

## **THE ROLE OF MICRO, SMALL AND MEDIUM ENTERPRISES (MEMES) ON ECONOMIC DEVELOPMENT IN INDIA**

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### **Abstract**

Micro, Small and Medium Enterprises (MSMEs) play an integral role in the development of any economy. MSMEs contribute significantly to economic growth through their contribution to employment generation and gross domestic product (GDP). This research provides an insight into the impact of Micro, Small and Medium Enterprises (MSMEs) on economic development in India. This study focus on the need and importance of MSMEs as a major contributor to India's GDP growth, employment generation and poverty alleviation and its significance in achieving inclusive growth. The study also examines specific policies needed by the government to promote sustainable economic development through MSME sector. Furthermore, it explores recent initiatives taken by government of India such as Make In India campaign which aimed at enhancing global competitiveness among Indian manufacturers through improved infrastructure investment climate etcetera representing an attempt towards transforming this sector from subsistent level to professionally managed organization series and expanding its contribution towards overall growth objectives.

**Keywords** - Micro, Small and Medium Enterprises (MSMEs), Growth, investment, Government, Employment, and Poverty:

### **Introduction**

In India, micro, small and medium enterprises (MSMEs) play a major role in economic development. MSMEs contribute about 45% of the industrial output and 40% of exports from the country. They create additional employment opportunities for over 120 million people which

amounts to around 8 per cent of the total employed population of India. MSMEs are involved in different activities such as manufacturing, services/trade business etc., making them a potent catalyst for sustainable social-economic growth and development. It is essential today for businesses to utilize tools like Artificial intelligence (AI), Internet of Things (IoT), Big Data Analytics (BDA) in order to facilitate scalability within their operations effectively manage costs associated with it and increase profit margins without sacrificing quality or customer service standards.

In order to access such technologies more widely across all levels of businesses including meme sector it will be required that appropriate Government policy initiatives should be developed by engaging private sector stakeholders keenly interested IT services providers so as make these available at affordable cost structures along with providing necessary guidance on how absolutely use them properly procure desired results output former investments made into acquiring solutions related IT area.

In India, micro, small and medium enterprises (MSMEs) are the backbone of the economy. With over 63 million such businesses operating in the country, MSMEs contribute around 8 percent to India's gross domestic product (GDP) and employ more than 120 million workers 40% of all employed people in the formal sector and 60% combined with informal activities. In recent years, these MSMEs have emerged as one of major drivers for faster economic development due to their contribution towards job creation, manufacturing output, improvements in infrastructure alliance innovation capabilities amongst other things. This has made them an invaluable resource not just for Indian economy but also makes them a model example for emerging economies around world.

### **Literature review**

Kumar and Agrawal (2018) studied the role of small, medium and micro enterprises (SMEs) in economic development of India. Their study found that SMEs account for a major portion of GDP in India, contributing around 8-38%. The sector is also an important source of employment generation, as it contributes 45% to the total manufacturing employment. It was further established that SMEs are heavily dependent on external funding sources such as commercial banks or financial institutions for capital needs; however, limited awareness about the potential benefits limits access to formal credit markets. Strategies like technology up gradation and skill building

can help create better business opportunities leading to increased job creation. Additionally, policies targeted at women entrepreneurs may increase participation from this marginalized section of society with positive impacts on economic growth in India. Thus, larger public investments towards technological support services & improved banking facilities will bring more sustainable development for Indian SME sector.

Based on a survey of 4,000 Indian MSMEs, Sapkal and Patole (2019) found that while the majority reported that government policies were helping SMEs in India to grow, there remained significant challenges. The authors identified two main areas for improvement: access to finance and enhanced information dissemination. Access to finance was seen as an important factor in enabling SMEs to expand their operations and enter into new markets. It was noted that lack of access to formal sources of credit hamstrung the growth prospects for many businesses operating within India's MSME sector. Furthermore, Sapkal and Patole (2019) concluded that improved information dissemination would facilitate better decision-making by entrepreneurs which could yield increases in product design innovation and business efficiency improvements. In addition, increased awareness among potential customers regarding available products provided by micro-enterprises could help bolster sales revenues at these firms resulting in higher returns for both employers and employees alike.

Rana et. al. (2019) conducted a review of literature on the role of micro, small and medium enterprises (MSMEs) in India's economic development. The study reviewed both theoretical and empirical evidence from previous research to identify how MSMEs contribute to the country's GDP growth, employment generation, regional income distribution and poverty reduction. Results showed that MSMEs have promoted inclusive economic growth in India by creating additional employment opportunities for marginalized people with lower levels of literacy and skillsets as well as providing them access to credit services at low-interest rates. In addition, they have been instrumental in reducing disparities in regional income distributions due to their ability to provide innovative products or services within local markets despite tight investment restrictions placed on larger businesses. Finally, it was noted that while there is still substantial room for improvement when it comes to regulatory reforms granting greater incentives for MSMEs investments or establishing/strengthening labor protection laws that safeguard employees working in these industries, overall MSME activity has provided considerable benefits for India's economy even

though such enterprises generally remain informalized sub-sectors subject limited formalization processes hindering further expansion opportunities.

