

Atmanirbhar Bharat and the MSME Sector in India: Challenges and Prospects

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ABSTRACT

MSMEs are very important for the developing country like India. In addition to this; the sector has been a major employment generator and mostly employing and engaging predominantly the rural population of India. However, the sector is unorganized; it is easily affected by economic upheavals and crisis. The nationwide lockdown had impacted the sector and the subsequent results were visible various forms. This study aims to understand the look at the growth, development and future prospects of the MSME sector in India with reference to the Atma Nirbhar Bharat scheme.

Keywords: Covid 19, Lockdown, MSMEs. Atma Nirbhar Bharat Scheme, Employment, Skill Development, Expansion of Export.

INTRODUCTION

(a) **Theoretical Framework:** In the times of economic uncertainty and political upheaval, it is crucial that all nations across the globe especially the developing nations acquire the ability to be self-reliant. A self-reliant nation has the capability of meeting its own economic demands on its own. India is a developing nation striving to attain its goal of being self-reliant or Atmanirbhar (Devnagri script). Self-reliance is not a new or novel ideology in India as its roots can be traced to the Swadeshi movement itself.

Fast forward to 2020 when the world was reeling under the impact of the pandemic and the subsequent lock down, on 12th May ,2020, Prime Minister of India Narendra Modi used the word Atma Nirbhar Bharat for

the first time which translates into Self Reliant India. Prime slogans which were adopted under the Atma Nirbhar Scheme included 'Vocal for local', 'Local for global', 'Make for world' and 'Brain gain'. These slogans gave a clear idea about the goal in the front of the Indian Economy.

Biggest example of Atmanirbharta or self- reliance can be the emphasis on developing Covid-19 vaccines in India itself rather than being dependent on other countries to provide the nation with vaccines. PM Modi had stated that "Made in India vaccines are a symbol of Atmanirbhar Bharat". As part of the Atmanirbhar Bharat package, government highlighted that it was going to work on the development of the MSMEs in India. This decision of the government provided the opportunity for the private enterprises for participation diverse sectors. The revised classifications are as follows:

Micro Enterprises	Small Enterprises	Medium Enterprises
Investment not exceeding 1 crore and turnover of up to 5 crores.	Investment not exceeding 10 crores and turnover of up to 50 crores.	Investment not exceeding 50 crore and turnover of up to 250 crores.

Source:<https://www.bajajfinserv.in/msme-full-form> (accessed on 12/02/2022).

These MSMEs have been major employment creators and have been able to employ 120 million people in the country. This sector has been able to maintain a consistent growth rate of over 10 % over past few years. MSMEs have also been able to engage the rural population and have been able to promote ideas of sustainable and inclusive growth. This study aims to understand the look at the growth, development and future prospects of the MSME sector in India with reference to the Atma Nirbhar Bharat.

II LITERATURE REVIEW

Smita Dubey and Harsh Kumar Dubey (July 2020) have highlighted in their paper that textile industry, organic farming, automobile industry, pharmaceutical industry have immense potential to achieve the status of being self-reliant in the near future.

Ashok Panigrahi and Vijay Joshi (December 2020) in their paper indicated that a proper structure is required to include MSMEs in translating Atma Nirbhar Bharat from theory and an ideology into a reality. They suggested that creation of agro-based MSMEs will be the major deal maker in the current scenario.

Al amen et.al (2021) in their paper have concluded that the Covid-19 pandemic has created a huge loss in the small-scale industry by 20-25%. The businesses, producing essential and basic needs were only able to survive in this situation.

Atul Pandey (February 08, 2022) mentions how in the current times how Aatma Nirbhar Bharat Abhiyan has resuscitated the MSME sector. The scheme aims to address the needs of the sector to boost its efficiency and increase its contribution to the country's GDP. The Government will ease the pressure on the banks and

NBFCs and will pick up equity stake in the MSMEs with growth potential and viability.

