

Msmes: Changing Perspectives for Indian Economy

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Abstract:

MSMEs promote inclusiveness in the country by facilitating the entry of aspiring entrepreneurs in various sectors. They promote healthy competitiveness among entrepreneurs, which fuels industrial growth. The micro small and medium enterprises (MSMEs) have been accepted as the engine of economic growth and for promoting equitable development. The labour intensity of the MSME sector is much higher than that of the large enterprises. The MSMEs constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. This paper enlightens the growth of MSMEs and outlining the opportunities available for the MSMEs in India.

Keywords: Micro, small & medium enterprises (MSME), Economic Growth, Employment Generation, Skill India.

INTRODUCTION:

Micro, Small and Medium Enterprises (MSME) sector have been playing a momentous role in overall development of the economy of a country. MSMEs are Micro, Small, and Medium Enterprises that are usually involved in the manufacture and production of goods and commodities. MSMEs are crucial to a country's economic and social development. They provide ample job opportunities, bring innovation, foster innovation, and promote exports in India. MSMEs can benefit from multiple schemes, trust funds, and programmes launched by the government in India. This has been considered as the dynamic and vibrant sector of Indian economy as it provides large number of employment to rural as well as urban segment (Meganathan, Kumar & Saravanan, 2015). The MSME sector is not an industry as defined by the government; all MSMEs should be looked upon as enterprises, and the people conducting the businesses as entrepreneurs. There is no doubt that the government has taken various steps for pushing the private sector MSMEs for generating employment in the country, fast tracking various projects involving substantial investment and increasing public expenditure on schemes. 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 programs. 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. There are huge opportunities for the MSMEs to grow as ancillary industries to unleash greater industrial growth. 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.

India is the fourth largest economy in the world (in terms of PPP mode, and the second largest in developing Asia) which accounts for 22% of GDP, 33.8% population and 32.5% of the potential workforce in developing Asia. The incidence of growth is evident from the increased investment in infrastructure, abundant job opportunities, emergence of a robust private sector with small and big companies/corporate houses and high rise in consumerism. 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. In India, MSMEs contribute nearly 8% of the country's GDP, around 45% of the manufacturing output, and approximately 40% of the country's exports. It won't be wrong to refer them as the 'Backbone of the country'. The Government of India has introduced MSME or Micro, Small, and Medium Enterprises in agreement with Micro, Small and Medium Enterprises Development (MSMED) Act of 2006. These enterprises primarily engaged in the production, manufacturing, processing, or preservation of goods and commodities. MSMEs are an important sector for the Indian economy and have contributed immensely to the country's socio-economic development. It not only generates employment opportunities but also works hand-in-hand towards the development of the nation's backward and rural areas. According to the annual report by the Government (2018-19), there are around 6,08,41,245 MSMEs in India.

MSMEs Redefined

A proposal was made to redefine MSMEs by the Micro, Small and Medium Enterprises Development (Amendment) Bill, 2018, to classify them as manufacturing or service-providing enterprises, based on their annual turnover.

Classification of enterprises into micro, small and medium enterprises (in Rs)

Kind of enterprise	Act of 2006		Bill of 2018
	Manufacturing	Services	All enterprises
	Investment towards plant & machinery	Investment towards equipment	Annual Turnover
Micro	25 lacs	10 lacs	5 Cr
Small	25 lacs to 5 Cr	10 lacs to 2 Cr	5 Cr to 75 Cr
Medium	5 Cr to 10 Cr	2 Cr to 5 Cr	75 Cr to 250 Cr

Benefits of the above-proposed reclassification

According to the proposed reclassification or the new classification, there would be no need for frequent inspections to check the investment in plant and machinery. Also, the operations of MSMEs would be transparent, non-discriminatory, and objective in nature.

MSME Mission and Objective

Encourage the establishment and development of small and medium-sized businesses and the khadi, village, and coir industries to establish new businesses and increase employment possibilities. To support MSMEs and help them scale up, this Ministry now sets policies, promotes/facilitates programs, projects, and schemes, and supervises their execution

Highlights of new MSMEs

‘Atma Nirbhar Bharat Abhiyan’ or the Self-Reliant India Scheme of 2020 by the Government of India has given a new definition for MSMEs.

