

A New Challenge for 21st Century Economic Growth: Micro, Small and Medium Enterprises (MSMEs)

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Abstract:

The most recent five decades have seen a phenomenal development of the Micro, Small and Medium Enterprises (MSME) part in this nation. The newly discovered dynamism is a significant marker of the conceivable outcomes that this division presents and is a motivation for many business people. While on one hand the MSME area has been producing noteworthy work open doors for the young people of this nation. It is additionally assuming a key job in improving industrialisation of the rustic and in reverse regions. It likewise helps in lessening the territorial awkward nature and in progressively fair dispersion of the National pay and riches .Contribution of MSMEs to the Indian economy in terms of employment generation, containing regional disparities, fostering equitable economic growth and enhancing export potential of the country has been quite phenomenal. The study makes an attempt to focus on the huge growth potential and opportunities available in India for development of MSME sector, to identify important issues and challenges and offer suggestions to address the same.

The investigation is significant on account that an expansion in per unit speculation, business openings in different divisions. The legislature alone can't satisfy the work openings, people need to approach to support them and exploit the feasible business climate made by the administration. Many group experts can be found expressing that this interior rivalry, typically winding up as a savage shared value fight, is the essence of the difficulty of the considerable number of units.

***Keywords:** Micro, small & medium enterprises (MSME); growth potential; challenges; market linkages;*

1. Introduction

Micro, Small and Medium Enterprises constitute the backbone of an economy in maintaining an appreciable growth rate and in generating employment opportunities. This sector has been regarded as engine of economic growth and social development in many developed and developing countries. Micro, Small and Medium Enterprises (MSME) in India and abroad which has shown considerable strength and flexibility in maintaining a constant rate growth and job creation during the global recession and economic growth Slowdown.

The Indian economy has performed admirably during recent years and has demonstrated growth by contributing to the creation of livelihood opportunities to millions of people to increase export capacity and overall economic growth of the country. The job of Micro little and Medium ventures in India assume an imperative job to the economy just as making plenty of work openings. There are two kinds of divisions, for example, producing and other is administration area. Truth is told the administration part is for the most part relies upon fabricated. This segment utilizes 55 million of individuals around the India covering fabricating abilities and capacities. There are different points of interest of this area incorporate less administrative work and speculation, enormous scope business openings among the adolescent and scaling back underemployment and business issues. The

Government of India has entreated the budgetary organization by giving credit to organizations in the MSME diverse structure. It has likewise assumed an urgent job in the country improvement. Its operational adaptability, various types of limits and transmission capacity for appropriate innovation and creation and import replacement are among the main impetus. The MSME gives essential information and preparing to various classes business people. The essential imperatives are account for introductory capital and working capital which the MSME are endures. There are high exchange bills and insurance security which is required wasteful and maladroit lawful arrangement of a worry.

The MSME area in India keeps on exhibiting striking versatility notwithstanding trailing worldwide and household financial conditions. The part has continued a yearly development pace of over 10% for as far back as hardly any years. With its deftness and dynamism, the segment has indicated splendid ingenuity and flexibility to endure monetary stuns, even of the gravest nature. The little scope ventures segment assumes an essential job in the development of the nation. It contributes practically 40% of the gross mechanical worth included the Indian economy.

The MSME section likewise assumes a significant job in developing nations like India. According to present KVIC Chairman “Vinai Kumar”, Khadi and Village Industries segment is set to be another major contributor to the growth of the MSME sector which alone create employment of 4 lakh people under various schemes of KVIC - 20,000 in Honey Mission, 1,20,000 in Kumhar Sashaktikaran Programme, 75,000 in Empowerment of Leather Artisans Programme and 1,97,000 beneficiaries of the Prime Minister Employment Generation Programme.

2. Significance of MSME study

Today, MSME have been acknowledged as the motor of financial development for advancing fair improvement as far as worth and about 45% of the assembling yield and around 40% of the all out fares of the nation. Therefore, to address the difficulties as far as innovation, requests, development of business sectors and so on. There are numerous improvement programs attempted by the Organizations for giving diverse scope of administrations to quickening the advancement of MSMEs. There are a few plans to be given additional advantages particularly to the ladies recipient.

