with entrepreneurs to raise awareness about the government of Telangana finance, infrastructure, technological and marketing schemes, which will help in MSME growth. Entrepreneurs should form a strong alliance to deliver the message to the relevant stakeholders and raise awareness about the various policies implemented by both central and state government. The study raises awareness about the various types of assistance available to MSMEs, as well as information sources.

REFERENCE:

1. Sindhvani, R., Hasteer, N., Behl, A., Varshney, A., & Sharma, A. (2022). Exploring “what,”“why” and “how” of resilience in MSME sector a m-TISM approach. Benchmarking an International Journal.
2. Amutha, D. (2022). The Role of MSME in Creating Entrepreneurship and Economic Growth in India. Available at SSRN.
1. Unni, J.(2020).Impact of COVID-19 on Informal Economy: The Revival. The Indian Journal of Labour Economics, 63. <https://doi.org/10.1007/s41027-020-00265-y>
3. Mama, P., & Mistri, T. (2017). Status of Micro, Small and Medium Enterprises (MSME) in India: A Regional Analysis. IOSR Journal of Humanities and Social Science, 22(9), 72-82.13.
4. Pratihar, S., & Swain, A.K. (2014). Innovations and Challenges in MSME Sector, DRIEMS Business Review Vol. -1 No.1, P.p.81-85
5. Katyal, K., & Xaviour B. (2015). A Study on MSMEs-Role in Propelling Economic Development of India & A discussion on Current HR Issues MSMEs in India, International Journal of Scientific and Research Publications, Volume 5, Issue 2, February 2015.