Following are a few highlighting features of new MSMEs –

1. A provision of Collateral Free Loans to MSMEs
2. An arrangement of loans to MSMEs worth of Rs. 3 lac crores
3. An offer for MSMEs to get a Moratorium period of 12 months
4. Consideration of Manufacturing and Service MSMEs as the same entities
5. MSM is a granted a repayment Tenure of 48 months
6. MSMEs are assured a 100% Credit Guarantee
7. Reclassification of MSMEs will benefit approximately 45 Lac units.
8. Procurement by large Indian and foreign corporate across industry sectors from MSMEs.
9. Promote an ecosystem, provide incentives for investments and support efforts by large corporate in vendor development for MSME segment particularly adapting to research and development, innovation and global technologies.
10. **Indigenization**
Incentivize any investments and outputs by large players and their MSME vendors to indigenize and/or enable import substitution particularly adapting to research and development, innovation and global technologies.
11. **Traditional and heritage industries**
Incentivize and support any stakeholder that invests in development, growth and opening global markets for India’s traditional and heritage industries for goods, services and agricultural and natural medicines and therapy related products and services.
12. **Infrastructure**
National, regional and sector specific clusters and business centers for MSME in PPP model for state of the art infrastructure comprising physical infra, knowledge infra, e-platforms, B2B access and technology and innovation support for MSME.
13. **Regulatory**
One “all India all-purpose” enactment as MSME regulation to be adopted by all stakeholders in MSME system with one window and one annual return compliance filing coupled with significant direct tax incentives and indirect tax exemptions.
14. **Funding**
Open environment and incentives for investments by HNWI and funds into MSME business as well incentivize debt funding in MSME segment. Develop MSME equity exchange and “two chance” approach for entrepreneurs, and fast close winding up where necessary.
15. **Performance incentives**
Direct incentives in form for direct taxes rebates and set offs, weighted deductions and reliefs in indirect taxes combined with low cost funding and credit access for stakeholders in MSME eco system who make investments in desired areas and achievement of desired growth results in developing MSME funding and infrastructure skills, technology, innovation, global market access, indigenization, public procurement and vendor development, traditional and heritage industry developments.

16. Skill India

Rewarding MSME for initiatives towards skill development and employment generation, particularly for women and special classes, by way of direct incentives, weighted deductions and reliefs in indirect taxes combined with low cost funding and credit access for stakeholders.



Features of MSMEs

Following are some of the essential elements of MSMEs –

1. MSMEs work for the welfare of the workers and artisans. They help them by giving employment and by providing loans and other services.
2. MSMEs provide credit limit or funding support to banks.
3. They promote the development of entrepreneurship as well as up-gradation of skills by launching specialized training centers for the same.
4. They support the up-grading of developmental technology, infrastructure development, and the modernization of the sector as a whole
5. MSMEs are known to provide reasonable assistance for improved access to the domestic as well as export markets.
6. They also offer modern testing facilities and quality certification services.
7. Following the recent trends, MSMEs now support product development, design innovation, intervention, and packaging.

Role of MSMEs in Indian Economy

Since its formation, the MSME segment has proven to be a highly dynamic Indian economy sector. MSMEs produce and manufacture a variety of products for both domestic as well as international markets. They have helped promote the growth and development of khadi, village, and coir industries. They have collaborated and worked with the concerned ministries, state governments, and stakeholders towards the upbringing of rural areas.

MSMEs have played an essential role in providing employment opportunities in rural areas. They

have helped in the industrialization of these areas with a low capital cost compared to the large industries. Acting as a complementary unit to large sectors, the MSME sector has enormously contributed to its socio-economic development.

MSMEs also contribute and play an essential role in the country's development in different areas like the requirement of low investment, flexibility in operations, mobility through the locations, low rate of imports, and a high contribution to domestic production.

With the capability and capacity to develop appropriate local technology, provide fierce competition in domestic and international markets, technology-savvy industries, a contribution towards creating defense materials, and generating new entrepreneurs by providing knowledge, training, and skill up-gradation through specialized training centers.

The below-mentioned data, represented in a tabular format, is by the Central Statistics Office (CSO) and Ministry of Statistics & Program Implementation.

