



# Promoting Micro-Enterprises and Small-Scale Industries in Rural Areas

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## **Abstract:**

The 'Industrial Sector' in India has always been given top priority to become a 'Developed country' from its developing stage. It is also identified that for the comprehensive developed 'industrial economy', the industrial sector has to be divided as per the level of their activity and given importance in terms of allocation of funds, providing marketing facilities. As per this thought, the industrial sector in India is divided into 'Big, Medium, and Micro, Small-Scale Industries'. The big industries will have all sorts of strategic plans before their launching and also for the continuing their operations, compared to 'Small and Micro enterprises' which are purely based on the flow of funds and exist with appropriate 'marketing plans'. The Major Indian Micro and small-scale sector has been prevailing in the rural areas with the abundant availability of natural resources, and man-power facilities have been flourishing with continuous progress due to the various schemes formulated by the Centre and State Governments. This research paper focuses its light on the importance of this sector to the 'Indian Economy' and assess various promoting opportunities available for its continuous growth.

**Keywords:** Developed country, industrial economy, flow of funds, marketing plans, natural resources.

## **Introduction**

The Indian Industrial Sector has been playing the most prominent role in making India a self-sufficient and export capable country from few decades. In India, the MSME are existing from the time of Pre-Independence in the form of Cottage, handicrafts and un specified tiny industries. Earlier there two ministries monitored this MSME sector, one named as 'The Ministry of Small-Scale Industries and Agro and Rural Industries' which was created in October 1999 and 'The Ministry of Small-Scale Industries and the Ministry of Agro and Rural Industry'. Both these Ministries are merged and formed as 'The Ministry of Micro, Small and Medium Enterprises' in May 9<sup>th</sup> of 2007. To safeguard the interest of this sector an Act also passed in the year of 2006 as 'The Micro, Small and Medium Enterprises-2006'.

The definition of MSMEs in India are purely based on their investment and the performances which are measured as turnover. As per the act of Act of The Micro, Small and Medium Enterprises-2006- a Micro enterprise is one which invested Rs.1 crore in its Plant and Machinery, and having the annual turnover up to Rs. 5 Crore. A Small Enterprise is the one which invested up to Rs. 10 crores in its Plant and Machinery having with an annual turnover up to Rs. 50 crores. Lastly a Medium scale industry is one with the investment not exceeding of Rs. 50 Crores in its plant and machinery and the annual turnover not exceeding Rs. 250 crores.

The MSME in India has been blossoming in terms of performances with the close monitoring and regular supervision of 'The Ministry of MSME'. The Ministry of MSME administering this sector with full of care by taking growth policies, promoting various skill awareness programs, and implementing various projects. All types of business organizations, which may be sole-proprietorship, Partnerships, one person company and Co-operatives, and Trusts can register easily for MSME status recognition with a 'single window' registration process.

## Review of literature

- Dr. Pratima Gupta, and Dr. Manukant Shastri, in their article with the name as ‘Role of Micro, Small & Medium Enterprises (MSMEs) In the Rural Development of India’ published in International Journal of Novel Research and Development (IJNRD) Volume 8, Issue 6, June 2023, ISSN 2456-4184, noticed that the MSMEs are providing sufficient employment opportunities by utilizing natural resources of rural areas in India, even after they are having the challenges of lack of finance, illiteracy, and competition from the big urban entrepreneurs.
- Mr. Devaiah Gare in their research article on the topic of ‘Performance of Micro, Small and Medium Enterprises in India’ published in International Journal of Creative Research Thoughts (IJCRT) with ISSN No. 2320-2882, Volume 10, Issue 10, October 2022, concluded as the MSMEs in India significantly contributing for providing employment opportunities and helping to improve the GDP of the country. This study finally suggested that the Government must take more initiatives to support this sector for the consistent growth.
- Kanande Surender, Prof. I Daisy on their research article with the title as ‘The Role of Micro, Small and Medium Enterprises (MSMEs) in Shaping The Indian Economy, published in ‘International Journal of Creative Research Thoughts (IJCRT) of Volume 12, Issue9, September 2024, observed that the MSMEs are creating job creations in the rural and semi-urban regions, in spite of challenges like scarcity of raw materials, and skill in this sector and recommended that comprehensive policies are framed and implemented for the growth of this sector.
- Pawan Kumar Gupta, in his article with the title as ‘A Study of Government Initiative to Promote Micro, Small and Medium Enterprises Sector in India’ published in Management Journal for Advanced Research, of Volume-3, Issue-6, December 2023, ISSN 2583-1747, argued that in the light of challenges like obtaining credit, lack of awareness about various schemes, and technological backwardness the MSME sector has been progressing significantly and recommended that easier access to financing, and capacity building initiatives will give much strength to this sector.

