



MSME- An Emerging Pillar of Indian Economy

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ABSTRACT

All throughout the world, the Micro, Small and Medium Business (MSME) sector has been acknowledged as a growth engine. With the use of capital and entrepreneurial skills, MSMEs significantly contribute to economic growth, balanced regional development, the creation of jobs, and the overall elimination of poverty. The MSME sector is a crucial pillar of the Indian economy since it makes a significant contribution to its expansion. It has become a crucial tool for achieving inclusive growth for the nation. This essay makes an effort to concentrate on the role that MSME has played in the development of the Indian economy as well as its current situation there.

Keywords: Contribution, Economic Growth, Employment Generation, Gross Domestic Product (GDP), Micro, Small and Medium Enterprises (MSMEs)

1. INTRODUCTION

Micro, small, and medium-sized businesses play a crucial role in the economy. For many emerging nations, including India, the Micro, Small and Medium-Sized Businesses (MSMEs) have frequently been referred to as the "engine of growth." They give the weakest and poorest members of society work possibilities, offering them a way out of the poverty that they appear destined to live in forever. MSMEs are the second-largest employers of labour in the country after agriculture, and they provide significant amounts of employment right away with little capital outlay. MSMEs not only play an important role in creating many job opportunities at a capital cost that is significantly lower than that of large industries, but they also aid in the industrialization of rural and underdeveloped areas, thereby reducing regional imbalances and ensuring more equitable distribution of resources. Distribution of wealth and

income in the country. According to the Working Group on Micro, Small and Medium Businesses (MSMEs) Growth for the 13th Five Year Plan (2017-2022), the sector accounts for 40% of all exports and 45% of the nation are manufacturing output. Over 80 million people are employed in the sector, which supports 36 million businesses nationwide. The MSMEs in the nation produce about 6000 products, ranging from conventional to high-tech goods. MSMEs have a greater labour-to-capital ratio and a higher total growth rate than large industries. The MSMEs' geographic distribution is likewise more uniform. MSMEs are crucial to achieving the nation's goals of growth with equity and inclusion.

The small sector is a significant source of employment for millions of people in emerging countries like India where there is a surplus of labour and a shortage of capital. The Indian government has included this sector

in its five-year plans due to the significance of SMEs. The government's agenda places a high premium on the growth of the micro, small, and medium-sized enterprise (SME) sector. The government's mission, according to the Results-Framework Document (RFD) for the Ministry of Micro, Small, and Medium Businesses (2017–2022), is to "Promote Growth and Development of Globally Competitive Micro, Small, and Medium Enterprises, including Khadi, Village and coir industries support current businesses and promote the development of new ones in collaboration with relevant Ministries/Departments, State Governments, and other stakeholders. Compared to the entire industrial sector, the MSME sector has regularly had stronger growth rates in recent years. The industry has demonstrated commendable inventiveness and adaptation to survive the recent economic crisis and recession thanks to its agility and dynamism. MSMEs serve as ancillary units to large enterprises and make significant contributions to the socioeconomic growth of the nation.

Definitions of Micro, Small & Medium Enterprises

The Micro, Small and Medium Enterprises (MSME) are divided into two classes in compliance with the provisions of the Micro, Small & Medium Enterprises Development (MSMED) Act, 2006:

- Manufacturing businesses are those that produce or manufacture goods for any of the industries included in the first schedule of the Industries (Development and Regulation) Act of 1951. Investment in plant and machinery is used to define manufacturing enterprises.
- Service enterprises are defined as those businesses that invest in and use equipment to provide or offer services.

The limit for investment in plant and machinery / equipment for manufacturing / service enterprises, as notified, are as under:

Manufacturing Sector	
Enterprises	Investment in Plant & Machinery
Micro Enterprises	Does not exceed twenty five lakh rupees.
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees.
Medium Enterprises	More than five crore rupees but does not exceed ten crore rupees.
Service Sector	
Enterprises	Investment in Equipments
Micro Enterprises	Does not exceed ten lakh rupees.

Small Enterprises	More than ten lakh rupees but does not exceed two crore rupees.
Medium Enterprises	More than two crore rupees but does not exceed five crore rupees.

Objectives of the study:

- To comprehend what is meant by MSMEs.
- To talk about how the MSMEs sector affects the nation's GDP contribution.
- To evaluate the employment and investment growth and performance of MSMEs.
- To examine the current MSMEs policy framework.

The paper is broken into a number of sections in order to accomplish these goals. The definition of MSMEs is provided in Section I, which is the section that follows. The research approach employed in this work is described in Part II. The contribution MSMEs have made to the Indian economy over the past several years is highlighted in the next section. The performance of MSMEs is evaluated in Section IV in terms of employment, total working hours, and fixed asset investments. The policy framework for MSME in the economy is presented in Section V. The final section of the text is devoted to references.

