

# UNLOCK YOUR BUSINESS IDEAS THROUGH MSMEs: INITIATIVES AND OPPORTUNITIES

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## **Abstract**

MSME plays a vital role in the industrial development of any country. The MSME sector is a backbone of Indian economy for its contribution to the growth of Indian economy. The MSMEs are very helpful to remove the regional imbalances if it is established in the underdeveloped areas. The MSMEs Plays an important role in making “Make in India” possible. The MSME sector can help for achieving the target of Nation Manufacturing Policy that manufacturing should contribute 25% in India’s GDP by 2022. For that purpose, the government of India has taken many initiatives. This paper attempted to examine the significance of MSME in Indian economy and also introduce several initiatives taken by Indian government to promote the MSMEs. It is concluded that this sector significantly contributes in employment, exports and manufacturing output and the government should take utmost care of this sector in terms of providing more and more MSME Registration benefits through better regulations, Government simply, and enabling financial institutions to lend more credit at less interest rate for sustainability of this sector.

**Keywords: MSME, Employment, Economic stability, Initiatives, Inclusive growth, Make in India.**

## **Introduction**

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSMEs not only play a crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in the industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country. The Government has given another turnover based grouping of MSMEs in February 2018. According to this new arrangement, the MSMEs are classified in term of business turnover. This is instead of the past classification based on investment made in plant and machineries if they are operating in the manufacturing sector and investment in equipment for service sector companies. According to the new grouping, a similar turnover-based criterion has been applied to all sorts of MSMEs incorporating those working in the services sector. In spite of the fact that the essential obligation of promotion and development of MSMEs is of the State Governments, the central Government has passed an Act in 2006 to engage the segment and furthermore has shaped a (Ministry of MSMEs). It was the Micro, Small and Medium Enterprises Development (MSMED) Act, which was informed in 2006 that well-defined the three levels of micro, small and medium enterprises and set venture limits. The new turnover criteria will better suit with the GST Network (GSTN) and different configurations of isolating the MSMEs.

### **The new turnover based classification of MSMEs**

The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 will accordingly be amended to define units producing goods and rendering services in terms of annual turnover as follows:

- A micro enterprise will be defined as a unit where the annual turnover does not exceed Rs 5 crores;
- A small enterprise will be defined as a unit where the annual turnover is more than Rs 5 crore but does not exceed Rs 75 crore;

- A medium enterprise will be defined as a unit where the annual turnover is more than Rs 75 crore rupees but does not exceed Rs 250 crore.

In spite of the fact that the essential obligation of promotion and development of MSMEs is of the State Governments, the central Government has passed an Act in 2006 to enable the sector and furthermore has designed a Ministry (Ministry of MSMEs). Also, the Central Government may, by notice, shift turnover limits, which should not surpass thrice the breaking points determined in Section 7 of the MSMED Act. Under the past order a different procedure was received for service sector. Presently the grouping was made like the products MSMEs as the general turnover-based criteria was made pertinent to service sector too. In 2015, the administration has acquainted an amendment bill to change the point of confinement in all classifications and it was adopted in February 2018.

**Table: Classification of MSMEs**

<b>MSME Classification</b>	<b>New Classification (Annual Turnover)</b>	<b>Previous classification (ceiling on investment in plant and machinery)</b>
<b>Micro</b>	<b>Not exceeding Rs 5 crores</b>	<b>Below 25 lakhs</b>
<b>Small</b>	<b>Between Rs 5 crores to Rs 75 crores</b>	<b>25 lakhs to 5 crores</b>
<b>Medium</b>	<b>Rs 75 to Rs 250 crores</b>	<b>5 crores to 10 crores</b>

**Objectives**

To study the significance of MSMEs in Indian Economy.

To introduce the initiatives taken by the government to overcome the problems of young entrepreneurs.

**Research Methodology**

For this study, the researcher has collected data from various secondary sources like Journals, Articles, Newspapers, Websites, Reports of SIDBI, Reports of CSO.

