

# MSMEs-A boon in disguise for Socio Economic Development of the Country

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## ABSTRACT

Development as a word reflects improvement in one aspect or the other. Socio economic development reflects improvement in employment level, income, growth opportunities, education facilities etc. It is the process of economic and social transformation based on cultural and environmental factors.

MSMEs play an important role in enriching broader eco systems of the firm. They help in the formation of new start-ups and ventures, which are generally comprise of small or micro firms and they are the primary source of net job creation in the country. MSMEs also help in reducing gender inequality by providing equal opportunities to both men and women to do business. A significant proportion of enterprises are now owned by women entrepreneurs. Based on the report of (IFC) s, it is estimated that nearly 9.34million are formal owned MSMEs in over 140 assessed countries, which is approximately one third of all formal MSMEs.

All these and many more are valid examples to prove that MSMEs help in the process of development. In the present paper the MSMEs role will be analysed in creating beneficial environment for socio economic development in the country. The paper would utilize secondary data and descriptive research design to prove its point.

Key Words: Socio economic, Gender Inequality.

## INTRODUCTION

Micro Small and Medium Enterprises has been playing a very important role in the social economic development of the country. They have a significant role as they are the main indicators for economic development of developing country like India. It has significantly contributed to the overall growth in terms of GDP, employment generation, income distribution, rural development, poverty eradication, export development and regional balance. It is one of the most vital sectors of the Indian economy in terms of employment generation and providing strong entrepreneurial base. MSMEs sector contributes for about 45% of manufacturing outputs and 40% of the total exports of the country. These MSMEs have the capacity to provide good opportunities for self-employment and wage employment.

Growth and development are two sides of the coin both are necessary and inevitable. The main motive behind creation of MSMEs by the policy makers was job opportunities and increasing the standard of living, regional balance, mobilization of local skills and capital etc. Promotion of Small scale industries has been one of the main strategies for economic development of the country. They are able tap latent resources and make use of indigenous resources for producing goods and services. They act as backbone and engines of growth and development in the economy. MSMEs help in achieving sustainable development goals in creating employment and income particularly of the poor and marginalized groups. MSMEs create wider economic system of firms by providing young start-ups, which are generally small opportunities for development.

MSMEs contribution in GDP for the year 2016-17 is 28.90. This sector also contributes tremendously to exports and total product output. All these are good indicators to prove that this sector helps in socio economic development of the country. The MSME ministry complements the activities of the state governments. Entrepreneurship activity have been encouraged by this sector. The sector always encourages entrepreneurship, employment and increased livelihood opportunities and enhance competitiveness in the changed economic scenario.

The MSME Act 2006 also has provision for rehabilitation and revival of MSMEs. Under section 9 of the Act the framework for revival and rehabilitation has been mentioned. This process of rehabilitation helps those entrepreneurs who are in serious need of infrastructural support and balance the need of both debtors and creditors.

MSME ministry also introduced a scheme for the welfare of rural youth by initiating the scheme named Rural Livelihood Business Incubators for providing job opportunities for the rural youth. Thus this scheme will have beneficial effects for the rural youth, by providing those better employment opportunities as well as developing infrastructural base in the rural sector.

The Scheme of funds for regeneration of Traditional Industries has been revamped to revitalise the village industries, both in terms of quantum of assistance and scale of operations. The MSME sector leads to sustainable development goals among which a few are mentioned:

