



An Empirical Study on Micro Small and Medium Enterprises in India

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ABSTRACT

The Micro, Small, and Medium Enterprises (MSME) represent the basis of an economy in encouragement a recognizable growth rate and for stimulating employment occasion. This sector has been considered as a device of socio-economic development in many rising and advanced economies. It donates meaningfully to India's industrial production, export, employment, and generates an widespread entrepreneurial base. The pandemic strikes globally so as also impact critically MSMEs and after COVID-19, the sector assumes a pivotal role in driving the growth engine.

KEYWORDS Micro, Small, and Medium Enterprises, current status, sector,

INTRODUCTION

Micro, small and medium enterprises (MSMEs) in India and abroad have demonstrated considerable strength and maintaining a reliable rate of growth and employment generation during the global recession and economic slowdown. Indian economy during the recent years has shown an appreciable growth performance by contributing to formation of livelihood opportunities to millions of people, in enhancing the export potential and in increasing the overall economic growth of the country. Prompt and appropriate fiscal stimulus, effective monetary policy and huge capital inflows were greatly instrumental in the bounce back situation of the economy. As a catalyst for socio-economic transformation of the country, the MSME sector is extremely crucial in addressing the national objectives of bridging the rural-urban divide, reducing poverty and generating employment to the teeming millions. It is

therefore, essential that India adopts a suitable policy framework that provides the required impetus to seize the opportunities and create an enabling business environment in order to keep the momentum of growth and holistic development. It is equally important that the MSME sector must address the infrastructural deficiencies and is well empowered to meet the emerging challenges for its sustainable growth and survival in a globally competitive order.

REVIEW OF LITERATURE:

Das, P. (2017) focuses on the huge growth potential and opportunities a variable in India for the development of the MSME sector, to identify important issues, challenges, and suggestions. He used secondary data. **H Mama P. and Mistri, T. (2017)** analyzed the existing scenario and trends of MSMEs in India. They used secondary data. They discovered that Micro enterprises

occupied the leading position naturally in all states but some developed states are improving their small and medium enterprises also. The sector reduces regional disparity and creates regional development. Mohanty, **Zanjurne, P. (2018)** concentrated on the performance of MSME and growth prospects. She used exploratory methodology and secondary data. She concluded that the MSME sector significantly contributes to exports, employment, and manufacturing output.

OBJECTIVES OF THE STUDY

1. Study on growth and performance of MSMEs sector Indian economy;
2. Improving Standard Living
3. **Employment Generation of MSMEs**

METHODOLOGY:

The study uses a descriptive-analytical approach. It is based on secondary data and information taken from various government reports, such as reports of the *Source: Ministry of MSMEs, PIB.*

THE INDIAN MSME SECTOR:

Micro, Small and Medium Enterprises (MSMEs) form the cornerstone of the Indian economy. The MSME sector in India has exhibited a strong performance and protected the economy from global adversities and shocks. It is estimated that there are 633.9 lakh MSMEs in India. The Micro sector includes 630.5 lakh enterprises, accounting for over 99% of the country's total number of MSMEs. The Small sector includes 3.3 lakh enterprises (0.5% of total MSMEs), while the Medium sector includes 0.05 lakh enterprises (0.01% of total MSMEs). Around 324.9 lakh enterprises (52.3% of total MSMEs) are in rural areas, while 309 lakh enterprises (48.8%) are in urban areas.

GIVEN BELOW ARE THE CRITERIA FOR THE CLASSIFICATION OF MSMEs.

Manufacturing Enterprises and Enterprises rendering Services	Micro	Small	Medium
Investment in Plant and Machinery or Equipment	Not exceeding 1 crore	Not exceeding 10 crore	Not exceeding 50 crore
Annual Turnover	Not exceeding 5 crore	Not exceeding 50 crore	Not exceeding 250 crore

The Indian MSME sector provides a crucial employment opportunity with low capital requirements. The sector

helps uplift the country's rural and less developed areas, reducing regional imbalances and inequality. Moreover, the sector is complementary to large companies and industries, providing them with the necessary parts and components. All these factors make the MSME sector crucial in the country's socio-economic development.

BENEFITS OF THE MSME SECTOR TO THE INDIAN ECONOMY

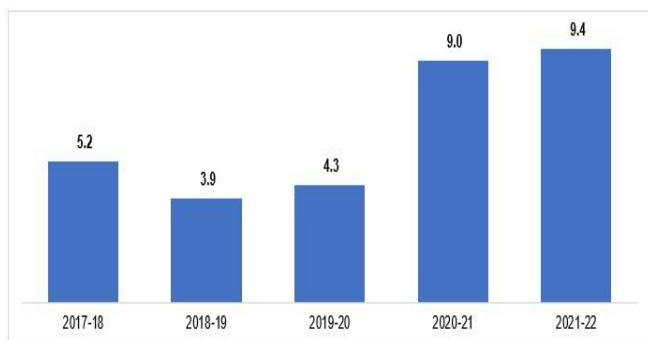
The Indian MSME sector provides several benefits to the Indian society as well as economy. Some of the benefits are given below.

MSME SECTOR'S CONTRIBUTION TO INDIAN ECONOMY: The sector significantly boosts the country's economy. As per the Ministry of Statistics & Programme Implementation, the contribution of the MSME sector to the Gross Value Added (GVA) in the country's GDP in FY 20 was 30%. The share has been around 30% over the past few years. The sector's contribution to manufacturing in all India manufacturing gross value output in FY 20 stood at 36.9%, the same as that in FY 19. This share signifies the sector's role in India's economic growth.

