



## MSME: THE ENGINES OF GROWTH

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India is expected to emerge as one of the leading economies in the world over the next decade and the MSME segment is likely to play a significant role in the emergence of the Indian economy. The development of this segment is extremely crucial to meet the national imperatives of financial inclusion and generation of significant levels of employment in urban and rural areas across the country. Further, it can nurture and support development of new age entrepreneurs who have the potential to create globally competitive business from India

Many developed and developing economies have demonstrated that MSME segment constitutes the backbone for maintaining growth rates as well as employment generation rate and provides stability during economic downturns. It is therefore very crucial that as India embarks on a new wave economy, it adopts the MSME opportunity framework that will provide the necessary impetus to seize the opportunities created by

- Emergence of domestic demand
- Increase in spending in infrastructure and defence sectors
- Increase in FDI in existing and emerging businesses in India with the make in India initiative
- Double digit growth expected in numerous business sectors

As a catalyst for socio-economic transformation of the country, the sector is crucial in meeting the national objectives of generating employment and discouraging rural-urban migration.

National Sample Survey (NSS) 73rd round says that during 2015-16 MSME sector had created around 11.10 crore jobs. MSME can be the backbone for the existing and future high growth businesses with both domestic and foreign companies investing in 'Make in India' initiative. This sector can make significant impact in the area of indigenisation. 'Make



in India' with a 'Zero defect and Zero effect' is a significant opportunity. The new wave MSME should enable the development of a business eco system that enables and continuously support businesses that are growing to deliver the right product, the right quality, the right solution and the right service at a competitive price, both in domestic and international markets. The 'Digital India' revolution also provides a great opportunity to promote MSME participation in the Information, Communication and Telecommunication (ICT) sector in line with government vision. It is equally important that the MSME segment develops in all areas of Agriculture, Manufacturing and Services sectors because each of these sectors will continue to be very relevant to the overall GDP growth as well as employment generation. The MSME sector can act as a catalyst to bring about socio-economic transformation.

### Dynamics of MSME's:

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The sector has a wide range of stockholders including the regulators, facilitators and the beneficiaries. The various stakeholders include

- MSME (both existing and prospective).
- Large enterprises including multinationals (as producer of goods and services).
- State/Union territories.
- Central Ministries/Departments.
- Banks/Financial Institutions.
- Entrepreneurship and skill Development Institutes, both in the public and in the private.
- Research and Development Institutions.
- Educational Institutions.
- Organisations under the administrative control of the Ministry .

In India in the post-liberalized era, the entrepreneurs in the MSME sector who have been able to survive have realized the value of collaboration, strategic alliance, outsourcing, and flexible production system and have a global mindset. Increasing the efficiency of the MSME sector depends on strengthening the following three pillars:

- Innovation.
- Technology.
- Finance.

Entrepreneurs preparing for the global market need to focus on the following:

- Global mindset.







- Lean Manufacturing.
- Mergers and Acquisition.
- Complementing large industries.
- Alternate Finance
- Prepare for non-tariff barriers
- Explore options of Co-operation, Fair trade, IPR and FDI

The winning formula for enhancing competitiveness combines

- Elimination of waste
- Enhancement of Technology
- Use of Quality and productivity tools.
- Total Employee Involvement.
- Flow of information to all enterprise stakeholders.
- Use of ICT.

### **Government Initiatives for promoting MSME sector:**

The Government's 'Make in India' initiative and its thrust on expanding the percentage of manufacturing to India's GDP has the vigour to transform the fortunes of micro, small and medium enterprises (MSMEs) in the country. Initiatives like allocation of Rs 20,000 crore for Micro Units Development Refinance Agency (MUDRA) Bank for

the SME sector will enhance credit facility to boost the small businesses and manufacturing units. A corpus for venture capital in MSME sector will help in accelerating the startup sector. Along with that, for creating an ecosystem 'District level Incubation and Acceleration Programme' will help in generating new ideas and promote new ideas and promote entrepreneurship with all the necessary support

Over the years, the Central government has formulated policy packages for the promotion and development of the sector and has also been implementing a large number of schemes and programs. The policies and programmes implemented by the Ministry span across different areas of operations of the MSMEs covering credit, marketing, technology, skill development, infrastructure development, fiscal matters and legal/regulatory framework.

The office of the Development Commissioner (MSME) assists the Ministry in formulating, co-ordinating, implementing and monitoring different policies and programmes for the promotion and development of MSME's in the country. In addition, it provides a comprehensive range of common facilities, technology support services, marketing assistance etc. through its network of more than 30 MSME-DI's, MSME Testing centre and MSME -Technology Development Centres



The various schemes and policies initiated by the government aims at strengthening the MSME sector both at the rural and urban sector. The schemes have a holistic intervention framework for providing both forward and backward linkage. There are schemes which are helping in access to technology and access to market. One of the major concerns in the MSME sector is lack of infrastructural facilities, which in turn causes severe damage to an enterprise's value chain process such as production, consumption and distribution of products. The Schemes on common infrastructure projects for MSME's help in availing benefits of economies of scale, synergy and collective bargaining by collaborating with each other. Besides this, organisations like DI (MSME) are now playing a promotional role of handholding, advocacy and facilitation. Regarding addressing issues of access to credit, initiatives like the MUDRA bank, Credit Guarantee Fund are becoming a pillar of support for the MSME sector.

For facilitating promotion and development of MSME's and enhancing their competitiveness, Ministry of MSME notified the MSME Development Rules 2016, under which all MSMEs have to furnish information about themselves online. This data bank

enables the Ministry to streamline and monitor the schemes and pass on the benefits directly to the MSMEs. The MSME units can also update their enterprise information without visiting the government office

### Conclusion:

While in a country like India, the Government alone cannot fulfil the employment opportunities, Individuals need to come forward to help themselves and take advantage of the viable business atmosphere created by the government. Adam Smith, an 18<sup>th</sup> century economist and author, in his book *Wealth of Nations* has talked about the 'Invisible Hand' that individuals pursuing their best self interest would result in better overall good to the society. If India wants to mark its presence in the global arena, the invisible hand would result in greater overall good to the society. The MSME sector as the 'engine of growth' for India will be the vehicle of development of the country in terms of creating employment opportunities.

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### Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

The objectives of the scheme is to organize traditional industries and artisans into clusters to make them competitive and provide support for their long term sustainability, sustained employment, to enhance marketability of products of such clusters, to equip traditional artisans of the associated clusters with the improved skills, to make provision for common facilities and improved tools and equipment for artisans, to strengthen the cluster governance systems with the active participation of the stakeholders, and to build up innovative products, improved technologies, advanced processes, market intelligence and new models of public-private partnerships. The financial assistance provided for any specific project shall be subject to a maximum of Rs 8 (eight) crore to support Soft, Hard and Thematic interventions.

Non-Government organizations (NGOs), institutions of the Central and State Governments and semi-Government institutions, field functionaries of State and Central Govt., Panchayati Raj institutions (PRIs), Private sector by forming cluster specific SPVs, Corporates and corporate Responsibility (CSR) foundations with expertise to undertake cluster development are the intended beneficiaries.

**Funds allocated for 2017-18 is Rs. 75.00 crore**



Source: Annual Report 2017-18, Ministry of Micro, Small and Medium Enterprises