

***MICRO SMALL AND MEDIUM ENTERPRISES (MSMES) IN INDIA-
BEATING THE ODDS***

By Dr. Hiral Sheth

Abstract

India's Micro, Small and Medium Enterprises (MSMEs) sector has appeared as a vibrant and dynamic sector for the economy. It has been recognized as a catalyst in promoting the growth and development of the economy. Contribution of MSMEs to the Indian economy in terms of employment generation, truncating regional disparities and fostering equitable dispersion of national income and wealth has been quite phenomenal. MSMEs in India contribute around 7.62 in the GDP growth and provide employment to approximately 1109.89 lakhs people (Annual Report, MSME, 2017-18). MSMEs are complementary to large industries as ancillary units and this sector contributes significantly in the inclusive industrial development of the country. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets. Still MSMEs have to follow a long path, which is not free from obstacles. There are infrastructural deficiencies and challenges like inadequate flow of institutional credit and inadequate market linkages which needs to be addressed. It is quite intriguing to understand the performance of MSMEs in India beating these odds. This research study is 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.

Keywords

Micro, Small & Medium Enterprises (MSMEs); growth potential; market linkages; challenges and policy interventions.

Introduction

MSMEs in a Global Perspective

MSME is basically successfully flourished in developing countries for example Cameroon, Uganda, Malawi, Nigeria etc. Government of Malawi has recognized MSME sector as one of the major source of employment generation (Daniels & Ngwira, 1993). But developed countries are also not lagging behind. Mead and Liedholm (1998) mentioned that there is a saying that eight out of ten jobs are created in the by small business in USA. Japan, one of the most developed countries of the world, small and medium enterprises has occupied a very significant percentage of private industrial workers in its industrial structure (Bannock, 1969). Both developed and developing countries are putting their planned efforts for the development of these enterprises to speed up their economic progress (Nagaraja, 2013). India as such is no exception.

MSMEs –Indian Scenario

Most economies, particularly those of developing countries like India, march on the shoulders of small businesses, especially those involved in providing services. The numbers speak for themselves. Globally, the Services sector contributes a whopping 75% of the global GDP and overall employment. India's GDP composition, computed from economic survey (2017-18), is as follows: Agriculture: 17.32%; Industry: 29.02%; Services: 53.66%. In other words, the services sector contributes more to India's economy than the other two sectors combined. Service organizations vary widely in size. At one end of the spectrum are large companies such as airlines, telecoms, IT companies, banks and insurance companies. At the other end of the spectrum are an estimated 10-50 million Micro-Small-Medium-Enterprises (MSMEs) who offer myriad services in services ranging from astrologers to accountants, caterers to car cleaners, yoga instructors to musical bands, flooring contractors to roof leak repairers, interior decorators to movers and packers. (Economic Times, January 27, 2018). Within the services it is not only the big companies but MSMEs contribute mightily to the overall GDP growth, they have a powerful, multiplier impact on the local economies.

Need/ Rationale to Study MSMEs

According to 2017-18, MSME Annual Report, MSMEs contributed 7.62 % to economic growth. Due its crucial role in employment generation, wealth creation, innovation

development, poverty alleviation, social cohesion and local and regional development, micro, small and medium scale enterprises are regarded increasingly as important (Bidja & Mandizvidza, 2017). Hence, the need to study MSMEs. MSME make possible an inclusive and balanced growth which can be viewed from various studies conducted on MSMEs.

Review of Literature

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. Christopher J. Green, Colin H. Kirkpatrick, and Victor Murinde, (2006) in their paper have examined the ways in which financial sector development policy might contribute to poverty reduction, particularly by supporting the growth of micro and small enterprises (MSMEs). This paper highlights on the changing role of MSEs in the development process and the access of MSMEs to informal and formal finance, including the role of microfinance. De, Sankar (2009) in his article has viewed that SME's in India face many challenges, but perhaps none are as difficult as the challenge of financing, both short term and long term. K,Vasantha,Majumdar M., K. Krishna (2012) in their paper have stated that since several successful models of the sustainable SME are gradually evolving, networks of SMEs would become essential for addressing the systemic problems underlying the industrial ecology, enterprise resilience, and global supply chain sustainability. Export-Import Bank of India, (2012) has critically analysed the present situation of MSMEs and support systems available in India as well as in the global context. It has suggested that MSMEs in India should have access to alternative sources of capital like angel funds/risk capital etc. and that existing laws should effectively address issues like insolvencies/bankruptcies; need to redefine the ceiling limits to encourage MSMEs to move up the value chain and need for cluster development approach to increase the level of competitiveness. 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.

