



MICRO SMALL AND MEDIUM ENTERPRISES (MSMES) IN INDIA

Dr. Rama Achuta Sartape

Assist. Prof. & HOD Dept of Economics

Gogate – Jogalekar College Ratnagiri (M. S.)

Introduction-MSMEs

India's Micro, Small and Medium Enterprises (MSMEs) sector has appeared as a vibrant and dynamic sector for the economy. It is not only MSMEs it also includes Khadi, village and coir industries as well Catalyst in promoting the growth and development of the economy. MSMEs are successfully flourished in developing countries for example Cameroon, Uganda, Malawi, Nigeria etc. as well as developed countries like USA, Japan, Germany etc.

Key Word : Micro, Small and Medium Enterprises

MSMEs –Indian Scenario

MSMEs are very much linked with the industrial sector. The good growth of MSME sector is making backward linkages- inputs like raw materials, spare parts etc. and forward linkages- output –various services, goods etc.They cater to demands of domestic as well as global exports markets, help in employment generation, regional dispersal of industries thereby truncating inequalities and help the economy to be self-sufficient. On one end we have large companies such as airlines, telecoms, IT companies, banks and insurance companies. At the other end of the spectrum are an estimated 10-50 million Micro-Small-Medium-Enterprises (MSMEs) offer myriad services in services ranging from astrologers to accountants, caterers to car cleaners, flooring contractors to roof leak repairers, interior decorators to movers and packers. (Economic Times, January27, 2018

Need/ Rationale to Study MSMEs

According to 2017-18 MSME Annual Report, MSMEs contributed 7.62 % to economic growth. Due to its crucial role in GDP contribution, employment generation, innovation development, poverty alleviation, social cohesion and local and regional development, micro, small and medium scale enterprises are regarded increasingly as important (Bidja & Mandizvidza, 2017). MSME make possible a balanced and inclusive growth which need to be studied to make the economy future ready.- Small ideas make it Big.So it will be very useful to have a closer perspective of this sector which is going to take the economy forward.

Review of Literature

- Christopher J. Green, Colin H. Kirkpatrick, and Victor Murinde, (2006) in their paper have examined the ways in which financial sector development policy might contribute to poverty reduction, particularly by supporting the growth of micro and small enterprises (MSMEs).
- De, Sankar (2009) in his article has viewed that MSME's in India face many challenges, but perhaps none are as difficult as the challenge of financing, both short term and long term.



- 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 MSMEs would become essential for addressing the systemic problems underlying the industrial ecology, enterprise resilience, and global supply chain sustainability.
- Srinivas K T (2013) has studied the performance of micro, small and medium enterprises, and their contribution in India's economic growth and concluded that MSMEs play a significant role in inclusive growth of Indian economy.

Objectives of the Study-

- To study the performance of micro, small and medium enterprises in India.
- To focus on the huge growth potential and opportunities available for development of this sector.
- To identify some important issues and challenges confronted by these enterprises and offer suggestions for the same and
- To present policy initiatives of government for beating the odds and sustainable development of MSMEs.

