
NEW WAVE OF DIGITAL ECONOMY & ROLE OF MICRO, SMALL & MEDIUM ENTERPRISES (MSMs) IN INDIA:

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Abstract:

Micro, Small and Medium Enterprises (MSMEs) have been playing an important role in the overall economic development of a developing country like India, where millions of people are unemployed or underemployed. MSMEs seem to be a small and insignificant part of the economy but employ 40% of the total population of India i.e for the second largest workforce after agricultural sector. They constitute of 90% of the total industrial units and are responsible for 45% of industrial output and 40% of the total exports. Their labour intensive nature and even geographical distribution results in employment opportunities for both self-employed and job seeking people promoting equity and **inclusive growth**. MSMEs is minimising the unemployment problems through dividing employment with lower investment. The economic development of any country primarily depends upon the establishment of industries. The development of this segment is extremely critical to meet the national imperatives of **financial inclusion** and generation of significant levels of employment across urban, semi-urban and rural areas of the country. Further, it can nurture and support development of **new age entrepreneurs** who have the potential to create globally competitive businesses from India. The time is right for Indian MSMEs to pursue digitalization—whereby digitized resources, such as cloud-based software and machines equipped with digital sensors, are transformed into new sources of profitable revenue. **Digitalization** is real, and a growing number of Indian enterprises are already reaping handsome rewards from it. Heightened awareness now needs to be backed by a real workable digitalization action plan. This sector has been regarded as **engine of economic growth** and social development in regional and national level. This paper mainly focuses on the contribution of MSMEs to the Indian economy in terms of economic growth, employment generation, fostering equitable and enhancing potential industrial base of the country. The paper also analyses that despite some infrastructural deficiencies, lack of skilled persons and inadequate **market linkages**, but this sector has registered remarkable success with regard to increase in number, quantum of investment, scale of production, export promotion and overall contribution to national **GDP**, and digitalisation.

Key Words: Inclusive growth, Financial Inclusion, Digitization, Market linkages, GDP growth (gross domestic product)

JEL Classifications: L26, L86, Q01

1. Introduction: Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy. MSMEs not only play significant role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSME are the complementary of large industries of ancillary units and this sector contributes enormously to the socio-economic development of the country. [11] MSMEs can be the backbone for the existing and future high growth businesses with both domestic and foreign companies investing in the 'Make in India' initiative and make significant impact in the area of indigenisation. '**Make in India with zero defect and zero effect**', is a significant opportunity. The new wave MSME should enable the development of a business eco- system that enables and continuously support business that are gearing to deliver the right product, the right quality, the right solution and the right service at a competitive price both in domestic and international markets. The '**Digital India**' revolution also provides a great opportunity to promote MSMEs participation in the Information, Communication and Telecommunication (ICT) sector, in line with the government vision. It is equally important that the MSME segment develops in all areas of agriculture, manufacturing and services sectors because each of these sectors will continue to be very relevant to the overall GDP growth as well as employment generation. The MSME sector will act as a catalyst to bring about this **socio-economic transformation** [1]. MSMEs contribute approximately 8% to India's GDP. The manufacturing sector among MSMEs, which is a little larger than the services sector, constitutes 90% of the total industrial units that spread all over India. Only 55% of the total MSMEs units are located in urban areas rest 45% of the units are located in rural areas of states like Uttar Pradesh, Maharashtra, Tamil Nadu, West Bengal, Andhra Pradesh, Karnataka etc. This leads to an equitable distribution of national income, poverty alleviation and **inclusive economic growth**. World over, small and medium enterprises are considered to be the engine of growth that tap into the latent entrepreneurial talent in the nation and provide an opportunity to the weakest sections of the society to employ themselves as well as others and in the process help the ones they are providing services to [2]. Historically the development process has witness a trend of people shifting from agriculture to non- farm activities such as manufacturing and services. In coming years, India is expected to witness significant **demographic dividend** and a disproportionate expansion in the working age population. Estimates suggest that the MSME sector offers maximum opportunities for self-employment as well as jobs, after the agricultural sector. In addition labour-capital ratio tends to be higher for MSMEs [3]. The gradual process of privatization allowed restructuring to take place prior to privatization, and the large firms could be reorganized into smaller units. A new, vibrant small enterprise sector was thus created, headed by young managers willing to invest for their future [18]. Thus in recent times India has witnessed a rapid growth in numbers of new business and **first generation entrepreneurs**. India is one of the fastest-growing and third largest start-up ecosystems in the world, after the US and the UK, says the India start-up report 2014 by NASSCOM. However, the limited market access, namely capital access, brand promotions solutions, marketing support, logistics & sales support, and information & communication technology (ICT) support stall the zeal to take the enterprise to the next level. So there are both opportunities to explore and challenges to overcome for any Start-up and MSMEs to actually contribute to the **India's inclusive development**. [5]

2. Literature Review: The distinctive feature of Small and Medium Enterprises (SMEs) are less capital investment and high labour absorption which has created unprecedented importance to this sector. As per the Development Commissioner of Micro, Small and Medium Enterprises (2001), the sector has the credit of being the second highest in employment, which stands next to agricultural sector. Monetary policy and financial institutions facilitated the creation of new enterprises and jobs (Stiglitz, 2001[18]. Pandey (2007), states that SMEs constitute about 90% of the industrial units in the country and also contributes to about 35% of India's exports. In India, SMEs form the backbone of large scale industry. There are more than 12.34 million SMEs contributing 6 per cent to the GDP of India (Sridharan, 2006)[9]. Most of the MSMEs are family owned businesses across the world. Therefore, their functioning is quite limited to the leadership of the head of the household. Most innovative firms have more developed organizational structures — in terms of number of departments as compared to a routine activity firm (Sanchez and Mann, 2005; Camison, 1997). Organizational structure concerns with work division (the distribution of tasks and activities) and coordination mechanisms (this includes standardization and formalization). Sudan (2005) highlighted the various challenges faced in the development of the Micro and Small Scale Enterprises Development and policy issues by raising different questions related to Micro and Small Enterprises. The study also highlighted the concept, advantages, issues and policy options of MSE sector[12]. Studies on MSME organizational structures have also proved that the myth “small firms are informal, unstructured and centralized” is untrue. Small firms that exhibit specialization and centralized decision making have a more complex structure (Meijaard et al. 2005)[8]. MSMEs encourage entrepreneurship, generate employment, and reduce poverty (Kayanula and Quartey 2000; Mead and Liedholm 1998, Fischer 1995). MSMEs have contributed to economic development by creating employment for rural and urban growing labour force, providing desirable sustainability and innovation in the economy as a whole (Curran, 2007). Moreover a large number of people rely on the micro, small and medium enterprises directly or indirectly (Curran, 2007). MSMEs in India have employed more labour-intensive production processes than large enterprises (Leutkenhorst, 2004) consequently; they have contributed significantly to the provision of productive employment opportunities, the generation of income and, eventually, the reduction of poverty (Jasra et al. 2011)[8].

