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Glory of MSMEs in Growth of Indian Economy

K. Jagannayaki[1], Mantha Srinivas[2]

Abstract

The micro, small and medium enterprises sector has emerged as a dynamic sector of the Indian economy and an essential driver of glory and growth. It is the second largest employment bowl of India. It had a vast network of 63 million enterprises standing over 40% of exports and 20% of GDP in addition to employment for 111 million people in the country. With special reference Telangana is concerned; it is an address of entrepreneurs in Southern Indian Region and master key in addressing employment and self-employment. TS counts for 5% of country's population and 25% of total exports. TS MSME has 100 industrial giants and 603,000 small and medium enterprises which give raise to employment to 3.851 million of the country's population. This study attempts on the lion contributions of MSME sector in Indian economy with a counter-attempt of state too.

Keywords: MSME, entrepreneurship, Indian economy, Telangana

INTRODUCTION

The Gist and Flair of MSMEs in India

Reliability of the data in respect of establishment and growth of MSMEs is always a challenging task as this is a continuous process. Somewhere or other, everyday a new startup gets registered either in state/union-territory.

There are primarily two data bases that provide most reliable data time to time about MSME sector; one of them is CSSO and the other is union ministry in addition to RBI bulletins. However there is a problem of non-recognition under this section; for instance, traditionally, establishments engaged in wholesale/retail trade, legal, educational and social services, hotel and restaurants, transports and storage and warehousing (except cold storage) were not considered under the MSME umbrella. The process of registration of MSME has become much more simplified and given rise to focus on formal businesses rather informal establishments but still uncountable number of establishments are growing on daily basis by way of hackers, bunkers, dealers, wheelers, pavers, indigenous financiers, etc.; even RBI after its reports could not identify a separate name and place for them in Indian economy other than leaving them as unorganized sector, though it got lion's share in the economy. This can be done by interpolation rather extrapolations by finding growth gap of the economy from formal agencies to that of informal agencies. Extrapolation is suitable technique for formal sector and linearity might be established in this sector; but where to regress the growth of unorganized sector, authorities should use interpolation for unorganized sector growth. But this informal sector, as rightly pointed out by BJP government, at the time of their footprints in early 1980s, is 'tiny sector', how this is now to be differentiated from mini and micro finance aspects of same government today. However, there is platform for every business organization to show-case their contributions in the economy. May be this is not right place to comment more on it and diversify the current topic of study. Much of the

*Author for Correspondence
K. Jagannayaki
E-mail: kjagannayaki@gmail.com

[1]Associate Professor, CMR Institute of Technology, Medchal, Hyderabad, Telangana, India
[2]Professor, CMR Institute of Technology, Medchal, Hyderabad, Telangana, India

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extrapolation has relied upon data on new registration. As a part of ease of doing business, the registration process was simplified with the introduction of Udyog Aadhaar in 2015. It is an Aadhaar based electronic platform and requires a few basic entries including PAN details. Registration certificate is also issued electronically. At the same time, MSME Ministry has also introduced a Data Bank, through which data on basic parameters of MSME developments like turnover, number of employees, etc. are being collected. Both Udyog Aadhaar and the Data Bank are useful initiatives to address the data issues of MSME sector. Recently, GSTN has opened up another opportunity to boost the data of MSME sector. Based on turnover threshold, firms provide useful data on their performance. However, currently MSMEs are not recognized under GSTN as the existing definitions of MSMEs based on plant and machinery investments are not captured. Besides, there are many MSMEs which fall below the turnover thresholds. Therefore, in its present structure, GSTN data cannot provide necessary data for studying the MSME sector.

MSME sector is the most dynamic sector of the economy. Administrative data collected through the Data Bank initiative should be validated by independent surveys every 3 years. This data collection should be handled by the Ministry of MSME itself. At the same time, there is a need to review the Udyog Aadhaar system so that development of the sector is monitored on real time basis.

The routed number of MSMEs in country is around 44.50 million, which is major contributor to GDP growth is the MSME industry. The sector provides 40% of employment, 45% of products/services and 40% of country’s exports. Table 1 shows identification parameters of MSME in the country.

Table 1. Identification parameters of MSME in the country.

Category	Investment in Plant and Machinery (Rs. Crs)	Turnover (Rs. Crs)
Micro	Up to 1	Up to 5
Small	1>10	5>50
Medium	10>50	50>250

The sector has significant share of GDP i.e., around 8%, around 45% of the manufactured products and components, and 40% of the exports. The MSME sector is nevertheless ‘Backbone of the country’. MSMEs are primarily engaged in the production, manufacturing, processing, preservation of goods, commodities, etc., in addition to its contributions towards socio-economic and rural development. As per RBI-GOI Report of 2018–19, there are around 60841245 registered MSMEs in existence in the country. In recent past, MSMEs are redefined by GOI in its Amendment Bill, 2018, and classified them as manufacturing or service-providing enterprises, based on their annual turnover. MSMEs are mainly classified into two categories: Manufacturing Enterprises and Service Enterprise.

