



## **ROLE OF MSMEs IN ECONOMIC GROWTH OF INDIA**

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### **Abstract:**

*Micro, Small and medium enterprises are the backbone of industrial development and important for both developed and developing countries. MSME sector always represented the model of economic development, which emphasized high contribution to domestic production, significant export earnings, low investment requirements, employment generation, effective contribution to foreign exchange earning of the nation with low import-intensive operations.*

*The development of this sector came about primarily due to the vision of our late Prime Minister Jawaharlal Nehru who sought to develop core industry and have a supporting sector in the form of small scale enterprises. MSMEs sector has emerged as a dynamic and vibrant sector of the economy. The Indian economy is expected to grow by over 8 per cent per annum until 2020 and can become the second largest in the world, ahead of the United States, by 2050, and the third largest after China and the United States by 2032. In this context it is very important to examine the role of MSMEs for economic growth of India.*

**Key Words:** Micro, Small and Medium Enterprises, Economic Growth & India.

### **Introduction:**

Micro, Small and Medium Enterprises sector (MSMEs) constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. In India too, the MSMEs play a pivotal role in the overall industrial economy of the country. In recent years the MSME sector has consistently registered higher growth rate compared to the overall industrial sector. With its agility and dynamism, the sector has shown admirable innovativeness and adaptability to survive the recent economic downturn and recession. In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes: A) Manufacturing Enterprises: The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951). The Manufacturing Enterprise are defined in terms of investment in Plant & Machinery. B) Service Enterprises: The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment. The limit for investment in plant and machinery / equipment for manufacturing / service enterprises, as notified, vide S.O. 1642(E) dtd.29-09-2006 are as under:

As per the quick estimates of 4th All-India Census of MSMEs, for reference year 2006-07 the number of enterprises is estimated to be about 26 million and these provide employment to an estimated 60 million persons. Of the 26 million MSMEs, only 1.5 million are in the registered segment while the remaining 24.5 million (94%) are in the unregistered segment. The state wise distribution of MSMEs show that more than

**Definition of Indian MSMEs**

Classification	Manufacturing Enterprise Investment in Plant and Machinery	Services Enterprises Investment in Equipment
Micro	Up to ₹ 2.5 Mn	Up to ₹ 1 Mn
	(Up to \$ 50,000)	(Up to \$20,000)
Small	Above ₹ 2.5 Mn and up to ₹ 50 Mn	Above ₹ 1 Mn and up to ₹ 20 Mn
	(Above \$50,000 and up to \$1 Mn)	(Above \$20,000 and up to \$400,000)
Medium	Above ₹ 50 Mn and up to ₹ 100 Mn	Above ₹ 20 Mn and up to ₹ 50 Mn
	(Above \$1 Mn and up to \$2 Mn)	(Above \$400,000 and up to \$1 Mn)

Source: Ministry of Micro, Small and Medium Enterprises  
 (Note: US \$1 – ₹ 50)

55% of these enterprises are in 6 States, namely, Uttar Pradesh, Maharashtra, Tamil Nadu, West Bengal, Andhra Pradesh and Karnataka. Further, about 7% of MSMEs are owned by women and more than 94% of the MSMEs are proprietorships or partnerships. MSMEs contribute 8 per cent of the country’s GDP, 45 per cent of the manufactured output and 40 per cent of our exports.

The labour and capital ratio in MSMEs and the overall growth in the MSMEs are much higher than in the larger industries. The non homogenous structure in terms of range of produce/service as well as size of industry adds to its dynamism. Thus, MSMEs are important for the national objectives of growth with equity and inclusion. The MSME sector has slowly come into the limelight, with increased focus from government and other government institutions, corporate bodies and banks. It is viewed as one of the greatest agents of growth. Policy based changes, investments into the sector; globalization and India’s robust economic growth have opened up several latent business opportunities for this sector. Hence researcher wants to examines the growth and contribution of MSMEs in India

**Objectives of the Study:**

1. To know the policy support and opportunities for MSMEs in India
2. To examine the growth and contribution of MSMEs in India
3. To offer suggestions for Sustainable growth of MSMEs

**1. Policies and Initiatives for Growth of the Sector:**

The Indian government realizes the crucial role played by MSMEs in the economic and social development of the country. The government, over the years, has taken various measures to support and ensure growth and development of Indian MSMEs. Some of these measures have been briefly discussed below:

**Industrial Policy Resolution 1990:** It raised the investment ceiling in plant and machinery for SSIs. It created central investment subsidy for this sector in rural and backward area. Also, assistance was granted to woman entrepreneurs for widening the entrepreneurial base. Small Industries Development Bank of India was established to ensure adequate flow of credit to SSIs. Activities of Khadi and Village Industries Commission and Khadi and Village Industrial Board were to expand.

