

Role of MSMEs in India

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Abstract

In the current business environment, micro, small, and medium-sized businesses are acknowledged as the main force behind economic growth and the advancement of equitable development. Additionally, MSMEs are essential to the growth of industries and the creation of job opportunities. When compared to India's entire industrial sector, the MSMEs sector has continuously shown a greater growth rate. Due to factors including raw material shortages, ignorance or a lack of entrepreneurial skill development, and a lack of funding and technical support from relevant local authorities at the district, state, and federal levels, the distribution of MSME's throughout India is unequal. The primary issues facing MSME's are the absence of contemporary technology, the high cost of credit, the lack of research and developments, the lack of training and skill development, the complexity of labour laws, and the lack of an adequate and timely credit facility. Nevertheless, there are a number of chances for MSME development. Additionally, the MSME sector might draw in international technology and investment. The growth of MSME's increases the likelihood of employment. After taking into account the customers' expectations first, the MSME's will be able to meet their wants to a large degree. Allowing young people to work in rural regions can stop them from migrating there. The development of MSME would be aided by the exchange of technology among the various MSME kinds, financial and technical support, lenient labour regulations, and training and skill development. The Indian government provided numerous opportunities for the slogans "Made in India" and "Vocal for local" to succeed.

Keywords: MSMEs Role, Prospects, Initiative, MSMEs Portal

1. Introduction

A thriving and dynamic area of the Indian economy is the Micro, Small, and Medium Enterprises (MSME) sector. MSMEs are essential in creating a lot of job possibilities at a cost that is far lower than that of huge industries. MSMEs serve as ancillary units to larger companies and make a substantial contribution to the nation's socioeconomic growth. MSMEs can be define as under in Table 1.

Table 1 Classification of Msmes

Classification of MSMEs		
1	Micro Enterprises	Investment <1 crore and Turnover <5 Crore
2	Small Enterprises	Investment <10 crore and Turnover <50 Crore
3	Medium Enterprises	Investment <50 crore and Turnover <250 Crore
Source: https://msme.gov.in/know-about-msme		

1.1. Significance of Study

The MSMES industry in India contributes significantly to industrial output, creates jobs, and plays a major role in NDP. Finance is a key tool for MSME business expansion. All other issues stem from a lack of sufficient funding, which is also essential for both early and late growth. Because of the increased risk, financial institutions are not as focused on this industry. Overall, finance gap in the MSMES sector is estimated to be 650 Billion (Found by IFC analysis 2012). The Government and other financing institutions should take initiative to grant loans for this sector, only then will the sector develop, and create more employment and wealth. Hence there is a need for a study into the problems and opportunities of MSMES. Since India is a young nation, the expansion of MSMES is essential to its progress. To address working capital issues, MSMES need prompt and sufficient funding, especially during the startup and expansion phases. Because finance is

necessary to boost the development of the MSMEs sector in India. So MSMEs have a great future if adequate finance is provided and that will lead to the development of the nation and global countries.

1.2.Importance

One of Gujarat's most thriving and active industries is the MSME sector. In the fields of engineering, textiles, chemical goods, plastic, food processing, ceramics, pharmaceuticals, etc., MSME Gujarat is crucial in creating job possibilities. Micro, Small, and Medium Enterprises (MSME) are divided into two types, namely Manufacturing Enterprises and Service Enterprises, in accordance with the terms of the Micro, Small & Medium Enterprises Development (MSMED) Act, 2006. On June 27, 2018, the Hon'ble President of India opened an employment platform named "MSME SAMPARK," where recruiters and jobseekers (i.e., former trainees or students of MSME Technology Centres) can register for mutually beneficial interactions. [1]