Statement of the Problem

The Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy as well over the last five decades. It contributes significantly in the economic and social development of the country by fostering entrepreneurship and generating largest employment opportunities at comparatively lower capital cost. India produces about 1.2 million graduates per year, of the total no. about 0.8 million are engineers and there is no economy in the world that can provide jobs to so many fresh graduates in one year. So the research problem can be investigated as- What is the government doing for MSMEs? What are the issues and challenges faced by MSMEs?

Importance of the Study

MSMEs are also complementary to large industries as ancillary units and this sector contributes significantly in the inclusive industrial development of the country. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global exports markets. MSMEs help in regional dispersal of industries thereby truncating inequalities. As India emerges as one of the brightest economic spots in the new millennium, it should focus on ways to make help MSMEs, the most powerful driver of its growth- survive, succeed and soar. In this context, the role of MSMEs is relevant and significant as it provides an insight into the outcome of measures taken by the government to strengthen MSMEs.

Objectives of the Research Study

The objectives of this study are

- To study the performance of micro, small and medium enterprises in India.
- To focus on the huge growth potential and opportunities available for development of this sector.
- To identify some important issues and challenges confronted by these enterprises and offer suggestions for the same and
- To present policy initiatives of government for beating the odds and sustainable development of MSMEs.

Research Methodology

The study involves a critical analysis of functioning of some micro, small and medium scale enterprises in the country both in manufacturing and service sector and intends to identify the potentialities for growth, opportunities, major issues and challenges experienced by these enterprises. The data are collected mostly from secondary sources by way of access to various Government policies/ programmes including published Annual Reports, Journals, official websites, newspaper articles etc.

Limitation of the study- It offers a macro overall perspective, individual MSME Experiences may vary enterprise to enterprise.

MSME Act, 2006 and MSME Bill 2018

In the case of India, also Medium establishment has for the first time been defined in terms of separate Act, governing promotion and development of Micro, Small and Medium Enterprises (MSME) i.e. Micro, Small and Medium Enterprises (MSME) development Act, 2006 (which has come into force from 02nd Oct, 2006) the Office of Development Commissioner (Micro, Small and Medium Enterprises) functions as the Nodal Development Agency under the Ministry of Micro, Small and Medium Enterprises (MSME).

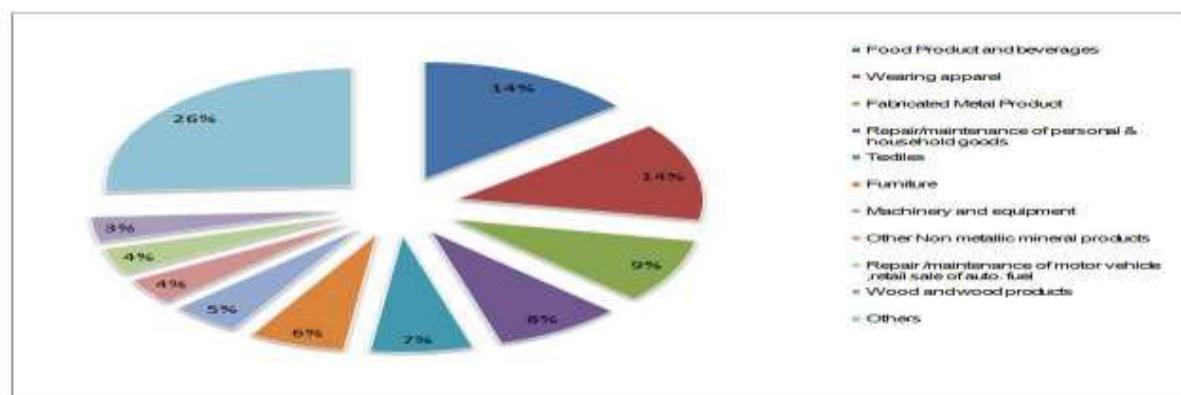
Defining MSMEs-MSMED Act, 2006 and MSME Bill 2018

	<u>Manufacturing Sector</u>	<u>Service Sector</u>	
	Investment in plant & machinery	Investment in equipment	2018 BILL All Enterprises (Annual Turnover)
Micro enterprises	Annual turnover does not exceed 25 lakhs	Annual turnover does not exceed 10 lakhs.	5 Cr.
Small Enterprises	Annual turnover b/w 25 lakhs To 5 cr.	Annual turnover 10 lakhs does not exceed 2 cr	5 Cr. to 75 Cr.
Medium Enterprises	Annual turnover 5 cr. but does not exceed 10 cr.	Annual turnover 2 cr does not exceed 5 cr	75 Cr. to 250 Cr.

The Micro, Small and Medium Enterprises Development (Amendment) Bill, 2018 was introduced in Lok Sabha by the Minister of State for Micro, Small and Medium Enterprises, Mr. Giriraj Singh on July 23, 2018. The Bill amends the Micro, Small and Medium Enterprises Development Act, 2006. The Bill introduces a uniform classification for all MSMEs. Under the Bill, all MSMEs, whether they are manufacturing or service-providing enterprises, will be classified on the basis of their annual turnover.

