



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

ROLE OF MSMEs IN SUSTAINABLE DEVELOPMENT OF INDIA

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ABSTRACT:

The Micro, Small and Medium Enterprises play a vital role in the growth of the country. In fact, the small scale sector in India is a natural habitat for entrepreneurs. Most entrepreneurs jumpstart by opening small enterprises and then nurture their units into large industries. The (MSMEs) provides the entrepreneurs with an opportunity to enhance their skills and talents, to experiment, innovate and renovate their ideas into finished goods and services needed by the society. The Micro, Small and Medium Enterprises (MSMEs) in India has grown rapidly over the years and has emerged as a highly energetic and self-motivated sector. It has acquired a crucial place in the socio-economic development of the country. The Micro, Small and Medium Enterprises Development (MSMED) Act was notified in the year 2006 to address policy issues affecting MSMEs as well as the exposure and outlay ceiling of the sector. The Act seeks to facilitate the development of these enterprises as also enhance their effectiveness. It provides the first ever legal framework for recognition of the concept of enterprise which comprises both manufacturing and service entities. It defines medium enterprises for the first time and seeks to integrate the three tiers of these enterprises namely micro, small and medium.

KEYWORDS:Enterprises,Entrepreneurs,Socio-economic,development,Manufacturing,Service.

INTRODUCTION:

Micro, Small and Medium Enterprises (MSMEs) sector has emerged as highly vibrant and dynamic sector of the Indian Economy over the last five decades. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural and backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSME are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country. The Micro, Small and Medium Enterprises Act also provides for a statutory consultative mechanism at the national level with balanced representation of all sections of shareholders, particularly the three classes of enterprises and with a wide range of advisory functions. Establishment of specific funds for the promotion development and enhancing competitiveness of these enterprises, notification of schemes/programs for this purpose, progressive credit policies and practices, preference Government procurements to product and services of the Micro and Small Enterprises, more effective mechanism for justifying the problems of delayed payments to MSMEs and assurance of a scheme for easing the closure of business by these enterprises, are some of the other features of the Act.

Micro, Small and Medium Scale enterprises (MSMEs) are the enterprises where the investment in plant and machinery or equipment's in between Rs.25 lakh to 10 crores in case of a manufacturing industry and between Rs.10 lakh to Rs.5 crore in case of service sector enterprise. This definition is provide Micro, Small and Medium Enterprises Development Act, 2006 and was notified in September,2006. The Act provides for classification of enterprises based on their investment size and the nature of the activity undertaken by that enterprise. As per MSMED Act, enterprises are classified into two categories i.e Manufacturing Enterprises and Service Enterprises. For each of these categories, a definition is given to explain what constitutes a microenterprise or a small enterprise or a medium enterprise. What is not coming under the above three categories would be considered as a large scale enterprises in India.

(i) Manufacturing Enterprises: Manufacturing enterprises are the enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the Industries(Development and Regulation)Act, 1951 or employing plant and machinery in the process of value addition to the final product

having a distinct name or character or use. The manufacturing enterprises are defined in terms of investment in plant and machinery.

(ii) Service Enterprises: Service Enterprises are the enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment. The limit for investment in plant and machinery/equipment for manufacturing/service enterprises as notified on 20-9-2006.

| Manufacturing Sector Enterprises | | Investment in plant and machinery |
|---|--------------------|--|
| 1. | Micro Enterprises | Does not exceed 25 lakh rupees |
| 2. | Small Enterprises | More than 25 lakh rupees but does not exceed 5 crore rupees |
| 3. | Medium Enterprises | More than 5 crore rupees but does not exceed 10 crore rupees |
| Service Sector Enterprises | | Investment in equipment's |
| 1. | Micro Enterprises | Does not exceed 10 lakh rupees |
| 2. | Small Enterprises | More than 10 lakh rupees but not exceed 2 crore rupees |
| 3. | Medium Enterprises | More than 2 crore rupees but does not exceed 5 crore rupees |

TYPES OF MSMEs: The various types of MSMEs are as follows:

1.Ancillary Industries: It is an industrial undertaking engaged or is proposed to be engaged in the manufacture or production of parts, components or the rendering of services and the undertaking or supplies or renders or proposes to supply or render not less than 50 percent of its production or services and whose investment in fixed assets in plant and machinery, whether held on ownership terms or lease or on hire-purchase, does not exceed Rs.10 million.

2.Tiny enterprises: A tiny enterprise is a unit in which the investment limit in plant and machinery is Rs.2.5 million irrespective of the location of the unit.

