

International Journal of Innovative Research in Science, Engineering and Technology

(A High Impact Factor, Monthly, Peer Reviewed Journal) | Impact Factor: 7.215|

Visit: www.ijirset.com

Vol. 7, Issue 10, October 2018

Micro, Small and Medium Enterprises in India

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ABSTRACT: India has the largest MSME base in the world after China. The sector provides a wide range of services and is engaged in the manufacturing of over 6,000 products – ranging from traditional to hi-tech items. Given the government of India's push for a self-reliant economy or Atmanirbhar Bharat, the Indian MSME sector is poised for rapid growth and is seeking greater integration with major global value chains. India's micro, small, and medium enterprises (MSMEs) enjoy significant government policy support, such as through sector-based production-linked incentives (PLI) programs, incentives targeting specific regions like the Northeastern states, or schemes for businesses linked to technical skilling and digital tools, applications, and technologies, among others.

KEYWORDS: MSME, atmanirbhar, Bharat, global, government, policy, digital, enterprises

I. INTRODUCTION

As per some estimates, there are about 63.05 million micro industries, 0.33 million small, and about 5,000 medium enterprises in the country. The state of Uttar Pradesh has the largest number of estimated MSMEs with a share of 14.20 percent of the total MSMEs in the country. West Bengal comes as close second with a share of 14 percent, followed by Tamil Nadu and Maharashtra at eight percent. [2,5]

The definition of who qualifies as an MSME in India is based on investment and turnover and applies to entities in manufacturing and services sectors:

- Micro: Enterprises with investment up to INR 10 million, turnover up to INR 50 million are defined as micro units.
- Small: Enterprises with investment up to INR 100 million, turnover up to INR 500 million are defined as small units.
- Medium: Enterprises qualify as medium-sized units if they have investment up to INR 200 million and turnover up to INR 1 billion.

The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 governs the coverage and investment ceiling of MSMEs in India. The Act recognizes two categories of MSMEs – manufacturing and services, whose definition criteria have now been rationalized on an equal footing as per market and price conditions.

What are opportunity areas for MSMEs in India?

Telecommunications

- Domestic manufacturing of low-cost mobile phones, handsets, and devices
- Manufacturing of telecom networking equipment, including routers and switches
- Manufacture of base transceiver station equipment

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- Mobile customer data analytics – services oriented toward analytical solutions
- Development of value-added services

Healthcare

- Manufacturing of personal protective equipment (PPE)
- Manufacturing of low-cost medical devices, and medical accessories, such as surgical gloves, scrubs, and syringes
- Telemedicine
- Diagnostic labs[1,2]

Electronics

- Domestic manufacturing of low-cost consumer electronics, consumer durables
- White goods (AC and LED)
- Nano-electronics and microelectronics
- Electronic Systems Design and Manufacturing, including semiconductor design, electronic components design and hi-tech manufacturing under India's 'National Electronics Mission
- Strategic electronics, as the government is keen on encouraging the domestic manufacturing of products needed by the security forces

Pharmaceuticals

- In July 2015, India launched three schemes under the banner 'Strengthening Pharmaceuticals Industry' (SPI) for strengthening MSMEs in the pharmaceutical sector to upgrade technology, set up common research centers and effluent treatment plants in pharma MSME clusters, and create a database for the domestic pharmaceutical and medical device industry.
- The states of Andhra Pradesh, Gujarat, Maharashtra, and Goa are major pharmaceutical manufacturing clusters in India.
- The pharma sector is also a PLI beneficiary.

Other areas that offer opportunities for MSMEs include tourism; sustainability; hyperautomation, which include artificial intelligence (AI); machine learning (ML); RPA; and advanced analytics; information technology (IT) and IT-enabled services; chemical; automotive; renewables; gems and jewelry; textile; food processing; drones-as-a-service; and agriculture.

II.DISCUSSION

India has initiated various schemes and measures to allow MSMEs easier access to funds, to modernize the sector, and make it more competitive in the global market. These include schemes for credit guarantee, MSME cluster development, regeneration of traditional industries, growth of rural industries, entrepreneurship and skill development, procurement and marketing support, promotion in the North East Region (NRE) and Sikkim, infrastructure development and capacity building, and digital tools, applications, and technologies, among others.

Examples include the Prime Minister's Employment Generation program (PMEGP), Scheme of Fund for Regeneration of Traditional Industries (SFURTI), 'Strengthening Pharmaceuticals Industry' (SPI), A Scheme for Promoting

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Innovation, Rural Industry & Entrepreneurship (ASPIRE), Credit Guarantee Scheme for Micro and Small Enterprises, Micro and Small Enterprises Cluster Development Program (MSE-CDP), Promotion of MSMEs in North Eastern Region and Sikkim, etc.

The Ministry of Micro, Small and Medium Enterprises has adopted the cluster development approach as a key strategy for enhancing the productivity and competitiveness as well as capacity building of micro and small enterprises (MSEs) and their collectives in the country.