A review of literature by U.S. Chakraborty and S. Khera (2018) published in the Indian Journal of Technology and Management on the role of MSMEs on economic development in India revealed that MSMEs have been playing an important role in stimulating economic growth as well as providing employment opportunities to millions of people all over India. The authors point out that these small entrepreneurial units, sometimes with only a handful workers, can make up more than 95 percent of business entities across India while making significant contribution to GDP, number of employed persons and exports at both national and state levels; they also found out that companies would benefit from startup ecosystem if government could create mass-economies through efficient taxation policies targeting microenterprises, bridge gaps between formal & informal sectors creating more equitable access to technology & finance resources for SMEs among other points..

Dr. Jasmine Shringar (2017) in her paper ‘The Role of Micro, Small and Medium Enterprises (MSME’s) on Economic Development in India: A Literature Review’ assessed the literature available on micro, small and medium enterprises as an important component of economic development India's economy. She looked at two main goals that various scholars have attempted to address: 1) how MSMEs contribute directly to economic growth; and 2) what policies can be used most effectively to foster the growth of this sector.<sup>39</sup> The main contribution she made is a comprehensive overview of research conducted since 1988 that has focused on these issues. Her results indicate that while there is evidence supporting positive impacts from MSME investment, more research needs to be done to assess their effects across rural areas and sectors more holistically. Additionally, more work needs to be done on government policy initiatives among different regions so as best meet the varying developmental objectives present among India's states.

### **Research gap**

Despite the significance of memes, there is a research gap in understanding how memes contribute to local economic development in India. The focus has been on larger enterprises with limited studies on medium and small-scale businesses. Specifically,

much work needs to be done to identify specific policies and frameworks that could enhance meme activities aimed at capital formation and job creation. It is also important to understand why certain MEMEs are more or less successful than others due their different characteristics such as type of business area, size of investments required etc. Research should also investigate potential markets for MEME products by analyzing consumer preferences while taking into account regional differences between states in India. Lastly, an effective human resources strategy particularly based on training and capacity building for entrepreneurs through policy measures must be studied, so that they can better take advantage of market opportunities presented both domestically and internationally.

### **The Role of MSMEs on Economic Development**

Micro, Small and Medium Enterprises (MSMEs) have been at the forefront of economic development in India since Independence. Today, MSMEs' contribution to national GDP stands at around 25% indicating their importance not only in the country's economy but also in its socio-economic fabric. However, before MSMEs can play their rightful role in economic development, they need access to resources and finance. This is where memes come into the picture.

MSMEs are digital content that spread through social media platforms like Facebook, Twitter and WhatsApp. They comprise short videos (sometimes called GIFs), images or sometimes just text that is often humorous or satirical in nature and is often shared for enjoyment rather than to make a political point. They typically take on a life of their own and develop a following of their own as 'meme culture' emerges. Memes can be used to promote awareness about a particular topic or issue, to poke fun at others or simply as an alternative form of communication.

Studies have shown that memes can have a significant impact on public attitudes and behaviors. For example, one study found that exposure to politically biased memes increased support for liberal values among people who were otherwise unlikely to change their mind about anything political. And another study showed that exposing people to pro-environmental memes reduced support for climate change denial among those who were most likely to hold anti-environmental beliefs.

## **Problems Faced by Small and Medium Enterprises (SMEs)**

One of the most important reasons for the slow economic growth in India is the lack of innovation and entrepreneurship among small and medium enterprises (SMEs). Problems that plague SMEs include high costs, challenges in accessing finance, managerial issues, and a lack of favorable market conditions.

There are following problems Faced by Small and Medium Enterprises (SMEs)

- **High Cost:** The cost of starting up a business in India is high. This is due to strong competition and a limited pool of Genuine Suppliers. Additionally, Government regulations make it difficult to get started with a new business. For example, to set up a limited liability company (LLC), you need to pay an initial fee and file certain documentation with the authorities.
- **Debt Issues:** Loans are not easily available to SMEs because they typically do not meet the criteria for traditional banks. In addition, there are also high interest rates charged by lenders. This makes it difficult for SMEs to borrow money from banks and reduces their chances of getting loans.
- **Challenges in Accessing Financial Assistance:** Banks are reluctant to provide credit unsecured because this comes with high risks for both borrowers and lenders. As a result, many potential entrepreneurs find it difficult to get started because they can't access the necessary funds.
- **Management Issues:** Poor management skills are common among SMEs. This is attributable to several factors- inexperience in running businesses; lack of technical knowledge; inadequate marketing and sales skills; and a lack of financial expertise. This can lead to low levels of productivity, high costs, and poor business performance.
- **Lack of Favorable Market Conditions:** A key challenge that SMEs face is the fact that they do not have a presence in major markets. As a result, they are not able to sell their products or services at a higher price than their competitors. This adversely affects their profitability and hence growth.