**Role of MSMEs in Indian Economy**

The Micro, Small & Medium Enterprises (MSMEs) have been contributing significantly to the expansion of entrepreneurial endeavours through business innovations. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets. As per the data available with Central Statistics Office (CSO), Ministry of Statistics & Programme Implementation, the contribution of MSME Sector in country’s Gross Value Added (GVA)<sup>1</sup> and GDP at the current prices for the last five years is given below

**Contribution of MSMEs in Country’s Economy at Current Price**

<b>(Figures in Rs. Crores adjusted for FISIM<sup>3</sup> at current prices)</b>						
<b>Year</b>	<b>MSME GVA</b>	<b>Growth (%)</b>	<b>Total GVA</b>	<b>Share of MSME in GVA (%)</b>	<b>Total GDP</b>	<b>Share of MSME in GDP (in %)</b>
2011-12	2622574	-	8106946	32.35	8736329	30.00
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 & Programme Implementation

India’s micro, small and medium enterprises (MSME) sector, known as its engine of growth, contributes 31 per cent of its GDP, 45 per cent of exports, employs over 124 million people and creates nearly 1.3 million jobs every year. The entrepreneurial growth and development they contribute are not restricted to the urban areas only. Of the 55.8 million MSMEs, 59 per cent are based in rural India. But the absence of adequate and timely bank finance, high cost of credit, non-availability of suitable technology and over-

regulation impede the growth of this sector. Among the afore - mentioned constraints, the availability of finance and financial costs are the two key factors that directly impact the growth and survival of the manufacturing and services MSMEs. As per the IFC report 2018, the overall finance demand by MSMEs is estimated to be about ₹87. 7-lakh crore of which about ₹69. 3-lakh crore is the debt requirement. Of this, about ₹48.5-lakh crore is required for working capital and ₹20.8-lakh crore is the capex investment required for fixed assets. But of the total debt requirement of ₹69.3 lakh crore (\$1.07 trillion), only ₹10.9 lakh crore is raised from formal sources and as much as ₹58.4 crore is raised from informal sources. Though private and public banks, NBFCs and FIIs all make up the formal financial ecosystem to provide the desired capital, there is a huge gap in catering to the financing requirement of the MSME sector leading to most MSMEs preferring to raise capital from informal resources. This preference is due to ease of access, speed of disbursal and need of minimal documentation.

Let us take a look at some of the key importance of this sector in the development of India both in terms of economic, and social development:

### **1. Creates large scale employment:**

Since the enterprises falling in this sector require low capital to start the business, it creates huge employment opportunities for many unemployed youths. India produces about 1.2 million graduates per year, of the total number about 0.8 million are engineers. And, there is no economy in the world that can provide jobs to so many fresh graduates in one year. MSME is the boon for many of this fresh manpower.

### **2. Economic stability in terms of Growth and leverage Exports:**

MSME is a significant growth driver in India, with it contributing to the tune of 8% to GDP. As mentioned in the table, Exports sector in India constitutes about 40% of contributions from MSME alone. Looking at the kind of contribution of MSME to manufacturing, exports , employment, and other sectors are also benefitting from MSME. MNCs today are buying semi-finished, and auxiliary products from small enterprises, for example, buying of clutches, and brakes by automobile companies. It helps create a linkage between MSME and big companies. Even after the implementation of the GST

40% MSME sector also applied GST Registration which increases the government revenue by 11%.

### **3. Encourages Inclusive Growth:**

About 50% of wealth in India is owned by just 100 people, which is due to unequal distribution of wealth. Inclusive growth is on top of the agenda of Ministry for Medium, and Small, and Medium sized enterprises for several years. While poverty and deprivation are a deterrent to the development of India, including marginalized sections of society is a key challenge lying before the Ministry of MSME.

### **4. Cheap Labour and minimum overhead:**

In large scale organizations, one of the key challenges is to retain the human resource through an effective human resource management professional manager. But in case of an MSME, the requirement of labour is less, and it does not need a highly skilled labourer. Hence, the indirect expenses incurred by the owner are also low.

### **5. Simple Management Structure for Enterprises:**

MSMEs do not require a huge capital to start. With limited resources available within the control of the owner, decision-making becomes easy and efficient. As in case of a large corporation wherein a specialist is required for every departmental functioning because of the complex organizational structure, a small enterprise does not need to hire an external specialist for its management. The owner himself/herself can manage it. Therefore, it can be run single-handedly.

### **6. Plays an important role in making “Make in India” possible:**

Post the inception of ‘Make in India’, a signature initiative by the prime minister of India, the process of incorporating a new business has been made easy. Since the MSME is the backbone in making this dream a possibility, the government has directed the financial institution to lend more credit to enterprises in MSME sector.