Digitization and other technological development have significant positive impact on the overall production process of any sector. Studies by Dasgupta and Singh (2005); Goldar and Mitra (2008) and Joshi (2007) attempt to understand whether there exist any such relationship between the growth of manufacturing sector and ITES. Chanda (2002) finds that technological development leads to more demand for manpower and in turns growth of ITES in India. Joshi (2009b) suggests that due to ICT development many non-tradable services become tradable nowadays. Johannes (2015) supports that technological development, servicification of manufacturing and global values; and demand for service with rising income are the drivers for the global trade in services. MSMEs are the vehicle for sustainable and financial development for any economy. Information transparency is one of the important factors for banks to extend SME credit (Morris *et al.*, 2001; Das, 2007). Lack of information transparency is the major reason for banks to deny SME loan to Indian SMEs. Further study by Petersen and Rajan (2002); Berger *et al.* (2005a); Frame *et al.* (2001) and Frame and Woosley (2004) confirm that information transparency and credit scoring enhances the SME financing by banks. Bhattacharya *et al.* (2000) argued that low profitability, low capitalization, assets deficiency and high-risk are also the reasons for banks not extending finance to MSME [7]. Indian MSMEs are facing major difficulties with ‘access to finance’. Advancement in IT and ITES are helping in reducing the financial barriers for MSME and thereby increasing the performance of the MSME sectors. High-performance of MSME sector contributes significantly to the growth of trade.

3. Objectives of the Study:

The major objectives of the present paper are the following:

- ❖ The conceptual and infrastructural framework of MSMEs
- ❖ The Growth and performance of MSME sector in India in recent time,
- ❖ The contribution of the MSME sector in investment & export promotion.
- ❖ The magnitude of employment generated by the MSMEs
- ❖ Contribution of Digital MSMEs
- ❖ The various challenges and policy initiatives associated with MSMEs in India.

4. Data Source: This paper is based on secondary data from different annual labour survey reports, NSSO, CSO data, Economic census, journals, and articles and reputed books and Web-sites etc.

4.1 Analysis and Interpretation:

4.2 Concept of MSME:

With the enactment of the MSMED Act 2006, the organization has been renamed as Micro, Small and Medium Enterprises-Development Organisation (MSME-DO) with the wider mandate of promotion and development of MSME sectors. MSME-DO provides a wide spectrum of services to the small industries sector, now enlarged to include all enterprises, excluding the larger ones [4]. According to the Act, 2006 the Micro, Small and Medium Enterprises are classified into two classes.

Manufacturing Enterprises: The Enterprises engaged in the manufacturing or production, processing or preservation of goods comes under manufacturing enterprises.

Service Enterprises: The Enterprises engaged in providing or rendering of services and are defined in terms of investment in equipments.

The limit of investment in both the enterprises are specified below

Table 1

Manufacturing Sector

Enterprises	Limits of Investment in plant & machinery
Micro	Up to ₹ 25 lakhs
Small	More than ₹ 25 lakhs but not exceeding ₹ 5 crores
Medium	More than ₹ 5 crores but not more than ₹ 10 crores

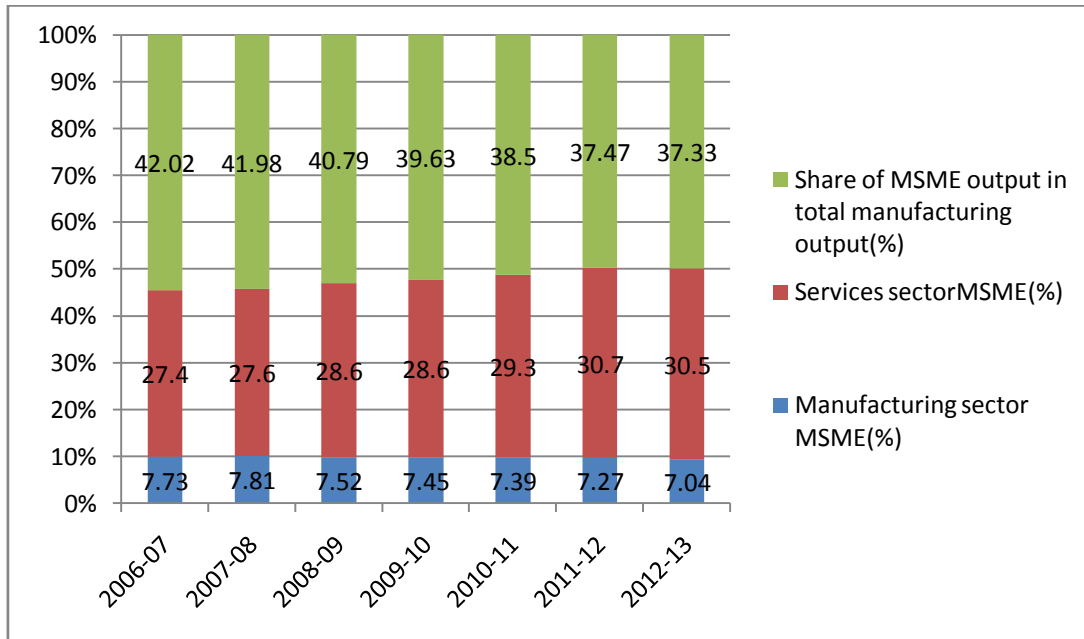
TABLE 2

Service Sector

Enterprises	Limits of Investment in equipments
Micro	Up to ₹ 10 lakhs
Small	More than ₹ 10 lakhs but not exceeding ₹ 2 crores
Medium	More than ₹ 2 crores but not more than ₹ 5 crores

The increased globalization of the Indian economy, MSME sector is facing new challenges. MSME-DO has recognised the changed environment and is currently focusing on providing support in the fields of credit, marketing, technology and infrastructure to MSMEs. Global trends and national developments have transformed MSME-DO’s role into that of a catalyst of growth of small enterprises in the country. [6]

Figure1: Share of MSME sector in total GDP (%)



Source: a) 4th All India Census of MSME 2006-07

b) Annual Survey of Industries (2014), CSO, MOSPI

4.3 Role of MSME in ‘Make in India’

The MSME sector holds the key to economic prosperity in India which are characterized by an abundant labour supply, unemployment and underemployment, capital scarcity, a growing modern large industrial sector providing scope for ancillarisation, and so on. In India, MSMEs constitute nearly 94% of industrial enterprises. There are more than 440 lakh (4.4 million) MSME units in India with a gross output of more than Rs. 18 lakh crore (Table 3).

