

MSME: Pathway Towards Building A Self-Reliant India

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Abstract



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Micro, Small and Medium Enterprises sector has emerged as a highly vibrant and dynamic sector of the Indian economy. The MSME also play an important role in the development of the economy with their effective, efficient, flexible and innovative entrepreneurial spirit. The MSME sector contributes notably to the country's overall industrial production output, employment generation and exports. However, a lot more needs to be done for Micro, Small and Medium Enterprises to become a growth accelerator for India. Three critical aspects for the success of MSME are Availability of Skilled Labour, Financial Stability, and Market Competitiveness. Micro, Small and Medium Enterprises are complementary to large industries as ancillary units and this sector contributes significantly in the inclusive industrial development of the country. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets. This paper focuses on the contribution of MSME sector in Indian economy to fostering entrepreneurship and generating employment by which the country will be able to fulfill the vision of self-reliant India.

Keywords: MSME, Economy, Growth, Self-reliant India, Employment, Entrepreneurship.

Introduction

Micro, Small and Medium Enterprises sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. The MSMEs also play an important role in the development of the economy with their effective, efficient, flexible and innovative entrepreneurial spirit. The MSMEs sector contributes notably to the country's overall industrial production output, employment and exports. It is recognized with generating the maximum employment growth as well as accounting for a major share of industrial production and exports. They have distinctive advantages due to their size and they required low investment. They have relatively high capital-labour ratio and they require a minimum gestation period. They try to capture and focus smaller markets; they make sure a more fair distribution of national income. They make possible an effective utilization of capital and skill resources and they motivate the growth of industrial entrepreneurship. The MSME sector in India is vast heterogeneous in terms of the size, variety of product and services and level of technology.

Micro, Small and Medium Enterprises sector contributes significantly to the socio-economic development of the country. This sector is an important pillar of Indian economy as it contributes greatly to growth of Indian economy with a vast network of around 30 million units, creating employment of about 70 million, manufacturing more than 6000 products, contributing about 45% to manufacturing output and about 40% of exports, directly and indirectly. This sector even assumes greater importance now as the country moves towards a faster and inclusive growth agenda. MSME sector is the backbone of national economic edifice and has unremittingly acted as the fulcrum for the Indian economy, providing it resilience towards global financial shocks and hard times. With approximately 63.4 million units throughout the geographical expanse of the country, MSME contribute around 6.11% of the manufacturing GDP and 24.63% of the GDP from service activities as well as 33.4% of India's manufacturing output. Further, there is a vision to enhance MSME contribution to India's GDP to over 50% from the current 29% and that for the Indian economy to scale the \$5 trillion mark.

For stoking up the growth of MSME sector, the Government of India has launched various schemes and initiatives like, Credit Linked Capital Subsidiary Scheme for Technology Upgradation; Credit Guarantee Scheme; Participation in International Fairs; Small Industry Cluster Development Program Scheme etc. Further, in a recently announced Self-Reliant India Movement, wherein five vital areas have been focused- Economy, Infrastructure, System, Vibrant Demography and Demand, and allocation of package to cater to various sections including

cottage industry, MSME, labourers, middle class, industries among others have been made is a metaphor of robust economic development. A self-reliant India will stand on five major foundations viz Economy which brings in the quantum rise and not incremental change, Infrastructure, System, based on 21st-century technology-driven arrangements, Dynamic demography, which is the source of energy for a self-reliant India; and Demand, wherein the strength of our supply chain should be utilised to full capacity. Micro, Small and Medium Enterprise in India can play a crucial role by standing, robust on all the five pillars, thus achieving the vision of self-reliant India. This paper focuses on the contribution of MSME sector in Indian economy to fostering entrepreneurship and generating employment by which the country will be able to fulfill the vision of self-reliant India.

