

MSMES SECTOR IN INDIA: CURRENT STATUS AND PROSPECT

Aarti Deveshwar* & Diksha Yadav**

*Associate Professor, Deenbandhu Chhotu Ram University of Science & Technology, Sonapat.

** Research Scholar, Deenbandhu Chhotu Ram University of Science & Technology Sonapat

ABSTRACT

Micro, Small, and Medium-Sized Enterprises (MSME) represent the backbone of an economy by fostering a discernible growth rate and creating employment opportunities. In many emerging and established economies, this sector has been viewed as a tool for socioeconomic growth. It generates a sizable entrepreneurial base in addition to making a substantial contribution to India's industrial production, export, and employment. The pandemic affects MSMEs adversely on a worldwide scale, and following COVID-19, the industry takes centre stage in powering the growth engine. The definition of MSMEs, their function and effectiveness in the current situation, as well as the sector's challenges and opportunities, are all examined in this essay. The study came to the conclusion that the pandemic has a negative impact on MSMEs and that the government needs to take appropriate action to mitigate this damage. Over the past fifty years, the Micro, Small, and Medium-Sized Enterprises (MSME) sector has grown to be a very active and dynamic area of the Indian economy. MSMEs not only play a significant role in creating many job opportunities at capital costs that are comparably lower than those of large industries, but they also aid in the industrialization of rural and underdeveloped areas, thereby reducing regional imbalances and ensuring a more equitable distribution of income and wealth across the country. MSMEs serve as auxiliary units to large businesses and have a significant positive impact on the nation's socioeconomic development. The Government of India has taken a number of initiatives to develop the sector in recognition of the sector's significant contribution to economic growth and the creation of jobs in our nation. For example, the definition of "Small Scale Industries" was expanded by raising the investment ceiling in plants and machinery from Rupees. The Micro, Small & Medium Enterprises Development (MSMED) Act, which went into effect on October 2, 2006, expanded the definition of MSMEs to include one crore of commercial activity. The MSME sector is a fantastic way to create inclusive and distributed growth as it is the second-largest employer in our nation.

Keywords: Micro, Small, and Medium Enterprises, current status, sector, role and performance, challenges, and prospects.

INTRODUCTION

MSMEs are widely regarded to be the backbone of the economy. The MSME sector has grown to be a significant part of the Indian economy, contributing significantly to the development of jobs, innovation, exports, and inclusive economic growth. India has a sizable portion of tiny, unorganised businesses that operate informally. According to annual estimates on MSMEs, the sector accounts for over 30% of India's GDP and employs more than 50% of all industrial workers. MSMEs make up around 40% of total exports. MSMEs account for approximately 97% of micro-firms, and 94% of businesses are officially registered with the government. The commerce, manufacturing, and service sectors all contribute fairly to the sector's sustained growth in both urban and rural locations. The present coronavirus crisis (COVID-19), which is affecting MSMEs, the foundation of India's overall development story, has had a notable impact and encountered significant disruption. MSMEs play a significant role in both the domestic and international value chains, hence the sector's situation is deeply troubling.

Review of Literature

This paper by **Karunakar et al. (2008)** attempted to explain the concept of nonperforming assets (NPA), as well as the reasons for high NPA and the impact that these factors have on the banking system. In that particular piece of research, a descriptive study was carried out. According to the findings of the study, nonperforming assets have a negative effect on the return on assets, and when NPA levels are high, it is difficult for banks to lower their interest rates. The study's results show that non-performing assets (NPA) can be avoided in the market stage by putting in place the right risk mechanisms and credit evaluation mechanisms.

According to **Malla (2009)**, in his article titled "Financing of MSMEs-Issues and Concerns," there are many problems that need to be resolved. According to the findings of the study, the challenges that micro, small, and medium-sized enterprise (MSME) borrowers face when attempting to gain access to institutional financing include the following: the insistence on collateral guarantees; the limited outreach of banks; rigid approaches; high interest rates and other costs; a lack of computer documentation; and a dearth of supporting business development services.