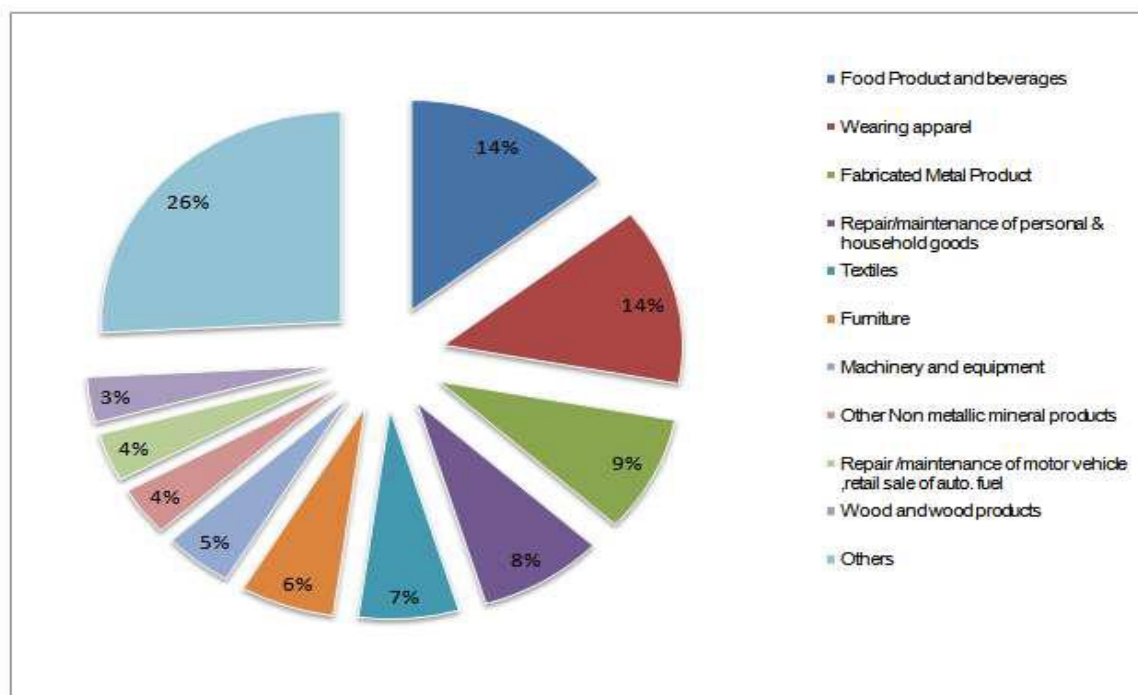
Research Methodology

- The data are collected mostly from secondary sources by way of access to various Government policies/ programmes including published Annual Reports, Journals, Books and available official websites.
- Limitation of the study- It offers a macro overall perspective, individual MSME performance under each sector may vary enterprise to enterprise. Data is taken from government reports so they have the other limitations too which this data may have.

Micro, Small and Medium Enterprises (MSME) development Act, 2006 and MSME Bill 2018

	<u>Manufacturing Sector</u>	<u>Service Sector</u>	
	Investment in plant & machinery	Investment in equipment	2018 BILL All Enterprises (Annual Turnover)
Micro enterprises	Annual turnover does not exceed 25 lakhs	Annual turnover does not exceed 10 lakhs.	5 Cr.
Small Enterprises	Annual turnover b/w 25 lakhs To 5 cr.	Annual turnover 10 lakhs does not exceed 2 cr	5 Cr. to 75 Cr.
Medium Enterprises	Annual turnover 5 cr. but does not exceed 10 cr.	Annual turnover 2 cr does not exceed 5 cr	75 Cr. to 250 Cr.

Share of Products Produced by MSMEs in India



Activity Wise and Category Wise Distribution of Enterprises (Numbers in lakh)

Activity Wise	Numbers	Category	Numbers
Trade	230.3	Micro	63.52
Manufacturing	196.65	Small	3.31
Electricity	0.03	Medium	0.05
Other services	206.85		

Percentage Distribution of Enterprises in rural and urban areas.

Rural MSMEs		Urban MSMEs	
Numbers	Percentage	Numbers	Percentage
324.88	51	309.00	49
Male/ Female ownership category wise			
Male	77.76	Male	8158
Female	22.24	Female	18.42

Regional Dispersal of MSMEs

States	No in Lakhs	Share in %
Total of 10 States with concentration of MSMEs	496.36	74
Other state/UTs	164.52	26
Total	633.88	100

(National Sample Survey (NSS) 73rd round, 2015-16)



Share in Exports

- Bulk of the exports (around 93%) consists of such non-traditional items like readymade garments, sports goods, finished leather, leather products, processed foods, engineering goods etc. The total exports of the MSMEs increased from 155 cr, in 1971-72 to 6,77,318 cr in 2012-13. which means an increase from 9.6% to 41.4 % which is quite a big increase. (Annual Report, MSME, 2015-16)

Registration of New MSME

- Since September, 2015, in view of promoting ease of business, an online filing system under Udyog Aadhar Memorandum (UAM) based on self-declared information has been put in place.
- 45% in Manufacturing and 55% in services have registered. (Annual report, MSME, 2017-18)

Potentialities for Growth Opportunities

- So to re-emphasize the point that Development of this sector is therefore extremely important as it holds the key to inclusive growth and plays a pivotal role in holistic development of the country.
- MSMEs being less capital intensive and more employment-friendly have easier access to raw materials, subsidies and other incentives under cluster programmes. The country has huge growth potential to create and enhance the capacity of enterprises both in the manufacturing and service sector by using the available resources.

Case Studies

- DFM Foods(Delhi): Making packaged snack-the culture of packaged food was not hit among Indians until DFM Foods came up with the idea of CRAX corn rings.
- Ankur Scientific Energy Technologies (Vadodara): Manufacturing Biomass Gasifiers mostly used for power generation.
- SL packaging: Trading in Jute and allied Products (Kolkata): Imports raw jute from Bangladesh to make yarn, sacks, fabric and eco-friendly bags for local market as well as for exports.

Issues and Challenges faced by MSMEs

- Financial Issues
- India's MSME sector faces a major problem in terms of getting adequate credit for expansion of business activities. Economic Survey (2018) tabled in Parliament by Finance Minister [Arun Jaitley](#) pointed out that the Micro, Small and Medium Enterprises (MSME) received only 17.4 per cent of the total credit outstanding. "Growth of credit to micro and small enterprises increased by 4.6 per cent, while credit to medium enterprises decreased by 8.3 per cent," it said.
- Lack of Access to New Technology- low technology, low productivity
- Lack of Skilled Human Resources-lack of competence, training, entrepreneurial expertise
- Lack of infrastructure facilities
- Lack of fundamental mannerisms of doing business- lack of record keeping, monitoring cash flow, inventories etc.
- The National Board for Micro, Small and Medium Enterprises (NBMSME) was established by the Government under MSME Act to examine the factors affecting promotion and development of



MSMEs.