Micro, Small and Medium-sized Enterprises (MSME) are one among the most important sectors, forming the backbone of the Indian economy. This sector has been instrumental in the growth of the nation, leveraging exports, creating huge employment opportunities for the unskilled, fresh graduates, and the underemployed, also extending the opportunities to banks for giving more credit to enterprises in this sector. The government should take utmost care of this sector in terms of providing more and more MSME Registration benefits through better regulations, Government simply, and enabling financial institutions to lend more credit at less interest rate for sustainability of this sector.

### **Initiatives taken by government**

#### **1. Credit Linked Capital Subsidy Scheme**

The credit Linked Capital Subsidy Scheme (CLCSS) gives a subsidy of 15% on institutional fund of up to Rs.1 crore for MSMEs in the predefined 51 sub-divisions. The fundamental point of this plan is to encourage the upgradation of innovation in MSMEs. Entrepreneurs can avail subsidies on loans from banks, such as, Bank of Baroda, State Bank of India, Punjab National Bank and SIDBI among others. The aim of the Scheme is to encourage innovation, up-degree in MSEs by giving a forthright capital subsidy of 15 percent (on institutional money of up to Rs 1 crore benefited by them) for enlistment of settled and improved innovation in the predetermined 51 sub-segments/items affirmed. As it were the significant goal is to update their plant and machinery with cutting edge innovation, with or without development and furthermore for new MSEs which have set up their offices with fitting qualified and demonstrated innovation properly affirmed under scheme guidelines. The CLCSS plan would be pivotal in raising MSME contribution to total national output from the present 29 percent to 50 percent, notwithstanding expanding exports from the sector to 50 percent from 40 percent now.

#### **2. MSME Sampark**

MSME Sampark is a digital platform that legitimately links job seekers (students who graduate from MSME Technology Centers) to small companies and business people. The MSME Sampark portal is a digital platform, wherein, job seekers (passed out learners/students of 18 MSME Technology Centers) and selected representatives

(different presumed national and global organizations) register themselves for getting work and getting the right sort of labor separately. MSME Technology Centres have been one of the key supporters of the Make in India initiative by contributing in different verticals, for example, Aerospace, Automobile, Electronics, Glass, Footwear, Sports merchandise, Fragrance and Flavours, and so on. These Centres are giving training to around 1.5 lakh students every year and a large portion of them are being consumed by industry inside the nation just as abroad. Expertise Development is just a single portion of the test, finding the correct business open door for these talented youth, is one more. While major corporates have well-characterized recruitment processes with a national reach, the challenging task stays for independent companies and entrepreneurs to locate the correct individual for the job with required experience and range of abilities. Then again, the job searchers battle to coordinate their ranges of abilities with the job, position, required work experience, salary, area and industry verticals leave with an excessive number of parameters to be coordinated in a constrained opportunity map. To connect this gap between the Recruiters and Job Seekers, The Ministry of MSME has propelled - MSME SAMPARK.

### **3. 59-minute loan portal**

The India government presented an online business advance online portal through SIDBI where MSMEs can get loans in fifty-nine minutes or less. Entrepreneurs can visit the official site, [www.psbloansin59minutes.com](http://www.psbloansin59minutes.com) to get credits extending from Rs.1 lakh to 5 crores. [psbloansin59minutes.com](http://psbloansin59minutes.com) is an online commercial centre to take into account different money related yearnings of people and organizations in a straightforward, speedy and bother freeway. The Platform has set another benchmark in loan processing by lessening turnaround time for in-principle approval from days to under 59 minutes. Post receiving In-principle approval letter, the loan is required to be authorized/dispensed in around 7-8 working days. The Platform is as of now being utilized by in excess of 25 Public and Private Sector Banks and NBFCs. The Platform gives Business Loan (Term Loan and Working Capital Loan) In-principle approvals for value from INR 1 Lac to INR 5 Crore. [psbloansin59minutes.com](http://psbloansin59minutes.com) is exceptional stages that guarantees speedy on a fundamental level credit endorsement. It is a small-scale administration driven auto adaptable platform that gives claim specialty greatness as well as coordinates various specialist co-ops into a solitary incredible motor having several APIs and a huge number

of data points. The Platform uses developing computerized information and coordinates trend setting innovations to robotize and digitize the loaning forms for Borrowers and Bankers.