Anjali Khandelwal and **Neha Khandelwal** (2022) have highlighted that through the Aatma Nirbhar scheme, the three critical aspects for the success of MSMEs have been provided which are availability of skilled labour, financial stability and a competitive market.

III OBJECTIVES OF THE STUDY

- (a) To assess the role played by the Atma Nirbhar Bharat scheme in minimizing the negative impact of pandemic on the MSMEs in India.
- (b) To evaluate the status of the MSMEs in India before and after the implementation of the Atma Nirbhar Bharat scheme.

IV RESEARCH METHODOLOGY

The data for the research is was collected through secondary sources. Descriptive research method is used to provide and present the findings. The study focused on the main factors like increase in the number of registered units of MSMEs, increase in employment generation, contribution in export, vendor development programs, technological assistance, marketing assistance by the government of India under the Atmanirbhar Bharat Schemes.

V SCOPE OF THE STUDY

The study will help in analyzing the impact of financial assistance and policy implications during natural calamities or non-planned situations, on the MSME sector which has been providing job to the large number of people in the rural as well as in the urban sector. The employment generation, export promotion, skill training are some the major advantages of the MSME sector in India.

VI GROWTH OF THE MSMES IN INDIA

Over 95 percent of the country's industrial units are MSME firms, 45 percent of manufacturing output is MSME output, and 40 percent of its total exports are MSME exports.

The outputs in the sector have shown impressive growth, which has outperformed the GDP growth rate. In a press release issued by the Press Information Bureau on August 20, 2019, the government announced a "Plan for Growth of Micro, Small and Medium Scale Enterprises" that aims to bring this percentage up to 50% over the next five

years. About 11 crores people are employed in the sector currently, and the Ministry intends to increase that number to 15 crores in five years. For MSME products to become competitive, the Ministry has insisted that new funding channels, an investor-friendly environment, technological advancements, and lower logistics costs must be created, along with providing adequate training and market support. The MSME sector provides significant employment opportunities, both for self-employed individuals as well as wage workers, for the Indian workforce. Only agriculture offers more employment opportunities to the Indian labour force. The capital-output and capital-labor ratios of MSMEs are lower than those of large corporations, so they are said to serve growth and employment objectives better. Since 1960, the number of units and jobs (currently 110 million) within the Indian mining sector has grown significantly - with an average annual growth rate of 4.4% and 4.6%, respectively. MSMEs not only generate the highest job growth per capita but they also help to check rural-urban migration. According to the 73rd cycle of the National Sample Survey performed in 2015-16, the MSME sector created 111 million jobs in the country. Micro enterprises employed 107.7 million people, accounting for over 97 percent of total employment in the industry.

- (a) **Pandemic and its impact on the MSMEs in India** - The COVID-19 epidemic resulted in a country-wide lockdown, which had a significant impact on the MSME sector, owing to a lack of funds. The prolonged lockdown had a significant impact on finished goods supply. Debt repayments, wages/salary, statutory dues, and other issues plagued the sector from April to June 2020. According to certain survey findings, the Covid-19 epidemic has reduced MSMEs' earnings by 20 to 50 percent. The MSME sector is primarily responsible for India's top exports. Complete Lockdown caused a disruption in the MSME sector's supply chain. Enterprises in the vital commodities business, on the other hand, fared better in terms of disrupted but predictable cash flows. The pandemic period has also accelerated the digitization of the MSME sector, with most companies launching websites or increasing their offerings to include e-commerce.
- (b) **The status of the MSMEs in India** - Although registration of MSMEs involved in service activities is optional, registration has been an integral aspect of MSMEs' development over time. An MSME with a registration certificate is eligible for a variety of benefits. The MSMED Act of 2006, which took effect on October 2, 2006, has made the provision of registration certificates even more important.