Glory of MSMEs as Growth Partners of the Economy

Since its inception, the MSMEs are key dynamic players of Indian industrial economy. They offer products and services across the globe in addition to their extended help to KVIC with wide range of collaboration and networking with government (s), SHGs, and stakeholders to uplift the quality of life of rural households too by providing employment opportunities in rural areas by encouraging promoters to establish their units, especially in rural/notified/scheduled area for the benefit of weaker-sections on one hand and for balanced regional development on the other hand by saying no to concentration of economic power. MSME in recent past became supplementary and complementary to large-scale Schedule-A/Infrastructure category industries and has enormously contributed to its socio-economic development. MSMEs essentially contributed by way of low cost of investment, flexibility in operations, mobility through the locations, lower costs of imports, and a high contribution to domestic production with its capability and capacity to develop appropriate local technology, provide fierce competition in domestic and international markets, technology-savvy industries, a contribution towards creating defense materials, and generating new entrepreneurs by providing knowledge, training, and skill up-gradation through specialized training centers.

LITERATURE REVIEW

Goyal *et al*. inferred that the proposition regarding the need and significance of Business Development Services in the success and growth of micro, small and medium enterprises (MSMEs) is not a recent idea [1]. There has been a long established belief that MSMEs account for majority of the businesses (90% or more) and employment (60 to 90%) thereby exerting a major influence on the overall socio-economic growth and competitiveness of different countries [2]. Bagale inferred that the researches suggests that SMEs are the major providers of new jobs and contribute positively to economic growth. SMEs make significant contribution to India’s economy [3]. The study also reveals that, MSME sector plays a vital role within the development of economy’s infrastructure by providing employment generation, innovation and wealth creation. The author reported that MSMEs not only contribute to economic growth but also in building an inclusive and sustainable society ways through creation of non-farm livelihood at low cost, balanced regional development, gender and social balance, environmentally sustainable development, and to top it all, recession proofing of economic growth, which the sector has proven time and again. According to Gancarczyk and Zabala-Iturriagagoitia, the study on “The process of the growth of small and medium-sized enterprises (SMEs)” the deciding factor of SMEs growth are capacity to sense, comprehend, filter, shape and calibrate the opportunities [4]. The investigation threw light on the facts that configuration, procedures, designs and incentives to seize opportunities, investment structure of the units, education and training of human resource, influence the growth process of SMEs. Laforet [5] and Ponmani [6] opined that MSMEs are the backbone of the economies, as they trigger employment, output, export, economic development, poverty alleviation, economic empowerment, etc. in developed as well as developing countries. These industries are more important to developing nations because poverty and unemployment are their burning problems. Rao reported that the potential for investment related to technology acquisition and transfer in small-scale and medium sector has assumed considerable significance in their interest to face the challenges of liberalization and globalization of markets [7]. Harikumar examined the sickness of MSMEs, magnitude and the causes [8]. The study reveals success or failure of the humans with socio-economic profile of the entrepreneurs of the SSI units and its relatives. The study also revealed that working capital was one of the major problems of SSI sector. This problem of the sick units did not mainly stem from the shortage of supply of assistance for the commercial banks but from the delay in realizing it and from the manufacturing of the units. Venugopal observed that Government agencies set up for promoting village and cottage industries are inactive and their performance is below the level of expectation [9]. He argues that the survival of village and cottage industries depends on their activity to become competitive. Their efforts should be to reduce cost and to improve quality through technology up-gradation. Abraham reported that the success or failure of any small enterprises depends mainly on entrepreneurs, support system and the environment [10]. He structured that the success or failure is determined mostly by the human element involved in industrial enterprise.

IMPORTANCE OF MSMES

MSMEs became panacea for overall economic development of any country across the globe and acceptable means of economic growth by promoting equitable development, removal of concentration of economic power and balanced regional development, social upliftment, improve standards of living of the economy, use of appropriate technology with local resources and technology. They are grass-roots of growth of any economy.

The Roots of MSME: At Glance

- 45 lac units’ stakeout 6.11% of GDP and shares 24.63% of the GDP from services.
- MSMEs pave way for India to become a $5 trillion economy.
- Contribute around 45% of total exports.
- Bring everybody into ring by providing equal employment/investment opportunities to weaker sections of the society, especially in rural areas.
- MSMEs establish single-window system and network banking services.

- Providing capital products/services at par with banks with their IT products/services.
- Encouragement and support to budding entrepreneurs.
- Providing non-banking financial services wherever possible in whatever the manner they felt fit to the situation. In simple words tailor-made-services and specific services.
- They are also providing services to student community, adult education, women empowerment strategies, capacity building, and skill-cum-technology up-gradation programs.
- Professional excellence and academic partnering programs to bridge gap between academia-industry.
- Provide funding opportunities to educational institutions, faculty, students, and incubation and startup services.
- Provide cushion against global economic shocks.
- They turbo-propellers of Indian industrial and socio-economic development.
- They are silent killers of economic evils such as poverty, unemployment, poor-growth, industrial-sickness, concentration of wealth and economic power.

