



Role of Micro, Small and Medium Enterprises in Regional Development

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Abstract

Role of Micro Small and Medium Scaled industries day is celebrated in every year 2th June for recognise the efficiency of the and production and contribution of these industries in the implementation of the sustainable development. Micro small and medium scale industries as accepted as the engine of economic growth and promoting overall development of small scale industries. The Micro, Small and Medium Enterprises (MSMEs) have a crucial role to play in the regional development. They provide employment, add value to local resources and provide products and services to the rural consumers. MSMEs also increase purchasing power and standard of living. There is a need social entrepreneurship, rural entrepreneurship and women entrepreneurship for the development of backward region. These approaches of entrepreneurship are quite relevant for the development of backward talukas of Hyderabad-Karnataka Region. This paper aims to bring out the importance of MSMEs in the development of backward talukas of Hyderabad-Karnataka Region.

Keywords: Microfinance, entrepreneurship, Growth, Stable. Inclusion.

Introduction

It is a universal phenomenon that Small and medium enterprises (SMEs) are playing an essential and vital role in the nation's economic and social configuration. Enterprise is the antithesis of command and control ". The Worldwide perception of small and micro and micro businesses or firms has reached noteworthy important nice in the economics programs of a nation Globalization has placed small enterprises unswervingly in the limelight and attention. This are gradually and progressively the main strength for national economic development. All over the World, the entrepreneurs who operate are getting thoughtful attention from planner's economics, governments, and multilateral agencies. In development all over the world the entrepreneurs who operate them are getting thoughtful attention from planners, economics, government, and

multilateral agencies. In developing countries this sector is beneficial in the development of rural region, and has significance in poverty alleviation

The Role of rural industrial is considered basically a question of properly utilizing the unexploited natural and human resources and tapping vast material existing in the countryside. The features of rural industrialization are low investment of capital, Lamoure intensity and use of simple technology by employing local human and material resource. Thus, a judicious mix of local manpower with the local resource is necessary to bring about a viable development in these areas. In the era globalization, entrepreneurship development in the rural context is a challenge. According to 2011Census 68.84% people are living inure areas of India.

People in rural areas suffer with unemployment, poor infrastructure facilities which may solved with the development of the rural entrepreneurs. Rural Entrepreneurship can be defined as entrepreneurship emerging at village level which can take place in a variety of fields of endeavor such has business, in industry, agriculture and acts as a potent factor for economic Development” But these rural entrepreneurs are suffering with various problems like fear of risk lack of finance, illiteracy, and completion from the urban entrepreneurs. Rural entrepreneurs increase the standard of living and purchasing power of the people by offering employment opportunity to the people in villages.

This paper is an attempt to understand the problems and challenges of rural entrepreneurship in the context of rural development in India and possible suggestions are given to overcome the problems.

The MSME became operational on October 02,2006As per MSME Act 2006, MSMEs are classified into two categories. They are:

1. **Manufacturing Enterprises:** The enterprises engaged in the manufacture or production of Goods (AS Development and regulation) Act, 1951or employing plant and machinery in the process of value addition to the final production having a distinct name or character or use.
2. **Service Enterprises:** The enterprises engaged in providing or rendering of devices and are defined in terms of investment in equipment .In February, 2018, the Union Cabinet chaired by prince Minister shirt Narendra Modi has approved changes in the definition of the MSMEs, Now MSMEs will be defined on basis of annual turnover instead of earlier definition of investment in plant &machinery /equipment.

The year, the UN and its partners celebrate the important role that entrepreneurs play in strengthening the global economy. The contribution of MSME to Gross Domestic product (GDP) worldwide is 50%

Micro, small and medium-sized Enterprises (MSMEs) Day is celebrated every year on June 27 to recognize the contribution of these industries in the celebrated every year on June 27 to recognize the contribution of these industries of these in the implementation of the Sustainable Development Goals (SDGs) According to the United nations (un) as many as 90 per cent of businesses are generated from MSMEs and these businesses provide 60 to 70 per cent of employment. The contribution of MSME to Gross Domestic Product (GDP) worldwide is 50%

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History of Micro, Small and Medium -sized Enterprises Day

The UN designated June 27 as Micro, small and Medium -sized Enterprises Day through a resolution passed in the UN General Assembly in April 2017. In May 2017, a program titled Enhancing National Capacities for Unleashing Full Potentials of MSMEs in Achieving the SDGs in Development sub-Fund of the United Nation Peace and Development Fund .

