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**MSME : A KEY TO UNLOCK SELF -RELIANT INDIA VISION**

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- Gargi Ojha<sup>1</sup>

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- Darshita Nagar<sup>2</sup>

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**ABSTRACT**

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The basic route of any plant around the world is to make their offspring self reliant. So is the Similar pattern is followed in India and is getting modernised in every sector like Micro, small & Medium Enterprises (MSME). After Agriculture MSME Sector has increased by 18.5 % from 2019 to 2020. MSME's provides a variety of great benefits like economic, socio-economic. Therefore, India is riding upon the execution of MSME to become Self Reliant. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialisation of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. This Paper aims to analyse the Significant contribution of MSME's to achieve India's Self Reliant Vision. MSMEs have an impressive track record of contributing to GDP, creating jobs, reducing social inequalities, empowering women and achieving balanced geographic growth. The study concludes that the role of MSMEs is critical to the development of India, although there are many obstacles that require state intervention through an appropriate policy framework. Some of the barriers to further development of the MSME sector are difficult access to credit facilities, lack of commercialisation channels, inefficient productivity leading to full scale operations, frequent obsolescence of technology, inadequate infrastructure and institutional framework. The role of professionals in facilitating the proper functioning and growth of the MSME sector is the need of the hour.

**Keywords: MSME, Economic, Self Reliant, GDP, Industrialisation.**

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<sup>1</sup> 3<sup>rd</sup> Year Student Of Indore Institute Of Law

<sup>2</sup> 3<sup>rd</sup> Year Student Of Indore Institute Of Law

## INTRODUCTION

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Micro, small and medium enterprises (MSME) are most flourishing and active sector of India, contributing around 40% of the GDP and elementary to the exports of the nation. MSME plays a crucial role in achieving the self-reliant vision as this sector are the root of India which showcase India's talent and culture. The enterprise is divided into three categories that effect from 1st July 2020, The first is micro enterprise whose investment in plants and machinery or equipment not more than Rs. 1 crore and annual turn over not exceeding more than Rs. 5 crore. Second is small enterprise whose investment in plant and machinery or equipment should not be more than Rs. 10 crore and annual turn over must not be more than Rs. 50 crore. Third is medium enterprises, whose investment in plants and machinery or plants should not be more than Rs.50 crore and annual turn over must not exceed more than Rs. 250 crore.

Due to their size, this sector has decisive advantages and do not require large investments. They have relatively high capital to labor ratios and require the shortest maturity period. They ensure a more equitable distribution of national income as this sector try to cover and focus on small markets. Furthermore, they use capital resources and skills to encourage industrial entrepreneurs to grow. India's MSME sector is very diverse in terms of scale, types of products and services, and technological level.

This is a large sector that contributes to the country's social and economic development. It has an extensive network of approximately 30 million units, generating approximately 70 billion jobs, and produce more than 6,000 products. And about 45% of industrial production and about 40% of exports, directly or indirectly, this sector is now becoming more and more important as the country moves towards faster and more inclusive growth.

As after the announcement of Aatmanirbhar Bharat or Self Reliant India vision" , one more Scheme that is " Vocal for local" was made to make India strong with its root . As this slogan " vocal for local " substantiate the MSME sector. As this will encourage people of nation to make things in India and will generate numerous amount of job opportunities. This guarantees the production of important domestic products and enterprises, which will make the country independent, because it is the second-largest sector in India after agriculture. There are currently 56 million companies in different economic sectors, employing nearly

124 million people. Of these companies, nearly 14% are women-run companies, and nearly 60% of the companies are in provincial-level regions. It accounted for 8% of India's GDP in and 45% of food transactions. The MSME area has been called the development engine of the country.

It is reported that small, medium and micro enterprises registered in India in the past 5 years accounted for 90.91 lakh (Student Company Secretary, 2020). According to the 2018-2019 and 2019- 20 annual reports of the Ministry of Small, Medium and Micro Enterprises, as of the end of May 2019, the number of small, medium and micro enterprises registered in the Udyog Aadhar Memorandum (UAM) amounted to 68.62 lakh, an increase of 84.82 Lakh rupees<sup>3</sup>. On January 15, 2020, this means that the industry has risen by 24.28%. According to the 2019 20 annual report of the MSME Department, most of the micro-enterprises, including 630.52 lakh (99.4%) enterprises, while 3.21 lakh (0.52 %) are small enterprises and 5000 (0.01%) are medium enterprises.