Objectives and Methodology

This paper is a descriptive nature and analytical nature and is based on secondary data. Data has been collected from annual reports of Ministry of Micro, Small and Medium Enterprises, Government of India, website of Reserve Bank of India, various journals, newspapers etc. The main objective of this paper is to study the role of MSMEs in Indian economy with respect to building Self-Reliant India. and other objectives are:

1. To study the Growth of Micro, Small and Medium Enterprises in India.
2. To analyse The contribution of the MSMEs sector to the Indian economy.
3. To suggest revival strategy of MSMEs to sustain and growth in present Era.

Revised Classification of Micro, Small and Medium Enterprises

The Ministry of Micro, Small and Medium Enterprises has revised classification of Micro, Small and Medium Enterprises with effect from 1st July, 2020. The revised criteria with reference to the investment in plant and machinery / equipment and annual turnover for MSMEs are as under; Investment in Plant and Machinery or Equipment (Micro enterprise) : Not more than One crore rupees and Annual Turnover; not more than Five crore rupees. Investment in Plant and Machinery or Equipment (Small enterprise): Not more than Ten crore rupees and Annual Turnover; not more than Fifty crore rupees. Investment in Plant and Machinery or Equipment (Medium enterprise): Not more than Fifty crore rupees and turnover does not exceed two hundred and Fifty crore rupees. The aforesaid announcement was made under self reliant India Economic Package to assuage India's economic predicament amidst the pandemic. According to the Ministry of MSME the new definition will pave way for strengthening and growth of the MSMEs. Particularly, the provision of excluding the exports from counting of turnover will encourage the MSMEs to export more and more without fearing to lose the benefits of a MSME unit. This is expected to exponentially add to exports from the country leading to more growth and economic activity and creation of jobs. The previous and revised definition of MSMEs is provided in the table- 1 given below.

Table-1
Existing and Revised MSME Classification

Existing Criteria : Investment in Plant and Machinery or Equipment			
Classification	Micro	Small	Medium
Manufacturing Enterprise	Investment < Rs 25 Lac	Investment < Rs 5 Cr	Investment < Rs 10 Cr
Services Enterprise	Investment < Rs 10 Lac	Investment < Rs 2 Cr	Investment < Rs 5 Cr
Revised Criteria : Investment in Plant and Machinery or Equipment			
Manufacturing and Services Enterprise	Investment < Rs 1 Cr	Investment < Rs 10 Cr	Investment < Rs 20 Cr
	Turnover < Rs 5 Cr	Turnover < Rs 50 Cr	Turnover < Rs 100 Cr

Source: The Economic Times

By enhancing the investment limits and including of turnover in the new definition of micro, small and medium enterprises, foray of more business organisations in the following areas may be observed in near future:

- Telecommunication**
1. Domestic manufacturing of low-cost mobile phones, handsets, and devices;
 2. Manufacturing of telecom networking equipment, including routers and switches;
 3. Manufacture of base transceiver station equipment;
 4. Mobile customer data analytics – services oriented toward analytical solutions; and
 5. Development of value-added services.

- Healthcare**
1. Manufacturing of personal protective equipment (PPE) and face masks, as the COVID-19 pandemic has fundamentally changed social behavior, public health and hospital needs, and created new demand;
 2. Manufacturing of low-cost medical devices, and medical accessories such as surgical gloves, scrubs, and syringes;
 3. Low-cost surgical procedures to reduce the cost of healthcare;
 4. Telemedicine; and
 5. Diagnostic labs.

- Electronics**
1. Domestic manufacturing of low-cost consumer electronics, consumer durables;
 2. Nano-electronics and microelectronics;
 3. Electronic Systems Design and Manufacturing including semiconductor design, electronic components design and hi-tech manufacturing under India's 'National Electronics Mission; and
 4. Strategic electronics, as the government is keen on encouraging the domestic manufacturing of products needed by the security forces.

Other areas that may offer more opportunities for MSMEs due to the above mentioned revision in the criteria of investments in plant and machinery and turnover include information technology, pharmaceutical, chemical, automotive, renewables, gems and jewelry, textile, and food and agriculture.