#### **4. Public Procurement Policy**

All central PSUs that were told to obtain 20% of their yearly acquirement from the MSMEs need to now source at any rate 25% of their prerequisite from this division. Likewise, the Central government coordinated that out of the 25%, CPSUs should make obligatory obtainment of 3% from women entrepreneurs and 4% from MSMEs possessed by scheduled cast/scheduled tribes (Sc/St) business people. The Policy is powerful from first April 2019 (Gazette notice on 9 November 2018). The goal of the Policy is the advancement and improvement of Micro and Small Enterprises by supporting them in promoting of items delivered and services rendered by them.

#### **5. Government e-marketplace (GeM)**

The Government e-Marketplace (GeM) is where government organizations procure different products from various dealers in the nation. As of late, the Department of Commerce entered into an agreement with SIDBI to make it simpler for MSMEs, Self Help Groups, Women entrepreneurs and other credit recipients sell their items on the stage. Special initiatives like 'start-up runways' and 'womaniya' help entrepreneurs with selling their items straightforwardly to government foundations. GeM is a short type of one stop Government e-Market Place facilitated by DGS&D where regular client products and ventures can be secured. Government e-Marketplace (GeM - gem.gov.in) is an exceptionally strong advance of the Government with the intend to change the manner by which acquirement of products and ventures is finished by the Government Ministries and Departments, Public Sector Undertakings and other summit self-governing assortments of the Central Government.

#### **6. Legal procedures simplified**

To ensure that entrepreneurs are able to access timely credit, companies with a turnover greater than Rs.500crore have to be registered on trade Receivables e-discounting system (TReDS)platforms like receivables Exchange of India (RXIL). Receivables Exchange of India Ltd (RXIL) was incorporated on February 25, 2016 as a joint venture between Small Industries Development Bank of India (SIDBI) – the apex

financial institution for promotion and financing of MSMEs in India and National Stock Exchange of India Limited (NSE) - premier stock exchange in India. RXIL operates the Trade Receivables Discounting System (TReDS) Platform as per the TReDS guideline issued by Reserve Bank of India (RBI) on December 3, 2014. RXIL is the first entity to receive the approval from RBI on December 01, 2016 to launch India's First TReDS Exchange. To be an integrated provider of financing platform par excellence benchmarked with global best for supporting the growth and development of Micro, Small and Medium enterprises for their inclusive, sustainable economic and social development. To guarantee that business people can get to opportune acknowledge, organizations with a turnover more prominent than Rs.500crore must be enlisted on exchange Receivables e-limiting framework (TReDS)platforms like receivables Exchange of India (RXIL). Receivables Exchange of India Ltd (RXIL) was fused on February 25, 2016 as a joint endeavor between Small Industries Development Bank of India (SIDBI) – the summit money related organization for advancement and financing of MSMEs in India and National Stock Exchange of India Limited (NSE) - chief stock trade in India. RXIL works the Trade Receivables Discounting System (TReDS) Platform according to the TReDS rule gave by Reserve Bank of India (RBI) on December 3, 2014. RXIL is the primary element to get the endorsement from RBI on December 01, 2016 to dispatch India's First TReDS Exchange. To be an incorporated supplier of financing stage second to none benchmarked with worldwide best for supporting the development and advancement of Micro, Small and Medium endeavours for their comprehensive, reasonable monetary and social improvement.

## **7. Social Security for MSME Sector Employees**

During the last year, the government emphasized the need for introducing social security for the MSME sector employees. The finance ministry note says that a mission will be launched to ensure that they have Jan Dhan Accounts, Provident funds and insurance. Modi added that the implementation of such an ‘outreach Programme’ for monitoring social security for MSME sector employees will be intensively monitored over the next 100 days.

## Conclusion

Micro, Small and Medium Enterprises contribute to the economic development of India in various ways, such as employment generation in rural and urban areas, providing goods and services at affordable costs. It plays a pivotal role in driving the growth engine. The manifest capacity of Micro, Small and Medium Enterprise for driving the economic growth and development at regional, national and global level can't be neglected. They are concentrated and informal in nature. It is a sector driven by creativity and innovation by the individuals. The labour ratio in MSMEs is quite high when compared to larger industries where automation is becoming the major part of the production. Due to upcoming of these enterprises, the employment has increased as most of the production work is being carried upon by the people as they are comparatively smaller than the large industries in terms of inputs and expenditures. The government should take utmost care of this sector in terms of providing more and more MSME Registration benefits through better regulations, Government simply, and enabling financial institutions to lend more credit at less interest rate for sustainability of this sector.

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