



# The Solution to Entrepreneurship Development in India through MSMEs

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## ABSTRACT

The importance of micro, small, and medium enterprises (MSMEs) in the country's economic and social development has long been recognized. Individual creativity and invention are frequently the driving forces behind entrepreneurship in the MSME sector. MSMEs contribute around 6.11% of the manufacturing GDP and 24.63% of the GDP from service activities as well as 33.4% of India's manufacturing output. They have been able to provide employment to around 120 million persons and contribute around 45% of the overall exports from India. At present, India has approximately 6.3 crore MSMEs over 110 million workers for micro, small and medium enterprises across India, MSMEs have a far greater labor-to-capital ratio than major industries, and their total growth is substantially faster. MSMEs are also more evenly distributed geographically. As a result, MSMEs are critical to achieving the national goals of equity and growth. In contrast to the preceding concept of industry, the concept of 'enterprise' was introduced. Small businesses, both legal and informal, contribute roughly the same amount to GDP and employment in low, middle, and high-income countries. As income rises, the informal sector's share of the economy declines and the formal SME sector's rises. The most vital need is to provide large-scale employment as countries expand and agriculture's share of employment and GDP declines. In India, the MSME sector is diverse, fragmented, and largely unstructured; it encompasses a wide range of manufacturing units, from traditional crafts to high-tech enterprises. MSMEs face a number of challenges, like financial issue, regulatory issues infrastructure, low productivity, lack of innovation, technical challenges, skill, competition, lack of professionalism, lack of standard policies. However, the government is trying to keep the MSME sector competitive. The cost of finance is gradually lowering, and both the public and private sectors are attempting to develop better products that are both quality and price competitive. MSMEs may be able to compete with larger enterprises if corruption is eliminated and a greater emphasis is placed on quality.

**Keywords:** MSMEs, Entrepreneurship, Entrepreneurship development, GDP, Economic development.

## Introduction

In India, the SME sector is diverse, fragmented, and mostly unorganized. It encompasses a wide range of manufacturing units, from handicrafts to high-tech businesses. In this regard, MSMEs face the following key challenges: insufficient credit and working capital, declining of a vibrant sector, non-availability of quality raw materials and packaging facilities on a timely basis, insufficient market research, linkages and design inputs, rehabilitation of sick SSI units, globalization, and

technology up-gradation and achieving 'Economies of Scale.' Within the overall required 40 percent maximum for priority sector. The MSE sector must compete because sub-targets have already been set at 18 percent for agriculture and 10% for the weakest sectors. MSME stands for micro, small, and medium businesses; SME stands for small and medium businesses; and MSE stands for micro and small businesses. MSMEs have no universally agreed definition. Different countries use different criteria; the majority of definitions are based on the amount of money invested and the number of people employed.

According to a World Bank study document, SMEs are defined as businesses with fewer than 200–300 employees in 54 countries. There are 13 low-income countries, 24 middle-income countries, and 17 high-income countries among them. Most African countries have a 200-employee cut-off, while Japan has a 300-employee cut-off. The MSMED Act of 2006 defines micro, small, and medium enterprises as businesses that invest in plant and machinery:

Classification	Manufacturing Enterprises		Service Enterprises	
	Turnover	Investment	Turnover	Investment
<b>Micro</b>	Rs. 5 crore (US\$ 0.6 million)	Less than Rs. 25 lakh (US\$ 0.03 million)	Rs. 5 crore (US\$ 0.6 million)	Less than Rs. 10 lakh (US\$ 0.01 million)
<b>Small</b>	Rs. 50 crore (US\$ 6.8 million)	More than Rs. 25 lakh (US\$ 0.03 million) but less than Rs. 5 crore (US\$ 0.6 million)	Rs. 50 crore (US\$ 6.8 million)	More than Rs. 10 lakh (US\$ 0.01 million) but less than Rs. 2 crore (US\$ 0.3 million)
<b>Medium</b>	Rs. 250 crore (US\$ 34 million)	More than Rs. 5 crore (US\$ 0.6 million), but less than Rs. 10 crore (US\$ 1.4 million)	Rs. 250 crore (US\$ 34 million)	More than Rs. 2 crore (US\$ 0.3 million) but does not exceed Rs. 5 crore(US\$ 0.6 million)

The term "village industries" has been redefined in the amended KVIC Act, 1956 as "any industry located in a rural area that produces any goods or renders any service with or without the use of power and in which the fixed capital investment per head of artisan or worker does not exceed Rs. One lakh (Rs. One lakh and fifty thousand in the case of village industry located in a hilly area) or such other sum as may be specified from time to time by notification in the Official Gazette."

## Role of MSMES in Global Economy

Brazil's MSMEs account for 20% of the country's GDP. MSEs, along with the remaining 9.5 million informal enterprises, account for 96.8% of the country's 4.7 million registered corporations and employ 59 percent of the country's economically active individuals. In South Africa, for example, informal and micro enterprises employ 39% of the workforce and

contribute 24% of GDP; SMEs employ 27% of the workforce and contribute 32% of GDP; while large enterprises employ 34% of the workforce and contribute 44% of GDP.

