

# A Study of the Role of MSMEs in the Growth of Indian Economy under Make in India

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**Abstract – India's Micro, Small and Medium Enterprises (MSMEs) sector has showed up as an energetic and dynamic sector for the economy. It has been perceived as an impetus in advancing the growth and development. MSMEs are assuming a critical job in making an immense amount of employment at small expense of capital in contrast with enormous industries, helping in foundation of industries in economically in reverse locales and truncating local imbalances, promising legitimate scattering of national income and riches. The MSME's has consistently enumerated outperforming progress in contrast with the whole mechanical sector. The MSMEs are giving uniform development to the general public and can be a solid intend to use the natural resources of India.**

**The MSMEs are helpful to evacuate the territorial irregular characteristics on the off chance that it is set up in the immature areas. The MSMEs are giving greater employment per unit. On the off chance that this commitment is to be supported, at that point their uniqueness should be sustained in an obvious and express manner.**

**"Make in India" a goal-oriented battle was propelled by Prime Minister, Narendra Modi on 25 September 2014, with a plan to transform the country into a global manufacturing center. He has propelled this crusade to urge organizations to manufacture their items in India, planning to redesign manufacturing sector as a key motor for India's economic growth. The MSME sector in India keeps on exhibiting astounding flexibility even with trialing global and local economic conditions. The MSMEs continued the annual rowth rate ten in the course of the most recent couple of years. The government of India has gazed the Make in India idea. The Make in India a global center for manufacturers, how it impacts on the sector of MSMEs and commitment towards the development of the country. The present paper centers around the job of MSMEs in Indian economy.**

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## INTRODUCTION

The Micro Small and Medium Enterprises in India is lift to the economy, as GDP of the country and employment opportunity. The achievement rate of the manufacturing sector particularly the MSMEs is hatchery to different sectors. Actually the essentialness of MSMEs is important road for employment generation in India, low capital necessity and technology prerequisite, additionally needs advancement of modern development particularly in the rural areas, with the utilization of customary technique or routine with regards to manufacture or acquired ability to manufacture, compelling utilization of nearby resources, preparation of resources and to export the items. As indicated by the guess of the Ministry of MSMEs, Government of India, the sector generates around hundred million employments through more than forty six thousand a large number of units arranged everywhere throughout the country. Additionally 38% of commitment to the country's GDP and over 40% offer of the general exports and manufacturing yield, it is clear with this information that

the MSMEs assumes real job in the country development, social and economic rebuilding of India through that it likewise helps in Make in India global center for manufactures.

India's Micro, Small and Medium Enterprises (MSMEs) sector has showed up as a lively and dynamic sector for the economy. It has been perceived as an impetus in advancing the growth and development. MSMEs are assuming a critical job in making an immense amount of employment at pitiful expense of capital in contrast with huge industries, helping in foundation of industries in economically in reverse districts and truncating local imbalances, promising reasonable scattering of national income and riches.

MSMEs are assuming a commutual job to many industries as strong associations giving more opportunities of vertical combination in rural remote areas and consequently this sector contributing immensely to the financial advancement of the country. Past rural sector MSME gives gigantic

opportunities to individual and compensation employment. MSME is conjoined with prevalent rate of economic growth, building comprehensive and viable people from multiple points of view through advancing non-rural work at any rate cost, unprejudiced territorial development, equity in the general public just as sex, naturally constant up growth and separated from all, giving a security against emptying, which MSME has constantly demonstrated.

Make-in-India idea was propelled with a great deal of thrive to teach new imperativeness in the manufacturing sector. It is an endeavor to connect the paramount hole between the Chinese and Indian market. 'Make in India' activity needs dynamic cooperation of all partners from every one of the edges of the country. Ability development for giving info support as factor services is most important for occurring of the extremely deliberate activity of Indian Government, which is guaranteed at grass root level from inclusion of MSMEs.

In this association, this paper endeavored to analyze the commitment of MSMEs Sector in the country's growth and furthermore the areas which are required to reinforce the MSMEs sector to its constant commitment to the development of India.

The Prime Minister Narendra Modi propelled 'Make in India', a noteworthy national activity on 25 September, 2014 spotlights on making India a global manufacturing center point. Key push of the program would be on chopping down in deferrals in manufacturing ventures leeway, create sufficient infrastructure and make it simpler for organizations to work together in India. The 25 key sectors distinguished under the program incorporate automobiles, auto parts, bio-technology, synthetic concoctions, barrier manufacturing, electronic frameworks, nourishment processing, leather, mining, oil and gas, ports, railroads, ports and textile. The goal of the uber program is to guarantee that manufacturing sector which contributes around 15% of the country's Gross Domestic Products is expanded to 25% in next couple of years. As per proclamation given by Rana Kapoor, President of ASSOCHAM, 'The MSME sector is basic to our country's economic growth. Utilizing about 8 crore individuals, MSMEs are the vehicle for comprehensive growth and a hatchery for entrepreneurs. An empowering business condition with solid spotlight on utilizing technology can help release the genuine capability of the sector. India needs an engaged policy driving force to improve the intensity of MSMEs and boost exports to expansive base and realize the advantages from "Make in India" activity.