In their article titled "Role of SIDBI in improving MSMEs in special reference to its financial support," which was written by **Mrs. Jain Smrita and Dr. Gupta Deepti (2014)**, the authors state that. Micro, small, and medium-sized businesses (also abbreviated as MSMEs) play a significant part in both the creation of new jobs and the expansion of regional economies. This study focuses on the financing that the SIDBI offers to MSMEs (Micro, Small, and Medium Enterprises), including an assessment of the bank's responsiveness to MSMEs in regional areas as well as an examination of how the SIDBI assists Micro, Small, and Medium enterprises with growth, sustainability, and development.

In her article titled "The Prospects and Growth of Small Scale Industries in India-An Overview," **Nalsamma Antony (2002)** states that the SSI units were born and brought up in problems due to a shortage of capital, lack of knowhow, inadequate marketing potential, and other factors. The vast majority of the issues were brought on by inherited weaknesses. They are being promoted and developed in spite of a number of initial problems, with the benefits to society and the economy being a primary consideration. In addition, the promotion of the SSI sector calls for institutional assistance from a variety of sources. This assistance can be provided, however, only when these sources not only provide adequate financing but also grant the funds on time without executing additional formulation to enable SSIs to develop more effectively and more quickly.

In their article titled "Financing of Small Scale Industries in Rural Development," **Namasivayam and Kamalakannan (2005)** make the point that more than 70 percent of India's population lives in rural areas. As a result, India's financial institutions should encourage and create awareness of financial literacy among the small business owners who are willing to start industrial units in rural areas. In addition, these authors note that rural India has a higher rate of poverty than urban India. He also makes the point that the plan for the service area will only have a chance of being successful if the banking staff live among the villagers, where they can easily interact with the locals and serve as genuine extension workers.

Pathrose, the author of a 2006 article titled "Small and Medium-Sized Enterprise Financing: Strategic Perspectives for Banks," emphasized the need for documentation and accounting formalities to be simplified. He concludes that banks should provide adequate financial benefits to SMEs by innovating internet banking, mobile banking, and ATM services, and that bank personnel should serve as industry guides, philosophers, and promoters.

Objectives of the study

1. Investigate the theoretical basis, growth, and performance drift of MSMEs in the Indian economy;
2. Recognize the various issues and prospects correlated with MSMEs;
3. Analyze the government action to rejuvenate the MSME sector;

Methodology Used

The research employs a descriptive-analytical methodology. It is based on secondary data and details extracted from a number of government reports, including those from the Ministry of MSME, the Handbook of Statistics of Indian Economy, issues of the RBI, numerous research papers, journals, and websites of both public and private sector banks.

New classification of MSME on the basis of Turnover

The classification of MSME for both goods and services organisation is done on the basis of the turnover and is as follows:-

Classification	Turnover
Micro Enterprise	Upto Rs. 5 Crores
Small Enterprise	Rs. 5 Crores to Rs. 75 Crores
Medium Enterprise	Rs. 75 Crores to Rs. 250 Crores

Until recently, the classification of MSMEs was done on the basis of the investment put in the business. It was calculated as a sum total of the money invested in the plant, machinery and equipment.

MARKET SIZE

More than 60 SMEs are anticipated to enter the market in one year (2021–2022) to raise equity money to suit their company needs, according to the BSE SME (small and medium enterprises) platform. 16 SMEs entered the market through the initial public offering (IPO) method, raising Rs. 100 crore (US\$ 13.74 million) in 2020. The Bombay Stock Exchange (BSE) announced in June 2021 that it has partnered with the Electronics and Computer Software Export Promotion Council (ESC) to raise awareness of the benefits of listing among small firms and start-ups.

