



INTERNATIONAL RESEARCH JOURNAL OF HUMANITIES AND INTERDISCIPLINARY STUDIES

(Peer-reviewed, Refereed, Indexed & Open Access Journal)

DOI : 03.2021-11278686

ISSN : 2582-8568

IMPACT FACTOR : 5.828 (SJIF 2022)

RESURGENCE OF MSME'S IN INDIA: A STEP TOWARDS SUSTAINABLE DEVELOPMENT

Dr. Abid Yunus Salati

Associate Professor and Dean - Student Welfare

Sanjay Ghodawat University,

Kolhapur (Maharashtra, India)

Email: abid.salati@sanjayghodawatuniversity.ac.in

DOI No. **03.2021-11278686** DOI Link :: <https://doi-ds.org/doi/10.2022-12768638/IRJHISIC2203014>

ABSTRACT:

MSME play a significant role in Indian manufacturing sector and have become an engine of economic growth in India. They are now moving ahead with their effective, efficient, flexible and innovative entrepreneurial spirit. The sector is generating the highest rates of employment growth and account for a major share of industrial production. It is estimated that MSMEs account for almost 90% of industrial units in India and 40% of value addition in the manufacturing sector.

In India, MSMEs have a crucial role to play in the overall growth of industrial economy. In recent years, the MSME sector has consistently registered higher growth rate compared to the overall industrial sector. In India MSMEs contribute nearly 45% to manufacturing and about 40% to the Indian export sector.

Their contribution to the Indian GDP is 8% and the sector has registered growth rate of 10.8%. The competitive paradigm is changing continuously due to the process of liberalization and globalization. This paper tries to analyze MSME's on the basis of SWOT in order to find ways to increase their potential towards growth, job potential, export potential and social progress. If MSME's are developed to their full potential, they can shape the face of Indian economy and help in achieving the developed status. The number of failures and wastage in terms of money, effort, manpower and intellectual worth in MSME's is very high. If this can be converted into success, the contribution of MSME's will increase tenfold. Hence, MSME's need to identify and build competitive strength to achieve sustainability.

KEYWORDS: MSME, GDP, Sustainability, Entrepreneur, Economic growth and development.

INTRODUCTION:

There is common thought among policy makers and business experts that Micro Small and Medium Enterprises (MSMEs) are the key drivers of economic growth. A healthy MSME sector contributes prominently to the economy through creating more employment opportunities, generating higher production volumes, increasing exports and introducing innovation and

entrepreneurship skills. MSMEs are the first step towards development in economies towards industrialization.

The Micro, Small and Medium Enterprises sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSME's not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances. MSMEs are complementary to large industries as ancillary units. They contribute enormously to the socio-economic development of the country.

Fast changing global economic scenario has brought up various opportunities and challenges to the MSMEs in India. On one hand many opportunities have opened up for this sector to enhance productivity at national and international level and on the other hand there is an obligation to upgrade their competencies in various fields like marketing, finance, business development, operations, technology etc. Indian MSMEs have moved up the value chain from manufacture of simple goods to manufacture of sophisticated products. In line with the overall growth in Indian economy,

MSMEs have entered the services sector as well. MSMEs in India are facing a number of problems like underutilization of capacity, technological obsolescence, supply chain inefficiencies, increasing domestic and global competition, fund shortages, change in manufacturing strategies. To survive with such issues and compete with large and global enterprises, MSMEs need to adopt innovative approaches in their working culture.

DEFINITION:

MSMED Act 2006: According to Micro, Small and Medium Enterprises act the enterprises are broadly classified in terms of activity such as enterprises engaged in the manufacturing/production and enterprises engaged in services. While the manufacturing enterprises were defined in terms of investments in plant and machinery, the service enterprises are defined in terms of investment in equipment's. The Act has also defined medium scale enterprises for the first time. The enterprises are further classified into Micro, Small and Medium categories.

MSMEs play an important role in the Indian economy so much so that they contribute around 30% of the GDP. Despite playing such an important role, they face multiple challenges. It remains to be seen if the government's recent measures help the sector overcome these challenges.

The new definition of MSME is as follows:

Micro Enterprise: Manufacturing and services enterprises with investments up to Rs 1 crore and turnover up to Rs 5 crore will be classified as micro enterprises.