A cluster is a group of enterprises located within an identifiable and as far as practicable, contiguous area or a value chain that goes beyond a geographical area and producing same/similar products/complementary products/services, which can be linked together by common physical infrastructure facilities that help address their common challenges.[3,5]

The essential characteristics of enterprises in a cluster are:

- Similarity or complementarity in the methods of production, quality control and testing, energy consumption, pollution control, etc.
- Similar level of technology and marketing strategies/practices.
- Similar channels for communication among the members of the cluster.
- Common market and skill needs.
- Common challenges and opportunities that the cluster faces.

Key benefits under MSE-CDP Scheme:

- Creation of Common Facility Centers including Plug & Play Facilities.
- Support for Infrastructure Development Projects, including Flatted Factory Complexes.

Scheme applicable for:

- Existing Entrepreneurs (in form of a special purpose vehicle / SPV – which should be a section 8 company under the Companies Act, 2013).

New guidelines for 15th Finance Commission Cycle [future]

1. Common Facility Centers (CFCs): The central government grant will be restricted to 70 percent of the cost of project from INR 50 million to INR 100 million and 60 percent of the cost of project from INR 100 million to INR 300 million. In case of Northeast & Hill States, Island territories, Aspirational Districts, government grant will be 80 percent of the cost of project from INR 50 million to INR 100 million and 70 percent of the cost of project from INR 100 million to INR 300 million. The project for CFC with project cost more than INR 300 million shall also be considered but the Government assistance would be calculated by taking into account the maximum eligible project cost of INR 300 million.
2. Infrastructure Development: The central government grant will be restricted to 60 percent of the cost of project from INR 50 million to INR 150 million for setting up of new Industrial Estate / Flatted Factory Complex and the grant will be 50 percent of the cost of project from INR 50 million to INR 100 million for up-gradation of existing Industrial Estate / Flatted Factory Complex. In case of NE & Hill States, Island territories, Aspirational Districts, the grant will be 70 percent of the cost of project from INR 50 million to

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INR 150 million for setting up of new Industrial Estate / Flatted Factory Complex and 60 percent of the cost of project cost from INR 50 million to INR 100 million for up-gradation of existing Industrial Estate / Flatted Factory Complex. The project for ID with project cost more than INR 100 million/INR 150 million can also be considered but the government assistance would be calculated by taking into account the maximum eligible project cost of INR 100 million/INR 150 million.[7]

III.RESULTS

Status of the Micro and Small Enterprise Cluster Development Program across India

Status of MSE-CDP Interventions (latest)				
State	Common Facility Centers (CFCs)		Infrastructure Development (ID) projects	
	Completed	Ongoing	Completed	Ongoing
Tamil Nadu	26		35	
Kerala	12	4	8	4
Haryana	3	7	28	0
Karnataka	11	13	4	1
Maharashtra	14	14	5	0
Madhya Pradesh	0	3	14	11
Uttar Pradesh	4	7	8	7
West Bengal	6	7	5	4
Andhra Pradesh	2	6	6	8
Telangana	0	1	3	16

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Status of MSE-CDP Interventions (latest)				
Gujarat	2	10	2	0
Punjab	2	6	3	17

Multiple simultaneous shocks and crises have disturbed the global working environment for entrepreneurs and micro-, small and medium-sized enterprises (MSMEs). In addition, conflicts, commodity dependence, geopolitical tensions, and pandemics drive social and economic instability, making MSMEs extremely vulnerable to rising inflation and supply chain disruptions.

Among the most vulnerable, women- and youth-owned enterprises are often at risk of external shocks. This is when the percentage and overall number of business formations by women and youth are increasing worldwide. However, facing limited access to affordable finance, capacity-building support, partnership networks, and global markets, women and young entrepreneurs need help to overcome the numerous challenges that frequently stifle the growth of their businesses, confining many of them to informality or necessity entrepreneurship.

Policies that strengthen capacities and support MSMEs development and entrepreneurship for women and youth need to be at the forefront to address those challenges, lower and remove barriers, and provide an operating environment for women- and youth-owned businesses to grow, thus contributing to the full achievement of SDGs 1, 4, 5, 8, 9, 10 and the “leave no one behind” promise of the 2030 Agenda for Sustainable Development and its Sustainable Development Goals.

This MSMEs day will also focus on supporting resilient supply chains to ensure workers and the environment benefit. Supply chains are a critical component of global trade and commerce, and conflicts, disasters, and pandemics can quickly impact their functioning, increasing costs and making transactions more difficult. Therefore, policymakers and businesses must join forces to ensure economically viable, socially, and environmentally sustainable supply chains.

IV. CONCLUSIONS

MSMEs account for 90% of businesses, 60 to 70% of employment and 50% of GDP worldwide. As the backbone of societies everywhere they contribute to local and national economies and to sustaining livelihoods, in particular among the working poor, women, youth, and groups in vulnerable situations.

MSMEs hold the potential to transform economies, foster job creation, and promote equitable economic growth if given adequate support. The MSME Day event aims to highlight their pivotal role and explore opportunities for their further advancement.[8]

The United Nations General Assembly designated 27 June as “Micro-, Small, and Medium-sized Enterprises Day” (A/RES/71/279) to raise awareness of the tremendous contributions of MSMEs to the achievement of the United Nations Sustainable Development Goals (SDGs).



ISSN(Online): 2319-8753
ISSN (Print): 2347-6710

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