**Industrial Policy Resolution 1991:** SSIs were exempted from licensing for all articles of manufacture. The investment limit for tiny enterprises was raised to Rs.5 lakh irrespective of location. Equity participation by other industrial undertaking was permitted up to a limit of 24% of shareholding in SSIs. Factoring services were to launch to solve the problem of delayed payment to SSIs. Priority was accorded to small and tiny

units in allocation of indigenous and raw materials. Market promotion of products was emphasized through co-operatives, public institutions and other marketing agencies and corporations.

**Comprehensive Policy Package for SSIs and Tiny Sector 2000:** The exemption for excise duty limit raised from 50 lakh to Rs One crore to improve the competitiveness. The third census of small scale industries by the ministry of SSI was conducted, which also covered sickness and its causes in SSI's. The limit of investment was increased in industry related service and business enterprises from Rs 5 lakh to Rs 10 lakh. The scheme of granting Rs 75000 to each small scale enterprise for obtaining ISO 9000 certificate was continued till the end 10<sup>th</sup> plan. The coverage of ongoing Integrated Infrastructure Development (IID) was enhanced to cover all area in the country with 50% reservation for rural area and 50% earmarking of plots for tiny sector.

**Industrial Policy Package of SSI 2001-02:** The investment limit was enhanced from Rs 1crore for to Rs 5 crore for units in hosiery and hand tool sub sectors. The corpus fund set up under the Credit Guarantee Fund Scheme was increased from 125crore to 200crore. Credit Guarantee cover was provided against an aggregate credit of Rs 23crore till December 2001. Market Development Assistant Scheme was launched exclusively for SSI sector. Four UNIDO assisted project were commissioned during the year under the Cluster Development Programme.

**Industrial Policy on SSIs 2004-05:** The national commission on Enterprises in the Un-organized/Informal Sector was set up in September 2004. It suggested measures considered necessary for improvement in the productivity of these enterprises, generation of large scale employment opportunities, linkage of the sector to institutional framework in area like credit, raw material supply, infrastructure, technology up gradation, marketing facilities and skill development by training. The Small and Medium Enterprise (SME) fund of Rs 10000 crore was started by SIDBI since April 2004, with 80% of the lending for SSI units. The interest rate was 2% below the prevailing Prime Lending Rate (PLR) of the SIDBI. The reserve Bank of India raised the composite loan limit from Rs 50 lakh to Rs One crore.

**Policy Package for SME 2005-06:** Small and Medium Enterprises were recognized in the services sector, and were treated on par with SSIs in the manufacturing sector. The corpus of the Credit Guarantee Fund was raised from Rs 1132crore in March 2006 to Rs 2500crore in five years. Credit Guarantee Trust for Small Industries (CGTSI) was advised to reduce the one time guarantee fee from 2.5% to 1.5% for all loans. The emphasis was laid on Cluster Development model not only to promote manufacturing but also to renew industrial towns build new Industrial Township. The model is now being implemented, in nine sector including khadi and village industries, handlooms, textiles, agricultural products and medicinal plants.

**Steps Taken to Discourage Delayed Payments to MSEs:** One of the major issues of concern for the promotion and development of the micro and small enterprises has been the delayed payments from the buyers. To address this issue, the erstwhile "The Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act, 1993" was subsumed in the MSMED Act, 2006, with the strengthening of the provisions. The two effective measures provided under the provisions of said Act are - (i) Requirement to specify unpaid amount with interest in the annual statement of accounts (under Section 22) and (ii) Interest not to be allowed as deduction from income" under Income-Tax Act, 1961 (under Section 23)

**Reservation / De-reservation of Products in the Micro & Small Enterprise**

**Sector:** The Policy of Reservation of Products for exclusive manufacture in SSI (now MSEs) was started in 1967. The objective of reservation then was to protect the interests of the SSI sector. The objective of progressive de-reservation was to provide for opportunities for technological up gradation, promotion of exports and economies of scale, in order to encourage modernization and enhance the competitiveness of MSEs in view of the liberalisation and globalisation of the economy. Today there is no reservation of manufacture goods for MSEs.

**National Manufacturing Competitiveness Programme (NMCP):** The objective of NMCP which can be truly regarded as 'National Strategy for Manufacturing' is to ensure healthy growth of the MSME Sector. The 10 components of the Programme dealing with the firm level competitiveness against global challenges are being implemented in the Public Private Partnership (PPP) mode. The 10 components of NMCP address the entire gamut of manufacturing in the sector.