Role and Performance of MSMEs

1. Share in GDP and Industrial Production- MSMEs are very much linked with the industrial sector. The good growth of MSME sector is making backward and forward linkages strong inviting more investments in this sector. They provide supporting activities and services to the large scale business units in the Indian economy. For eg; they provide raw materials, repair and maintenance support of machineries, at a macro level, they reduce overall unemployment by the way of absorbing layoffs of manpower from large enterprises. SME gazelles manage to absorb layoffs of manpower from large enterprises, thus taking care of political and social 'environmental conditions. It is very common to find large enterprises outsourcing their administrative and other business services like housekeeping, training, maintenance, accounting and collections, cafeteria, health-services, payroll and such to MSMEs. There are more than 6000 products produced by organized MSMEs sector in the country. However, food, textiles and wearing apparels hold maximum share of products produced by MSMEs.

**Figure 1: Share of Products Produced by MSMEs in India**

Source: - Final Report of the Fourth All India Census of Micro, Small & Medium Enterprises

A. Estimated Number of MSMEs

As per the National Sample Survey (NSS) 73rd round, conducted by National Sample Survey Office, Ministry of Statistics & Programme Implementation during the period 2015-16, there were 633.88 lakh unincorporated non-agriculture MSMEs in the country engaged in different economic activities (196.64 lakh in Manufacturing, 230.35 lakh in Trade and 206.84 lakh in Other Services and 0.03 lakh in Non-captive Electricity Generation and Transmission.

Table 1- Estimated Number of MSMEs in the Country (Activity Wise) (in lakhs)

Sector	Rural	Urban	Total	Share%
Manufacturing	114.14	82.50	196.65	31
Trade	108.81	121.64	230.35	36
Other Services	102.00	104.85	206.85	33
Electricity	0.03	0.01	0.03	0
Total	324.88	309.00	633.88	100

It is seen that 31% MSMEs were found to be engaged in manufacturing activities, while 36% were in Trade and 33% in Other Services. Again out of 633.88 estimated number of MSMEs, 324.88 lakh MSMEs (51.25%) were in rural area and 309 lakh MSMEs (48.75%) were in the urban areas as is evident from Figure 2 below.

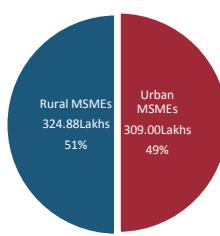


Figure 2: Percentage Share of Rural and Urban MSMEs in the country

Table 2 below shows that the Micro sector with 630.52 lakh estimated enterprises accounts for more than 99% of total estimated number of MSMEs. Small sector with 3.31 lakh and Medium sector with 0.05 lakh estimated MSMEs accounts for 0.52% and 0.01% of total estimated MSMEs, respectively.

Table 2: Distribution of Enterprises Category Wise (Numbers in lakhs)

Sector	Micro	Small	Medium	Total	Share %
Rural	324.09	0.78	0.01	324.88	51
Urban	306.43	2.53	0.04	309.00	49
All	630.52	3.31	0.05	633.88	100

B. Type of Ownership

As observed from table 3, out of 633.88 lakh MSMEs, 608.41 lakh (95.98%) MSMEs were proprietary enterprises. There has been overwhelming predominance of male owners in proprietary MSMEs. Thus, for proprietary MSMEs as a whole, male owned 79.63% of enterprises as compared to 20.37% owned by female. There was no significant deviation in this pattern in urban and rural areas, although the dominance of male owned enterprises was slightly more pronounced in urban areas as compared to rural areas (81.58% as compared to

77.76%).(Table 3). Table 4 shows the dominance of men in all micro, small and medium enterprises.

Table 3: Percentage Distribution of Enterprises in rural and urban areas.

(Male/ Female ownership category wise) (in %)

Sector	Male	Female	All
Rural	77.76	22.24	100
Urban	81.58	18.42	100
All	79.63	20.37	100

Table 4: Percentage distribution of Enterprises by Male/Female Owners

Category	Male	Female	All
Micro	79.56	20.44	100
Small	94.74	5.26	100
Medium	97.33	2.67	100
All	79.63	20.37	100

C. Gross Value of Output

The contribution of manufacturing MSMEs in the country's total Manufacturing in GVA at current prices has also remained consistent at about 32%, during the last five years as observed from table 5.