OBJECTIVES OF THE STUDY

1. To illustrate glory of MSMEs in Indian Industrial Economy.
2. To honor the contributions of MSMEs both at micro and macro level of economy.
3. To observe the scope, functions, role, importance, outcomes and contribution in Indian industrial economy.
4. To understand the initiatives and support of GOI to MSME sector.

RESEARCH DESIGN

The present study is descriptive in nature based on secondary data. Data is collected mostly from MSME Annual reports and publications, brochures, research papers, newspapers, articles and official websites. Several reports of the MSME sector in from authentic sources have been studied to know the current scenario of MSME sector. Other secondary data have been collected from various published sources which labor force, economic infrastructure, regulatory performance of MSME at state level and framework, size of GSDP and density of MSME clusters national level. Present research is mainly based on the statistics available on annual report (2018–19) of MSME.

MSME: A SUCCESS STORY

The MSME sector is a growth engine of economy success and sustainability. The sector also helps the economy by promoting a balanced development of industries and equitable employment and entrepreneurship opportunities to all classes of the citizens and foreign nationals to participate directly in equity or by way of FDI or by way of EOIs. The advantage of the sector is its skilled employment at low cost of capital. SMEs account for about 90% of businesses and more than 50% of employment worldwide. They are key employment and socio-economic development carriers across the globe.

Growth Pattern of MSMEs

Our economy is one of the fastest growing economies of the world. MSME is one of the inevitable opportunities and plays a pivotal and vital role in the growth of any economy and there is no exception to us too. In past decade, MSME sector has shown remarkable achievements in terms paramount number of units, production, employment, and exports. Figure 1 shows incremental efforts of the sector in comparison to other sectors of the economy.

Contribution of MSMEs in Indian Economy

The efforts of MSMEs sector recorded an unimaginable expansion and growth of innovations, incubations, incubators and entrepreneurial paved way for self-employment and provide balanced growth in employment across the nations. MSMEs had widespread growth in all domains across sectors and nations globally, producing diverse range of products and services. The Table 2 exhibits the run of its winning race in the pace of human empowerment.

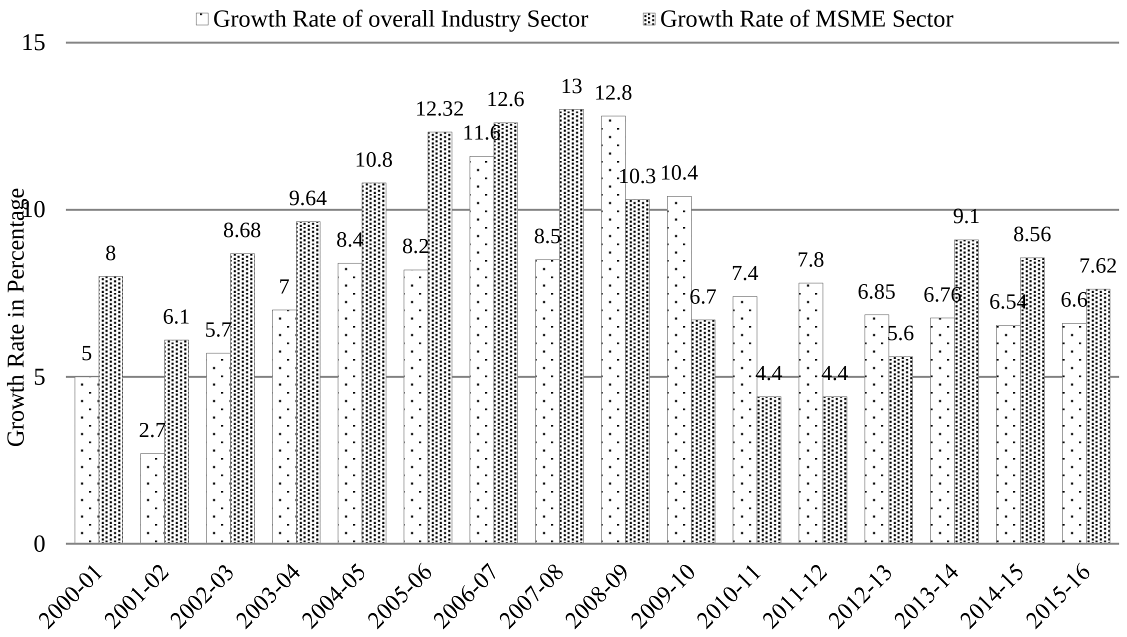

Figure 1. Incremental efforts of the sector in comparison to other sectors of the economy.
Sources: Annual Reports of Ministry of MSME.

Table 2. Annual Report Ministry of MSME 2017–18.

