

## Role of Micro, Small & Medium Enterprises in Indian Economy

Dr. Vinay Kumar Singh<sup>1</sup> & Dr. Parmanand Sharma<sup>2</sup>

<sup>1</sup>Assistant Professor PG Deptt. Of Commerce, R.D.S. College, Muzaffarpur.

<sup>2</sup>Assistant Professor PG Deptt. Of Commerce, R.D.S. College, Muzaffarpur.

Received: July 14, 2018

Accepted: August 28, 2018

### ABSTRACT

*Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. This sector not only plays a crucial role in providing large employment opportunities, but also helps in industrialization of rural and backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth.*

*MSME account for more than 80 per cent of the total industrial enterprises in India creating more than 8000 value added products. The most important contribution of MSMEs in India is promoting the balanced economic development. The trickle down effects of large enterprises is very limited as compared to small industries where benefits of percolation of economic growth are more visible.*

**Keywords:** Women Entrepreneurs, challenges, Government Schemes

### Introduction

The Micro, small and Medium Enterprises (MSMEs) provide large employment opportunities at lower capital cost than large industries. The MSME sector has created about 11.10 crore jobs in the country. India's MSME sector comprises of 633.88 lakhs units as per National sample survey 73<sup>rd</sup> round (2015-16). During 2014-18, 1,37,79,000 jobs have been created in Khadi & Village Industries sector, 1,93,818 units have been setup providing employment to 14.75 lakh people, 51,11,026 people got employment in the Credit Guarantee Fund trust for Micro and Small Enterprises (CGTMSE). About 6,42,272 people were trained in MSME Technology Centers out of which 91,634 got placement. In other Training Institutions, 2, 07,235 people have been trained, of which 43,761 got wage employment and 21,783 found self-employment

### Micro, Small and Medium Enterprises :

The Government of India has enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 in terms of which the definition of enterprises, micro, small and medium enterprises is as under (ministry of Law and Justice, 2006).

Enterprises means an industrial undertaking or business concern or any other establishment, by whatever name called, engaged in the manufacture or production of goods, in any manner, pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 or engaged in providing or rendering of any service or services.

### Contribution of MSMEs in India Economy

The MSMEs occupy a strategic importance in terms of output, exports and employment created in India economy. It produces about 45 per cent of manufacturing output of 40 per cent of the total exports. Furthermore, about 8 million persons are engaged in over 29 million units throughout the country (planning Commission 2012). The contribution of MSMEs in India's GDP has increased from 129.57 percent to 29.94 per cent during 2011-12 to 2013-14; furthermore, it slightly decreased and reached at 29.39 per cent in 2015-16. Growth rate of this sector in India economy has been decreased from 15.27 per cent to 9.43 per cent during 2011-12 to 2015-16. As the income increases, the share of the informal sector decreases and that of the formal MSME sector increases.

### Expansion of SSI sector and its share in industrial production.

The total number of units in the SSI sector stood at 428.7 lakh in 2010-11 and this number rose to 447.6 lakh in 2011-12. The total number of MSME unit in 2012-13 was 467.5 lakh and this number rose to 488.5 lakh in 2013-14, 5.10.6 in 2014-15. As far as output is concerned, the output of SSI units in 2010-11 was Rs. 1653622 crore and this rose to Rs. 1788584 crore in 2011-12. Output of MSME unit in 2013-14 was Rs. 1809976 crore. MSME sector manufactures over 6,000 products ranging from traditional to high-tech item.

**Table 1**

Year	Number of MSMEs (in lakh)	Market value of fixed assets (Rs crore)	Gross value of output (Rs. Crore)	Employment (number in lakh)
2010-11	428.7	1105937	1653622	965.2
2011-12	447.6	1182758	1788584	1011.7
2012-13	467.5	1268764	1809976	1061.4
2013-14	488.5	1363700	-	1114.3
2014-15	510.6	1471913	-	1171.3

Source : Government of India, Ministry of MSME, Annual Report 2015-16).

As many as 68.21 per cent (i.e., more than two-thirds) of the enterprises in the MSME sector are service providers while 34.79 per cent are engaged in manufacturing. Significantly, rural areas with 200.19 lakh enterprises accounted for 55.34 per cent of total working enterprises in the MSME sector whereas urban areas housed 161.57 lakh enterprises (or 44.66 per cent of the total). In 2014-15, the MSME sector contributed 7.0 per cent of GDP and 37.3 per cent of manufacturing output.

