

Contribution of Ministry of Micro Small and Medium Enterprise [MSME] in Economic Growth of India

Sanchita Kesarkar

Research Scholar

The Byramjee Jeejeebhoy College of Commerce, Mumbai, Maharashtra, India

Abstract: *The Micro, Small and Medium Enterprise (MSME) sector has been recognized as engine of growth all over the world. The MSMEs make significant contribution towards economic growth, balanced regional development, employment generation and overall poverty reduction by way of mobilization of capital and entrepreneurship skills. The MSME sector is an important pillar of Indian economy as it contributes greatly towards its growth. It has emerged as an important vehicle for attaining inclusive growth of the country. This paper attempts to focus on the contribution of MSME towards the growth of Indian economy as well as its present scenario in the country.*

Keywords: Contribution, Economic Growth, Employment Generation, Gross Domestic Product (GDP), Micro, Small and Medium Enterprises MSME)

I. INTRODUCTION

Micro, Small and medium enterprises are an integral part of the economy. The Micro, Small and Medium Enterprises (MSMEs) have often been termed as 'engine of growth' for all developing countries including India. They provide employment opportunities to the weakest and poorest strata of the society, giving them a way out of the perpetual poverty that they seem doomed to. MSMEs are providing immediate large scale employment, with lower investments and prove to be a second largest manpower employer, after agriculture and occupy a position of prominence in the economy. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural and backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. As per the Report of the Working Group on Micro, Small and Medium Enterprises (MSMEs) Growth for 12th Five Year Plan (2012-2017), the sector accounts 45 percent of the manufacturing output and 40 percent of total exports of the country. The sector provides employment to about 80 million persons through 36 million enterprises throughout the country. Over 6000 products ranging from traditional to high-tech items are being manufactured by the MSMEs in the country. The labour to capital ratio in MSMEs and the overall growth in the sector is much higher than in the large industries. The geographic distribution of the MSMEs is also more even. Thus, MSMEs are important for the national objectives of growth with equity and inclusion. In India, the MSME sector constitutes a vast network of over 63 million units and employs around 111 million people. The share of MSMEs in overall GDP is around 30 per cent (GOI, 2018). The MSME sector accounts for about 45 per cent of manufacturing output and around 40 per cent of total exports of the country.

The Small Scale Industries Board (1955)

"A unit employing less than 50 persons if using power and less than 100 persons without the use of power and with capital assets not exceeding Rs. five lakhs. Government of India (1980) "Undertakings having investment in fixed assets in plants and machinery not exceeding Rs.15 lakhs and engaged in the manufacturing of parts of components, sub- assemblies or intermediaries and proposes to supply at least 50% of its production to one or more parent unit and such ancillary industry shall not be a subsidiary of or owned or controlled by any other undertaking. "Government of

India (2000) “Small scale undertakings are those which are engaged in manufacturing, processing or preservation of goods and in which investment in plant and machinery (original cost) does not exceed Rs. 1 crore.”

In case of enterprises engaged in the manufacturing or production of goods, as –

a micro enterprises, where the investment in plant and machinery does not exceed twenty-five lakh rupees;

a small enterprises, where the investment in plant and machinery is more than twenty five lakh rupees but does not exceed five crore rupees; or a medium enterprise, where the investment in plant and machinery is more than five crore rupees but does not exceed ten crore rupees;

In the case of the enterprises engaged in providing or rendering of services, as –

a micro enterprise, where the investment in equipment does not exceed ten lakh rupees;

a small enterprises, where the investment in equipment is more than ten lakh rupees but does not exceed two crore rupees; or

a medium enterprise, where the investment in equipment is more than two crore rupees but does not exceed five crore rupees.

II. DEFINITION OF MICRO SMALL & MEDIUM ENTERPRISES

The Micro, Small and Medium Enterprises (MSMEs) support industries as ancillary units, thereby contributing enormously to the overall industrial development of the country. These enterprises are engaged in the production, manufacturing and processing of goods and commodities.

2.1 OBJECTIVES OF STUDY

The objectives of this paper are:

- To understand the definition of MSMEs.
- To discuss the role of MSMEs sector towards the contribution to GDP in the country.
- To assess the growth and performance of MSMEs in terms of employment and investments.
- To analyze the present policy framework of MSMEs.

III. RESEARCH METHODOLOGY

The present study is based on secondary data and mostly collected from the Annual Reports published by the Ministry of Micro, Small and Medium Enterprises. The data is also collected from various articles and journals keeping in view the objectives of the study.

IV. REVIEW OF LITERATURE

Aarti Deveshwar (2006) The Small scale Industries sector has emerged as a vibrant and dynamic sector of Indian economy which contributes nearly 40% of the total industrial production and over 34% of the national exports. At present this sector is providing employment to over 250 lakhs people. It also acts as a nursery for promoting entrepreneurial talent and as a catalyze of industrial growth through a wide network of more than three million units in the country, according for about 95% of the total industrial units in the country. The world trading system is constantly offering new challenges as well as creating new threats; as tariff and quotas are removed, new technical norms, sanitary and measures and anti-dumping actions are rendering more challenges for business in emerging economics. The WTO is bound to impact every economic activity- the small- scale sector is no exception. WTO Agreements have thrown up a variety of threats and challenges. Aremu, Mukaila Ayanda (2011) Sustainable development is recognized as an essential requirement for achieving economic goals without degrading the environment, major problems arise in implementing the concept of sustainability. At the most basic level, researchers dealing with sustainable development have suggested that the achievement of sustainability requires ecologically sustainable political and economic systems, organizations, and individuals (Starik and Rands 1995; Costanza and Daly 1992; Gallup International Institute 1992). Specifically, governments, consumers, and enterprises contribute and play crucial roles in reaching sustainable development. As a result, if goals of sustainability are to be achieved, small and medium-sized enterprises must be reformed to minimize their negative ecological and social impacts (Gladwin, 1992) Ashok Sharma and kumar (2011), the main aim of this article is to examine the effect of Working Capital on profitability of Indian firms. The finding of researcher shows