The micro, small and medium enterprises have been characterized in the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, as far as their investment in Plant and Machinery, as under:

For the Manufacturing Sector	
Enterprises	Investment in Plant and Machinery
Micro Enterprises	Does not exceed Rs.25 lakh
Small Enterprises	More than Rs. 25 lakh but does not exceed Rs. 5 crore
Medium Enterprises	More than Rs. 5 crore but does not exceed Rs. 10 crore
For the Service Sector	
Enterprises	Investment in Equipment
Micro Enterprises	Does not exceed Rs. 10 lakh
Small Enterprises	More than Rs. 10 lakh but does not exceed Rs. 2 crore
Medium Enterprises	More than Rs. 2 crore but does not exceed Rs. 5 crore

The Micro, Small and Medium Enterprises (MSMEs) contribute around 7-8 percent of India's GDP, 45 percent of the manufacturing yield and 40 percent of the exports. They are perceived as the motor of growth for the economy. After farming, MSME sector utilizes the biggest number of people. MSMEs are broadly scattered all through the country and produce an assorted scope of items taking into account different portions of the market. The geographic spread, different item range and potential for development and employment generation make them critical with regards to economic growth with value and provincial parity.

India is relied upon to develop as one of the main economies on the planet throughout the following decade in the light of a positive political and economic set up in the country. The Micro, Small & Medium Enterprises (MSMEs) section is relied upon to assume a critical job in the development of manufacturing ability of the Indian economy. The development of this section is very basic to meet the national goals of financial incorporation and generation of noteworthy dimensions of employment crosswise over urban, rural and rural areas in the country. Further, it can sustain and bolster development of new age entrepreneurs who can possibly make globally focused businesses from India.

MSMEs can be the spine for the current and future high growth businesses with both local and foreign organizations putting resources into the „Make in India" activity and have huge effect in the area of indigenisation. „Make in India with zero deformity and zero effect", is a noteworthy opportunity. The MSMEs should empower the development of a business eco framework that empowers and persistently bolster businesses that are equipping to convey the correct item, the correct quality, the correct arrangement and the correct service at a focused cost, both in local and global markets. The „Digital India" unrest likewise gives an extraordinary opportunity to advance MSMEs" support in the Information, Communication and Telecommunication (ICT) sector, in accordance with the government's vision.

It is similarly important that the MSME fragment creates in all areas of manufacturing and services

sectors in light of the fact that both these sectors will keep on being applicable to the general GDP growth just as employment generation. The MSME sector will go about as an impetus to achieve this socio-economic change in the occasions to come. The following is to distinguish the structure hinders that help the growth of MSMEs. As an end product, we additionally recognize the barricades that frustrate the growth process and the path forward.

## LITERATURE REVIEW

Coming up next are the writing survey is made by the writers so as to legitimize the need of the present investigation and the writing audits are. Ravin Kadian and Aarti Chahal(2015)<sup>1</sup>, Make India Innovative and Competitive: Role of MSMEs-The paper centered the Author has additionally concentrated on the job of MSMEs in "Make in India" activity and increment in financial commitment towards MSME's under Garg, Ishu. Also, Walia, Suraj. (2012) <sup>2</sup> - "Micro, Small and Medium Enterprises (MSMEs) In Post Reform India: Status and Performance". This paper center around that the huge growth of MSMEs have been occurred over some undefined time frame and this sector is the real benefactor to total national output (GDP), employment and exports in Indian economy utilizing the OLS strategy. Singh, R., Verma, O.P., and Anjum, B. (2012) <sup>3</sup>, "Small Scale Industry: An Engine of Growth", they broke down the performance of Small scale industry in India and concentrated on policy changes which have opened new opportunities for this sector. Their investigation inferred that SSI sector has gained good ground as far as number of SSI units, creation and employment levels. The examination suggested the rise of technology development and fortifying of financial infrastructure to support SSI and to accomplish growth target. Bargal, H., Dashmishra, M., and Sharma, A. (2009)<sup>4</sup>, "Performance Analysis of Small Scale Industries – A Study of Pre-progression and Post-advancement period", they inspected the causal relationship among the three variables GDP, SSI yield and SSI exports and furthermore have analyzed the performance parameters of SSIs in the pre and post advancement time. The investigation found that the annual normal growth rate of various parameters of SSIs have declined in the period of nineties opposite the pre-change years.