### **Government Schemes :**

The Ministry of Micro, small and Medium Enterprises (MSME) is implementing various flagship programmes related to MSMEs. The Implementation of policies and various programmes and schemes for providing infrastructure and support services to MSME's is undertaken through its attached office, namely undertaken through its attached office, namely the Office of the Development Commissioner (DC-MSME), National Small industries Corporation (NSIC), Khadi and village Industries commission (KVIC) the Coir Board, and training institutes, viz., National Institute for Micro, small and Medium enterprises (NI-MSME), Hyderabad and Mahatma Gandhi Institute for Rural Industrialization (MGIRI) (Ministry of Micro small and Medium Enterprises, 2018).

### **IT Initiatives of Ministry :**

- My MSME : Web based application module to submit and track online applications under various schemes of the Ministry.
- Udyog Aadhar Memorandum : Mobile friendly application for registration of MSMEs on self-certification basis.
- MSME Samadhaan : Empowers MSMEs to resolve the issues to delayed payments.
- MSME Sambandh : Disseminates information on procurements by CPSEs / Government Departments :

### **New Initiatives of Ministry**

- National SC/ST Hub : An initiative targeted developing a supporting eco-system for SC/ST entrepreneurs.
- Zero Defect Zero effect (ZED) Scheme envisages promotion of Zero Defect and Zero Effect (ZED) manufacturing amongst MSMEs to promote adaptation of quality tools / systems and energy efficient manufacturing.

### **Major Initiatives by the Government**

- Government's policy initiatives like enactment of the Micro small and Medium enterprises Development (MSMED) Act, 2006 ;
- Pruning of reserved small scale Industries (SSI) list, advising Financial institutions to increases their flow of credit to the SME sector.
- Reservation of items for exclusive manufacture in MSME sector statutorily provided for in the Industries (Development and Regulation) Act, 1951
- The President, under Notification dated May 9, 2007 has amended the Government of India (Allocation of Business) Rules, 1961
- Pursuant to this amendment, Ministry of Agro and Rural industries and ministry of small scale Industries were merged into a single Ministry, namely. "Ministry of Micro, Small and Medium Enterprises:.

**Mudru**

Has been a flagship programme of the present Government, facilitating unprecedented credit flow into the micro enterprises eco-system. This programme envisages, as announced in the Union Budget, a credit flow target of Rs. 3 lakh crore, nearly 5 crore accounts would be financed. This initiative of the Government has made of huge difference in the MSME eco-system and has contributed tremendously to employment generation and entrepreneurship development.

**The Challenges :**

- The sector is always fund starved. Banks are often unwilling to lend. Besides, whatever bank finance these sector gets, comes at far higher interest costs that what large enterprises can negotiate.
- Long receivables cycles make a mess of working capital management.
- Little access to trained labour, technical progress and management support limit their growth.
- Other common problems faced by small enterprises are reacted to availability of technology, infrastructure and managerial competence, and limitations posed by labour laws, taxation policy, market uncertainty and imperfect competition.

**Way forward :**

- The challenge now is to create a policy environment that will encourage the growth of more SMSE that can hold their own in a competitive market.
- The problems faced by MSMEs need to be considered in a disaggregated manner for successful policy implementation as they produce very diverse products, use different inputs and operate in distinct environments.
- In general, there is need for tax provisions and laws that are not only labour-friendly but also entrepreneur-friendly. More importantly, there is need for skill formation and continuous upgrade both for labour and entrepreneurs.
- While the government has to strengthen the existing skilling efforts for labour, there is an urgent need for managerial skill development for entrepreneurs running MSMEs – an area that is considerably neglected.
- Further, the government could consider dedicated television and radio programmers, similar to agriculture, to help educate entrepreneurs running small business.

**Women Entrepreneurs and MSMEs :**

Women Entrepreneurs can be seen everywhere in the startup-up ecosystem of India. Women too are seen leaving their high profile jobs as well as some stepping out of the four walls of their homes and joining the pool of Entrepreneurship in India. Around & million women who have started and are running their own business and the Ministry of MSME believes that the women in India can play a vital role in the growth of the India economy.

