MSMEs SECTOR IN INDIA

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ABSTRACT

In India the Micro, Small and Medium Enterprises (MSMEs) produce a diverse range of products with the very simple products produced by household enterprises at one end of the spectrum and highly advanced ones at the other end. With globalization and changes in communication technologies, new challenges and opportunities have arisen for MSMEs. The concept and techniques of marketing have also been continuously undergoing a change with the rapid changes in technology and consumer preferences. Marketing, a strategic tool for business development, is critical for the growth and survival. MSMEs are complementary to large industries as ancillary units contribute enormously to the socio-economic development of the country. Globally fast changing economic scenario has thrown up various opportunities and challenges to the MSMEs in India many opportunities are opened up for this sector to enhance productivity and look for new markets at national and international level, and it has also put an obligation to upgrade their competencies to meet the competition as new products are launched at an astonishing pace and are available worldwide in short time. Micro, Small & Medium Enterprises do not have any strategic tools for their business/ market development as available with large industries. Presently in the competitive age, marketing is one of the weakest areas wherein MSMEs face major problems.

INTRODUCTION

Though SMEs are considered the growth engines of any economy, including India, the challenges and opportunities the sector faces are far larger than their size from quality to compliance, manpower to funding, branding to marketing. It is globally acknowledged that MSMEs are the spinal bone of the economy. MSME sector has emerged as a very important sector of the Indian economy, committing markedly to employment creation, innovation, exports, and inclusive growth of the economy. A huge fragment of India's firms is small, informal, and work in the unorganized sector. Based on annual reports on MSMEs designate that the sector shares around 30% of India’s GDP and locate on conventional estimate employ all over 50% of industrial
workers. MSMEs contribute about 40% of the overall export. Over 97% of micro-firms are part of MSMEs and 94% of firms are registered with the government. The sector is consistently growing over urban and rural areas and is equitably constitute in the trade, manufacturing, and service sector. The current coronavirus crisis (COVID-19) impacting MSMEs, which are the backbone of India’s all-round development story, has felt a remarkable impact and faced critical disturbance. As MSMEs are an important part of the domestic and foreign value chain, the predicament of the sector is of deep perturb.

OBJECTIVE OF THE STUDY

1. To Study the Investigate the theoretical basis, growth, and performance drift of MSMEs in the Indian economy.

2. To explain the recognize the various issues and prospects correlated with MSMEs.

3. To assess the government action to rejuvenate the MSME sector.

4. Finally, make suggestions for further advancement of MSMEs in India.

“But the biggest challenge for SMEs is growth,” was the unanimous note that speakers struck at a panel discussion on ‘Tapping into Global Trade – Challenges and Opportunities.

MSMEs meet difficulties in adapting their strategies to market changes, in competing with big enterprises. Marketing management capabilities in terms of marketing research, marketing strategy, planning and implementation, control and evaluation play a key role in the MSMEs performance in the market. The existing marketing strategies reached the saturation point, where new innovative strategies need to percolate where so many MNCs have entered and created a heavy competition which has become important to understand about the strategies followed by Indian MSMEs to promote and make their products compatible in the market. This paper focuses on the marketing strategy used for Micro Small and Medium Enterprises to face stiff competition and promote their products in the market which can be develop in a suitable business environment. The main objective of the paper is to provide a framework to help MSMEs to design suitable strategies to face effective and enhancing competitiveness. The sector needs to be provided better market access facilities in order to sustain and further enhance its contribution towards output, employment generation and exports.

The MSME sector’s contribution to the Indian economy’s growth cannot be overstated. This industry segment, with close to 63.4 million units, contributes to 33.4 per cent of India’s manufacturing output and provides employment to around 120 million people (CII data).

However, long-term sustainability at an enterprise level demands that businesses should start to look at themselves as brands rather than as mere businesses because branding helps to bring visibility, connect with customers and create trust in their minds about the product or service.

Branding is a powerful tool that not only defines revenue streams but also determines life cycle of businesses. Yet, many MSMEs, especially the ones run by first generation entrepreneurs, are sceptical about value addition from branding and perceive branding as avoidable expenses rather than strategic investments.
Branding does not necessarily mean allocating huge budgets to TV ads and celebrity branding. Today, we are in a digital era which offers ample opportunities to stay visible, engage with prospects, generate leads and convert them through a well-thought-out digital branding strategy.

There are various digital marketing platforms that businesses can use for accelerating growth. Tools such as social media marketing, search engine optimisation (SEO), search engine marketing, online PR and influencer marketing offer immense opportunities for businesses to brand themselves. A well-thought-out digital branding strategy can be implemented with moderate initial budgets and higher allocations can follow based on return on investments.

**E-commerce:** Statistics from Forrester Research suggests that the US B2B e-commerce industry will hit $1.8 trillion by 2023 while India’s “will be $700 billion by 2020” aligned with the government’s digital plans and the outlook for the manufacturing industry.

So, besides digital presence, online commerce will soon coexist with brick-and-mortar platforms. Omni channels will also be a significant area of convergence that MSMEs will have to gear up for to cater to automated self-service platforms and seamless omni-channel experiences.

