



## A REVIEW: MICRO SMALL AND MEDIUM ENTERPRISES (MSMES) AND ITS CONTRIBUTION TO SOCIO-ECONOMIC DEVELOPMENT

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### KEYWORDS :

#### INTRODUCTION

The Micro Small and Medium Enterprises (MSMEs) sector is a major contributor to the socio-economic development of the country. In India, the sector has gained significant importance due to its contribution to Gross Domestic Product (GDP) of the country and exports. The sector has also contributed immensely with respect to entrepreneurship development especially in semi-urban and rural areas of India.

According to the provisions of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two classes i.e., Manufacturing Enterprises and Service Enterprises.

#### Market Size:

India has approximately 6.3 crore MSMEs. As per data from the MSME Ministry, as of November 26, 2021, the Udyam Registration portal registered 5,767,734 MSMEs, replacing the former process of filing for an Udyog Aadhaar Memorandum (UAM). Registered micro-enterprises stood at 5,441,220 (94.34%), followed by small enterprises at 293,555 (5.09%) and mid-sized enterprises at 32,959 (0.57%). As of November 26, 2021, under the top five state-wise Udyam registrations, Maharashtra recorded maximum number of registrations with 12.18 lakh units, followed by Tamil Nadu (6.23), Gujarat (4.86), Rajasthan (4.68) and Uttar Pradesh (4.45). New online system of MSME/Udyam Registration launched by the Union MSME Ministry, w.e.f. July 01, 2020, successfully registered >5.7 million MSMEs until November 2021. The Indian MSMEs sector contributes about 29% towards the GDP through its national and international trade.

The BSE SME (small and medium enterprises) platform is expected to witness >60 SMEs to enter the market in one year (2021-22) to bring up equity funds for meeting their business requirements. The initial public offering (IPO) route witnessed 16 SMEs enter the market; they raised Rs. 100 crore (US\$ 13.74 million) in 2020. In June 2021, Bombay Stock Exchange (BSE) announced that it has collaborated with Electronics and Computer Software Export Promotion Council (ESC) to build awareness among small businesses and start-ups about advantages of listing.

MSMEs are being encouraged to market their products on the e-commerce site, especially through Government e-Marketplace (GeM), owned and run by the government, wherefrom Ministries and PSUs (public sector undertakings) source their procurement. As on November 26, 2021, the GeM portal has served 8.16 million orders worth Rs. 159,483 crore (US\$ 21.38 billion) from 3.1 million registered sellers and service providers for 55,929 buyer organizations. Domestic business requires a strong financial stimulus with concessional working capital loans to ensure adequate liquidity is maintained in business operations from the government and financial institutes.

Indian Micro, Small and Medium Enterprises (MSMEs) are rapidly adopting digital payments over cash, with 72% payments done through the digital mode compared with 28% cash transactions. Rise in digital adoption presents prospects for further growth in the sector.

#### Government Policies

The Government of India has designed various policies for the growth of MSMEs in the country.

In November 2021, the Indian government launched the Special Credit Linked Capital Subsidy Scheme (SCLCSS) for the services sector. This scheme will help enterprises in the services sector meet various technology requirements.

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

In September 2021, Union Minister for MSMEs, Mr. Narayan Rane introduced 'India Export Initiative' and 'IndiaXports 2021 Portal'. This initiative will help exports reach its Rs. 2,928,000 crore (US\$ 400 billion) target by the end of FY22 and further push it to Rs. 7,320,000 crore (US\$ 1 trillion) by FY27.

In September 2021, Khadi and Village Industries Commission (KVIC) established the first 'Silk Yarn Production Centre' in Odisha to boost the local silk industry and generate employment.

In September 2021, Union Minister for MSMEs, Mr. Narayan Rane inaugurated Rohtak Technology Centre, which is expected to train >8,400 trainees annually.

In September 2021, Khadi and Village Industries Commission (KVIC) launched SPIN (Strengthening the Potential of India) scheme and built a pottery cluster under SFURTI Scheme in Varanasi to support >1,100 individuals of the marginalized potters' community.

In July 2021, Lok Sabha passed a bill on 'Factoring Regulation (Amendment)' to expedite the payments ecosystem for MSMEs.

Budget allocation for MSMEs in FY22 more than doubled to Rs. 15,700 crore (US\$ 2.14 billion) vis-à-vis Rs. 7,572 crore (US\$ 1.03 billion) in FY21.

The government also announced Rs. 3 lakh crore (US\$ 40.85 billion) collateral-free automatic loans for businesses.

In Union Budget 2021, the government announced funds worth Rs. 10,000 crore (US\$ 1.36 billion) for 'Guarantee Emergency Credit Line' (GECL) facility to eligible MSME borrowers, giving a major boost to the sector.

No global tenders up to `200 crore

The government has amended the General Financial Rules 2017 to disallow global tenders in government procurement up to `200 crore, as announced in the Aatmanirbhar Bharat package. This bold step is expected to create more opportunities for domestic players and will allow the local industry to gain from this initiative.