MSMEs are urged to sell their goods online, particularly through the Government e-Marketplace (GeM), which is owned and operated by the government and where Ministries and PSUs (public sector undertakings) source their supplies. By the end of November 2022, the GeM portal had processed 12.28 million orders totaling Rs. 334,933 crores (\$40.97 billion) for 62,247 buyer organisations from 5.44 million registered sellers and service providers.

The Udyam Registration platform registered 12,201,448 MSMEs as of November 25, 2022, according to data from the Ministry of Micro, Small, and Medium Enterprises, replacing the previous procedure of registering for an Udyog Aadhaar Memorandum (UAM). Microbusinesses made up 11,735,117 (96.17%) of all registered businesses, while small businesses made up 426,864 (3.49%) and midsized businesses made up 39,467 (0.32%) and to ensure that sufficient liquidity is maintained in business operations, domestic business needs a significant financial stimulus from the government and financial institutions in the form of favourable working capital loans. With 72% of payments made digitally compared to 28% of cash transactions, Indian Micro, Small and Medium-Sized Enterprises (MSMEs) are quickly moving away from cash transactions. Increased digital use offers opportunities for the industry to continue growing.

GOVERNMENT INITIATIVES

For the development of MSMEs in the nation, the Indian government has created a number of policies. As of July 8, 2022, 10.03 million loans had been approved under the Pradhan Mantri MUDRA Yojana (PMMY) scheme, and 73,199.89 crore (US\$ 9.15 billion) had been disbursed.

MSMEs were given an Emergency Credit Line Guarantee Scheme (ECLGS) budget of Rs. 50,000 crore (US\$ 6.55 billion) in the Union Budget for 2022–2023. The Indian government committed Rs. 6,062.45 crore (US\$ 808 million) on March 30 2022 for the Raising and Accelerating MSME Performance programme (RAMP). The initiative intends to increase market and credit access, promote center-state links and cooperation, address issues with late payments, and green MSMEs. It also aims to develop institutions and governance at the centre and state levels.

The Indian government introduced the Special Credit Linked Capital Subsidy Scheme (SCLCSS) for the services industry in November 2021. This programme will assist businesses in the services industry in meeting various technological criteria. The Ministry of Micro, Small, and Medium Enterprises introduced SAMBHAV in November 2021 as a nationwide awareness campaign to encourage local manufacturing and entrepreneurship and drive economic growth.

CONCLUSION

Our honourable prime minister's Startup Scheme is a fantastic effort for all the young businesspeople who have creative ideas but lack a platform on which to launch their ventures. They will now receive tax exemptions for three years and capital gains tax breaks under this arrangement. an all-purpose point of contact for communications with the government. Additionally, a startup will have 90 days to close down its firm in case of an exit, and there will be many new innovation centres, research institutes, and centres built, among other advantages.

SMEs clusters are essential to the whole production output of some Indian items, such as the Aurangabad auto component cluster. However, the majority of Indian clusters, particularly in the handicrafts industry, are relatively small, employing no more than 100 people, and are so specialised that no other location in the world can match their expertise and output quality. Few clusters, however, are globally competitive.

In emerging nations, industrialization is a powerful tool for addressing economic issues and assuring social advancement. MSMEs are the foundation of a prosperous country and the outcome of the enormous entrepreneurial potential and skills available. A nation that has a thriving and forward-thinking MSME sector not only becomes self-sufficient in manufacturing but also has the potential to become a global economic powerhouse. This

industry supports job creation and has the potential to build a country where unemployment is no longer a threat. In the current environment, the industry might provide a solution to the issues of poverty, insecurity, and unemployment while also raising the standard of living.

Micro, Small, and Medium-Sized Enterprises (MSMEs) account for roughly 40% of all exports and 45% of industrial output, in addition to making considerable contributions to overall wealth (GDP). They make up 8% of the nation's total GDP and have been expanding at a compound annual growth rate of nearly 10.8% over the previous few years.

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