1. Marketing Support / Assistance to MSMEs - BAR CODE.
2. Support for Entrepreneurial and Managerial Development of MSMEs - Incubator.
3. Setting up Mini Tool Room & Training Centres – MTR.
4. Building Awareness on intellectual Property Rights – IPR.
5. National Programme for Application of Lean Manufacturing LEAN.
6. Enabling Manufacturing Sector to be Competitive through Quality Management Standards and Quality Technology Tools QMS/QTT.
7. Energy Efficiency and Quality Certification Support for MSMEs –ENERGY.
8. Marketing Assistance for SMEs and Technology Up gradation Activities – MARKETING.
9. Promotion of ICT in Indian Manufacturing Sector -ICT.
10. Design Clinic Scheme to bring Design expertise to the Manufacturing sector – DESIGN.

**Rajiv Gandhi Udyami Mitra Yojana:** The Udyami Mitras would be networking and coordinating with various Government departments/agencies, regulatory/support agencies, for channelizing the benefits available under various schemes to the first generation entrepreneurs with a view to assist them in setting up their enterprises. They would provide assistance to the potential entrepreneurs in preparation of report, arranging finance, establishment of work shed, sanction of power load/connection, selection of technology, installation of plant and machinery/office equipment, obtaining various registrations/ licenses/ clearances / no objection certificates (NOCs), tying up arrangements for supply of raw material as well as marketing of products/ services, linkage for mentoring support, etc.

**Prime Minister's Employment Generation Programme (PMEGP):** PMEGP is a central sector scheme launched in 2008-09 to empower first generation entrepreneurs for setting up micro enterprises across the country by merging Prime Minister's Rozgar Yojana (PMRY) and Rural Employment Guarantee Programme (REGP) schemes. Khadi and Village Industries Commission is the nodal agency at national level for implementation of PMEGP. The scheme provided jobs to over 16 lakh persons during the 11th Plan (2008-2012).

"The scheme is to be continued during Twelfth Plan (2012-13 to 2016-17). An outlay of Rs 8,060 crore (Rs 7,800 crore Margin Money subsidy plus Rs 260 crore under Backward and Forward Linkages) has been approved by the Planning Commission for PMEGP in the 12th Five Year Plan to set up about Rs 3.39 lakh projects with creation of about 27.12 lakh employment".



For the year 2014-15, the targets have been fixed for setting up of about 1.03 lakh micro units with the margin money subsidy of Rs 1,380 crore to generate employment for 8.25 lakh persons. The government today allocated Rs 8,060 crore for the Prime Minister's Employment Generation Programme (PMEGP) to create over 27 lakh jobs in the 12th Plan period ending March 2017. The government provides Margin Money subsidy between 25 to 35 per cent of the Project cost, depending upon the category of the entrepreneur, with the remaining amount being covered by the banks.

**Mahatma Gandhi Institute for Rural Industrialization (MGIRI):** Mahatma Gandhi Institute for Rural industrialization (MGIRI) at Wardha was developed during 2001-2008 by the collaborative efforts of KVIC and IIT Delhi. MGIRI was setup as a National Institute under the Ministry of MSME at the historical premises of Maganwadi, Wardha by revamping JBCRI. Its autonomous function started effectively from October 2008. MGIRI, Wardha has six major Sections catering to the generic areas of rural industrialization as given below:

1. Khadi& Textile Industries Section.
2. Bio-processing and Herbal based Industries Section.
3. Chemical Industries Section.
4. Rural Crafts and Engineering Section.
5. Rural Infrastructure and Energy Section.
6. Management and Systems Section.

**New Initiative for Coir Sector:** The Coir Board is a statutory body established under the Coir Industry Act, 1953 for promoting overall development of the coir industry and improving the living condition of the workers engaged in this traditional industry. The Board has promoted two research institutes namely; Central Coir Research Institute (CCRI), Kalavoor, Alleppey, and Central Institute of Coir Technology (CICT), Bengaluru for undertaking research activities on different aspects of coir industry, which is one of the major agro based rural industries in the country. The Said scheme has been renamed as Coir VikasYojana (CVY) vide O.M. dated 31.12.2014. With a view to develop coir industry in a holistic manner, Coir Board has evolved a draft National Coir Policy and Vision 2025.