significantly depart from the various international markets. The result show that Working Capital Management and profitability in positively correlated in Indian companies Research also shows that the inventory of number of day and number of days account. Payment is negatively whereas number of days accounts receivable and cash conversion period a positive relationship with corporate profitability. Ayozie Daniel Ogechukwu1 (2010) Small scale industries have a lot of important contributions to make to the economic development of the country. By its less capital intensive and high labour absorption nature, SSI sector has made significant contribution to employment generation and also to the rural industrialization. This sector is ideally suited to build on the strength of the traditional skill and knowledge, capital and innovative marketing practices. So, the importance of small scale enterprise is a global phenomenon encompassing both the developing and developed countries. In both developed and developing countries, the government is turning to small and medium scale industries and entrepreneurs, as a means of economic development and a veritable means of solving problems. Its contribution to the mobilization of domestic savings and utilization of local resources is also a noticeable factor. It is a base for the development of appropriate technology and provides a veritable ground for skilled, unskilled and semi-skilled workers. It has provided productive self-employment to a number of educated and less educated young men and women coming out of schools, colleges, polytechnic, and universities.

V. CONTRIBUTION OF MSME IN THE INDIAN ECONOMY

The micro, small and medium enterprise (MSME) sector is an important constituent of the Indian economy, contributing significantly to the Gross Domestic Product (GDP), manufacturing output, employment and exports. This sector also plays a decisive role in nurturing entrepreneurial talent as well as distributing wealth at grassroots level. This sector has contributed considerably in promoting balanced and equitable growth in the country. Performance of Micro, Small & Medium Enterprises (MSME) Sector in the country is evaluated mainly by conducting of periodic All India Census of the Sector. Since the Fourth All India Census of MSME was conducted in the year 2006-07, the estimates based on trends of Number of Working Enterprises, Employment, and Market value of Fixed Assets based on the Fourth All India Census of MSME is projected for latest years.

VI. PRESENT POLICY FRAMEWORK

The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 seeks to enhance the competitiveness of the sector. The act also facilitates the development of these MSMEs enterprises. The Act provides the establishment of specific funds for the promotion and development as well as for enhancing the competitiveness of these enterprises. Other features of the Act include the notification of the schemes for the development, progressive credit policies and many more. The policy of de-reservation has helped the sector in enlarging in scale of operations and paved the way for the entry of the large enterprises in the manufacture of these products in keeping with the global standards. Credit/Finance- Credit to the MSEs is part of the Priority Sector Lending Policy of the banks. Any shortfall in lending by the foreign banks has to be deposited in the Small Enterprise SIDBI is the primary financial institution for the promotion, financing and development of the MSME sector. The Government has announced a 'Policy Package for Stepping up Credit to Small and Medium Enterprises' with the objective of doubling the flow of credit to this sector within a period of five years. Competitive technology- in today's fast moving globalized business scenario, technology is playing a vital role than ever before. Government has set up ten state-of-the-art Tool rooms and training centers to foster the growth of MSME sector. The Tool rooms provide the well trained craftsmen in the area of tools and die making to the Indian industry. Skill Development-The Ministry of Micro, Small & Medium Enterprises promotes the development of micro and small enterprises in the country with the objective of creating self-employment opportunities and upgrading the relevant skills of existing and potential entrepreneurs. Export Promotion Export promotion from the MSE sector has been accorded a high priority. To help MSEs in exporting their products, the following facilities/incentives are provided: (i) Products of MSE exporters are displayed in international exhibitions and the expenditure incurred is reimbursed by the Government; (ii) To acquaint MSE exporters with latest packaging standards techniques, etc., training programme on packaging for exporters are organized in various parts of the country in association with the Indian Institute of Packaging

VII. CONCLUSION

India benefited immensely specially in field of technology from the experience of several countries. Some of the areas which provide ample of opportunities for cooperation in theMSMSE sector are:

Establishment of turnkey projects for setting up manufacturing MSMEs on commercial terms□ Providing turnkey assistance to set up tool rooms and training centers.

- Providing tailor made training courses for specific target groups.
- Assistance in product design, tool design and manufacturing of intricate tooling's.
- Product development and rapid prototyping services.

In nutshell we can conclude that Micro, Small and Medium Enterprises (MSMEs) have emerged as an engine of growth in Indian economy. They have emerged as a vibrant and dynamic component of the economy by virtue of their considerable contribution to GDP, industrial production and exports. However, the most significant contribution of this sector is towards employment generation which is second only to agriculture in India. The experiences of recent years show that employment in agriculture sector has been declining as well as large industries are also experiencing jobless growth. In such a situation, the main responsibility for job creation rests with unorganized sector including small and medium enterprises and the service sector. A technologically vibrant, internationally competitive small and medium industry should be encouraged to emerge, to make a sustainable contribution to national income, employment and exports. It is essential to take care of MSME sector to facilitate it to take care of the Indian economy.

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