Table 5: Contribution of MSMEs in Country's Economy at Current Price 2011-12 Base**Year (in Cr.)**

Year	MSME GVA	Total GVA	Share of MSME in GVA	Share of MSME in GDP (in %)
2011-12	2583263	8106946	31.86	29.57
2012-13	2977623	9202692	32.36	29.94
2013-14	3343009	10363153	32.26	29.76
2014-15	3658196	11481794	31.86	29.39
2015-16	3936788	12458642	31.60	28.77

Source: Central Statistics Office (CSO), Ministry of Statistics & Programme Implementation

2. Share in Employment

As per the National Sample Survey (NSS) 73rd round conducted during the period 2015-16, MSME sector has been creating 11.10 crore jobs (360.41 lakh in Manufacturing, 387.18 lakh in Trade and 362.82 lakh in Other Services and 0.07 lakh in Non-captive Electricity Generation and Transmission) in the rural and the urban areas across the country as seen in figure 3.

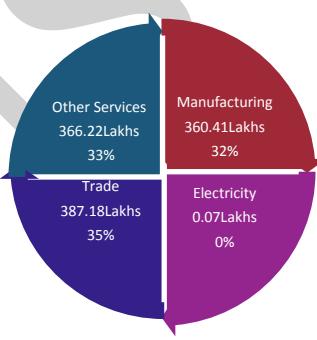


Figure 3: Employment in the MSME Sector (Nature of Activity Wise)

3. Regional Dispersal of MSMEs

State- Wise Distribution of MSMEs

State of Uttar Pradesh had the largest number of estimated MSMEs with a share of 14.20% of MSMEs in the country. West Bengal comes as close second with a share of 14% again. The top 10 States together accounted for a share of 74.05% of the total estimated number of

MSMEs in the country (table 6).Ten states are considered as they have the maximum share of MSMEs.

Table 6: State- Wise Distribution of Enterprises

Sr.No	State/UT	Estimated No of MSMEs	
		No. in Lakhs	Share in %
1	UP	89.99	14
2	West Bengal	88.67	14
3	Tamil Nadu	49.48	8
4	Maharashtra	47.78	8
5	Karnataka	38.34	6
6	Bihar	38.46	5
7	Andhra Pradesh	33.87	5
8	Gujarat	33.16	5
9	Rajasthan	26.87	4
10	MP	26.74	4
11	Total of above 10 states	496.36	74
12	Other state/UTs	164.52	26
13	All	633.88	100

4. Share in Exports

With the establishment of a large no of modern small scale industries in the post-independence period, the contribution of MSMEs in export earnings has increased by leaps and bounds. Bulk of the exports (around 93%) consists of such non-traditional items like readymade garments, sports goods, finished leather, leather products, processed foods, engineering goods etc. The total exports of the MSMEs increased from 155 cr, in 1971-72 to 6,77,318 cr in 2012-13.which means an increase from 9.6% to 41.4 % which is quite a big increase.

5. Registration of New MSMEs

One of the critical indicators to assess the successful development of MSME Sector in an economy is the data on opening of new MSMEs; it depicts the conducive environment for

opening and growth of such units in an economy as well as show the high morale of entrepreneurs in the macroeconomics of the economy. Since September, 2015, in view of promoting ease of business, an online filing system under Udyog Aadhar Memorandum (UAM) based on self-declared information has been put in place. An analysis of UAM filings also provides a break-up of manufacturing and services MSMEs. It may be noted that the services MSMEs comprise a larger proportion of UAM filings than those involved in manufacturing (Figure 4).



Figure 4 Share of UAMs –Manufacturing and Service MSMEs Registered

Potentialities for Growth Opportunities

Micro, Small and Medium Enterprises have substantially contributed to the economic development of our country. The MSME sector in India occupies the second position next alone to agriculture in terms of employment generation. This sector accounts for about 95% of the industrial units, 45% of manufacturing output, 40% of exports total exports of the country. MSMEs have greater opportunities to grow as ancillary industries to unleash higher industrial growth. MSMEs being less capital intensive and more employment-friendly have easier access to raw materials, subsidies and other incentives under cluster programmes. The country has huge growth potential to create and enhance the capacity of enterprises both in the manufacturing and service sector by using the available resources. Development of the sector is therefore extremely important as it holds the key to inclusive growth and plays a pivotal role in holistic development of the country. The MSME sector has the potentialities to emerge as the backbone of Indian economy and to continue as an engine of growth provided an environment-friendly policy framework and enabling infrastructural support are made available for its functional operations. MSMEs in India consistently feed the domestic and the international value chain as manufacturers, suppliers, distributors, retailers, contractors and

service providers by accounting for a substantial segment of our industrial units. Availability of adequate financial resources, a supportive policy framework to address the areas like entrepreneurial skill development, a competent pool of human resources, application of latest technology and new innovations, adequate international market linkages and bilateral trade agreements etc. would make the Indian MSME sector globally competitive to address the emerging challenges and help ensure their sustainability. (Parthajeet Das, 2017).

Few Case Studies

- DFM Foods(Delhi): Making packaged snack-the culture of packaged food was not hit among Indians until DNF Foods came up with the idea of CRAX corn rings.
- Ankur Scientific Energy Technologies (Vadodara): Manufacturing Biomass Gasifiers mostly used for power generation.
- SL packaging: Trading in Jute and allied Products (Kolkata): Imports raw jute from Bangladesh to make yarn, sacks, fabric and eco-friendly bags for local market as well as for exports.