Coir product making is an important cottage industry, contributing significantly to the economy of the major coconut growing states of Kerala, Tamil Nadu and Andhra Pradesh. India exports coir and its products to over 97 countries across the world with the US being the largest market. Countries like the UK, Germany, the Netherlands, Italy, Belgium, Australia, France, Spain, Canada, Japan, Greece, Sweden, South Africa, UAE, Portugal, and Denmark are the other major markets of coir and coir products.

Export of coir and its products from India had touched an all time high of 3.21 lakh tonnes valued at Rs 807.07 crore in 2010-11 financial year. The Coir Board has set an export target of Rs 2,000 crore for the 12th Five-Year plan period (2012-2017). India and Sri Lanka are two major coir producers in the world and account for around 90 per cent of about 3.50 lakh tonnes global production of the item.

**New Initiatives for Khadi and Village Industries Commission:** Given the enormous inclusive development, employment, and income generating scope of Khadi, KVIC has significant responsibilities to discharge and a pivotal role to play as a nodal institution. KVIC role in strengthening KIs, enhancing the stake and role of artisans, facilitating flow of raw materials and finances, and creating a niche for Khadi through Khadi Mark are considered most important. Accordingly, KVIC needs to gradually disengage from direct commercial activities. Transition to the new role will be done through restructuring and devolution of KVIC including, (i) restructuring khadi, village

industries, science and technology, and economic research directorates; (ii) strengthening human resource and administration directorate; (iii) realignment of reporting relationships; and (iv) devolution of powers and responsibilities to zonal offices. In addition, KIVC will rationalize its operating and business process including the certification process. An integrated management information system and e-governance will underpin the reforms.

## **2. Opportunities for MSME Sector:**

Government of India has developed key strategies to promote and support the MSME sector to promote competitiveness, quality upgrading, finance, technology, etc. This has resulted in a dramatic positive change in the sector. Over the years, this sector in India has progressed from the production of simple consumer goods to the manufacture of many sophisticated and precision products like electronics control systems, micro wave components, electro medical equipment, etc. MSMEs in India are considered to be important members within the supply chain and are established in almost all major sectors in Indian industry such as:

- Food Processing • Agricultural Inputs • Chemicals & Pharmaceuticals • Engineering; Electricals; Electronics • Electro-medical equipment • Textiles and Garments • Leather and leather goods • Meat products • Bio-engineering • Sports goods • Plastics products • Computer Software, etc.

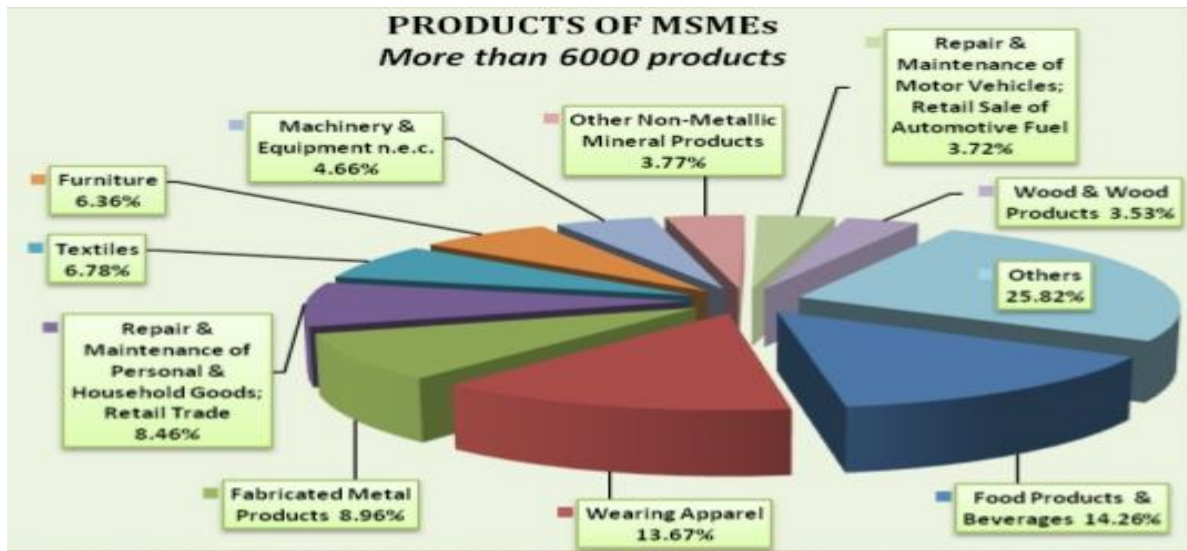
Key characteristics of Indian MSMEs such as high contribution to domestic production, significant export earnings, low investment requirements, operational flexibility, location wise mobility, capacities to develop appropriate indigenous technology, import substitution, contribution towards defence production, technology-oriented industries, and competitiveness in domestic and export markets help them tap opportunities in various sectors.

