

## BOOSTING ECONOMY THROUGH MSMEs

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**T**he Micro, Small and Medium Enterprises (MSMEs) have always been the backbone of Indian economy. They have played a great role in ensuring the socialistic goals like income equality, employment generation, poverty eradication and balanced regional development as envisaged by the planners. This sector has been recognised as the engine of growth all over the world. Many countries of the world have established a MSME Developmental Agency as the nodal agency to coordinate and oversee all government initiatives in respect of the development of this sector.

### Contribution of MSMEs in Indian Economy:

The MSMEs occupy a strategic importance in terms of **output, exports and employment** created in Indian economy. It produces about 45 per cent of manufacturing output and 40 per cent of the total exports. Furthermore, about 80 million persons are engaged in over 29 million units throughout the country (*Planning Commission*

2012). The contribution of MSMEs in India's GDP has increased from 29.57 per cent to 29.94 per cent during 2011-12 to 2013-14; furthermore, it slightly decreased and reached at 29.39 per cent in 2015-16. Growth rate of this sector in Indian economy has been decreased from 15.27 per cent to 9.43 per cent during 2011-12 to 2015-16. As the income increases, the share of the informal sector decreases and that of the formal MSME sector increases.

MSMEs account for more than 80 per cent of the total industrial enterprises in India creating more than 8000 value added products. The most important contribution of MSMEs in India is promoting the balanced economic development. The trickle down effects of large enterprises is very limited as compared to small industries where benefits of percolation of economic growth are more visible. While the large enterprises largely created the islands of prosperity in poor India, small enterprises have succeeded in





fulfilling the socialistic objectives of providing balanced and equitable growth. It had also helped in industrialization of rural and backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income. Urban area with around 8 lakhs 57 thousand enterprises accounted for 54.77 per cent of the total working enterprises in registered MSME sector whereas around 7 lakhs and 7 thousand enterprises means 45.23 per cent of the working enterprises are located in rural India. Small industries also help the large industries by supplying them ancillary products. Modern products account for more than 95 per cent of the MSME exports especially in the sports goods, readymade garments, plastic products etc. Since these products are mostly handcrafted and eco-friendly and exhibit a tremendous potential to expand the quantum of MSME led exports also act as ancillary industries for large scale Industries providing them with raw materials, vital components and backward linkages. The contribution of manufacturing MSMEs in the country's total manufacturing gross value of output has also remained at about 33 per cent during last five years.

As per NSS 73rd Round (2015-16), the sector comprises of 63.88 lakh 88 thousand units and it has created 11 crore 10 lakhs jobs in the economy. The ministry has taken a number of steps for promoting

development of MSMEs in the entire economy, which includes credit supply, technological up gradation, quality improvement and marketing support. The government provided MUDRA, Stand up India, increased coverage of Credit Guarantee Fund for MSMEs through the banks. The Ministry is also tasked with the promotion of Khadi, Coir and Village Industries. Khadi and Village Industries Commission (KVIC) serves the basic needs of the processed goods of the vast rural areas in India and it also provides sustainable employment to near about 152 lakh persons. KVI sector represent a prime heritage product. The sector has a potentially strong clientele among the middle and upper echelons of the society. KVI setup 1,93,818 units, with provided employment to about 14.75 lakh persons and total margin money assistance given was Rs. 4,735.93 crores during 2014-18. Another Scheme of Fund for Up-gradation and Regeneration of Traditional Industries (SFURTI) is a cluster development scheme implemented by the government which aims at organization of traditional industries and artisans into clusters in order to make them competitive and sustainable in the long term. The scheme was revamped during 2014 with an outlay of Rs. 149.44 crores for developing 71 clusters with coverage of 44,500 artisans in the first phase. During the period of 2015-18, 72 detailed project reports of clusters have been approved providing employment to

over 60,000 artisans with funding commitment of Rs. 140 crores. Out of 72 clusters, 35 have been completed at the end of March 2018. For the last four years, employment in these two sectors has increased by more than 7.41 lakh persons. The total employment in these sectors at the end of March 2018 stands at 137 lakh 79 thousand persons and the total production in these sectors has increased by around Rs. 22711.83 crores during the last four years, taking the total to Rs.48820.91 crores.

India is a labor abundant country. The MSMEs are thought to have lower capital-output and capital-labour ratios as compared to large-scale industries, and therefore, better serve growth and employment objectives. With the scanty investment in comparison to the large-scale public and private enterprises, the MSMEs turn out to be more efficient, thus providing employment opportunities at low cost. Basically, the employment intensity of MSME is estimated to be four times greater when compared with other large enterprises. The MSMEs generate the highest employment per capita investment; they also go a long way in checking rural-urban migration by providing people living in isolated areas with a sustainable source of employment. The MSME sector in India has grown significantly since 1960 with an average annual growth rate of 4.4 per cent in the number of units and 4.62 per cent in employment. This sector created huge employment opportunities for many unemployed youth. And, there is no economy in the world that can provide jobs to so many fresh graduates every year. MSMEs are the boon for many of this fresh manpower.

