

THE ROLE OF MICRO, SMALL AND MEDIUM ENTERPRISES IN INDIAN ECONOMY: A PRESENT SCENARIO

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ABSTRACT

The MSME's are considered as the major source of growth of the developing nations. Since India has the largest population where the MSMEs plays dominant role in generating employment opportunities to the increasing population. Our country's growth is depend on the micro, small and medium enterprises contributes to the GDP output, employment and exports. As per the data from Ministry of Statistics and Programme Implementation the share of MSMEs in all India manufacturing output in the FY22 was 35 percent. According to the Data Dissemination Portal of Directorate of General of Commercial Intelligence and Statistics (DGCIS) states the 45.7 percent share of export in specified products are contributed by MSMEs in all-India export. The prime goal of this study is to present the current scenario of MSME in India and analyze it challenges and opportunities and provide solution to the problems of MSMEs.

Keywords: MSME, Challenges, COVID-19 pandemic, opportunities.

INRODUCTION

The Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSME sector is considered as the backbone of Indian economy. It contributes significantly in the economic and social development of the country. MSMEs not only provide large employment which comes with less investment than the larger industries, but it also helps in industrialization in rural and backward areas there by reducing regional imbalances, assuring more eual distribution of national income and wealth. In USA and European union ,more than 90 percent enterprises are occupied in this sector. Most of the regions like OECD countries ,Europe ,South and Central Asia, Africa are also dependent on MSME for the employment opportunities. The countries like Canada gets 85 percent of employment from this sector, China at 75 percent, Japan at 65 percent and Ukrain 55 percent. In India more than 95 percent are engaged in this sector and contributes to GDP around 30 percent, manufacturing output is 45 percent and contributes 40 percent of country's total export and it create 11.10 crore jobs.

LITERATURE REVIEW:

Anu Kumari (2024), has stated in her paper that this sector has also created large number of employment opportunities after agriculture sector. There are lot of option in this field. During the period from 2000-01 to 2014-15, MSME show increasing trend in terms of output and employment. However,MSME face a number of issues at different levels like lack of innovation, insufficient finance, lack of market knowledge, weak infrastructure, high tax rate, political instability and their low level of entrepreneurial skills.

Thouseef Ahmed. G (2023) in his paper analyzed that, in order for MSMEs to sustain growth, it is imperative that they have access to efficient factors of production which include industry-friendly labor reforms, proper land acquisition policies, modern technology, enabling infrastructure, and simplified tax policies, and thus the government must prioritize these areas to ensure that MSMEs can expand their services, enhance exports, and drive growth in the Indian economy.

Soni Rathi and Praveen Kumar (2022) in their paper on “The impact of micro small and medium enterprises (MSMEs) on Indian economy in India”, they found that Study has unearthed that MSMEs plays an important role in economic development of the country in several ways like generating job prospects for rural and urban residents, providing belongings & amenities at reasonable prices by proposing up to date solutions and sustainable progress to the economy. The segment of micro small and medium enterprises has contributed insignificantly or negatively to business production, employment and trade of the nation.

Karpagalakshmi and Muthusamy (2020) identified various antecedents which enforce the micro, small & medium enterprises. The performance of MSME has made an important contribution to set up the MSMEs sector and also develop rural industrialization to give strength to traditional skills and utilization of technology.

OBJECTIVES

1. To analyse the challenges and opportunities of micro, small and medium enterprises.
2. To analyse the contribution of micro, small and medium enterprises in India.
3. To give the policy suggestion.
- 4.

METHODOLOGY

This research paper is purely based on secondary data is collected from Ministry of micro, small and medium enterprises of India by PIB Delhi. The study considers the time period from 2017-18 to 2022-23.

DATA ANALYSIS INTERPRETATION

Table 1. MSMEs Contributon in Country's Economy

Year	Share of MSME GVA in All India GDP (in %)
2017-18	29.7
2018-19	30.5
2019-20	30.5
2020-21	27.3
2021-22	29.6
2022-23	30.1

Source: PIB Delhi.

Table 1. shows that MSMEs contribution in country's economy in GDP, from 2017-18 to 2022-23 there is a gradual increase in share in GDP. But in the years 2020-21 and 2021-22 is little low due the COVID-19 pandemic which affected the MSME's at large.

Table 2. Share of Export of MSME Related Products in India Export

Year	Share of MSME in Export in %
2019-20	49.75%
2020-21	49.35%
2021-22	45.03%
2022-23	43.59%
2023-24	45.73%
2024-25*	45.79%

Source: PIB Delhi. *up to May 2024.

Table 2. shows the share of MSME's in exportn in India. In 2019-20 it was 49.75 percent and in 2024-25 it reduced to 45.79 percent due to limited access to market information comlex export procedures and inadequate financing.