The process of economic liberalization and market reforms has exposed these enterprises to increasing levels of domestic and global competition. To combat competition, private and public sector institutions, both at the central and state levels are increasingly undertaking cluster development initiatives. Clusters are defined as sectoral and geographical concentration of enterprises, particularly, small and medium enterprises, faced with common opportunities and threats which give rise to external economies. Clustering and networking has helped the small and medium enterprises in boosting their competitiveness. India has over 400 SME clusters and about 2000 artisan clusters that have created a conducive ground for the development of inter-firm cooperation to promote local production, innovation and collective learning. It is estimated that these clusters contribute 60 per cent of the manufactured exports from India.

## **3. Growth and Contribution:**

**Category of Products:** MSMEs in India manufactures over 6,000 products including food products and beverages (14.26%), wearing apparel (13.67%), fabricated metal products (8.96%), repairs and maintenance of personal and household goods, retail trade (8.46%), textiles (6.78%), furniture (6.36%), machinery and equipment (4.66%), other non-metallic mineral products (3.77%), repairs and maintenance of motor vehicles, retail sale of automotive fuel, personal and household goods retail trade (3.72%), wood and wood products (3.53%) and others (25.82%).

**3.1 Pie Chart:**



**Source:** Annual report of MSMEs 2013-14

**3.2 Size of the MSME Sector**

S,No	Characteristics	Registered Sector	Un Registered Sector	EC-2005*	Total
1	Size of Sector (in lakh)	15.64	198.74	147.38	361.76
2	Total Employment (in lakh)	93.09	408.84	303.31	805.24
3	Per Unit Employment	5.95	2.06	2.06	2.23

**Source:** Economic Census 2005 and Fourth Annual Census of MSMEs in India 2006-07 Annual report.

**3.3 Principal Characteristics of MSMEs in India:**

Market value of Fixed Assets(Rs.in Crore)	1276840.36*
Output of MSME sector (Rs. In crore)	2049852.32*
Share in Industrial Value Added( estimated Percentage)	39
Share in exports ( estimated Percentage )	36
Total Number of Items Produced (assumed)	Over 6000

**Source:** Annual report of MSMEs 2013-14

**3.4 Comparing Growth of MSME Sector to Total Industrial Sector/GDP in India:**

Year	Percentage of GDP Growth	Percentage growth of total Industrial Sector	Percentage of growth of MSMEs outcome
2000-01	5.6	5	8.0
2001-02	6.0	2.7	6.1
2002-03	4.3	5.7	7.7
2003-04	8.3	6.9	8.69
2004-05	6.2	8.9	9.96
2005-06	8.4	8.1	12.32
2006-07	9.2	8.20	12.32
2007-08	9.0	11.60	12.68
2008-09	7.4	8.50	13.00
2009-10	7.4	12.80	13.69
2010-11	10.1	10.40	12.76

2011-12	4.7	7.80	12.10
2012-13	5.0	6.85	11.89
2013-14	4.67*	6.76*	11.90*

**Source:**Annual Report 2012-13 of Ministry of Micro, Small & Medium Enterprises, Government of India, Economic Survey 2012-13