The MSMEs are making more inclusive growth which touched upon the lives of the most vulnerable and marginalized. For many poor families, it is the only source of livelihood. Thus, instead of taking a welfare approach, this sector seeks to empower people to break the cycle of poverty and deprivation. It focuses on people's skills and agency. However, different segments of the MSME sector are dominated by different social groups. About 50 per cent of wealth in India is owned by just 100 people who are due to unequal distribution of wealth. Inclusive growth is on top of the agenda of Ministry for MSME for several years. While poverty and deprivation are a deterrent to the development of India, including

marginalized sections of society is a key challenge lying before the Ministry of MSME. The socially backward groups owned almost 66.27 per cent of MSMEs, though bulk of that can be attributed to OBCs owning in 49.72 per cent. The representation of SC and ST owners in MSME sector was low at 12.45 per cent and 4.10 per cent respectively. In rural areas, almost 73.67 per cent of MSMEs were owned by socially backward groups, of which 51.59 per cent belonged to the OBCs. In urban areas, almost 58.68 per cent belonged to the socially backward groups, of which 47.80 per cent belonged to the OBCs. Central government has introduced two schemes namely, National Scheduled Caste / Scheduled Tribe Hub and Zero Defect Zero Effect (ZeD) Scheme on October 18, 2016. Post the inception of 'Make in India', a signature initiative by the Prime Minister of India, the process of incorporating a new business has been made easy. Since the MSME is the backbone in making this dream a possibility, the government has directed the financial institution to lend more credit to enterprises in MSME sector.

**Udyog Aadhaar memorandum is one of the best schemes of MSME development launched by GoI.** In this, the Aadhaar card is a mandatory requirement. The benefit of registering in this scheme is ease in availing credit, loans, and subsidies from the government. Registration can be done both ways in the online mode or the offline mode. **'Zero Defect Zero Effect' is another model that is prepared for development of this sector.** In this model, goods that are manufactured for export have to adhere to a certain standard so that they are not rejected or sent back to India. To achieve this, the government has launched this scheme. In this, if the goods are exported, these are eligible for some rebates and concessions.

#### **New Initiatives by GoI:**

Prime Minister's Employment Generation Programme (PMEGP), which has been made online from 1st July 2016, has resulted into direct transfer of subsidy into the bank account of the beneficiaries. It also resulted into record utilization of margin money of Rs.1312.40 crore during the year 2017-18. The National Scheduled Caste/ Scheduled Tribe Hub is an initiative of Government of India targeted towards developing a supporting eco- system for SC and ST entrepreneurs and the

same was launched by Prime Minister on 18th October, 2016. The scheme has resulted in registration of 13,211 SC and 2,704 ST enterprises on MSMEs Databank by end of April, 2018. About 98 Vendor Development Programmes have been conducted to support SC and ST entrepreneurs as suppliers to the various Central Public Sector Undertakings (CPSUs). Public procurement order has made it mandatory from April 1, 2015 for Central Ministries and Central Public Sector Enterprises (CPSEs) to procure 20 per cent of goods and services from MSMEs. 4 per cent out of the 20 per cent are reserved for SC and ST owned MSMEs. Various vendor development initiatives have also been taken up.

### Conclusion:

To survive with such issues and compete with large and global enterprises, MSMEs need to adopt innovative approaches in their operations. They should be innovative, inventive, international in their business outlook, have a strong technological base, competitive spirit and a willingness to restructure themselves to withstand the present

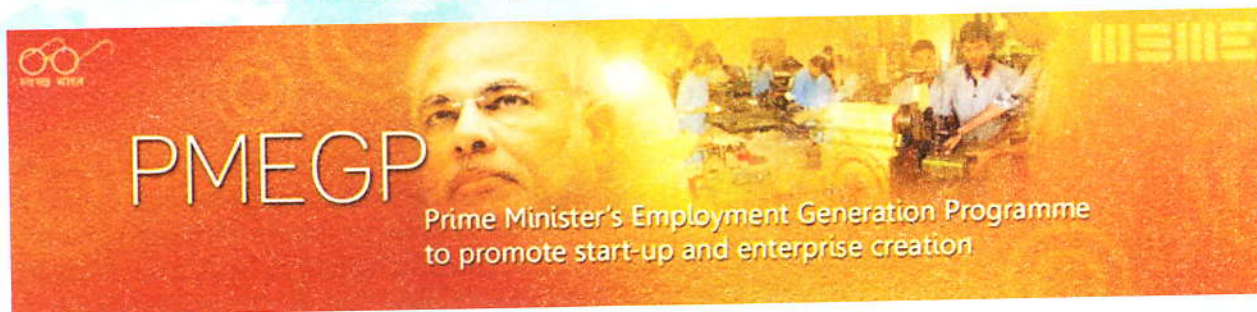
challenges and come out successfully to contribute about 29 per cent to GDP. Indian MSMEs should also look forward to accept and acquire new technologies, new business ideas and automation in industrial and allied sectors.

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## Prime Minister's Employment Generation Programme (PMEGP)



The scheme aims to generate employment opportunities in rural as well as urban areas of the country through setting up of new self-employment ventures/ projects/ micro enterprises. It also provides continuous and sustainable employment to a large segment of traditional and prospective artisans and rural / urban unemployed youth in the country, so as to help arrest migration of rural youth to urban areas. Another objective is to increase the wage earning capacity of artisans and contribute to increase in the growth rate of rural and urban employment.

The Scheme is implemented by Khadi and Village Industries Commission (KVIC), as the nodal agency at the National level. At the State level, the Scheme is implemented through State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs) and District Industries Centres (DICs) and banks. The maximum cost of the project/ unit admissible under manufacturing sector is Rs.25 lakh and under business/service sector is Rs.10 lakh.

Any individual, above 18 years of age is eligible to seek assistance. If the project size is above Rs.10 lakh in the manufacturing sector and above Rs. 5 lakh in the business / service sector, the applicant must be at least Class VIII Pass.