Issues and Challenges faced by MSMEs

According to Solomon (2012), "If India is to attain its aspiration of double-digit growth rates and a reduced poverty ratio, greater focus on the well being of the Small and Medium Enterprises (SME) sector becomes a necessity. Solomon (2012) further assets that MSME sector in India has been confronted with an increasingly competitive environment due to. (1) liberalisation of the investment regime in the 1990s, favouring foreign direct investment (FDI); (2) the formation of the World Trade Organisation (WTO) in 1995, forcing its member-countries (including India) to drastically scale down quantitative and non-quantitative restrictions on imports, and (3) domestic economic reforms. The cumulative impact of all these developments is a remarkable transformation of the economic environment in which small industry operates, implying that the sector has no option but to 'compete or perish'. Some of the major issues and challenges of MSME growth and development are as follows:

1. Financial Issues

CARE in its latest report ‘Leading Small Industries, Performance and Growth Potential’ claims that the contribution of MSME’s to India’s GDP is expected to increase to 30% by 2019-20 from its present 8% and this would not be possible without addressing the funding constraint. Credit availability remains one of the most major concerns. In times of a liquidity crunch, lack of liquidity in the financial system, even though caused by external factors, can quite dry up the flow of credit to the sector. The major dependence of the sector is for the working capital requirement which directly impacts their production cycle. India’s MSME sector faces a major problem in terms of getting adequate credit for expansion of business activities. Economic Survey (2018) tabled in Parliament by Finance Minister Arun Jaitley pointed out that the micro, small and medium enterprises (MSME) received only 17.4 per cent of the total credit outstanding. “Growth of credit to micro and small enterprises increased by 4.6 per cent, while credit to medium enterprises decreased by 8.3 per cent,” it said. Elaborating on the status of the major schemes implemented for the MSME sector, the survey observed that loans extended under the Pradhan Mantri Mudra Yojana during 2016-17 have crossed the target of Rs 1.8 lakh crore. “Of this amount, Rs 1.23 lakh crore was lent by banks while non-banking institutions lent about Rs 57,000 crore (Financial Express, Jan 29,2018)

2. Lack of Access to New Technology

Most of the industries today require application of advanced technology in their operations whereas in the Indian context continuance of low technology base results in low productivity by making these enterprises uncompetitive in the ever-widening market contexts. Apart from enhancing productivity and quality, new technology should be adopted for an overall transformation and competitive edge.

3. Lack of Skilled Human Resources

Non-availability of skilled workforce and better managerial/entrepreneurial expertise at affordable cost near the location of enterprises is another such big challenge for the MSMEs in our country. Lack of managerial competence, absence of proper training on resource planning and capital management etc. hinders the growth of enterprises.

4. Lack of infrastructure

Lack of adequate marketing infrastructure/ network facilities continue to be a greater challenge for marketing and sale of MSME products. In a non-cluster situation, these enterprises get segregated and are unable to ensure reduction in procurement cost from big companies and fail to streamline the output-supply chain. Lack of Infrastructural facilities, it can cause serious damages to an enterprise's value chain process such as production, consumption and distribution of the products.

5. Lack of fundamental mannerisms of doing business

One most common issue that hinders MSME growth is that the small business owners lack the fundamental mannerisms of doing routine business. These small things can really help them be big. For example they lack the art of record keeping and building other infrastructure needs. Like it is done in large enterprises, it is essential for small businesses to establish or update systems for monitoring cash flow, tracking inventories and managing non-availability of skilled workforce and better managerial/entrepreneurial expertise at affordable cost.

Policy Initiatives by the GOI for Sustainable Development of MSMEs

India has the largest history of small enterprises development policy in Asia as well as in the world at large. In the post-reforms period, there has been a shift in focus from 'protection' to 'promotion'. In order to give more impetus to the sector, a number of central and state level institutions have been set up to look after different aspects of the development programme.

The recent '**Make in India**' initiative by Government of India would make a substantial impact for MSMEs as the process for new business has been made easy. The govt has directed financial institutions to lend more credit to enterprises in MSME sector. Similarly, the '**Digital India**' programme offers huge opportunities to MSMEs to participate in big way in the Information and Communication Technology (ICT) sector

Focus of the 12th five-year plan regarding growth of the MSMES

The core area of focus will be finance, technology, infrastructure and marketing.

Finance: Operationalization of SME exchanges for enabling access to Equity Finance

Technology: Scheme for acquisition and up-gradation of technology

Infrastructure: Developing clusters of excellence & Setting up of 100 Tool Rooms and PDCs

Marketing: Procurement policy for Goods/services from MSEs by the Government

Skill Development: Revamped Skill Development & Capacity Building Programme.