China has created more small businesses than Europe and the United States combined in the last 20 years. Around 1 million private sector SMEs existed in the 1990s, but by 2004, there were 40 million. An industrial SME in China is defined as a company employing up to 2000 workers, whereas a small company employs less than 300 people and a medium-sized company employs between 301 and 2000 people. The Act also creates a national legislative consultation mechanism with a wide range of advisory roles and a fair representation of all stakeholders. Establishment of dedicated funds for the promotion, development, and enhancement of these companies' competitiveness; public notification of schemes/programs; and progressive credit policies and practices

## **Need for Greater Engagement with MSES**

The most vital need is to provide large-scale employment as countries expand and agriculture's share of employment and GDP declines. According to Australian economist Chris Hall, SMEs account for over 70% of net new jobs globally, whereas larger corporations tend to be job killers. The dispersed food products sector employs the most people (13.7 percent of total MSE employment), followed by non-metallic mineral products (10.9 percent), and metal products (10.1 percent) (10.2 percent). The contribution ranges from 9% to 5% in chemicals and chemical products, machinery parts except electrical parts, wood goods, basic metal industries, paper products and printing, hosiery and garments, repair services, and rubber and plastic products. The presence of MSEs in different states is not consistent.

## **Challenges of MSME Sector**

In India, the MSME sector is diverse, fragmented, and largely unstructured. It encompasses a wide range of manufacturing units, from traditional crafts to high-tech enterprises. SSIs that deal with high-tech sectors or serve as ancillaries to large businesses are frequently thought to be limited to large units. Power looms, handlooms, handicrafts, food processing, coir, sericulture, khadi, village industries, and wool, all of which are generally unorganized and are divided among multiple ministries and are frequently considered merely as rural livelihoods. Cities and towns such as Benaras, Berhampur, are major handloom centers; Lucknow, Bhopal, Delhi, and Jaipur are known for their handicrafts, while power looms are typically found only in urban areas. In this regard, the core challenges of MSMEs are the following;

- Inadequate credit and working capital are causing a vibrant sector to dwindle.
- Lack of timely access to high-quality raw materials and packaging facilities
- Inadequate market research, connections, and design inputs
- Sick SSI Units Rehabilitation
- Upgrading Globalization Technology and Achieving Economies of Scale

## Strategies for Promotion of MSES

The potential strategies would mainly rest on five pillars, as it were, concurrently.

- a) Skill development
- b) Markets
- c) Technology
- d) Infrastructure
- e) Credit availability

The Ministry will concentrate its efforts on providing financial support for Entrepreneurship Development Training Programs (EDPs), Skill Development Training Programs (SDPs), Entrepreneurship-cum-Skill Development Training Programs (ESDPs), and Training of Trainers Programs. Another area where MSMEs play a critical role is in the creation of jobs. In August 2008, the Prime Minister's Employment Generation Programme (PMEGP), a nationwide credit-linked subsidy scheme, was launched with this in mind. The Ministry of MSME will take steps to improve performance under the PMEGP by creating an IT-enabled application tracking system and collecting related data.

One of the most difficult areas for MSMEs to navigate is marketing. Unlike huge corporations, they lack the strategic tools and resources needed to grow small businesses on a worldwide scale.

The following Strategy Challenges" have been identified:

- i. Enhancing Growth Capacity
- ii. Improving Skills and Creating Jobs More Quickly
- iii. Managing the Environment
- iv. Markets for Inclusion and Efficiency
- v. Information, empowerment, and decentralization
- vi. Innovation and Technology
- vii. Ensuring India's Energy Future
- viii. Transportation Infrastructure Development at a Faster Pace
- ix. Rural Transformation and Agriculture's Long-Term Growth
- x. Urbanization Management
- xi. Easier Access to Good Education
- xii. Improved Health-Care Prevention and Treatment

## Conclusion

The MSME industry in India is growing at a rapid speed and coming up with new enterprise which is providing employment to a large number of individuals. MSMEs' contributions to the country's total GDP, both in the manufacturing and service sectors, and in both sectors new entrepreneurs are starting their venture. The Indian government has taken a number of steps to boost the growth of these Micro, Small, and Medium Enterprises in the country. The Government of India is also forming a variety of partnerships and agreements with NGOs, government organizations, and universities to ensure that government policies supporting MSMEs are properly implemented, and entrepreneurs are adequately guided in launching their businesses. MSMEs have a substantially larger number of units than large-scale industries around the world. Every business or entrepreneur is a step on the economic ladder, and every unit is a link in the chain. Both the ladder and the chain must be in good working order. Any economy's entrance gate is entrepreneurship and its opening and closing will undoubtedly have an economic impact. Entrepreneurship is a fundamental alignment around which the global economy revolves. Similarly, MSMEs contribute to a larger economy. As a result, we can simply assume that if any country is not doing well in entrepreneurship, then that country is also not doing good in there economy.

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