2. Review of Literature

Over 1,00,000 SMEs have demonstrated a 13.9% rise in net jobs produced in the MSMEs sector over the previous four years, according to a report titled "MSMEs Growth Driver of Indian Economy" issued by CII and Resurgent India (2019). Telangana, Maharashtra, and Gujarat have produced the most jobs. According to a KPMG report titled "Making Indian MSMEs globally competitive" (released in September 2019), the MSMEs sector, which comprises 63 million businesses, is a major contributor to the Indian economy. Approximately 111 million people are employed by it, and it produces over 7,500 items, accounting for nearly 48% of the nation's total exports. In their study, Yogesh C. Joshi and Kaushal Kishore (2018) discovered that while a sizable percentage of MSMEs are using energy conservation, further work is needed to expand the number of units using this strategy. According to an analysis by Nihar Ranjan Jena and Lina R Thatte (2018), the MSMEs sector's performance varied by state due to the presence or lack of appropriate enabling factors such as labour force, economic infrastructure, regulatory framework, size of GSDP, and density of MSMEs clusters, among others. Maharashtra led the MSMEs

sector in terms of performance, closely followed by Gujarat, Tamilnadu, Andhra Pradesh, Uttar Pradesh, West Bengal, and Kerala. According to study by Papiya Manna and Dr. Tapas Mistri (September 2017), MSMEs are growing annually, and their proportion of the national or state GDP has also been rising, albeit with some oscillations.

3. MSME Market Development Assistance

A flexible, growth-promoting, and artisan-focused Market Development Assistance (MDA) strategy has been put in place of the former Rebate system. 20% of the value of Khadi and Polyvastra manufacturing, which is split between artisans who produce and sell in a 25:30:45 ratio, is given to institutions as financial aid by the MDA. In addition to offering incentives to consumers, MDA provides institutions with the opportunity to use the assistance to enhance their stores, goods, and production methods. [2]

4. Contribution of MSMEs

According to the 73rd round of the National Sample Survey (NSS) 2015–16, which excluded MSMEs registered under the Companies Act of 1956, Sections 2m(i) and 2m(ii) of the Factories Act of 1984, and Section F of the National Industrial Classification (NIC) 2008 for construction activities, there were 633.88 lakh unincorporated non-agriculture MSMEs in the nation engaged in various economic activities (196.65 lakh in Manufacturing, 0.03 lakh in Non-captive Electricity Generation and Transmission, 230.35 lakh in Trade and 206.85 lakh in other Services). During 2016–17, the MSME sector contributed 31.83 percent of India's Gross Value Added (GVA) and 28.90 percent of its Gross Domestic Product. The MSME sector can play a significant role in the process of inclusive growth and has the ability to disperse industrial expansion throughout the nation. The creation of jobs and employment in the MSME sector spans several Indian government ministries. Numerous ministries are putting plans into action that will create jobs in their specialized fields. In collaboration with relevant Ministries/Departments, State Governments, and other stakeholders, the Ministry of Micro, Small, and Medium Enterprises, which serves as the nodal Ministry for MSME, aims to foster the growth and development of the sector, including the Khadi,

Village, and Coir Industries, by supporting both new and existing businesses. Long-term survival in a highly competitive environment requires innovative behavior from businesses. However, on a critical note, MSMEs frequently encounter numerous obstacles to innovation, such as resource constraints, which impair their ability to develop and successfully market new products, procedure or offerings. These obstacles tend to impede businesses' innovative endeavors and have varying degrees of detrimental effects. Therefore, understanding the types of obstacles businesses encounter and how they overcome them is crucial for policy discussions on innovation in developing nations. [3]

5. GST Rollout and MSME

In order to facilitate the seamless implementation of the GST, the Ministry of MSME devised complex measures. In this context, the following actions were performed. For the purpose of providing MSMEs with the necessary assistance regarding GST matters, all of the Ministry's field organizations— The National Small Industries Corporation (NSIC), the Office of Development Commissioner (Micro, Small, and Medium Enterprises), the Khadi and Village Industries Commission (KVIC), the National Institute for Micro, Small, and Medium Enterprises (Ni-MSME), the Coir Board, and the Mahatma Gandhi Institute for Rural Industrialisation (MGIRI) all established GST Cells in their respective offices. • Laghu Udyog Samachar released a special issue that was entirely devoted to GST-related topics. The Ministry of Micro, Small, and Medium Enterprises' Internet Grievance Redressal System (IGMS) already has a window dedicated to GST. Ministry set up a 24x7 helpline in NSIC to attend to queries. On July 13, 2017, the Ministry held a broader consultation workshop with all associations, during which the GST Council's MSME sector specialist gave a presentation and addressed questions and concerns at the FICCI Auditorium. [4]