(in ₹ crore)						
Year	***GVA***	***Growth (%)***	***Total GVA***	***MSME in GVA (%)***	***Total GDP***	***MSME % in GDP (%)***
2012–13	2977623	15.27	9202692	32.36	9944013	29.94
2013–14	3343009	12.27	10363153	32.26	11233522	29.76
2014–15	3658196	9.43	11481794	31.86	12445128	29.39
2015–16	3936788	7.62	12458642	31.60	13682035	28.77

As a close proxy of the dimensions of the diversity of MSME sector, composition of establishments and number of persons employed by broad activity groups, with break-up for each type of establishment based on 6th Economic Census is presented in Table 3.

Table 3. The Sixth Economic Census, 2014, CSO.

	Establishments				**Employment**			
Broad Activity Code	***Without Hired Workers***	***With at least One Hired Worker***	***Total***	***% Distribution***	***Without Hired Workers***	***With at least One Hired Worker***	***Total***	***% Distribution***
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*
01 AOCP	474044	167435	641479	4.89	683441	678187	1361628	5.95
02 LS	10368736	1021590	11390326	86.74	16527898	2890544	19418442	84.86
03 FL	558790	43677	602467	4.59	1081388	143421	1224809	5.35
04 FA	427712	69589	497301	3.79	588971	288651	877622	3.84
Agricultural Activities	11829282	1302291	13131573	100.0	18881698	4000803	22882501	100.0
05 MQ	40859	44317	85176	0.19	62192	495282	557474	0.51
06 MFG	7219067	3110755	10329822	22.77	10350625	20006648	30357273	28.00
07 EGS	15770	45571	61341	0.14	20996	523246	544242	0.50
08 WS	96117	80531	176648	0.39	116164	301746	417910	0.39
09 CONS	661887	311661	973548	2.15	786982	1543112	2330094	2.15
10 WRTM	504902	515613	1020515	2.25	634701	2034926	2669627	2.46
11 WT	500227	446281	946508	2.09	674196	1810175	2484371	2.29

	Establishments				Employment			
Broad Activity Code	*Without Hired Workers*	*With at least One Hired Worker*	*Total*	*% Distribution*	*Without Hired Workers*	*With at least One Hired Worker*	*Total*	*% Distribution*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*
12 RT	12005744	4058743	16064487	35.41	14990489	12201983	27192472	25.08
13 TS	2356802	645066	3001868	6.62	2587850	2459405	5047255	4.66
14 AFS	1462745	981728	2444473	5.39	2048745	4038161	6086906	5.61
15 IC	167594	176674	344268	0.76	205720	1651173	1856893	1.71
16FIN	427218	341903	769121	1.70	838251	1999971	2838222	2.62
17 RE	354707	85565	440272	0.97	402116	300345	702461	0.65
18 PROF	294596	268963	563559	1.24	355706	1229080	1584786	1.46
19 ADM	398579	317698	716277	1.58	502934	1565911	2068845	1.91
20 EDU	356687	1681267	2037954	4.49	482196	10114156	10596352	9.77
21 HSW	410620	572398	983018	2.17	521939	2975615	3497554	3.23
22 AESR	129022	113473	242495	0.53	210025	404733	614758	0.57
23 OTH	2731579	1430857	4162436	9.18	3475304	3488568	6963872	6.42
Non-Agricultural Activities	30134722	15229064	45363786	100.0	39267131	69144236	108411367	100.0
01 - Activities relating to agriculture other than crop production & plantation(AOCP); 02 – Livestock (LS); 03 - Forestry and Logging (FL); 04 - Fishing and aqua culture (FA); 05-Mining and Quarrying(MQ); 06-Manufacturing (including repair& installation of machinery and equipment)(MFG); 07-Electricity, gas, steam and air conditioning supply(EGS); 08-Water supply, sewerage, waste management and remediation activities(WS); 09-Construction(CONS); 10-Wholesale trade, retail trade & Repair of motor vehicles and motorcycles(WRTM); 11-Wholesale trade(WT); 12-Retail Trade(RT); 13-Transport and storage (including postal and courier activities)(TS); 14-Accommodation and food service activities(AFS); 15-Information and Communication (including computer programming, consultancy and related services)(IC); 16Financial and insurance activities(FIN); 17-Real estate activities(RE); 18-Professional, scientific and technical activities (including advertisement, market research and veterinary activities)(PROF); 19-Administrative and support service activities (including travel agency, employment activities, security services, activities of call centers and organization of conventions and trade shows)(ADM); 20Education(EDU); 21-Human health and social work activity (including residential and non-residential care centers)(HSW); 22-Arts, entertainment, sports and amusement and recreation (excluding illegal gambling and betting activities)(AESR); 23-Other service activities not elsewhere classified (including membership organization, repair of computers and personnel household goods)								

The Table 4 shows export potential of MSMEs and it can be observed that the share of MSME exports has increased from 43% in 2012–13 to 49% in 2017–18.

Table 4. RBI and Press Information Bureau/Directorate General of Commercial Intelligence and Statistics (DGCIS).

