

The Role of MSMEs for Sustainable Development of Indian Economy

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Abstract

The sustainable development of the concept saw participation of various organizations and institutions, which nowadays work intensely on the implementation of its principles and objectives. Financial inclusion is one of the most important agenda to Indian economy to eradicate high poverty and providing employment opportunities to middle class and poor people, lower income and weaker section are the highest population in India. Entrepreneurship generally speaking refers to the overall course of action undertaken by an owner in starting and managing his enterprise for profit. Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades, MSME sector emerged as extremely effervescent and vigorous segment of Indian economy. There is continuous growth in MSME employment, opportunities, integrated financial support, income generation and capacity building of micro enterprises in the country. This paper mainly focused on contribution of MSMEs towards Indian economy.

Keywords: *MSME, economy, technology, sustainability and Indian economy.*

Introduction

The entrepreneur who is a business leader looks for ideas and puts them into effect in fostering economic growth and development. Entrepreneurship is one of the most important input in the economic development of a country. The entrepreneur acts as a trigger head to give spark to economic activities by his entrepreneurial decisions. He plays a pivotal role not only in the development of industrial sector of a country but also in the development of farm and service sector. An entrepreneur can be regarded as a person who has the initiative skill and motivation to set up a business or enterprise of his own and who always look for high achievements. He is the catalyst for social change and works for the common good. They look for opportunities, identifies them and seizes them mainly for economic gains. An action oriented entrepreneur is a highly calculative individual who is always willing to undertake risks in order to achieve their goals. An entrepreneur supplies risk capital as a risk taker, and monitors and controls the business activities. The entrepreneur is usually a sole proprietor, a partner, or the one who owns the majority of shares in an incorporated venture.

According to economist Joseph Alois Schumpeter (1883-1950), "entrepreneurs are not necessarily motivated by profit but regard it as a standard for measuring achievement or success."

The Small Scale Industries (SSIs) have been renamed as Micro, Small and Medium Enterprises (MSMEs) with the introduction of MSMED Act, 2006. Micro, small and medium enterprise or micro, small and medium-sized enterprises are the companies whose personnel numbers fall below certain limits. These Enterprises (MSMEs) are an integral part of the Indian industrial sector. The very distinctive feature of MSMEs is lesser capital investment and high number of labour absorption which has created unprecedented importance to this sector. As per the reports from Development Commission of Micro,

Small and Medium Enterprises (2001), the sector has the credit of being the highest in employment generation in the industrial sector and stands just next to agricultural sector of the Indian nation.

Importance of the Study

India is a developing country with a large number Micro, Small and Medium Enterprises that have a less capital investment. These Enterprises are not up-to-mark to compete with international quality standard. In spite of it, these enterprises are employing a large number of peoples. MSMEs are facing a large number of difficulties in the form of raw material, finance, marketing etc. without it makes a significant contribution to the Indian economy. Government of India has taken various initiatives and makes policies in pre and post liberalization period to develop this sector and promote job opportunities. Indian economy is focusing to achieve the goal of sustainability through the MSMEs by using locally available resources for the production, labour-intensive techniques and resettlement.

MSMEs contribution to Indian economy

Government of India has taken many initiatives to boost the MSMEs such as:

1. Prime Minister Employment Generation Programme.
2. Credit Guarantee Trust Fund for Micro & Small Enterprises.
3. Market Promotion & Development Scheme.
4. Revamped Scheme Of Fund for Regeneration Of Traditional Industries (SFURTI).
5. Coir Vikas Yojana.
6. Coir Industry Technology Upgradation Scheme.
7. Skill Upgradation & Mahila Coir Yojana.
8. Export Market Promotion.
9. Financial Support to MSMEs in ZED Certification Scheme.
10. A Scheme for Promoting Innovation, Rural Industry & Entrepreneurship (ASPIRE).
11. National Manufacturing Competitiveness Programme (NMCP).

NirmalaSitharaman (Finance Minister of India) in budget 2019-20, reveals many new initiatives and provision for the MSMEs promotion in the country. She extended that 25% corporate tax to companies with an annual turnover Rs 400 crore, under the Interest Subvention Scheme Rs 350 core is allotted for the financial year 2019-20. In August 2015 Prime Minister of India has announced the Start-up/ stand-up India scheme, intending to promote bank financing for new business and many new initiatives to boost entrepreneurship and job creation. The goal of this initiative is to make India not job seekers but job creator (Ahmed, A. 2018). In the recent budget, Stand-up India scheme is extended up to 2025 and focus on the Make in India scheme through MSMEs.

Objectives of the study

- To understand the importance of MSMEs for economic development of the country.
- To analyse the MSMEs contribution for sustainable development of Indian economy.

Contribution of MSMEs for economic development and sustainable development

The entrepreneur who is a business leader looks for ideas and puts them into effect in fostering economic growth and development. Entrepreneurs can change the way we live and work. If successful, their innovations may improve our standard of living. In short, in addition to creating wealth from their entrepreneurial ventures, they also create jobs and the conditions for a prosperous society. The role of entrepreneurs is not identical in the various economies. Depending on the material resources, industry climate and responsiveness of the political system, it varies from economy to economy. The contribution of entrepreneurs may be more in favorable opportunity conditions than in economies with relatively less favourable opportunity conditions.