Contribution of MSMEs in Country's Economy at Current Price

Year	MSME-Addition of Gross Value	Growth (%)	Total Addition of Gross Value	Share of MSME in GVA (%)	Total GDP	Share of MSME in GDP (in %)
2011-12	2622574	—	8106946	32.35	8736329	30
2012-13	3020528	15.17	9202692	32.82	9944013	30.40
2013-14	3389922	12.23	10363153	32.71	11233522	30.20
2014-15	3704956	9.29	11504279	32.21	12467959	29.70
2015-16	4025595	8.65	12566646	32.03	13764037	29.20
2016-17	4405753	9.44	13841591	31.83	15253714	28.90

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

Importance of MSMEs for the Indian Economy

Across the globe, MSMEs are accepted as a means of economic growth and for promoting equitable development. They are known to generate the highest rate of growth in the economy. MSMEs have driven India to new heights through requirements of low investment, flexible operations, and the capacity to develop appropriate native technology.

1. MSMEs employ around 120 million persons, becoming the second-largest employment generating sector after agriculture.
2. With approximately 45 lac units throughout the country, it contributes about 6.11% of GDP from manufacturing and 24.63% of the GDP from service activities.
3. MSME ministry targets to increase its contribution towards GDP by up to 50% by 2025 as India moves ahead to become a \$5 trillion economy
4. Contributing around 45% of overall Indian exports
5. MSMEs promote all-inclusive growth by providing employment opportunities, especially to people belonging to weaker sections of the society in rural areas.
6. MSMEs in tier-2 and tier-3 cities help in creating opportunities for people to use banking

services and products, which can amount to the final inclusion of the contribution of MSMEs for the economy.

7. MSMEs promote innovation by providing an opportunity to budding entrepreneurs to help them build creative products and thereby boost competition in business and fuel the growth.

The Indian MSME sector provides silent support to the national economy and acts as a defense against global economic shock and adversities. Hence, we can say that India is propelling towards a robust global economy through a silent revolution powered by MSMEs.

Changing Perspectives of MSMEs in India:

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.

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 (MSEs). This paper highlights on the changing role of MSEs in the development process and the access of MSEs to informal and formal finance, including the role of microfinance. **Nanda, Ramana & William R. Kerr (2009)** have expressed the view that financing constraints are one of the biggest concerns impacting potential entrepreneurs around the world.

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, Vasanth, 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.

According to Business Line (2022) In order to reap intended benefits of the new policy, the government can focus on the following issues:

- **Ease of doing business:** MSMEs should have better access to efficient factors of production through industry-friendly labour reforms, proper land acquisition policy, free access to capital, vibrant entrepreneurship culture, modern technology, enabling infrastructure, and simplified tax policy.
- **Export of services:** The world is moving towards a clean, green, and lean corporate regime to achieve the triple bottom line – Planet, People, and Profits. Since India has a comparative advantage in services sector, entrepreneurs of MSMEs may be re-oriented in this direction to enhance export of services by capitalising on the revised definition..

- **Promoting start-ups:** According to Nasscom, India has 66 unicorns till date and is still counting. With a market capitalisation of \$18 billion, Byju's has become the largest and most valuable Edu-tech company in the world. Similarly other decacorns namely Paytm, and Flipkart have market capitalisation of over \$10 billion mainly due to burgeoning domestic market, massive funding opportunities, and evolving technology. As such, MSMEs with innovative ideas should be nurtured with right incentives and be freed from the bureaucratic maze.
- **Market linkages:** The Covid-19 crisis should be converted into an opportunity by going digital. There should be a virtual platform exhibiting crafts, handlooms and frugal innovations of MSMEs, to reach out to the broader national and international markets thereby enhancing their revenue. As most of the MSMEs don't have adequate market linkages and branding for their products/services, the government may promote (RURBAN) clusters thereby building synergy and sustainable value chains in the ecosystem.
- **Emulating best practices:** Turkey has introduced 'TURQUALITY', a state sponsored scale up programme meant for SMEs to transform themselves into global players. Another such initiative is 'Growth Driver Programme' of Business Development Bank of Canada to provide multi-disciplinary support system in terms of enterprise growth and job creation in SMEs.
- **Financial literacy and education:** MSMEs should be imparted with financial/digital education to make use of digital channels including TReDS platform for speedy realisation of their receivables. Also, MSMEs should be trained to utilise the services of SME stock exchange in order to mobilise risk capital for growth plans.

Issues and Challenges of the MSME Sector

Peter (1996) examined the performance of small-scale industries (SSIs) by drawing a sample of 543 SSIs in Jammu and Kashmir established under 14 District Industries Centres (DICs) situated in different districts and supporting agencies and institutions. The study attributed prevalence of sickness among SSI units to lack of coordination, inadequate technical support to the entrepreneurs, delay in payment of bills, low recovery of bank funds, innumerable laws etc.