## Research objective

The Objective of this research paper is by acknowledging the growth of Micro, Small and Medium Enterprises in Indian Industrial Sector, and assess the promoting strategies of Micro, Small and Medium Enterprises in Rural areas of India.

## Research methodology

The research methodology adopted to write this research paper is purely based on the ‘Secondary Data’ of view’s, suggestions and recommendations made by various scholars, which are published in various journals and articles and lessons written in books and magazines on the topic of Micro Small, and Medium Enterprises.

## Discussion

As per ‘Rashtra Pita’ Mahatma Gandhiji, that ‘the development gap between the urban and rural areas should be bridged, with the help of establishing and encouraging rural industries. The very nature of the Micro, small and Medium Enterprises is their ‘ruralized business establishment and administration, which has been helping to reduce un-employment, enabling inclusive growth, and increasing standards of living by consistently providing the revenues to the people of the rural population.

The performances of Indian MSMEs are from the past decare have been producing consistent growth, and have been contributing 30.1 % of revenue to the Gross Domestic Product in 2022-23 Financial Year, the below Table No. 1 explain the contribution of MSME growth to the Gross Domestic Product of India

table no. 1 msme contribution to gdp in %

| S.No | Year    | Contribution to GDP (in %) |
|------|---------|----------------------------|
| 1    | 2017-18 | 29.7%                      |
| 2    | 2018-19 | 30.5%                      |
| 3    | 2019-20 | 30.5%                      |
| 4    | 2020-21 | 27.3%                      |
| 5    | 2021-22 | 29.6%                      |
| 6    | 2022-23 | 30.1%                      |

Source:

[https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2035073&utm\\_source=chatgpt.com](https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2035073&utm_source=chatgpt.com)

From the above Table No. 1, the contribution to GDP from MSMEs is consistent from 2017-18 financial year to 2022-23 financial year with overall increase of 2.24 %.

The table No. 2 shows the manufacturing sector performances of MSMEs in the past years even though the country faces the COVID-19 pandemic

table no. 2 msme contribution to manufacturing output in %

| S.No | Year    | Contribution to Manufacturing Output (in %) |
|------|---------|---|
| 1    | 2019-20 | 30.0  |
| 2    | 2020-21 | 30.5  |
| 3    | 2021-22 | 62.0  |
| 4    | 2022-23 | 34.0  |
| 5    | 2023-24 | 35.4  |

Source: Economic Survey tabled in July 2024

From the above Table No.2, the performance of MSME is outstanding as the outputs of manufacturing is 30.0% in the Financial Year of 2019-20, which is increased to 35.4 % in the Financial Year of 2023-24. With an over increase of 18%

The MSMEs not only catering the needs of the local, but it's also successfully serving international customers, as the below table no. 2 shows the performances of MSMEs in Exports.

table no. 3 msme contribution to exports in %

| S.No | Year    | Contribution to Exports (in %) |
|------|---------|--------------------------------|
| 1    | 2019-20 | 49.75%                         |
| 2    | 2020-21 | 49.35%                         |
| 3    | 2021-22 | 45.03%                         |
| 4    | 2022-23 | 43.59%                         |
| 5    | 2023-24 | 45.73%                         |
| 6    | 2024-25 | 45.79%                         |

Source: [https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2035073&utm\\_source=chatgpt.com](https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2035073&utm_source=chatgpt.com)

From the above Table No.3 The performances of MSMEs in contribution to the Exports is little disappointing, as it is decreased from 49.75% in 2019-20 to 43.59% in 2024-25 financial year with an overall decrease of 7.95%, mainly because of COVID-19 pandemic. Even through the MSMEs are contributing 45.79% to overall exports in 2024-25, which is considered as satisfactory.

The MSMEs are generally provide ample employment opportunities especially in the rural areas. The table No. 4 shows the employment generation capacities of the MSMEs as

table no. 4 msme contribution to employment generation in %

| S.No | Year    | Employment opportunities (in crore) |
|------|---------|-------------------------------------|
| 1    | 2020-21 | 3.49                                |
| 2    | 2021-22 | 4.60                                |
| 3    | 2022-23 | 7.44                                |
| 4    | 2023-24 | 9.74                                |
| 5    | 2024-25 | 23.14                               |

Source: Press Information Bureau

<https://bfsi.economicstimes.indiatimes.com/news/nbfc/annual-employment-generation-in-msmes-spikes-20-51-crore-jobs-created>

From the above Table No. 4, it is very clear that the MSMEs contribution in providing employment opportunities are consistently increasing from 3.49 crores in the financial year of 2020-21 to 23.14 crores in the financial year of 2024-25 as an overall increase of 5.6 rates.

