

A STUDY ON IMPORTANCE OF MSME IN INDIA

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Abstract- This Research paper aims to investigate about the MSME importance and how to overcome from the difficulties of MSME in India. MSME (Micro, small and Medium Enterprises) are the backbone of the Indian economy in almost 8% of the country. GDP accounts for about 45 percent of total industrial production and about 40 percent of the country's exports. According to the Micro, Small and Medium Enterprises Development Act, 2006, the Government of India launched MSME or Micro, Small and Medium enterprises. These companies specialize in the production, processing or storage of products and goods. Micro, Small and Medium Enterprises are a very important part of the critical supply chain of products and services. This sector is seen as a job creator and plays a key role in providing large – scale Employment and industrialization of rural and backward areas. The MSME sector has regularly had a greater growth rate than the entire industrial sector in the current environment and has displayed commendable innovativeness. Additionally, the ability to adjust in the current economic crisis and recession. This industry is acknowledged as a global growth driver. Every economy recognises the value of micro, small, and medium – sized enterprises (MSME) and the employment they provide for kitchen craze at comparable legal costs in industrialising the underdeveloped area. This research paper gives an outline to study about the MSME classification, features and loan schemes initiated by the Government and significance in this examination in order to aid your country in reducing regional imbalances.

Keywords: MSME, Importance, Financial Assistance, Employment Opportunities, Growth, Make in India and Government Initiatives.

I. INTRODUCTION

Small and medium – sized businesses (MSMEs) have grown to be one of India's most vibrant and active economic sectors over the past 50 years. By encouraging the most job opportunities at the second – lowest capital cost after agriculture, it significantly contributes to the economic and social growth of the country. MSMEs are thought of as the global growth engines since they can employ local and rural resources. MSMEs create native concepts and various business tactics. The development of small – scale enterprises, increasing the production of commodities by small and medium – sized firms, and extending capital creation are only a few of the important national economic goals that MSMEs in India are essential for. MSME designs and manufactures a wide range of products for domestic and international markets. To enhance rural areas, they have encouraged the growth and development of the coir, khadi, and village industries. With the pertinent ministries, the state government, and stakeholder organisations, they have collaborated and worked.

As rightly highlighted by Ahamed and Raju (2023) that these organization have many obstacles in terms of finance, quality, human resources particularly availability of skilled man power, capital, and infrastructure , technology and regulatory compliances being framed by the Government of India and the same is substantiated by (Maurya,2020); (Singh, 2021) who mainly pointed out problem in the accessibility of low cost finance and support in connection with information and communication technology along with infrastructural facilities to this sector; (Gaikwa and Dhokare,2020) underlined that the transaction cost for the technology updating is high;(Mukherjee,2018) absence of appropriate technology , adopting of best practices and global collaboration ; Taking all these as an important one, the researcher of this study have considered the MSME importance, classification, features, significance in this examination in order to aid your country in reducing regional imbalances and other problems being faced by the MSMEs generally along with finding the growth of the company.

II. LITERATURE REVIEW

Researcher of any study could able to understand the previous outcome and the results which is the core for the present study only through reviewing the past literature on the same domain and this section alone helps the researcher to identify their research gap . Various results of researches on the topic were discussed here.

Kodrat et al., (2019) found that it is the information sharing, trust; long term relationship and the cooperation among the manufacturer and the vendor have a noteworthy impact on the supply chain management in all the aspects in the MSMEs. **(Ghosh and Deb, 2023)** critically evaluated the marketing challenges in MSMEs and found that it is the distribution, competition, raw materials, product innovation and quality, branding, finance and promotion, information technology, Government Policies and owner of MSMEs insight have significantly affecting the marketing of the products produced through MSME sector. **(Poornima et al., 2023)** observed that the digital marketing through World Wide Web, social media (Twitter, Instagram and Whatsapp) and search engine optimization (SEO) have optimistically influencing the sales and marketing of MSMEs company products.

