



Role of MSMEs in Strengthening the Indian Economy: An Overview

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Abstract:

Micro, small and medium Enterprises is the backbone in India because it is the engine that is increasing the industrialization, modernization and providing the job opportunities to rural and urban region people and also reducing the poverty. MSME help to export, improving international trade and maintaining economic strength and stability. Entrepreneurship, business, productivity, and modernization are possible with help of MSME in Indian economy. MSME is the significant contributor for fostering and strengthening Indian economy. But while improving the economy the sector of MSME face various challenges. Government provides various opportunities to develop these sectors. In this research paper importance and role of MSME to improve Indian economy along with challenges that they face have discussed.

Keywords: *MSME, Role of MSME, Challenges, Opportunities and Contribution to Develop Economy.*

Introduction:

MSMED Act 2006 started the Micro, Small and Medium Enterprises in India. The main purpose of this act to start MSME in India is starting and developing the business in manufacturing, producing, processing and protecting and sustaining the goods and products. And finally developing the Indian economy. MSME plays significant role in progressing the economy because it provides various employment opportunities to the general public that boost the economical GDP. MSME help for export, improving international trade and maintaining economic strength and stability. Entrepreneurship, business, productivity, and modernization are possible with help of MSME in Indian economy. MSME is the

significant contributor for fostering and strengthening Indian economy.

Objectives of the Study:

- 1) To study the concept of MSME and its classification.
- 2) Importance and role of MSME in developing the Indian economy
- 3) To study various opportunities in MSME with government schemes.
- 4) To identify different challenges faced by MSME sectors
- 5) To study how MSME contribute to Indian economy

Literature Review:

1. Chatar Singh Negi and Dr. Sanjay Kumar (2024) focused on role of MSME in Indian economy in their study. They

highlighted that MSME provides second highest large employment to rural and urban area that increases India's economy and also studied the various challenges such as lack of funds to MSME units and lack of updated technological knowledge and awareness among the entrepreneurs etc. and also studies the importance of MSME in developing the Indian economy.

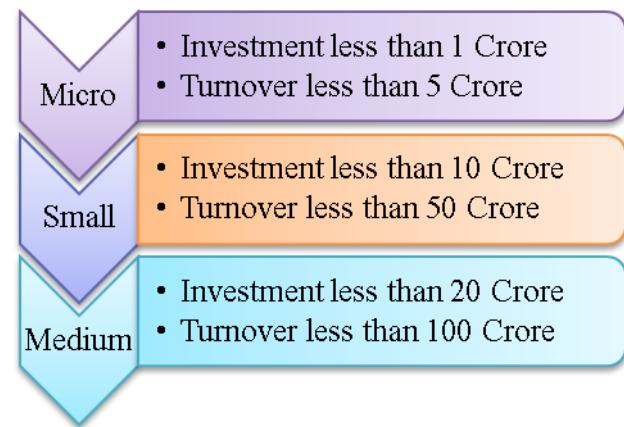
2. Shrijit Rudrappa Hubballi and Professor Deepak Shyam (2023) studied that MSME is the main engine to improve economy of India and also mentioned that women entrepreneurs also contributing to improving GDP of India when various opportunities are provided to women and also focused that impact of Covid-19 on sector of India of MSME.

Research Methodology:

The data collected for this research purpose is used from secondary sources of data collection method such as magazine, books, research papers, research articles, internet, websites etc. The study is depends on secondary data. The collected data is qualitative type and qualitative method is used in this paper.

Meaning of MSME:

The long form of MSME is Micro, Small and Medium Enterprises. The classification of MSME is depends upon organizational amount of investment and amount of turnover that describes and categorizes the enterprises is micro or small or medium scale. The classification of MSME is as follows:



Reference: <https://byjus.com/free-ias-prep/msme/>

Importance and Role of MSME in Developing the Indian Economy:

MSME provides various facilities to the public and different sectors that helps in improving economy of India.

1. Providing Employment Opportunities:

MSME is one of the source that generates and provides employment opportunities to uneconomic sector and economically weak regions. MSME contribute towards creating employment opportunities and it facilitates to the various skilled, semi-skilled and unskilled employees to earn bread and butter for their lives.

2. Support and Encouragement for Entrepreneurship:

Entrepreneurship is the starting and creating a new business with new idea, innovations, new culture with advance knowledge with risk and knowledge. MSME enhances the employees skill and knowledge and also provides opportunities to various businessman and entrepreneurs to start and grow their business and also provide encourages them for new advancement.

3. Regional Development:

Regional development is possible with help of MSME, because it fosters entrepreneurship opportunities to the remote and economically underdeveloped sections of the economy. That shows various underdeveloped are developing and ultimately helps to improve the economic growth because of decentralization of various sectors in the different regions.

4. Economic Diversification:

Economic diversification is possible because MSME contributes operation of not only production and manufacturing but agribusinesses, technology and services also. Depending only on one sector or industry is not there but enhancing its activities in share and stock market also.