Significance of Msme Sector

The Micro, Small and Medium Enterprises is the most dynamic industrial sector contributing significantly to the GDP and export while employing around 40 per cent of the workforce in India. The Prime Minister has also underlined that the MSME sector will act as the bedrock for economic regrowth. Therefore, to get the MSME sector back on its track, the Prime Minister announced the MSME sector to be within the purview of the self-reliant India.

1. It can be noted from the fact that after agriculture, MSME is the second-largest employment provider in India.
2. Presently, there are nearly 56 million such enterprises in various industries, employing close to 124 million people. Of these, almost 14% are women-led enterprises, and close to 60% are based in rural areas.
3. In all, the MSME sector accounts for 45% of merchandise exports 8% of India's GDP.
4. Due to this, the MSME sector is called the growth engine of the nation. Strengthening them would have multiple impetuses boosting economy and employment as well as mitigating issues of migrating skilled, unskilled workers and professionals to metro cities.

Growth of MSME Sector

It is to be noted that growth of any sector is gauged on various yardsticks, like the number of enterprises being registered, employment opportunities created, turnover, increase in the number of offshore business units, activity wise, i.e. number of organisations getting registered under manufacturing and service segments etc. In light of the mentioned variables of measuring growth of a sector, in this paper, the parameters considered for gauging the growth of MSME sector in India are: First, Year wise and MSME wise registration. Second, Year wise and major Activity wise registration and Year wise and MSME wise registration. The number of registered MSMEs in FY2020 has increased by 18.49 per cent to 25.13 lakh units from 21.21 lakh in FY2019, according to government data. Overall the number of registered MSMEs in India in the past five years stood at 90.19 lakh. According to the MSME Ministry's FY2019 annual report, the MSME sector is

dominated by micro-enterprises. India has 6.33 crore MSMEs out of which 6.30 crore, i.e. 99.4 per cent are micro-enterprises while 0.52 percent, i.e. 3.31 lakh are medium and 0.007 per cent, i.e. 5,000 are medium enterprises. The growth of MSMEs in India with reference to the year wise and MSME wise registration may be comprehended under the following key points: first, The percentage share of Micro Enterprises registered out of the total MSMEs registered during 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20 are 85.15%, 90.51%, 88.60%, 88.18% and 87.61% respectively. Second, The percentage share of Micro Enterprises registered out of total MSMEs registered from 2015-16 to 2019-20 is 88%. Third, The percentage share of Small Enterprises registered out of total MSMEs registered during 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20 are 14.31%, 9.12%, 10.95%, 11.36% and 11.92% respectively. Fourth, The percentage share of Medium Enterprises in the MSMEs during 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20 are 0.53%, 0.36%, 0.43%, 0.44% and 0.46% respectively. Maharashtra tops the list of number of Micro, Small & Medium Enterprises registrations during 2015-16 to 2019-20. Year wise and MSME wise registration shown by the table-2 given below.

Table-2 Year wise and MSME wise registration

Year/Category	2015-16	2016-17	2017-18	2018-19	2019-20	Total
Micro	4,21,516	21,47,908	13,44,612	18,70,932	16,32,644	74,17,612
Small	70,866	2,16,558	1,66,259	2,41,187	2,22,226	9,17,096
Medium	2,631	8,592	6,584	9,426	8,506	35,739
Total	4,95,013	23,73,058	15,17,455	21,21,545	18,63,376	83,70,447

Source: dcmsme.gov.in

Now it will be of substantial academic and research interests to ascertain the trend of MSMEs getting registered under the three categories, i.e. Micro, Small and Medium. In this regard, a prognosis of enterprises that may be registered under the mentioned categories till 2030 have been undertaken with the help of the statistical tool called linear equation trend.

Year wise and Major Activity wise registration

The growth of MSME in India with reference to the year wise and Activity wise registration of MSMEs may be comprehended under the following key points. During 2015-16 to 2019-20, 41% MSME engaged in Manufacturing activities while 59% MSMEs engaged in the Service activities. During 2015-16 to 2019-20, 40.61% and 59.38% Micro Enterprises are engaged in the Manufacturing and Service activities respectively. During 2015-16 to 2019-20, 45.43% and 54.56% Small Enterprises are engaged in the Manufacturing and Service activities respectively. During 2015-16 to 2019-20, 56.77% and 42.22% Medium Enterprises are engaged in the Manufacturing and Service activities respectively. Table -3 show the Year wise and major activity wise registration given below.

