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MSME SECTOR IN INDIA – THE PRESENT SCENARIO

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Abstract

Micro, Small, and Medium Enterprises (MSME) are considered to be the main driver behind the creation of work opportunities for both the educated unemployed and the unskilled rural populace in India, a developing country. They work to increase employment opportunities, reduce the rate of poverty, and promote balanced regional growth, all of which are essential components of sustainable development. They use different technological capabilities, offer a variety of goods and services, and vary in size. These industries stand out for their low capital costs, robust job growth, decentralized industrial operations, and utilization of locally available resources, which increases the number of prospective business owners.

Keywords : MSME's, Employment generation, MSME performance, Education

Introduction

MSMEs (Micro, Small & Medium Enterprises) are the backbone of India, a diverse and dynamic nation that faces many obstacles. They create jobs, employing about 1109.89 lakh people and making up a sizeable portion of the GDP (about 30%). Although the term "MSME" is relatively new, these businesses were previously referred to as "SSIs" (Small Scale Industries) until the MSMED (Micro, Small & Medium Enterprises Development) Act of 2006. India has always had indigenous small-scale businesses dating back to before the Mughal Empire. But with the arrival of British authority in India, the native SSI (Small Scale Industries) saw a downturn, particularly in the handicraft sector. Native industries in England between 1850 and 1914 were categorized as Plantation and Factory Industries throughout the Industrial Revolution. Following independence, a number of important

efforts were made to advance the sectors; the government didn't begin classifying tiny, small, and supplementary units until 1972. The MSMED Act was created in 2006 to promote small industries, and in the years that followed, further classifications based on the amount of investment were made and industry support was raised.

Objectives of the Study :

1. To study the present scenario of MSME sector in India
2. To study the sector wise employment growth in MSMEs sector in Indian economy.

Research Methodology:

The study is based on secondary data, which has been collected from various secondary sources like annual reports of MSME, publication of Ministry of Micro, Small and Medium Enterprises and Journals,

The present Scenario

Native industries in England between 1850 and 1914 were categorized as Plantation and Factory Industries throughout the Industrial Revolution. Following independence, a number of important efforts were made to advance the sectors; the government didn't begin classifying tiny, small, and supplementary units until 1972. The MSMED Act was created in 2006 to promote small industries, and in the years that followed, further classifications based on the amount of investment were made and industry support was raised.

The Indian Finance Minister, Nirmala Sitharaman, unveiled numerous new plans and provisions for the nation's MSMEs' advancement in the 2019–20 budget. Companies with a yearly turnover of Rs 400 crore are eligible for 25% corporation tax, and under the Interest Subvention Scheme, Rs 350 core has been allocated for the 2019–20 fiscal year. The Start-up/Stand-up India scheme was introduced by the Indian Prime Minister in August 2015 with the goal of encouraging bank financing for new businesses and numerous other initiatives to increase entrepreneurship and job development. This effort aims to turn India from a country of job seekers into one that creates jobs according to the provisions of the 2006 MSME Development Act and the updated.

MSMEs can be found throughout the nation's rural and urban sectors. Although the majority of the manufacturing sector—roughly 114.14 lakh—seems to be concentrated in rural areas, the overall number of businesses in both—rural and urban—is about equal (324.88 lakh in rural and 309 lakh in urban). Nonetheless, it has been noted that metropolitan areas produce the majority of employment.

Based on the official classification of these industries (Micro, Small, and Medium), the following statistics are reported: 3.31 lakh small industries, 0.055 medium industries, and 630.523 lakh micro-enterprises. Men own 79.63% of these units, whereas women own 20.37% of the businesses, primarily micro businesses.

The majority of jobs appear to be offered by medium-sized businesses; the average rural medium-sized business employs 60 people, whereas the average urban medium-sized business employs 29. The mean number of employees in small businesses is approximately nine, but the average number in micro firms is one. The majority of the micro-units are run by families, with the owners working alone.

The industry as a whole is dealing with many problems. One major issue facing these MSMEs is a lack of finance sources. It has been observed that the root of the problems is a lack of financial literacy and inclusiveness. A high debt-to-equity ratio, high interest rates on bank loans, inadequate infrastructure, lack of technological and market understanding, and remote location are among the other issues raised. Because of their perceptions of these companies' inexperience, poor credit ratings, lack of infrastructure, and insufficient collateral, most banks are reluctant to lend to MSMEs. MSMEs seem to face difficulties when it comes to other borrowing and capital investment choices (NBFCs: Non-Banking Financial Institutions and MFIs: Micro Financing Institutions, Bonds, Equity).

The government has implemented a number of programs to support the growth of this industry, including the Credit Linked Capital Subsidy Scheme (CLCSS), PMEGP (Prime Ministers Employment Generation Programme), SFURTI-SI (Scheme of Fund for Regeneration of Traditional Industries, Credit Guarantee Scheme), and others. The Technology Center Systems Programme (TCSP) is a government initiative aimed at promoting MSMEs' technological proficiency. Technology centers have been established under this program to provide MSMEs with technical education and support, and their training capacity has expanded from 1.5 lakhs to 2.5 lakhs.

The government has established apps and websites like Databank, MyMSME, MSME Samadhaan, and MSME Sambandh to promote communication with MSMEs and stay updated on challenges they encounter. The government's goal is to bring these businesses online and make it easier for them to receive direct benefit transfers and digital payments by introducing the UAM (Udyog Aadhaar Memorandum), which facilitates simple enterprise registration, and these different digital platforms.

Furthermore, MFIs and NBFCs are filling up the gaps in MSMEs' financing operations. Although they first appeared in the late 1980s, their company didn't really take off until the 1990s. The industry experienced a

setback as a result of certain MFIs acting irresponsibly and others breaking the law. The primary cause of these anomalies was the absence of restrictions, although some affirmative action was implemented as a result of the crises that some governments experienced. The Reserve Bank of India (RBI) took authority over the MSME sector as a whole and enacted new laws. After regaining traction in 2012–2013, the MSME is currently growing steadily.

Distribution of Employment in Rural and Urban Areas (in lakhs)

Sector	Micro	Small	Medium	Total	(%)
Rural sector	489.3	7.88	0.6	497.78	45
Urban	586.88	24.06	1.16	612.1	55
All	1076.19	31.95	1.75	1109.89	100

As per the classification based on the sector

Sector	Micro	Small	Medium	Total	Sector
Rural sector	1.509766	10.10256	60	1.532197	Rural
Urban sector	1.915217	9.509881	29	1.980906	Urban
All	1.706829	9.652568	35	1.750947	All

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Conclusion:

The literature and data that are now accessible demonstrate how the MSME sector has expanded steadily over time and contributed to the creation of job possibilities for young people in both rural and urban India.

2. In the end, MSME's have promoted entrepreneurship and worked to introduce sustainable economic development.

3. The majority of MSME's make use of locally accessible natural resources, which help the Indian economy attain balanced regional growth.

4. The data that is currently available indicates that MSME's are producing more jobs per unit and need

greater attention, which would help India grow economically.

5. The MSME sector in India has a bright future because it creates more job possibilities and aids in the government's efforts to reduce other macroeconomic issues.

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