



## MSMEs Shaping India's Future

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### Abstract

MSMEs nurture the spirit of entrepreneurship to help India realise the goal of Atmanirbhar Bharat. The correlation between the Indian economy and the MSME performance has never been more aligned. MSMEs are the growth drivers and play a critical role in the equitable socio-economic development of the nation. The sector also presents an opportunity to drive inclusive social growth for upliftment of the economically weaker sections of the society. Currently, MSMEs consists of over 6 crore units employing over 11 crore people contributing over 30% to GDP and over 49% of overall exports from India. Public Procurement Policy rests upon core principles of competitiveness, so as to adhere to sound procurement practices for supply of goods and services in accordance with a system which is fair, equitable, transparent, competitive and cost effective. A multi-pronged strategy is required for facilitating access to information, credit, technology & marketing. With the revision of the definition of MSME, service industries such as tourism, hospitality, etc have become the game changers in the states of North Eastern India and hilly regions. To make this sector highly competitive, efforts are underway to ensure 'access to capital' and 'access to technology' for MSMEs. India's transformation into a global powerhouse is an ongoing journey that requires capacity building, creation of infrastructure and jobs for inclusive growth and sustained development. The Government of India has introduced several forward looking policies and favorable schemes for the MSME sector. Setting up of the National SC/ST Hub has been such an initiative with an aim to develop a supportive ecosystem for SC/ST entrepreneurs. In order to ensure focused attention and development of MSMEs in North east region and to promote entrepreneurship, a special scheme- "promotion of MSME in North Eastern Region and Sikkim" with an aim to strengthen industries like tourism, horticulture, food processing, agriculture has been launched wherein the Government of India provides financial assistance to these states for four components viz, Establishment and up-gradation of mini technology centers, Development of Industrial Estate, Capacity building of officers engaged in promotion of MSMEs; and other activities regarding promotion of MSMEs. By strengthening the eco-system for inclusive growth, leveraging resources, profitability and sustainability, products produced by MSMEs cater to the day to day requirements of consumers which have paved the way for this sector to substantially contribute to the growth of the nation. In order to drive India's transformation of "Building Entrepreneurship as Mindset and Culture" several schemes have been launched by the Government of India, the response to this has been overwhelming. The recent initiative towards overhauling the MSME eco-system so as to create a more robust, efficient and productive sector would boost productivity and employment generation and foster further progress and higher contribution to the national GDP. The challenge ahead is to change the mindset of the youth to realise that entrepreneurship is not only sustainable for the economy but also a major means of self-employment. Undoubtedly, the MSME sector holds incredible promise and potential to make the people realize their dreams of becoming their own masters.

**Keywords:** MSMEs, Building Entrepreneurship, Inclusive growth, Self-employment

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### Introduction

A pertinent question which is discussed and debated in many forums is "Where will India be in two decades?". The answer involves making comparisons to other countries, based on income, growth, physical and social infrastructure, nature of governance and government. The cardinal question regarding India's future should move from 'what is India's true potential?' to 'How can India's true potential be unlocked?'

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MSMEs nurture the spirit of entrepreneurship to help India realise the goal of Atmanirbhar Bharat. The correlation between the Indian economy and the MSME performance has never been more aligned.

### MSME Schemes - Ministry of Micro, Small and Medium Enterprises

MSME stands for Micro, Small and Medium Enterprises. These industries or enterprises form the backbone of India's economy and need assistance and protection from other big companies as they lack resources and technology. To do this, the Government of India provides various schemes and rebates to these enterprises. Under the Atmanirbhar Bharat Abhiyan, the Government of India has revised the MSME classification by inserting composite criteria of both investment and annual turnover. Further, the distinction between the manufacturing and the services sectors under the MSME definition has been removed. This was done so as to create parity between the sectors. The following is the revised MSME classification, where the investment and annual turnover, both are to be considered for deciding an MSME.

### Revised MSME Classification

Table 1

Criteria	Micro	Small	Medium*
Investment	<Rs.1 crore	< Rs.10 crore	< Rs.50 crore
&	&	&	&
Annual Turnover	<Rs.5 crore	< Rs.50 crore	< Rs.250 crore

\* Further upward revision made by the government

The revision of MSME classification allows for further scaling of business and also increases healthy competition among businesses.