- **Eradicate Poverty in all its form:** Most of the poor in the developing countries are not employed and do not earn enough to lift themselves out of extreme poverty. Job creation has been the main driver against poverty. MSMEs contribute significantly towards employment generation at lesser cost compared to larger industries. MSMEs recruit, train and employ local community members, including those living in poverty, and integrate them into the MSMEs value chain. Then MSMEs are ambitious enough to push themselves for elevating poverty by coming up with new business models and opportunities. According to the World Resources Institute(WRI) the base of the pyramid which comprises of lower sections of society which have low per capita income, but they have substantial purchasing power, constituting \$5 trillion global consumer market. They offer a market that is increasingly connected through mobile phones. The scale of the market and mobile phone penetration provides opportunities for market-based solutions in delivering services that will lift people out of poverty
- **MSMEs helps in providing healthy living and promote overall wellbeing:** This comes under service domain of MSMEs, many healthcare centres operate at the local level providing services of better wellbeing. Such service MSMEs can also be provided at rural level where government might not been able to enter. MSMEs are bridging the healthcare gaps through better quality health care services and providing wider range of laboratories and imaging services. Though they are facing several challenges also some of them are lack of finance, lack of strict regulatory standards and lack of resources to hire professionals with skills to manage the operations.
- **MSMEs as providers for technical and vocational education:** MSMEs provide technical and vocational training to their workforce. Internship, apprenticeship, career education, could become informal education service providers for skills provided to the employees. Contributions of MSMEs to technical and vocational education and training are able to fill the skill gap and provide the goal for lifelong learning. In many developing countries public schools are not sufficient enough to provide education to the children. In such cases MSMEs conducting business in the education sector could provide complementary education services to the general public. For ex. The low cost private schools had more than doubled in India since 1993. This proves that MSME helps us in achieving this sustainable development goal.

- **Achieve gender equality and empower women:** According to IFC (International Finance Corporation) it is estimated that globally there are roughly 9.34 million formal women owned MSMEs which is approx. one third of all formal MSMEs. Formal women-owned MSMEs are well engaged in all sectors. They are more likely to have a larger presence in the retail and wholesale, and healthcare, beauty, and cosmetics sectors. They have close to equal footing in the tourist, transport, hotels and restaurants, services, and trade sectors, and a slightly lower presence in the manufacturing, agriculture, and construction sectors. However, women-owned and women-led enterprises face many challenges, most critical being limited access to finance. Other barriers include lack of business skills and access to networks. Strengthening capacity of women-owned/led MSMEs can be a source of economic empowerment for women. Financial inclusion can be a powerful weapon to bridge this gender equality.
- **MSMEs contribute to GDP and Economic Growth:** They are major contributors to economic growth. In emerging economies MSMEs contribute around 33% to GDP. They increase the productive capacity of country. They provide employment at cheaper rate compared to large industries and also tackle the issue of producing in large scale. They have the tactic and skill to utilize the resources to the fullest and in this way increase production and reduce the total production cost.
- **MSMEs contribute to innovation:** MSMEs have the capability to innovate as these are small businesses where risk can be taken and thought of, to increase the productive capacity. They can easily tap the unserved area. MSMEs can exploit technology and can utilize commercial opportunities which have been neglected by the more established companies so far. New business models and environment friendly models can be easily adopted in MSMEs. MSMEs are well suited to add value in a range of areas such as software, biotechnology and nanotechnologies etc.
- **MSMEs help in reducing inequality with the country:** They help in increasing income of low income earning groups, ending discrimination, promoting socio economic equity, providing equitable wage system etc. Researches have shown that smaller businesses tend to spend more of the money they make from a local area within that area, demonstrating their potential to regenerate economically disadvantaged localities. MSMEs also offer employment and entrepreneurship opportunities for young people, women and other disadvantaged groups, including migrants, ethnic minorities and the disabled. MSMEs are therefore crucial in increasing incomes for the bottom 40 percent of the world's population.
- **MSMEs role in violence prevention and crime:** MSMEs provide incomes to poor families, women and youth through employment and entrepreneurship opportunities. Supporting women and youth-led enterprises is therefore considered an effective strategy for violence prevention as incomes from entrepreneurship can motivate young people not to take up arms or to participate in crime.
- **MSMEs encourage export earnings:** MSMEs are major contributors in export earnings, they contribute to the sector heavily. They provide goods and services to multinational companies thus increasing exports. MSMEs are ancillary units to large industries providing goods and services to them.

