



# Growth & Future Prospects of Msme in India

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## Abstract

In recent times, the significance of micro, small, and medium enterprises has been acknowledged in developed as well as developing nations for its noteworthy role in fulfilling several social and economic goals, including increased employment, output, export promotion, and entrepreneurship. They are essential to the industrial growth of any nation. Due to its significant growth contribution, the MSME sector is a crucial pillar of the Indian economy. With the nation moving toward an objective of quicker and more inclusive growth, this sector even acquires greater significance today. By the end of 2024, the MSME has the potential to contribute to the planned National Manufacturing Policy's goal of increasing the manufacturing sector's GDP contribution from 14% to 27%. This article aims to examine the current state of MSMEs' performance in India and their prospects going forward. It is determined that this industry has a major impact on the nation's manufacturing production, employment, and exports.

**Keywords:** MSME, Growth, India

## Introduction

The Micro, Small, and Medium-Sized Enterprises (MSME) sector in India has become a very active and aggressive section of the financial system past fifty years. Their productive, efficient, flexible, and creative entrepreneurial mindset also makes a substantial contribution to the expansion of the financial system. It is also acknowledged for generating jobs and for contributing significantly to industrial production and exports. They have distinctive benefits because of its size, including a high employment-capital ratio, a shorter incubation period, a concentration on small selling space, and a reduced investment requirement.

They also assure a fairer allocation of the nation's revenue, simplify the efficient deployment of possessions like wealth and expertise that could or else be underutilized, and promote the progress of enterprise in the industrial sector. The MSME in India is highly diverse in terms of business scale, product and service variety, and technological advancements. It makes a major contribution to the nation's advancement in society and economy as a supporting unit for large companies.

With an enormous network of around 30 million units, approximately 70 million jobs, over 6000 items produced, and a direct and indirect contribution of approximately 44% of output and 38% exports, the MSME is a crucial pillar of the Indian economy. Owing to the country's ongoing attempts to attain a more rapid and comprehensive economic plan, this industry even gains more importance. Furthermore, the MSME sector may assist in achieving the National Manufacturing Policy's goal of increasing its manufacturing sector's gross domestic product (GDP) contribution from 16% to 27%. The present study's objective is to focus on the efficacy of MSME's in India today, highlighting the main barriers to their growth and the steps taken by the government and institutions to address them.

## Literature Review

According to Mali (1998), in the existing environment of globalization, it is significant for Small Manufacturing enterprises to precisely improvise in the fields of diversification of products, Marketing field, Development of infrastructure, upgradation of technology, and management. Additionally, new small and medium-sized enterprises could have to relocate from an area with modest development to one with a rapid expansion.

Bala Subrahmanya (2004) focused on the sector's vulnerability to the effects of local and global changes. As per the survey, the small sector has been lagging in the count of unit growth, employment, production and exports. Bala focused on how new possibilities and markets can be created for the small-scale industries sector as a result of the policy reforms. He insisted that to make the Indian small industry competitive on a global scale and contribute to the nation's revenue and jobs, the emphasis should be shifted to technological advancements and improvement of the financial infrastructure.

The variables GDP, SSI production, and SSI exports were taken into account by Bargal et al. (2009), who also assessed the pre- and following-liberalization process SSI evaluations. The analysis showed that, compared to the years before the reform, the annual average growth rate of the various SSI metrics had decreased throughout the 1990s. There is no lead-lag link between the GDP of the Indian economy, exports, and output in the small-scale sector.

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In 2011, Dixit and Pandey tried to examine the links between SMEs' output, exports, employment, and investment, as well as with the nation's rate of employment, value of exports Gross domestic product, and over the years 1974 to 2007. The research showed an optimistic correlation between the production of India's GDP and Small manufacturing enterprises.

Singh et al. (2012) examined the small businesses' performance in the nation and concentrated on legislative deviations that have provided this sector with fresh prospects. The results of their analysis show that the SSI industry has progressed in terms of output, employment levels, and SSI units. The report advised that to increase SSI and hit the growth technological advancement should arise, and financial infrastructure should be strengthened.

According to Venkatesh and Muthiah (2012), SMEs are now a major force behind future development and are playing a critical role in the industrial sector. They emphasized the need to support the SME sector for the country's overall economic health. The literature mentioned above sheds insight on the performance, development, and issues faced by MSMEs in the Indian economy and encourages more study in this area.

### Research Objective

The primary purpose of the research is to analyse the general expansion and advancements in the MSME industry in India. Nevertheless, the manuscript emphasises on the subsequent areas also:

1. The MSME's main obstacles
2. Performance of MSMEs in India & prospects.
3. Governmental programs to revitalize the MSME industry

### Research Methodology

The study is classified as "Exploratory". The main source of data for the study is secondary data covering the period from 2010 to 2022, or 12 years. The Government of India's Annual Report on MSMEs served as the source of all financial information. In addition to several periodicals and magazines, Articles and data from various journals and publications were also used in the preparation of this study.