Section II: Research methodology:

The current analysis is based on secondary data, most of which was gathered from the Ministry of Micro, Small, and Medium Businesses' Annual Reports. The information is also gathered from numerous articles and journals with the study's goals in mind.

Section III: Contribution of MSME in the Indian Economy

The Indian economy's micro, small, and medium-sized enterprise (MSME) sector is a key element, making a substantial contribution to the GDP, manufacturing output, employment, and exports. This industry also has a significant impact on wealth distribution at the local level and the development of entrepreneurial skills. This industry has made a significant contribution to the nation's pursuit of equitable and balanced growth. A yearly All India Census of the Sector is the principal method used to assess the performance of the Micro, Small & Medium Businesses (MSME) sector in the nation. The estimates based on trends of Number of Working Businesses, Employment, and Market Value of Fixed Assets based on the Fourth All India Census of MSME were created because the Fourth All India Census

of MSME was performed in the years 2017–2022 MSME is projected for latest years.

The comprehensive results of Fourth All India Census of MSME are given below:

Summary Results: Fourth All India Census of MSME (Government of India)

Sr.	Characteristics	Registered Sector	Unregistered Sector	Economic Census-2005	Total
1	Size of Sector	15.64	198.74	147.38	361.76
	(in Lakh)				
2	No. of rural units	7.07	119.68	73.43	200.18
	(in Lakh)	(45.20%)	-60.22%	-49.82%	-55.34%
3	No. of Women Enterprises (in Lakh)	2.15	18.06	6.40 (4.34%)	26.61
		(13.72%)	-9.09%		-7.36%
4	Total Employment	93.09	408.84	303.31	805.24
	(in Lakh)				
5	Per Unit Employment	5.95	2.06	2.06	2.23
6	Total original value of Plant & Machinery	10502461	9463960	-	19966421
	(`in Lakh)				
7	Per unit original value of Plant & Machinery (`in Lakh)	6.72	0.48	-	-
8	Total fixed investment (`in Lakh)	44913840	24081646	-	68995486
9	Per Unit fixed investment	28.72	1.21	-	-
	(`in Lakh)				
10	Total Gross Output (`in Lakh)	70751027	36970259	-	107721286

MSME play a significant part in the economy's balanced growth. The MSME sector currently employs more than 80 million people over 36 million units, and MSME makes up 8% of the nation's GDP. According to the Ministry of MSME's Annual Report, the industry contributes for around 45% of all exports from the nation. More than 6000 high-quality items are produced by MSME sectors. As a result, the MSME sector offers more potential for growth and diversification of its operations. Micro businesses account for 94.9 percent of MSMEs, and small businesses account for 4.9 percent.

These businesses are set up all throughout India, with a majority of them functioning in rural areas and the remainder in semi-urban and urban areas. MSMEs thus contribute an admirable contribution to the balanced expansion of the Indian economy. If we investigate on an activity basis, we can find that 16.8% of all registered units are service units, 16.1% of all registered units are repair and maintenance units, and 67.1 percent of all registered units are manufacturing units. The allocation of 6000 MSME units into their respective sectors..

Contribution of MSME Sector in the Gross Domestic Product

The table below shows the estimated contribution of the MSME sector to GDP and output from 2006–07 to 2012–13.:

Contribution of MSME Sector in the Gross Domestic Product and Output

Year	Gross Value of Output of MSME Manufacturing Sector	Share of MSME sector in total GDP (%)			Share of MSME
	(in crore)	Manufacturing Sector MSME	Services Sector MSME	Total	Manufacturing output in total Manufacturing Output (%)
2016-17	1198818	7.73	27.4	35.1	42.02
2017-18	1322777	7.81	27.6	35.4	41.98
2018-19	1375589	7.52	28.6	36.1	40.79
2019-20	1488352	7.45	28.6	36.1	39.63
2020-21	1653622	7.39	29.3	36.7	38.5
2021-22	1788584	7.27	30.7	38	37.47
2022-23	1809976	7.04	30.5	37.5	37.33

Source: National Account Statistics (2022), Central Statistics Office (CSO), Ministry of Statistics & Programme Implementation (MoSPI)

Up to 2018–2019, the MSME sector saw a consistent growth rate of roughly 11% annually. The most recent year with the largest growth was 2020–21(18.45 percent), followed by 2012–23.

