



ROLE OF MSMEs IN ACHIEVING SELF-RELIANT INDIA

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ABSTRACT

Indian micro, small and medium enterprise (MSME) sector plays a pivotal role in achieving the ambitious goal of self-reliant India. However, three key components that are essential for the success of MSMEs are, financial stability, availability of skilled manpower and market competitiveness of their products to achieve import substitution as well as export promotion. In order to achieve the goal of 'Atmanirbhar Bharat' or a self-reliant India, it is necessary to strengthen the domestic industries and their standing on a global stage. In this backdrop, the present study analyzes the role of MSMEs in achieving the self-reliant India.

INTRODUCTION

The micro, small and medium enterprise (MSME) sector is the pillar of Indian economy. There are about 63.4 million MSMEs spread throughout the different geographical region of the country. MSMEs are a major player contributing continuously increasing amount to the country's GDP. It contributes around 8% of the manufacturing GDP and 45% of the GDP of India's manufacturing output. At present, Indian economy is facing some critical problems such as unemployment, poverty and slowdown of economy, ill-effects of COVID-19, etc. However, they have been able to create and provide huge employment opportunities and contribute nearly 40% of the total exports from India. Around 20% of MSMEs are located in rural areas which highlight the deployment of significant rural labour force in the MSME sector and exhibit to the prominence of these enterprises in encouraging coherence and inclusive development as well as generating large scale employment opportunities, especially in the rural areas. Therefore, MSMEs are considered as growth engines of Indian Economy. However, in the light of the deadly virulent disease, India is struggling to transform these challenges into opportunities and to strengthen its

economy through Aatma Nirbhar or self-reliant campaign.

The campaign was promoted by the Prime Minister of India Mr. Narendra Modi during his speech to the nation on May 12, 2020. He named this campaign as, Aatma Nirbhar Bharat Abhiyaan or Self-Reliant India. He also points out Economy, Infrastructure, System, Demography and Demand as the five major pillars of Indian economy. He felt that it is the right time to become vocal for domestic products and make them globally marketed. Through this self-reliant campaign, special economic benefits have been announced by the central government which aim at enhancing various sections of Indian economy including cottage industry, MSMEs, labourers, middle class and industries, among others.

The economic benefits that was announced by the Prime Minister along with different packages declared during the lockdown time come to around Rs 20 lakh crore (US\$ 283.73 billion) which is nearly 10% of India's GDP. It is expected to give support and strength to different sections of the country and to provide a renewed boost to the development journey of the country in 2020. Smt. Nirmala Sitharaman Minister of Finance and Corporate Affairs announced details of



packages to different sectors split under five tranches and also the steps being initiated by the government.

Objectives and Methodology

In the light of the above, the present paper primarily aims at analyzing the role of MSMEs for self-reliant India and also the different aspects of packages announced by the Finance Minister for MSME Sector. This study is descriptive in nature and the necessary data was collected from a few websites, journals, newspapers, etc.

Steps taken for rejuvenating MSMEs in India

The following are the six major parts of package announced by the Finance Minister for the ailing MSME Sector.

1. INR 3,00,000 crore Collateral Free Automatic Loans for Businesses including MSMEs: A few details under this scheme are summarized below:

- ❖ Businesses/MSMEs have been critically suffering due to COVID-19. The government intends to provide supplementary funds to meet expenses to re-start the businesses and to buy raw material for additional processing in manufacturing units.
- ❖ Borrowers with up to INR 25 crore outstanding and INR 100 crore turnover eligible for financial assistance under this Scheme.
- ❖ Loans of 4-year term with moratorium of 12 months on principal repayment will be provided.

- ❖ Interest to be capped.
- ❖ 100% credit guarantee cover to Banks and NBFCs on principal and interest.
- ❖ Scheme can be availed till 31st October, 2020.
- ❖ No guarantee fee, and no new collaterals are required.

2. INR 20,000 crore subordinate Debt for MSMEs: The salient features of this scheme are as summarised below:

- ❖ Stressed MSMEs required equity funding.
- ❖ Eligibility: Working MSMEs which are NPA or are stressed will be eligible.
- ❖ Way to avail this Facility: Promoters of MSMEs will be given debt by banks, which will then be infused by promoters as equity in their MSMEs.

3. INR 50,000 crore Equity Infusion through MSME Fund of Funds: The following are the important features of this Scheme:

- ❖ Will provide equity support for MSMEs with growth potential and viability.
- ❖ MSMEs face severe shortage of Equity.
- ❖ Will encourage MSMEs to get listed on main stock exchanges.

4. New Definition of MSMEs

In order to revive MSMEs from the hard hit impact of COVID-19 and lockdown, the Ministry of MSMEs, New Delhi, has notified the new limit for MSMEs on 1st June, 2020 making no difference between manufacturing and services industries with new limit of investment and turnover as under:

Table – 1: Composite Criterion: Investment and Annual Turnover

Classification	Micro	Small	Medium
Manufacturing and Services Sector	Investment <INR 1 cr. And Turnover < INR 5 cr.	Investment <INR 10 cr. And Turnover < INR 50 cr.	Investment <INR 20 cr. And Turnover < INR 100 cr.

