

A STUDY ON THE CONTRIBUTION OF MSMEs IN THE GROWTH OF INDIAN ECONOMY

Dr.J.Duraichamy

*Assistant Professor, Department of Commerce &
Research Centre, Sourashtra College, Madurai*

Abstract

Micro, Small and Medium Enterprises (MSMEs) are the development quickening agents of the Indian economy, contributing about 30% of the nation's (GDP). As far as fares, they are an essential aspect of the gracefully chain and contribute about 40% of the general fares. MSMEs likewise assume a significant function in employment age, as they utilize around 110 million individuals the nation over. Strangely, MSMEs are entwined with the rustic economy also, as the greater part of the MSMEs works in provincial India. To guarantee that MSMEs continue to lead the nation towards economic development, the Government of India has every once in a while reported different plan to help the development of this sector. The Micro Small and Medium Enterprises (MSMEs) have been acknowledged as the motor of economic development and for advancing evenhanded development. The work power of the MSME sector is a lot higher than that of the enormous enterprises. The MSMEs comprise over 90% of absolute enterprises in the greater part of the economies and are credited with creating the most elevated paces of employment development and record for a significant portion of modern creation and fares. The MSMEs assume a fundamental part in the general development of mechanical economy of the nation. With its nimbleness and dynamism, the sector has demonstrated splendid ingenuity and versatility to endure the recent economic slump and downturn and have loads of chances to develop later on. Hence, the present study has been focused on the contribution of MSMEs in the growth of Indian Economy and it is a descriptive in nature.

Key words: GDP, Employment Growth, Industrial Economy, Equitable Development, Economic Downturn and Recession.

Introduction

Micro, Small and Medium Enterprises (MSME) sector has risen as a profoundly energetic and dynamic sector of the Indian economy throughout the most recent fifty years. MSMEs not just assume vital function in giving huge employment openings at relatively lower capital expense than huge ventures yet in addition help in industrialization of rustic and in reverse territories, accordingly, decreasing local irregular characteristics, guaranteeing more evenhanded conveyance of public pay and riches. MSMEs are complementary to huge enterprises as subordinate units and this sector contributes colossally to the socio-economic development of the nation. Service of Micro, Small and Medium Enterprises (MSME) imagine a lively MSME sector by advancing development and development of the MSME two sector, including Khadi, Village and Coir Industries, in participation with concerned Ministries/Departments, State Governments and different

Stakeholders, through offering help to existing enterprises and empowering formation of new enterprises.

The Micro, Small and Medium Enterprises (MSMEs) Sector contributes essentially to the Indian Economy as far as Gross Domestic Product (GDP), Exports and Employment are concerned. According to the data got from the Central Statistics Office (CSO), Ministry of Statistics and Program Implementation (MOSPI), the Share of MSME Gross Value Added (GVA) altogether during was 31.8%. According to the data got from Directorate General of Commercial Intelligence and Statistics (DGCIS) the Share of MSME related Products in complete Export from India is 48.10%. According to 73rd Round of National Sample Survey (NSS), directed by the Ministry of Statistics and Program Implementation during the period, the assessed number of laborers in unincorporated non-agribusiness MSMEs in the nation are 11.10 crore. The Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) was dispatched by the Government of India to make accessible insurance free credit to the micro and small enterprise sector. So, it is been a motivation factor to the researcher to do the study on 'the contribution of MSMEs in the growth of Indian Economy'.

Objectives of the Study

The present study aimed with following objectives:

1. To know about the status of MSMEs in India.
2. To study the contribution of MSMEs to Indian Economy.
3. To explore the importance of MSMEs in India.
4. To concise the contribution of MSMEs on Indian Economy in various perspectives.

Operational Definitions

MSMEs are Micro, Small and Medium Enterprises that participate in the administration sector or in assembling, handling, creation and safeguarding of products. MSMEs contribute altogether to India's complete GDP, and the government's goal is to raise this contribution to half in the coming years. It is no big surprise then that MSMEs are viewed as the foundation of the economy. Additionally, MSMEs are likewise crucial to the development of the country as they give employment to lakhs of untalented and semi-skilled people.

MSMEs are characterized under the Micro, Small and Medium Enterprises Development Act, 2006. The Act arranges them as micro, small and medium enterprises dependent on: (i) investment in plant and apparatus for enterprises occupied with assembling or creation of merchandise, and (ii) investment in equipment for enterprises offering types of assistance. According to the Cabinet endorsement, as far as possible will be changed upwards and yearly turnover of the enterprise will be utilized as extra measures for the order of MSMEs.

