

1. MSMEs: Key Component for India's \$ 5 Trillion Economy

Context:

- Indian MSME sector is the backbone of the national economic structure and it contributes significantly in the economic and social development of the country by fostering entrepreneurship and generating largest employment opportunities at Comparatively Lower Cost.

Key Statistics about MSME:

- MSMEs contribute,
 - 6.11% of the** Manufacturing GDP
 - 24.63% of the GDP from service activities
 - 33.4%** of India's manufacturing sectors.
- They have able to provide employment around 120 million persons
- It contributes around **45% of the overall exports from India**
- About **20% of the MSME are based out of Rural Areas** generating large scale employment in rural areas.

Generating Large-Scale Employment:

- In India, capital is scare and labor abundant. MSMEs are thought to have lower capital-output and capital-labor ratios than large scale industries.
- MSMEs offer maximum opportunities for both self-employment and wage-employment.
- A distinctive feature of MSMEs is large proportion of them located as traditional industrial clusters, handicraft clusters and handloom clusters provided employment opportunities in rural areas.
- MSME contributed 70% jobs in the manufacturing sector and thus play a important role in countering jobless growth.

Sustaining Economic Growth and Increasing Exports:

- Non-traditional products account for more than 95% of the MSME exports (dominating in sports goods, readymade garments, plastic products etc.).
- Since these products are handcrafted and hence eco-friendly, offers tremendous potential to expand the quantum of MSME-led exports.
- MSMEs act as ancillary industries for Large-Scale Industries providing them with raw materials, vital components and Backward Linkages.

Making Growth Inclusive:

- MSMEs are instruments of inclusive growth which touch upon lives of the most vulnerable and Marginalized.
- Instead of welfare approach, this sector empowers people to break the cycle of poverty and deprivation. It focuses on people's skills and agency.
- It contributes inclusive and sustainable society by making non-farm livelihood at meager cost, balanced regional development, gender and social balance and environmentally sustainable development.

Challenges Faced by MSMEs:

- Most of the unregistered MSMEs operating with obsolete technology, limited access to institutional finance etc.
- Need to improve the competitiveness of the overall MSME sector covering areas like:
 - ✓ Access to technology
 - ✓ IPR related issues
 - ✓ Design-related issues
 - ✓ Wasteful usage of resources
 - ✓ Energy inefficiency and associated high cost
 - ✓ Low ICT usage
 - ✓ Low market penetration
 - ✓ Quality assurance/certification
 - ✓ Standardization of products and proper marketing channels

Government Initiatives of MSMEs:

- **Access to Credit:**
 1. **59-minute loan portal** – enable ease access to credit for MSMEs.
 2. **Provision for 2% Interest Subvention** for all GST registered MSMEs on fresh or Incremental Loans.
- **Access to Market:** Public sector companies now have to compulsorily procure 25% of their total purchase from MSMEs.
- **Technology Upgradation:** 20 technology hubs with 100 spokes will be set up throughout the country.
- **Ease of Doing Business:** simplify rules and regulations for facilitating business for getting clearances and certifications.

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- **Social Security for MSME Sector Employees:** A mission has been launched to ensure PM Jan Dhan Accounts, Provident fund and Insurance.

Way Forward:

- The vision is to increase MSMEs contribution to **India's GDP to over 50% from the current 29% and exports contribution to 75% from the present 50%** to reach the \$ 5 trillion mark.
- To reach the \$ 5 trillion economy, MSMEs have to play a much bigger role both in employment generation, in exports, in skilling people and in the making the sector more formalized.
- With technological upgradation and digitizing MSMEs, they not only compete effectively with global counterparts, but also bigger role in the 'Make in India' campaign.

