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MSMEs: New Engines of Growth & Employment

Arun Kumar Panda

The Micro, Small and Medium Enterprises (MSME) sector continues to contribute significantly towards the overall positive socio-economic development of India. Each enterprise holds substantial value as it provides not only self-employment but also opportunities to exponentially create jobs. Even the smallest enterprise propels the Great Indian Growth story. Therefore, it is not surprising that MSMEs are acknowledged as the backbone of the economy. The Ministry of Micro, Small, and Medium Enterprises (M/o MSME) has taken several path-breaking steps towards further promotion of this sector by fostering the spirit of entrepreneurship and generating major opportunities for self-employment and job-creation. Thus, the Ministry has been contributing to the equitable social and economic development of the country.

MSME Sector: Employment Generation

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Historically, the development process has witnessed a trend of shifting of people from agricultural to non-farm activities such as *manufacturing and services*. This renders manufacturing and services crucial for the country's growth, development and employment agenda. As the country is expecting to witness significant demographic growth and an unprecedented expansion in the working age population in the coming years, the MSME sector per se would need to play an important role¹, to absorb this labour force.

To boost employment generation in the sector, it is crucial to lay greater focus on building human capital,

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especially in certain manufacturing industries which are highly labour intensive such as transport equipment and electrical machinery, wood, leather and leather products, paper, textiles and handicrafts etc.

Agenda for Action

MSME sector is critical for the growth of the economy. This is because the sector tends to have a multiplier effect on other sectors in the economy. The manufacturing sector avails raw materials and services from other sectors in the economy and in turn supplies them with finished products, thus stimulating demand for everything from raw materials to intermediate goods. As envisaged in the National Manufacturing Policy (NMP), the manufacturing sector has the potential to provide employment to 100 million people by 2022. However, in order to do so, it is imperative to bring about certain changes. Some of the suggestions through which employment can be boosted are: (i) encourage growth in labour-intensive industries (ii) improve quality of training imparted in schools, colleges and universities by setting up innovative labs (iii) enhance labour productivity by adopting best practices (iv) ensure timely credit flow and (v) facilitate good market access.

Government Initiatives

In spite of this sector's inherent potential to grow, there exist certain challenges that affect its productivity and growth, and sooner or later employment or self-employment. For instance, rising capital intensity in the cost of production, technological transformation, demand of skilled labour force etc. are some of the factors that affect the entire ecosystem.

Focused Approach

The Ministry of MSME has a focused approach towards providing support to entrepreneurship for

realizing the vision of India becoming a nation of job creators rather than job seekers. The Government does realize the existing constraints and acknowledges the urgency to rejuvenate the sector with enhanced level of economic activity, thereby creating more employment opportunities in the country. Therefore, several schemes for upgradation and development of the sector are being successfully implemented by the Government across the country. These include some of the flagship programmes of the Government like Prime Minister's Employment Generation Programme (PMEGP) and MUDRA, and Scheme of Fund for Regeneration of Traditional Industries (SFURTI), Cluster Development Programme amongst many others.

In addition to this, Khadi and Village Industries (KVI) and Coir Industries, which are administered by Khadi and Village Industries Commission (KVIC) and Coir Board respectively, are key contributors to employment generation.



The Ministry of MSME also conducts a large number of vocational and entrepreneurship development programmes, which are organized regularly to nurture the talent of youth by enlightening them on various aspects of industrial activity required for setting up MSEs.

Increasing Market Access

In order to increase market access for MSEs and uplift the marginalized sections of the society, Public Procurement Policy (PPP) of Government of India is providing a drive towards entrepreneurship by way of giving preferential market access to MSEs. The mandate states that 20 per cent of total procurement of goods and services by CPSEs, Central Ministries and other Government departments shall be made from Micro and Small Enterprises (MSEs), including 4 per cent from MSEs owned by SC/ST entrepreneurs. MSME Sambandh portal of the Ministry is helping the MSEs, including the SC/ST entrepreneurs, to participate in the Public Procurement of goods and services, thus giving rise to employment generation.

To efficiently address and achieve the mandate of PPP for the SC/ST entrepreneurs,

National Scheduled Caste/Scheduled Tribe Hub (NSSH) was launched by the Prime Minister in October 2016. The Hub has a clear focus on promotion of entrepreneurship among Scheduled Caste and Scheduled Tribe Communities.

The Ministry of MSME also conducts a large number of vocational and entrepreneurship development programmes, which are organized regularly to nurture the talent of youth by enlightening them on various aspects of industrial activity required for setting up MSEs. Entrepreneurial Skill Development Programme (ESDP) aims at skill upgradation of prospective entrepreneurs; Management Development Programmes (MDPs) have an objective of imparting training on management practices to improve the decision-making capabilities of potential entrepreneurs etc.

National Small Industries Corporation (NSIC), a PSU under MSME Ministry, has been playing a very important role in facilitating credit flow, supplying raw materials at very competitive rates and providing facilities for training and incubation to MSMEs for their growth, thus facilitating employment generation in the manufacturing sector.