- **Entrepreneurs Generate Employment**

The process of entrepreneurship activity is to reduce unemployment situation in the economy, is termed by "Schumpeter effect". Entrepreneurs provide immediate large-scale employment to the unemployed which is a chronic problem of underdeveloped nations. Entrepreneurs generate employment both directly and indirectly. With the setting up of more and more units by entrepreneurs, both on small and large-scale numerous job opportunities are created for others. Directly, self employment as an entrepreneur and indirectly by starting many industrial units they offer jobs to millions. The available employment opportunities can cater only 5 to 10% of the unemployed. Entrepreneurship gives young people an opportunity to work on their own skills and interests and in the process, creating their own employment. In this way, entrepreneurs play an effective role in reducing the problem of unemployment in the country which in turn clears the path towards economic development of the nation.

- **Economic growth and development**

Entrepreneurs promote capital formation by mobilising 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. Entrepreneurs can therefore, facilitate the use of these savings thereby stimulating capital formation, which is the engine of economic growth and development.

- **Balanced Regional Development**

Entrepreneurs help to remove regional disparities through setting up of industries in less developed and backward areas. The Growth of Industry and business leads to a lot of Public benefits like transport facilities, health, education, entertainment etc. When the industries are concentrated in selected cities, development gets limited to these cities. When the new entrepreneurs grow at a faster rate, in view of increasing competition in and around cities, they are forced to set up their enterprises in the smaller towns away from big cities, thereby promotes balanced regional development.

- **Reduces Concentration of Economic Power**

Economic power is the natural outcome of industrial and business activity. Industrial development normally leads to concentration of economic power in the hands of a few individuals. This concentration of power in a few hands has its own evils in the form of monopolies. In order to redress this problem a large number of entrepreneurs need to be developed, which will help reduce the concentration of economic power amongst the population.

- **Wealth Creation and Distribution**

Entrepreneurship enables individuals to use their potentials and energies to create wealth through the creation of goods and services. It stimulates equitable redistribution of wealth and income in the interest of the country to more people and geographic areas, thus giving benefit to larger sections of the society.

One of the major cause of poverty is unemployment and since entrepreneurship is preoccupied with employment generation, then by extension the generation of employment will therefore reduce the level of poverty. Wealth if created will definitely reduce the incidence of poverty by empowering the citizens and increasing their access to basic necessities of life (food, clothing, shelter, security and education).

- **Contributes to gross national product**

An entrepreneur makes much contribution to the national exchequer and to the national economy as whole. He always looks out for opportunities. They explore and exploit opportunities, encourage effective resource mobilisation of capital and skill, bring in new products and services and develops markets for growth of the economy. In this way, they help increasing gross national product as well as per capita income of the people in a country. Increase in gross national product and per capita income of the people in a country, is a sign of economic prosperity of the country.

- **Improvement in the Standard of Living**

Entrepreneurs can change the way we live and work. The successful innovations of entrepreneurs increase the standard of living of the people they also create jobs and the conditions for a prosperous society. Entrepreneurs play a key role in increasing the standard of living of the people by adopting latest innovations in the production of wide variety of goods and services in large scale that too at a lower cost. This enables the people to avail better quality goods at lower prices which results in the improvement of their standard of living.

- **Promotes Country's Export Trade**

Any Entrepreneur would like a greater market share. Entrepreneurs promote country's export-trade, which is an important ingredient of economic development. They produce goods and services in large scale for the purpose earning huge amount of foreign exchange from export in order to combat the import dues requirement. Hence import substitution and export promotion ensure economic independence and development.

- **Induces Backward and Forward Linkages**

In today's competitive environment, Innovation is of utmost important to the long-term success and survival of any business. In the absence of new ideas, enterprises find it difficult to grow and eventually they do a persistent struggle to sustain in the business. He always tries to introduce newer and newer technique of production of goods and services. So, Entrepreneurs like to work in an environment of change and try to maximise profits by innovation. When an enterprise is established in accordance with the changing technology, it induces backward and forward linkages which stimulate the process of economic development in the country.

- **Facilitates Overall Development**

Entrepreneurs act as catalytic agent for change which results in chain reaction. Once an enterprise is established, the process of industrialisation is set in motion. This unit will generate demand for various types of units required by it and there will be so many other units which require the output of this unit. This leads to overall development of an area due to increase in demand and setting up of more and more units. In this way, the entrepreneurs multiply their entrepreneurial activities, thus creating an environment of enthusiasm and conveying an impetus for overall development of the area. They also invest in community projects and provide financial support to local charities. This enables further development beyond their ventures.

Conclusion

Entrepreneur's contribution to the economy is of immense value. He or she is indispensable to the economic growth of the country. His or her products are valuable to the overall development of the society. An economy is much dependent upon the performance level of its entrepreneur. He or she plays a vital role in the growth of the national income as well as raising the per capita income of the people. Based on its central role in economic development, respective governments, non-governmental organizations, community based organizations and other stake holders should promote its development in order to reap its full benefits.

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