(Pooja, 2009) studied about the Micro, small and Medium Enterprises (MSMEs) in the Indian Economy: business development strategies. This book covers a range of topics related to the growth of small businesses in India, including their benefits, effectiveness, and issues. More importantly, it makes recommendations for actions that would make small businesses more competitive so they might participate in the global economy. **(Srinivas, 2017)** analysed that MSME play a vital part in the inclusive expansion of the Indian economy based on their performance and contribution to that country's economic growth.

(Syal, 2015) revealed that compared to large businesses, the MSME sector had a substantially higher labour intensity. According to the survey, MSME were crucial to the overall development of the nation. It was discovered that MSME has a significant impact on the Indian economy. It had demonstrated significant growth, exceptional performance, and successful initiatives taken by the Government to improve MSMEs. **(Shelly, Sharma, & Bawa 2020)** investigated that micro, small and medium – sized firms were essential for the development of any country's economy and were especially important for developing nations since they would regulate trade, create jobs, and mitigate poverty. This industry in India ranked second in terms of ownership only to agriculture. The paper's main goals were to track changes in the number of MSME units. The Contribution of the Indian MSME industry to GDP, employment, and exports.

III. RESEARCH METHODOLOGY

The majority of this information is gathered through secondary sources, such as published annual reports, journals, books, and official websites, as well as access to various government programmes and activities.

The research focuses on analyzing the following Objectives:

1. To study about the importance of the MSMEs.
2. To examine about the classification and features of the MSMEs
3. To analyze about what are the various MSME loan initiated schemes introduced by our Government.
4. To find out the solutions to help the entrepreneurs to update their Knowledge and skills to overcome the difficulties in MSME.

IV. DISCUSSION AND ANALYSIS:

In this research the major importance that highlighted for the growth of MSMEs are the raw material and the General problem and it could be aligned only by utilizing the proper training and skill development programme being organized by the Union and State Government as rightly pointed out by (Ali and Husain, 2014). The MSME entrepreneurs should properly utilized the Government Training programmes for enhancing their knowledge and skill to overcome the challenges in the sector has been discussed below:

4.1 MEANING OF MSME

The Indian Government created MSME (micro, small, and medium enterprises) in compliance with the Micro, small, and Medium Enterprises Development Act of 2006. MSME was created by and is governed by the Ministry of MSME. Companies that create, manufacture, process, or preserve goods and commodities are referred to as MSME.

4.2 CLASSIFICATION OF MSME

1. Micro Enterprise

When the turnover is no more than 5 crore rupees and the investment in plant, machinery, or equipment is no more than 1 crore rupees.

2. Small Enterprise

When the turnover is no more than 50 crore rupees and the investment in plant and machinery is no more than 10 crore rupees

3. Medium Enterprises

When the turnover is no more than 250 crore rupees and the investment in plant, machinery or equipment is no more than 50 crore rupees.

4.3 IMPORTANCE OF MSME IN INDIA

1. It generates a significant amount of employment: Large-scale employment is produced since inclusive businesses in this industry can be started with little investment. Additionally, it presents a large opportunity for the unemployed to take advantage of. Out of the 1.2 million graduates that India generates each year, there are roughly

0.8 million engineers. No economy has existed to date that could produce that many new graduates in a single year. MSME is a blessing for India's young talent.