3. Enterprises managed by women: It is an enterprise which is promoted or managed by a woman in which she individually or jointly has a share capital of not less than 51 percent of the total share. The government offers some special concessions to such enterprises.

4. Export-oriented industries: An export oriented unit must export at least 50 percent of its output within 3 years from the date of commencement of production and the investment limit in plant and machinery is Rs.10 crore.

5. Village Industries: Those industries that are located in rural areas and produce any goods or render any services with or without the use of power.

6. Cottage Industries/Rural/Traditional industries: Some of the prominent features of these industries are as follows:

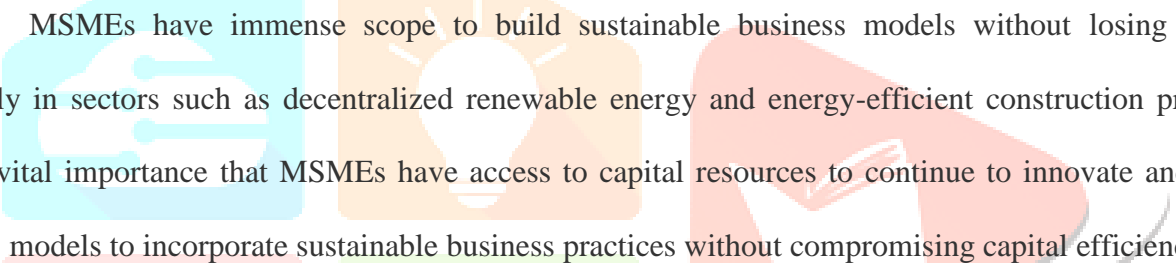
- (a) The tools and equipment used in these industries are simple.
- (b) They normally employ family and other locally available talent.
- (c) They are usually organized by individuals with private resources.
- (d) The capital investment is Small.

SUSTAINABLE DEVELOPMENT OF MSMEs:

MSMEs sector has the potential to create jobs opportunities to a huge number of peoples but adopting the sustainable business policies it goes along and contributes to the Indian economy. MSMEs plays an important role directly or indirectly to achieve sustainable goals through ITC support. The ever-growing internet/mobile penetration have opened up both the international and rural markets like never before. While the atmosphere is rife with challenges it's also ripe with opportunities. The time is right for us as a nation to sow the seeds, and build a support system, which would allow our SMEs to achieve their full potential.

The environment is an essential part of our existence, which further depends on the works that we do to earn a living. Industrialization or doing business and environment go hand in hand. To excel in both the fields environment and industrialization, we need to adopt green technologies leading us on a path of sustainable development. The environmental sustainability revolves around making environmental friendly decisions and taking relevant actions that protect the nature, emphasizing on conserving the capability of the environment to further support our existence.

In recent years, the concern of sustainability has taken a centre stage of development universally and the Government of India has made several commitments at national and international platforms to save our environment with the help of various initiatives. One such measure is “Make in India” with ‘Zero Defect & Zero Effect’ initiative of the government that expresses the zeal to balance economic growth with sustainability and social inclusion as well as encourages MSMEs to constantly upgrade their quality standards in products and processes without damaging the environment. All the sectors of the economy i.e Agriculture, Manufacturing and Services will need to contribute to this collective objective of the nation-building with sustainability. With an improved push on making manufacturing sector a significant part of sustainable economic development, consumption of resources including fossil fuels or non-renewable resources is now far more significance than ever before.



MSMEs have immense scope to build sustainable business models without losing profitability, especially in sectors such as decentralized renewable energy and energy-efficient construction practices. It is thus of vital importance that MSMEs have access to capital resources to continue to innovate and allow their business models to incorporate sustainable business practices without compromising capital efficiency.

MSMEs substantially contribute to the Indian economy by providing a three-pronged solution to endemic societal problems—eradicating poverty, providing goods and services, and facilitating economic resilience. In order to allow the MSME sector in India to achieve its full potential, there needs to be an increasing emphasis on technological innovation and tapping new markets. In conclusion, Government of India can incentivize innovation by providing increased access to funding opportunities and encouraging MSMEs in upcoming sectors such as eco-tourism, organic agriculture, hydroponics, and decentralized renewable energy through conducive policy frameworks.

REDUCTION IN POVERTY:

- ❖ Zero Hunger
- ❖ Job Creation
- ❖ Gender Equalit
- ❖ Reduction in Inequality
- ❖ Innovation and Infrastructure
- ❖ Decent Environment for Work

❖ Promote Production

However, in terms of Corporate sustainability, Epstein mentions nine Principles of Sustainability to be observed and followed by the Corporates. These Principles are mentioned below:

ETHICS: A Company always tries to promote, observe and preserve the moral values and practices while businesses with stakeholders.

