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A Study on Growth and Opportunities for MSME in India

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Abstract:

The Micro, Small, and Medium Enterprises (MSME) sector has emerged as 'greatly vibrant and dynamic!' sector of the Indian economy; over the last six decades. It contributes significantly to the economic and social development of the country, by promoting entrepreneurship and generating large employment opportunities at comparatively lower capital cost. This research paper aims to capture the current status of Micro, Small, and Medium Enterprises (MSMEs) in India, focusing on recent trends such as job opportunities in major sectors, challenges faced by MSMEs, and their overall contribution to the Indian economy. This paper is based on the secondary data extracted from various reports and research papers related to MSME and taken from the MSME Annual Reports. The data gathered from the MSME Annual Report 2022-2023 has been taken into consideration. The MSME sector is a significant contributor to GDP, employment generation, total exports, achieving SDGs, and development of MSME which in turn act as the backbone of the Indian economy, Additionally, the paper delves into the crucial role of the MSME sector in the context of globalization, evaluating its capacity to confront challenges arising from increased competition and the necessity for innovative approaches. Given the significant impact of the MSME sector on the country's GDP and employment opportunities, empowering these enterprises is crucial for achieving long-term goals. The anticipated rise in MSMEs, driven by agriculture-based development activities, is expected to further contribute to job generation.

Keywords: MSME, GDP, Employment Opportunities, Sustainable Development Goals, Economic Development,

Introduction:

In the country's economic growth and creation of jobs, micro, small, and medium-sized enterprises play a key role. India's micro, small, and medium-sized enterprises are promoters of the country's economic development. The MSME sector has emerged as an extremely vibrant market, playing a vital role in the country's economic balance (Kumar et.al. 2017).

The Micro, Small, and Medium Enterprises (MSMEs) assume a central role in the economic

and social advancement of the nation, serving as a breeding ground for entrepreneurship. Their impact on the economy is substantial, characterized by an effective, efficient, flexible, and innovative entrepreneurial spirit. The MSME sector plays a crucial part in driving the country's manufacturing output, employment rates, and exports. Notably, it stands out for its remarkable contribution to employment growth, substantial industrial production, and a significant share in export activities. Recognized globally as a catalyst for economic growth, MSMEs are instrumental in fostering equitable development.

The growth of the Micro, Small, and Medium Enterprises (MSME) sector in India has been a significant and dynamic aspect of the country's economic landscape. Over the years, the MSME sector has played a crucial role in fostering entrepreneurship, generating employment opportunities, and contributing substantially to economic development, annual report (2022-23) the definition of MSMEs the definition of MSME has been continuously changing since independence. The major change in the definition was made in 2006 when it was first defined as manufacturing and service enterprises under the MSMED Act, 2006. The Act defined manufacturing and service enterprises separately according to investment in plant & machinery and equipment, respectively. This criterion of definition has now changed since July 2020. As per the latest definition, both manufacturing and service enterprises are defined under the same limits according to the thresholds of investment and turnover.

The definition of MSME is as follows:

Criteria	Classification	Micro	Small	Medium
MSME Classification - MSMED Act 2006	Manufacturing Enterprise	Investment < 25 lakh	Investment < 5 crore	Investment < 10 crore
	Service Enterprise	Investment < 10 lakh	Investment < 2 crore	Investment < 5 crore
MSME Classification - July 2020	Manufacturing & Service Enterprise	Investment < 1 crore and Turnover < 5 crore	Investment < 10 crore and Turnover < 50 crore	Investment < 20 crore and Turnover < 100 crore

Source: (Press Information Bureau, Government of India, 2020)

Review of Literature:

Purwaningsih, E., Muslikh, M & Suhaeri, S. (2022). In their paper titled “ Innovation and supply chain orientation concerns toward job creation law in micro, small, and medium enterprises export-oriented products ” The researcher investigated the supply chain dynamics of Micro, Small, and Medium Enterprises (MSMEs) in the context of export penetration during the COVID-19 pandemic. The study also explored the developmental potential of MSMEs, considering aspects such as corporate legality, industrial design, brand registration, and the adoption of digital marketing.