The following are some of the government's direct incentives: Collateral Banks offer no-interest loans. Getting started is simple. Registrations, permissions, and licences Reservation policies for the manufacturing and production industries are given special attention at international trade shows. Benefits of Octroi Stamp duty and registration fees are waived. Exemptions from Direct Taxes, Performance and Credit Ratings Bar Code Registration Subsidy. Eligibility for the IPS (Industrial Promotion Subsidy) Guaranteed by the Credit Guarantee Fund Trust for MSMEs as a counter-guarantee from the Indian government, Protection against payment delays, Interest rate reduction from banks, 15 percent Credit Linked Capital Subsidy Scheme, subsidy to purchase, completely Waiver in Government Security Deposit.

Electricity bill reductions Certification from the International Organization for Standardization (ISO) is reimbursed. Scheme for Excise Exemption P15 percent weightage in pricing when acquiring from the government Preference Interest rate for overdrafts is exempted by 1%. (OD) Patent registration is eligible for a 50% subsidy. Ministry, with the advent of Udyog Aadhaar on September 18, 2015, the registration process for MSMEs was simplified.

It's an Aadhaar-based electronic platform and electronically issued registration certificates are also

S.N.	Year	No. of units(SSI)	Output	MSME
1	2002-03	109.5 Lakh	3,06,771 crores	
2	2008-09	285.2. Lakh	5,32,979 crores(2007-08)	260 Lakh(2006-07)
3	2020-21	633.88 lakh		

Source: Mishra &Puri, Indian economy 30th edition, Himalaya Publishing House,Mumbai

- The output of the MSMEs exceeded 12% in 2005-06, In 2006-07, 260 Lakh MSME contributed about 8% of GDP and about 45% of manufactured output.

available. In terms of coverage, this system has registered 68.89 lakh MSMEs in 2019. MSMEs have been able to register more easily thanks to UdyogAadhaar. While UdyogAadhaar has a straightforward registration process, it is frequently insufficient. More information is frequently required, such as Shops and Establishments, PAN, GST, and so on.

VII CHALLENGES TO THE MSMEs IN THE PRESENT SCENARIO

- Lack of skilled man power.
- Inadequate access to market.
- Technological backwardness.
- High Cost of credit.
- Procurement of raw materials.
- Inadequate infrastructural facilities.

(i) Opportunities for MSME Sector in India:

Atmanirbhar Bharat scheme - MSME sector has main role in employment generation, increase productivity and expansion of export. The major highlights in this area are as follows:

- Expansion of MSMEs** - The number of registered units of the MSME increased in 2020-21.

- Udayam registration scheme is launched to provide all financial benefits to the MSME sector. Under this scheme up to 31 December,2021total 68% MSMEs are registered as service MSMEs and 32% MSMEs are registered as manufactured MSMEs.

(ii) Employment Generation

S.N.	Year	Employment (SSI)	MSME
1	2002-03	263.7 Lakh	
2	2007-08	322.28 Lakh	
3	2009-08		695 Lakh
3	2020-21		1109.89 Lakh

Source: Mishra &Puri, Indian economy, 30th edition, Himalaya Publishing House,Mumbaiwww.msme.gov.in(accessed on 21 February, 2022)

From 1972 to 1987-88, employment in the MSME sector expanded by only 2.21 lakh per year. The SSI sector's employment increased at a pace of 5.45 percent per year. In the non-farm sector, it has provided 22% of rural employment. The labour intensity of micro and small businesses is nearly four times that of large businesses.

(iii) Efficiency - SSI sector has low labor productivity, high capital productivity, low capital intensity(measured as capital per employee), low total factor productivity. Modern small sector is inefficient relative to the large sector in a large number of industries. Because the relative efficiency of SSIs is directly proportional to

capital intensity, they cannot be depended upon to generate efficient employment.

Prime Minister's employment generation program

S.N.	Year	Money utilized(allotted in the budget)(in Lakh)
1	2014-15	112253.84
2	2015-16	102006.36
3	2020-21	2052300
4	2021-22	2357700

Source: :www.msme.gov.in(accessed on 21 February, 2022)

Employment generated under Prime Minister's employment generation program

S.N.	Year	Person
1	2014-15	357502
2	2015-16	323362
3	2021-22	52002(total number of beneficiary under Atmanirbhar Bharat)

Source: :www.msme.gov.in(accessed on 21 feb, 2022)

(iv) Contribution to Exports

MSME sector as a whole contributes about 40% of export earnings.