GOVERNANCE: A firm or Company runs all its capitals diligently and effectively. It attracts the interest of all stakeholders through the efficient work of managers and corporate boards.

TRANSPARENCY: : A company always discloses the information of product and service within a fixed time.

BUSINESS RELATIONSHIPS: A company works for the best trading practices with partners, distributors and suppliers.

FINANCIAL RETURN: Company compensates providers of capital with a competitive return on investment and the protection of company assets.

ECONOMIC DEVELOPMENT: Company fosters a mutually beneficial relationship between the corporation and community in which it is sensitive to the culture, context and the needs of the community.

VALUE OF PRODUCTION AND SERVICES: A Firm or Company always always tried to give the best product and services to its customers within their needs and choices.

EMPLOYMENT PRACTICES: A firm or a company always do human resource management practices which develop the employee personal and professional life.

PROTECTION OF ENVIRONMENT: A firm endeavors to safeguard and renovate the environment and endorse sustainable development in product and service. Thus, it is clear that to pursue sustainability a corporate needs to take care of the interests of all the stakeholders.

OBJECTIVE OF THE STUDY:

- To Study Sustainable Development of MSMEs in India.
- To Study Economic Development of MSMEs..
- To Study in Growth of Promoting MSMEs.

RESEARCH METHODOLOGY:

The Study Methodology only Secondary data and Research Journals, Websites through Reference Books.

LIMITATION OF THE STUDY: The Data Collected is only Secondary data. The Data is Collected from Limited Sources.

ROLE OF GOVERNMENT IN PROMOTING MSMEs: A few of the recent initiatives by Government of India have a given a boost to SMEs. In a direct move to increase the GDP share of SMEs, the Government has allocated 20,000 Cr to this sector through the Micro Units Development Refinance Agency Bank (MUDRA). Similarly, in a move to promote 'Zero-Defect' manufacturing that has 'Zero-Effect' on the environment, the Government has set up the performance and credit rating system for SMEs called the ZED rating. SMEs will be classified into bronze, silver, gold, diamond and platinum categories. The idea is to help SMEs grow bigger, gain economies of scale and improve the quality of their products. Here are Credit Linked Capital Subsidy Scheme for Technology Upgradation (CLCSS): The Ministry of Small Scale Industries (MSSI) created the CLCSS which provides upfront capital subsidy of 15% (max 15 Lakh) to SSI units which can be used for plant & machinery modernization.

- **Financial Assistance on International Participation:** This scheme offers funding to MSMEs for participate at international trade fairs, exhibitions and also promotes sector specific market studies by industry associations. It also offers reimbursement of 75% on one-time registration fee and 75% on annual fees (recurring) paid to GSI by MSMEs for the first three years for barcode. It also facilitates tech Upgradation, creation of joint ventures and foreign collaborations.
 - **Technology & Quality Upgradation Support to MSMEs:** This scheme helps MSMEs gain benefit from energy efficient technologies and manufacturing processes to reduce their carbon footprint. It provides them with 75% expenditure to buy such technologies.
 - **Mini Tools Room & Training Center Scheme:** The govt. provides grant / aid that equals to the cost of the machinery/ equipment (max 9 Cr.) to create a new mini tool room and 75% of the cost if an existing room has to be upgraded. The scheme aims to create a skilled workforce which would also benefit the region in the long run.
- Some of the other popular schemes for MSMEs in India.

CONCLUSION:

Micro and small enterprises can offer much greater service to the nation than their bigger counterparts. These rural enterprises can do miracle if they have greater capital inflows at their disposal. This has been the motive behind MUDRA to ease capital constraints faced by rural micro entrepreneurs and bring much more money at their disposal to grow themselves and make India grow. Micro entrepreneurs can contribute to Mr. Modi's Make in India programme through this scheme by making India a manufacturing hub of millions of small items and things and marketing them on a larger scale. However, government policies will be of no use without the participation of people. The available literature and data show that this sector is continuously growing the passage of time and promoting employment opportunities for the youth. Government of India has taken many new initiatives and makes policies for the development of MSMEs with sustainability. With the advancement of technology and the up-gradation of small business keeping in mind the future of the Indian economy. A combined effort of government, family members and total involvement of the people at the grass root level will go a long way in bringing about planned development of rural microenterprises

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