**3.5 Performance of MSME Sector:**

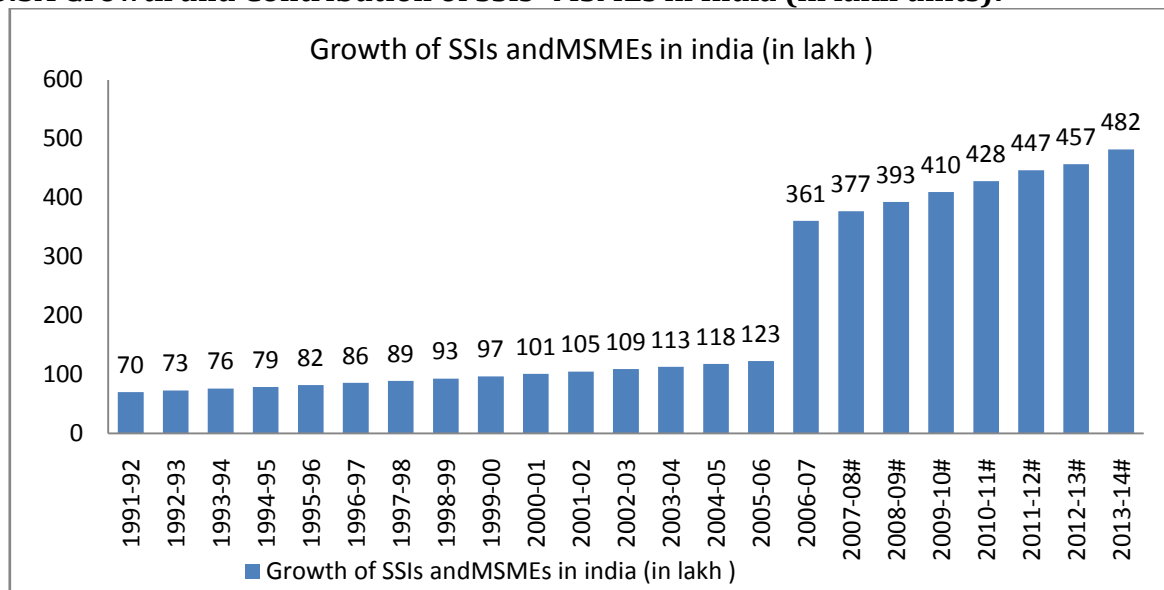
Year	No of MSMEs (in lakh)	Employment (in lakh)	Investment (Rupees in crore)	Production (Rupees in crore)
2001-02	105.2100	249.33	154389	282270
2002-03	109.4900	260.21	163317	314850
2003-04	113.9500	271.42	170219	364547
2004-05	118.5900	282.57	178699	429796
2005-06	123.4200	294.91	188113	497842
2006-07	361.76+	805.23+	868543.79*	1351383.45*
2007-08#	377.37	842.23	917437.46	1435179.26
2008-09#	393.70	881.14	971407.49	1524234.83
2009-10#	410.82	922.19	1029331.46	1619355.53
2010-11#	428.77	965.69	1094893.42	1721553.42
2011-12#	447.73	1012.59	1176939.36	1834332.05
2012-13#	457.37	1034.85	1200904.92	1883394.25
2013-14#	482.54	1082.36	1276840.36	2049852.32

**Source:** Annual reports 2012-13 of MSME, Centre statistic office, minister of SPI.

+Including activities of Wholesale/retail trade, legal Education & Social services, hotel and restaurants, transports and storage and warehousing for which data were extracted economic census 2005, centre statistics office, M/o SPI.

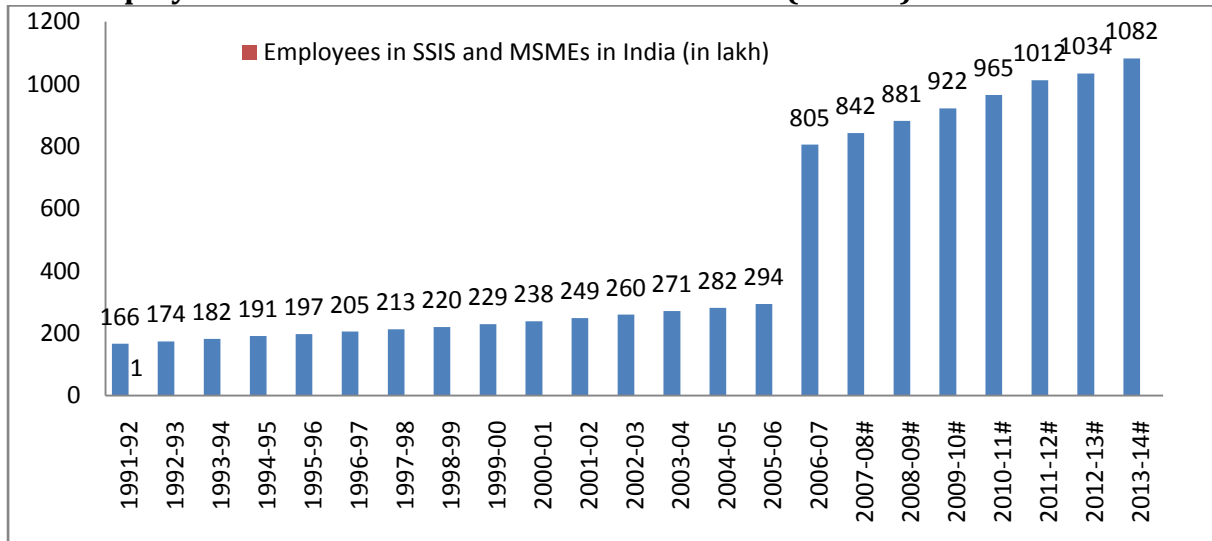
\* Estimated on the basis of per Enterprises value obtained from sample survey of un registered sector for activities whole sale /retail trade, legal, education and social services, hotels and restaurants, transports and storage warehousing(except cold storage) which were excluded from Fourth all India Census of MSME,Unregistered sector. # Projected.