(Amount in USD Million)			
Year	*Total Exports*	*Exports by MSME*	*Share of MSME Exports *(%)*
2012–13	300400	127992	43
2013–14	314415	133313	42
2014–15	310352	138896	45
2015–16	262291	130768	50
2016–17	275852	137068	50
2017–18	303376	147390	49

Further, the trend in growth of MSME exports is in line with the total exports of the country and it is understood that exports grew by 4.19% in 2014–15, declined to –5.85% in 2015–16. During 2016–17 and 2017–18, there was remarkable growth in MSME exports (Figure 2).

Distribution of MSMEs across India

Near about 93% of MSMEs are from following 10 states as shown in following chart. UP stands as largest, followed by WB and TN. The top 10 states together accounted for a share of 74% of the total estimated number of MSMEs in the country (Figure 3).

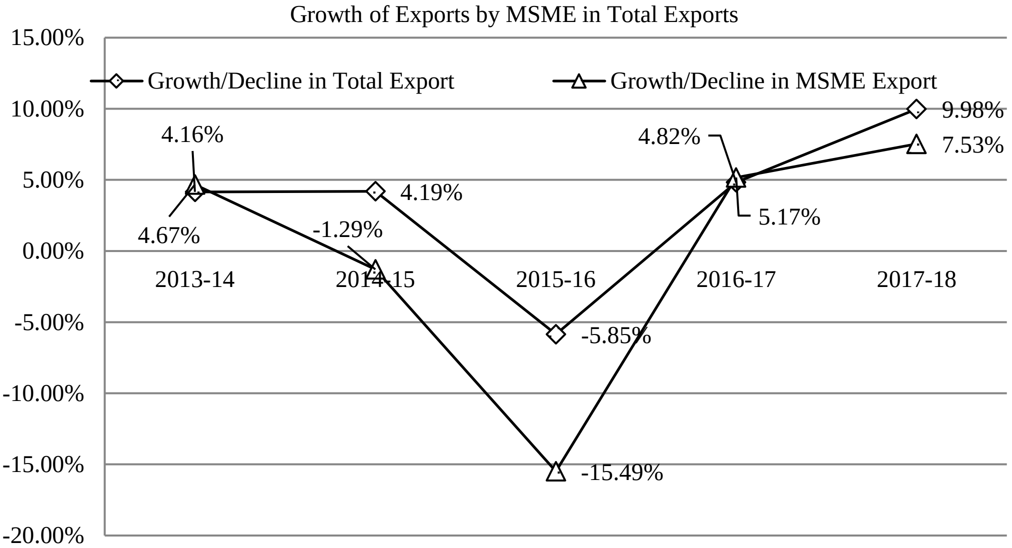

Figure 2. MSME Export Growth as a Percentage of Total Exports.

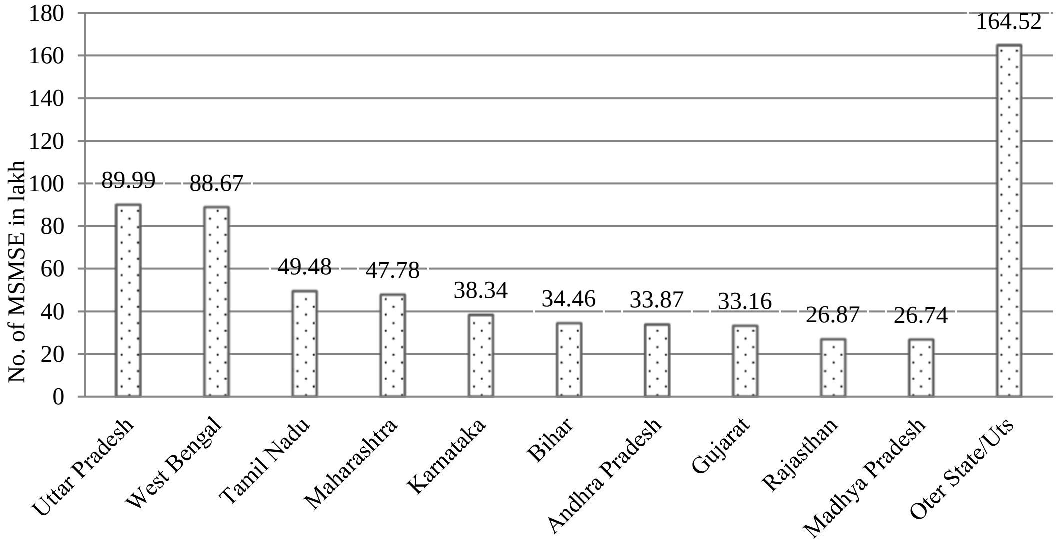

Figure 3. Top 10 state wise distribution of enterprises.
Source: Annual Report 2017–18 Ministry of MSME.

The Table 5 shows the distribution of MSMEs category wise.

Table 5. Annual Report of Ministry of MSME.