Reviews of Related Literature

Das et al. (2012) have done an investigation and found that the Micro, Small and Medium Enterprises (MSMEs) structures a significant piece of Indian economy, contributing

through mechanical yield, trades, business, speculations, developments and so on. there are roughly 30 million MSME Units in India. MSME's Contribution towards GDP in 2011 was 17% which is relied upon to increment to 22% by 2012. Because of the expanded globalization of the Indian economy, MSMEs are confronting new difficulties while numerous MSMEs are battling hard to endure. MSMEs faces huge number of issues and not many of them are restricted information, non-accessibility of reasonable innovation, incapable showcasing system, failure to distinguish new business sectors, requirements on modernization and extensions, nonappearance of exceptionally talented work, these lacking can be adequately work-out through innovation improvement and expertise advancement, by arrangement of Information Technology (IT) framework. The current examination is an endeavor to set up the connection between MSMEs intensity and Information Technology Comprehensiveness. This examination inspects the Information Technology Adoption of Micro, Small and Medium Enterprises (MSME) in North India. The information were gathered through close to home request and semi organized survey, from that point reactions of 36 effective MSMEs were investigated. The experimental outcomes recommend that Information Technology Adoption is essentially impacted by data trade with clients, serious rivalry, Government Incentive Schemes and just as Enterprises area, size and age.

Kalyan, Nalla. (2012) have explored a paper and reasoned that the advancement of economy, while offering brilliant open doors for the expansion and progress of India industry including MSMEs, has hurled inventive difficulties regarding fierce end. The objective of this paper is to break down monetary help for MSMEs. The legislature is executing the credit ensure reserve conspire for miniature, little and medium undertakings with the goal of encouraging progression of credit to the MSMEs. The examination further dissects the significance of working capital administration to the achievement of private company.

Mageswari, Uma. (2012) have researched that the Micro, Small and Medium Enterprises (MSMEs) is the biggest area by its commitment to business age, sends out and financial turn of events. The dynamic globalized business climate presents numerous difficulties to the area. The conventional machine power never again is considered to give serious edge and is supplanted by human/scholarly force. Information Management another popular expression in the realm of business and the scholarly world and its usage is found to profit the association. Essential goal of this paper is examining the commitment of Government of India to cultivate MSME area from information the board point of view. A diagnostic examination is finished by gathering and dissecting auxiliary information through books, diary articles and sites. A detailed examination embraced uncovers that administration of India through its services and workplaces is requiring colossal exertion to help the development of MSME area and furthermore to handle the obstacles to it. There is

next to no examination on Role of Government in improving MSMEs from Knowledge Management Perspective particularly in India. This paper will illuminate this angle.

Status of MSMEs in India

Role of MSME in the Indian Economy is outstanding as this is the sector which has given huge impulse and has become the foundation of the country's economy. Being an agri-escalated economy, India's economy has remained principally sloppy and ever-creating. Absence of utilization of current methods in agribusiness, low yields and high reliance on storm has not permitted the farming sector to progress and hence the country needed to battle hard to being a creating country. Ventures in the country rely a great deal upon agri-products and absence of critical yield during any year seriously impacts the entire economy. Cooperative connection among economy and MSMEs Association between small enterprises and the economy is special in each perspective. It is in truth the most interesting of its sort. Its uniqueness lies in the way that both relies upon one another so much that they are imperative and can't be isolated. Their affiliation and between reliance commonly advantage one another. Where MSMEs give the genuinely necessary catalyst at the grass root level, the economy secures them, satisfies their requirements and gives additional consideration at the hour of emergency (as advances).

Contribution of MSMEs to Indian Economy

Contribution of MSMEs to the economy is massive. Not exclusively do they contribute to the master plan like GDP, they likewise help comprehend workforce employment emergency to an enormous extent. Along these lines, what is there in MSMEs that makes them so reliable and unfaltering? To start with, it is their temperament of having a solid ground-associate. Having association with the roots and having direct association with the workforce is novel MSMEs. This offers lift to the economy and gives it the essential help. Secondly, it is their temperament to adjust to the changes. Small businesses are driven by a blend of food and benefit thought processes. They don't spare a moment to acquire changes the cycle in the event that they are guaranteed that it would emphatically affect their creation. Moreover, being profoundly astute to changes, Small organizations are the most adaptable and one of the most change-driven enterprises in the Indian economy. Then again, these are a great deal of excellent openings accessible for the MSMEs. The Indian economy offers them a ton of degree to settle and develop. This has all been conceivable after the interest for items and administrations which are acceptably satisfied by MSMEs as it were. Another extraordinary quality of Small Business which empowers them to that the nation's economy could rely upon them is that in spite of having casual wellsprings of subsidizing, the small and medium enterprises give a valiant effort to perform dependent on the accessible assets. They frequently, or state in the vast majority of the cases miss the mark concerning assets yet they attempt to deal with the circumstance with small credits masterminded from individual or guarantees, if accessible. According to a gauge, around 90 for each cent of the MSMEs rely upon casual wellsprings of

credit and subsidizing and this percent is a lot higher than anticipated. In this way, if an economy has such a main thrust behind it which is resolved to do whatever it can assume their job, at that point that economy makes certain to have a splendid future.