Table 3. No. of MSME Units with Gross Output

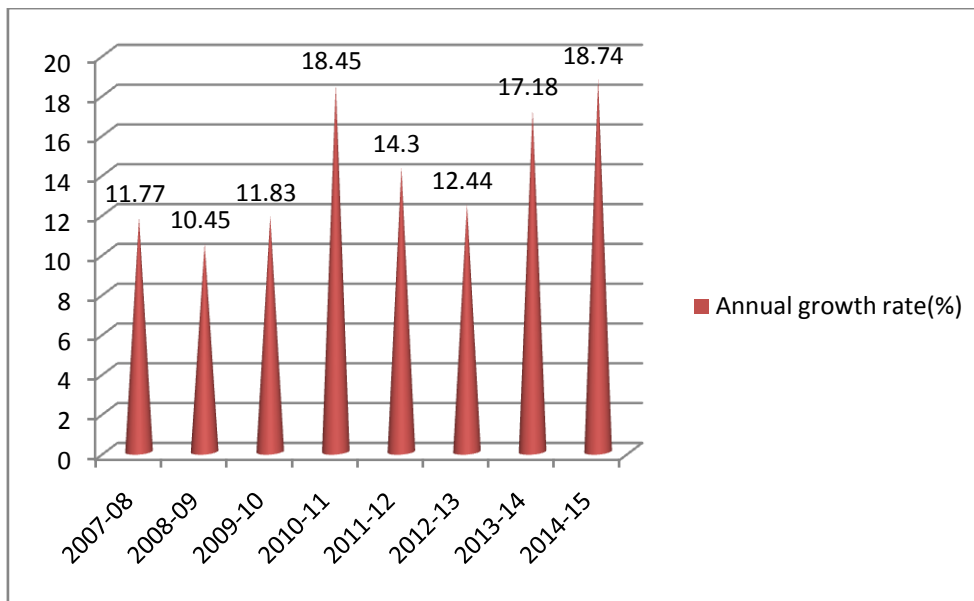
Year	Total MSME units (in lakh)	Gross output(in crore)
2006-07	361.76	13,51,383.45
2007-08	377.37	14,35,179.26
2008-09	393.70	15,24,234.83
2009-10	410.82	16,19,355.53
2010-11	428.77	17,21,553.42
2011-12	447.73	18,34,332.05

Source: MSME Annual Report 2012–2013[10].

4.4 Size, Nature of activity, Type of organization, Type of Management /Ownership Enterprises:

MSME has shown constant growth rate around 11% every year till 2010-11. The highest growth in recent time was recorded during 2011-12(18.45%) where as during 2012-13and 2013-14 growth rate was around 14% and 12% respectively. But it jumped to 17% in 2014-15. However, recent data for 2015 shown impressive growth of 18.74% [11]

Figure2: Annual Growth Rate MSME Sector (%)

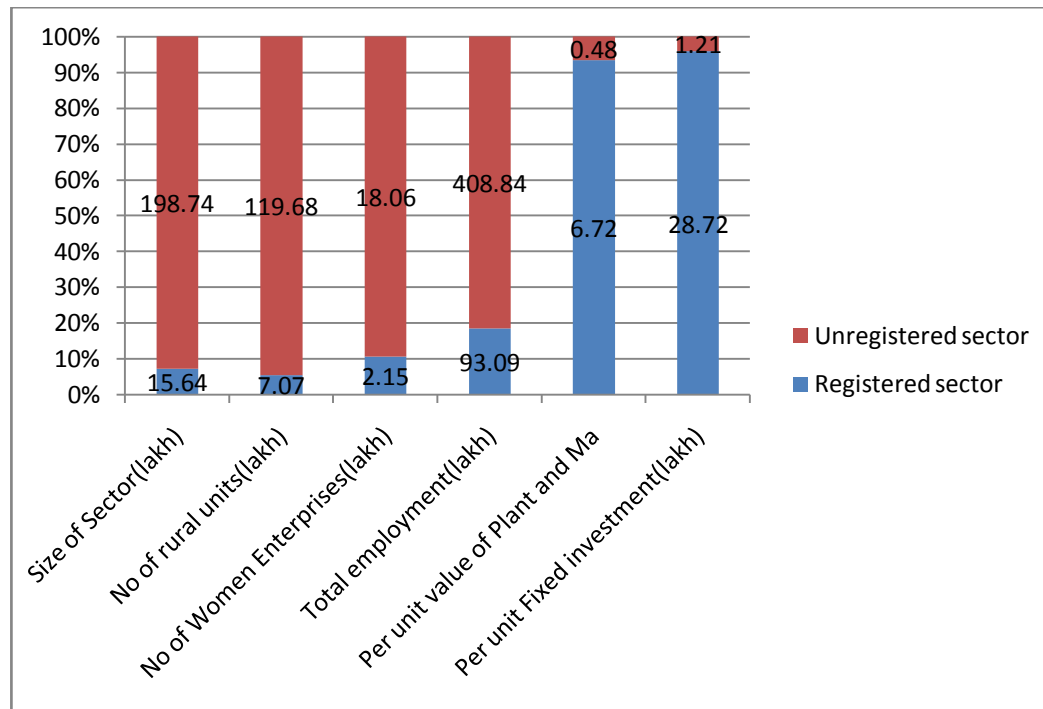


Source: 4th census of MSME (2015-16)

The latest Census conducted was Fourth All India Census of MSME with reference year 2006-07 covering both Registered and Unregistered Sectors. The result made use of Economic census (2005) conducted by central statistical organization (CSO).

Table 4: Fourth All India Census of MSME (2006-07)

Sl No.	Characteristics	Registered sector	Unregistered sector	Economic census-2005	Total
1	Size of Sector(in Lakh)	15.64	198.74	147.38	361.76
2	No. of rural units(in Lakh)	7.07 (45.02%)	119.68 (60.22%)	73.43 (49.82%)	200.18 (55.34%)
3	No. of Women Enterprises(in Lakh)	2.15 (13.72%)	18.06 (9.09%)	6.40 (4.34%)	269.61 (7.36%)
4	Total Employment(in Lakh)	93.09	408.84	303.31	805.24
5	Per unit Employment	5.95	2.06	2.06	2.23
6	Per unit original value of plant & Machinery(in Lakh)	6.72	0.48	-	-
7	Per unit Fixed Investment	28.72	1.21	-	-



Source: Compounded from Table2

1. Size of the MSME Sector:

Table 5a. Size of the Registered MSME Sector

Characteristics	Micro	Small	Medium	Total
Manufacturing (%)	95.05	4.74	0.21	100.00
Repairing & Maintenance (%)	94.16	5.57	0.27	66.67
Services (%)	96.85	3.08	0.08	33.33