Small Enterprise: For small enterprises, the investment criteria and the turnover criteria has been revised upwards to Rs 10 crore and Rs 50 crore respectively.

Medium Enterprise: The enterprises which have investment up to Rs 20 crore and turnover up to Rs 100 crore will be termed as medium enterprises.

Table showing existing and revised definition of MSME:

Existing MSMEs Classification (Criteria - Investment in Plant & Machinery or Equipment)

Classification	Micro	Small	Medium
Manufacturing Enterprises	Investment less than Rs. 25 lacs	Investment less than Rs. 5 Crore	Investment less than Rs. 10 Crore
Service Enterprises	Investment less than Rs. 10 lacs	Investment less than Rs. 2 Crore	Investment less than Rs. 5 Crore

Revised MSMEs Classification for Aatma Nirbhar Bharat

(Criteria – Investment & Annual Turnover)

Classification	Micro	Small	Medium
Manufacturing And Services	Investment less than Rs. 1 Cr and Turnover less than Rs. 5 Cr	Investment less than Rs. 10 Cr and Turnover less than Rs. 50 Cr	Investment less than Rs. 20 Cr and Turnover less than Rs. 100 Cr

Source: www.indiastat.com

Sustainable development is an organizing principle for human life on a finite planet. It shows a desirable future state for human societies in which living conditions and resource-use meet human needs without undermining the sustainability of natural systems and the environment, so that future generations may also have their needs met.

OBJECTIVES:

1. To analyse the performance of MSMEs
2. To evaluate the employment opportunities created by MSMEs
3. To carry out a SWOT analysis of MSME’s in India from a strategic point of view
4. To devise strategies for sustainable development of MSME’s

METHODOLOGY:

The strategic tool of SWOT analysis has been used in this paper. The study focuses on MSME’s in India only. The paper is conceptual in nature, based on judgment and analysis of the researcher.

Secondary data has been collected and analysed from various sources such as: books, journals, research papers, World Bank report, MSME Development Act 2006 and All India Census of MSME’s 2006-2007.

The data collected was then classified and categorized under different heads of Strength, Weakness, Opportunity and Threat. The data was also analysed to identify various PESTEL factors (Political, Economical, Social, Technological, Environmental and Legal). Finally, solutions to convert weakness into strength and threat into opportunities were identified and mentioned as suggestions in the paper.

IMPORTANCE OF MSMEs IN TERMS OF PRODUCTION, EMPLOYMENT AND INVESTMENT IN THE ECONOMY:

The importance of the small business sector is recognized in economies world-wide. Their contribution towards economic growth and development, employment generation and social progress is valued high. Contribution of MSMEs to economic development is highly remarkable comparing to any other sector of the economy. Its role towards Investment, employment generation, export, GDP, industrial production etc. in every area is highly significant.

MSMEs sectors have registered a very high growth rate. This is mainly due to its various advantages comparing to other sectors. The Indian economy is more close to MSMEs environment in terms of cheap local resources, local talent, high demand etc. Moreover, the socio – economic policies adopted by India since the industries development & regulation Act, 1951 have laid stress more on MSMEs sectors as a vehicle to develop Indian economy. Second five-year plan gave more emphasis on industrial development and to adopt various policies for proper development of this sector. MSMEs contribution towards employment generation is remarkable comparing to any other sectors employment generation capacity.

The table below highlights the growing importance of MSME's in terms of investment and employment:

S.No	Year	Number of total MSMEs (in lakhs)	Fixed Investment (Rs.Crores)	Employment (Lakh Persons)	Average investment	Average Employment
1	2000-01	101.1	27279	238.73	2.70	2.36
2	2001-02	105.21	154389	249.32	1467.44	2.37
3	2002-03	109.49	162317	260.21	1482.48	2.38
4	2003-04	113.95	170219	271.42	1493.80	2.38
5	2004-05	118.59	178699	282.57	1506.86	2.38
6	2005-06	123.42	188113	294.91	1524.17	2.39
7	2006-07	261.01	500758	805.23	1918.54	3.09
8	2007-08	272.79	558190	626.34	2046.23	2.30
9	2008-09	285.16	621753	659.35	2180.37	2.31
10	2009-10	298.1	693835	695.38	2327.52	2.33
11	2010-11	428.73	1105934	965.15	2579.56	2.25
12	2011-12	447.64	1182757	1011.69	2642.21	2.26
13	2012-13	467.54	1268763	1061.4	2713.70	2.27
14	2013-14	488.46	1363700	1142.29	2791.84	2.34
15	2014-15#	510.57	1471912	1171.32	2882.88	2.29
MEAN		275.45	641440.79	649.02		

- Projected Source: MSMEs Annual Report 2015-2016

SWOT ANALYSIS:

SWOT is the combination of four major terms as Strength, Opportunity, Weakness and Threats. Strength refers to inherent abilities to complete and grow strong.

