



The Role of Micro, Small and Medium Enterprises in Economic Development: An Overview Study in India

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Abstract: *The Micro, Small and Medium Enterprises are crucial for the economic development of any country and play a pivotal role specifically for developing countries as they regulate economic activity and generate employment thus significantly contribute in poverty reduction. After agriculture, this sector is the second largest employer in India. MSMEs, not only play significant role in generating large employment by investing less capital as compared to large industries but also help to develop nonfarm sector by increasing industrialization in rural areas. The main objectives of the paper are to explore the growth in the number of MSME units, GDP contribution, employment and exports of Indian MSME sector, to analyze the relationship between growth of MSME sector and fulfilment of Sustainable Development Goals (SDGs) 2030, to see the contribution of MSME sector in creating green jobs in India and to highlight the problems of MSME sector. This paper is based on the secondary data extracted from various reports and research papers related to MSME. The time period from 2009-2010 to 2016-2017 has been taken into consideration. MSME sector is the significant contributor in GDP, employment generation, total exports, achieving SDGs and green development which in turn act as backbone of the Indian economy.*

Keywords: *MSMEs, Green Jobs, Sustainable Development Goals, Economic*

Introduction:

MSME sector of India is significant driving component for development of Indian economy. These MSME help in lowering the unequal income dissemination among individuals by providing more employment opportunities of these areas and MSMEs contribute in the growth of Indian economy through export, domestic production, technology and innovation oriented undertakings etc. The contributions made by MSMEs in the fair development of Indian economy are huge. 55% of total companies operate in

agrarian areas encourage comprehensive dept. and regional equity

MSME provides opportunities for personal and compensation work and associated with prevalent pace of economic development, building inclusive and non- agrarian occupation at low cost, impartial local development. 20% of MSMEs in India are established in rural territories and keep on providing employment opportunities to 40% of Indian work force. MSME sector consists of more than 5.1 crore companies employing over 11.7 crore people during the period 2015- 2016. Make-in-India was propelled with great deal of prosper to



inculcate new strength in manufacturing sector. “Make in India” is an endeavor to bridge gap between Indian and Chinese market. This initiative needs support of all partners from all corners of the nation.

From 1st July 2020, new definition of MSME have come into existence. On 13th May 2020, new MSME definition has been announced in the package of Atmnirbhar Bharat

Table 1: Growth of working enterprises and employment creation in MSME during 2009-10 to 2015-16

Year	Employment	Total Working Enterprises
2009-10	921.79 lakh	410.80 lakh
2010-11	965.15 lakh	428.73 lakh
2011-12	1011.69 lakh	447.64 lakh
2012-13	1061.40 lakh	467.54 lakh
2013-14	1114.29 lakh	488.46 lakh
2014-15	1171.32 lakh	510.57 lakh
2015-16	1109.89 lakh	633.88 lakh
Compound Annual Growth Rate	3.63%	6.43%

Source: Annual reports of ministry of MSME. Projected data for the year 2007-08 to 2014-15

Objectives

The main objectives of the paper are:

1. To explore the growth in number of MSME units, GDP contribution, employment creation, total exports etc. of Indian economy.
2. To analyze relationship between growth of MSME sector and fulfilment of Sustainable Development Goals 2030.
3. To see the contribution of MSME sector in generating green jobs in India.

4. To highlight the problems faced by MSME sector of India

Research Methodology:

Present paper is based on secondary data extracted from RBI reports, ministry of MSME, khadi and village industries commission, coir board, silk board, research papers related to MSME etc. The time period from 2009-10 to 2016-17 has been taken into consideration. The Compound Annual Growth Rate of employment generation, exports, green job creation etc. has been calculated to analyze growth of MSME sector. To calculate green jobs in MSME sector has been taken into consideration i.e. Khadi and village industry, coir industry, sericulture industry. Broadly, this paper has been divided into 3 parts in which 1st one deals with performance of MSME sector, 2nd with SDGs and MSME sector, 3rd with green jobs and MSME sector and 4th with problems faced by MSME sector

Performance of MSME:

Presently, India is regarded as one of fastest growing economies at global level. In Indian economy, MSME sector has made significant contribution in employment creation, exports, economic growth which in turn has led to emergence of this sector as crucial sector of economy and it can provide immense benefits if it able to realize full potential by providing good support and conducive framework. Growth of industrial sector is highest in 2008-2009 with 12.8% and lowest in 2014-2015 with 6.54%. Growth of MSME sector is highest in 2007-2008 with 13% and lowest in 2010-2011 and 2011-2012 with 4.4%. Growth of MSME sector is higher than industrial sector in 2013-2014, 2014-2015 and 2015-2016 and its growth in 2008-09 is 10.3% which declined to 4.4% in 2011-2012 due to



adverse impact of global economic crisis of 2008-09

From 1st July, 2020, new definition of MSME and new criterion to define have come into existence. On 2020 May 13th, new MSME definition has been announced with Atmnirbhar Bharat package which are as follows:

Table: According to revision of MSME definition on 2020 May 13

Category	Investment in Rupees	Turnover in Crore
Micro Enterprises	1 Crore	Rs. 5
Small Enterprises	10 Crore	Rs. 50
Medium Enterprises	20 Crore	Rs. 100

According to revision of MSME definition for Medium Enterprises on 2020 June 1

Category	Investment in Rupees	Turnover
Medium Enterprises	50 Crore	Rs. 205

Source: Annual reports of ministry of MSME. Projected data for the year 2007-08 to 2014-2015

According to table-2 of the above, investment & turnover of micro units have increased to Rs 1 crore & Rs 5 crore respectively, definition of small units has increased investment to Rs 10 crore and turnover to Rs 50 crore and investment & turnover of medium enterprises have enhanced to Rs 20 crore & Rs. 100 crores respectively. On 1st June 2020, government revised MSME definition for medium enterprises i.e. investment of Rs 50 crores & turnover of Rs 205 crore.

Sustainable Development Goals & MSMEs:

Sustainable development covers wide range of aspects which includes economic, social and environmental issues with considering environmental aspect. Social viewpoint includes respect of each other, outreach programs, social networks development, equal opportunities etc. On other hand, economic viewpoint includes consistent & profitable growth, managing risks, investors return etc. Environmental perspective includes air pollution, managing bio-diversity, control of water chemical etc.

In the year 2015, representatives of 193 nations from all over world came together and made an arrangement to deal with future called Sustainable Development Goals. The United Nations Development Programme-UNDP, one of the well-known organizations actively engaged to meet SDGs by the year 2030. Targets set to achieve SDGs are challenging & need transformation of the public & private activities. The change is related by adapting new business plans, acquiring innovative technology & perform business activities in more sustainable & ethical manner. This transformation initiates new opportunities for private sector of MSMEs.

Green Jobs & MSMEs:

Green jobs have become an integral part of international agenda as it has been promoted by govts., entrepreneurs & workers at world level during last 30 years. To achieve sustainable development goals, green jobs is of utmost importance these can be generated in all economies without considering their economic development and can be encouraged in rural & urban regions.



Table 3: Growth of green jobs in Indian MSMEs during 2009-10 to 2016-17

Sectors	Compound annual Growth Rate
Khadi & Village Industry	4.37%
Sericulture Industry	4.37%
Coir Industry	4.37%
MSMEs	4.37%

Source: Annual reports of ministry of MSME

Problems Faced by MSMEs Sector:

(1). Delay in payments and restrict themselves to make use of legal provisions provide under MSMEs Act, 2006 as their bargaining power is low. (2) Good quality raw material is not available. (3) MSMEs have limited access to formal credits provided by banking system, historical cash flow etc. (4) To bring equity capital and the finance for venture capital is very difficult due to informal nature of MSMEs sector.

Suggestions:

1. Government should construct proper monitoring system to examine MSMEs implementation
2. Workshops, trainings, seminars on MSMEs must be conducted by state govts.
3. Emergence of technology up-grading & strengthening financial infrastructure to boost MSMEs

Conclusion:

Growth of MSMEs sector is higher than industrial sector in 2013-2014, 2014-2015 and 2015-2016 and growth of MSMEs sector in 2008-2009 is 10.3% which declined to 4.4% in 2011-2012 due to adverse impact of global economic

crisis of 2008-09. Share of MSME sector has increased in Indian GDP during 2006-07 to 2012-13 but no steep increase has been seen. Further, share of MSMEs in GVA is more as compared to GDP during the 2011-12 to 2016-17. Share of MSMEs in GVA and GDP has declined over the period of time, but marginal decline has been seen. Employment creation and number of working enterprises have shown a rising trend during 2009-2010 to 2015-2016.

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