- Encouraging young/ first generation entrepreneurs by up scaling
- PMEGP and other programmes

Institutional Structure:

- Strengthening of Institutions – MSME-DIs, EDIs and KVI Institutions
- Application of E-tools in promotional and regulatory matters for facilitating easy entry.
- Real time Statistical & Policy Analysis through strengthening of Database (Subina Syal, 2015).

The National Board for Micro, Small and Medium Enterprises (NBMSME) was established by the Government under the Micro, Small and Medium Enterprises Development Act, 2006 and Rules made there under. It examines the factors affecting promotion and development of MSEs, reviews existing policies and programmes and makes recommendations to the Government in formulating the policies and programmes for the growth of MSEs (MSME Report, 2017-18).

Credit and Financial assistance- Prime Minister Employment Generation Programme (PMEGP) is implemented with the objectives to generate employment opportunities and increase wage earning capacity in rural as well as urban areas of the country through setting up of new self-employment ventures/projects/micro enterprises. In this connection, **Micro Units Development and Refinance Agency Bank (MUDRA Bank)**, is a new institution setup by the Central Government for the development of micro units and refinance of MFIs to encourage entrepreneurship in country and to provide the funding to the non corporate small business sector. MUDRA Bank will need two type of product like refinance for the micro units having loan requirement from Rs 50 thousands to 10 lakhs and support of Micro Finance Institutions (MFI) for on landing. MUDRA will refinance to micro business under the scheme of Pradhan Mantri MUDRA Yojana. Besides, credit linked subsidy scheme, credit guarantee trust fund for MSEs are also operational.

For Skill Development and Training-A Scheme for Promotion of Innovation, Rural Industry & Entrepreneurship (ASPIRE) for creating jobs and innovative businesses has

been started. **Technology Centres (Earlier known as Tool Room & Technical Institutions):** To provide right stimulus to the growth of industry in the country – particularly to micro, small and medium enterprises, Ministry has established Technology Centers across India, many of them through bilateral collaboration of the Governments of Germany & Denmark and the United Nations. These were earlier known as Tool Rooms and Technology Development Centres. All the Technology Centres adhere to the principles of Total Quality Management (TQM).

For **Infrastructure-Scheme of Fund for Regeneration of Traditional Industries (SFURTI)** to organize traditional industries and artisans into clusters to make them competitive and provide support for their long term sustainability, sustained employment, **Scheme for Micro & Small Enterprises Cluster Development Programme (MSE-CDP)-** To support the sustainability and growth of MSEs by addressing common issue such as improvement of technology, skills and quality, market access, access to capital etc.

For Technology Upgradation and Competitiveness- Financial Support to MSMEs in ZED certification- The scheme envisages promotion of Zero Defect and Zero Effect (ZED) manufacturing amongst MSMEs and ZED Assessment for their certification with the objective for enabling MSMEs to manufacture quality products with adoption of Zero Defect production processes and without impacting the environment, etc.

Besides these, other Policy Initiatives highlighted in 2017-18 annual report, MSME include

Ease of Registration Process of MSMEs- Udyog Aadhaar Memorandum –It is a simple one-page registration form ‘Udyog Aadhaar Memorandum’ (UAM)-II for registration of enterprises.

Framework for Revival and Rehabilitation of MSMEs- Under this RBI has issued guidelines to banks for creating a structure for finalising corrective action plan for revival & rehabilitation of MSMEs.

MSME Data Bank- to furnish information relating to their enterprises online to the Central Government in the data bank maintained by it at www.msmedatabank.in.

My MSME

To facilitate the enterprises to take benefit of various schemes by the Office of Development Commissioner (MSME). This has also been converted into a mobile app. Entrepreneurs will be able to make their applications and track it on their mobile itself.

Direct Benefit Transfer in the M/o MSME

All welfare and subsidy schemes of Governments of India have been brought under Direct Benefit Transfer (DBT) for simpler and faster flow of funds and to ensure accurate targeting of the beneficiaries and reduction of fraud.

GST Rollout and Ministry of MSME

Ministry of MSME had made elaborate arrangements for smooth roll out of GST and to provide requisite support to MSMEs with respect to GST issues.

Digital Payments

Ministry of MSME has taken numerous initiatives to digitally enable the entire MSME sector under Digidhan Mission.

- All the offices of Ministry of Micro, Small and Medium Enterprises, including its attached offices have been digitally enabled.
- For the MSME registered under UAM, efforts have been made to spread awareness on the ease and benefits of different modes of payments such as BHIM, UPI and Bharat QR code.
- For the Ministry and its attached offices (KVIC, Coir Board, NSIC, MGIRI, NIMSME) 89% of the bulk Digital Payment transactions during the current Financial Year were Digital which accounted for more than 99% of total value of the transactions.