Importance of MSMES in India

- In India, at present, there are almost 56 million such enterprises in different ventures, utilizing near 124 million individuals. Of these, almost 14% are ladies driven enterprises, and near 60% are situated in rustic zones.
- In all, the MSME sector represents 8% of India's GDP and 45% of product sends out. Because of this, the MSME sector is known as the development motor of the country.
- The criticalness of the MSMEs sector can be noted from the way that it is the second-biggest employment supplier, after horticulture in India.

Contribution of MSMES on Indian Economy in Various Perspectives

In recent years the MSME sector has consistently enrolled higher development rate contrasted with the general modern sector in India. During the initial 4 years of XI Plan, MSME Sector displayed a development pace of 13% on a normal, a noteworthy presentation contrasted with the greater part of different sectors. According to the fourth Censuses of MSME Sector, this sector utilizes an expected 59.7 million people spread over 26.1 million enterprises. It is assessed that as far as worth, MSME sector represents about 45% of the assembling yield and around 40% of the complete fare of the nation. The significant preferred position of the sector is its employment potential at low capital expense. Establishment of explicit Funds for the advancement, development and upgrading intensity of these enterprises, warning of plans for this reason, reformist credit approaches and practices, inclination in Government procurement to items and administrations of the micro and small enterprises, more viable components for alleviating the issues of deferred payments to micro and small enterprises and affirmation of a plan for facilitating the conclusion of business by these enterprises are a portion of different highlights of the Act.

Foreign Direct Investment (FDI) Policy

With the proclamation of the MSMED Act, 2006, the prohibitive 24% roof endorsed for value holding by mechanical endeavors, regardless of whether homegrown or unfamiliar, in the MSEs has been discarded and MSEs are characterized exclusively based on investment in plant and hardware (producing enterprises) and equipment (services enterprises). In this way, the present strategy on FDI in MSE grant FDI subject just to the sectoral value tops, entry courses and other important sectoral guidelines.

Employment Opportunities

SSI Sector in India makes biggest employment open doors for the Indian people, next just to Agriculture. It has been assessed that a lakh rupees of investment in fixed resources in the small scale sector creates employment for four people. MSMEs not just assume essential part in giving huge employment openings at similarly lower capital

expense than enormous ventures yet in addition help in industrialization of country and in reverse territories, along these lines, lessening provincial uneven characters, guaranteeing more impartial dispersion of public pay and riches. MSMEs are complementary to huge enterprises as auxiliary units and this sector contributes gigantically to the socio-economic development of the nation. The sector contributes essentially to assembling yield, employment and fares of the nation. Regarding esteem, the sector represents around 45 for every cent of the assembling yield and 40 for each cent of all out fares of the nation. It is assessed to utilize around 60 million people in more than 26 million units all through the nation. There are more than 6000 items going from customary to innovative things, which are being produced by 35 the MSMEs in India. It is notable that the MSME sector gives greatest chances to both self-employment and wage-employment, outside farming sector. MSME sector contributes not exclusively to higher pace of economic development yet additionally in building a comprehensive and economical society in endless manners through formation of non-ranch work effortlessly, adjusted local development, sex and social parity, environmentally manageable development and to top everything, downturn sealing of economic development, which the sector has demonstrated on numerous occasions.

Testing Laboratories

Presently, there are many trying research centers in the nation which are giving trying offices to the mechanical sector including micro units. Particular testing offices for certain very good quality items exceptionally calfskin things are not accessible in the nation. The sending out MSME units is benefiting these offices from the abroad testing labs. Accordingly, there is requirement for formation of extra testing offices in the nation. It was recommended that setting up of at any rate 100 nos. quality testing research centers for MSMEs in group/industry concentration, region/major mechanical region. This movement can be attempted under Public Private Partnership mode. There is likewise requirement for upgradation of existing Test Laboratories under the Ministry.

De-reservation

The issue of de-reservation has been a subject of energized banter inside government for the last twenty years. The Approach to the Eleventh Five Year Plan noticed the unfavorable ramifications of reservation of items for restrictive assembling by the MSEs and recommends the strategy of reformist de-reservation. To encourage further investments for innovative upgradation and higher profitability in the micro and small enterprises, 654 things have been removed the rundown of things saved for selective production by the assembling micro and small enterprises over the most recent couple of years decreasing it to 21 at present. This has helped the sector in amplifying the size of activities and furthermore prepared for entry of bigger enterprises in the assembling of these items with regards to the worldwide guidelines.