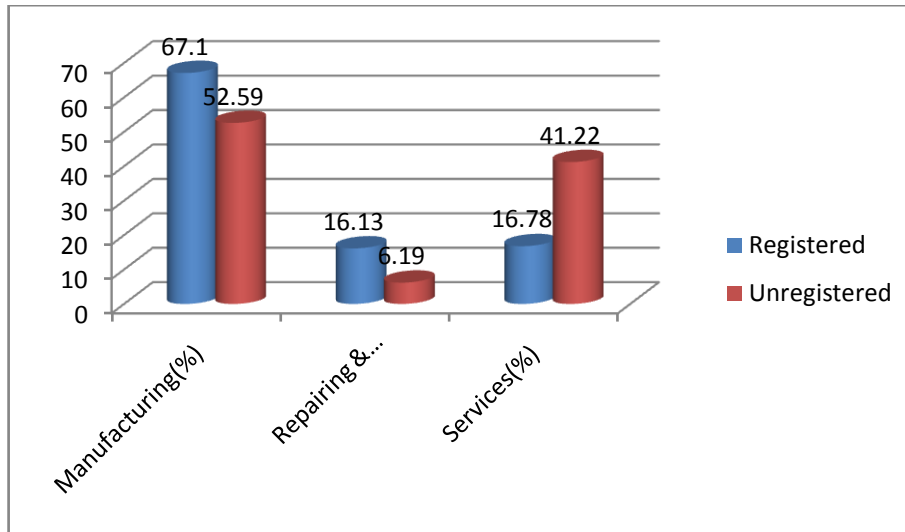
Source: Government of India Ministry of Micro, small & Medium Enterprises, Annual Report 2009-10

Table 5b. Size of the Unregistered MSME Sector

Characteristics	Number	Percentage
Size of the Sector(Lakh)	198.74	-
Number of Rural Units(Lakh)	119.69	60.22
Number of Urban Units(Lakh)	79.05	39.78
Enterprises(Lakh)		
a) Micro Enterprises	198.39	99.83
b) Small Enterprises	0.35	0.17

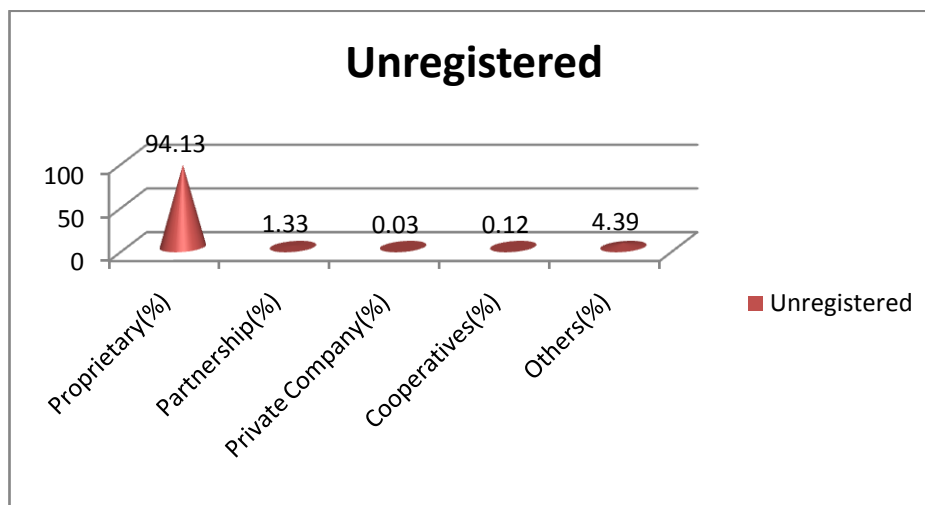
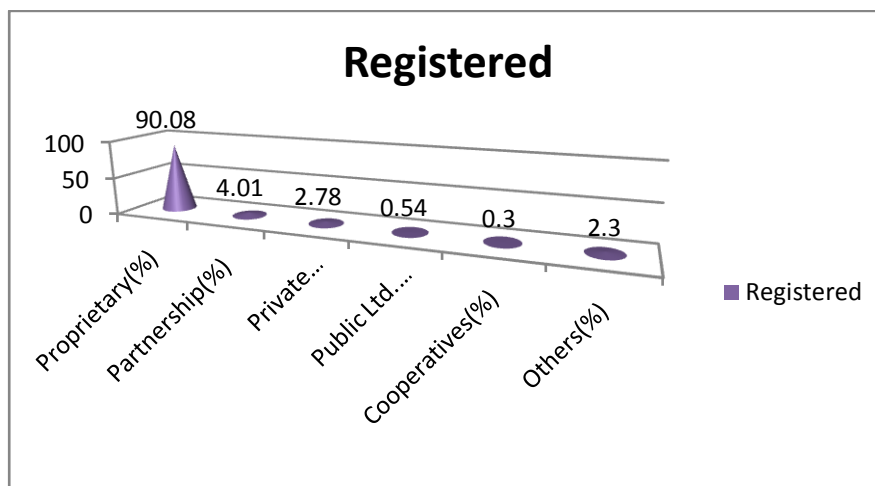
Source: 4th All India Census Report on MSME

2. Nature of Activity:



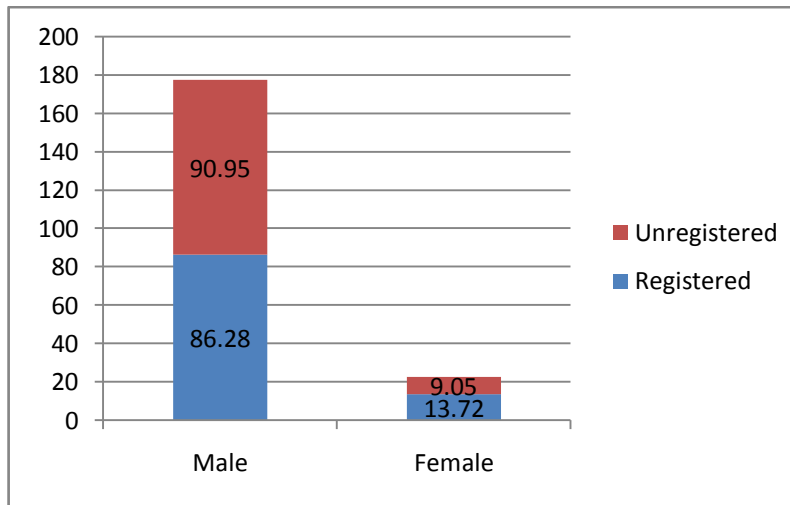
Source: Govt of India MSME annual Report 2010-11 and 4th All India census of MSME

3. Type of Organization:



Source: Govt of India MSME annual Report 2010-11 and 4th All India census of MSME