**Creating customer experience of high recall:** Agility in responding to online enquiries has become a key factor in connecting to the customer and creating initial trust as would a B2C marketer. And the relationship nurturing should extend all through the customer journey and create an experience of high recall.

**Customer loyalty** schemes: Tracking the customer after the purchase, whether offline or online, helps to stay connected to understand customer needs and insights. Statistics from HBR show that “acquiring a new customer is at anywhere from 5 to 25 times more expensive than retaining existing ones, and that increasing customer retention rates by just five per cent increases profits by 25 to 95 per cent.”

Reward programmes based on 80:20 rule can help achieve customer loyalty and improve repeat sales. Branding is therefore not a matter of choice if MSMEs in the B2B space want to connect seamlessly with customers, build trust, create unbeatable competitive edge and drive premium pricing.

### Revised MSME Classification

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'MSMEs have played an essential role in providing employment opportunities'

The Micro, Small and Medium Enterprises (MSMEs) have played an essential role in providing employment opportunities and it is the second largest employment generating sector after agriculture, said the Commissioner of GST, Madurai, S. Arokia Raj.

He was speaking at the inauguration of the Vendor Development Programme-cum-Industrial Exhibition organised by Madurai District Tiny and Small-Scale Industries Association (MADITSSIA).

He said that the MSME sector is considered the backbone of the Indian economy and contributes nearly 30% of the country’s GDP. MSMEs have driven India to new heights through requirements of low investment, flexible operations and the capacity to develop appropriate native technology.

It not only generates employment opportunities but also works hand-in-hand towards the development of the nation’s backward and rural areas. They have helped in the industrialisation of these areas with a low capital cost compared to the large industries. Around 52% of total MSMEs are in rural areas and 48% are in urban areas.

Least on cost-per-acquisition (CPA)

While businesses have multiple digital marketing strategies that they can implement to achieve their goals, a common myth that prevails in the market is that the micro, small and medium-sized enterprise (MSME) sector cannot avail the benefits of these strategies. However, this is far from the fact. A business of any scale - however small or big - can, and must make use of these strategies to grow and succeed in the market.

A lot of MSMEs try implementing various online marketing strategies such as blogging, email, and social media according to their needs and capacities. In the digital marketing world, continuous innovation and consistency are required as no one knows which combination of strategies will click. As no one can guarantee the success of any single strategy, MSMEs must continuously keep trying out different approaches for different opportunities.

INDIAN MSMEs SECTOR OVERVIEW

Micro, Small and Medium Enterprises (MSMEs) plays an important role in the economic growth of the country owing to their contribution to production, exports and employment. The sector contributes 8 per cent to the country’s GDP, 45 per cent to the manufactured output and 40 per cent to the country’s exports. It provides employment to 60 million people through 28.5 million enterprises. Significantly, the MSME sector has maintained a higher growth rate vis-à-vis the overall industrial sector during the past decade; exports from these enterprises have been on the rise, despite increased cost of raw materials, sluggish global demand and stiff international competition. Today, the sector produces a wide range of products, from simple consumer goods to high-precision, sophisticated finished products. It has emerged as a major supplier of mass consumption goods as well as a producer of electronic and electrical equipment and drugs and pharmaceuticals. An impetus to the sector is likely to have a multiplier impact on economic growth. Apart from providing the
support to the large industries, MSMEs have played an important role in the development of States in terms of the employment generation. More than 55 per cent of these enterprises are located in six major States of the country, namely, Uttar Pradesh, Maharashtra, Tamil Nadu, West Bengal, Andhra Pradesh and Karnataka.

The MSME sector has slowly come into the limelight, with increased focus from the government and other government institutions, corporate bodies and banks. Policy based changes; investments into the sector; globalization and India’s robust economic growth have opened up several latent business opportunities for this sector. MSMEs in India are broadly unaware of technology solutions and tools available to cater their marketing needs less than 6 per cent of Indian MSMEs with access to personal computers advertise online and a majority of these enterprises use traditional media. Many Indian MSMEs are also unaware of the effectiveness, measurability and predictability of using online advertising to reach the target audience. MSMEs face intense competition from the large domestic firms and multinationals armed with improved technology, financial strength, managerial ability, skilled workers, marketing skills, better product quality, and wide range of products. The small firms find it difficult to maintain their existence in such conditions as the Indian economy opens up to global competition; MSMEs must find ways to innovate to succeed in this business environment. MSMEs face a number of problems: a) Lack in training, development and consultancy activities due to lack of information which they do not recognize need for raising their production and growth. b) MSMEs find it hard to enter in a potentially competitive market. c) MSME faces an expensive and time-consuming regulatory requirement in licensing and registration. d) Legal requirement of the land of law prohibit their desired growth i.e. special status granted to certain states hinder them entering into high-income zone. e) Non-favourable and discriminatory tax structure. f) Rigid labour market regulations make hiring and firing difficult and expensive tends to prohibit the mobility of work force. g) Lack of infrastructure facilities i.e. transportation, market and communication prohibit to access information and markets.