Grievance Monitoring

The Ministry attends to all the grievances on Centralized Public Grievance Redress and Monitoring System (CPGRAMS) and the number of the pending grievance on CPGRAMS as on 31.12.2017 was 61. The Ministry has started an MSME internet grievance monitoring system (**eSAMADHAN**) to track and monitor other grievances and suggestions received in the Ministry.

MSME SAMADHAAN: To Address Delayed Payment to MSEs by the buyers to the MSE supplier. In the case of delay in payment beyond 45 days, MSEs suppliers may approach the Micro and Small Enterprises Facilitation Council (MSEFC) constituted under the Act in all States/UTs. Under Section 16 of the MSMED Act, delayed payment to supplier units, attracts compound interest with monthly rests at three times of the bank rate notified by the Reserve Bank.

MSME-SAMBANDH

The Ministry of Micro, Small and Medium Enterprises notified the Public Procurement Policy for Micro and Small Enterprises which mandates 20% of annual procurement from MSEs including 4% from enterprises owned by SC/ST entrepreneurs by the Central Ministries / Departments and Central Public Sector Enterprises (CPSEs).

The primary responsibility of promotion and development of MSMEs is of the State Governments. However, the Government of India, supplements efforts of the State Governments through various initiatives. The role of the Ministry of MSME and its organisations is to assist the States in their efforts to encourage entrepreneurship, employment and livelihood opportunities and enhance the competitiveness of MSMEs in the changed economic scenario (MSME Report, 2017-18).

Suggestions/ Recommendations for MSMEs

Although the performance of the MSME sector has been commendable over the years in terms of employment generation, growth of exports and in bringing about social transformation, a lot more need to be done for their continued growth and sustained development. Some suggestions to improve the performance of MSMEs are indicated below.

1. Easy Access to Finance and Credit

Institutional finance/credit from banks and other financing institutions should be promptly available without long and cumbersome procedures. Sanction of credit / loan applications by public sector banks should be made within a reasonable time frame at affordable and reduced rate of interest.

2. Stepping up Infrastructural and Support Facilities

Deficiencies in basic infrastructural facilities like water, power supply, road/rail and telephone connectivity, etc. should be addressed on priority basis. Use of solar or renewable energy as an alternative source should be encouraged in rural areas on subsidized basis. A cluster-centric or cluster development approach should be adopted for a number of enterprises working in closer proximity.

3. Creation of adequate Marketing Linkages

For enhancing sale of products, regular trade fairs/exhibitions etc. should be conducted for creation of a larger platform for better marketing facilities. The Govt. of India policy regarding 20% mandatory procurement of MSME products by government Departments/ State PSUs should be ensured.

4. Skill Development and Capacity Building

Initiatives should be taken for skill / competency development of human resources. Infrastructural and professional support from Rural Self Employment Training Institutes (RSETI) and suitable training institutes may be obtained for conducting training of entrepreneurs and workers engaged in different activities. Awareness / sensitization programmes and TV/Radio talks should be conducted.

5. Access to Modern Tools and Technology

MSMEs today need to adopt and adhere to quality parameters of international standards in the context of a globalized market. Technological obsolescence should be replaced by adoption of modern and latest tools and technology for increased productivity and quality product for competitive advantage.

6. Policy Intervention and Support Mechanisms

Government and Banks should take steps for revival of sick units as per RBI Guidelines and Credit Guarantee Fund Trust for Micro and Small Enterprises (CGAMSE) Scheme. Sick enterprises should be given one time settlement (OTS) facility by the banks before enforcing measures under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act. Single window system for approval of MSME projects

may be streamlined for clearance. Creation of an apex National MSME Authority under the Ministry of MSME, universal registration and financial inclusion of MSMEs, increase the flow of equity to the MSME sector and steps to enhance effectiveness and utilization of credit guarantee/insurance schemes etc. are some of the recommendations of the Committee on financial architecture of the MSME, 2015 which need to be re-looked at.

Conclusion

The role of MSMEs in economic activity is manifested in both tangible and intangible ways. It is proved that government policies can be really helpful for MSMEs to flourish and grow but one cannot deny the problems and issues with the MSMEs. In a country like India, only self-dependency is the way, which can be a cure for devaluation of Indian Rupees. Therefore, MSMEs can be boon and a hope for Indian economy in near future. The MSMEs are very helpful to remove the regional imbalances if it is establish in the underdeveloped areas. The MSMEs are providing more employment per unit. There should not be two opinions about the priority that MSME policies deserve attention for achieving the socio-economic goal of employment growth and social justice, along with the individual "aspirations". MSME is in the real sense is the engine of economic growth of any country both developed and developing but specially developing countries. It's the silver bullet to eradicate poverty and also a proven way to human wellbeing and quality of life particularly for the poor people (Sengupta & Aubuchon, 2008, Osoro & Muturi, 2013).