Section IV: Performance of MSMEs

Based on the Fourth All India Census of MSME, the following trends are projected for the performance of the MSME sector with respect to Total Working Enterprises, Employment, and Market Value of Fixed Assets:

Performance of SSI/MSME, Employment and Investments

Source: Annual Report FY 22-23, Ministry of Micro, Small and Medium Enterprises, Govt. of India.

Sl. No.	Year	Total Working Enterprises	Employment (in lakh)	Market Value of Fixed Assets
		(in lakh)		(in crore)
1	2014-15	361.76	805.23	868,543.79
2	2015-16	377.36	842	920,459.84
3	2016-17	393.7	880.84	977,114.72
4	2017-18	410.8	921.79	1,038,546.08
5	2018-19	428.73	965.15	1,105,934.09
6	2019-20	447.64	1,011.69	1,182,757.64
7	2020-21	467.54	1,061.40	1,268,763.67
8	2021-22	488.46	1,114.29	1,363,700.54
9	2022-23	510.57	1,171.32	1,471,912.94

Trends in MSME growth (Filing of EM-II) during 2014-15 to 2022-23

Since the Fourth All India MSME Census was conducted in 2014–2015, the trends in the MSME sector have been

evaluated with the aid of the quantity of Entrepreneur Memorandum Part–II (EM–II) forms submitted to DICs throughout time. Starting September 2015, Udyog Aadhaar's online filing system has taken its place. To determine the trends in the expansion of MSME from 2014–2015 to 2022–2023 across the nation, data on the number of EM–IIs filed by MSME at DICs was gathered from the State/UT Commission rates/Directorates of Industries. MSME has demonstrated constant increase in terms of number.

Section V: Present Policy Framework

The Micro, Small and Medium Businesses Development (MSMED) Act of 2006 aims to make the industry more competitive. Additionally, the act supports the growth of these MSMEs businesses. The Act calls for the creation of dedicated funding for the growth and promotion of these businesses as well as for boosting their level of competitiveness. The notice of development-related schemes, progressive credit policies, and many other elements are included in the Act. The de-reservation policy has assisted the industry in growing in scope and opened doors for the entry of major firms in the production of these goods in accordance with international standards. A component of the banks'

Priority Sector Lending Policy includes credit/financial credit to MSEs. The Small Business Development Fund (SEDF), which will be established by the Small Industries Development Bank of India, must receive any deficit in lending by foreign banks (SIDBI). The SIDBI is the main financial organisation responsible for the development, funding, and marketing of the MSME market. To double the amount of credit flowing to this industry over the next five years, the government has established a "Policy Package for Stepping up Lending to Small and Medium Businesses."

Competitive technology: In today's fast-paced, globally integrated corporate environment, technology is more important than ever. To promote the development of the MSME sector, the government has established ten cutting-edge tool rooms and training facilities. The Indian industry receives skilled craftsmen in the production of tools and dies from the Tool Rooms. In order to create chances for self-employment and to improve the pertinent skills of current and potential business owners, the Ministry of Micro, Small, and Medium Businesses promotes the growth of micro and small enterprises in the nation. Export Promotion The MSE sector has given export promotion a high emphasis. The following facilities and incentives are offered to MSEs to assist them in exporting their products: (i) The government reimburses MSE exporters for expenses incurred when their products are showcased at foreign exhibits; (ii) Training programmes on packaging for exporters are held around the nation in collaboration with the Indian Institute of Packaging to familiarise MSE exporters with the most recent packaging standards, procedures, etc.

Conclusion

India greatly profited from other nations' experience, particularly in the sphere of technology. In the MSMSE sector, there are many prospects for cooperation. A few of these options include:

- Establishing turnkey projects for establishing manufacturing MSMEs on commercial terms.
- Turnkey support with the establishment of tool rooms and training facilities.
- Customized training programmes for certain target groups.
- Assistance with product design, tool design, and the production of complex tooling.

➤ Product development and rapid prototyping services. We may sum up by saying that Micro, Small, and Medium-Sized Businesses (MSMEs) have become the growth engine of the Indian economy. Because to their significant contribution to GDP, industrial production, and exports, they have become a thriving and active part of the economy. The creation of jobs, which is this sector's second-largest contribution in India after agriculture, is its main accomplishment. The events in the recent past demonstrate how joblessness has been rising in large industries and reducing in the farm sector. In such a scenario, the unorganised sector, which includes small and medium-sized businesses and the service sector, is primarily responsible for creating jobs. To sustainably contribute to national income, employment, and exports, a technologically vigorous, globally competitive small and medium sector should be encouraged to emerge. To help it support the Indian economy, the MSME sector must be taken care of.

Conflict of interest statement

Authors declare that they do not have any conflict of interest.

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