MSME CONTRIBUTION TO EXPORT IN INDIA: The MSME sector is among the country's major exporters. Specified MSME-related product exports accounted for 49.5% of India's total exports in FY 21, compared to 49.8% in FY 20. Textiles, garments, different types of shoes, rice and castor oil are among the major products exported by the Indian MSME sector.

EMPLOYMENT GENERATION: The MSME sector is one of the country's major employers. Setting up an MSME would provide owners with a job, helping them avoid hunting for jobs elsewhere. It also enables them to create employment opportunities for others. The sector has been instrumental in generating employment opportunities in rural and remote areas of the country. As per the data from the Udyam Portal of the Ministry of MSMEs, 93,94,957 people were employed by MSMEs registered on the portal in FY 22.

NUMBER OF PERSONS EMPLOYED BY MSMEs REGISTERED ON THE MSME PORTAL (IN MILLION)



Source: Ministry of MSMEs, PIB

CONNECTING REMOTE AREAS TO REST OF THE COUNTRY:

By preparing key raw materials and finished goods with global demand, MSMEs in remote and backward areas help connect these areas with the rest of the country and the world. Several MSMEs operate in rural areas while providing ancillary goods to large multinational companies across the globe.

IMPROVING STANDARD OF LIVING: By creating employment opportunities and connecting backward areas, the MSME industry in India plays a key role in lifting people out of poverty and improving their standard of living. Thus, the sector helps reduce regional imbalances across the country and increase equality among citizens.

GOVERNMENT INITIATIVES TO PROMOTE THE MSME SECTOR

Considering the importance of the MSME sector in the socio-economic development of India, the government has announced several reforms to grow the sector and promote exports. Some of these reforms are mentioned below.

THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006 (MSMED ACT): The MSMED Act was passed by the parliament in 2006. The act categorised industries into manufacturing and services and further classified enterprises based on size into micro, small and medium enterprises. The act encouraged enterprises to register by providing certain safeguards and benefits such as skill development, marketing assistance, infrastructure facilities, and forward linkages, as well as facilitating credit.

PRIME MINISTER'S EMPLOYMENT GENERATION PROGRAMME (PMEGP): The PMEGP scheme provides financial assistance for establishing small

businesses and creating employment opportunities in urban and rural areas. It aims to generate sustainable employment opportunities for India's youth as well as prospective traditional artisans. Financial assistance will be provided in the form of a bank-financed subsidy programme. Margin money subsidy on bank loans in the range of 15-35% will be provided for manufacturing projects not exceeding Rs. 50 lakh (US\$ 61,230) and for services sector projects not exceeding Rs. 20 lakh (US\$ 24,492). For beneficiaries meeting certain criteria, the subsidy will be 35% for projects in rural areas and 25% for projects in urban areas.

CREDIT GUARANTEE SCHEME FOR MICRO AND SMALL ENTERPRISES (CGTMSE):

The CGTMSE scheme encourages first-generation entrepreneurs to opt for self-employment opportunities by providing them credit guarantee support for loans. Moreover, the scheme applies to aspiring and existing entrepreneurs. Loans not exceeding Rs. 2 crore (US\$ 0.2 million) will be provided without any collateral or third-party guarantee. The guarantee under the scheme will be provided:

- For micro enterprises, up to 85% of the loan amount not exceeding Rs. 5 lakh (US\$ 6,123)
- 75% for other enterprises
- 50% for retail enterprises

ENTREPRENEURSHIP AND SKILL DEVELOPMENT PROGRAMME (ESDP) SCHEME:

The scheme aims to promote the establishment of new MSMEs and enhance the existing MSMEs' capacity, encouraging an entrepreneurship culture among the citizens of the country. Similar to the earlier scheme, this applies to aspiring and existing entrepreneurs. As the name suggests, the scheme provides entrepreneurship and skill development programmes and training to help entrepreneurs grow their enterprises rapidly.

OUTLOOK



The Indian MSME industry plays a crucial role in the development of the Indian economy. The MSME contribution to GDP was nearly a third of the country's GVA and while the sector contributed nearly half of the country's exports. Moreover, the sector is a major employer, especially in the country's rural and less developed areas, helping reduce regional imbalances. The sector also strengthens other industries by providing them with raw materials and ancillary products. However, the sector faces challenges such as procuring raw materials and necessary funding. The government recognises the sector's importance and thus supports it by providing various financial incentives and training. These factors make the sector more competitive while boosting India's economic growth.

SUGGESTIONS: The MSME sector should access low-cost finance to improve the flow of credit. To resist the competition with large enterprises from inside and outside, MSMEs require constructing capacities to evolve ICT and other instruments in decree to serve the flourishing market needs. Infrastructural development is essential for MSMEs, it should comprise plenty of infrastructural facilities like roadways, railways, waterways, and airways, proper channels of telecommunication, ample supply of power, and other facilities like Testing labs, Design center, Tool rooms, et

CONCLUSION:

MSMEs have significantly contributed to the growth of the Indian economy. Its tremendous participation in Indian GDP, employment generation, exports, production, and industrialization of rural areas. The MSME sector is growing swiftly, but as well as facing numerous issues. To improve the condition government should implement proper policy measures

Conflict of interest statement

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

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