Weaknesses are the inherent deficiencies that cripple one’s growth and survival. Strength and weakness are mostly internal.

Opportunities are the good chances and openings available for growth. These are environmental & external.

Threats are extremely exerted challenges, which might suppress inherent Strength, accelerate weakness. These are again posed due to the external environment.

The MSME’s in India reflect the following SWOT:

<p>Strengths</p> <ul style="list-style-type: none"> Owner’s management Fewer overheads Flexibility Abundance labour Better control in policy making Less hurdles in innovation 	<p>Weaknesses</p> <ul style="list-style-type: none"> Low access to credit Lack of skilled manpower Inadequate infrastructure Less access to global and national market Lack of proper work culture Lack of proper management orientation Underutilization of capacity
<p>Opportunities</p> <ul style="list-style-type: none"> Untapped rural market Less operational cost Government support Tax relief Ancillary to large business Abundance artistic skills/cultural heritage 	<p>Threats</p> <ul style="list-style-type: none"> Sustained price competition Poor knowledge of payment recovery Unacceptable quality Employee motivation Lack of political stability Financial stringency

STRENGTHS

1. **Owner’s management and better policy implementation:** the enterprise is mainly managed by one or more entrepreneurs in proprietary concern or jointly as partners. The units are mainly traditional, located in rural and semi urban areas. Since the management and control is with the owner, there is better management and less delays in policy implementation.

2. **Fewer overheads:** MSME's have comparatively less overheads than the large industrial setups. They have less cost associated with the infrastructure and assembly plant.

3. **Flexibility:** Indian MSME's are better to adapt to the changing conditions of business environment. Craftsmen skills and ability help to produce a wide variety of products. The units range from the entire spectrum of modern industry to shoes, Agarbatti, pickles, ceramics, garments etc. The quick response to the changing environment is a special advantage of MSME's.

4. **Abundant labour:** Indian MSME's are labour intensive and generate large employment. This helps in projecting the informal sector skills.

WEAKNESSES:

1. **Low access to credit:** MSME's are not able to generate large amount of resources due to poor financial image. They also lack systematic way to approach to the capital market. They depend upon only a few sources of funds.

2. **Lack of skilled manpower:** Indian MSME's are unable to contribute much from the labour as expected due to inefficient labour, level of education is low and therefore they are not able to cope up with the challenges of modern production system.

3. **Inadequate infrastructure:** Indian MSME's are also facing problem due to inferior machinery and equipment. Only selected units have well developed capital machinery. Many firms still use second hand equipment's.

4. **Little R&D:** One of the biggest weaknesses is obsolete technology. The units lack latest technology. R&D efforts are a costly affair and there are not enough funds to finance such programmes.

4. **Less access to market:** Small scale industries of India do not have proper access to domestic and global market. They are unable to spend money on marketing activities. Lack of standardization, poor quality, proper finishing is some of the hindrances.

5. **Lack of proper work culture:** Indian MSME's lack proper working environment. Since the units are mainly labour intensive, there is lack of proper development programmes and motivational tools.

OPPORTUNITIES:

1. **Less operational cost:** The low operational cost can be used as a tool or opportunity to face competition. Price competition can help in getting an upper edge over the competing players in the market.

2. **Government support and tax relief:** Government support and impetus to this sector in terms of easy credit availability, tax relief, additional grants, and funds can be used to develop skill, entrepreneurship, technology and infrastructure.

3. **Ancillary to large business:** SSI is ancillary and a support to large business firms. They bridge the gap between the agriculture and industrial sector. They contribute significantly to the manufacturing output which leads to diversification of industrial sector too.