Timely Access to Credit

Timely access to credit has always been a challenge for entrepreneurs. Recognizing this crying need, Government has taken some pioneering steps to help the MSME eco-system. As far as Ministry of MSME is concerned, there has been almost an 80 per cent increase in the budgetary allocation under PMEGP. 48,398 micro units have been assisted during 2017-18 giving employment opportunities to about three lakh people. It is envisaged to establish around 70,000 micro enterprises during 2018-19 giving employment opportunities to nearly 5 lakh persons. A recent independent evaluation of PMEGP by MDI Gurugram revealed that under this flagship programme, each

unit, on an average, employs 7.62 persons at a per capita investment of only Rs. 96,000.

MUDRA has been a flagship programme of the present Government, facilitating unprecedented credit flow into the micro enterprise eco-system. This programme envisages, as announced in the Union Budget, a credit flow target of Rs. 3 lakh crore; nearly 5 crore accounts would be financed. This initiative of the Government has made a huge difference in the MSME eco-system and has contributed tremendously to employment generation and entrepreneurship development.

Another major initiative of the Government in the MSME sector has been the enhancement of the **Credit Guarantee Fund (CGTMSE)** from Rs. 2500 crore to more than Rs. 8000 crore. Under this Scheme, it is envisaged to facilitate unprecedented credit flow

into the micro and small enterprise sector during 2018-19. The credit guarantee in this regard will cross Rs.40,000 crore as against Rs. 19,000 crore-Rs. 20,000 crore in the last few years.

MSME Ministry has launched a new scheme - **Mission Solar Charkha**. Under this initiative, it is envisaged to set up 50 clusters in the first phase giving employment opportunities to nearly one lakh people in the rural areas mostly to women.

The aforementioned initiatives and schemes encourage and enable aspiring entrepreneurs to set up greenfield enterprises. These schemes have a huge social context as these are majorly aimed to benefit women and the marginalized sections of the society such as Scheduled Caste and Scheduled Tribe communities.

Thrust

Owing to the thrust provided by the Government of India through its various Departments and Ministries, especially the Ministry of MSME, there have been massive strides taken by the sector in the last 4 years.



It is also important to note that there has been an increased focus towards social inclusion while creating jobs. Under PMEGP, 30 per cent i.e. 4.43 lakhs of beneficiaries were women.

From a fiscal perspective, the impetus provided by the Government can be witnessed in the 41 per cent increase in the budgetary allocation during 2014-18 vis-à-vis 2010-14². During this period, Khadi and Village Industries have been at the forefront with creation of jobs for 141 lakh persons. CGTMSE, PMEGP, SFURTI contributed towards employment generation of 51.11 lakh, 14.78 lakh and 0.60 lakh persons, respectively.

It is also important to note that there has been an increased focus towards social inclusion while creating jobs. Under PMEGP, 30 per cent i.e. 4.43 lakhs of beneficiaries were women. Also, 1.74 lakh and 1.31 lakh persons belonging to Scheduled Caste (SC) and Scheduled Tribe (ST) communities, respectively, got employed during the last 4 years under this programme.

MSME Ministry has 18 Tool Rooms across the country, and 15 more state-of-the-art Technology Centers are being established. This will help in training more number of entrepreneurs and job-seekers. Currently, around 1.5 lakh job-seekers are being trained in these 18 Tool Rooms. Some of them have set up their own enterprises. But, an overwhelmingly high percentage of them have jobs. Recently, Hon'ble President of India launched "MSME Sampark" portal – a digital platform where the recruiters would have access to the increasing talent pool of trained manpower, facilitating their placement.

Conclusion

As per the last NSSO Survey, there are around 6.34 crore MSMEs in the country. They are steadily migrating to the formal economic system – registering in the GST network. An overwhelmingly large percentage of entities registered in the GSTN are MSMEs. They deserve all support for their growth. With such initiatives, India has embarked on a new wave economy as it has acknowledged the prospect of MSME as the new engine of growth and employment generation. Ministry of MSME is providing the necessary impetus to seize the new opportunities and generate gainful employment in the non-farm sector. This will not only create new vistas for the aspirational MSMEs, but also contribute significantly to the surging economy of India and its equitable growth.

Endnotes

- 1 As per Labour Bureau's Quarterly Report on employment scenario, manufacturing sector has added an estimated 89,000 jobs in the second quarter of 2017 – 18
- 2 <http://pib.nic.in/newsite/PrintRelease.aspx?relid=176114>



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SUCCESS STORY

Venturing into Videography : Kalpana Ben Trivedi

Kalpana Ben Trivedi and her husband Abhishek Trivedi, both have good entrepreneurial skills. Kalpana has good knowledge and expertise in photo editing, mixing, etc. on computers, whereas Abhishek nurtures photography and videography as a hobby. They used these skills to their advantage and have set up their own small unit of taking job work of printing/photo editing by sending the raw data to other labs for processing. But the unit could not give them adequate income as it was a small one with very less equipment. They wanted to have their own studio with all types of editing software, equipment, etc. for which financial assistance was required. After the announcement of PMMY, Kalpana approached the bank. The Branch Manager explained to them about the MUDRA loan and assisted them to get a Term Loan of Rs. 9 lakh to set up their own studio cum video lab with all necessary infrastructure.

Today, their venture has proved to be successful and they are able to get good orders for videography and photography for marriage and other ceremonies in the nearby areas and have been earning handsome income.

Source: Mudra Portal (www.mudra.org.in)