4. Type of Management / Ownership Enterprises:

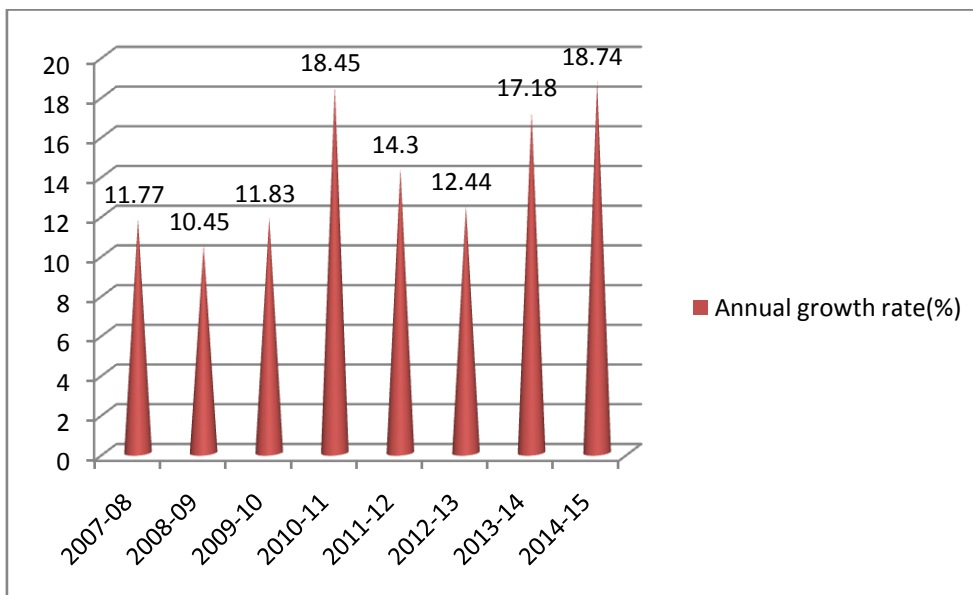


Source: Govt of India MSME annual Report 2010-11 and 4th All India census of MSME [17]

4.6 Growth and Performance of Micro, Small and Medium Enterprises (MSMEs)

MSME has shown constant growth rate around 11% every year till 2010-11. The highest growth in recent time was recorded during 2011-12(18.45%) where as during 2012-13and 2013-14 growth rate was around 14% and 12% respectively. But it jumped to 17% in 2014-15. However, for 2015 shown impressive growth of 18.74% [11]

Figure2: Annual Growth Rate MSME Sector (%)



Source: 4th census of MSME (2015-16)

The Micro, Small and Medium Enterprises (MSMEs) have witnessed the highest growth rate in manufacturing sector employment in recent years. The estimated trends in regards to

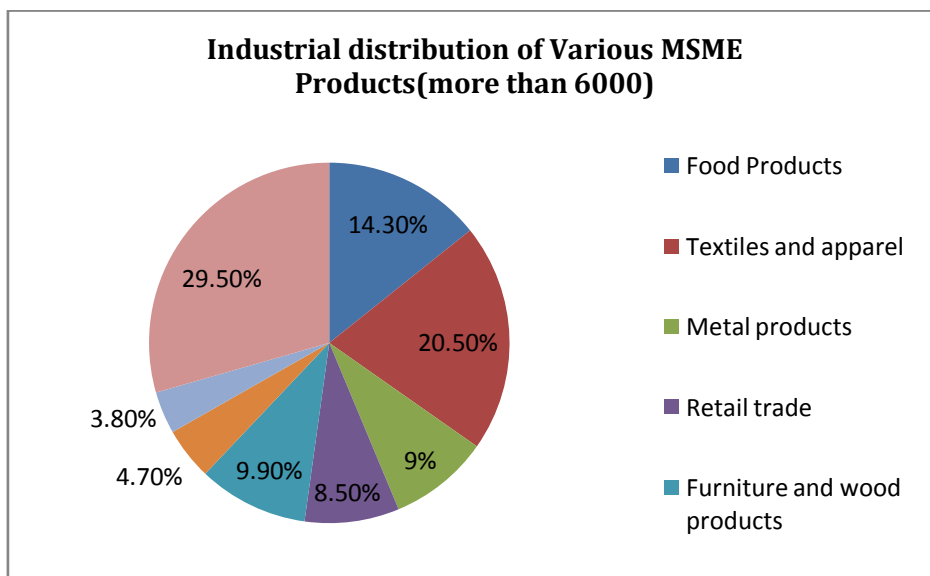
performance of MSME sector with respect to Total Working Enterprises, Employment generation and Market Value of Fixed assets are as follows: [20]

Table 5: Performance of MSME employment and Investments:

Sl no.	year	Total Working Enterprises(in lakh)	Employment(in Lakh)	Market value of Fixed assets(in crore)
1	2006-07	361.76	805.23	868,543.79
2	2007-08	377.36	842	920,459.84
3	2008-09	393.7	880.84	977,114.72
4	2009-10	410.8	921.79	1,038,546.08
5	2010-11*	428.73	965.15	1,105,934.09
6	2011-12*	447.64	1,011.69	1,182,757.64
7	2012-13*	467.54	1,061.40	1,268,763.67
8	2013-14*	488.46	1,114.29	1,363,700.54
9	2014-15*	510.57	1,171.32	1,471,912.94

*projected (MSME Annual Report of 2015-16)[11].

4.6 Contribution to Industrial Production and Export: MSME are at present, operating in wide variety of sectors such as manufacturing, trade and services and there by constitute a formidable component of country’s industrial production. Over the year MSME reached at a level on the optimum utilization of available domestic resources and produces quality products and services. The sector account for more than 90 of the percent Industrial units in India and it has been increasing impressively for last many years. MSME had an impact on various issues of the economy such as industrial progress, entrepreneurship, job creation, economic empowerment etc. MSME made possible an inclusive and balanced growth. Around 50% MSME are owned by rural people and hence increases the standard of living of people [11]. There are over 6,000 products ranging from traditional to high-tech items, which are being manufactured by the MSME’s in India. The sector also offers maximum opportunities for both self-employment and jobs in India, after the agriculture sector [20].

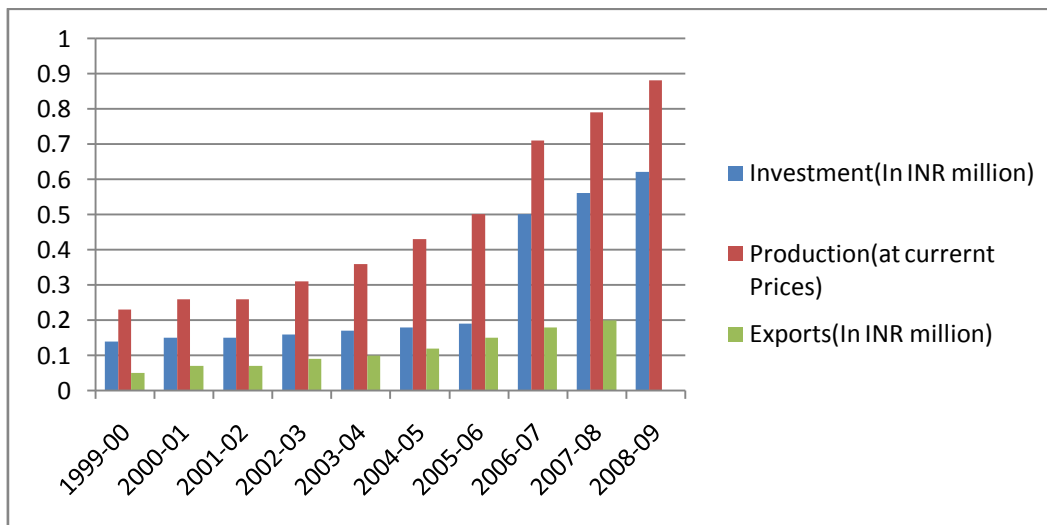


Source: Annual Report FY12, Ministry of Micro Small and Medium Enterprises, Government of India [20].