4. **Abundance art and skills:** Artistic skills and cultural heritage can be explored used to improve the performance of Indian MSME's and to promote exports of the country. Innovations can be done in the products offered. Indian MSME'S are a boast of ancient heritage

THREATS:

1. **Competition:** there are many competing players in the market. Sustained price competition is required. There is a threat from private firms producing better quality and standardized products.

2. **Employee motivation:** Lack of motivation, development and welfare programmes for the employees and workers can be a resulting factor in the downfall of quality and the total productivity.

3. **Poor knowledge of payment recovery:** It is a common practice to avail credit from seller. Indian MSME's lack the skills of bargaining and payment recovery. This creates the problem of working capital and has also resulted in sick units.

4. **Lack of political stability:** government support is a key element in the growth of Indian MSME's. There are many schemes and support programmes of government in favour of MSME's but still political stability is always a threat in a country like India.

RECOMMENDATIONS/STRATEGIES:

1. Building awareness is essential about adopting latest and better technology to produce better quality goods and to fight global competition.

2. Indian MSME's should also try to incorporate the knowledge on legal aspects to have global presence

3. Support in terms of market development, export promotion, loan disbursement is required for sustainability.

4. Private public partnership (PPP) can be one solution to join hands and combine specific qualities of both resulting in speedy work and better performance.

5. Tax system must promote and must be consistent with the national market.

6. There must be initiatives to support and build infrastructure and instrumental set-up.

7. The increasing role of banks and financial institutions is required to enhance credit availability to MSME's.

8. There must be simplification of labour laws in particular to MSME sector.

9. The MSME's must focus to improve competitive advantage and increase competitive skills.

10. Efforts must be made to create awareness and commercialise local and global knowledge.

11. R&D efforts to be increased to foster inclusive innovation.

12. Improving quality standards and testing and quality services.

CONCLUSION:

The micro, small, medium enterprises are an important segment of the Indian economy. They contribute towards the development of the economy in terms of production, employment, investment, social benefits, GDP etc. Although many SME's have closed due to bankruptcy and many are restructuring every year. The challenges are mainly related with the various PESTEL factors (Political, Economical, Social, Technological, Environmental and Legal). Coupled with these issues, globalization has also increased the level of competition. Hence, Indian MSME's require emphasizing on adoption of better technologies and equipment along with human skills to produce world quality goods. Overall contribution of the sector has showed a positive response. The future growth can be made in up growing areas like in food processing, biotech and Pharmaceutical sector. If the government support continues and the MSME's thrive to perform better, the success can be tenfold.

REFERENCES:

1. Ahmad, Nisar, "Problems and management of Small scale and Cottage Industries", Deep and Deep Publications, New Delhi, 1987.
2. Annual Reports 2010-2011, Ministry of Small Scale Industries, Government of India.
3. Banerjee, P., "Social networks as platforms for new public private partnerships in technical and vocational education",
4. Basu, S.K, "Place and problems of Small Scale Industries", Mukherjee and Co Pvt. Ltd, Kolkata.
5. D. North, "Institutional Change and Economic History", Journal of Institutional and Theoretical Economics, CXLV-11989.
6. "Final Results: Third All India Census of Small Scale Industries 2001-2002", August 2004 Edition, Ministry of Small Scale Industries, Government of India.
7. "Guidelines for Rehabilitation of Sick Small Scale Industrial Units", Reserve Bank of India Document, January 2002.
8. M. B. Shukla, "Entrepreneurship and small business management", Kitab Mahal, 2013
9. "Micro, Small and Medium Enterprises Development Act – Background Paper", Jessica Wade, Small Enterprise Finance Centre, IFMR.
10. "Ministry of Micro, Small & Medium Enterprises, 2007: Micro, Small and Medium Enterprises in India: An Overview", Ministry of Micro Small and Medium Enterprise, Government of India.
11. MSME Development Act 2006, Ministry of MSME, Government of India.
12. MSMEs seen as engines of growth by planning commission deputy chairman M. S. Alluwalla

published in Economic Times February 16th 2009

13. The Innovation Journal: The Public Sector Innovation Journal, 11(3), 2006.

14. Vasant Desai, "Dynamics of Entrepreneurial Development and Management", Mumbai, Himalaya Publishing House, 2009.

WEBSITES:

15. www.smallindustries.com

16. www.indiastat.com