Manickavel (1996) identified 849 listed problems over the life cycle i.e. marketing, managerial and financial on a sample of 364 SSI units from Kamarajar District of Tamil Nadu. The study indicated significant dominance by marketing and financial problems in the formation stage and relative prevalence of managerial problems throughout the life cycle.

Satyanarayan and Misra (2001) identified chronic sickness among SSIs due to inadequate application of internal management techniques about marketing, organizing, management, financial control, and changes in decision making. The study stressed upon the effectiveness of works management, receivable management for seeking adequate control on cash flow pipeline and above all ensuring reliable scientific planning for the prevention of sickness.

Morris, et al. (2001) argued that the organizational structure of Indian banks and their processes have taken them far from task orientation and also have created a specific bias against small loan portfolios for the MSME sector.

Reddy (2003) evaluated the entrepreneurial process and identified problems of poverty, low capital base, insufficient base security needed for securing financial assistance from development agencies, complex administrative procedures, lack of awareness about government schemes, non-cooperation by officers, low repayment of borrowed in three regions of Andhra Pradesh.

Banerjee (2005) examined that the small firms suffered from poor managerial know how, poor access to rich factors and poor governance. This has resulted in decreasing their competitiveness. These firms, however, needs cooperation with each other and enjoy privileged access to information about other firms.

Maes and Basu (2005) examined that Trickle Up Programme (TUP) is a US-based organization engaged in microenterprise development for very poor households in 14 core countries, including India. TUP employs a seed capital grant strategy to facilitate its clients' movement from absolute poverty toward economic self-reliance.

Das (2005) analyzed the important issues that determine the performance and growth of industrial clusters of India. The study considered industrial clustering helps this segment to survive, compete and grow. The study identified some issues such as existing and potential market; nature of informality and macro policy environment.

Kumar (2005) discussed on various issues relating to background for the SSI industry and taking shape of clusters that is relevant to understand the concept behind successful industry clusters in India. Besides, key concerns and probable initiatives for combating these problems are also addressed in his study.

Das (2008) made a critical review on the performance and policy concerning of the MSMEs in India since the early 1990s. The study concluded that lack of awareness on the part of small entrepreneurs and stiff Government policies are held responsible for poor performance of this sector.

Upadhyay and Jahanyan (2011) investigated the factors distressing accomplishment across the stages of ERP implementations based on 98 MSMEs engaged in manufacturing activities. The minimum number of factors explaining the maximum variance in data is determined using confirmatory factor analysis (CFA).

Ramarao (2012) expressed that India is a transition economy moving away from agriculture to service as a major contributor to GDP. The path of moving gradually from agriculture to industry to services is a proven path for economic transition from developing to a developed country. Moving from agriculture, at the bottom of value chain, directly to services at the top will have its complications.

Chaudhary and Ahalawat (2014) examined financing problems of the SMEs in a study titled Credit Flow of SMEs in India'. The study also highlighted on SMEs and its various socio- economic contributions like employment generation, fostering new entrepreneurship, providing volume to the industry base and contribution to national output and exports of our country.

Jaiswal, J. (2014) formulated an outline for raising the awareness connected to environmental, social, resources and energy issues. It also provides them support to availing facilities from the legislation and encourages enhancing their environmental and energy performance by elevating their skills, qualifications and training.

Dubal, Jahnvi K. (2015) in his paper on Financing of SME Firms in India identified major issues in the financing of SMEs in the Indian context. The study stressed on formalities that maintained by the banking authorities to create problems of these enterprises regarding procurement of funds and information asymmetry.

Tripathi, et al (2016) focused on major obstacles to the growth of the vital Indian MSME sector which is lack of adequate access to finance. The study examined the major issues in the financing of MSMEs in the Indian context, such as the information asymmetry facing banks and the efficacy of measures such as credit flow for MSMEs.