3. Objectives of the Study

The objectives of this study are to briefly throw light on the functional landscape of micro, small and medium enterprises in India, so as to focus on the huge growth potential and opportunities available for the development of the sector; to identify some important issues, challenges and obstacles faced by these enterprises and to suggest ways to overcome the same.

4. Methodology

The study has been done to identify the potentialities for growth, opportunities, major issues and challenges experienced by MSME sector. The information is mostly from auxiliary sources by way of access to various Government policies/programs including published Annual Reports, Journals, Books and available official websites. The primary data are based on analysis of structured questionnaire and interview of nearby known entrepreneurs, industry workers and other stake-holders.

5. Literature Review

Although the MSMEs continue to dominate the industrial sector in most of the countries including India, the literature and the studies on their varied functioning are not many, especially with reference to changing perspectives. The available research literature rather indicates some missing gaps that need to be addressed appropriately

Ravin Kadian and Aarti Chahal (2015) have inspected on the job of MSMEs in "Make in India" activity and increment in money related commitment towards MSME's.

Lahiri, R. (2012), centers around the presentation of MSMEs during the period from 1973-74 to 1989-90 is considered pre-globalization period and pre-globalization period from 1990-90 to 2009-10 post-globalization.

De, Sankar (2009) in his article has mentioned many challenges such as the challenge of financing, both short term and long term.

Srinivas K T, (2013) has studied the performance of micro, small and medium enterprises, and their contribution in India's economic growth and concluded that MSMEs play a significant role in inclusive growth of Indian economy.

6. MSMEs- An Indian Perspective

The Union Cabinet Headed by Prime Minister Narendra Modi on 1st June 2020 officially revised the MSME definition. The recent changes in the definition of micro, small, and medium-sized enterprises made as a part of the "Atmanirbhar Bharat Abhiyaan relief" package were approved.

The investment and turnover figures were changed to larger values, thereby resulting in a larger number of medium-sized enterprises.

Table – 1: MSME Definition

Type of Enterprise	Investment	Turnover
Micro	Rs. 1 Crore	Rs. 5 Crore
Small	Rs. 10 Crore	Rs. 50 Crore
Medium	Rs. 50 Crore	Rs. 250 crore

The performance of MSME sector to India is significant in terms of employment. The growth of the sector is also tremendous and is gradually making its footprint with continuous growth as evident from Table – 2.

Table – 2: Contribution of MSME sector in terms of Employment in India

ACTIVITY CATEGORY	EMPLOYMENT IN LAKHS			SHARE (%)
	RURAL	URBAN	TOTAL	
Manufacturing	186.56	173.86	360.41	32
Trade	160.64	226.54	387.18	35
Other Services	150.53	211.69	362.22	33
Electricity	0.06	0.02	0.07	0
TOTAL	497.78	612.10	1109.89	100

Source: Ministry of MSME Annual Report, 2017-2018

7. Major schemes offered by MSME in India

The service of MSME awards different plans focused at (a) giving credit and money related help (b) expertise improvement preparing (c) framework advancement (d) advertising help, (e) innovative and quality upgrade and (f) different administrations for the MSMEs.



Fig. 1: Need and importance of MSMEs in India

8. Challenges of MSME Sector

The generally little size of the SMEs decreases their capacity to contact separation showcases economically and furthermore satisfy the demanding guidelines of exactness for enormous requests or tackle conveyance related difficulties. The restricted money related assets, with absence of mindfulness, limit the utilization of specific administrations for showcase data that normally fill in as the structure hinder for any successful advertising plan. As indicated by an overview of Ministry of MSME, almost 66% of private companies believe the absence of market data to be a study extreme imperative.

Many bunch professionals can be found expressing that this interior rivalry, as a rule winding up as a furious shared value fight, is the essence of the difficulty of the considerable number of units. The open door gave inside the microcosm of a bunch to the individual SMEs co-found is that they can investigate, break down, comprehend and try different things with systems to counter such rivalry. For promoting is a fight and must be managed as a fight seems to be. Experience demonstrates that the flourishing to meet up for advertising related exercises will in general stay low in contrast with different roads of coordinated effort in a group and this represents a great deal of impediments for all the concerned firms.