Bandopadhyay, K., & Khan, T. L. (2020). In their article titled “Factors of Export Promotion of MSME in India with Special Reference to Raw Material Availability.” This article aims to identify the factors influencing export promotion, examining both macro and micro perspectives, particularly focusing on the MSME sector and the availability of raw materials. The article emphasizes the importance of securing a stable supply of raw materials and implementing mechanisms to mitigate adverse effects of foreign exchange rate fluctuations on micro and small enterprises' business interests.

Khatri, P. (2019). In their article titled “A Study of the Challenges of the Indian MSME Sector” “This exploratory research paper focuses on the role of the MSME sector in the Indian economy, acknowledging its vibrancy alongside challenges despite initiatives by concerned ministries. The study delves into problems encompassing finance, marketing, technology, human resources, operations, and export potential based on secondary data. Identified challenges and also proposed policy-based suggestions to address these issues hindering the growth potential of MSME units.

Chary, D. T., & Rao, R. S. (2016) In their research titled “ Challenges of MSMEs in India Government Initiatives for enhancing the competitiveness of MSMEs in India” The researcher examined the diverse opportunities and challenges encountered by the Indian Micro, Small, and Medium Enterprises (MSME) sector. Additionally, the focus extended to evaluating government policies, strategies, and other measures aimed at enhancing the competitiveness of Indian MSMEs. The study concentrated on six pivotal challenges faced by the MSME sector.

Pazir & Hussain, (2013) in their research titled “Problems and Prospects: Micro, Small and Medium Enterprises (MSMEs) in Rajouri and Poonch districts “.the authors investigated the key challenges faced by MSMEs in these districts. Contrary to common assumptions, the study revealed that financial constraints were not the primary issue for MSMEs. Instead, the major hurdle identified was a lack of managerial capacity. The researchers emphasized the critical role of managerial skills, asserting that even with ample funding, an entrepreneur's success hinged on possessing effective managerial capabilities. The researcher concluded by highlighting the pertinent measures initiated by the government to bolster the competitiveness of the MSME sector.

Objective of the Study:

- 1) To know the growth and developments of MSME sectors in India.
- 2) To examine the Future opportunity for the MSME sector In India.
- 3) To study the challenges faced by the MSME sector in India.

Research Methodology:

The current study gathered data from various secondary sources, including research papers and government publications. Specifically, information was sourced from the annual reports published by the Ministry of Micro, Small, and Medium Enterprises spanning several years.

Factors that contribute to the growth of the MSME sector in India:

Employment Generation: MSMEs are known for their ability to create employment opportunities, especially in diverse sectors and across various skill levels. This has a positive impact on reducing unemployment rates and promoting inclusive economic growth.

Innovation and Adaptability: The MSME sector has shown a remarkable ability to innovate and adapt to changing market dynamics. These enterprises often serve as incubators for new ideas, technologies, and business models.

Export Promotion: Many MSMEs engage in export-oriented activities, contributing to foreign exchange earnings. This not only strengthens the global competitiveness of Indian products and services but also enhances the country's economic standing.

Government Initiatives: Various government initiatives, such as financial assistance, credit facilities, and skill development programs, have been launched to support and promote the growth of the MSME sector. Policies like "Make in India" aim to boost manufacturing and provide a conducive environment for MSMEs.

Technological Adoption: With the advent of digital technologies, MSMEs are increasingly adopting modern tools and platforms to streamline operations, enhance productivity, and reach wider markets.

Entrepreneurial Ecosystem: The vibrant entrepreneurial ecosystem in India, coupled with supportive policies, encourages individuals to start and scale MSMEs. This fosters a culture of entrepreneurship and contributes to economic development at the grassroots level.

The growth of the MSME sector in India is instrumental in achieving economic inclusivity, promoting innovation, and driving overall economic progress. Government support, coupled with the resilience and adaptability of MSMEs, positions this sector as a key player in India's economic landscape.

Performance of MSME in India:

As reported by National Credit Guarantee Trust Company (NCGTC), during the Current F.Y. 2022-23, till 31.12.2022, total guarantees amounting to Rs. 14,583 crore have been issued to 78,924 accounts of MSMEs. Since inception in 2020 under ECLGS, total guarantees amounting to Rs. 3.60