Jaswal (2014) recognized the main pretended by Micro, Small and medium enterprises (MSMEs) in impelling economic growth, supporting employment and in advancing impartial provincial development. He found that the most important commitment of this sector is towards employment generation which is second just to agribusiness in India. The encounters of ongoing year's demonstrates that employment in agribusiness sector has been declining just as enormous industries are additionally encountering jobless growth. Singh et al. (2012) investigated the performance of Small scale industry in India and concentrated on policy changes which have opened

new opportunities for this sector. Their examination inferred that SSI sector has gained good ground as far as number of SSI units, creation and employment levels. The examination suggested the rise of technology development and fortifying of financial infrastructure to help SSI and to accomplish growth target. Dixit and Pandey (2011) connected co joining analysis to inspect the causal connection between SMEs yield, exports, employment, number of SMEs and their fixed investment and India's GDP, complete exports and employment (public and private) for the period 1973-74 to 2006-07. Their examination uncovered the positive causality between SMEs yield and India's GDP.

## ROLE OF MSMEs

The job of Micro. Small and Medium Enterprises (MSMEs) in the economic and social development of the country is entrenched. According to the Report of the Working Group on Micro, Small and Medium Enterprises (MSMEs) Growth for twelfth Five Year Plan (2012-2017), the sector represents 45 percent of the manufacturing yield and 40 percent of all out exports of the country. The sector gives employment to around 69 million people through 26 million enterprises all through the country. More than 6, 000 items running from conventional to cutting edge things are being manufactured by the MSMEs in the country. The work to capital proportion in MSMEs and the general growth in the sector is a lot higher than that in the enormous industries. The geographic dispersion of the MSMEs is additionally progressively even. Accordingly, MSMEs are important for gathering the national targets of growth with value and incorporation.

Throughout the years, the Small Scale sector in India has advanced from the creation of basic customer goods to the manufacture of many refined and precision items like gadgets control frameworks, microwave segments, electro medical types of gear, and so on. The process of economic advancement and market reforms has additionally presented these enterprises to expanding dimensions of residential and global challenge. The MSME sector in India is exceptionally heterogeneous as far as the size of the enterprises, assortment of items and services created, and the dimensions

of technology utilized. While one end of the MSME range contains profoundly creative and high growth enterprises, more than 94 percent of MSMEs are unregistered, with a huge number set up in the casual or chaotic sector. The sector has a high growth potential and plays out a basic job in the manufacturing and value chains. Micro. Small and Medium Enterprises (MSME) sector is described by low' investment prerequisite, operational adaptability and area shrewd portability. According

to the brisk evaluations of 4<sup>th</sup> All-India Census of MSMEs. the quantity of enterprises is assessed to be around 26 million and these give employment to an expected 69 million people. Of the 26 million MSMEs, just 1.5 million are in the enrolled fragment while the staying 24.5 million (94 percent) are in the unregistered portion. The

State-wise conveyance of MSMEs demonstrate that more than 55 percent of these enterprises are in 6 States, to be specific, Uttar Pradesh, Maharashtra, Tamil Nadu, West Bengal, Andhra Pradesh and Karnataka. Further, around 7 percent of MSMEs are claimed by women and more than 94 percent of the MSMEs are ownerships or associations. MSMEs in the country manufacture over 6,000 items. A portion of the real sub-sectors as far as manufacturing yield are sustenance items (18.97 percent), textiles and readymade articles of clothing (14.05 percent), essential metal (8.81 percent), substance and concoction items (7.55 percent), metal items (7.52 percent), apparatus and types of gear (6.35 percent), transport types of gear (4.5 percent), elastic and plastic items (3.9 percent), furniture (2.62 percent), paper and paper items (2.03 percent), and leather and leather items (1.98 percent).

### **“COME MAKE IN INDIA”**

Advance a biological system for 'Make in India' for foreign organizations to put resources into manufacturing, service and farming and agri processing related fragments for gathering the residential just as global demand.

Digital India-Promote MSMEs\* manufacturing and service capacities in the ICT sector in accordance with the government vision.

Export Contribution-Promote Export commitment by supporting and creating MSMC fragment to be globally aggressive and embrace innovative work, advancement and global advances.

Give MSME global market access by going into two-sided exchange agreements and set off courses of action.