Increased development, Growth, employment and exports of MSMEs

Efforts should be made by various departments and agencies to enhance the contribution of MSMEs in their domain in growth, GDP, development and exports. In particularly, given the fact that the MSME sector contributes significantly to exports, it is essential that they should be integrated with global value chains (GVC) to remain competitive as it offers unique opportunity to become technologically and digitally empowered. Being part of GVC would enable MSMEs to produce quality goods and services which will have greater acceptability in the global market. The major challenges for the sector to connect to the GVC are lack of information, knowledge of markets and quality standards which should be addressed appropriately. MSMEs should be ready to face competition from domestic and international firms. MSMEs should take the advantages of globalization by getting involved in export of specialized components and parts and adapt themselves to the fast changing needs of the markets. Small and Medium Enterprises (SMEs) account for the majority of businesses worldwide and are important contributors to job creation and global economic development. Access to finance is essential for improving SME competitiveness, as SMEs have to invest in new technologies, skills and innovation. A new policy approach is emerging which focuses on enabling the creation and
commercialisation of knowledge for increasing the productivity of the enterprises. Examples of such policies include encouraging R&D, venture capital, and new-firm start-ups’.

**Make Your Business Information Accessible Online**

The key to making the most of the web is making your business as accessible as possible, letting people find you in a way that suits them, whenever they want to. Your customers source your products or services online, and as such they land up into enquiring about their requirements with businesses and organizations which are easily accessible online. Of course, that doesn't mean the business enterprise should have presence on every single online channel; it means being clever about selecting the ones that are most important to your audience. At the most fundamental level, this means a basic, professional looking website with easy to find, relevant information about your business. At the most an information source about your business and products / services you offer which suits their needs and acts as your 24x7 sales help to them to reach you in time.

**MARKETING TOOLS**

There are many innovative marketing tools and techniques, which can be considered by the managers for their enterprises. The most popular and usable tools for the SMEs for their industrial product marketing are given below:

**Customer Relationship Management (CRM)** The SMEs should provide special training to their sales team to bring in enthusiasm and commitment for the work with new ideas and innovation. CRM is the process of understanding and influencing customer behaviour through meaningful communication in order to improve customer acquisition, customer retention, customer loyalty, and customer profitability. Implementation of CRM by businesses provides for better allegiance with customers and ensures a rewarding relationship that provides for opportunities to the business, to deliver customer service with better efficiency.

**Digital Advertising** Digital advertising has a large number of ways of on the internet and is expected to grow exponentially. The companies activates can be video recorded and uploaded in the internet, which intern will help the potential industrial buyers to understand the functioning of the MSMEs.

**Mobile Applications** Mobile applications can be used as the service tool, where the regular payments, receipts, and other business related information will update and help the customers in meeting their commitments without overlooking at them.

**B2B Marketers** B2B is e-commerce between businesses such as between a manufacturer and a wholesaler or between a wholesaler and a retailer. It is targeting specific industries or individuals is which to take the list of prospects from the institutions, which are providing their mail, address and other details; then sending an attractive sales. Trade through online B2B portals increases the visibility of MSMEs in the marketplace and helps them overcome barriers of time, communication and geography.

WWW as a Promotional Tool Last two decades the Indian business has shown that, an impact of internet can make the business effectively. Generating own website and promoting products and services on globe is now
cost effective as the company’s website are regularly updating were as the website have user friendly futures and full of information.

**Marketing Hubs** Marketing Hub main objective is to provide facilities for manufacturing MSMEs for B2B meeting among MSMEs, wholesale and retail marketing of MSME products, exploring the export opportunities for the MSME products and to attract new customers and enhance the marketing to reach the MSMEs. In the initial phase of the project, it is proposed to setup 8 Nos. marketing hubs in the premises of MSME-DIs, in the designated cities of the country which have substantial presence of prospective MSME clusters. These marketing hubs Chennai, Bangalore, Mumbai, Indore, Jaipur, Agra, Guwahati, Ahmedabad, Delhi, Ludhiana, Thrissur and Kolkata will preferably selected out of the 12 cities for operating these marketing hubs, the services of the available staff of the concerned MSME-DIs would be utilized.

**CONCLUSION**

MSMEs, is a major contributor towards growth of domestic economy and employment generation, to get adequate support in terms of policy framework, incentives and other relevant aids. Although, Indian MSMEs are finding it difficult to sell their products in the domestic and international markets because of increasing competition to make their products globally competitive, Indian MSMEs need to up-grade their technology and put more emphasis on innovation. The tools help MSMEs to improve their performance and gain real time insight about the business. MSMEs can vastly improve the effectiveness and accuracy of business planning without implementing a large and expensive system and also would help to improve their sales, optimize inventory, understand customer and product behaviour patterns, etc with a view to build up more efficient, robust, progressive & profitable business. In view of above MSMEs have a vast untapped potential to reap upon and synergic strategic actions are required by the stakeholders in this regard to deal with various challenges being faced by MSME sector in the time to come for achieving the goal of AtmaNirbhar Bharat (Self-reliant India).

**REFERENCES**


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