



MSMEs a catalyst towards making Atma-Nirbhar India

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Date of Submission: 04-02-2024

Date of Acceptance: 15-02-2024

Abstract

In the midst of the COVID-19 related global economic turmoil, the Indian government launched a new campaign called "vocal for local" with the objective of fostering self-reliance for India and saving the economy from plunging further. The goal of this programme is to increase the ability of micro, small, and medium-sized businesses so that our regional producers can compete at both domestic and international scale. This paper aims to present an overview of the current state of micro, small, and medium-sized enterprises (MSMEs) in India, draw attention to the difficulties faced by this industry, and offer recommendations for its improvement since MSMEs have the potential to make India a more prosperous nation.

Keyword: India, MSMEs, challenges, remedies, Atma-Nirbhar

I. Introduction

Micro, Small, and Medium Enterprises (MSMEs) constitute a significant segment of the Indian economy, capable of realising the key goal of "Vocal for Local," a buzzword for India after COV19. Due to total restriction on the transportation system, it was the micro, small, and medium-sized businesses as well as farmers that were able to meet the needs of the Indian populace during the crisis. Our Honourable Prime Minister, Shri Narendra Modi, then came to the realisation that it is high time for India to promote indigenous products globally and to be "vocal about them." Speaking out for local products entails promoting both localization and glocalization and fostering a national culture of supporting and patronising regional goods. MSMEs are businesses that engage in the manufacturing, processing, and production of goods and services. Through the Micro, Small & Medium Enterprises Development (MSMED) Act of 2006, the Indian government launched MSMEs. Businesses in this sector are crucial to the supply chains of major industries because they lower the cost of Made in India goods. MSMEs have the potential to revolutionise India if the government offers financial assistance and other benefits to this industry.

Classification of MSME's on the basis of turnover and investment as per the Aatma Nirbhar Bharat Abhiyan Scheme, 2020:

| Size of the Enterprise | Investment and Annual Turnover |
|------------------------|---|
| Micro | Investment less than Rs. 1 crore Turnover less than Rs. 5 crores |
| Small | Investment less than Rs. 10 crores Turnover up to Rs. 50 crores |
| Medium | Investment less than Rs. 20 crores Turnover up to Rs. 100 crores |



MSME sector is the backbone of the Indian economy as it generates employment opportunities and works for the upliftment of backward and remote areas. India has more than 6.3 crore MSMEs and they are considered to be a viable source of income for people looking out to venture into the manufacturing industry. MSMEs contribute to approximately 28% of India's GDP, employ over 60 million people, have an enormous share of 40% in the exports market and 45% in the manufacturing sector. The Government of India has envisioned doubling the Indian economy to US\$ 5 trillion in the coming next five years and MSMEs

has the potential to serve as a key employment generator for the Indian economy. Government invests in providing more back-end services to improve performance of the MSME sector as it supplies goods and services to big industrial enterprises. Lack of technology-based production activities and low investment in research and development activities are bottlenecks hindering the competency of this sector. Therefore, help from academic institutions in the form of research and development (R&D) for product innovation and betterment is the need of the hour to revamp the MSMEs sector.

Contribution of MSMEs to GDP, Export and Employment in India

As per the information received from Ministry of Statistics and Programme Implementation, the share of MSME Gross Value Added (GVA) in all India Gross Domestic Product (GDP) is as follows:

| Year | 2018-2019 | 2019-2020 | 2020-2021 |
|--|-----------|-----------|-----------|
| Share of MSME GVA in All India GDP (%) | 30.50 | 30.50 | 26.83 |

As per the information received from Directorate General of Commercial Intelligence & Statistics, the share of export of specified MSME related products in all India Export is as follows:

| Year | 2019-2020 | 2020-2021 | 2021-2022 | 2022-2023(up to August 2022) |
|---|-----------|-----------|-----------|------------------------------|
| Share of export of MSME related products in All India Export (in %) | 49.77 | 49.35 | 45.03 | 42.67 |

As per Udyam Registration portal, the total number of persons employed in MSMEs during the following years are as follows

| Year | 2019-2020 | 2020-2021 | 2021-2022 | 2022-2023(up to 07.12. 2022) |
|-----------|-----------|-------------|-------------|------------------------------|
| All India | 65,64,458 | 1,12,27,745 | 1,30,19,919 | 84,23,452 |

Policies designed by the Government of India for the growth of MSMEs

➤ In November 2021, the Indian government launched the Special Credit Linked Capital Subsidy Scheme (SCLCSS) to help enterprises in the services sector meet various technological requirements.

- In November 2021, the Ministry of Micro, Small and Medium Enterprises launched SAMBHAV, a national-level awareness programme to push economic growth by promoting entrepreneurship and domestic manufacturing.

- On March 30 2022, the Indian government allocated Rs. 6,062.45 crore (US\$ 808 million) for Raising and Accelerating MSME Performance (RAMP) scheme. The programme aims to improve market and credit access, strengthen institutions

and governance at the centre and state levels, improve centre-state connections and partnerships, resolve late payment difficulties, and green MSMEs.

- As on July 8, 2022 the number of loans sanctioned under the Pradhan Mantri MUDRA Yojana (PMMY) scheme was 10.03 million and the amount disbursed was Rs. 73,199.89 crore (US\$ 9.15 billion).

- In the Union Budget of 2022-23 MSMEs sector was allocated an Emergency Credit Line Guarantee Scheme (ECLGS) of Rs. 50,000 crore (US\$ 6.55 billion).