The results of this study are intended to provide a systematic overview of the contributions of the MSME sector to the overall regional, social and economic development of the country and the avenues available in which professionals such as accounted etc. can help the MSME sector to flourish for Self-Reliant India vision.

## **1.1 RESEARCH METHODOLOGY**

The study examines the MSME sector's significance in the Indian economy as well as the difficulties that Indian MSMEs confront. For the purposes of this study, only secondary data is considered. Secondary data is gathered through books, periodicals, journals, Government policies and the internet , along with the other sources.

## **1.2 RESEARCH OBJECTIVE**

- To understand the significance and performance of MSME.
- To understand the Contribution of MSME in Self Reliant India Vision.
- To know the present Challenges and Solutions Of MSME Sector.

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<sup>3</sup> Annual Report 2018-19, Ministry of MSME, Government of India, 2019

## **GROWTH OF MSME-**

MSME (Micro, Small, and Medium Enterprises) plays an important part in accelerating the growth of the Indian economy, providing approximately 30% of the country's total gross domestic product (GDP). <sup>4</sup>95% of industrial units and almost 50% of exports cover the MSME sector. Furthermore, The overall number of enterprises in the MSME sector was 46 million, with 106 million people employed. MSME employment currently accounts for 28% of total employment, making it the second-greatest source of employment. MSMEs are also equally distributed among the country's major states. MSMEs have a considerably greater labour-to-capital ratio and experience much faster growth than large enterprises. Most of Micro, Small, and Medium Enterprises operate within the food and agriculture sector while Medium Enterprises mostly serve the automotive, pharmaceutical, textile, and chemical industries.

## **MSMEs and Employment-**

MSME will play a critical role in creating job opportunities in our nation and ensuring our country's self-reliant mission. MSMEs not only serve a critical role in creating huge numbers of jobs at a lower cost of capital than large corporations, but they also aid in the industrialization of rural and underdeveloped areas.<sup>5</sup> According to data, the country has approximately six crore MSMEs. Currently, 2 crore units have not registered as MSMEs. This industry has employed 11.5 crore people till date. Government has also set a goal of creating 5 million new employment in the MSME sector.

## **Capitalism by different Groups-**

Despite Large Enterprises, MSME firms are owned by people from various cultural backgrounds, including members of the SC, ST, OBC, and other socioeconomic groups. According to the fourth India MSMEs Census, 7.83% of companies owned a scheduled caste operator, 5.76% longed to scheduled tribal businesses and 41.94% longed to other entrepreneurs.

## **Women Participation in MSME Sector**

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<sup>4</sup> (2019). GDP Growth (Annual %) - India | Data. The World Bank. Available from: <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=IN>. [Last accessed on 2020 Oct. 15].

<sup>5</sup> Syal, S., 2015. Role of MSMEs in the growth of Indian economy. *Global Journal of Commerce and Management Perspective*, 4(5), pp.40-43.

In recent decades, our traditional society have changed slowly, and Indian women are increasingly stepping forward to participate in the Working Sector. Although, women make up just 13.76% of all entrepreneurs in India. While the number of male entrepreneurs has surpassed 50 million, and the number of female entrepreneurs is estimated to be about 8 million.

Although, The number of female-owned and managed MSMEs has risen dramatically in recent years. According to the MSMEs Annual Report, the overall number of women-owned businesses grew from 10.64 lakh in 2001-02 to 20.21 lakh in 2006-07, nearly doubling.<sup>6</sup>

To increase women's participation in this burgeoning industry, the government has devised a number of schemes to assist women-led businesses. Among them are: Stree Shakti- Women Entrepreneurs, Dena Shakti, Mahila Udyam Nidhi etc.

### **Recent Developments in MSME Sector -**

There are about 6.3 crore MSMEs in India. The number of registered MSMEs increased by 18.5% year-on-year to 25.13 lakh (2.5 million) units in 2020, up from 21.21 lakh (2.1 million) units in 2019. Through national and international commerce, the Indian MSMEs sector contributes around 29 percent to the GDP.

Micro businesses will account for 22.06 lakh (2.2 million) units in 2020, up from 18.70 lakh (1.8 million) units in 2019, according to statistics given by the MSME Minister in the Rajya Sabha, while small enterprise units increased from 2.41 lakh (0.24 million) units to 2.95 lakh (0.29 million) units. During this time, the number of mid-sized enterprises rose from 9,403 to 10,981 units.