5. Global Tender to be prohibited up to INR 200 crores: This is another important policy decision taken by the government. The salient features are,

- ❖ Global tenders will be rejected in government procurement tenders up to INR 200 crores.
- ❖ Essential amendments of General Financial Rules will be provoked.
- ❖ This will support towards a self-reliant India and support Make in India.
- ❖ This will benefit MSMEs to rise their business and eradicate unfair competition from foreign enterprises.

- ❖ E-market connection for MSMEs to be encouraged to act as a replacement for trade fairs and exhibitions.
- ❖ MSME receivables from Government and CPSEs to be released in 45 days.
- ❖ Fintech will be used to improve transactions based lending using the data generated by the e-marketplace.

To avail the benefits of government policies and to revive or boost business plan in India, it is necessary to get the MSME Registration.

6. Other Interferences for MSMEs: These measures include, among others, the following:



Role of MSMEs in achieving Self-Reliant India

Coronavirus pandemic and the nationwide lockdown have dealt a serious blow to the country's economy. In a bid to reshape it, the Prime Minister announced an incentive package of Rs. 20 lakh crore as a part of the AtmaNirbhar Bharat Abhiyan. This approach to growth had indeed turned towards internal strength with the slogan, 'vocal for local to make it global'. In this regard, the Indian MSME sector can play a crucial role by standing robust on all the five pillars spelt out by the Prime Minister thus achieving the vision of self-reliant India.

Significance of MSMEs

- ❖ It can be noted from the fact that after agriculture, MSME is the second-largest employment provider in Indian economy.
- ❖ At present, there are nearly 56 million such enterprises in various industries, employing close to 124 million people. Of these, almost 14% are women-led enterprises, and close to 60% are based in rural areas.
- ❖ In all, the MSME sector accounts for 45% of merchandise exports contributing 8% to the country's GDP.
- ❖ Due to this, the MSME sector is called the 'growth engine of the nation'. Strengthening them would have multiple impetuses boosting economy and employment as well as mitigating issues of migrating skilled, unskilled workers and professionals to metro cities.

The MSME sector is the most dynamic industrial sector contributing significantly to the GDP and export while employing nearly 40% of the workforce in India. The Prime Minister has also underlined that the MSME sector will act as the bedrock for economic regrowth. Therefore, to get the MSME sector back on its track, the Prime Minister announced the MSME sector to be within the purview of the Atma-Nirbhar Bharat Abhiyan (ANBA).

MSMEs- the way towards Growth-driven India

According to the recent report by Nomura Research Institute (NRI) Consulting & Solutions, India, MSMEs can play a vital role in achieving this vision. However, a lot more needs to be done for MSMEs to become growth accelerator for India. Three critical aspects for the success of MSMEs are availability of skilled labour in MSME clusters, financial stability, and market competitiveness of their products to both achieve import substitution and export promotion.

360-Degree Vision with emerging Sectors

MSMEs are expected benefit immensely from an array of measures taken by the government including easy access to loans and de-risking the sector with a credit guarantee to help banks draw comfort. The emphasis on technology-driven systems in administrative reforms, health and education and privatization of public sector undertakings (PSUs) except in strategic sectors is expected to bring in the required efficiencies. Liberalization of space and atomic energy for the private sector also entails a positive spillover effect of technology. With these measures, the government intends to achieve overall development or balanced development which is the aim of the government.

Customers and Changing Demands

The Indian MSMEs have conventionally catered to the domestic market either through direct selling to the consumers (B2C) or are a part of the value chain conducted by various organized private participants (B2B). Factors like increasing competition and evolving consumption have led to the rising topicality of integrating customers' voice in product design for MSMEs to stay pertinent. Therefore, it becomes necessary for the MSMEs to design, manufacture and sell products in accordance with the requirements of the customers. They need to be connected to a demand-led environment where the business strategies and processes are harmonized to the changing market dynamics through a consumer/customer-oriented approach.

Concluding Remarks

It is apparent from the above analysis that, it is highly important to improve the competitive strength of MSMEs through a comprehensive market-oriented strategy. There are five key areas that need stronger focus. There is a need to improve the capability of Indian MSMEs to supply quality products, especially with new methods of operations being introduced due to COVID-19. Maintaining social distancing, running on reduced capacity, would further aggravate the situation for the cash-starved MSMEs. To remain relevant in the market, MSMEs need to be adjusted with altering market and variable demand scenario.

Ensuring the capacity and availability of raw materials to MSMEs is also crucial. The interruption in global logistics has broken the chain for some key raw materials. Low working capital availability also makes it complex for MSMEs to re-establish raw material supply. The effect of COVID-19 on business operations will require innovative strategies to reduce cost. Automation is essential in some areas for implementing



distancing and also for quality control. MSMEs could be introduced to low-cost automation techniques which work in tandem with the human workforce.

Finally, branding and advocacy will also be needed to leverage the positive connotations associated with certain Indian products and assess negative connotations that can be removed. This crisis is a turning point for the MSMEs and they will either flourish or perish based on the support provided and the actions taken by the enterprises themselves – a report felt.

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