

# PRECISION OF CONCEPT MSMEs IN CONTEXT OF MAKE IN INDIA CAMPAIGN

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## Abstract

The concept of MSMEs in context of Make in India campaign deriving a new wind in Indian industries for fostering the enormous manufacturing for the consistent economic growth of country. From this paper it is to be attempted that the campaign of Make in India, giving emphasis towards the share of MSMEs in economic growth and will decide the fortune of the country manufacturing sector. For increasing the Precision of concept MSMEs in context of make in India campaign, it is essential to redressing the role of industries especially MSMEs which ensure their growth and prospects story by enhancing their capacity building :Marketing Development, export promotion, skill development, Technology up gradation and Research Programme . Under this campaign the initiative regarding pecuniary assistant provided for locale up micro enterprises and costing rs 25 lakh in the manufacturing sector, and moreover 25% of subsidy to the project cost provided for rural and backward areas. It does not matter for benchmark one chooses the vitality of Micro Small and Medium Enterprises (MSMEs) sector in India and its contribution cannot be overlooked. Accounting for roughly half of India's Industrial production and exports and employing the largest number of people after agriculture, so its achievements are extremely vastness. What is not appreciated much, however, it is emphasizing that producing these results much below its potential.

Key words: Make in India, Precision of MSMEs, Marketing Development ,Export promotion, Skill Development and Research Programme

## INTRODUCTION

Make in India campaign is an eminent opportunity for Indian manufacturing hub to groom and provide a grassroots to overcome with the panic challenge for industrial sector. The initiative of this programme is to provide a valuable contribution for Indian manufacturing industries. The

contribution of the Micro, Small and medium enterprises (MSME's) to the economic growth of a nation is not very much recognized. MSME's contributions towards employment generation is significant because this sector use more labour intensive production processes thus boosting employment and leading to more equitable income distribution. Micro, Small and Medium Enterprises (MSMEs) play a vital role for the growth of Indian economy by contributing 45% of industrial output, 40% of exports, employing 60 million people, create 1.3 million jobs every year and produce more than 8000 quality products for the Indian and international markets.

MSMEs sector constitutes an important sector of our National Economy and has shown continued dynamism in terms of growth, the number of enterprises, their production, employment generation and their contribution to the country's manufacturing output and exports. About 75 per cent of the India's enterprises are medium, small and micro produce a very wide range of products which include both simple and sophisticated engineering products, electrical, electronics, chemicals, plastic, steel, cement, textile, paper, ready made garments etc. Ancillary units cater to the requirements of Large Industrial units for materials, components, consumables and contribute about 45 per cent of the total manufacturing output and nearly 40 per cent of India's exports. The structural transformation of Indian Economy through Information Technology, Bio-technology, Food Processing, Drugs and Pharmaceuticals, Electronics etc. is prominently manifested through the MSME sector.

'Make in India' is an opportunity as well as a big challenge for the MSME sector. The contribution of the Micro, Small and medium enterprises (MSME's) to the economic growth of a nation is well recognized. MSME's contributions towards employment generation is significant because this sector use more labour intensive production processes thus boosting employment and leading to more equitable income distribution. Micro, Small and Medium Enterprises (MSMEs) play a vital role for the growth of Indian economy by contributing 45% of industrial output, 40% of exports, employing 60 million people, create 1.3 million jobs every year and produce more than 8000 quality products for the Indian and international markets.

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### **Precision of MSMEs in Indian Context**

In India, the precision of the concept MSMEs is very vital for industrial sector development and . The growth of any country economic development is the pillar of their sectorial contribution. The major sector providing contribution for economic advancement have been classified broadly into two categories:

(i) Manufacturing Sector

(ii) Service Sector

Both these sector classified into micro, small and medium enterprises based on their investment in plant and machinery (for manufacturing enterprises) or on equipments (in case of enterprises providing or rendering services). The present ceiling on investment to be classified as micro, small or medium enterprises is as under following.

Classification of Entrepreneurs	Investment Threshold	
	Manufacturing Entrepreneurs	Service Entrepreneurs
Micro Scale	Upto Rs 25 lakh	Upto Rs 10 lakh
Small Scale	Above 25 lakh to 5 crore	Above 10 lakh to 2 crore
Medium Scale	Above 5 crore to 10 crore	Above 5 crore to 5 crore

### Various Programs in the MSME Empowerment Framework

Many MSMEs development programs are observed.

**First** is the program to create conducive business climate for MSMEs. The objective of this program is to facilitate the business environment that is economically efficient, competitively healthy, and non-discriminative for the wellbeing and the improvement of MSMEs performance. The target of this program is the lowering of barriers, the reduction of business cost, the improvement of business scale, the establishment of legality base for MSMEs, the increase of stakeholder participation in the planning and supervising of policies and programs, and the increase of the quality of bureaucracy service for MSMEs development.

**Second** is MSMEs industrial development program. The aim of this program is to empower and to develop micro, small and medium industries to play significant role and to give great contribution to economic growth, especially to extend job opportunities. This program is targeted toward the growth of new business, the increase of competing ability, and the enhancement of product diversification.