To guarantee that MSMEs continue to drive the country's economic progress, the Government of India has introduced numerous programs to promote the development of this sector on a regular basis. In light of the economic hardship caused by COVID-19, the government has launched a few initiatives under the Self-reliant India initiative. The criteria for classifying MSMEs have been revised accordingly. According to the revised criteria, the combined factors “investment in machinery and equipment” and “turnover” must be taken into account in order to determine whether a company is to be classified as a micro, small or medium-sized company. Previously, the categorization of an MSME unit was based only on

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<sup>6</sup> Ahmad, M.F. and Sanu, M.S., 2016. MSMEs and Inclusive Growth in India: Current Scenario and Future Prospective. *Intellection: A Bi-annual Interdisciplinary Research Journal*, 4(2), pp.86-98.

its investment in plant and machinery, as well as whether the company was in the manufacturing or service sectors.

During FY12, the Ministry of MSME and its agencies provided skill development programs for 478,000 persons to meet the overall goal set by the Prime Minister's National Council on Skill Development. During FY13, the Ministry intends to give training to 572,000 persons through its different programs aimed at developing self-employment and wage job possibilities in the country.<sup>7</sup>

The Indian government intends to double the country's economy to \$5 trillion in five years. Career possibilities for the young population have been created in order to attain this aim, and MSMEs have the potential to act as a significant job generator. As a result, the government has prioritized MSMEs for promotion in order to create new employment in the industry. In addition, the government wants to increase MSME exports and GDP contribution.

#### **BASIC FACTORS FOR MSME-**

- There are about 1 Cr MSME groups in India, and investments are more than 1 lakh Cr
- The MSME sector is tremendously growing from last few years.
- In present time approximately 11 Million MSME in India which produce over 8 thousand products.
- The industrial units in India, in which 90% of them are owned by MSME sector
- In India, 35% industrial exports belong to MSME sector.<sup>8</sup>

The above statistics contains growth chart of India's MSME, constituting the growth boosting of Countries economy.

Account show that 45% of manufacturing output, 40% of export, 95% of industrial unit, and they generate employment to 60 million people and make MSME the largest source of employment. So, does it play a vital role in Self-Reliant vision. <sup>9</sup>

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<sup>7</sup> Dey, S.K., 2014. MSMEs in India: it's growth and prospects. Abhinav National Monthly Refereed Journal of Research in Commerce & Management, 3(8), pp.26-33.

<sup>8</sup> Lewis, William, 2001. "Unlocking potential: remove barriers to India's growth," The Wall Street Journal, September 11.

An integrated strategic approach to the development of India’s micro, small and medium enterprises (MSME) is the most effective way to eliminate inequality and achieve more inclusive growth.

In India, MSME are divided into three types:

- i) micro-enterprises (rural and domestic industries),
- (ii) Small enterprises, and
- (iii) medium-sized enterprises. According to the 2006 law (MSME), micro, small and medium enterprises are classified

| Manufacturing sector |                                       | Service Sector |                                      |
|----------------------|---------------------------------------|----------------|--------------------------------------|
| Enterprise           | Investment in P&M                     | Enterprise     | Investment in equipment              |
| Micro                | Does not exceed Rs 25 lakh            | Micro          | Does not exceed Rs 10 lakh           |
| Small                | More than 25 lakh but Does not exceed | Small          | More than 2 lakh but Does not exceed |

|        |   |        |  |
|--------|---|--------|--|
|        | Rs 5 Crore  |        | Rs 2 Crore                                       |
| Medium | More than 5 crore but Does not exceed Rs 10 Crore | Medium | More than 2 crore but Does not exceed Rs 5 Crore |

**CAPITALIZATION OF MEME:**

Finance is the life jacket of any enterprise; India has one amongst the foremost intensive banking infrastructure in the world. An oversized no. of MSME's run solely on the promoters' investment that severely limits their growth. In India, the most popular mode of finance is either self and alternative private sources. However, now-a-days MSME’s have started trying beyond ancient loaning establishments like banks, state monetary institutions

<sup>9</sup> Ahluwalia, I.J., 1985. Industrial Growth in India: Stagnation Since the Mid- Sixties (London, Oxford University Press)

for supporting innovation and development of endogenously developed technologies. MSME have additionally started some initiate finance choices which include.