Significance of Micro, Small and Medium -Size Enterprises Day

The United Nation observes Micro, Small, and Medium Enterprises (MSME) day on June 27, every year since 2017 to recognize the contribution of these industries in the implementation of the Sustainable Development Goals (SDGs).

International MSMEs Day 2021; Theme

THE theme of the Micro-Small and Medium -sized Enterprises Day theme of 2021 is “MSME 2021; the key to an inclusive and sustainable recovery “ That is why the UN will be hosting a series of events to explore how MSMEs-the backbone of our economies can be equipped to ensure an equitable and sustainable post -COVID -19 recovery.

The General Assembly declared 27 June Micro-, Small and Medium -sized Enterprises Day, to raise public awareness of their contribution to sustainable development and the global economy. The COVID-19 crisis has taught us that the pandemic and containment measures do not impact everyone in the same way. Among the private sector, Micro-, Small and Medium -sized Enterprises (MSMEs), especially those led by women, youth, ethnic minorities, and migrants, suffered the most.

International MSMEs Day 2021

Significance

An International trade Centre survey on COVID -19 impact among businesses in 136 countries has shown that nearly 62% of women-led small businesses have been strongly affected by the crisis, compared to just over half of firms led by men, and women-owned are 27% more likely not to survive the pandemic. Formal and informal MSMEs make up over 90% of all firms and account, on average, for 70% of total employment and 50% of GDP. As such; they are key actors in achieving a green recovery.

The following table reveals the new definition of the MSMEs in India;

The Micro, Small and Medium Enterprises (MSMEs) have been role in promoting equitable economic growth across the globe. They are playing crucial role in promoting equitable development. The contribution of MSME sector to the GDP and exports is increasing across.

The globe key advantage of the sector is employment generation the sector is contributing to the employment which is quite essential for countries having huge population like India Mechanization and automation is taking place in the sector to increase production reduce the cost and to increase the quality of products as Well as services.

Goods and service	
Micro Enterprises	Annual turnover is less than Rs .5Crores
Small Enterprises	Annual turnover is between Rs .5 Crores
Medium Enterprise	Annual turnover is between Rs.75 Crores

Budget 2020-21 reports

Nirmala Sitharaman Said only three times has Budget followed contraction in the economy this time unlike before the situation is due to a global pandemic budget -2021 provides every opportunity for the economy to capture the pace and grow sustainably. Rs 15,700 corers provided for MSME sector in Union budget

2020-21 Budget Highlights for MSMEs

1. An All-time high allocation of Rs 15,700crore has been made in the Budget of 2020-21
2. The flagship scheme for employment generation of the Minister, namely Prime Minister Employment Generation Program (PMEGP) got an all-time high allocation of Rs, 2627 Crore. This reiterates Government’s focus on creation of sustainable employment in the non-farm micro enterprise sector.
3. For ensuring seamless credit guarantee to Micro and Small enterprises, Rs597 crore has been provided under the Credit Support Programme.
4. To provide funding for the 2% interest rebate on incremental Loan up to Rs,2Crore for GST-registered MSME units Rs450crore has been provided under Interest Subvention Scheme for Incremental Credit to MSME’
5. Under the event announcements made on 2nd November 2018, encompassing multiple Initiatives and intervention for the Selector, 20large and 100 small Technology Centers surgeon to be set up with a support of Rs, 6000 Crore. this Budget has made allocation for this initiative.
6. For setting up clusters in the manufacturing and artisan sectors, Rs 450crore has been allocated. Allocation under National SCST9Hub has been increased substantially.
7. Mission Solar Charkha has been launched in the current financial year, for which Rs.143crore has been allocated under the BE2019-20.The scheme envisages setting up production clusters, each employing 2000youth in the rural area, at least 50% of which would be women.
8. ”MAKE IN India “with particular emphasis on Micro Small and Medium Enterprises is one of the major focus areas of the Union Budget this year.
9. For the MSME sector, Rs 350 core has been allocated for FY 2020-21 under the Interest Subvention Scheme, for 2% interest subvention for all GST registered MSMEs, on fresh or incremental loans.