- In February 2023, government revamped credit guarantee scheme for MSMEs to take effect from 1st April 2023 through the infusion of Rs 9,000 crore (US\$ 1.09 billion) in the corpus. This



scheme would enable additional collateral-free guaranteed credit of Rs 2 lakh crore (US\$ 24.41 billion) and also reduce the cost of the credit by about 1%.

- In February 2023, government announced a unified Skill India Digital Platform to teach demand-based formal skills, link with employers including MSMEs, and facilitate access to entrepreneurship schemes.

Although Indian government is making every possible step to not leave a single stone unturned in this sector, MSME enterprises still has a long way to go as it faces numerous challenges and hardships. In fact, it is the only sector that works hand-in-hand with the government to develop the remote and backward areas of our country. Although MSMEs enjoys many financial and developmental privileges, it seems that these privileges are not enough to uplift this sector's status and productivity. A lot more has to be done to bring MSMEs in the limelight. Government of India realizing the potentiality of MSMEs for making India Atma-Nirbhar has set herculean targets for MSMEs by 2025 such as increasing MSMEs' contribution to India's gross domestic product (GDP) from nearly 30 % to 40 %, increasing MSMEs' share in exports to 60 % from 48% and creating 5 crore additional jobs in this sector. Despite good tidings, several challenges prevent this sector from hitting the jackpot.

Bottlenecks in the development of MSMEs in India

- **Financial issues:** One of the biggest challenges encountered by MSMEs is paucity of finance. Majority of MSME owners are from poor background lacking education and belong to poverty-hit regions. They are not financially literate and are even not aware of the special financial privileges given to them by the government and do not enjoy the same creditworthiness as other big shot companies. This is firstly because MSME owners usually do not have any asset in their name and secondly because banks are not confident about their repayment capabilities. Lack of finance options, lack of liquidity, cumbersome paperwork, and approval process rob their chances of coming at par with bigger companies.

- **Marketing and Managerial Challenges:** Dearth of managerial, entrepreneurial and marketing skills is having its repercussions on the growth of MSME sector in our country. Right marketing strategies is a must to boost sales, acquire new and retain old customers. But the lack of professionalism is making it impossible for the

MSMEs to compete in this globalised world where survival of the fittest is the order of the day. Lack of education, knowledge of market trends, consumer preferences, and no access to advanced technology is disrupting the progress of this sector. Moreover, the continuous entry of private players in the market is taking a toll on the growth of MSMEs.

- **Dearth of skilled labourers:** Skilled manpower is the backbone of a strong nation. Unfortunately, MSMEs face a lot of issues when it comes to skilled manpower and labour law compliances. Moreover, dearth of skilled workforce at an affordable cost is adding to the woes of the MSME sector. Weak industrial relationship, lack of manpower planning, poor employee management, improper training and development facilities makes it difficult for the MSMEs to function smoothly.

- **Backward in technology**
Information technology has completely revolutionised the business world but when it comes to MSME sector they still lag behind in this area. Limited access to IT education, knowledge, and information is jeopardising the growth of this sector. Apart from this, MSME owners are not well off to buy and use expensive technical equipment. Even if they manage to do so, the workforce is not well versed enough to operate the sophisticated machineries. The tragedy is that they are still using outdated machineries and methods of production resulting in slower production processes and inferior quality products.

- **Heavy competition from Multinational giants**

MSMEs in India face a plethora of competition from big players. To withstand the ravages of severe competition and to carve a niche for itself in the international market MSMEs must be able to fulfil the needs and expectations of its consumers. But here they fail miserably because they still follow the traditional methods of sales promotion and advertising rather than adopting innovative marketing strategies ultimately leading to failure of many MSMEs in our country.

II. Suggestions

- MSMEs must take feedback from customers in a positive manner and make improvements in their products and services to attract more customers and to retain the old ones.

- They should find out the reasons behind their low sales and take remedial actions to rectify their loopholes.



- Good customer service and high-quality products at reasonable rates are the mantras to succeed in any business.
- The government should motivate MSMEs to promote their domestic products in the Indian market through their vocal for local campaigning and persuade people to support local businesses.
- MSME owners must be sensitized regarding the latest schemes and policies of the government.
- More and more private and public sector banks should come forward to offer financial assistance to MSMEs by giving business loans to small, medium, and micro-entrepreneurs. Low-interest rates, flexible repayment policies, and easy processing of loans should be adopted by banks for the support of MSMEs.
- MSME owners should take the initiative to improve their quality in order to compete at the global scale with MNCs and giant private players.
- They should make nexus with professionals to refine their marketing skills, pricing policies and network.
- The entrepreneurs in this sector should make an effort to offer good wages to their workers.
- On-the-job training should be imparted by the entrepreneurs involved in MSMEs sector to boost the productivity and morale of their employees.
- Training workers only is not sufficient. It is equally important to train MSME promoters as well. MSME promoters don't have a very formal business education as they learn from their own experience or even if they have a family business, they learn from their family members. Investment into these MSME entrepreneurs will go a long way in supporting MSMEs.
- Labour laws in the country to be simplified by the government.
- The constitution of structured trade unions to be formulated for safeguarding the rights of the employees.
- MSME owners to enrol themselves in government IT development programmes to understand the latest technological developments in their sector as this will increase their access to modern technology.
- Investment to be made in Research & Development to bring out creativity and innovativeness in this sector.

III. Conclusion

Although there are many advantages of MSMEs in India, this sector is still lagging behind in many aspects. MSMEs development policies needs to be refined and young entrepreneurs of the country must be encouraged to develop their technological and production skills and learn the latest marketing tactics to put their best foot forward in the market and help this sector grow.

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