1. Factoring services: Combines sales-related financing, bad debt protection, debt collection and freight forwarding services to help companies negotiate contracts with local suppliers on an equal footing.
2. Microcredit: Outline of saving, credit and different financial services and product of a minimal amount to the poor in rural, semi urban and concrete areas.
3. Angel investors: Angel investors are usually high-level individuals, who themselves often cooperate with entrepreneurs to achieve success. They distribute their wealth to the next generation. They invest in startups with new ideas (not yet approved) and help bring these ideas to market. Take remarkable risks and invest a lot of time and energy in guidance, leadership and network. Angel investors also are out of consideration other than finance, such as belief in entrepreneurship itself. They have a limited time frame to ensure access to more institutional funds. Mainly it comes from venture capital. In India, seeds of institutional funds have also emerged in recent years, and they play the role of experienced angel investors. Where access to capital is a major issue in the early days, angel investors may be one of the most popular catalysts increasing the New Indian entrepreneurs projects in India.
4. Venture capital: Venture Capital Financing provides early stage financing to companies once they have advanced through the early stage and are reporting some returns. Investments in CV are customarily made in order to expand operations (i.e., develop, introduce and expand new products or services) take chance and invest more money than angel investors. However, a VC is around more than a finance-based added value, often in the form of financial advice, human resources, networking with customers and general guidance on corporate strategy. Venture capitalists also retain some degree of control over the decisions that govern the operation of the company (e.g., through board positions and legal agreements) and generally look for fixed time horizons for pre-determined exits, generally through a private Equity funds.
5. Private equity: Private equity (PE) are amongst the largest sources of funding for relatively safe companies with an established track record and require substantial resources to expand and grow. PE make equity investments in companies that are not yet listed on a stock exchange in exchange for equity participation and management. As such, they take relatively well-defined risks, and their exit strategy is usually at the stage where the company goes public or is bought at high value.



In recent years, India has increased with primary and secondary capital markets, venture capital, external commercial private equity loans, factoring services, and other forms of capital flows.

The Prime Minister’s Working Group was established in February 2010. Recommended incentives for small, medium and micro enterprises to accomplish India’s self-reliant vision.

- The loan requires micro-enterprises in the priority credit sector to reach the 60% target. The Committee also recommended that if banks cannot attract MSME, the deficit should be reduced to SIDBI in order to support MSME in one form or another.
- Interest of grant helps, MSME obtains the required loan at a better interest rate than the currently available.
- The swap will allow small, medium and micro enterprises to obtain shares or venture capital. The industry relies heavily on debt capital.

## **CHALLENGES AND SOLUTIONS OF MSME SECTOR**

It is obvious that our nation's growth depends substantially on micro, small and medium-sized companies (MSMEs), which provide a considerable contribution to the GDP by providing vast opportunities in all parts of India. Apparently, it is the sole sector which works with the government in developing the country's rural and underdeveloped areas.

Despite their enormous contributions, MSMEs were one of the most severely impacted sectors by the COVID-19 epidemic during this year. While the Government has put in place a number of economic funding measures, there are still certain loopholes that impede the sector from working properly. The following are some of the major challenges that MSMEs face –

### **1. Challenges related to finance –**

The lack of finance is one of the greatest issues facing MSMEs in India. Despite the fact that entrepreneurs are always creating new ideas and planning the development of their existing businesses, a substantial majority of them lack the financial understanding necessary to lead the company in the proper path. The preponderance of MSME proprietors come from education affected and poverty-stricken areas. So, Those Entrepreneurs who lack good financial understanding may be unable to make critical business decisions with MSME financing. This attitude leads individuals to make certain unworkable financial choices that lead to financial disasters. Due to a shortage of finance, most firms encounter issues with

production, timely raw material purchases, and even access to new technology or the acquisition of new skills.

However, significant attempts have been made to provide MSMEs solutions to these difficulties while the government is working to the latest developers and buyers of the "Bharat Craft" e-commerce platform also the owners of MSMEs should take time to learn about the newest government plans and policies.

## **2. Lack of access to capital and High-Cost Credit-**

Even though the government has adopted efforts to make credit for companies more freely available in order to encourage entrepreneurship, most firms continue to have difficulty getting money or obtaining an MSME loan. Another issue that plagues this industry is its difficulty to obtain enough and timely financing at a reasonable rate, and this is because the banks are highly vulnerable to this industry and the transaction costs for the loan assessment are also significant. And also the Banks are concerned about the ability of MSME owners to repay their loans

Although, a number of private and public sector institutions have stepped up to provide financial assistance to MSMEs. Most of them are also providing business loans to small, medium and micro-entrepreneurs.

## **3. Labor issues-**

Skilled workforce is the core of a leading organisation. One of the recurrent challenges that MSMEs confront is their failure to recruit and allocate qualified Human Resources to the growth goal. Larger businesses, such as Maruti, have also experienced labor issues in the past times. As a result, many MSMEs are grappling with issues of culture and size, as well as the inability to satisfy their labor expectations. Furthermore, the MSME sector's difficulties are exacerbated by the lack of a trained labor at an affordable price.