10. Lower rate of 25 % Corporate Tax extended to companies with annual turnover up to Rs 400 core from cap of up Rs 250 core.
11. Under the Scheme of Fund for Up graduation and Regeneration of Traditional Industries’ (SFURTI) 100 new clusters will be set up during 2019-20 enabling 50,000 artisans to join the economic value chain. Focused sectors are Bamboo, Honey and Khaki clusters.
12. The scheme for promotion of Innovation, Rural Industry and Entrepreneurship’ (ASPIRE) would be consolidated for setting up of 80 Livelihood business Incubators (LBIs) and 20 Technology Business Incubators (TBIs) in 2020-21 to develop 85,000 skilled entrepreneurs in agro-rural industry sectors.

Contribution of MSMEs in India to the GDP

Contribution of MSMEs in India to the GDP is considerable. The Table shows contribution of MSMEs to the GDP.

Table 1. Contribution of Output of MSMEs to GDP (at 2004-05 prices)

Year	Gross Value of Output of MSME Manufacturing Sector (Rs. In core)	Share of MSME sector in total GDP (%)			Share of MSME Manufacturing output in total Manufacturing Output (%)
		Manufacturing Sector MSME	Services Sector MSME	Total	
2006-07	1198818	7.73	27.40	35.13	42.02
2007-08	1322777	7.81	27.60	35.41	41.98
2008-09	1375589	7.52	28.60	36.12	40.79
2009-10	1488352	7.45	28.60	36.05	39.63
2010-11	1653622	7.39	29.30	36.69	38.50
2011-12	1788584	7.27	30.70	37.97	37.47
2012-13	1809976	7.04	30.50	37.54	37.33
2017-18	1980997	7.65	31.00	38.10	37.85
2019-20	2180997	7.95	32.00	39.20	38.82

Source: Annual Report of the Ministry of MSME, Gov, 2019-20

It is evident from the Table 1 that the performance of MSME sector is improving year on year. Total Share of MSME sector in total GDP is has shown increasing trend. Contribution of services sector is considerable

Challenges of MSME Sector

MSMEs in India are heterogeneous. They are facing diverse problems. Some the common problems of MSMEs in India are as under:

- Lack of adequate and timely finance;
- High cost of finance;
- Very limited access to equity capital;
- Difficulty in procurement of raw materials at a competitive cost;
- Logistics issues;

- High cost of technology which is not affordable for MSMEs;
- Lack of skilled manpower;
- High labour turnover;
- Highly competitive markets;
- Inadequate infrastructure facilities, such as power, water, roads, etc.;
- Increasing cost of advertising through mass media;
- Difficulty in complying with various laws;

Social Entrepreneurship

Social Entrepreneurship can be considered as the best approach for those who want to contribute towards inclusive growth without spending money from their pockets. Many individuals who have concern for the society and passion of social service are quitting their high paid jobs and setting up their own enterprise for the upliftment of poor. Social entrepreneurs in India are striving hard towards the upliftment of poor and sustainable development. There is a huge scope for social entrepreneurship in India in the following fields.

- **Energy sector:** Providing sustainable energy like solar at affordable price.
- **Education:** Providing quality education at affordable price.
- **Health:** Providing quality healthcare facilities and at affordable price and low price health insurance.
- **Agriculture:** Sustainable agricultural development.
- **Rural Development:** There is a large scope for social entrepreneur in rural development.

Few Social Entrepreneurs in India

- SELCO India
- Narayana Hrudayalaya
- Micro Graam (People Investing in People)
- Eruvaka Technologies
- Abhinav Kumar's Rural Transportation
- Anulekh Agrotech
- Mitra's Mechanised Horticulture Farme
- Krishna Kumar's Farming Technology Solutions

Women Entrepreneurship

Women empowerment is possible through economic empowerment of women. Women entrepreneurship can be considered as one of the best approach for the economic improvement of women. Women entrepreneurship plays a crucial role in the socio-economic development of the nation. Lot of business opportunities exist for women in the present boarder less markets. Now days marketing is not a big problem, one can take the shelter of e-commerce. Now day's women can take up any business activity. But they can excel in some businesses. Some of the business activities which are most suitable for women are as under:

- Hosiery

- Fancy leather items
- Handlooms
- Stitching and supply School uniforms
- Woollen blanket weaving
- Papad making
- Pickles
- Agarbatti making
- Candle making
- Mess
- Midday meals
- Embroidery works
- Basket weaving
- Beauty parlours

Various Government schemes for the Promotion of MSMEs

Government of India as well as various state governments are playing a vital role in the promotion of MSMEs. Some of the important schemes are dealt in brief in this section.