2. **Growth and leverage indicators of economic stability Exports:** The largest contributor to India's GDP, amounting to 8%, are exports. Other industries profit from MSME, especially in light of the contribution it makes to employment, exports, and manufacturing. MNCs are now purchasing semi-finished and auxiliary goods from small businesses, such as when automakers purchase clutches and brakes. Even after the introduction of the GST, it aids in forging connections between MSME and large businesses. A significant portion of the 40% of MSME businesses that registered for GST also contributed to an increase in government revenue of 11%.
3. **Promotes Inclusive Growth:** For a number of years, the Ministry for Medium- and Small-Sized Enterprises has placed promoting inclusive growth at the top of its agenda. On the other side, India's progress is hampered by poverty and suffering. Additionally, it includes socially excluded groups, which presents the Ministry of MSME with a significant issue.
4. **Low-cost labour and little overhead:** Retaining human resources in large organisations is one of the key challenges faced by a professional manager of human resources. However, the labour need for MSME is lower and does not call for a highly skilled worker. As a result, the owner's indirect costs are similarly minimal.
5. **Simple Management Structure for Businesses:** MSMEs might begin with few resources under their owner's control. Making decisions becomes simple and effective after this. A major firm, on the other hand, needs an expert for every departmental function because of its intricate organisational structure. A tiny business, however, does not require the management services of an outside specialist. Owner can handle things on his own. As a result, it could operate independently.

4.4 The "Make in India" initiative's fundamental role is to: With MSME, the Prime Minister of India's "Make in India" initiative has been made simple. It is regarded as the foundation for making this dream a reality. Additionally, the government has instructed the financial institution to increase its enterprise credit lending.

MSMEs are acknowledged as a tool for promoting equitable development and spurring economic progress all over the world. They are recognised for generating the quickest economic expansion. India has advanced thanks to MSMEs' low capital requirements, adaptable business models, and capacity to develop innovative home-grown technologies. MSMEs employ roughly 120 million people worldwide, making them the second-largest employer after agriculture. With more than 45 million units sold nationwide, manufacturing accounts for around 6.11% of GDP, and service industries account for 24.63%.

The MSME Ministry wants to increase small and medium-sized enterprises' share of the GDP by as much as 50% by 2025 as India moves closer to having a \$5 trillion MSMEs support inclusive growth by giving people from disadvantaged groups in rural areas, notably, the opportunity to find employment. The last inclusion of the contribution of MSMEs to the economy can be made by MSMEs in tier-2 and tier-3 cities by assisting in the creation of chances for individuals to use banking services and products. MSMEs foster innovation by giving aspiring entrepreneurs the chance to develop innovative goods that will increase company rivalry and spur growth.

4.5 FEATURES OF MSME

- The three tiers of these organisations are integrated into the first legal framework ever to recognise the concept of an enterprise. (i.e. micro, small and medium)
- Generally speaking, there are two groups into which the business fall under this act (i.e. manufacturing and service sector).
- Government contracts should give preference to micro and small businesses goods and services
- The three areas of firms ability to simplify the process of business closure
- Employees and craftsmen' lives are improved by MSME workers. They help them out by offering them jobs, money, and other services.
- MSME Give credit limits or financial support to banks
- By providing specialised training facilities, they promote the expansion of entrepreneurship as well as the improvement of skills.
- They support advancing developmental technology, growing the infrastructure, and modernising the industry as a whole.
- MSMEs are committed to assisting fairly in acquiring access to both domestic and foreign markets.
- Modern testing facilities and quality certification process are also available.
- In keeping with current trends, MSMEs are also providing assistance with packaging, engagement, and product development.

4.6 MSME LOAN SCHEMES INITIATED BY THE GOVT OF INDIA

MSME schemes offered by the financial institutions and initiated by the Indian Government are mentioned below:

1. Prime Minister Employment Generation Programme (PMEGP)

The program's goal is to provide financial support for self-employment endeavours in order to create long-term job prospects for unemployed youngsters and traditional craftspeople in both rural and urban locations.

2. Credit Guarantee Scheme for Micro & Small Enterprises (CGTMSE)

By providing credit guarantee money for third-party guarantee-free / collateral-free loans, the programme seeks to encourage first generation entrepreneurs towards self-employment.