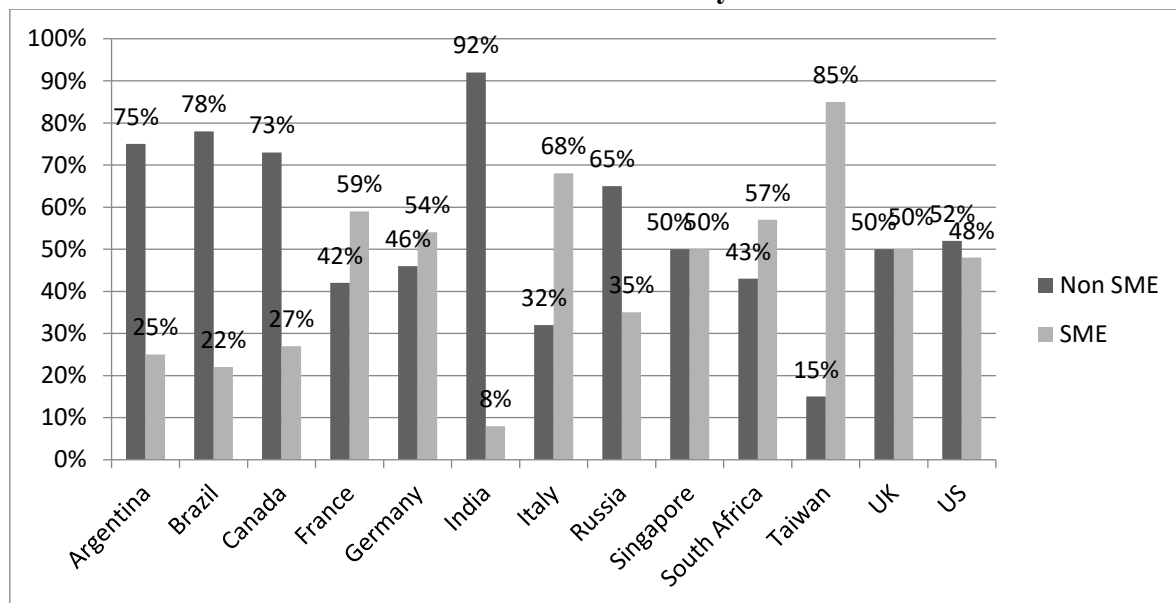
INDIA GROWTH OPPORTUNITY FOR MSME

Share of MSME in the economy

There are approximately 46 million Micro, Small and Medium Enterprise sector enterprises across various industries, employing 106 million peoples. Overall, the MSME sector accounts for 45 percent of Indian industrial output and 40 percent of exports. While most of the sector is un-organised (approximately 94 per cent), informal and un-registered, initiatives to have more enterprises registered are well underway. The contribution of MSME segment to the GDP in some of the global economies is in the 25-60 per cent range. MSME in India has the potential to increase the share of contribution to GDP from the current 8 per cent to about 15 per cent by the year 2020.

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. It has also come up with helpful schemes that will help the growth and expansion of all MSMEs. Such initiatives will in turn help the entire sector and encourage people to believe and thrive in this sector! More power to the MSMEs.