Competitive Technology

In the present relentless worldwide business situation, innovation has become more imperative than any time in recent memory. So as to encourage the development of MSME sector in the nation, Government has set up ten best in class Tool Rooms and Training Centres. These Tool Rooms offer important assistance to the Indian business by method of accuracy tooling and giving very much prepared experts in the zone of hardware and pass on making. These Tool Room are profoundly proficient in shape and kick the bucket making innovation and advance exactness and quality in the development and assembling of modern forms, passes on and apparatuses. The Tool Rooms are furnished with the best innovation as well as side by side with the most recent advancements like CAD/CAM, CNC machining for tooling, Vacuum Heat Treatment, Rapid Prototyping, and so on. The Tool Room and Training Centres additionally offer different preparing projects to meet the wide range of specialized labor required in the assembling sector. The preparation programs are designed with ideal mix of hypothesis and work on giving the learners introduction on real positions and hands on working experience. The Tool Rooms have likewise evolved unique preparing projects to meet the requirements at worldwide level, which are gone to by members from everywhere the globe. Fare Promotion Export advancement from the MSE sector has been concurring a high need. To help MSEs in sending out their items, the accompanying offices/incentives are given: (i) Products of MSE exporters are shown in global displays and the consumption caused is repaid by the Government; (ii) To familiarize MSE exporters with most recent bundling principles, strategies, and so forth., preparing program on bundling for exporters are composed in different pieces of the nation in relationship with the Indian Institute of Packaging; (iii) Under the MSE Marketing Development Assistance (MDA) Scheme, help is given to people to cooperation in abroad fairs/presentations, abroad examination visits, or voyages through people as individual from an exchange designation traveling to another country. The Scheme additionally offers help for (a) sector explicit market concentrate by MSE Associations/Export Promotion Councils/Federation of Indian Export Organization; (b) Initiating/contesting against unloading cases by MSE Associations; and (c) reimbursement of 75 for every cent of the onetime enrollment expense and yearly expense (repeating for initial three years) charged by GSI India (in the past EAN India) for appropriation of Bar Coding. Framework Development For setting up of mechanical domains and to create foundation offices like force circulation organization, water, telecommunication, seepage and contamination control offices, streets, banks, crude materials, stockpiling and advertising outlets, regular help offices and innovative back up administrations, and so forth., for MSMEs, the Integrated Infrastructural Development (IID) Scheme was dispatched in 1994. The plan covers country just as metropolitan territories with an arrangement of 50 percent booking for provincial zones and 50 for each cent modern plots are to be held for the micro enterprises. The Scheme al so accommodates upgradation/fortifying of the infrastructural

offices in the current mechanical bequests. The assessed cost (barring cost of land) to set up an IID Centre is Rs.5 crore (\$1.25 million). Central Government gives 40 for each cent in the event of general States and up to 80% for North East Region (counting Sikkim), J&K, H.P. furthermore, Uttarakhand, as award and remaining sum could be advance from SIDBI/Banks/Financial Institutions or the State Funds. The IID Scheme has been subsumed under the Micro and Small Enterprise Cluster Development Program (MSECDP). All the highlights of the IID Scheme have been held and will be secured as "New Clusters" under MSECDP.

Conclusion

The study concludes that the MSME sector of India is today at the door of worldwide development on the quality of serious and quality item extend. Notwithstanding, help from the Government is needed to limit the exchange expenses of innovation upgradation, market entrance, modernization of framework and so forth. In this paper we have taken a gander at development of Indian Micro Small and Medium Enterprise Sector throughout the most recent ten years. The MSME sector has frequently been named the 'motor of development' for creating economies..We start with a diagram of this sector in India and take a gander at some recent patterns which feature the development and centrality of this sector opposite the Indian economy. We have dissected the development of MSMEs in fixed investment, creation execution, employment age and fare contribution. The MSME Development Act of 2006 is maybe the most pivotal of these recent strategy changes. The strategies of intrigue are state costs and sponsorships focused towards this sector. All the more explicitly, we have examined about Employment openings, Infrastructure Development, Testing labs, Foreign Direct Investment strategy, De-reservation, Competitive innovation, Export advancement inside the MSME sector. We have additionally investigated the open doors given in the Indian economy for betterment of MSMEs. The elements like fare advancement, reservation strategy, tooling& innovation, labor preparing, innovation and administrative abilities gave colossal open doors for development and better execution in the economy. The center working region of the twelfth long term plan additionally examined in the paper. It is reasoned that MSMEs in the Indian Economy have demonstrated huge development and excellent execution with the contribution of strategy structure and efficient steps which had been set aside by the Government effort to time for the development and development of the MSMEs.

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