References

Journal Articles

- Ahita Paul (2018): The Micro, Small and Medium Enterprises Development (Amendment) Bill, PRS Legislative Research, Institute for Policy Research Studies July 25,pp 1.
- Bhaduria, A, (2015). Make in India: Need of revamping Linkages of Service sector with MSMEs, International Research Journal of Commerce, Business and Social Sciences (IRJCBSS) Vol 3, Issue 12 (I), March 2015, pp 92-96
- Bidja, A. B., & Mandizvidza, K.(2017): Strengthening enterprises growth and effectiveness in developing economies. A case of very Small, Small and Medium-

sized Enterprises in Cameroon, IOSR Journal of Business and Management, Vol 19(3), May-June, pp 19-27.

- ✚ Christopher J. Green and Colin H. Kirkpatrick, and Victor Murinde (2006): Finance for Small Enterprise Growth and Poverty Reduction in Developing Countries, Journal of International Development, John Wiley and sons, Vol 18(7), pp 181017–1030.
- ✚ Daniels, L. & Ngwira. (1993): A. Results of a Nationwide Survey on Micro, Small, and Medium Enterprises in Malawi.
- ✚ De Sankar (2009): ISB INSIGHT 11 Winter 09-10.
- ✚ Katyal, K., & Xaviour B. (2015): A Study on MSMEs-Role in Propelling Economic Development of India & A discussion on Current HR Issues MSMEs in India, International Journal of Scientific and Research Publications, Volume 5, Issue 2, February.
- ✚ K. Vasanth Majumdar and M.K. Krishna (2012): Innovative Marketing Strategies for Micro, Small & Medium Enterprises, Inter disciplinary Journal of Contemporary Research in Business.
- ✚ Mead, C. D., & Liedholm, C.(1998): The Dynamics of Micro and Small Enterprises in Developing Countries. World Development, Vol 26(1), pp 61-74.
- ✚ Nagaraja, B.(2013): A Micro Analysis On The Performance Of Micro, Small And Medium Enterprises In North-Eastern States, International Research Journal of Agricultural Economics and Statistic, Vol 4(1), pp 109-114.
- ✚ Osoro, K., & Muturi, W.(2013): The Role Of Micro Financial Institutions on the Growth of SMEs in Kenya: A Case Study of Micro Financial Institutions in Kisi Town, IOSR Journal of Humanities and Social Science (IOSR-JHSS), Vol 16(1), pp 83-93.
- ✚ Papiya Manna and Dr. Tapas Mistri (2017): Status of Micro Small and Medium Enterprises (MSME) in India: A Regional Analysis, IOSR Journal of Humanities and Social Science Volume 22 (9), Ver. 13, September, pp 72-82.
- ✚ Parthajeet Das (2017): Micro, Small and Medium Enterprises (MSMES) in India: Opportunities, Issues & Challenges, Great Lakes Herald Volume 11 (1), March, Page 77-88.

- Seemant Yadav and Prof. Vikas Tripathi (2018): Challenges and Obstacles Faced by Micro, Small and Medium Sized Enterprises (MSMEs) in India, International Journal of Business And Management Invention, Volume 7 (4), April, pp—48-54.
- Sengupta, S. & Aubuchon, C.(2008): The Microfinance Revolution: An Overview, Federal Reserve Bank of St. Louis Review, Vol 90 (1), pp 9- 30.
- Srinivas K T (2013): International Journal of Engineering and Management Research, Vol 3 (4) August.
- Subina Syal (2015): Role of MSMEs in the Growth of Indian Economy, Global Journal of commerce and Management Perspective, Vol 4 (5), Sept-Oct, pp 40-43.
- Surendar Gade (2018) :MSMEs' Role In Economic Growth – A Study on India's Perspective, International Journal of Pure And Applied Mathematics, Volume 118(18), pp 1727-1741.

Reports Published by Government of India

- Annual Report of Ministry of Micro, Small and Medium Enterprises, Govt. of India, 2017-18.
- Export - Import Bank of India (2012): Strategic Development of MSMEs: Comparison of Policy Framework and Institutional Support Systems in India and Select Countries.
- Report of the Committee set up by Ministry of Finance Govt. of India to examine the financial architecture of the MSME sector February 2015.
- Report of the Working Group on MSME Growth for 12th Five Year Plan (2012-17) Ministry of MSME, Government of India.

Newspaper Articles

- Economic Times, Satya Prabhakar (2018): Most Powerful Engine of India's Growth: Service MSMEs, January 27.
- Financial Express, PTI (2018): Economic Survey 2018: MSME Sector Faces Major Problem in Availing Credit, January 29.

Bio

Dr. Hiral Sheth is working with K.C College, Churchgate, Mumbai-20. She can be contacted at hiralsheth22@gmail.com.