Global GDP contribution by MSMEs

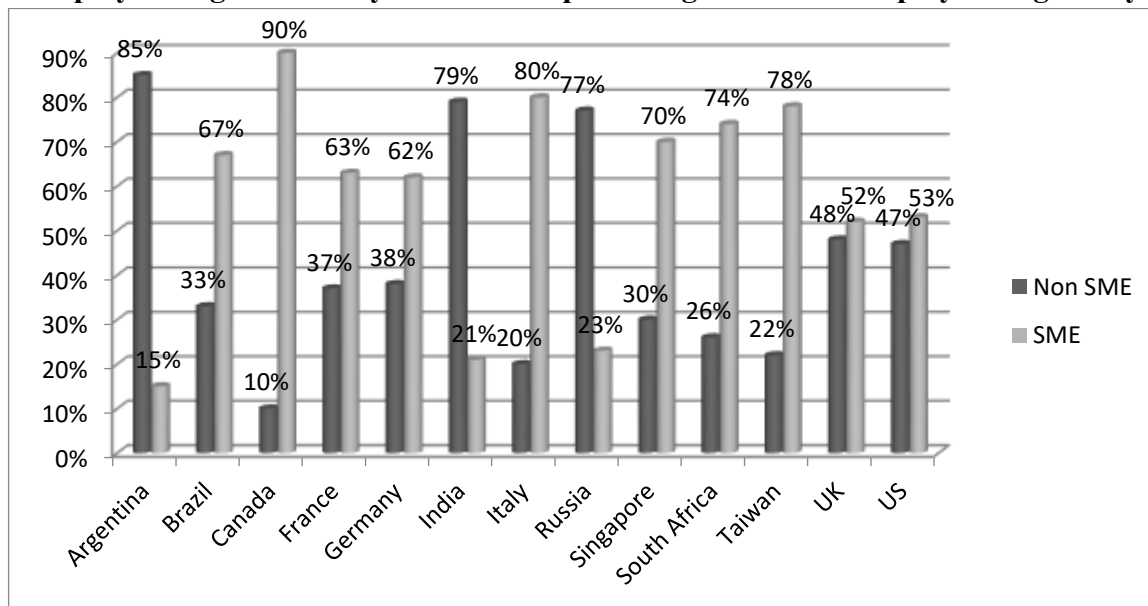


Source: Country Specific MSME Reports, KPMG Data & Estimates

Employment opportunities

With the increase in MSME contribution to the GDP, there is a potential to increase its contribution to employment to over 50 per cent over the next decade. It is also vital for the informal MSMEs who are currently not registered need to be made part of the formal MSMEs eco system. Growth incentives in the form of privileges and direct benefits for the MSMEs will encourage registration and participation in the growth opportunity. Typically, MSME sector can provide comparatively larger employment opportunities at comparatively lower capital cost especially in the rural and remote areas, by becoming part of the industrial ecosystem and act as ancillary units for large enterprises to support the system in growth.

Employment generated by MSME as a percentage of overall employment globally



Source: Country Specific MSME Reports, KPMG Data & Estimates

India needs to create 10 to 15 million job opportunities per year over the next decade to provide gainful employment to its population. Current MSME employment is at 28 per cent of the overall employment. MSMEs can contribute significantly to employment generation and development of the Indian economy. The MSME sector is one of the key drivers for India's transition from an agrarian to an industrialised economy. MSMEs account for a large share of industrial units. The total number of enterprises in MSME sector was 46 million with total employment of 106 millions

Few Areas to be focused to strengthen the MSMEs Sector in India as a contribution in the nation's growth

Technology for efficiency:

India has a vast pool of technical talent with a well developed intellectual infrastructure, the country still lagging behind in the matter of developing and adapting new technologies in the MSME sector. The MSME sector presently needs an effective information system to support and deliver information to different users. Such information systems will be used to provide effective interface between users and computer technology and will also provide information for managers on the day-today operations of the enterprises. Then the course of production has to be cost efficient and should meet quality needs of the consumers. This improvement can come through the use of latest technology.

Market accessibility:

MSMEs are required to respond promptly to the evolving marketing needs and innovations. There is an immediate need to be provided better market access facilities in order to sustain and further increase its contribution towards output, employment generation and exports. As the majority of India's MSMEs, especially the small businesses, generate a large amount of their revenue from the local market; they still rely on traditional media like telephone directories and newspapers to reach their customer base

Lack of Infrastructural facilities:

Lack of Infrastructural facilities can very much damage to an enterprise's value chain process such as

production, consumption and distribution of the products. Common infrastructure projects for MSMEs could be solution for this, MSMEs coming together and sharing the costs of infrastructure, which are otherwise unaffordable for individual or single MSMEs, could benefit from economies of scale, synergy and collective bargaining by collaborating with each other particularly in case of common infrastructure, common facilities, raw material procurement, marketing & transportation of finished goods, testing laboratory, common tooling/ machining, Research & Development etc.

Mentoring as a great job:

Trained human resources are made available for monitoring the process and can add value to it, right down the district levels to act as a guide. These resource persons guide in setting up a unit, making it commercially viable, interacting with financial institutions and understanding markets, as well as the impact of globalization with advancements in it. The Small Industry Development Organization now playing a direct promotional role of hand holding, advocacy and facilitation.

Credit accessibility:

Credit as a lifeline of business. 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.

Globalization of trade & commerce:

The globalization has changed the business environment through WTO agreement. It has therefore become necessary to make aware SMEs about these changes and prepare them for the future. In India, a number of steps have been taken in this view. Apart from setting up a WTO cell in the nodal ministry, 28 awareness workshops were conducted across the country. Workshops have also been held on intellectual property rights and bar coding. Monitoring of imports in specific sectors where SMEs have a significant presence and initiation of anti-dumping action.