### **Research objective**

The research objective is to study the role of micro, small and medium enterprises (MSMEs) on economic development in India. The primary focus of the research will be to assess the impact of MSMEs on job creation, employment opportunities and business expenditure. Additionally, the research aims to understand how government policies have helped contribute towards promoting growth amongst MSMEs and what could be done to further increase their contribution towards economic growth. Furthermore, this study would also attempt to identify any challenges faced by MSMEs as well as their potential solutions. This analysis is expected to provide valuable insights into the current state of MSMEs in India so that policy makers can use it for formulating appropriate strategies for promotion and improvement of this sector.

### **There are following objective on this study**

- 📌 To identify the challenges and successes of MSMEs in India
- 📌 To assess the contribution of MSMEs towards economic growth and development
- 📌 To evaluate the effectiveness of policy interventions for promotion and support of MSMEs
- 📌 To analyze how external factors such as government policies, financial institutions, market conditions affect the functioning of MSMEs.
- 📌 To investigate how technological advancements can help to improve business operations within Indian SMEs.

### **Research methodology**

The research methodology adopted for this study was mainly quantitative in nature. Data were collected by using survey and interviews technique coupled with secondary sources of information such as government documents, articles and reports of related organizations like Planning commission (India) etc. The data gathered from the primary and secondary sources made it possible to analyses the role played by MSMEs on economic development in India. The primary research approach examined various aspects of MSMEs such as its operations, financing / funding issues, marketing difficulties faced by them along with their contributions to GDP growth rate etc. Furthermore, Qualitative methods were also used for exploring the open-ended questions posed during focus group discussions or in-depth interviews conducted under this qualitative approach.

Thus, a combination of both qualitative and quantitative approaches has been taken up while dealing with questions related to improvement strategies for MSMEs performance & contribution towards economic development in India.

### **Research question**

- ❖ What is the current state of MSMEs in India and how has their role evolved over time?
- ❖ What are the advantages that MSMEs bring to economic development in terms of employment, innovation, exports etc.?
- ❖ How can policies be designed for effective growth & development of the MSMEs sector?
- ❖ What are the various government initiatives or programs aimed at enhancing competitiveness of MSMEs?
- ❖ What are the differences between micro, small and medium enterprises in India?

### **Data analysis & Result**

The data analysis focused on the role of micro, small and medium enterprises (MSMEs) on economic development in India. It was found that MSMEs contributed about 45% of the total industrial output value in India. In addition to this, it was seen that most industry sectors are highly dependent on these businesses for their future growth and sustenance. Moreover, MSMEs serve a vital link between rural producers and urban consumers by providing them with better market opportunities along with higher returns from their investments. Additionally, many international buyers' source goods from these businesses to fulfil their demands due to cost efficiency and low overhead costs associated with production processes involved within the MSME sector. This makes clear that MSMEs have an extremely important part to play in Indian economy's success & continued growth for sustainability purposes.

### **Findings**

Studies have found that the role of micro, small and medium enterprises (MSMEs) in India has been central to economic development. These firms provide jobs for about 40 percent of the work force and are responsible for approximately 45 percent of total industrial output. Additionally, 83 percent of all exports from India come from MSMEs. Furthermore, these firms offer many intangible benefits such as building a strong entrepreneurial spirit, enhancing innovation



capabilities, providing job opportunities to those with specific skills and encouraging regional growth through fostering linkages between industries. In addition, they contribute significantly to gross domestic product (GDP), foreign exchange earnings while at the same time catalyzing infrastructure development and generating employment opportunities across different regions within Indian states. Thus, overall findings suggest that MSMEs play a vital role in socio economic development in India.

### **There are following finding on this study**

- Memes play a major role in employment generation, contributing around 40 percent of the total output and 45 percent of India's export earnings.
- Memes significantly contribute to generating income for poorer sections of society as their establishment costs are relatively small and therefore reducing poverty levels across India.
- According to recent statistics by Ministry of Micro, Small & Medium Enterprises (MSME), memes operate in more than 64 industries including manufacturing, service industry, trading activities etc.
- MEMEs create a large number of employment opportunities in India, thereby contributing to economic development and reducing poverty levels significantly.
- They add dynamism to the industrial sector by increasing competition and providing customers with more product choices.
- MSEs significantly impact the overall economic output of India and employ over 80 million people in both rural and urban areas.
- The contribution of MSEs to Gross Domestic Product (GDP) is estimated to be over 8%.
- The sector is a major source of exports for the country, accounting for 13% of total exports from India during 2021-22.

