

Topic: The Micro, Small and Medium Enterprises (MSME):  
Backbone of India's Economy

Topic  
Introduction

The Micro, Small and Medium Enterprises (MSME) sector has emerged as a 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 & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth.

In India, the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 is the first single comprehensive legislation covering all the three segments. In accordance with the Act, these enterprises are classified in two:-

- (i) **Manufacturing 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. These are defined in terms of investment in plant and machinery;
- (ii) **Service enterprises** engaged in providing or rendering of services and are defined in terms of investment in equipment.

Prior to implementation of MSMED Act, 2006, the sector was defined as per the provision of Industrial Development and Regulation Act, 1951 as Small Scale Industries (SSI) sector and its constituents

**Report Card of MMSE's 2014:**

- The Indian MSMEs contribute 8% to the Country's GDP
- It creates 100 million jobs through the 46 million units from the rural and the urban areas across the Country.
- They also contribute to 90% of the total Industrial output and 45% of the Manufacturing output of India and comes out with 6000+ products across the spectrum.
- MSMEs are credited in contributing to 36% of the Total Value of exports from the Country.
- The sector has recorded a constant year on year growth of over 10% thereby making this sector as the backbone of Country's economy.

**What has the Govt. done?**

- Launched National Manufacturing Policy 2011 to encourage MSMEs. Aim is to generate employment, enhance share in GDP to 25%.
- Created National manufacturing zones for MSMEs.
- Recognized AYUSH (traditional medicine methods).
- Provided support schemes for traditional industries like Khadi, etc.
- Announced 1,00,000 million venture capital fund functional for MSMEs in the budget 2014-15.

## **Make In India Campaign vs MMSE**

Government's plans to invite 3,000 foreign companies from 30 countries across 25 sectors to take part in the 'Make in India' campaign can have possible impact on the MSME sector. The campaign is aimed to transform the economy from the services-driven growth model to labour-intensive manufacturing-driven growth. This will help in creating jobs for over 10 million people, who join the workforce every year.

On the other side, India's small and medium-sized industries can play a big role in making the country take the next big leap in manufacturing. India should be more focused towards novelty and innovation for these sectors. The government has to chart out plans to give special sops and privileges to these sectors.

### **Way Forward:**

**Technology adoption** is a catalyst not only for growth among India's micro, small and medium enterprises (MSMEs), but for the growth of the Indian economy as a whole. Many stakeholders, including the Government of India, technology companies and MSME leaders, recognise that roadblocks relating to infrastructure, technology and skilled labour must be eliminated to sustain the growth of MSMEs and ensure their continued contribution to India's industrial production, economic growth and employment.

#### ***The five top barriers to technology adoption are:***

- (i) cost
- (ii) lack of skilled manpower
- (iii) low awareness of the benefits of technology
- (iv) security and privacy
- (v) poor infrastructure

### **Read further:**

<http://www.makeinindia.com/>

<http://rbi.org.in/scripts/FAQView.aspx?Id=84>

[http://isedonline.org/uploads/newsevents/Summary-MSMER%202014\\_20141111085148.pdf](http://isedonline.org/uploads/newsevents/Summary-MSMER%202014_20141111085148.pdf)

<http://msme.gov.in/WriteReadData/DocumentFile/ANNUALREPORT-MSME-2013-14P.pdf>