Activity Category	Estimated Number of Enterprises (in lakh)			Share (%)
	Rural	***Urban***	***Total***	
Manufacturing	114.14	82.50	196.65	31
Trade	108.71	121.64	230.35	36
Other Services	102.00	104.85	206.85	33
Electricity*	0.03	0.01	0.03	0
All	324.88	309.00	633.88	100

MSME sector has been creating 1109 lakh jobs (360.41 lakh in Manufacturing, 387.18 lakh in Trade and 362.22 lakh in Other Services and 0.07 lakh in Non-captive Electricity Generation and Transmission) in the rural and the urban areas across the country. The Table 6 shows distribution of category and employment.

Table 6. National Sample Survey (NSS) 73rd round 2015–16.

Broad Activity Category	**Employment (in lakh)**			**Share (%)**
	Rural	*Urban*	*Total*	
Manufacturing	186.56	173.86	360.41	32
Trade	160.64	226.54	387.18	35
Other Services	150.53	211.69	362.22	33
Electricity*	0.06	0.02	0.07	0
All	497.78	612.10	1109.89	100

Table 7 shows classification of MSME in terms of investment and employees a glance.

Table 7. Classification of MSME.

	Micro	**Small**	**Medium**
Manufacturing Enterprises (Rs.)	Rs. 2,500,000	<Rs. 50,000,000	Less than Rs. 100,000,000
Service Enterprises (Rs.)	<Rs. 10,00,000	<Rs. 20,000,000	Less than Rs. 50,000,000
Employee Strength (Nos.)	1 to 10	10 to 50	50 and Above

HOW MSMES ARE BEING PROMOTED AND DEVELOPED

The MSMED Act of India enables incentive schemes and subsidies. It is important to register your MSME in order to obtain the benefits under MSMED act. The enterprise could be a sole proprietorship, partnership firm, limited liability partnership, private sector company or a public sector company.

MSME Registration Process

- The owner or founder of the micro, small or medium scale enterprise must fill a single form to begin MSME registration. The form can be filled online and offline as well.
- Through an individual registration, a person can register for more than one industry.
- The form to register your MSME can be found on https://udyogaadhaar.gov.in /or https://msme.gov.in/.

Table 8 depicts classification of enterprises into micro, small and medium enterprises (in Rs.).

Table 8. Classification of enterprises.

Type	**Act of 2006**		**Bill of 2018**
	Manufacturing	***Services***	***All Enterprises***
	Investment towards plant and machinery	Investment towards equipment	Annual Turnover
Micro (Rs.)	25 lacs	10 lacs	5 Cr
Small (Rs.)	25 lacs to 5 Cr	10 lacs to 2 Cr	5 to 75 Cr
Medium (Rs.)	5 to 10 Cr	2 to 5 Cr	75 to 250 Cr

Benefits to Enterprises/undertakings under Roof of MSME

Enterprises which register themselves as an MSME can avail many benefits ranging from lending options to cluster financing to the adoption of latest technology and quality management standard. Some of the key benefits include:

1. 50% Subsidy on Patent Registration: As an entrepreneur, you may be aware of the hefty fee that an enterprise must shell out to get a patent registered. Have you faced such an issue? With MSME registration, the patent registration will come to you at a 50% subsidy. Safeguard your IP today and accelerate your dream of becoming a renowned corporation of tomorrow.
2. Collateral Free Loans: An enterprise that is registered as an MSME can enjoy collateral free loans options which are facilitated through banks and NBFCs. Is not it great to avail a working capital loan or a credit line without having to put some of your assets at stake?
3. Exemption of interest on Overdraft: As a registered MSME, an enterprise can enjoy a 1%

exemption on interest on an overdraft facility. Even a slight decrease in the cost of funds is extremely beneficial for small businesses, and MSMEs are no different.

4. Reservation Policy: MSMEs are a labor-intensive group that generates a lot of employment and hence enjoy some special privileges from the government. The government has given exclusive rights to manufacture certain products to MSMEs. Under the Government Stores Purchase Program, the central government has reserved around 300 products exclusively for the MSME sector.
5. Technological Upgradation for MSMEs: The government, under the Capital Aid for Technological Upgradation Scheme, is enabling MSMEs to upgrade their equipment through latest technology. To do so, the government is encouraging more MSMEs to upgrade their technology and infrastructure and is enabling them to get low-interest loans from banks.
6. Protection against delayed payments: The biggest advantage of an MSME registration is the protection received from the government for delayed payments. If an MSME supplies a product or delivers a service, the buyer must pay on or before the date of payment. In case there is no date mentioned, the payment must be made within 15 days of acceptance of the product or service, failing which the buyer is required to pay a fine to the MSME registered company. This enables them to maintain free cash flow and keep bad debts to a minimum.