Across the world, Covid-19 had brought economic activity to nearly zero level. The restricted movement due to lockdown had a severe effect on all the sectors for the economy, especially manufacturing and certain service sector industries such as hospitality, travel, and entertainment. MSMEs were least prepared to deal with something so unexpected. The Government announced a series of measures for the revival of the economy, including the MSME sector which covers all the aspects of MSME ecosystem viz. credit related issues, marketing and delayed payments, and access to technology.

### India is at a turning point

MSMEs are the growth drivers and play a critical role in the equitable socio-economic development of the nation. The contributions of the sector are essential for fulfilling the vision of Aatmanirbhar Bharat. i.e. creating an economically self-reliant nation. The sector also presents an opportunity to drive inclusive social growth for upliftment of economically weaker sections of the society. MSMEs help nurture the entrepreneurial spirit of the nation. thereby achieving its vision of being a self-reliant economy in the near future. Currently, it consists of over 6 crore units employing over 11 crore people contributing over 30% to GDP and over 49% of overall exports from India. To realize growth perspective for all, the Government of India has established public procurement policy which mandates that 25% of total procurement of good and service by Central Ministries and CPSEs shall be made from MSEs. Out of which 4% shall be made from MSEs owned by SC/ST entrepreneurs. Public Procurement Policy rests upon core principles of

competitiveness, so as to adhere to sound procurement practices for supply of goods and services in accordance with a system which is fair, equitable, transparent, competitive and cost effective.

To expedite achievement of the target, the government has initiated the launch of National SC-ST Hub (NSSH) with an aim not only to increase market access and ensure higher participation of SC/ST entrepreneurs in public procurement but also promote creation of new enterprises which is being implemented through the National Small Industries Corporation Limited (NSIC). Through NSSH, the M/o MSME aims to empower the marginalized section of the society and to main stream their economic activities. The NSSH initiatives are meant to facilitate an inclusive growth of the MSME sector. The response to the various initiatives taken up by the Government has been overwhelming. Recent initiative towards overhauling the MSME ecosystem to create a more robust, efficient, and productive sector are widely expected to foster further progress. The correct mix of legislative changes in terms of launching new policies and revamping existing ones backed by responsible action will aid in increasing avenues of employment generation and higher contribution to the national GDP.

### Schemes and Programmes under MSME

Several schemes which provide capital subsidies and credit facilities for capacity building of the MSMEs are as under:

- **Prime Minister's Employment Generation Programme (PMEGP):** A credit – linked capital Subsidy scheme offering financial assistance of upto RS. 25 lakh for manufacturing and RS. 10 lakh for service sector respectively.
- **Credit Guarantee Fund Trust for Micro and Small Enterprises:** The Scheme has been instrumental in facilitating flow of collateral free credit to units in Micro and Small Enterprise sector.
- **A Scheme for promoting Innovation and Rural Entrepreneurship (ASPIRE):** The Scheme comprises of Livelihood Business incubators, Technology Business incubators and Fund of Funds where assistance is provided both through technology training and funding.
- **Scheme of fund for Regeneration of Traditional Industries (SFURTI):** The scheme offers funding support to traditional Industries & artisan clusters to make them competitive.
- **MSE Cluster Development Programme (MSE-CDP):** The scheme supports creation of common facilities centers to address common issues.
- **Technology Centre Tool Room:** The programme gives MSMEs access to state of the art manufacturing technologies, and the relevant training. The Technology Centres have contributed to the Mars Orbiter Mission as well as the Tejas Aircraft.
- **Coir Vikas Yojana:** It promotes products such as coir mats, mattresses, furniture, coir-pith, geo-textile related products.
- **With the help of KVIC and NSIS:** Many young entrepreneurs are able to start economic activity and are able to derive benefits out of these schemes .

### Some of the path breaking reforms introduced by MOMSME are

- **Revision of MSME definition:** In line with Government of India's top focus on energizing MSMEs in the

country, Government approved the upward revision of MSME definition on 1<sup>st</sup> July 2020 under the Aatmanirbhar Bharat Package – the Government revised the MSME classification by inserting composite criteria of both investment and annual turnover.