According to international finance Corporation's research report on opportunities, challenges and the way forward-Micro, small and Medium enterprises finance : Improving Access to Finance for Women owned Business in India, around 3.01 million women-owned enterprises represent about 10 per cent of all MSMEs in the country. Collectively, they contribute 3.09 per cent of industrial output and employ over 8 million people. Approximately 78 per cent of women enterprises belong to the services sector. Women entrepreneurship largely skyward towards smaller sized firms, as a almost 98 per cent of women-owned businesses are micro-enterprises. Approximately 90 per cent of women owned enterprises are in the informal sector.

**Schemes for Women :**

- Trade Related Entrepreneurship Assistance and Development (TREAD) scheme for women.
- Micro & Small enterprises cluster development programme (MSE-CDP)
- Credit Guarantee fund scheme for MSEs.
- Support for entrepreneurial and managerial development.
- Exhibitions for women under promotional package for MSEs.

MSME / Entrepreneurship reacted schemes and support services of various other ministries and printed an e-book titled "MSME Schemes" for dissemination of information to entrepreneurs and existing MSMEs. The e-book is available on ministry website.

Women in Self help group (SHGs) are able to access the finance for Banks and Government schemes to start micro and small business. The Central and State Government Departments are promoting the

Entrepreneurship and framing appropriate policies and providing incentives for all group of people including women, farmers, persons with disability and SCs and STs. The Banks are also launching various MSME schemes for start-ups/ budding entrepreneurs / existing MSMEs. With introduction of new tax reforms in Indian economy i.e. Goods & Service Tax (GST) most of these groups are unable to continue in the unorganized sector. The small and medium enterprises are needed to register their business entity in formal sector and provide minim social security provisions for their employees and also gain benefits in the new tax regime.

### **Women MSME Associations in India :**

The following Women associations are promoting women entrepreneurship and MSMEs. The prospective women entrepreneurs can access various from these associations.

1. Federation of Indian Women Entrepreneurs (FIWE) New Delhi
2. Consortium of Women Entrepreneurs (CWEI), New Delhi
3. Association of Lady Entrepreneurs of Andhra Pradesh (ALEAP) Hyderabad.
4. Association of Women Entrepreneurs of Karnataka (AWAKE), Bengalore.
5. Self-Employed Women's Association (SEWA), Ahmedabad.
6. Women Entrepreneurs Promotion Association (WEPA) Chennai
7. The marketing Organization of Women Enterprises (MOOWES), Chennai.
8. Bihar Mahila Udyog Sangh, Patna.
9. Mahakoushal Asso. Of Women Entrepreneurs (MAWE) Jabalpur
10. Women Entrepreneurship Promotional Association, Chennai.

### **Conclusion :**

To survive with such issues and complete with large and global enterprises, MSMEs need to adopt innovative approaches in their operations. They should be innovative, inventive, international in their business outlook, have a strong technological base, competitive spirit and a willingness to restructure themselves to withstand the present challenges and come out successfully to contribute about 29 per cent to GDP.

In India, almost 31 million MSMEs have been a moment force in creating ample opportunities for the inclusive socio-economic growth and also acting as a nurturing seedbed for entrepreneurial talent of perspective global players. Over the past five decades, the Indian Government had initiated various progressive credit policies and practices, new schemes to support the MSME sector for the promotion, development and enhancing the competitiveness of these enterprises, performance in Government procurements to products and services of the Micro and small enterprises, more effective mechanisms for mitigating the problems of delayed payments to micro and small enterprises and simplification of the process of closure of business by all three categories of enterprises.

### **Reference :**

1. Government of India, Ministry of MSME, Annual Report 2015-16).
2. All India Report of Sixth Economic Census (2016), GoI, Ministry of Statistics and Programme Implementation CSO, New Delhi
3. GoI, Ministry of Micro, Small and Medium Enterprises.
4. India MSMEs Marching Ahead, Achievements 2014-18, Ministry of Micro, Small and Medium Enterprises.
5. Report of NSS 73<sup>rd</sup> Round (2015 -16)
6. Ministry of Law and Justic. (2006). The Micro Small and Medium Enterprises Development Act 2006. New Delhi Ministry of Law and Justice.
7. Ministry of Micro Small and Medium Enterprises (2018). Indian MSMEs marching Ahead Achievements 2014-18. New Delhi : August.