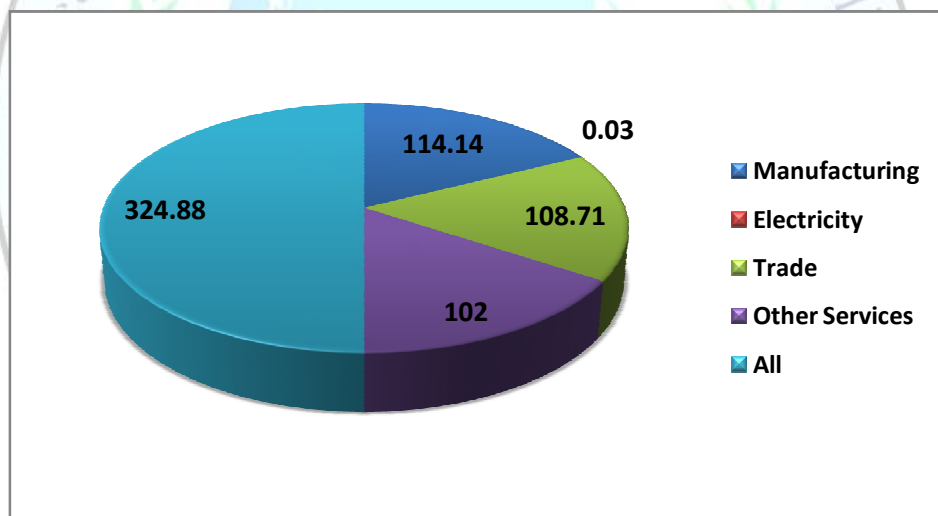
lakh crore have been issued to 1.19 crore accounts, which includes MSMEs & other businesses.

Table No. 1: Estimated Number of MSMEs (Activity Wise) (Numbers in lakh)

Activity	Category Estimated Number of Enterprises (in lakh)			Share (%)
	Rural	Urban	Total	
Manufacturing	114.14	82.50	196.65	31
Electricity	0.03	0.01	0.03	0
Trade	108.71	121.64	230.35	36
Other Services	102.00	104.85	206.85	33
All	324.88	309.00	633.88	100

Source: Annual Report/msme.gov.in

Category Estimated Number of Enterprises (in lakh)



Interpretation:

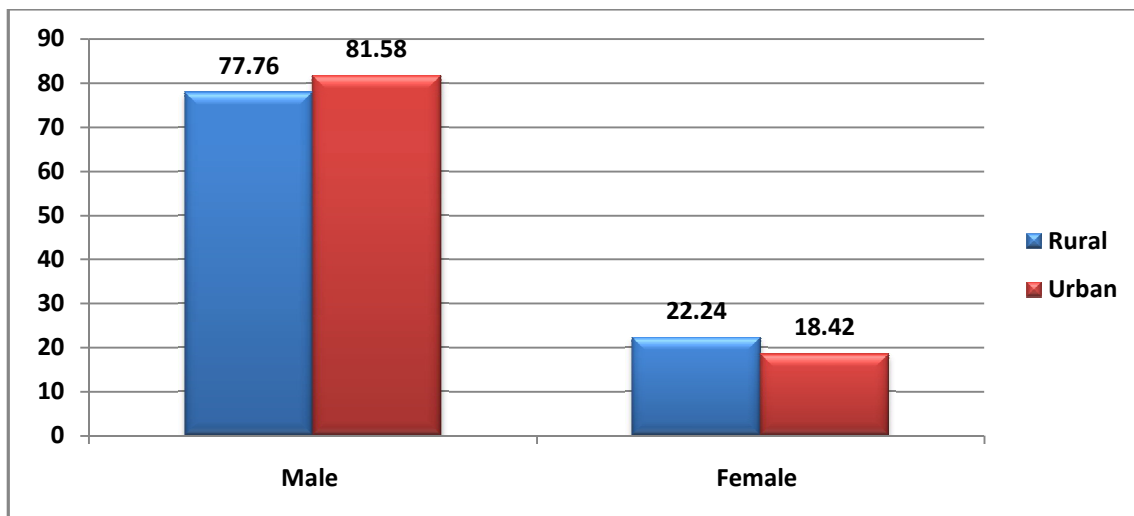
The table above provides an overview of the estimated Micro, Small, and Medium Enterprises (MSMEs) in India, encompassing both rural and urban areas. In the manufacturing sector, there is a 31% share, with 114.14 lakh enterprises in rural areas and 82.5 lakh in urban areas. The trade sector holds a 36% share, comprising 108.71 lakh units in rural areas and 121.64 lakh in urban areas. Other services account for a 33% share, with 102 lakh enterprises in rural areas and 104.85 lakh in urban areas. Notably, the electricity sector does not contribute to the MSME sector.