- **Emergency Credit Line Guarantee Scheme (ECLGS):** This scheme provides for Rs. 3 lakh crore comprehensive package known as the Emergency credit line guarantee scheme (ECLGS), this package is in aid of Micro, Small and Medium Enterprises (MSMEs) sector, addressing working capital needs, operational liabilities and restart of businesses impacted due to the COVID-19 crisis.
- **Self-Reliant India (SRI) Fund:** The scheme is expected to facilitate equity financing of Rs.50,000 crore in the MSME sector. The infusion of equity will provide an opportunity to get MSMEs listed in stock exchanges. Further it will also facilitate MSMEs to scale – up their business & growth and will help creating more jobs in the MSME sector.
- **Inclusive of retail and wholesale traders as MSMEs:** The Inclusion of retail and wholesale traders as micro, small and medium enterprises (MAMEs) will help in the formalization of India's retail trade and enable financial support to small and mid- sized retail businesses. It will give retail MSMEs the support they need to survive, revive and thrive.
- **Special Credit Linked Capital Subsidy Scheme (SCMCSS) for SC/ST MSEs:** SCLCS scheme for SC/ST MSEs of manufacturing sector also made applicable for service sector for capacity building and creation of new enterprises.
- **Udyam Registration:** Udyam is an online and simplified procurement of filling of registration which enable MSMEs to obtain registration without any documentation and fees. It is a globally benchmarked process and a revolutionary step towards Ease of doing Business. Ministry of MSME has also commenced API integration of Udyam Registration portal with GeM so that MSEs can participate in Government procurement easily.
- **Champion's portal:** CHAMPIONS is an online platform to help and hand hold the MSMEs specially in this difficult time of the Pandemic. It is an ICT based technology system aimed at marketing the smaller units big by solving their grievances, encouraging, supporting, helping and handholding throughout the business lifecycle. The platform facilities a single window solution for all needs of MSMEs.

The above reforms and schemes would lead to higher productivity and generation of employment opportunities to large number of individuals and boost the economic health of the Nation. Stagflation is defined as a situation with persistent high inflation combined with high unemployment and stagnant demand in a country's economy. The Indian economy is facing stagflation. 15 years ago, inflation was even higher, close to 10%, but there was one big difference. "At that time, India's real growth was close to 9%... so, even with the inflation, the average household was becoming better off per capita by 7 or 8%." What makes the current situation so grim is that the near 5% inflation is occurring over a fall in real per capita income over the last two years. Since this is a stagflation situation, the big task is to create

jobs and help small business while at the same time increasing output. According to the MSME players, anti-dumping duties and quality control measures have resulted in domestic players raising the prices. Apart from lower margins, MSMEs have to content with the absence of adequate bank credit. "The Emergency Credit Line Guarantee Scheme" has been a huge support for small businesses. However, the reluctance of the banks to lend to the new units, payment delays as well as recognizing an account by the banks as a NPA (Non-Performing Assets) which takes over 90 days further adds to the concern of the MSMEs. The Trade Receivable Discounting System (TReDS) have not yielded the desired results or the solution to the payment problems, as some of the biggest names in India Inc. have either not registered on the platform or do not use it.

### The Way Ahead.

- A multi- pronged strategy is required for facilitating access to information, credit, technology & marketing. With the revision of the definition of MSME, service industries such as tourism, hospitality, etc. can become game changers in the states of North Eastern India and hilly regions. Attempts are being made to bring tiny and micro units under the formal system of credit to further push this sector to achieve its full potential. To make this sector highly competitive, efforts are underway to ensure 'access to capital' and 'access to technology' for MSMEs.
- In order to make the easy financing to MSME sector, the Credit Guarantee Scheme (CGS) has been launched to strengthen credit delivery system and facilitate the flow of credit to the MSME sector without the hassles of collateral and third- party guarantee. The scheme is being implemented through credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). Under the scheme, credit guarantee is given to the Member Lending Institutions (MLIs) for loans up to Rs. 200 lakh granted to MSE without collateral and third- party guarantee.
- The Government of India, has taken several measures and is working, in close coordination with several stakeholders to provide an enabling environment for promoting entrepreneurship, inclusive growth and sustainable development.
- The two broad objectives viz., creation of employment in the MSME sector and promotion of GDP growth supplement each other. Prime Minister Employment Generation Programme (PMEGP) is a major credit-linked subsidy programme aimed at generating self-employment opportunities through established of micro- enterprises in the non-farm sector by helping traditional artisans, unemployed and youth.
- MSMEs are reeling under pressure due to a lot of outstanding payment from public sector undertakings. In order to clear the payment to MSMEs by PSUs, various steps have been undertaken. The Ministry of MSME has launched SAMADHAAN portal for monitoring of the outstanding due to the MSMEs from the buyers of goods and services. The portal gives information about individual CPSEs / Central Ministries, State government etc. and other buyers regarding the payment pending with them in respect of the MSMEs. The said portal also facilities MSMEs to file their delayed payment related