**Third** is the program to develop the entrepreneurship and the competing ability of MSMEs. This program is aimed to develop entrepreneurship behavior and to improve competing ability of

MSMEs. The target is pointed toward the development of knowledge and attitude of entrepreneurship, the improvement of productivity, and the development of the leading products of MSMEs.

**Fourth** is the program to develop MSMEs business-supporting system. The objective of this program is to facilitate, to make easier and to enhance the access of MSMEs to productive resources such that opportunities are used, local resource potentials are identified, and business scales are improved. The target is directed toward the establishment of the supporting/provider agencies that are affordable with expected quality to increase the access of MSMEs to productive resources such as human resource, capital, market, technology and information. Other direction is also pointed toward the improvement of intermediary function of financial agencies to the interest of MSMEs, and also the enhancement of the service scope of financial agencies.<sup>1</sup>

### Review of Literature:

1. **Nalabala Kalyan, Kumar. Sardar, Gugloth. (2011)**-The study focuses upon the growth pattern of the MSME'S, employment generation (1992-2009). The study reveals the symptoms and steps involved in industrial sickness. The study gives an important of knowledge about the various credit schemes sponsored by the government. The sources and schemes available to fulfill the financial needs as well as financially strengthen to the MSMEs such as Laghu udyami credit card scheme ,Credit guarantee fund trust for small industries, Swarojgar credit card scheme, Credit linked capital subsidy scheme and credit through commercial banks.

### Need of the study:

Make in India is a recent entrants to Indian manufacturing sector thus it is not related with past prevalence rather with present and future expectation in industrial sector. It is a new vision or initiative to make India a global manufacturing hub in coming time. There is a need to study and evaluate their previous performance and zenith its present status by the concept make in India project. To develop MSMEs in India is the need of the present study, because it constitute more than 90 per cent of the total number of industrial enterprises and form the backbone of industrial development, but suffer from the problems of sub-optimal scale of operation and technological obsolescence. So to overcome the bottleneck of present status the need of present study observe.

### Objectives of the study:

The following are the objectives of present study.

1. To study the various prospective opportunities and challenges of MSMEs in make in India

campaign.

2. To study the contribution of MSMEs in present context for future implication.

### **Research Methodology:**

The present study is based on **secondary data**. Basically, the required information has been derived from

1. Various books.
2. Articles from Newspapers, Magazines and Journals, and
3. From the various related web-sites which deal directly or indirectly with the topics related to make in India.

### **Limitations of the study:**

1. The study is based on published data and information. No primary data is being collected.
2. Secondary data may be lacking in accuracy, or they may not be completely current or dependable.
3. The biasness can always be there.

### **Opportunities in MSMEs**

The lots of opportunities are available in the field of MSME'S. The prospectus of this sector are explained as following.

1. **Employment generation-** The abundant opportunities and possibilities in the field of manufacturing and service sector under MSMEs provide an advance track to compete in global economy. In recent year, the MSMEs are generating different and ample amount of employment in the field of retail and manufacturing sector. MSMEs is being labour-intensive in nature, the MSMEs make significant contribution in employment generation and expanding industrial network in rural areas.
2. **Development of Rural India-** People from remote areas have the tendency to migrate to urban areas in search of jobs. So the proper policy and implementation create job in rural areas and thus reduce the urban migration which leads excessive pressure on urban areas and initiates social and personal problems. This problem can be addressed by setting up a network of micro, small and medium enterprises in rural areas and economically backward areas through MSMEs project and remove the regional imbalance.
3. **Production of Qualitative and Reliable product -** The MSME'S produce goods according to the needs or expectations of the customers. Primarily, the MSME'S manufacture goods considering the taste and preferences, liking and disliking of the local requirement which will appropriate in quality and more reliable for use .So, the MSME'S



can be enhance quality oriented production.

4. **Provocation of Advance Technology** – The MSME'S in India can play a more comprehensive role to invite the advance technology and flourish the growth and output of industrial sector but the appropriateness in technology is the key area which aid it towards progress. This sector is more responsive than other sector of economy. Therefore, this sector might be a source to attract foreign investment in India through new technology.

### Challenges in MSME

The MSMEs in India even though witness some challenges to implement it in grassroots level and does not uphold the right kind of support from the concerned Regulatory Mechanism, Banks, Financial Institutions and Corporates which is proving to be a hurdle in the growth path of the MSMEs. The top most challenges are as following.

1. **Financial Scarcity** - Micro and small units are more prone to facing financial difficulties during their Life Cycle than large enterprises / corporates when the business conditions turn adverse. Absence of timely support at such a juncture could lead to the unit turning sick and many a time irreversibly. As such, role of banks in providing continuous support to viable MSEs during such phases of transient financial difficulties assumes significance.