Table No. 2. Percentage Distribution of Enterprises in rural and urban areas.

((Male/ Female ownership) category wise)

(Numbers in lakh)

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

*Source: Annual Report/msme.gov.in***Distribution of Enterprises in rural and urban areas.****Interpretation:**

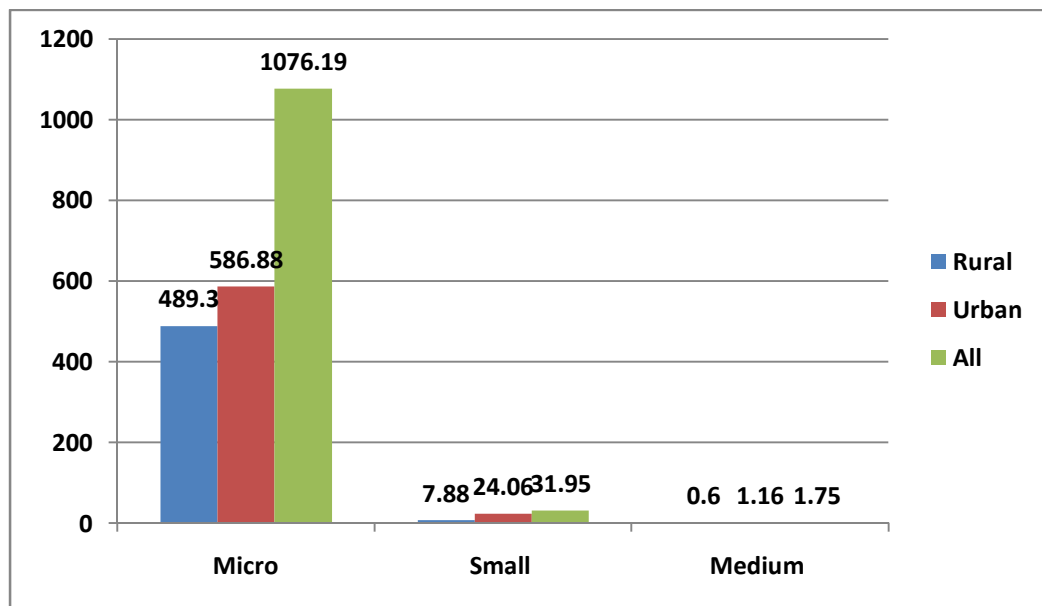
The table above illustrates the distribution of MSMEs across different categories, taking gender into account. Across all levels of enterprises, males dominate, with micro-level enterprises having 79.56% male representation and 20.44% female representation. In small-level enterprises, the majorities are male (94.74%), while 5.26% are female. At the medium level, 97.33% are male, leaving the remaining percentage to females.

Table No. 3: Distribution of employment by type of Enterprises in Rural and Urban Areas

(Numbers in lakh)

Sector	Micro	Small	Medium	Total	Share (%)
Rural	489.30	7.88	0.60	497.78	45
Urban	586.88	24.06	1.16	612.10	55
All	1076.19	31.95	1.75	1109.89	100

Source: Annual Report/msme.gov.in



Interpretation:

Above table shows that the rural area comprises 45% of enterprises, with 489.30 (micro), 7.88 (small), and 0.60 (medium) establishments. Conversely, the urban area hosts 586.88 units of micro, 24.06 units of small and 1.16 units of medium enterprises.

Major Growth Opportunity Areas for MSME

MSME Growth Opportunity in Telecommunication:

The Telecommunication sector presents several growth opportunities for Micro, Small, and Medium Enterprises (MSMEs). Some key avenues for MSMEs to explore in the telecommunication sector include:

- **Telecom Infrastructure Development:** MSMEs can participate in the development and maintenance of telecom infrastructure, such as towers, cables, and network equipment. This can provide installation and maintenance services for telecom infrastructure components.
- **Network Services:** Offering specialized network services, including network optimization, security solutions, and data management. Providing services related to the deployment and management of wireless and wired networks.
- **Telecom Equipment Manufacturing:** Manufacturing and supplying telecom equipment, such as antennas, routers, switches, and other hardware components. Specializing in the production of customized or niche telecom devices.
- **Software Solutions for Telecommunication:** Developing software solutions for telecom operators, including billing systems, customer relationship management (CRM) software, and network management tools. Creating applications or platforms that enhance user experience and connectivity.
- **Telecom Tower Management:** Engaging in the management and maintenance of telecom

towers, including leasing space, equipment installation, and power management. Offering shared infrastructure services to telecom operators to reduce costs.