3. Micro & Small Enterprises Cluster Development Programme (MSE – CDP)

The programme targets improvements in market access, skills and quality, sustainable and green manufacturing technologies, and other areas in order to promote the expansion of MSEs. Building infrastructure in industrial and MSE clusters that already exist. The establishment of Common Facility Centres (for testing, training, raw material depots, effluent treatment, completing industrial processes, etc.).

4. Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

The programme intends to organise traditional industries and craftspeople into clusters in order to support them in becoming competitive for long-term sustainability goals.

5. Entrepreneurship and Skill Development Programme (ESDP) Scheme

The programme aims to support and encourage the development of existing MSMEs' capability while also promoting new businesses. The programme also attempts to encourage and instil an entrepreneurial culture throughout the nation

6. Assistance to Training Institutions (ATI) Scheme

The program's objectives include fostering entrepreneurship and related skill development training programmes, strengthening existing infrastructure, building new infrastructure, and providing support.

7. Skill Upgradation and Mahila Coir Yojana Under Coir Vikas Yojana

Through training institutes established by the Coir Board, the programme intends to provide training in coir processing and enable and create value addition for potential workers, such as coir artisans and potential entrepreneurs. The program's objective is to give rural women artisans who work with coconut husks the opportunity to work for themselves.

8. Procurement and Marketing Support (PMS) Scheme

The programme promotes new market access efforts, such as organising or participating in national or international trade fairs, exhibitions, MSME Expo, etc., with the goal of increasing the marketability of services and goods in the MSME sector. Encouraging access programmes and raising awareness of many marketing-related themes, spreading knowledge about e-marketing, the GeM portal, the GST, and other relevant topics, etc.

9. International Cooperation (IC) Scheme

By supporting their participation in international exhibitions, fairs, conferences, seminars, and buyer-seller meetings overseas, the programme aims to increase MSMEs' capacity for joining the export market. It provides meaningful market intelligence and compensation for various export-related expenses. It gives MSMEs the chance to regularly update themselves in order to meet the challenges brought on by evolving technology, shifting consumer demand, the creation of new markets, etc.

10. National SC– ST Hub

The program's goal is to offer skilled assistance to business owners who are members of the Scheduled Castes and Scheduled Tribes. These business owners would be able to perform their responsibilities under the Central Government's Public Procurement Policy for Micro and Small Enterprises Order of 2012. thanks to the programme. Additionally, the programme would allow companies to utilise the Stand-Up India programmes and adopt appropriate business practises.

11. A Scheme for Promoting Innovation, Rural Industry & Entrepreneurship (ASPIRE)

In order to strengthen the competitiveness of MSME sector, particularly in rural and underserved areas, the scheme aims to establish a network of incubation and technology centres. To promote innovation and accelerate entrepreneurship, skill development programmes are imparted to create wage/self-employment opportunities in the agro-rural sector.

12. 2nd Loan for Up – Gradation of the Existing PMEG / Mudra Units

The programme intends to give well-performing current units financial support while also upgrading assistance for existing units' expansion. The programme will also assist business owners in modernising the current unit with automation and new technology.

V. CONCLUSION

The MSME sector in India works as a buffer against economic shocks and adversities on the international stage and supports the national economy covertly. Therefore, it is accurate to state that India is advancing towards a strong global economy through a polite revolution. SMEs play an important role in the Indian economy. This sector has significantly contributed to the growth of the country's economy, increased exports and created many jobs for low-skilled, recent school graduates and underemployed. In addition, it increased the likelihood that banks would extend new loans to small and medium-sized businesses. The government should pay special attention to the importance of

MSME and provide more and more incentives for MSME registration by imposing stricter rules and allowing financial institutions to provide more credit at cheaper interest rates to ensure the long-term existence of the industry. India requires more of these types of actions, particularly given the current climate. At the same time, Government should also give maximum relaxation to the entrepreneurs in the MSME for their development and growth as MSME is the only boosting engine for the growth of Indian Economy. The transformation of India from a rising economic power to a well-established one will take place over the next ten years, and MSMEs will play a crucial role in this process.

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