Types of MSME Loan Options

We will cover MSME lending for private enterprises for you to get a gist of the loan options. The loan options available are:

1. Working capital loans: As the name suggests, this is required by enterprises which need instant capital to keep the business moving forward and to sustain their operations. They also need funds to bridge the gap between delivery of finished products and payment for the same. As an MSME, they can avail such loans at better terms and have repayment tenure of 1–2 years. The lending is collateral free. The MSME enterprise should be in business for over a year and its annual turnover should be greater than INR 24 lakhs. The documentation required for loan eligibility includes KYC documents, business registration certificate and the Current Account statement for the last 6 months.
2. Merchant Cash Advance: This is a form of lending wherein disbursal is quick. The MSME receives a lump sum amount required and the repayment is done daily as per the sales done at the organization’s point of sale terminals. An MSME whose product or service is consumed by customer and instantly paid for through a point of sale terminal is aptly suited for such kind of loans. Do you think this is a great method? Visit Lendingkart and help us arrange capital at very good rates for you.
3. Line of Credit: Line of credit enables enterprises to have credit options at their disposal for meeting their daily expenses. While the enterprise has access to a pool of funds here, the interest is charged only when they avail a loan. The enterprise can enjoy a revolving line of credit and get a reduced interest rate for their loan. Are you looking for such loans? Know more by clicking here. While the loan is not backed by collateral, users can avail loans in the range of INR 50,000 to 1 crore. The repayment tenure is 1 year.
4. Invoice Financing: Invoice financing, as the name suggests, enables MSMEs to raise capital against invoices that are yet to be cleared. It helps them to maintain their cash-flow better and manage day-to-day operations. In this model of financing, the lending organization takes a percentage of the invoice upon clearance wherein it covers for the processing fee, the principal and the accrued interest. Any enterprise which has been operational for more than a year and has a turnover of over INR 24 lakhs can avail this type of financing. It should however have raised the invoice to a reputed corporate entity and should have valid invoices of work of at least INR 1 lakh.

The government of India has been increasingly digitizing and accelerating capital raising processes to enable faster disbursals and help create more entrepreneurs. For MSME’s, the government is running a series of schemes as below:

PM Mudra Yojana

The initiative provides funding to MSMEs whose lending requirements are less than INR 10 lakhs. The PM Mudra Yojana takes a longer time to process but offers competitive interest rates and relaxed repayment tenure. In the meantime, if you wish to avail an MSME loan, Visit Lendingkart.com.

SMILE

SMILE is a Government of India initiative that works alongside "Make in India" and has a budget of INR 10,000 crores to enable MSMEs to accelerate growth. They offer loans at 8% rate of interest and the repayment tenure is up to 120 months.

It is estimated that Telangana is home to about 2.3 million MSMEs, out of which, 56% are in rural areas and 44% in urban areas. As many as 8,435 registered MSME units have commenced their operations since formation of the state, with an investment of about Rs. 11,487 crore. Since January 2015, MSMEs have provided additional employment opportunities to approximately 1.59 lakh persons (Table 9).

Table 9. Shows MSMEs Established since 2015.

Category	**No. of Units**	**Investment Value (in INR Cr)**	**Employment Generated**
Micro	4,899	1,370	48,042
Small	3,721	7,288	88,383
Medium	265	2,829	23,074
Total	8,435	11,487	1,59,499

TS GOVERNMENT SUPPORT

As a State Policy

- T-IDEA (Telangana State Industrial Development and Entrepreneur Advancement)-Document.
- T-PRIDE-Document.
- TS Public Procurement Guidelines-Document.
- Increase MSE participation in tenders by removing barriers such as EMD, Security deposit and tender application supply cost.
- To encourage start-ups by giving them 10% financial relaxation, subject to meeting quality and technical specifications, in tenders as per Telangana Start up policy. Direct proposals allowed irrespective of floated tenders. Removing barriers of prior turnover and prior experience of participation in government procurement process.
- To provide fillip to marketing of products manufactured by MSE by reservation of products (400 Items) for exclusive purchase from MSEs/SSI Units.
- To provide special preference to SC/ST and women owned MSEs through margin of purchase preference and separate sub-target for procurement.

As a State Promise

There are 18 Industrial parks developed by TSIIC which are available for MSMEs across 2500 acres of land. Six new parks have been proposed and 12 are under upgradation.

Green Industrial park for MSMEs in Yadadri

Industries Minister inaugurated Dandumalkapur TSIIC-TIF-Micro Small and Medium Enterprises (MSMEs) Green Industrial Park in November 2019. MSME Park is expected to attract 1,553 crore investments, house more than 450 industries and generate about 35,000 jobs.

This is the first model industrial park to be set up for the MSME sector after the formation of Telangana. The government provided the infrastructure and basic amenities in the park and also laid a road from the park to the national highway.

In terms of Financial Sustainability Support

TIHCL: Telangana Industries Health Clinic

- Prevent the incipient sickness in micro and small manufacturing enterprises (MSEs).
- Create service offerings for Revival, Restructuring and Rehabilitation of MSEs.
- Promote investments in manufacturing MSEs in clusters across the State.
- Prepare the MSEs to participate in the Equity markets to achieve next growth levels.