Table-3 Year wise and Major Activity Wise Registration

Year/Category	Manufacturing	Services	Total
	Micro		
2015-16	2,08,376	2,13,140	4,21,516
2016-17	8,86,493	12,61,415	21,47,908
2017-18	6,04,459	7,40,153	13,44,612
2018-19	7,24,337	11,46,595	18,70,932
2019-20	5,88,978	10,43,666	16,32,644

Total	27,81,796	39,81,625	67,63,421
Year/ Category	Small		

2015-16	44,811	26,055	70,866
2016-17	1,22,040	94,518	2,16,558
2017-18	80,650	85,609	1,66,259
2018-19	94,879	1,46,308	2,41,187
2019-20	74,289	1,47,937	2,22,226
Total	3,91,696	4,42,998	8,34,694

Year/ Category	Medium		
2015-16	1,861	770	2,631
2016-17	5,639	2,953	8,592
2017-18	3,978	2,606	6,584
2018-19	5,015	4,411	9,426
2019-20	3,799	4,707	8,506
Total	19,084	13,820	32,904

Year/ Category	Total		
2015-16	2,55,048	2,39,965	4,95,013
2016-17	10,14,172	13,58,886	23,73,058
2017-18	6,89,087	8,28,368	15,17,455
2018-19	8,24,231	12,97,314	21,21,545
2019-20	6,67,066	11,96,310	18,63,376
Total	34,49,604	49,20,843	83,70,447

Source: dcmsme.gov.

Role of Msme Sector In Indian Economy

The Micro, Small & Medium Enterprises have been contributing significantly to the expansion of entrepreneurial endeavours through business innovations. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets. As per the data available with Central Statistics Office (CSO), Statistics & Programme Implementation, the contribution of MSME sector in Country's Gross Value Added (GVA) and Gross Domestic Product (GDP) at current prices from 2014-15 to 2018-19 is shown in the table given below.

Table-4 Share of Gross Value Added (GVA) of MSME in GDP

Figures in Rs. Crores adjusted at current prices						
Year	Total MSME GVA	Growth (%)	Total GVA	% Share of MSME in GVA	GDP	% Share of MSME in GDP

2014-15	36,58,196	-	115,04,279	31.80	124,67,959	29.34
2015-16	40,59,660	10.97	125,74,499	32.28	137,71,874	29.48
2016-17	45,02,129	10.90	139,65,200	32.24	153,91,669	29.25
2017-18	50,86,493	12.98	155,13,122	32.79	170,98,304	29.75
2018-19	57,41,765	12.88	171,39,962	33.50	189,71,237	30.27

Source:Central Statistics Office (CSO)

The contribution of Manufacturing MSMEs in the country's total Manufacturing GVO (Gross Value of Output) at current prices has also remained constant at around 33% i.e. one-third during the period from 2014-15 to 2018-19. The MSMEs in India are playing a crucial role by providing large employment opportunities at comparatively lower capital cost than large industries as well as through industrialization of rural & backward areas, inter alia, reducing regional imbalances, assuring more equitable distribution of national income and wealth.

Challenges

In fact, it is the only sector that works hand-in-hand with the government to develop the rural and backward areas of the country. Although MSMEs enjoy many special financial and developmental privileges, it seems that these privileges are not enough to uplift this sector efficiency and productivity. A lot more has to be done to bring MSMEs in India to the organic competition. Despite good tidings, several challenges prevent this sector from hitting its full potential. The issues that are acting as a hindrance in the development of MSMEs? The most common challenges faced by MSME in India are.

Finance-Related Challenges

One of the biggest challenges that MSMEs face in India is the lack of finance. We see, one of the significant reasons behind financial challenges is the lack of financial literacy. The majority of MSME owners are from education-deprived and poverty-hit regions.