- **Telecom Financial Services:** Offering financial services tailored for the telecom sector, such as mobile banking, mobile payment solutions, and financial inclusion initiatives. Providing fintech solutions that integrate with telecom networks.
- **E-Waste Management for Telecom Equipment:** Engaging in the responsible disposal and recycling of telecom equipment to address environmental concerns.

MSME Growth Opportunity in Electronics:

Micro, Small, and Medium Enterprises (MSMEs) in the electronics sector have numerous growth opportunities. Here are some key avenues for MSMEs to explore in the electronics industry:

- **Electronic Components Manufacturing:** Producing electronic components such as resistors, capacitors, and semiconductors. Specializing in the manufacturing of niche or specialized components.
- **Consumer Electronics Manufacturing:** Manufacturing consumer electronics such as smart phones, tablets, and wearable devices. Focusing on eco-friendly and sustainable electronics production.
- **Electronic Equipment Repair and Maintenance:** Offering repair and maintenance services for electronic equipment and devices. Specializing in the repair of specific electronic products or brands.
- **Renewable Energy Electronics:** Developing electronics for renewable energy systems such as solar inverters, charge controllers, and energy storage devices. Contributing to the growth of the green energy sector.
- **Electronic Waste Management:** Engaging in electronic waste management by recycling and responsibly disposing of electronic components. Establishing sustainable practices for the disposal of electronic waste.

Exploring these growth opportunities allows MSMEs in the electronics sector to contribute to technological advancements, innovation, and the overall development of the electronics industry.

MSME growth opportunity in Hospitality and Healthcare:

Micro, Small, and Medium Enterprises (MSMEs) in the healthcare sector have diverse growth opportunities. Here are several avenues for MSMEs to explore within the healthcare industry:

- **Medical Equipment Manufacturing:** Manufacturing medical devices and equipment such as diagnostic instruments, imaging devices, and patient monitoring systems.
- **Health Information Technology (Health IT):** Developing health information systems, electronic health records (EHR), and telemedicine solutions. Creating software applications for healthcare management, scheduling, and patient engagement.

- **Pharmaceutical Manufacturing:** Producing pharmaceuticals, including generic drugs, over-the-counter medications, and specialized formulations. Focusing on research and development for new pharmaceutical products.
- **Healthcare Training and Education:** Providing training programs for healthcare professionals, caregivers, and support staff. Offering healthcare education courses, workshops, and certification programs.
- **Digital Health Solutions:** Developing digital health platforms, mobile applications, and wearable devices for remote patient monitoring. Creating solutions that enhance healthcare accessibility and patient engagement.
- **Healthcare Consulting:** Providing consulting services to healthcare organizations for strategy development, regulatory compliance, and process optimization. Offering expertise in healthcare policy, planning, and management.
- **Medical Waste Management:** Engaging in the responsible disposal and management of medical waste. Developing eco-friendly solutions for medical waste treatment and recycling.

Exploring these growth opportunities allows MSMEs in the healthcare sector to contribute to the advancement of healthcare services, enhance patient outcomes, and participate in the evolving landscape of the healthcare industry.

MSME Growth Opportunity in Food and Agriculture:

Micro, Small, and Medium Enterprises (MSMEs) in the food and agriculture sector have abundant growth opportunities. Here are several avenues for MSMEs to explore within this industry:

- **Organic Farming and Products:** Cultivating organic crops and producing organic food products. Tapping into the growing demand for organic and sustainable agricultural practices.
- **Food Packaging and Processing Technology:** Developing innovative packaging solutions for food products to enhance shelf life and reduce waste. Providing technology solutions for efficient food processing and preservation.
- **Supply Chain and Logistics:** Establishing efficient supply chain and logistics services for agricultural products and food distribution. Offering cold chain solutions to ensure the freshness of perishable goods.
- **Beverage Production:** Producing beverages such as fruit juices, herbal teas, and functional drinks. Exploring the craft beverage market, including artisanal and specialty drinks.
- **Livestock Farming and Poultry:** Engaging in livestock farming, including poultry, dairy, and aquaculture. Producing meat, eggs, and dairy products to meet the demand for animal protein.
- **Farm Equipment Manufacturing:** Manufacturing and supplying agricultural machinery, equipment, and tools. Developing innovative and efficient farm equipment to enhance productivity.