### **Public Procurement Policy-Promote an environment for provisions**

to resistance and public sector enterprises to accomplish at any rate 25 percent segment of all out acquirement by safeguard and public sector enterprises from MSME.

### **Obtainment by Large Indian and Foreign Corporate over**

Industry Sectors from MSMEs Promote an environment, give impetuses to investments and bolster endeavors by enormous corporate in merchant

development for MSME portion especially adjusting to innovative work, advancement and global advances.

Indigenization - Incentivize any investments and yields by enormous players and their MSME sellers to indigenize as well as empower import substitution especially adjusting to innovative work, development and global advancements.

Conventional and Heritage Industries - Incentivise and bolster any partner that puts resources into development, growth and opening global markets for India's customary and legacy industries for goods services and farming and natural medications and treatment related items and services.

Infrastructure - National, provincial and sector explicit bunches and business habitats for MSME in PPP model for cutting edge infrastructure including physical infra, knowledge infra, e-stages, B2B access and technology and development support for MSME.

Administrative - One "all India generally useful" institution as MSME guideline to be embraced by all partners in MSME framework with one window and one annual return consistence documenting combined with noteworthy direct tax motivations and indirect tax exclusions.

Subsidizing - Open condition and motivators for investments by High Net worth Individual (HNWI) and assets into MSME business too boost obligation financing in MSME section. Create MSME value trade and "two shot" approach for entrepreneurs, and quick close wrapping up where fundamental.

### **MSME – THE BACKBONE OF INDIAN ECONOMY**

MSME has a urgent task to carry out in evenhanded development of India. As indicated by the reports generated annually by the Ministry of MSME presents that 45% of the all-out Exports of the country are helped by the sector, and are manufacturing in excess of 6000 quality items, which demonstrates colossal opportunities for growth and wandering its help in various sectors. The report likewise demonstrates that a large portion of the MSMES are unregistered, in general there are 1.6 million enrolled MSME in India. According to the report MSME are ruled by small scale enterprises comprising 94.9 and the staying 4.9 percent by small scale firms. Appropriation of enlisted enterprises in urban areas record to almost 8.57 lakhs of absolute dynamic enterprises which involve an offer of 54.77%, though rural areas record to 7.07 lakh (45.23% of the working enterprises). Henceforth, it is contributing towards a praiseworthy extent for the evenhanded advancement of Indian economy. As indicated by



the insights generated based on movement for enrolled firms, it is seen that 67.1 percent is contributed by manufacturing units, 16.8 percent service units and 32.9 percent by service side. The insights for unregistered firms uncovers that 69.80% is contributed by services, while 30.20% of the enterprises were associated with the manufacturing exercises.

## **EXTENT OF SERVICE OPPORTUNITIES THROUGH MSMES**

MSMEs are assuming a noteworthy job in the growth of service sector from the critical years by making service opportunity for rural elites, masses and for corporate moreover. The economy at one hand can develop because of flood in rural demand however because of unsustainable employment security frameworks this will stay low income section. The push given by advance waiver, NREGS drove infrastructure creation exercises and other rural related horticulture exercises are small resources to make the rural family units employment verified. There is a prompt need of production of services in essential horticultural exercises, for example, cultivating, composting, preparation and accessibility of contributions through self-supported cultivating frameworks and advertising and exchanging exercises. Other service opportunities rose up out of related horticultural exercises might be taken as emotionally supportive networks at the season of yield disappointment and should be introduced as complimentary and valuable ranch undertaking. On the off chance that these should be possible the service sector may end up one of the key givers in the growth of ation.

## **CONCLUSION**

'Make in India' is a noteworthy national activity which spotlights on making India a global manufacturing center. This paper investigated the commitments made by the MSME sector in modern creation and advancement of employment through working enterprises the nation over. Government is taking different activities to guarantee credit accessibility to the MSMEs while redesigning the technology to expand the measures of items. It focused on the need to make the sector appealing for capital investment to reinforce existing enterprises. Government is focused on giving all conceivable help to advance and energize MSMEs in the country by giving a sustainable stage to growth and development as far as efficiency, wide scope of items, and better accessibility to fund, world class advertising strategies and global intensity. MSME portion will assume a key job in household manufacturing in the coming days and will lead the 'Make in India' program towards progress.

Performance, commitments and growth of the MSMEs is basic to our country's economic growth utilizing about eight crores individuals, MSMEs are the vehicle

for comprehensive growth and a hatchery for entrepreneurs. An empowering business condition with solid spotlight on utilizing technology can help un chain the genuine capability of the sector India needs an engaged policy impulse to improve the intensity of MSMEs and boost exports to wide base and realize the advantages particularly National program: Make in India and its drive.

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