1. SME Division Schemes: Providing financial assistance on International Cooperation; Assistance to Training Institutions (AI); and Marketing Assistance
2. Development Commissioner (DC-MSME) Schemes: The Office of the Development Commissioner-Micro, Small and Medium Enterprises (MSME-DO) is playing a very constructive role by rendering comprehensive services including consultancy through institutional set up of its field organizations spread over different parts of the country. Various schemes of the DC-MSME are described as under:
 - a. Credit Guarantee scheme
 - b. Credit Linked Capital Subsidy Scheme for Technology UP gradation.
 - c. ISO 9000/ ISO 14001 Certification Reimbursement Scheme
 - d. Micro & Small Enterprises Cluster Development Programme (MSE-CDP)
 - e. MSME Market Development Assistance (MDA)
3. National Manufacturing Competitiveness Programme (NMCP) schemes: It is a 5 year national manufacturing programme.
4. Vendor Development Programmes (VDPs) for Ancillarisation: Vendor Development Programmes (VDPs) are being organized by MSME-DIs across the country to provide common platform for MSEs as well as selling organizations to interact with each other with a view of identifying emerging demands of the byre organizations, while simultaneously providing an opportunity for displaying the capabilities, of the small scale entrepreneurs and their industrial ventures. Such programmes have proved to be of immense use in locating suitable entrepreneurs by a number of ducing organizations including the public sector enterprises various wings of Defence, Railways and others in indigenizing number of products which hitherto have been imported at a high cost.

NSIC Schemes: The National Small Industries Corporation (NSIC) Ltd. was established in 1955 by the Government of India to promote aid and foster the growth of small scale industries. NSIC

is playing vital role industrial development throughout the country with its various programmes and projects to the MSMEs in the country. Main functions of NSIC are: to promote, aid and foster the growth of micro and small enterprises in the country on a commercial basis.

It provides a variety of support services to micro and small enterprises by catering to their different requirements in the areas of raw material procurement; product marketing; credit rating; acquisition of technologies; adoption of modern management practices, etc. The NSIC is operating through 142 offices located all over India and one office located at Johannesburg, South Africa. NSIC is operating with its Infrastructure consisting of Exhibition Hall at Hyderabad; IT Incubator; Exhibition-erm-Marketing Development Business Park; Software Technology and Business Parks; and Exhibition Grounds at New Delhi. Various schemes of NSIC for promoting MSMEs are as under:

- a. Performance and Credit Rating
- b. Bank Credit Facilitation
- c. Raw Material Assistance
- d. Single Point Registration
- e. Infomediary Services
- f. Marketing Intelligence Services Lease
- g. Bill Discounting

Micro Units Development & Refinance Agency (MUDRA) Bank

MUDRA Yojana had announced by the Finance Minister in Parliament during Union Budget for FY 2015-16. Micro Units Development & Refinance Agency (MUDRA) Bank set up by the Government of India for the development and refinancing micro enterprises in the financial year 2015-16 as a subsidiary of SIDBI. The purpose of MUDRA is to provide funding to the non-corporate small business sector through various last mile financial institutions like banks, NBFCs and MFIs.

MUDRA will be refinancing all last mile financiers such as Non-Banking Finance Companies, societies, trusts, section 8 companies (formerly Section 25), cooperative societies, small banks, scheduled commercial banks and regional rural banks which are in the business of lending to micro or small business entities engaged in manufacturing, trading and services activities. MUDRA would also partner with state/regional level financial intermediaries to provide finance to Last Mile Financier of small/micro business enterprises.

Under the aegis of Pradhan Mantri MUDRA Yojana (PMMY), MUDRA has created its three varieties of loans. The financial limit for these loans is as under:

- Shishu: covering loans up to Rs. 50,000/-
- Kishor: covering loans above Rs. 50,000/- and up to Rs. 5 lakh
- Tarun: covering loans above Rs. 5 lakh to Rs. 10 lakh

Any Indian citizen who has a business plan for a non-farm income generating activity such as manufacturing, processing, trading or service sector whose credit need is less than 10 lakh can

approach a Bank, MFI or NBFC for availing of MUDRA loans under PMMY. The usual terms and conditions of the lending agency may have to be followed for availing of loans under PMMY. The interest rates are as per the RBI guidelines issued in this regard from time to time. The interest rates are deregulated and the banks have been advised to charge reasonable interest rates within the overall RBI guidelines. There is no subsidy for the loan given under PMMY.