SMEs of various sizes and various limits and assets will in general get into an opposition with one another. As the quantity of firms builds, the circumstance turns out to be progressively mind boggling. It requires some investment for levels to set in, making

specialties for a lot of comparable units in contending more among one another. SMEs give plentiful development chances to every delegate firm. Along these lines inside the homogeneity of firms as far as items, normal pool of labour and so on the specialties of various promoting needs must be remembered. It would be significant that the disposal of a lot of partners, or compare one set with another, which gives development chances to all.

As to systems and promoting channels, the SMEs will in general receive more than one of these current channels and a few times the opposition wins in the commotion for profiting openings i.e., in craftsman, little brokers, NGOs working with craftsmen and others, all will in general work in the arrangement of showcasing channels. Experience has indicated that expensive, one of kind wonderful items will in general acquire great comes back from the standard fairs and presentations. Advancement of various items stays a troublesome suggestion for most SMEs and it turns into somewhat more unpredictable. A limited time plan for a SME situated in a bunch represents the test to situate itself among the others. The firm might be quick to feature its reality in a group as a bit of leeway.

The effective role in marketing activities has been well demonstrated by large firms which are a more prominent problem of the micro enterprises rather than the small and medium enterprise. The apparent intangibility of the significance of different services for marketing may be tackled through “embedded” business services where no separate fee is paid but which are included within the commercial transaction.

SME improvement is a key thing in the populist plan of business advancement. The later proof accessible from different nations, show the blasting of the business enterprise bubble. The push of India’s Twelfth arrangement, as it identifies with MSMEs, needs a more critical look against the foundation. Based on two key perspectives i.e., (i) the vital job of MSMEs is the full scale creation arrangement of the nation; and (ii) its developing importance with regards to the latest changes and difficulties of economy.

In order to promote MSME sector effort on unified, empowered, robust, bundled and technology driven platform is required. The scope is creation and harmonious application of different processes for increasing the output and national strength (Annual report of MSME.com, 2017-18)

9. Role of MSMEs in different sectors

MSME division plays a key resource for the economy of the nation. From one viewpoint, the town and provincial enterprises including the khadi business, which are basically situated in the country scene and give a significant fixing in the neighbourhood eco-framework. Then again, in outrageous complexity and the contrary side of range are the miniaturized scale, little and medium undertakings which are delivering wide assortment of merchandise which are sent out just as have the contact the household shoppers. The different plans and strategies started by the administration targets reinforcing the MSME segment both at the provincial and urban segment. The plans have a comprehensive mediation structure for giving both forward and in reverse linkage. There are plans which are encouraging in access to innovation and access to showcase. One of the significant worries in the MSME area is absence of infrastructural offices, which thus makes serious harm an endeavour’s worth chain procedure, for example, creation, utilization and circulation of items. The plan on normal framework ventures for MSME's assistance in profiting advantages of economies of scale, cooperative energy and aggregate haggling by working together with one another.

The sector has a wide range of stockholders including the regulators, facilitators and the beneficiaries. The various stakeholders include:

1. MSME (both existing and prospective)
2. Large enterprise including multinationals

Entrepreneurs preparing for the global market need to focus on the following:-

- Global mindset
- Lean manufacturing
- Mergers and acquisition
- Complementing large industries
- Alternate Finance
- Preparation for non-tariff barriers
- Explore options of cooperation, fair trade, IPR and FDI

The winning formula for enhancing competitiveness combines

- Elimination of waste
- Enhancement of technology
- Use of quality and productivity tools
- Total employee involvement
- Flow of information to all enterprise stakeholders
- Use of ICT

10. Classification of MSME sector

Grouping of any class or classes of Enterprise (Whether ownership, Hindu Undivided Family, Association of Persons, Cooperative Society, Partnership firm, organization or undertaking by whatever name) into two classifications – assembling and Service and they are further sub-arranged into Micro, Small and Medium.