**3.5A Growth and Contribution of SSIs+MSMEs in India (in lakh units):**





**3.5B Employees Contribution of SSIs+MSMEs in India (in lakh):**



There are approximately 48 million Micro, Small and Medium Enterprise sector enterprises across various industries, employing 108 million people. With the increase in MSME contribution to the GDP, there is a potential to increase its contribution to employment to over 50 per cent over the next decade. It is also vital for the informal MSMEs who are currently not registered need to be made part of the formal MSMEs eco system. Growth incentives in the form of privileges and direct benefits for the MSMEs will encourage registration and participation in the growth opportunity.

**3.6 The Share of MSME Sector and India’s Merchandise Exports:**

Year	Total Exports	Exports from MSME Sector	Percentage of MSME Sector
2001-02	209018	71244	34
2002-03	255137	86013	33.7
2003-04	293367	97644	33.2
2004-05	375340	124417	33.1
2005-06	456418	150242	32.9
2006-07	571779	182538	31.9
2007-08	655864	202017	30.8
2008-09	840755	219227	26.1
2009-10	945534	229227	27.2
2010-11	1142644	340507	29.8
2011-12	1260735	408478	32.4
2012-13	1403875	485740	34.6
2013-14	1803164*	551319*	36.68

**Source:** Directorate general of commercial intelligence & statistics (DGCI&S) and Compiled from data given by Ministry of MSME; Ministry of Commerce and Industry, Govtof India.

**Export Destination Countries of MSMEs Products:**

S.No.	PRODUCT GROUP	MAIN DESTINATION (COUNTRIES)
1.1	Readymade Garments	USA, Europe, Canada, West Asia, North Africa.
1.2	Plastic items	UAE, China, Italy, Saudi Arabia, Oman.
1.3	Marine products	Japan, USA, European Union, China, South East

		Asia.
1.4	Sports goods	UK, USA, Australia, Germany, South Africa
1.5	Spices	East Asia, European Union, North African Zone & American Zone
1.6	Cashew items	USA, Netherlands, UK, Japan & UAE
1.7	Shellac items	Indonesia, Germany, Arab Republic Emirates, USA & Italy.
1.8	Synthetic items (MADEUPS)	UAE, UK, Turkey, USA & Italy
1.9	Leather & Leather items	Germany, UK, Italy, USA & France
1.10	Engineering & Elect. items	USA Europe, Japan, Hong Kong, UAE, Germany, Belgium & France
1.11	Basic Chemical & Cosmetic	USA, Japan, Saudi Arab, China, Singapore & Netherlands.
1.12	Chemical & Allied products.	Japan, Belgaum, Italy, France, Bangladesh, USA & UK.
1.13	Wool & Woollen (MADEUPS), Knitted Garments etc	Europe, Japan, Bangladesh
1.14	Processed Food items	USA, Europe, Japan
1.15	Electronic items & Computer Software	USA, Hong Kong,, UAE, UK, Germany & Japan
1.16	Tobacco & Tobacco items	East Europe

Order of the States in Potential of MSMEs in India

Top 10 states as per MSME presence			Top 10 states as per MSME clusters	
Sr No.	States	No. of Enterprises (In mn)	States	No. of MSME Clusters
1.	Uttar Pradesh	4.4	Maharashtra	58
2.	West Bengal	3.6	Gujarat	49
3.	Tamil Nadu	3.3	Uttar Pradesh	39
4.	Maharashtra	3.0	Andhra Pradesh	32
5.	Andhra Pradesh	2.5	Punjab	30
6.	Kerala	2.2	Tamil Nadu	28
7.	Gujarat	2.1	Haryana	24
8.	Karnataka	2.0	Rajasthan	20
9.	Madhya Pradesh	1.9	Karnataka	19
10.	Rajasthan	1.6	Delhi	19

Source: Fourth All India Census of MSME (2006-07)

Source: RBI, UNIDO

MSMEs contribution should be seen not only in terms of output, employment, income, investment or exports but also in terms of qualitative indicators such as the synergies they promote with large industries, their contribution towards balanced regional growth, participation in nurturing entrepreneurial spirit, innovation and in providing a nation-wide pool of skilled and trained manpower. Even today, most small businesses in India are set up by first generation entrepreneurs.