Government and bank procedures:

There are procedures like more than 60 central, state and local laws which regulate small businesses in the areas of factory maintenance environment, labour, municipal bye laws, taxation, power etc. These need to maintain more than 100 registers and forms which are unnecessary burden on small units. Rules and regulations must be streamlined if the creative genius of Indian entrepreneurs is to be fully unleashed. Few state governments have started initiatives in this regard. The Central Government has initiated a study to enact a single law for small businesses.

A sound exit policy:

It must be there in case of MSME which will safeguards labour interests. Because, industries too have life cycles like products and there are small business units where bank loans have become bad and non-performing. The first steps in this regard have been taken recently by Reserve Bank of India where by one time settlement of dues as on 31 March, 1997 was allowed. The results have been encouraging.

POTENTIALITIES IN MSMEs

The potentialities that MSMEs sectors are enormous due to the following factors:

- Skill Development

- Encouraging young/ first generation entrepreneurs by up scaling
- Application of E-tools in promotional and regulatory matters for facilitating easy entry.
- Less Capital Intensive.
- Strengthening of Institutions – MSME-DIs, EDIs and KVI Institutions
- Scheme for acquisition and up-gradation of technology
- Extensive Promotion & Support by Government.
- Procurement policy for Goods/services from MSEs by the Government
- Reservation for Exclusive Manufacture by small scale sector.
- Real time Statistical & Policy Analysis through strengthening of Database
- Funding - Finance & Subsidies.
- Enabling global footprints of MSMEs
- Raw Material Procurement
- Manpower Training
- Cluster programme for development of technical & entrepreneurial skills.
- Developing clusters of excellence
- Reservation for exclusive purchase by government
- Due to export growth.
- Growing in demand in the domestic market size.
- Operationalization of SME exchanges for enabling access to Equity Finance

FUTURE PROSPECTS OF MSMEs

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 developed through the running of MSME units in rural areas. So this is helpful to minimize or remove the regional imbalance.
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.

Strategy Intervention for Revitalization and Growth of MSMEs:

The new wave MSME should enable the development of a business eco system that enables and continuously support business that are gearing to deliver the right product, the right quality, the right solution and the right service at a competitive price, both in domestic and international markets.

Significant changes in economic environment are being heralded in by the WTO. Indian Government is stood on policy that 'promotion and not protection is the solution to the issues of survival and growth'. Hence, while reservation of goods for exclusive production continues, the focus must now be on strengthening competencies. This implies a holistic look at the concerns of industry. The 'Digital India' revolution also provides a great opportunity to promote MSME participation in the Information, Communication and Telecommunication (ICT) sector, in line with the government vision.

Many developed and developing economies have demonstrated that the MSME segment constitutes the backbone for maintaining growth rates as well employment generation rate and provides stability during economic downturns. It is therefore very crucial that as India embarks on a new wave economy, it adopts an MSME opportunity framework that will provide the necessary impetus to seize the opportunities created by:

- Emergence of domestic demand led by significant increases in spending and consumerism;
- Increase in spending in infrastructure and defence sectors;
- Increase in foreign direct investments in existing and emerging businesses in India;
- Foreign companies investing in India for their global market requirements (Make in India); and
- The double digit growth expected in numerous business sectors.

In order to be globally competitive it will be essential for India's entrepreneurial skills to be global in their outlook and adopt innovation, develop world class technologies and to skill the nation's favourable age profile of human resources. India will have to develop stronger support in providing an enabling business environment. The business environment should aim to enable greater number of companies to sustain from a start-up stage to the next level of growth and maturity and should nurture these businesses into billion dollar plus enterprises over the next decade.

Interventions should remove the hurdles for growth in future. They must encourage a flawless movement from small to medium to large. The Indian Government, therefore, is working on a new vision for the SSI sector through a flexible approach and a motivated team. The encouragement role of Government now involves new dimensions such as arguing cases before the world trade body or dispute redressal, communicating needs of small enterprises before decision makers and other agencies.

Conclusion:

MSMEs are the backbone of a resilient national economy which has proven the instrumental in the growth of the nation, leverage exports, creating huge employment opportunities for the unskilled, fresh graduates, and the underemployed. Prioritizing their development is critical to the future of the country. It also extended the opportunities to banks for giving more credit to enterprises to MSME Sector. The government should take the special care by addressing the importance of MSME in terms of providing more and more MSME Registration advantages by implementing better regulations and enable financial institutions to lend more credit at less interest rate for sustainability of this sector.

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