11. Women Entrepreneurs and MSMEs

Ladies business people can be seen wherever in the start-up biological system of India. Ladies also are seen leaving their prominent employments just as some venturing out of the four dividers of their homes and joining the pool of Entrepreneurship in India. Around 10 million ladies who have begun and are maintaining their own organizations and the Ministry of MSME accepts that the ladies in India can assume an imperative job in the development of the Indian economy.

As indicated by International Finance Corporation's examination report on circumstances, challenges and the path forward – Micro, Small and Medium Enterprises account: Improving access to Finance for Women-Owned Business in India, around 3.01 million ladies claimed ventures speak to around 10 percent of all MSMEs in the nation. All in all they contribute 3.09 percent of mechanical yield and utilize more than 8 million individuals. Roughly 78 percent of ladies undertakings have a place with the administration area. Ladies enterprise to a great extent slanted towards littler estimated firms, as just about 98 percent of ladies claimed organizations are miniaturized scale undertakings. Roughly 90% of ladies possessed ventures are in the casual division.

12. Suggestions

The performance of MSME sector has been praiseworthy over the years in terms of employment generation, growth in exports and bringing about social change, much needs to

be done for their sustained growth. Issues and obstacles that hamper their development need to be recognized and addressed properly.

Below are some suggestions to improve the performance of MSMEs:

- (a) Infrastructural and Support Facilities development
- (b) Marketing Linkages creation
- (c) Creation of supporting government Policies
- (d) Availability of Modern Tools and Technology
- (e) Need to develop skill and capacity

13. Conclusion

From the above examination, it has been completed to execution of MSMEs in India. It expresses that there is an expansion in per unit speculation, business openings in different segments. The legislature alone can't satisfy the work openings, people need to approach to support them and exploit the suitable business climate made by the administration. Adam Smith, an eighteenth century financial expert and writer in his book Wealth of Nations has discussed the 'Imperceptible Hand' that people seeking after their best personal responsibility would bring about better generally speaking great to the general public. The MSME part as the 'motor of development' for India will be the vehicle of advancement of the nation as far as making business openings. In India, very nearly 31 million MSMEs have been a prevailing power in making plentiful open doors for the comprehensive financial development and furthermore going about as a supporting seedbed for pioneering ability of point of view worldwide players. In the course of recent decades, the Indian Government had started different dynamic credit arrangements and practices, new plans to help the MSME part for the advancement, improvement and upgrading the intensity of these undertakings, inclination in Government acquisitions to items and administrations of the smaller scale and little endeavours, increasingly compelling instruments for alleviating the issues of postponed instalments to miniaturized scale and little ventures and rearrangements of the procedure of conclusion of business by every one of the three classifications of ventures. (Baruah, 2016)

Be that as it may, there is as yet an absence of mindfulness in access to fund and promoting, reception of imaginative innovations are the significant difficulties for the MSMEs to continue in the current markets. With the expanding worldwide rivalry and vulnerability because of worldwide emergency, there is a requirement for the MSMEs to consolidate the most recent innovation into their creation procedure just as in their financing, advertising and the executive capacities, to chop down the cost, gain proficiency and consistency. This will assist them with becoming effective and add to the Indian economy over the long haul.

The Micro, small and medium (MSMEs) enterprises constitute a really important segment of the Indian economy. MSME's contribution to the event of our economy is critical because it evident in terms of MSMEs being the main constituent sector within the production system, employment generation, GDP, Export, Rural industrialization etc. MSMEs even have a flair for innovation, creativity, and adaptability which enabling them to reply with more quickly to structural changes and to adapt the dynamic demand patterns of consumers. It is also clear that MSMEs sector has performed exceedingly well and enabled our country to realize a good measure of commercial growth and diversification. If government policies towards MSMEs are closer towards its various problems and prospect it are often nearer contributors with agriculture altogether respecting in future. to stay this growth engine at right way and right direction it's time to emphasis on formulation of

MSMEs friendly policies, conducive operating environment, improvement of proper infrastructure, securing peace and security, arranging proper finance, efficient manager and arranging appropriate modern technology. Considering MSMEs contribution towards every side of economic development it should consider at equal recognition with agriculture

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