The overall performances of MSME are identified with the overall Gross Value of Output which they generated individually. The below Table No.5 shows the same

table no.5 the gross value of output generated by msme

| S.No | Year    | Gross Value of Output per MSME in Rupees |
|------|---------|--|
| 1    | 2019-20 | 3,98,304                                 |
| 2    | 2020-21 | 4,10,000                                 |
| 3    | 2021-22 | 4,25,000                                 |
| 4    | 2022-23 | 4,50,000                                 |
| 5    | 2023-24 | 4,63,389                                 |

Source Press Information Bureau July 23. 2024.

From the above Table No. 5 the individual performances of MSMEs are increasing consistently from the past 5 years as it is Rs. 3.98.304 in the financial year of 2019-20 increased to Rs.4,63,389 in the financial year of 2023-24.

### **The following problems experienced in promoting micro, small-scale industries in the rural areas of India.**

Promoting any sort of business is always a strategic thinking, and must be matched with the future forecasting. Establishing Industry is a huge economic activity, especially in rural areas where it drastically affects the natural resources and financial resources. Some of the important hurdles must be addressed in promoting MSMEs in the Indian Rural areas are

#### **1. Financial problems**

Most of the 'rural entrepreneurs' experience 'financial scarcity' in establishing Micro and Small Industries, and unaware of the Government Schemes and initiatives. The stringent rules of banks in granting loans, and high 'interest' on the loans is considered as major hurdle for the survival, expansion, and growth of MSMEs India.

#### **2. Infrasstrucutre in-adequacy**

The rural areas in India, are having with poor roads, un-interrupted electricity, very week internet connectivity, from which the 'rural industries' are running with in-efficiency. Poor transportation facilities will drastically affect the entire running of the industry in acquiring raw materials and sending finished goods to the markets

#### **3. Lack of market accessability**

Adapting appropriate marketing strategies, implementing the same, and available to the market needs are the most important decisions to get success in any sort of business organizations. As the MSMEs are not competing with the big industries in framing appropriate marketing strategies. Lack of awareness, and understanding of technicalities in the internet business and largely depending on traditional off-line business, enabling the MSMEs to possess un-sold produced goods.

#### **4. Lack of skills and technical knowledge**

Skills always make the works easy to produce, and produce in huge quantities, and skills are acquired through a well-designed technical training program. The MSMEs are more concentrated on their establishment, and depend on traditional ways of operating, and ignoring completely the up-dation of skills and training requirements from this, the cost of productions is continuously increasing, enabling this industry fix the price of their produced goods at high rates.

#### **5. Problems in acquiring raw materials:**

The survival of any industry is purely based on the availability of its raw-materials from which it produces a completely ready-to-use product. Till to day most of the MSMEs in India have been facing problems in acquiring timely raw-materials. The problems in procuring raw-material are many types as the MSMEs sometimes may offer below quality, sometime with very high rate, and some times with lot of waiting time.

## 6. Stringent government policies

The Government policies for the development of MSMEs are always encouraging, but in doing so, the policies are made with stringent rules and regulations, from which in actual practice very hard to get benefits from it. The mandatory instructions to get eligible to various schemes are strict and most of the MSMEs are not accessing with them.

## 7. Competition from big industries

Government has not given any reservation to produce products only by MSMEs, because of this the goods manufacturing MSMEs are facing acute competition from heavy and large industries in terms of quality and quantities of product.

## 8. Environmental barriers

Because of the rural base of MSMEs, in producing products and marketing the same to urban markets, have been facing threats from the 'environment board' in the name of polluting water, air and destruction of natural resources. Due to this the MSMEs are not operating freely and independently.

With the following approaches the 'hurdles in the way of promoting MSMEs in Rural Areas can be minimized as

1. The MSMEs will be strengthened by improving infrastructure facilities like paving roads, improving power and internet facilities and warehouses in the rural areas.
2. The MSMEs will be given regular awareness program about various Government Schemes on the matters of financial assistance, and marketing facilities.
3. The MSMEs (personal) will be given continuous training in acquiring skill and usage of Technology.
4. Continuous representations and efforts will be made by the MSMEs to the Government to qualify and become beneficiary to the various Schemes in terms of simplifying the rules and regulations.
5. To compete with the heavy and large industries, the government provides maximum marketing opportunities to MSMEs.
- 6.

## Conclusion

The role of MSMEs in Indian economy is significantly admirable after observing its continuous growth in terms of production, providing employment opportunities, and in acquiring foreign exchange reserves. To further strengthen this MSME sector the Government have to formulate easy to access schemes and policies. To protect the MSMEs from the large and heavy industries the Government have to reserving some products for manufacturing. The MSMEs will blossom if they have given ample access to the various marketing facilities for there products.

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