- E-Commerce Platforms for Agriculture: Creating online platforms for buying and selling agricultural products. Facilitating direct transactions between farmers, wholesalers, and retailers.
- Agricultural Waste Management: Exploring solutions for the sustainable management of agricultural waste. Converting agricultural residues into bioenergy or bio-based products.

Exploring these growth opportunities allows MSMEs in the food and agriculture sector to contribute to food security, sustainability, and the overall development of the agriculture and food industry.

Challenges faced by MSMEs in India:

- Technology Adoption: Integrating modern and affordable technology can be a challenge, especially for smaller businesses. Lack of resources and expertise may hinder MSMEs from fully leveraging technological advancements.
- Infrastructure Constraints: Inadequate basic infrastructure facilities, such as transportation, energy, and communication, can hinder the efficiency and productivity of MSMEs, affecting their competitiveness.
- Market Access and Competition: MSMEs often face challenges in reaching wider markets due to limited resources for marketing and distribution. Intense competition, both locally and globally, can further strain their market position.
- Raw Material Availability: Unavailability or inconsistent supply of raw materials can disrupt production schedules and impact the overall operational efficiency of MSMEs, particularly those in the manufacturing sector.
- Skilled Labor Shortage: MSMEs may struggle to attract and retain skilled personnel due to competition with larger enterprises. The lack of a skilled workforce can limit their ability to innovate and adapt to market changes.
- Global Economic Conditions: MSMEs are vulnerable to fluctuations in global economic conditions, such as currency exchange rates, trade policies, and economic downturns, which can impact their export-oriented activities.
- Government Policies and Bureaucracy: Frequent changes in government policies, coupled with bureaucratic hurdles, can create uncertainty for MSMEs. Streamlining administrative processes and ensuring policy continuity are critical for their stability.
- Rigid Labor Laws: Inflexible labor laws may limit the ability of MSMEs to hire, fire, and adapt their workforce according to changing business needs. This can hinder their responsiveness to market dynamics.
- Lack of Awareness of Government Schemes: Lack of awareness among MSMEs about various government schemes and support programs can result in missed opportunities for

financial assistance and other benefits.

Suggestions for Developments in MSME:

- **Identification of Technological Needs:** Conducting a detailed survey to evaluate the technical and financial requirements of MSMEs is crucial. This would enable the formulation of appropriate arrangements to meet their needs effectively.
- **Training, Development, and Awareness Programs:** The MSME ministry should organize training and development programs, emphasizing the need for an improved communication strategy and the use of modern media tools.
- **Enhanced Credit Availability:** Addressing the inadequacy of credit from the banking system for establishing and operating MSMEs is essential. Measures should be taken to ensure sufficient financial support.
- **Mutual Technology Exchange:** Numerous suitable technologies for the MSME sector have emerged across various industries.
- **Streamlining Labor Laws and Bureaucracy:** To mitigate compliance challenges, there should be a relaxation in intricate labor laws, reducing red tape and simplifying regulatory processes.
- **Government initiation:**

Conclusion:

In summary, the MSME sector in India is poised for global expansion owing to its competitiveness and product quality. Micro, small, and medium-sized enterprises play a vital role in India's economic development by generating employment in both rural and urban areas and offering affordable goods and services. And government support is essential to reduce transaction costs associated with technology upgrades, market penetration, and infrastructure enhancements. This MSME enterprise plays a vital role in boosting the nation's economy, contributing by generating employment in both rural and urban areas and providing affordable goods and services. The researcher examines the progression of Micro, Small, and Medium Enterprises (MSME) concerning productivity, job opportunity, and overall investment. The analysis particularly addresses aspects like employment opportunities, infrastructure development, and export promotion within the MSME sector. The researcher also explores opportunities provided by the Indian economy to enhance MSMEs. The conclusion emphasizes that the Indian economy has experienced remarkable growth and positive outcomes, attributed to the contributions of the political framework and effective government interventions. The Government of India has undertaken various initiatives to booster this sector's role as a dynamic and significant contributor to the development of the Indian economy.

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