CHALLENGES OF MSMES

There is no doubt that country's economic growth is heavily reliant on micro, small and medium enterprises which also generate large employment and helpful to backward and rural areas. Despite having great potential, various obstacles stand faced by the MSMEs. Some of the challenges hindering the growth of this sector are the follows:

- i) Rising Competition:** One of the major causes of downfall of the MSMEs are rising competition. Now in the modern world e-commerce is in the trend and the globalization also made tough for the growth of MSMEs.
- ii) Lack of Credit:** Credit is the problem because getting the timely loan with the reasonable interest rates is difficult. This credit issue reduced the chances of rapid expansion of MSMEs. To get loans from bank has long procedure and waiting time is too long.
- iii) Infrastructure Issues:** Infrastructure is one of the biggest problems of these sectors it affects the profitability as well as productivity. MSMEs are dependent on skilled labour, electricity and other basic facilities. Basically rural areas are more affected than urban areas.
- iv) Adopting latest technology:** As they are small in size MSMEs adopting the latest technology and necessary technical skill is the challenge. Adopting latest technology can provide endurance and a competitive advantages in the global competition.

v) Marketing the products: The MSMEs progress in being limited by marketing their products in the market. The small enterprises don't have skillful marketing team. Managing the market research is the problem. They are still using the old methods which keep them weaker.

vi) Regulatory Issues: Many regulatory issues have been identified among MSMEs like problems in tax compliance and changes to labour laws which increased the cost of this sector. In order to make this sector more competitive, certain labour reform should be taken. It also known fact that many MSMEs are not registered properly.

vii) Lack of Innovation: The MSMEs are not very innovative, majority of the products are produced with the outdated technologies. There is a lack of talented entrepreneurs in this sector which has prevented it from adopting new technologies and tools which have brought about significant changes in other sectors like e-commerce and call centers, etc. As a result MSMEs have had to struggle with outdated technology.

COVID-19 IMPACT ON MSMEs

The COVID-19 led to decline every economic activity around the globe. To stop the spread of the disease lockdown and other precautionary measures have been taken which impacted all types of enterprises but especially the severe impact on MSMEs than on the larger firms. MSMEs are not vulnerable to unexpected situation because of the lower capital reserves, less assets and low productivity. In the Covid period there is a decrease in GDP and trade activities around the world and it was a big challenge to the MSMEs. Due to its operational size and lack of financing these enterprises are vulnerable during the economic shocks. After COVID-19 pandemic, MSME were considered very prominent part of the announcements made under the Atmanirbhar Bharat Abhiyan in view of the role of MSME in nation building.

OPPORTUNITIES FOR MSMEs

According to the report published by IBEF, the government of India has envisioned doubling the Indian economy to US\$ 5 trillion in five years. In order to achieve this goal, career opportunities for the young population have been generated and MSMEs have the potential to serve as a key employment generator. Therefore, the government has taken up promotion of MSMEs in order to create new jobs in the sector. Further, the government aims to enhance MSME's share in exports and its contribution to GDP. In order to achieve these targets the government should invest in providing more back-end services to improve performances of the MSME sector as it supplies goods and services to big industrial enterprises. The MSMEs are moving forward and decided to focus towards innovation and digitization of operational procedures. Over 20.5% of the MSMEs registered on the Udyam Registration Portal are led by women accounting for 18.73 percent of the total employment generated by Udyam-registered MSMEs.

PRESENT SCENARIO OF MSMEs

According to IBEF report, from Ministry of Micro, Small and Medium Enterprises as of March 2024,, the number of MSMEs registered on the Udyam portal, including udyam Assist Platform (UAP), has reached 4,00,42,875, with continual growth observed. Among these, 3,93,18,355 are classified as micro-enterprises, accounting for approximately 97.7 percent of the total. Small enterprises constitute 6,08,935, representing about 1.5 percent, ,while medium-sized enterprises total 55,488, comprising roughly 0.8 percent of the total registered entities. As of March 2024, the Government e-marketplace (GeM) portal served 5. million orders worth Rs. 3,87,006 crore (US\$ 46.67 billion) with 148,245 primary buyers and 215,43 secondary buyers. The Government e-Market (GeM) portal in India has achieved a significant milestone, surpassing Rs. 3 lakh crore (US\$ 35.96 billion) in public procurement transaction as of November 2024, for this financial year facilitating online purchases for over 63,000 government organizations and supporting more than 1.63 lakh women-led micro and small enterprises (MSEs) and 25,000 startups since its launch in 2016.

POLICY SUGGESTIONS

- MSMEs should be allotted with equitable allocation of raw material.
- Improvement in infrastructure facilities can be updated to boost up the productivity.
- Lending agencies need to relax their lengthy process and norms for lending to MSMEs.
- The MSMEs should focus on the marketing assistance. Due to lack of marketing facilities it is difficult to sell their product.
- Industrial education and training should given to the new entrepreneur to have a proper knowledge and develop the skill to analyze about external business environment.
- Technology upgradation is most important to be adopted through the help of financial institutions. It helps in learning new techniques of production which fastens the production process.

CONCLUSION

The MSMEs are plays a crucial role in GDP growth, it is the backbone of Indian economy which largely contribute to the employment and export of the country. Government has recognized the importance of MSMEs and has implemented various policies and schemes to support their development. However, these sectors faces lots of challenges such as limited resources, lack of infrastructure, lack of technology should be addressed and the MSME can contribute more in the future to the GDP and Exports as well. Also the employment opportunities will be more.

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