Responsibilities of MUDRA Bank

- Laying down policy guidelines for micro enterprise financing business.
- Registration of MFI entities.
- Supervision of MFI entities.
- Accreditation / rating of MFI entities.
- Laying down responsible financing practices toward off over indebtedness and ensure proper client protection principles and methods of recovery.
- Development of standardised set of covenants governing last mile lending to micro enterprises.
- Promoting right technology solutions for the last mile.
- Formulating and running a Credit Guarantee scheme for providing guarantees to the loans/portfolios which are being extended to micro enterprises. Supporting development & promotional activities in the sector.
- Creating a good architecture of Last Mile Credit Delivery to micro businesses under the scheme of Pradhan Mantri MUDRA Yojana.

Factors which led to growth of MSMEs

- Campaigns like Skill India, Start-up India, Digital India and Make in India aim to provide MSME players with a level playing field and a definitive push towards enhanced productivity.
- Digitization: Increasing internet penetration, customer's familiarization with digital payments fuelled by B2C ecommerce players facilitate MSME sector growth.
- Tie-ups with new-age non-banking finance (Fin. Tech) companies allowed access to timely collateral free finance to MSMEs.
- Changing employment patterns: Younger generation shifting from agriculture towards
- Entrepreneurial activities creating job prospects for others.

Advantages of MSMEs

- Inclusive growth: MSMEs promote inclusive growth by providing employment opportunities in rural areas especially to people belonging to weaker sections of the society.
- Financial inclusion: Small industries and retail businesses in tier-II and tier-III cities create opportunities for people to use banking services and products.
- Promote innovation: It provides opportunity for budding entrepreneurs to build creative products boosting business competition and fuels growth.
- Boosting Economic Growth and Development: MSMEs are boosting economic growth and development at regional, national and global levels.

- With its dexterity and dynamism, the sector has shown venerable innovativeness and malleability to survive economic shocks, even of the gravest nature.
- Maximum Opportunities for both Self-employment and Wage-employment: Indian MSME sector offers maximum opportunities for both self-employment and wage-employment outside the agricultural sector and contributes in constructing an inclusive and sustainable society in numerous ways through making of non-farm livelihood at meager cost, balanced regional Development, gender and social balance, environmentally sustainable development etc.

As MSMEs are usually labour-intensive, they have the ability to create more jobs. Further, in view of the on-going implications of climate change, it is necessary that the MSME sector is prepared to absorb millions who may be rendered unemployed in the agriculture sectors.

- Many more rewarding opportunities can be tapped by Indian MSMEs in the foundry industry, electronics industry, chemicals, leather, textiles, agro and food processing, pharmaceuticals, transport and tourism industries, etc.
- The globalization of industries has gradually drawn SMEs into global value chains through diverse types of cross-border activities.

Conclusion

MSMEs play a vital role in the economic development of India, particularly in the rural economy. It helps in generating employment opportunities in the rural areas with low Capital, raising the real income of the people, contributing to the development of agriculture by reducing disguised unemployment, reducing poverty, migration, economic disparity, Unemployment.

Social entrepreneurs look for opportunities to create social value, uncover the best approaches for realizing those opportunities, and build social “capital.” That capital we can pass on as inheritance, rather than debt, to the next generation. Many young entrepreneurs are quitting their lucrative corporate jobs to solve real world problems in rural India. Social entrepreneurs are playing a vital role in India for the upliftment of poor. Economic empowerment of women is directly related to their socio economic status. Women empowerment will be meaningful if women are economically empowered.

Now day’s women in developing countries are setting their enterprises and providing employment to other women. Women enterprises’ contribution to the GDP is increasing in the recent past. These approaches of entrepreneurship can be adopted for the development of backward taluk as of Hyderabad-Karnataka Region. Many schemes and incentives are introduced by the government of India as well as Government of Karnataka for the promotion of MSMEs. The need of the hour is to reap the benefits of such schemes.

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