4.7 MSMEs: the real engines of growth:

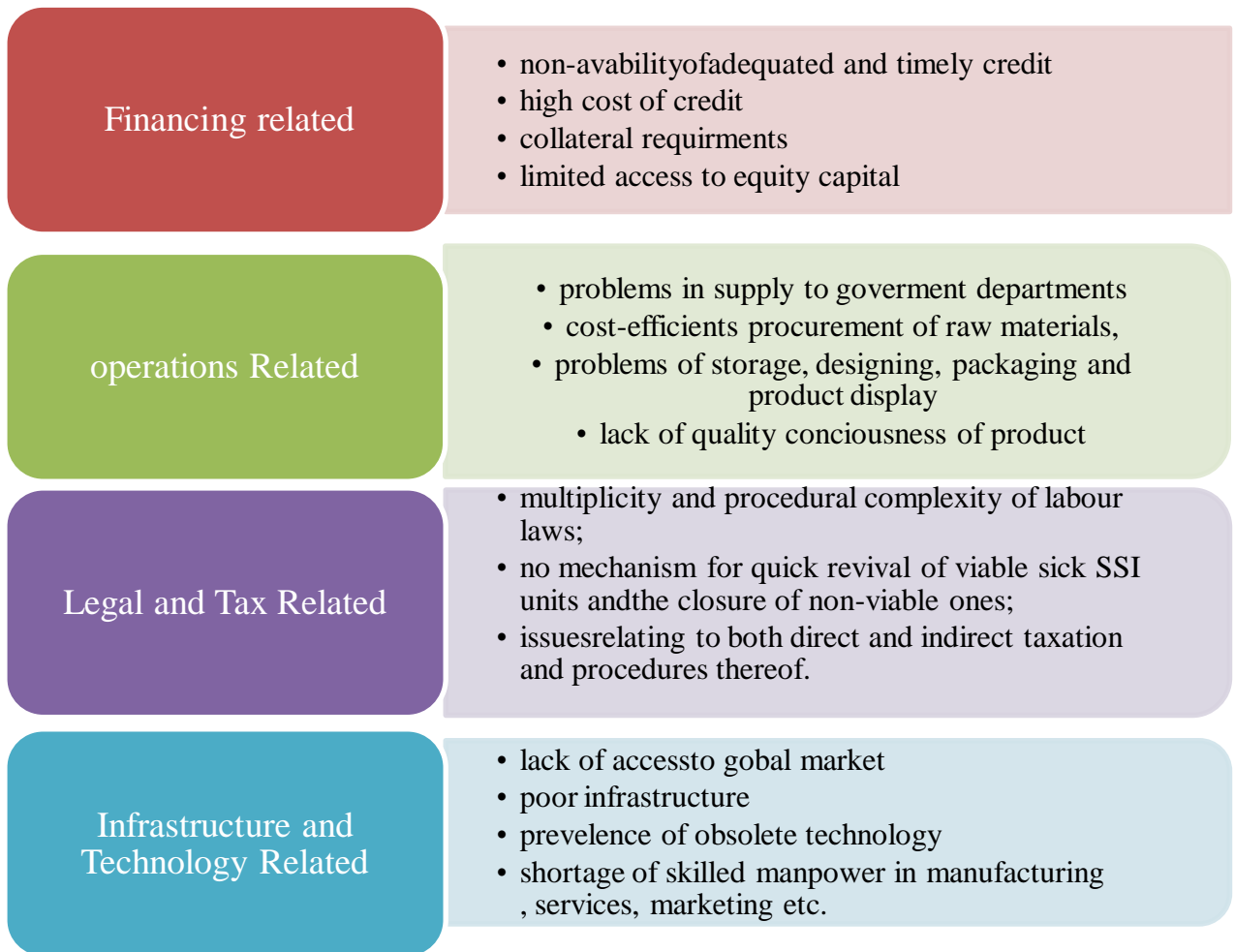
Micro, Small and Medium Enterprises (MSMEs) contributes 8 per cent to the country’s GDP, 45 per cent to the manufactured output and 40 per cent to the country’s exports. It provides employment to 60 million people through 28.5 million enterprises. According to a survey reports, exports from these enterprises have been on the rise, despite increased cost of raw materials, sluggish global demand and stiff international competition. MSMEs constitute over 90 per cent of total enterprises in most of the economies and are credited with generating high rates of employment and account for a major share of industrial production and exports. With its agility and dynamism this sector has shown admirable innovativeness and adaptability to survive the recent economic downturn and recession and is likely to have a multiplier impact on economic growth. Apart from providing the support to the large industries, MSMEs have played an important role in the development of States in terms of the employment generation. More than 55 per cent of these enterprises are located in six major States of the country, namely, Uttar Pradesh, Maharashtra, Tamil Nadu, West Bengal, Andhra Pradesh and Karnataka. The MSME sector has slowly come into the limelight, with increased focus from the government and other government institutions, corporate bodies and banks. Policy based changes; investments into this sector; globalisation and India’s robust economic growth have opened up several latent business opportunities for this sector [13]

Figure 5: Investment, Production, and Exports in MSME sector:



Source: Grant Thornton International Business Report (IBR), 2011

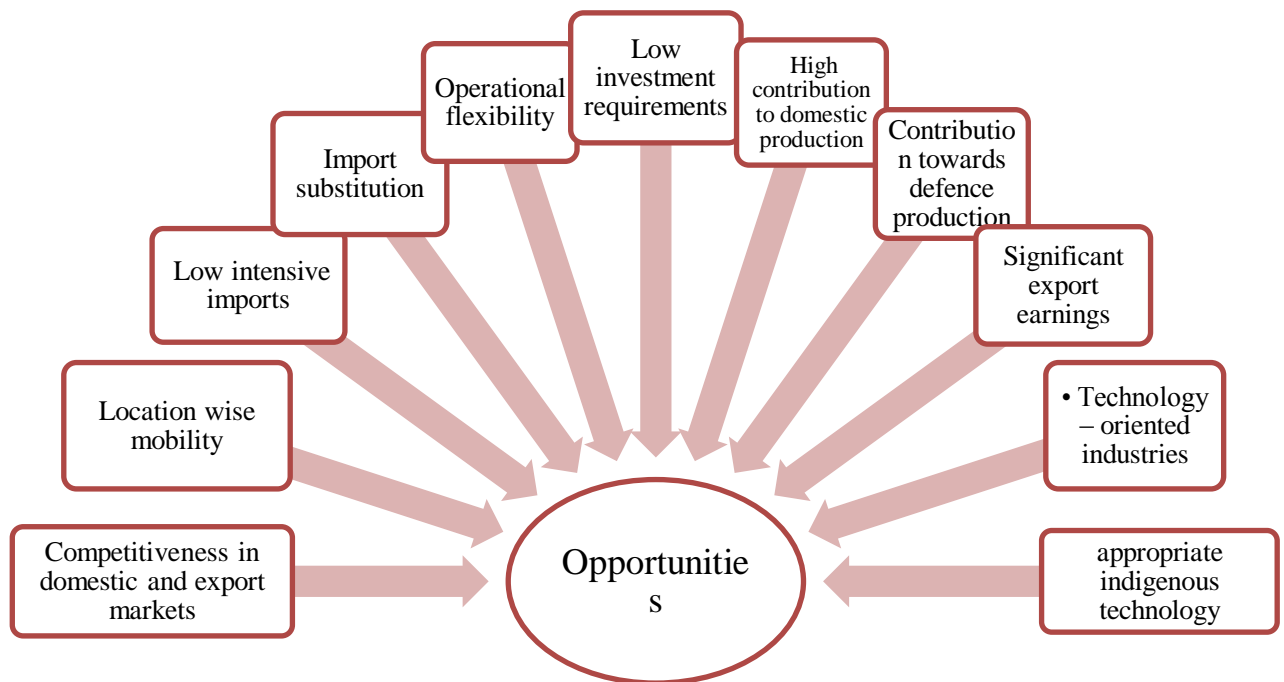
5. Major problems/ Challenges faced by MSMEs in India: Despite the sector’s strategic importance in overall industrialisation strategy and employment generation, as well as the opportunities that the Indian landscape presents, the MSME sector confronts several challenges. Technological obsolescence and financing problems have been associated with this sector since long. Also constraints such as high cost of credit, low access to new technology, poor adaptability to changing trends, lack of access to international markets, lack of skilled manpower, inadequate infrastructure facilities, including power, water, roads, etc., and regulatory issues related to taxation (state-central), labour laws, environmental issues etc. are also linked with its growth process[13].



Source: CH-PwC Report (March 2013); Financing for MSMEs; www.pwc.com/india[25]

5.1 Opportunities:

The post liberalization era in the Indian economy has enhanced opportunities and challenges for the small industries sector. The following factors – strengths coupled with opportunities work in favour of Indian MSMEs.



By the very nature of their operations, industrial units in the **small-scale sector enjoy certain inherent advantages over their larger counterparts**. The free economy ushers in accessibility to bigger markets, greater linkages for MSMEs with larger companies and marketing outfits, improved manufacturing techniques and processes. Various measures adopted by Government of India, Reserve Bank of India and SIDBI have attempted to alleviate the problems of SME sectors. These initiatives coupled with other developments in the economic environment will enhance the prospects of SMEs. [19]

6. Policy Initiatives: The Government realises the importance of MSMEs as the seedbeds of latent entrepreneurial talent, its significance in employment generation and its contribution in the inclusive growth of the country. There are various policies, support measures and institutions established for promotion and development of MSMEs. Some of them have been listed below (EXIM Bank of India [21].

Technological support:	Entrepreneurship Development Support	Marketing Support	Financial Support	Protection policies
<p>Policy guidelines have been issued by MSME ministry for technological support of MSMEs through:-</p> <ul style="list-style-type: none"> ❖ programmes like National Manufacturing Competitive ness Programme (NMCP) ❖ organisations like KVIC (Khadi Village Industries Commission) ❖ NSIC (National Small Industries Corporation limited) 	<ul style="list-style-type: none"> ❖ Industrial Motivation Campaigns(IMCs) ❖ Entrepreneurship Development Programmes (EDPs) ❖ Entrepreneurship Skill Development (ESDPs) ❖ Management Development Programmes (MDPs) ❖ Business Skill Development Programme (Tailor made Course) ❖ Entrepreneur-cum-Skill Development Programme (ESDP) on Biotechnology ❖ Small Industry Clusters Development Programme (SICDP) 	<p>Provisions by DC (MSME):-</p> <ul style="list-style-type: none"> ❖ Marketing Development Assistance scheme ❖ For exposure in the international market <p>To explore the possible export opportunities for their products by exhibiting them through participation in International Trade Fairs under MSME-India umbrella.</p> <ul style="list-style-type: none"> ❖ Export Promotion Council (EPC) o Market Development Assistance (MDA) ❖ Market Access Initiative (MAI) ❖ Vendor Development Programmes ((VDPs) 	<p>Small Industries Development Bank of India (SIDBI) provides refinance (against the loans granted to small-scale sector) to</p> <ul style="list-style-type: none"> ❖ State Financial Corporation (SFCs) ❖ State Industrial Development Corporations (SIDCs) ❖ Commercial Banks <p>Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)</p> <ul style="list-style-type: none"> ❖ Credit Linked Capital Subsidy Scheme (Technology Upgradation) ❖ SIDBI Venture Capital Fund Ltd (SVCL) ❖ SME Rating Agency of India Ltd (SMERA) ❖ Indian SME Asset Reconstruction Company Ltd <p>National Small Industries Corporation (NSIC)</p> <ul style="list-style-type: none"> ❖ raw material assistance scheme ❖ NSIC has entered into strategic alliances with commercial banks to facilitate long term /working capital financing of the small enterprises across the country ❖ Arrangement with Export Credit Guarantee Corporation of India, through which it facilitates export credit insurance for SMEs <ul style="list-style-type: none"> • State Finance Corporations (SFCs) • Exchange platforms by <ul style="list-style-type: none"> ❖ National Stock Exchange (NSE) ❖ Bombay Stock Exchange (BSE) 	<p>Policy protection measures or reservation of few items for production by MSMEs had been undertaken to serve twin objectives of promoting production of consumer good on a small scale and increase employment opportunities through setting up of MSMEs (Ministry of MSMEs).[2 1]</p>

7. 12th Plan for MSME Growth: The 12th Five Year Plan (2012-2017) has made some important recommendations to make MSME sector a vital part in the country’s growth story. The sector is a blend of tradition and modern, with informal sector enterprises at the bottom of ‘**MSME Pyramid**’. The process of liberalization and global market integration has opened up wide opportunities for the sector, as also new challenges. The new ambitious National Manufacturing Policy, which aims to make India a manufacturing hub and increase the sectoral share of

manufacturing in GDP to 25 per cent in the next decade from the present level of 15-16 per cent, requires substantial support from MSME sector and quantum jump in the growth rate of MSME sector from the existing level of 12-13 % per annum. This necessitates convergence of efforts and resources. The key issue is of capacity building of Small Business Service providers to become efficient and pro-active agents of change. This requires convergence of **Sound Macro-economic policies**, Seamless Institutional Structures, Outcome based performance indicators; Performance based funding, Good Governance - Transparency and Accountability Systems, Independent Monitoring and Evaluation, Effective participation by target beneficiaries.