complaints online. The Government of India has also instructed CPSEs and all companies with the turnover of Rs.500 crore more to get themselves on-boarded on the Trade Receivable Discounting System (TReDS), an electrical platform for facilitating the discounting of trade receivables of MSMEs through multiple financiers.

- MSMEs have to be competitive in order to survive and sustain in the highly competitive market, not just internationally but also domestically. The Credit Linked Capital Subsidy Scheme has done well by providing capital subsidy to more than 87,000 MSMEs. The Technology Centers are also playing an important role in this direction. The creation of Common facility centers and common infrastructure provides the MSMEs access to improvised and modern technology with relatively lower cost. A similar scheme viz, SFURTI is for the rural and traditional industries. One of the essential conditions for bringing micro and small sector under the ambit of formal lending is creation of a unified database. Udyam Registration, started by the Ministry of Micro, Medium and Small Enterprises in July 2020, is crucial in this regard.

India's transformation into a global powerhouse is an ongoing journey that requires capacity building, creation of infrastructure and jobs for inclusive growth and sustained development.

The Government of India has introduced several forward looking policies and favorable schemes for the MSME sector. Setting up of the National SC/ST Hub has been such an initiative with an aim to develop a supportive ecosystem for SC/ST entrepreneurs. To ensure focused attention and development of MSMEs in North east region and to promote entrepreneurship, the Ministry of MSME has launched a special scheme- "promotion of MSME in North Eastern Region and Sikkim" with an aim to strengthen industries like tourism, horticulture, food processing, agriculture. Under the scheme, Government of India provides financial assistance to states for four components viz, Establishment and up gradation of mini technology centers, Development of Industrial Estate, Capacity building of officers engaged in promotion of MSMEs; and other activities regarding promotion of MSMEs in NE Region. To enhance and strengthen the domestic manufacturing sector the GOI has introduced production- Linked Incentive (PLI) scheme to boost domestic manufacturing capabilities in key sectors of the Indian economy, MSME industries such as tourism and hospitality can play a pivotal role in the economic development and growth of the north-eastern and hilly parts of the country. Over the years the MSME sector is becoming more competitive, so to boost its productivity, it is imperative to provide access to capital and technology at affordable prices. Over the last two years, numerous significant steps have been taken by the Government in this regard. Enhanced competitiveness, technology up-gradation, skill development and improved infrastructure are some of the levers used by M/o MSME to attain this.

### Conclusion

The Ministry of MSME has been contributing substantially towards policies and reforms for the MSME sector by working in close coordination with the State Governments and local agencies- by strengthening the eco-system for inclusive growth, leveraging resources, profitability and

sustainability. To realize the vision whereby products produced by MSMEs cater to the day to day requirements of consumers have paved the way for this sector to substantially contribute to the growth of the nation. In order to drive the India's transformation of "Building Entrepreneurship as Mindset and Culture" the MoMSME has played a critical role. The response to the various schemes taken by the Government of India has been overwhelming. The recent initiative towards overhauling the MSME eco-system so as to create a more robust, efficient and productive sector would boost productivity and employment generation and foster further progress and higher contribution to the national GDP. The challenge ahead is to change the mindset of the youth to realize that entrepreneurship is not only sustainable for the economy but also a major means of self-employment. Undoubtedly, the MSME sector holds incredible promise and potential to make the people realize their dreams of becoming their own masters.

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None

### Declaration of Competing Interest

None

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