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Mains Answer Writing Program
for **BPSC 67**

INDIAN ECONOMY

22. What are the sectoral contribution of MSME sector in Indian economy? How far the Atma Nirbhar Bharat can help the MSME sector?

भारतीय अर्थव्यवस्था में सूक्ष्म, लघु और मध्यम उद्यमक्षेत्र का क्षेत्रीय योगदान क्या है? आत्म निर्भर भारत सूक्ष्म, लघु और मध्यम उद्यम क्षेत्र की कितनी मदद कर सकता है?

REG. OFFICE: 103, KUMAR TOWER, BORING RD. CROSSING, PATNA

9031036700 / 9031036701

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22. What are the sectoral contribution and trends of MSME sector in Indian economy? How far the Atma Nirbhar Bharat can help the MSME sector?

Introduction : MSME stands for Micro, Small, and Medium Enterprise that was introduced by the Government of India in agreement with the Micro, Small & Medium Enterprises Development (MSMED) Act, 2006.

MSME sector is considered the backbone of the Indian economy that has contributed substantially to the socio-economic development of the nation.

As per the official data as of 31st Aug 2021, there are approximately 6.3 crore MSMEs in India. With around 63.4 million units throughout the geographical expanse of the country, MSMEs contribute around 6.11% of the manufacturing GDP and 24.63% of the GDP from service activities as well as 33.4% of India's manufacturing output.

Sectoral contribution of MSME sector in Indian economy:

1. MSMEs as providers of technical and vocational education.

MSMEs, through work-based learning programmes (e.g. apprenticeship, career education and internship), could become informal educational service providers, and share technical and competency skills required by employers.

2. MSMEs are bridging the healthcare gap

They are providing better-quality healthcare services and the provision of a wider range of basic laboratory and imaging services. Further, MSMEs are progressively taking the leading role as innovators of low-cost, high-volume delivery models, driven by increased competition for the same customer base.

3. Inclusive finance can bridge the gender gap.

- Financial inclusion can be a particularly powerful driver of gender equality.
- Eighty percent of women-owned MSME with credit needs are either unserved or underserved, a US \$1.7 trillion financing gap.
- 49 Women entrepreneurs, particularly those from rural poor communities, are often disadvantaged in growing their businesses, lacking land deeds and/or collateral needed to access formal sources of credit.
- Evidence shows that women are stronger savers than men, more responsible borrowers and calculated risk-takers.
- According to the Bank of New York Mellon, increasing women's access to financial products and services could unlock \$330 billion in annual global revenue.
- Financial institutions, therefore, need to be incentivized to cater to women entrepreneurs. A good example is Women's World Banking Capital Partners Fund, which is a private equity limited partnership that makes direct equity investments in women- focused financial institutions.

4. Agricultural and food supply chain MSMEs can conserve water.

- The agriculture sector is by far the largest user of freshwater, accounting for nearly 70 percent of global water withdrawals. 62 MSMEs active in the agricultural value chain can contribute to water savings by increasing productivity of food crops, improving water management practices and technologies, implementing sustainable agricultural practices, and growing fewer water-intensive crops.

Trends of MSME in India:

- As per the National Sample Survey (NSS) 73rd-round, conducted by National Sample Survey Office, Ministry of Statistics & Programme Implementation during the period 2015-16, there were 633.88 lakh unincorporated non-agriculture MSMEs in the country engaged in different economic activities (196.65 lakh in Manufacturing, 0.03 lakh in Non-captive Electricity Generation and Transmission, 230.35 lakh in Trade and 206.85 lakh in Other Services).
- Micro sector with 630.52 lakh estimated enterprises accounts for more than 99% of total estimated number of MSMEs. Small sector with 3.31 lakh and Medium sector with 0.05 lakh estimated MSMEs accounted for 0.52% and 0.01% of total estimated MSMEs, respectively. Out of 633.88 estimated number of MSMEs, 324.88 lakh MSMEs (51.25%) are in rural area and 309 lakh MSMEs (48.75%) are in the urban areas.
- As per the National Sample Survey (NSS) 73rd round conducted during the period 2015-16, MSME sector has been creating 11.10 crore jobs (360.41 lakh in Manufacturing, 0.07 lakh in Non-captive Electricity Generation and Transmission, 387.18 lakh in Trade and 362.82 lakh in Other Services) in the rural and the urban areas across the country.