The Working Group has pointed out the following issues that obstruct rapid growth of MSMEs: **Regulation, Technology, Credit & Finance, Orthodox Marketing, Skills, Dated Institutional Framework, Advocacy and Empowerment, Transparency**. The Group recommends that during the 12th Plan period, modular industrial estates with plug and play facilities in the respective areas may be launched as pilot projects. [23]

8. Making Inclusive Growth:

Mahatma Gandhi emphasized the idea of "Primary of Labour in Social System as well as in the process of production. To him, labour was the source of wealth. Perhaps, this was the logic that" rich cannot accumulate the wealth without the co-operation of the poor in society" [26]. The MSME sector is a microcosm of all vulnerabilities –it touches upon the lives of Women, Children, Minorities, SCs and STs in the Village. In the urban slums and in the deprived pockets of flourishing towns and cities. For many families, it is the only source of livelihood. For others, it supplements the family income. Thus, instead of taking a welfare approach, this sector seeks to empower people to break the cycle of poverty and deprivation. It focuses on people's skill and agency. Different segments of the MSME sector are dominated by different social groups. Women are mostly found in the unregistered sector –food processing enterprises, manufacturing enterprises and weaving- and often work part time in the family enterprises. Women and small children roll *bidis*, make *agarbattis*, and do *zari* and sequin work for meagre wages. Large number of Muslims is found in the unorganised weaving sector and in power looms.[16] Small Industries Development Bank of India (SIDBI) lead the policy advocacy efforts for Financial Inclusion in India. This support is part of Poorest State Inclusive Growth (PSIG) programme- a technical assistance programme which aims to improve access to financial services [27].

9. "Digital MSME" Scheme for promotion of Information & Communication Technology in MSME Sector. The Government has decided to implement "Digital MSME" Scheme for promotion of Information & Communication Technology in MSME Sector with a total budget of Rs. 85.705 Crore (including Government of India contribution of Rs. 58.105 Crore) during 2017-18 to 2019-20. The scheme envisages promotion of ICT applications to make them "Digital" by adopting new approach of Cloud Computing with following objectives: (i) To sensitize and encourage MSMEs towards new approach i.e., Cloud Computing for ICT adoption in their production and business processes with a view to improve their competitiveness in National and International Market. (ii) Adoption of best practices to improve quality of products and services. (iii) To benefit large number of MSMEs in terms of standardizing their business processes, improvement in productivity through Cloud Computing by reducing the burden of investment on Hardware, Software and Infrastructural Activities using Cloud Platform.

10. Major Activities under the Scheme:

Awareness Programmes & Workshop:

- ✚ Awareness Programme aims to create awareness amongst MSMEs about the benefit of implementing ICT applications in their enterprises. The objective of workshop is to have interaction amongst various stakeholders involving Industry Associations etc.
- ✚ **Cloud Computing:** To encourage MSMEs to use Cloud Computing for ICT applications. Cloud Computing services will be provided in 3 categories:
 - ✚ With subsidy- Maximum subsidy of Rs. 1 Lakh per unit over a period of 2 years to Micro and Small Enterprises. (ii) Without subsidy - Services through Cloud at ultra low cost to desirous Micro, Small & Medium Enterprises. (iii) Market cost - Services through Cloud at Market cost to desirous Micro, Small & Medium Enterprises.
- ✚ **Publicity, Branding and Mobilization:**

To publicize and mobilize the scheme amongst MSMEs, various activities like Hoarding/ Permanent Display, Media Campaign, Documentary/ Short Films, preparing Book of Knowledge on ICT etc. will be undertaken.

✚ Miscellaneous Expenses:

Under the head, expenses towards Project related travel, admin expenses, prompting of guidelines, purchase of office automation equipments, hiring of consultants etc. may be incurred.

Implementation of Arrangements:

The core component of the scheme i.e. Cloud Computing will be implemented by Telecommunications Consultants India Ltd. (TCIL) who has been nominated as Implementing Agency (IA). IA will be responsible for facilitating, implementation and monitoring of Cloud Computing Services. (ii) IA will empanel various Cloud Service Providers by executing a Service Level Agreement (SLA) incorporating issues like security and privacy of data of MSMEs, location of data storage, location of mirror of data, vendor locking terms and conditions etc. (iii) TCIL will develop a portal which shall display the list of Cloud Computing Service Providers (CCSPs) along with their services, charges, comparative cost of similar applications, features and specifications of the services, workflow to avail the services etc. Portal will be suitably hyperlinked with the portal of CCSPs and shall be linked to payment gateways. (iv) MSMEs initially will make full payment to Cloud Service Providers. Subsidy as per guidelines will be disbursed to TCIL who in turn will transfer it in the account of MSMEs through DBT route. [24]

Highlight of Good Governance Initiatives:

MSME has taken many initiatives for bringing transparency, accountability and responsiveness in governance processes.

- (i) ISO 9001:2008 certification for quality management processes and procedure as per current global standards.
- (ii) Interactive and updated website
- (iii) Paperless office environment: Now over 573 files and over 4000 transaction initiated. Many sections like Coir, SME, EDI, and IC already digitized over 95%.
- (iv) Social Media interaction with various stakeholders on Face book.
- (v) A national portal for Filing of EM by MSME entrepreneurs.

- (vi) Streamlining of schemes and putting them together for easy access has improved service delivery.
- (vii) National Data-base of training and trainees has emerged as single point of interaction of job seekers and job providers. Job Portal is fast emerging as a tool for improving public service delivery and responsiveness of field functionaries.
- (viii) Public Grievance Management system and RTI responsiveness are areas of further improvement.

10. Conclusion:

Undoubtedly, the MSME sector has the huge potential to contribute in the course of time to making India a 20 trillion dollar economy. But in order to unleash the growth potential of this sector, there are some stark issues and challenges which need to be resolved first. Despite various incentives and facilities being provided to Indian MSMEs, they are losing their economic strength and emanating signals of large-scale sickness. Thus, more efforts are needed for reviving and promoting the Indian MSME sector. **The efficiency and competitiveness of this sector can be improved through continuous technology innovation; quality improvement; easy access to finance; diversification into new markets; better infrastructural facilities; and upgrading skills.** Thus, addressing only the financing constraints in isolation is not enough. There is an urgent need to build the capacity of MSMEs through associations or cooperatives to enable the bulk purchasing of material inputs and outputs. It is also necessary to encourage and promote market linkages between large and small producers and between markets thus expanding both local and foreign opportunities for MSMEs. Indian MSMEs produce a wide range of products and services - from a simple consumable to highly sophisticated industrial products; life-saving drugs, indigenous wellness packages, IT services, agro products and many more. Most importantly, facilitation from the Government is required to minimise the transaction costs of technology upgrades, market penetration, modernisation of infrastructure etc. A proper thrust, supportive policies and transparent systems will increase its competitiveness. Translating a paper policy into an actionable agenda at the grass-root has always been a problem in India. This clearly indicated that the policies and benefits have not reached the MSME operators. They are at large, operating with short-term focus, plagued with fear and distrust that the systems are unsupportive. The current perception may not kindle a progressive change at micro-organisational or at macro MSME sector level.[22] History shows that only with persistent and effective Government support in these areas were the MSMEs of countries like Japan, Korea etc. able to emerge as global players. [10]

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