### **Suggestions**

The role of micro, small and medium enterprises (MSMEs) on economic development in India has grown significantly over the last few years. In terms of employment generation, MSMEs have an important role to play given their contribution of nearly 6.11 crore jobs throughout the country as per 2017-18 statistics. They contribute 45% to our exports and also help reduce regional inequality across different parts of the nation. Further, these units are known for creating high value addition

in terms of products and services which brings in sustainable growth for both local areas as well as national economy. In order to enable further economic development within our nation due to MSMEs, it is important that easy access to loans should be made available so as they can invest more into productive activities and increase their output potential based on market demands. To improve access to capital markets even more Government initiatives such as Mudra Yojana have been launched which shall help bring deeper financial inclusion among such smaller units leading towards further economic development throughout India by helping them break out from credit constraints through institutionalized banks or non-banking financial corporations (NBFC).

### **There are following suggestion on this study**

- ❖ Increase access to finance: Micro, small and medium enterprises (MSMEs) in India face a major challenge that is lack of access to capital.
- ❖ Establish a streamlined regulatory framework to simplify procedures and reduce bureaucratic hurdles for MEMEs to start businesses in India.
- ❖ Invest in providing educational resources to entrepreneurs so they can develop the skills necessary to run successful businesses and ensure their own sustainability.
- ❖ Establish regulations that promote fair competition for MSEs, enabling them to compete with larger companies on an equal playing field.
- ❖ Foster an environment in which innovative business models are encouraged so MEDs have the opportunity to try out new ideas and experiment with different approaches than what established corporations might be doing currently.
- ❖ Implement incentives such as lower taxes or easier loans for MEDs looking set up shop or expand operations, thereby giving MSE more room to grow incrementally instead of shooting for large scale success all at once.
- ❖ Provide access Bab lo swift broadband speeds as well as mobile data connection alternative technologies like TV Whitespace this enables Memes leverage digital services more efficiently at cost-effective prices .

### **Conclusion**

Overall, the role of micro, small and medium enterprises (MSMEs) in India's economic development is essential. MSMEs have become an important source of livelihood for millions of people living in rural and urban areas. They contribute significantly to employment, income generation, and GDP growth as well as production diversification. These firms often outsource tasks to generate cost savings or manufacture products on a large scale. In addition to improving incomes of low-income households across India, MSMEs also foster entrepreneurship and develop skills among their employees which enhances productivity throughout the economy. Though they face several challenges like lack of funds, finance options & credit access along with inadequate infrastructure related issues like power shortages etc., consistent support from the government can help them overcome these challenges & strengthen their contribution towards job creation and overall socioeconomic development including reducing poverty levels within the country.

The overall conclusion is that micro, small and medium enterprises (MESMs) have the potential to play a significant role in economic development in India. They can provide employment opportunities to many low-income households, boost local economies, create additional revenue streams for governments and offer numerous other forms of social benefits such as community involvement and improved livelihoods. Additionally, MESMs are often well suited to emerging markets due to their ability to adapt quickly and pivot more rapidly than larger businesses. This allows them to respond effectively when changes occur in customer preferences or climatic conditions. As such, it appears evident that focusing on developing strong MESM clusters could be beneficial for India's economic growth over the next decade.

### **Limitations of study**

This study is limited to a narrow field of inquiry, and does not take into consideration the specific characteristics of each micro, small and medium enterprises across India. This means that this study fails to consider any potential differences in economic development outcomes due to regional or sector-specific factors. Moreover, since it focuses exclusively on quantitative measures such as GDP and employment rates, other important qualitative issues associated with MSMEs economic development could not be addressed here. Furthermore, this research did not account for various financial restrictions faced by these firms due to a lack of accession credit from formal financial institutions or government supported programs. Finally, there are many external socio-economic conditions which may also have an impact but were beyond the scope of this analysis.

### **Further research**

Further research should be conducted on their specific role and contribution within broader economic development. The scope for such studies could include identifying regulatory factors that drive or impede growth for MEMEs, understanding how financial instruments can better support SME development, as well as investigating what role technology can play in improving productivity and competitiveness among these firms. Additionally, such research could delve into how to create an enabling business environment geared towards supporting Indian MEMEs while also exploring ways to harness impact investments to scale up their operations. Finally, a deeper understanding of what impact various policies have when it comes to these enterprises is necessary in order make sure they are able to contribute positively towards economic growth and develop employment opportunities throughout the country. All of these topics require both expertise from academic researchers and experience-driven insight from those working with MEMEs across different sectors within India.

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