Marketing and Managerial-Related Challenges

The lack of managerial, entrepreneurial, and marketing skills is taking a toll on the growth of the MSME sector. We all know the relevance of the right marketing strategies to boost sales and acquire new customers. But the lack of professionalism and structured top management is making it impossible for the enterprises to step into the competition.

Labour-Related Challenges

Skilled manpower is the backbone of a successful manufacturing enterprise. Unfortunately, MSMEs face a lot of inconsistencies when it comes to skilled manpower and labour law compliances. Moreover, the non-availability of a skilled workforce at an affordable cost is adding to the woes of the MSME sector.

Technology-Related Challenges

When it comes to technology, the MSME sector is quite behind in the race. Limited access to IT education, knowledge, and information is restricting the growth of this sector. This challenge has created a huge backlog of unfilled returns, payments, and orders.

Lack of education can also be blamed for this issue. Apart from this, MSME owners cannot afford to buy and use expensive technical equipment. Even if they do so, the workforce is not qualified enough to operate advanced machinery. The result is, they are still using outdated machinery and methods of production. The result is slower production processes and compromised product quality. One more issue that comes in the way of MSME development is the lack of online safety and security. Enterprises hardly invest in these measures and end up compromising their privacy and data.

Competition-Related Challenges

It is another challenge that micro, small, and medium enterprises in India are facing right now. As far as marketing and advertising are concerned, MSMEs still follow the traditional methods. They are not adopting innovative marketing channels. Moreover, their sales promotion and advertising are quite weaker than those of multinational companies. Poor marketing channels and ineffective advertising leads to very low sales in MSMEs.

Way Forward

MSME is the largest employment providing sector after agriculture. It is the most dynamic sector employing more than 110 million people in over 63 million establishments. Due to its significant contribution to Indian GDP, employment generation, production and exports, MSME sector can be regarded as the bedrock for regrowth of Indian economic system. Reinforcing this sector would have multifarious impetuses boosting employment and economic growth along with mitigating issues related to the migration of labourers. This will ultimately advances towards making self-reliant India. To empower MSMEs, certain critical areas should be stressed. Firstly, financial stability is very important for the MSME sector. The financial package announced by the government for MSMEs which is nearly 3% of Indian GDP has paved the way to ensure financial stability of the MSME sector. Secondly, The availability of skilled workforce. Developing the skill and competence of the local workforce or building up a lucrative environment for the labourers is vital for the growth of MSMEs. Thirdly, It is important to enhance the market competitiveness of the products of MSMEs so that they can achieve import substitution along with competing globally. And last, About 60% MSMEs are located in rural areas where the state of infrastructural facilities is poor and unreliable. Therefore, rural infrastructure should be developed that acts as a hindrance for MSMEs to progress and innovate. Developing MSMEs through a collaborative approach while embracing a robust market-oriented strategy will provide a strong boost to economic growth including employment. And MSMEs sector will play a key role in Indian Economy to Building a Self-reliant India.

Conclusion

MSMEs are the backbone of India's economy. Government has put its focus on ensuring the growth of domestic firms in India. Our Prime Minister launched the self-reliant India programme which has witnessed a significant push towards enhancing domestic industries through a slew of measures like incentives, subsidies, and funding support. The underlying goal is to strengthen the manufacturing and export capacities of domestic firms and industries so as to put them at the heart of global supply chains. If India has to become a \$5 trillion economy, then it has to ensure that the MSME sector gets the maximum attention in the growth story of India. The recently launched Production Linked Incentive (PLI) scheme is meant to ensure that India has global champions in each sector. The scheme will also support the mid-size firms to grow and compete with global firms. This not only helps the MSMEs to grow but also helps the nation to become a manufacturing hub of the world. Therefore, the government and industrial organizations should work collectively to build up a self-reliant economy with a special focus on the MSME role in escalating India's economic growth story. However, this is much dependent on the gravity of execution and monitoring of the steps taken by all the organizations including coordination and cooperation from state machinery. If the measures are taken and implemented in true spirits, India can make swift progress towards building Self-reliant India

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