## Review of Literature

1. According to The Department of Economics and Social Affairs Report on, (MSMEs) and their role in achieving the Sustainable Development Goals. This report has been comprehensively made and includes list of factors by which MSME sector provides in Sustainable development Goals. It includes examples of various countries which portray how MSMEs have been responsible in achieving sustainable development goal.
2. Pujar Uma (2014) in her paper 'MSMEs and Employment in India: An analytical study' published in IOSR Journal of Business Management. Vol 16, Issue 5. Version II pp 13-15. In the paper the author has analysed the role of MSME in generating employment opportunities. Secondary data has been used

to analyse the subject. The author concluded by saying that employment was more in rural areas and the manufacturing sector contributed more to employment than service sector.

### **Objective of the Study:**

To analyse the role of MSMEs on Socio Economic Development of the Country.

### **Methodology**

Descriptive Research Design is used as MSMEs role has been described for socio economic development. The data used for the present study has been collected from secondary sources. These include (i) Annual Report of MSME 2018-19 (ii) SIDBIs Annual Reports (iii) Various websites relevant to the topic.

### **Data Analysis and Interpretation**

**Table 1. Estimated Number of MSMEs activity wise**

<b>Activity</b>	<b>Rural</b>	<b>Urban</b>	<b>Total</b>	<b>Share %</b>
<b>Manufacturing</b>	<b>114.14</b>	<b>82.50</b>	<b>196.65</b>	<b>31</b>
<b>Trade</b>	<b>108.71</b>	<b>121.64</b>	<b>230.35</b>	<b>36</b>
<b>Services</b>	<b>102.00</b>	<b>104.85</b>	<b>206.85</b>	<b>33</b>
<b>All</b>	<b>324.85</b>	<b>308.99</b>	<b>633.85</b>	<b>100</b>

**Source: Annual Report MSME 2018-19**

## DISTRIBUTION OF MSME ACTIVITY WISE

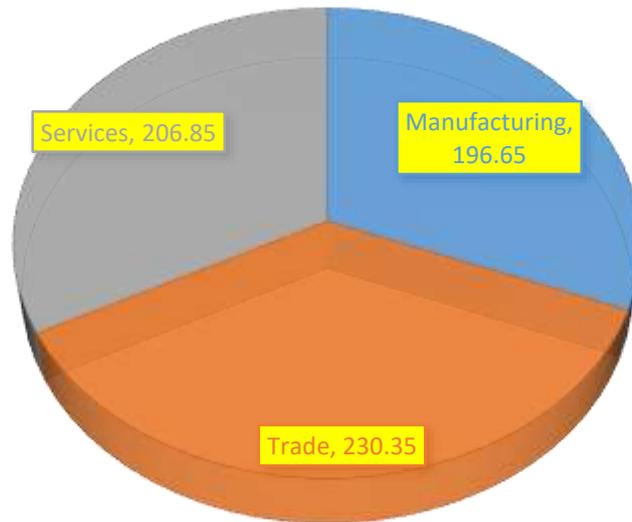
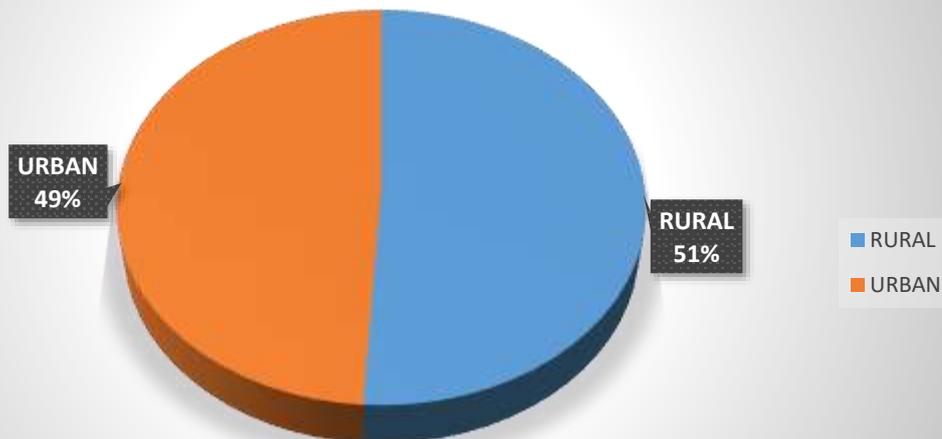