### Conceptual Background

Small-Scale Industrial Unit: As of March 31, 2001, an industrial qualifies as a small-scale industrial unit if its investment in fixed assets, plant, and equipment—whether owned, leased, or acquired through hire purchase—does not exceed Rs. 100 lakhs.

Businesses that manufacture items for any of the sectors specified in the first schedule of the Sectors Development and Regulation Act of 1951 are considered to be part of the MSME sector. Moreover, the companies that are involved in both production and service provision, regardless of their legal structure. MSMEs fall into the following categories under the MSME Act 2006.

Existing MSME Classification			
Criteria : Investment in Plant & Machinery or Equipment			
Classification	Micro	Small	Medium
Mfg. Enterprises	Investment <Rs. 25 lac	Investment <Rs. 5 cr.	Investment <Rs. 10 cr.
Services Enterprise	Investment <Rs. 10 lac	Investment <Rs. 2 cr.	Investment <Rs. 5 cr.

### Major Players

Notwithstanding their flaws, SMEs have made a substantial contribution to exports and technological growth. They have a presence in practically all of India's major industries, such as computer software, bioengineering, electricals, sporting goods, electronics, plastics, electro-medical devices, apparel and textiles, etc.

### Evaluation of Performance of MSME

All MSMEs must submit an Entrepreneurs Memorandum (Part: I) with a District Industries Centre (DIC) under the Act's regulations. The relevant entrepreneur must submit an Entrepreneurs Memorandum (Part: II) after the start of the project. There is a procedure in place for the DICs to register small-scale industrial enterprises before the passage of the MSMED Act. Table No. 1 lists the Micro, Small, and Medium-sized Business (MSMB) entrepreneurs by category for the five years ending in 2021–22.

Table:1

Year/Category	2017-18	2018-19	2019-20	2020-21	2021-22	Total
Micro	4,21,516	21,47,908	13,44,612	18,70,932	16,32,644	74,17,612
Small	70,866	2,16,558	1,66,259	2,41,187	2,22,226	9,17,096
Medium	2,631	8,592	6,584	9,426	8,506	35,739
Total	4,95,013	23,73,058	15,17,455	21,21,545	18,63,376	83,70,447

Source: Development Commissioner, GoI.

With an overall average growth rate of 10.14%, the average growths of the three categories are 191986, 24875, and 1360, which was respectively. Medium-sized businesses experienced the largest growth, at approximately 44%. Approximately 16,33,000 small- and medium enterprises with a 9% annual expansion rate existed by the end of 2022.

The nation's policymakers have always prioritized financing the MSE sector, as seen by the announcements made recently in the stimulus package during the global economic downturn as well as by subsequent Union Budgets, Monetary, and Credit policies. In the next five years, the Indian government has made a firm commitment to double the amount of financing flowing to this industry. In light of this, the RBI has ordered scheduled commercial banks to attain, among other things, a 20% annual lending growth to the MSE sector, as proposed by the Prime Minister's Task Force.

### ***Contribution of MSME Sector in Total GDP***

It can be witnessed from Table 1 that the MSME contribution to total GDP has increased to 35.13 to 37.33 percent during the study period. The average contribution of MSME in total GDP is 37.75 percent in which the manufacturing sector contribution is 7.46 percent and the service sector (MSME) contribution is 28.96 percent. This indicates that the service sector contribution is more than the manufacturing sector of MSME in total GDP contribution.

### ***Obstacles MSMEs Face***

It is possible to divide the MSME issues into two categories: internal and external. External difficulties are those that are commonly experienced by all businesses in the industry and are out of their control, whereas internal problems are those that arise from an enterprise's internal course of management and are specific to a single unit. (Desai, V. 2006).

### ***Key Challenges Faced By the MSME Sector***

- Lack of availability of adequate and timely credit
- Limited access to equity capital
- Procurement of raw materials at a competitive cost
- Problems with storage, design, packaging, and product display

- Lack of access to global markets
- Inadequate infrastructure facilities, including power, water, roads, etc
- Low technology levels and lack of access to modern technology
- Lack of skilled manpower for manufacturing, services, marketing, etc
- Multiplicity of labor laws and complicated procedures associated with compliance with such laws.

Despite the various challenges it has been facing, the MSME sector has shown admirable innovativeness, adaptability, and resilience to survive the recent economic downturn and recession.

## **Conclusions**

The development of both industrialized and developing nations has been increasingly influenced by micro, small, and medium-sized enterprises. Their significant impact on GDP, employment, output, turnover, and exports might be used to evaluate this. Due to MSMEs' growing importance the Indian economy, which at independence was in a state of stagnation, was able to pick up enough speed. The current analysis found that the number of MSMEs is continuously increasing. The nation's manufacturing production, market value of fixed assets, and employment have all greatly benefited from these industries' remarkable rise. India's Gross Domestic Product benefits greatly from the substantial contribution of MSMEs. MSMEs in India face several challenges, including a lack of timely and sufficient banking services, finance, non-availability of suitable technology, ineffective marketing due to limited resources and non-availability of skilled manpower. Considering that MSME businesses create more jobs and boost the GDP, it is clear that the government has to do more to support and grow this industry.

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