In terms of Digital Tool Support

TS GlobalLinker

- A unique digital networking platform with over 2,50,000+ MSMEs where businesses like yours can find buyers and sellers globally, read about industry insights and avail MSME exclusive offers.
- TS-GlobalLinker was launched on 27th March 2019 in collaboration with Government of Telangana to promote and support local MSMEs of the state. Since then, the portal has registered 4500+ SMEs from the state. The portal provides knowledge and efficiency tools, digitizes stores and creates free e-marketplace for SMEs to buy, sell and connect with potential partners.
- GlobalLinker and Confederation of all India Traders (CAIT) joined hands recently to launch "SMEs of Digital India" program aimed at digitizing the business of more than 7 crore traders in India. GlobalLinker team has been actively working with government and participating in Industry association events to spread awareness about the portal.
- 5000+ MSMEs from Telangana and 3 lakh+ from South East Asia.
- Creating unique and customizable e-store free of cost, with integrated delivery and payment options.
- Opportunity to interact with other businesses and buyer-seller tie-ups.
- Regular seminars/interactions with experts; access to Govt. info.
- Kiranalinker.in launched during COVID-19 in May'20 to digitize local kirana stores in collaboration with CAIT (Confederation of All India Traders).

Other Recent Initiatives

Green Industrial Park for MSMEs in Yadadri

Industries Minister of Telangana, Shri. K T Rama Rao inaugurated Dandumalkapur TSIIC-TIF-Micro Small and Medium Enterprises (MSMEs) Green Industrial Park in Nov 2019. MSME Park is expected to attract 1,553 crore investments, house more than 450 industries and generate about 35,000 jobs. This is the first model industrial park to be set up for the MSME sector after the formation of Telangana. The government provided the infrastructure and basic amenities in the park and also laid a road from the park to the national highway. Minister Jagadeesh Reddy, MPs, MLAs and other officials were present at the inaugural ceremony.

CII MSME Summit

CII in collaboration with Govt. of Telangana organized MSME Summit with the theme 'Enhancing Competitiveness and Integration with Global Network' in Ocobert 2019 in Hyderabad. The key objectives of the conference were to discuss the issues and challenges faced by MSMEs in accessing funds and create awareness about the opportunities present in international markets and effective models and strategies of financial management. The conference discussed the schemes and policies of Govt. of India available for the MSMEs and also challenges of financing for MSMEs and enhancing the export potential of MSMEs to International Markets. The technical sessions were addressed by experts from Industry, Banks, Academia, Govt. officials and also Trade commissioners and representatives from several consulates.

SIDBI Program

SIDBI organized an outreach program for strengthening Micro, Small and Medium Enterprises ecosystem in December in Hyderabad, in collaboration with DC-MSME, Department of Financial

Services, Ministry of Finance and Government of Telangana. The main objective of the outreach program was to collaborate with the state government and other stakeholders for taking up activities for benefit of MSMEs and knowledge dissemination on digital platforms. The program witnessed participation from various stakeholders including senior officials of Govt. of Telangana, Directorate of Industries, District Industries Centers, Reserve Bank of India, Banks, MSME development organizations, Industry Associations and MSMEs. There were Knowledge Sessions on State Government Schemes for MSMEs, PSB loans in 59 min, Opportunities for MSMEs for listing on Stock Exchange, E-Commerce Platforms/Government e-Marketplace, Schemes of MSME-DI for MSMEs, Interest Subvention Scheme/Udayami Mitra/Swavalamban/Prayas and other Initiatives of SIDBI.

HIGHLIGHTS OF NEW MSMES

'Atma Nirbhar Bharat Abhiyan' or the Self-Reliant India Scheme of 2020 by the Government of India has given a new definition for MSMEs.

Following are a few highlighting features of new MSMEs:

1. A provision of collateral free loans to MSMEs.
2. An arrangement of loans to MSMEs worth of Rs. 3 lac crores.
3. An offer for MSMEs to get a moratorium period of 12 months.
4. Consideration of manufacturing and service MSMEs as the same entities.
5. MSM is a granted a repayment tenure of 48 months.
6. MSMEs are assured a 100% credit guarantee.
7. Reclassification of MSMEs will benefit approximately 45 lac units.

Features of MSMEs

Essential elements of MSMEs:

1. MSMEs work for the welfare of the workers and artisans. They help them by giving employment and by providing loans and other services.
2. MSMEs provide credit limit or funding support to banks.
3. They promote the development of entrepreneurship as well as up-gradation of skills by launching specialized training centers for the same.
4. They support the up-grading of developmental technology, infrastructure development, and the modernization of the sector as a whole.
5. MSMEs are known to provide reasonable assistance for improved access to the domestic as well as export markets.
6. They also offer modern testing facilities and quality certification services.
7. Following the recent trends, MSMEs now support product development, design innovation, intervention, and packaging.

CONCLUSION

It is very clear from the analysis that Micro, Small and Medium Enterprise (MSME) sector has emerged as a very important segment which is contributing significantly to employment generation, innovation, exports, and inclusive growth of the economy. The reason is that the MSME sector has the ability to make cost effective products and government is also providing full support to boost up this sector. Currently, MSMEs share in national GDP is about 29% and is projected to touch 50% by 2024.

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