The focus on the development of skills can be of great assistance to the sector in crucial moments. For instance, a number of training programs offered at a variety of reputable

government institutions have been identified in the production line also The formation of organised trade unions will also aid in the protection of employees' rights.

#### **4. Technology Related Challenges-**

The MSME sector is well behind the pace whenever it comes to technology. The MSME sector in India requires up-to-date knowledge and is frequently uninformed of global technology advances. The lack of access to IT skills, technology, and knowledge is limiting the sector's growth. MSMEs must thus be made aware of the technical advances that are crucial to their company success. This is the most common problem in rural India, Because there the labor is not trained to operate modern machinery. As a result, they continue to use antiquated machinery and production processes. Hence, MSMEs must take this issue extremely seriously.

Meanwhile, significant attempts have been undertaken to offer MSMEs with solutions to these problems and the Government is prepared to build up an e-commerce platform called 'Bharat Craft' to directly interconnect producers and customers. The Indian government should also promote the development of IT centres in rural and undeveloped areas for owners of micro, small and medium -sized companies.

#### **5. Inadequate Infrastructure-**

The lack of quality credit infrastructure is another major constraint to the growth of MSMEs. The lack of appropriate infrastructure can cause major difficulties in the everyday business activities of an organisation. Poor infrastructure impacts companies at all levels and ends up dissuading healthy growth<sup>10</sup>. MSMEs' efficiency will be ensured by the availability of infrastructure and trained labor.

Basic infrastructure shortcomings, such as water, electricity, freeway, and telephone access, should be remedied first and foremost. In rural regions, it should be promoted on a subvention basis to use solar or renewable energy as an alternative source.

#### **6. Inadequate access to market -**

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<sup>10</sup> Ahluwalia, L.J., 1985. Industrial Growth in India: Stagnation Since the Mid- Sixties (London, Oxford University Press)

MSMEs in India have failed to get market access for a variety of reasons, including a lack of finance, insufficient use of marketing techniques, and so on. These firms become separated in a quasi environment, and they are unable to reduce inventory cost from large corporations while also failing to optimise the production chain. Although Indian small, medium, and micro companies may create a certain amount of goods, but their inability to access the global value chain, restricts their potential to raise income and begin a beneficial growth cycle.

For the seamless growth of MSME companies, the Government of India has established the Udyog Aadhar Memorandum. As a result, smaller companies have easier access to essential services such as, tax refunds, and low-interest loans etc. The government has also devised specific programs to assist small, medium, and micro businesses in marketing their goods and services. Despite its efforts, the Ministry of Small, Medium, and Micro Enterprises still has lot to do in terms of quality, public amenities, and consulting and business development services.

## CONCLUSION

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The role of MSME sector is significant in employment generation, rural industrialisation, women empowerment, maintenance of industrial activity, regional development compaction of social inequalities and also beneficial to national income. We can say that this is multi-feature tool to achieve “Self Reliant India” Vision . Although, this sector has tremendous potential to enlarge and develop to advent even more disadvantaged regions of Our Country. The policymakers of our country looked into these matters and launched programs like Self Reliant India, Make In India etc. We need the Self Reliant India vision in as the cost of Manufacturing Sector is very high, due to expensive fuel price. Fuel price is directly linked to manufacturing process as it increases the price of transportation of each item which results in high price. The prices at which we offer manufactured products are not competitive with the prices in the international market; As a result, our companies cannot compete with international market participants, and the availability of cheap imported goods also poses a challenge to the survival of national MSMEs.

Although small, medium and micro enterprises were of strategic importance in the overall strategy of industrialisation and job creation in, India's scale was small due to its reliance on large loans. The performance of developed economies and confidence index of the manufacturing sector and many other factors determine the fate of small sector in the country, as MSME’s form an integral part in Self-Reliant Vision of India

In addition to this, the industry is still lagging behind in a variety of respects: the Indian Government must refine its MSME policy to further develop its technological and manufacturing abilities on the other hand, young entrepreneurs need to work hard to improve their technical and production skills and learn new skills in order to achieve the Self Reliant India Vision. Recently, as part of the Aatmanirbhar Abhiyan, the Government of India announced an incentive package of three-lakh crore rupee-free collateral aid for MSME. However, offering a stimulus package may not be successful if sufficient changes are not done to address the pressing issues.

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