At present, the sector is taking limited steps in formulating growth strategies and moving along with pace of GDP. In addition, the sector also adopts a reactive strategy approach where the sector reacts according to the current economic situation of the country. The productivity and growth becomes limited for the moment and growth falls back again. Therefore, the sector needs to adopt a proactive strategy approach where the government should prepare a medium to long term strategy to sustain themselves in the changing economic scenario and progress beyond the current GDP growth.

#### **4. Suggestions:**

In India, MSME are very large in numbers, diverse in type of business and are spread across remote geographies of a vast country. A large portion of the MSMEs are informal and not registered with the formal eco system of MSME. It will require significant changes in philosophy and approach to be able to develop and deliver a new wave eco system which facilitates their development and seize the emerging domestic and global opportunities.

1. Promote an ecosystem for 'Make in India' for foreign companies to invest in manufacturing, service and agricultural and agri processing related segments for meeting the domestic as well as global demand.

2. Promote MSMEs' manufacturing and service capabilities in the ICT sector in line with the government vision.

3. Promote Export contribution by supporting and developing MSME segment to be globally competitive and adopt research and development, innovation and global technologies. Provide MSMEs with global market access by entering into bilateral trade agreements and set off arrangements.

4. Promote an ecosystem for supplies to defence and public sector enterprises so as to achieve at least 25 per cent portion of total procurement by defence and public sector enterprises from MSME.

5. Promote an ecosystem, provide incentives for investments and support efforts by large corporate in vendor development for MSME segment particularly adapting to research and development, innovation and global technologies.

6. Incentivise any investments and outputs by large players and their MSME vendors to indigenise and/or enable import substitution particularly adapting to research and development, innovation and global technologies.

7. Incentivise and support any stakeholder that invests in development, growth and opening global markets for India's traditional and heritage industries for goods, services and agricultural and natural medicines and therapy related products and services.

8. National, regional and sector specific clusters and business centres for MSME in PPP model for state of the art infrastructure comprising physical infra, knowledge infra, e-platforms, B2B access and technology and innovation support for MSME.

9. Single comprehensive MSME Law for India, applicable in all states and territories and applicable to all MSMEs; including Labour Law, Factories Act, Land acquisition Act, etc. Single window approval allow entrepreneurs and his/her MSME(s)

to register their business, obtain required licenses, PAN etc. through a single application for setting up business and easy facilitation of IP registrations. Annual Filing and Declaration to file taxes and other regulatory compliances, licenses, etc. annually in order to reduce administrative time and effort in meeting compliances on monthly, quarterly basis.

10. Open environment and incentives for investments by HNWI and funds into MSME business as well incentivize debt funding in MSME segment. Develop MSME equity exchange and “two chance” approach for entrepreneurs, and fast close winding up where necessary.

11. Direct incentives in form for direct taxes rebates and set offs, weighted deductions and reliefs in indirect taxes combined with low cost funding and credit access for stakeholders in MSME eco system who make investments in desired areas and achievement of desired growth results in developing MSME funding and infrastructure skills, technology, innovation, global market access, indigenization, public procurement and vendor development, traditional and heritage industry developments.

12. Rewarding MSME for initiatives towards skill development and employment generation, particularly for women and special classes, by way of direct incentives, weighted deductions and reliefs in indirect taxes combined with low cost funding and credit access for stakeholders.

## **5. Conclusions:**

The ministry of Micro, Small, and Medium Enterprises in its vision envisages a vibrant MSME sector in the country exhibiting healthy growth through the setting up of new enterprises and upscaling of the existing ones. Further, the contribution of MSMEs to the country's GDP is vital and efforts are being made to ensure that the MSMEs are focused on constituting a healthy proportion of the country's GDP. To achieve the ministry's objective and to have a healthy MSME sector in the country, it is crucial to remove all roadblocks to the growth of the sector.

A key differentiator here is the MSMEs lack of ability to access and utilise information technology compared with its bigger peers. The MSMEs due to their lower purchasing power are denied access to productivity enhancing technologies such as enabling software that range from designing to customer management and sales management. A conscious effort on the part of the ministry to help MSMEs gain access to these technologies would go a long way in enabling the sector to gain new vistas of growth and development. Entrepreneur friendly legal bankruptcy frame work will be developed to enable easy exit.

The Government's 'Make in India' program, with its focus on skill formation and innovation could be utilised for achieving MSME growth by directed efforts towards innovating ways of removing roadblocks and enabling a greater thrust to the overall growth and development of the MSMEs in India.

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