6. Digital Payment

The government has been working to encourage a cashless economy and to make it easy and comfortable for all Indian residents to make digital payments. The Government of India has made the promotion of digital payments its top priority in an

effort to formally include all segments of our nation in the use of digital payment systems. The goal is to make it possible for all Indian people to make secure, rapid, easy, and inexpensive digital payments. In order to digitally enable the whole MSME ecosystem, the Ministry of MSME has taken a number of measures as a partner in the program.

7. Grievance Handling

All complaints on the Centralised Public Grievance Redress and Monitoring System (CPGRAMS) are handled by the Ministry of MSME. To keep track of and monitor additional concerns and ideas received by the Ministry, the Ministry launched the eSAMADHAN online grievance monitoring system. To address delayed payments to MSEs, MSME Samadhaan. MSME Delayed Payment Portal – MSME Samadhaan (<https://samadhaan.msme.gov.in>) has been launched empowering micro and small entrepreneurs across the country to directly register their cases relating to delayed payments by Central Ministries/Departments/CPSEs/State Governments. Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 contains provisions to deal with cases of delayed payment to Micro and Small Enterprises (MSEs). According to the provisions, if the buyer does not pay the supplier for the supplies of goods or services within 45 days of the day of acceptance of the goods or services, or the deemed day of acceptance, he will be responsible for paying the supplier compound interest with monthly rests on the amount at three times the bank rate notified by the Reserve Bank. [5]

8. Role of MSMEs

- Focus on customer satisfaction: Primarily, MSMEs manufacturing goods focus on test and preferences, liking and disliking of the consumer. But now a day they produce goods according to the needs or expectations of the customers. So, the MSMEs can be more customer satisfaction oriented. [6]
- Employment creation: MSME manufacturing and service delivery offer a wealth of options. MSMEs are creating varying and sampling amounts of jobs in the manufacturing and retail sectors.
- Attraction of Foreign Investment: The Indian

MSMEs are the growing sectors and their growth rate and return on investment is satisfactory. This sector can attract foreign investment in India, so their growth rate is increasing drastically.

- **Minimisation of regional imbalance:** By operating MSME units in rural areas, MSMEs will make use of the labour pool in these areas, allowing them to develop equally with the rest of the country. Therefore, this helps to reduce or eliminate the regional imbalance.
- **Growth of Export:** Indian products, such as wooden goods and other handcrafted things, would be in high demand on the global market. Therefore, MSMEs have the potential to increase India's exports.

Conclusion

The analysis makes it abundantly evident that the Micro, Small, and Medium Enterprise (MSMEs) sector has become a crucial sector that is making a substantial contribution to exports, innovation, employment creation, and the economy's inclusive growth. The rationale is because the MSMEs sector can produce goods at a reasonable price, and the government is fully supporting this sector's growth. By 2024, MSMEs are expected to account for 50% of the national GDP, up from 29% at the moment. Gujarat has a very clear strategy for growing the MSMEs sector thanks to its natural advantages, robust infrastructure, and strategic location both domestically and internationally. It is also undeniable that Gujarat is a popular destination for foreign investment. Because of its favourable business climate, abundance of growth prospects, first-rate infrastructure, superior road connectivity, longest coastline, and encouraging government initiatives, India is a promising and developing country that can guarantee the growth of the MSMEs sector in accordance with the central government's economic development policies, and rising ease of doing business ranking. It can be said that MSMEs sector needs more attention like any other large industrial units and it would certainly help India to become an economically powerful nation among all countries of the world.

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