Credit and Financial assistance-

Prime Minister Employment Generation Programme (PMEGP) is implemented with the objective to generate employment opportunities under MSMEs in rural and urban areas through setting up of new self-employment ventures/projects/micro enterprises. In this connection, Micro Units Development and Refinance Agency Bank (MUDRA Bank), is a new institution setup by the Central Government for the development of micro units and refinance of MFIs to encourage entrepreneurship in country and to provide the funding to the non corporate small business sector.

For Skill Development and Training

A Scheme for Promotion of Innovation, Rural Industry & Entrepreneurship (ASPIRE) for creating jobs and innovative businesses has been started. Technology Centres (Earlier known as Tool Room & Technical Institutions) are established.

For Infrastructure

Scheme of Fund for Regeneration of Traditional Industries (SFURTI) to organize traditional industries and artisans into clusters to make them competitive and provide support

For long term sustainability, sustained employment

Scheme for Micro & Small Enterprises Cluster Development Programme (MSE-CDP)- To support the sustainability and growth of MSEs by addressing common issue such as improvement of technology, skills and quality, market access, access to capital etc.

For Technology Up gradation and Competiveness

Financial Support to MSMEs in ZED certification-The scheme envisages promotion of Zero Defect and Zero Effect (ZED) manufacturing amongst MSMEs and ZED Assessment for their certification with the objective for enabling MSMEs to manufacture quality products with adoption of Zero Defect production processes and without impacting the environment, etc.

Other Policy Initiatives

- Direct Benefit Transfer (DBT) by the M/o MSME- for simpler and faster flow of funds and to ensure accurate targeting of the beneficiaries and reduction of fraud.
- Digital Payments- Ministry of MSME has taken numerous initiatives to digitally enable the entire MSME sector under Digidhan Mission
- Grievance Monitoring- The Ministry attends to all the grievances on Centralized Public Grievance Redress and Monitoring System (CPGRAMS) and has also started a MSME internet grievance monitoring system (eSAMADHAN) to track and monitor other grievances and MSME SAMADHAAN: To Address Delayed Payment to MSEs.
- MSME-SAMBANDH- Public Procurement Policy for Micro and Small Enterprises which mandates 20% of annual procurement from MSMEs including 4% from enterprises owned by SC/ST entrepreneurs by the Central Ministries / Departments and Central Public Sector Enterprises (CPSEs).



- suggestions received in the Ministry.

Suggestions/ Recommendations for MSMEs

- Easy Access to Finance and Credit
- Stepping up Infrastructural and Support Facilities
- Creation of adequate Marketing Linkages
- Skill Development and Capacity Building
- Access to Modern Tools and Technology
- Policy Intervention and Support Mechanisms (Recommendations of the Committee on financial architecture of the MSME, 2015) need to be re-visited.

Conclusion

- As observed, Despite the odds MSMEs are doing well. They have a long way to go...The govt needs to give a boost to allow them to survive, succeed and soar.
- MSME is the silver bullet to eradicate poverty and also a proven way to human wellbeing and quality of life particularly for the poor people (Sengupta & Aubuchon, 2008, Osoro & Muturi, 2013).

References

Journal Articles:

- Ahita Paul (2018): The Micro, Small and Medium Enterprises Development (Amendment) Bill, PRS Legislative Research, Institute for Policy Research Studies July 25,pp 1.
- Bhadauria, A, (2015). Make in India: Need of revamping Linkages of Service sector with MSMEs, International Research Journal of Commerce, Business and Social Sciences (IRJCBSS) Vol 3, Issue 12 (I), March 2015, pp 92-96
- Bidja, A. B., & Mandizvidza, K.(2017): Strengthening enterprises growth and effectiveness in developing economies. A case of very Small, Small and Medium-sized Enterprises in Cameroon, IOSR Journal of Business and Management, Vol 19(3), May-June, pp 19-27.
- Christopher J. Green and Colin H. Kirkpatrick, and Victor Murinde (2006): Finance for Small Enterprise Growth and Poverty Reduction in Developing Countries, Journal of International Development, John Wiley and sons, Vol 18(7), pp 181017–1030.
- Daniels, L. & Ngwira. (1993): A. Results of a Nationwide Survey on Micro, Small, and Medium Enterprises in Malawi.
- Parthajeet Das (2017): Micro, Small and Medium Enterprises (MSMES) in India: Opportunities, Issues & Challenges, Great Lakes Herald Volume 11 (1), March, Page 77-88.
- Report of the Committee set up by Ministry of Finance Govt. of India to examine the financial architecture of the MSME sector February 2015.
- Report of the Working Group on MSME Growth for 12th Five Year Plan (2012-17) Ministry of MSME, Government of India.

**Newspaper Articles:**

Economic Times, Satya Prabhakar (2018): Most Powerful Engine of India's Growth: Service MSMEs, January 27.

Financial Express, PTI (2018): Economic Survey 2018: MSME Sector Faces Major Problem in Availing Credit, January 29.