MSMEs depend predominantly on internal sources of finance (personal savings, loan from relatives, and loan from local money lenders) than that of institutional financing by banks and other financing institutions. An indication is that even in recent times, MSME credit as a percentage of net bank credit of commercial banks has been below 15%. Banks perceive MSMEs as risky field of investment due to the following:

- Low growth rate of small firms
- Firms following informal business practices
- Inability of MSME owners to maintain collateral securities
- Lack of credit worthiness and goodwill
- Relatively high processing costs (in background checks, etc)
- Lack of transparency due to poor reporting of firm data

Some of the reasons cited above are uncontrollable from the perspective of MSMEs. MSMEs generally operate on tight budgets, and are often unable to procure adequate financial resources for the purchase of machinery, equipment, raw materials, or even day-to-day operational expenses. This is because on account of their low goodwill and limited fixed

investment base, they find it difficult to borrow at reasonable rates from institutions. Hence, for an MSME, any unforeseen event (large order, rejection of consignment or inordinate delay in customer payment) may result in the unit having close operations due to lack of funds. Also, the dearth of capital also implies there is little scope for growth and expansion.

The MSME'S are presently facing the problems of credit from the banks. The banks are not providing the adequate amount of loan to the MSME'S. The loan providing process of the banks is very long and formalistic. The owners of the MSME'S has to produce different types of documents to prove their worthiness. The cost of credit is also high. <sup>5</sup>.

2. **Limited capital and knowledge** -Entrepreneurs promote capital formation by mobilizing the idle savings of public. They employ their own as well as borrowed resources for setting up their enterprises. Such type of entrepreneurial activities leads to value addition and creation of wealth, which is very essential for the industrial and economic development of the country and growth of the micro, small and medium industry. Especially in today's market, the need of knowledge is also arising very much. There is a big need of application of mind and knowledge of marketing strategies to capture the market.
3. **Non-availability of suitable technology**- This is the one of the serious problem which is faced by the MSME'S in India. The competitiveness of any economy depends on how efficiently all the resources in the process of production are utilized and how efficiently these are marketed, hence the entire chain of production has to be efficient. This means that the process of production has to be cost efficient and meets quality needs of the consumers. This improvement can come through the use of latest technology. The owners of MSME'S are not aware of advanced technologies of production. They used outdated technologies in the field of fabricat metal and textiles which in turn high cost of production and highly time consuming process. Their methodology of production is outdated.
4. **Ineffective marketing strategy** -The MSME'S are not adopting the innovative strategy of marketing. Their advertisement and sales promotion are comparatively weaker than the multinational companies are. The ineffective advertisement and poor marketing strategy leads to a very poor selling. Today, the problem faced by companies is not the shortage of goods, but lack of customers. Most companies are unable to sell their goods and consequently go bankrupt. Marketing is very essential for growth of the enterprises. The entrepreneur must aware about the different market conditions as well as different

marketing strategies to grow in the market.

5. **Non availability of skilled labour at affordable cost-** For MSME's required skilled work force and other inputs, which are not available in the market. Due to unavailability of these essentials, it is very difficult to produce the products at affordable prices.
6. **Poor infrastructure and low production capacity-**Though, MSME'S are developing so rapidly but their infrastructure is very poor. Lack of proper infrastructural facilities can cause serious damages to an enterprise's value chain process, like production, consumption and distribution of the products with poor infrastructure, their production capacity is very low while production cost is very high. There is a need for common infrastructure projects for MSMEs.
7. **Access to markets-** To withstand the onslaught of competition from large enterprises within and outside, MSMEs need to respond promptly to the evolving marketing needs and innovations. 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. It additionally pointed out that since the majority of India's MSMEs, especially the small businesses and generate a large proportion of their revenue from the local market; they still depend on traditional media like telephone directories and newspapers to reach their customer base.
8. **Competition from multinational companies-** In present era of globalization, The MSMEs face ruthless competition from the large domestic firms and multinationals armed with improved technology, managerial ability, skilled workers, marketing skills, better product quality, and wide range of products. The small firms find it difficult to maintain their existence as the cases of merger and acquisition are continuously increasing. Therefore, it is very difficult to compete with the multinational companies
9. **Proper research and development:** There should proper research and development in respect of innovative method of production and service rendering. The innovative products will provide the cheaper products and the MSME'S will be able to cope up with the situation.

Some **suggestions** are:

- Arrangements may be made by the government to ensure the supply of trained and professional managers for the small scale sector.
- It would be necessary to consider policy initiatives to incentivise MSMEs to achieve



economies of scale by expanding production.

- To facilitate the MSME sector to garner resources, it is imperative that a separate trading exchange be set up exclusively for the MSME sector.
- Provide special incentives for encouraging larger flow of Venture Capital & Private Equity funds into the sector.
- There is an urgent need to devise measures to tackle the problem of loss of fiscal benefits when the micro and small scale units graduate into larger units etc.

### Conclusion

The micro, small and medium (MSMEs) enterprises play a significant role in contribution to the development of Indian economy in terms of production system, employment generation, GDP etc. MSMEs also have an aptitude for innovation, creativity, and flexibility which enabling them to respond with more quickly to structural changes and to adapt the dynamic demand patterns of consumers. Proper strategic planning will help MSMEs in future to complete globally. Government should play a facilitator role and improve access to finance by encouraging more banks and other financial institutions to enter the local market. There is also need to improve the roads and their connectivity to the main road, railways and airways, availability of electricity and water supply. If it is proper design then it plays a strategic role in overall economy and will bring bright future in the coming years.

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