Recently, in July 2020 the World Bank has allocated about `5,600 crore (\$750 million) emergency response funding to the MSME sector. This provides much-needed liquidity and supports the government's strategy of using NBFCs and small banks to channelize funds to the MSMEs.

#### Recent Developments:-

Vikas Vasal's important Report – (August 2020) on current global economic conditions.

In terms of exports, MSMEs are an integral part of the supply chain and contribute about 40% of the overall exports.

MSMEs also play an important role in employment generation, as they employ about 110 million people across the country. Micro, small and medium Enterprises (MSMEs) are the growth accelerators of the Indian economy, contributing about 30% of the country's gross domestic product (GDP). In terms of exports, they are an integral part of the supply chain and contribute about 40% of the overall exports. MSMEs also play an important role in employment generation, as they employ about 110 million people across the country. Interestingly, MSMEs are intertwined with the rural economy as well, as more than half of the MSMEs operate in rural India.

In November 2021, the Small Industries Development Bank of India (SIDBI) inked a pact with Google to pilot social impact lending with financial assistance up to Rs. 1 crore (US\$ 133,939.60) at subsidized interest rates to micro enterprises. To reinvigorate the Indian MSME sector, Google India Pvt. Ltd. GIPL, will bring a corpus of US\$ 15 million (~Rs. 110 crore) for micro enterprises as a crisis response related to COVID-19.

In November 2021, digital freight forwarder Freight Walla, launched a shipment tracking service for MSME exporters and importers based on predictive analytics to help businesses tackle risks associated with shipment delays and improve supply chain efficiency.

In November 2021, Cash invoice, a supply chain financing (SCF) platform, announced that it will aid MSMEs with over Rs. 10,000 crore (US\$ 1.33 billion) worth of financing in the year ahead, as it has raised Pre-Series A funding of US\$ 1 million from Accion Venture Lab.

In October 2021, Sundaram Finance and the MSME Development Institute (Chennai), provided marketing assistance to MSMEs. Entrepreneurial and managerial development of MSMEs will be done through an incubator scheme, that will give innovators opportunities to develop and nurture ideas to produce new products.

In September 2021, Aerospace Engineers Private Limited, a Tamil Nadu-based MSME, secured a contract from Boeing to produce and supply critical aviation components.

In September 2021, Walmart and Flipkart announced the completion of the first phase of training of >2,500 MSMEs under Vriddhi, the supplier development programme.

In September 2021, Flipkart introduced 'Flipkart Boost' to help digital-first consumer brands and empower MSMEs.

In September 2021, HDFC Bank collaborated with the National Small Industries Corporation (NSIC) to offer credit support to the micro, small and medium enterprise (MSME) sector.

In August 2021, the US Agency for International Development (USAID) and the US International Development Finance Corporation (DFC) collaborated with Kotak Mahindra Bank to support MSMEs.

In August 2021, Facebook India, in collaboration with INDIFI, announced 'Small Business Loans Initiative', a new programme to support small and medium businesses (SMBs) get quick access to credit via independent lending partners.

In August 2021, Indian Bank introduced 'MSME Prerana', an online business-mentoring programme for MSMEs in Odisha. In FY21, the state (Odisha) accounted for ~5% of the total MSME credit exposure of Indian Bank and recorded an increase of 39% YoY.

In July 2021, Amazon India announced to expand its existing nine fulfilment centers and launch additional 11 new centers. This expansion plan is expected to create direct and indirect job opportunities in India and further strengthen Amazon's foothold in the country.

In July 2021, Razorpay acquired TERA Finlabs, a provider of embedded financing solutions, to strengthen capabilities in data-driven risk management, capital solutions and credit underwriting to financially support MSMEs.

In July 2021, Amazon India introduced Digital Kendra in Surat—its

first brick and mortar resource center to assist 'kiranans' and small businesses to go digital.

In July 2021, the Federation of Indian Export Organizations (FIEO) signed a memorandum of understanding (MoU) with Aramex India, logistics services provider, to support MSME exporters in India.

#### Future Prospects Of Msme

1. Employment generation: There are large opportunities in the field of manufacturing and service rendering of MSME's. In the field of retail and manufacturing Sector, MSMEs are generating different and ample Amount of employment.
2. Focus on customer satisfaction: Primarily, MSMEs Manufacturing goods focus on test and preferences, Liking and disliking of the consumer. But now a day They produce goods according to the needs or Expectations of the customers. So the MSMEs can be More customer satisfaction oriented.
3. Minimization of regional imbalance: The MSMEs will Utilize the manpower of rural areas so such areas of the Nation can equally develop through the running of MSME units in rural areas. So this is helpful to minimize or remove the regional imbalance.
4. 4. Development of Export: In the international market, there will be a large demand of Indian product like wooden items, other handmade articles etc. So MSMEs have the potential to improve the export of India.
5. Attraction of Foreign Investment: The Indian MSMEs are the growing sectors and their growth rate and return on investment is satisfactory. This sector can attract foreign investment in India, so their growth rate increasing drastically.

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