

Q. The MSME Sector is considered the backbone of India's Economy, yet the growth remains constrained due to multiple challenges. Discuss the major bottlenecks faced by MSME's in India and critically evaluate the recent budgetary provisions aimed at addressing these issues.

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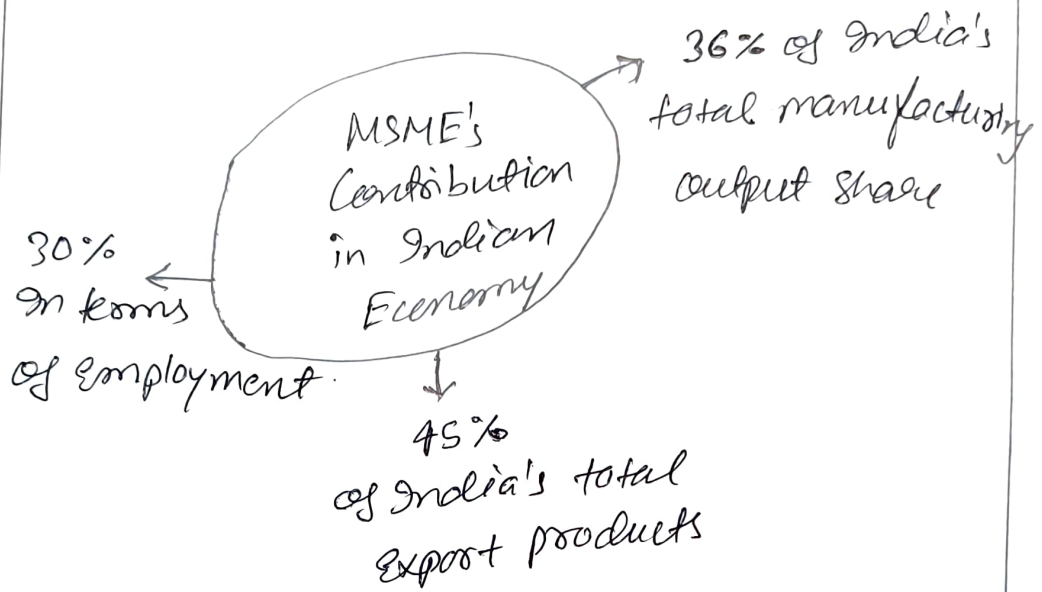
“India's Economic growth cannot be completely dependent on the development of large scale Industries, the MSME's has to be equally Empowered”

~ Smt. Nirmala Sitharaman
(Finance Minister of India)

As MSME's are considered as the backbone of India's Economy. It is the 2nd biggest sector after agriculture in terms of its contribution in the Economy. As it came out to be the 2nd Economic growth sector.

Currently total MSME's in India is 6.3 crore approx, and most of the MSME's

i.e 99% are under Micro and small.
It is also 2nd largest sector as per
the Employment generation.



As the above mentioned graph shows the contribution of MSME's in Indian Economy, It also faces several challenges such as.

- 1) Credit :- As per RBI 2021 report, 70% of MSME's don't get credit in formal banking system. Hence ended up into the trap of money-lenders
- 2) Raw material :- As per FISME 2022 report 60% of the MSME's

have to be dependent on external suppliers for their Raw material, and hence production cost increases.

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Digital Technology \Rightarrow As per NASSCOM 2022 report only 10% of MSME's adopted digital technology hence, lagging in global competition.
- Regulatory cholestool \Rightarrow Government different regulatory setup and delay in ~~Beaut~~ Bureaucratic process and paper works slow up the processes.
- Lagging in deep tech \Rightarrow Indian MSME's due to lagging in initial capital fund cannot invest for Research and innovations. also not get into use of Machine learning and Artificial intelligence use so, ended up in lagging in global competition.

Government has taken few steps to
Boost up these shortcomings as

1) MSME's Redefined :->

The investment and turnover limit
has been increased to 2.5 times. It
will help the mid size MSME's to take
benefits of MSME's relief in tax benefits.

2) Credit guaranteed fund :->

Small MSME's can get collateral free
loan. As per data 45% of MSME's gets
closed due to not having access to
the bank loans.

3) Automated & digital registration portal :->

It will allow MSME's to register them.
• Serves with minimum compliance.

4) Digital Awareness :->

Government is running different digital
awareness programs and Artificial
Intelligence Adoption incentives will
help in filling up the technological
laggings.

4) Import & Export duties :->

The Government has reduced the duties on Import, will help in reduction in the production cost.

With new trade policies and different PLI Schemes the Export duties has also reduced.

5) UDYAM Registration Portal :->

It has made the registration of MSME's more faster and simplified.

- 500 crore credit guarantee fund, will provide small and medium scale industries a collateral free loan, as 45% of the MSME's gets closed due to unavailability of bank loans.

As per the Budget 2024, the Leather, Shoe making, labour intensive industries will get special attention, as India's share is only 10% of the leather and Shoemaking Market. Counter to china's 55%.

Toy making industry is also dominated by China with where as India imports 60% of its toys.

- Agrobased Industry - As India loses 30% of its fruit and vegetables harvests due to unavailability of cold storage, counter to developed countries like US and Europe are pioneers at cold storage facilities. India should work in these direction to eliminate such wastage, and its food exports can be increased:

As India is strengthening its MSME's with different government policies and schemes But still work has to be done in basic area like logistics chain supply, cold storage, food processing, quality and standards as per global markets, improving credit facilities. As small and medium scale industries are more inclusive as compared to bigger industries, as it empowered a large section of society.