5. Innovative Practices:

MSME provides and initiates various innovative practices to enhance technological advancement, progress and development of industrialization with different new advanced techniques and strategies.

6. Reducing the Income Inequalities:

Employment creation, income generation, wealth creation is possible with help of MSME to different sectors of the Indian economy that leads to reducing the income disparities and inequalities.

7. Support to Large Industries:

MSME supplies various components, goods, products and its services to the large industries. So we can say that MSME is the life line of large industries. Because without its support and existence large industries can not maintain their balance for their small products from different small sectors or businesses. And it also maintains balanced economy.

Various Schemes implemented by MSME and its Organizations:

As per the scheme booklet of MSME 2025-26, there are various schemes are initiated by MSME for the advancement and development of Indian economy.

1. Prime Minister's Employment Generation Programme (PMEGP)
2. Credit Guarantee Scheme for Micro & Small Enterprises (CGTMSE)
3. Micro & Small Enterprises Cluster Development Programme (MSE-CDP) Scheme
4. Scheme of Fund for Regeneration of Traditional Industries (SFURTI)
5. Entrepreneurship Skill Development Programme (ESDP)
6. Assistance to Training Institutions (ATI) Scheme
7. Coir Vikas Yojana
8. Procurement and Marketing Support (PMS) Scheme
9. A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship (ASPIRE)
10. Khadi Gramodyog Vikas Yojana
11. International Cooperation (IC) Scheme

Opportunities in MSME:

MSME provides the opportunities to different sectors such as manufacturing, services, exports, digital businesses. It provides its opportunities to sectors such as textile, food processing, electronics and food components, logistics, healthcare services, education and tourism, handicrafts, engineering goods, e-commerce etc. It supports to different sectors also. With help of MSME, and its working opens the different opportunities such as

1. With advancement of MSME and its functioning, Indian products are promoted to international market and international trade.
2. MSME provides access for fund for the support of growth and development.
3. With help of various government schemes, MSME is facilitating and creating a supportive and favorable environment to the various businesses.
4. Entrepreneurs can start the business with low capital that is provided by MSME.
5. Human development, training to the employees is possible through advancement of MSME.
6. Entrepreneurs can take the advantage of these services or opportunities for their own by studying and analyzing the market trends and expand with other parts of MSME.

Various Challenges faced by MSME Sector:

MSME is providing various facilities but still are suffering from various problems in their operational activities that create hurdles them are as follows: (5)

1. Difficulty to Access The Finance Or Fund:

MSME units find it hard to access the finance or fund for their entrepreneurship or organizational sectors for their expansion and operational needs. Government has provided various facilities for funding but because of illiterateness or unawareness of the process to access the fund for businesses, some MSME units find it difficult to utilize the fund for their operational activities and its documents requirements.

2. Incompetent Technology:

MSME should use updated technology for their production but still some MSME use outdated and non-operational technology for their production process because of lack of skill, illiterateness, lack of technical knowledge, high cost of investment in modern or new technology. That affect organizational efficiency and effectiveness in the market structure.

3. Inadequate Infrastructure or Facilities:

Units of MSME are suffering from the problem of inadequate infrastructural facilities, telecommunication problems, more cost of production, disturbing the efficiency of operational activities, problem related to transportation etc.

4. Complexities related to Law:

MSME have to apply various law related process and have to work under central and state environment and legislative that is time consuming and cost consuming that create burden on small and medium entrepreneurs.

5. Shortage of Skilled Employees:

Every MSME unit expects skilled employees for their operational activities. But because of lack of skilled employees and difficult to maintain the employees in the organization is difficult task because of attractive and good salary packages to employees at larger corporations.

Contribution of MSME to Indian Economy:

MSME plays very crucial role in the development of Indian economy and it is improving India's socio-economic growth by providing various job opportunities to rural and urban areas, trade in Indian and

international market, reducing unemployment and poverty. According to various surveys, MSME contributed to improve India's GDP by increasing its output, and India's export in the international market. It contributing in the sector of manufacturing, providing services, education, exports, digital businesses. They are supporting to large industries by providing various components that are required by large industries and also help to develop rural and urban areas by creating jobs with new innovations and entrepreneurship and diversifies the business in textiles, food processing, agriculture etc. Overall development to Indian economy is possible because of MSME and they are the integral part of 'Make in India'.

Conclusion:

Micro, Small and Medium Enterprises are the backbone of Indian economy because MSME plays very crucial role in developing the economy and providing job opportunities to rural, urban and undeveloped regions that foster the economy to the developing stage. MSME help to reduce poverty, improving job opportunities, providing funds for entrepreneurs and ultimately help to increase GDP that is why MSME is the survival engine of the Indian economy. But these MSME face various challenges like lack of finance, lack of skilled employees, unawareness of updated technology by some entrepreneurs etc. MSME contribute to the development of Indian economy and provide the space in the international market and hence government have provided various facilities and schemes to the MSME sectors.

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