- Out of 1109.89 lakh employees in MSME sector, 844.68 (76%) are male employees and remaining 264.92 lakh (24%) are female. State of Uttar Pradesh had the largest number of estimated MSMEs with a share of 14.20% of MSMEs in the country. Top 10 States accounted for a share of 74.05% of the total estimated number of MSMEs in the country.
- MSMEs are facing several challenges, such as -
 - a) lack of strict regulatory standards
 - b) lack of resources to hire professionals with skills to manage the operational inefficiencies.
 - c) lack of infrastructure
 - d) lack of standardized policies
 - e) technical changes
 - f) lack of innovation and low productivity

Government Initiatives:

- Government of India will provide a support of Rs. 4,000 Cr. to Credit Guarantee Trust for Micro and Small Enterprise.
- On 13th May 2020, Hon'ble Finance Minister announce a Fund of Fund for MSME Scheme, this will infuse Rs. 50,000 crore for MSMEs as Equity for MSME.
- This will establish a framework to help MSMEs in capacity augmentation. This will also provide an opportunity for MSMEs to get listed in stock exchanges.

Capital Formation in Start-ups

- Returns of investment in unlisted enterprises registered under the Companies Act may be made tax free after one year of investment, as is permitted for listed companies.
- This would encourage both individual and institutional investors to provide equity contribution to MSME-start-up companies and meet their non-debt capital requirements.

SPECIAL MEASURE UNDER ATMANIRBHAR BHARAT ABHIYAAN

- The aim of the Atmanirbhar Bharat Abhiyan is to make the country and its citizens independent and self-reliant in all senses.
- In the aftermath of COVID-19 pandemic, Hon'ble Prime Minister was quick to recognize the role of MSMEs in building the Nation. As such, MSMEs formed a very prominent part of the announcements made under the Atmanirbhar Bharat Abhiyaan.
- **Production-Linked Incentive (PLI) Scheme** in 10 key sectors for Enhancing India's Manufacturing Capabilities and Enhancing Exports.

The Five pillars of Atmanirbhar Bharat focus on:

1. Economy
2. Infrastructure
3. System
4. Vibrant Demography and
5. Demand

By focusing on these 5 pillars atma nirbhar bharat can promote MSME sectors by increasing job opportunities for people and growth in Indian economy

1. When there is a global tender for government procurement, the Indian MSMEs and companies were not able to withstand the pressure of unfair competition from foreign companies. This led to the discouragement of domestic companies and MSMEs. To remove this unfair competition, the government decided to disallow global tenders in government procurement tenders up to Rs.200 crore.
2. This move leads to Self-Reliant India (Aatmanirbhar Bharat) and supports the Make in India initiative. This will help domestic companies in general and MSMEs in particular. Also, this creates an enormous scope for MSMEs of the country.
3. An e-market linkage is to be promoted to replace trade fairs and exhibitions, and this will help the MSMEs in overcoming marketing problems in this pandemic situation.

4. The MSME sector was one of the sectors that got maximum benefit from the government scheme of Production Linked Incentive (PLI) and now India is a leading mobile manufacturer, and also progressing in exports.
5. To promote MSMEs sector , the government has also decided that a tender below Rs 200 crore will only be available for Indians and this will help boost the MSME sector,”adding that the defence corridors set up in Uttar Pradesh and Tamil Nadu have been fulfilling the needs of defence procurement.
6. Recent increase in the Employees’ Provident Fund Organisation (EPFO) payroll, indicated that there has been an increase in jobs after the opening of the lockdown and hiring is double.
7. Startups operating in manufacturing and ancillary services sector especially medical devices, robotics etc. may consider registering themselves as MSME. The host of benefits such as priority lending to cluster financing, exemptions, tax soaps etc. will be available to such startups along with the new benefits under ANBA.

Conclusion : In line with Government of India’s top focus on energizing MSMEs in the country, The Ministry of MSME is focusing on all aspects, in addition to the existing credit related schemes.

In terms of access to capital, pending or delayed payments to MSMEs should be accelerated. Close monitoring of payments to MSMEs through TReDS should be done at a central level.

Atmanirbhar Bharat and other policy supports in the given areas will make MSMEs as engines of growth for ‘new India’. A resilient and healthy MSME sector is essential for achieving the goal of **self-reliant India**.