CHART NO.1: Showing distribution of MSME by Activity

It is evident from the chart that 196.65 lakh of enterprises are engaged in manufacturing whose share is 31% while services have 206.85 lakh whose share is 33% while Trade related enterprises were 230.35 lakh but their share was 36% as can be seen from the table above. Hence it can be commented that according to the nature of activity we have more of Service enterprises. While on the basis of their share in total Trade related enterprises were contributing more. Thus export oriented industries were preferred more and service industries are more established.

## Percentage share of Rural and Urban MSMEs in the country



Out of 633.88 estimated number of MSMEs, 324.88 lakh MSMEs (51.25%) were in rural area and 309 lakh MSMEs (48.75%) were in the urban areas as is evident from the Table and the figure. Manufacturing enterprises were more in rural areas whereas service and trade related enterprises were situated more in urban areas.

### Findings

1. The composition of enterprises located in rural areas is more when compared to urban areas.
2. Service Oriented Enterprises are more when compared to Manufacturing. Similarly Trade related enterprises are more when compared to service and manufacturing both.

3. The share of services is 33% while that of Manufacturing is 31% and Trade related enterprises share is 36%.
4. Out of the total 633.88 enterprises 51% were in rural areas while 49% were in urban areas.
5. The rural sector has been benefitted as more enterprises of manufacturing nature has been developed there.

## Conclusion

To conclude the MSME sector is a propeller for socio economic development in the country. It has created huge benefits in the form of education, training providing employment, reducing gender disparity, better working environment, and increase in productive capacity and development of rural infrastructure etc.

The present paper we have looked at MSME as blessings or boon in disguise for socio economic development of the country. An overview of the sector with the recent changes as well as development. Then the MSME sector has been analysed as provider for benefits like Eradication of poverty, Stimulant for GDP growth, Promoting Gender Equality, Promoting Innovation, Promoting better health standards and overall well-being, Increase in technology services etc.

Then by analysing the data various interpretations were made which were that more of manufacturing enterprises were established in rural areas as compared to urban areas. The contribution of share was more for trade and service related enterprise rather than for manufacturing. The analysis further reveals that rural sector is more preferred for manufacturing enterprises while urban areas for service and sophisticated industries. This also highlights the distribution of skilled and unskilled workers in rural as well as urban areas. The development of more industries in rural or village areas will definitely increase their infrastructural base creating more jobs, better healthcare, training centres, education institutions, markets etc. All these are potent examples to prove that socio economic development has taken place by the increase of MSMEs.

Apart from the various initiatives taken by the ministry of MSME, the ministry, to develop the skill needs of technically educated youth, has opened Samsung Technical School at 10 locations such as Ludhiana, New Delhi, Hyderabad, Ahmedabad, Aurangabad, Bhubaneswar, Chennai, Mumbai and Kolkata. For this an MOU has been signed with Samsung Electronics for starting of MSME Samsung Digital Academy for the development of mobile Apps. 71 modular courses on various training topics have also been developed. These courses are also being translated into various regional languages as well.

Our honourable Prime Minister has also advocated the importance of khadi and coir industries in his 'Man ki Baat' show on radio. The ministry is offering social security to the khadi and coir industries workers because of their low wages. They have also been encouraged to open Aadhar enabled account to get the benefits of Jan Dhan Yojana. Thus all these efforts highlight the growing importance of this sector to the socio economic growth of the economy.

## References

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