S.N.	Year	SSI	Share of SSI in the total export of the country
1	1971-92	155 Crore	9.6
2	2007-08	2,02.017 crore	31

Source: Mishra &Puri, Indian economy, 30th edition, Himalaya Publishing House,Mumbai

45 lakhs units are allowed to resume business activity and safe guard job. The deadline for registering and completing real estate projects under RERA was also extended to help MSME.

(v) Credit Guarantee fund trust for micro and small enterprise

S.N.	Year	No of credit proposals approved
1	2014-15	4,03,422
2	2015-16	5,13,978

Source: Mishra &Puri, Indian economy, 30th edition, Himalaya Publishing House,Mumbai

(vi) Approved amount

S.N.	Year	Approved amount (in Rs. Crore)
1	2014-15	21274.83
2	2015-16	19949.39

Source: Mishra &Puri, Indian economy, 30th edition, Himalaya Publishing House,Mumbai.

The Indian government established the self-reliant India fund, which is worth 10,000 crores, to help venture capital and private equity firms investing in the MSME sector and encourage them to do so.

The Government of India contributes Rupees. 4000 crore for creation of a corpus for extending guarantees to the loans to be given to the promoters of eligible units. 157.41 crores was released to CGTMSE in march,2021, 36 banks

have been extended guarantee amounting of Rupees. 81.78 crore to 756 borrowers.

Partial credit guarantee plan 2.0 for NBFCs with a budget of Rs. 45000 crore. Banks and NBFCs have agreed to provide MSMEs with an emergency credit line of up to 20% of total outstanding loan as of February 29, 2020. Borrowers with outstanding debts of up to Rs. 25 crore and a turnover of up to Rs. 100 crore were eligible. The loans were given a four-year term, with a 12-month grace period on principle repayments and an interest cap.

(vii) Marketing Assistance and Technology up-gradation

S.N.	Year	No. of benefitted MSMEs
1	2014-15	359
2	2015-16	303

Source: Mishra &Puri, Indian economy, 30th edition, Himalaya Publishing House, Mumbai

E-Market connectivity for MSMEs is pushed as a replacement for trade fairs and exhibitions under the Atmanirbhar Bharat scheme to boost marketing support to

MSMEs. Fintech is presented as a way to improve transaction-based lending by leveraging data provided by the e-marketplace.

(viii) Vendor Development Program

S.N.	year	State level vendor development program	National level vendor development program
1	2014-15	322	53
2	2015-16	242	55

Source: Mishra &Puri, Indian economy, 30th edition, Himalaya Publishing House, Mumbai

To encourage vendors, the government has been closely monitoring the payment of dues to MSME vendors from government and central public sector companies under the

Atmanirbhar Bharat initiative. MSMEs would have 45 days to collect receivables from the government and central public sector businesses.

(ix) Trade related entrepreneurship assistance and development

S.N.	Year	No. of women assisted for self-employment
1	2014-15	8265
2	2015-16	3560

Source: Mishra &Puri, Indian economy, 30th edition, Himalaya Publishing House, Mumbai

Under the Atmanirbhar Bharat scheme to encourage Trade related entrepreneurship, the Entrepreneur Development Program scheme was implemented. As per this scheme, trainings were provided to the unemployed

youth and for skill training many training institutes were set-up by the government .NSIC, Tool room TI, Coir board, KVIC and Ni-MSE are some of the training centers for skill trainings.

Number of trainees

S.N.	year	NSIC	Tool room TI	Coir board	KVIC	Ni-MSE
1	2014-15	21860	165213	20648	94522	47136
2	2015-16	27455	155329	6819	79286	31874
3.	2016-17	31958	149537	4779	91041	4051
4.	2017-18	37459	247238	2481	76841	2608
5.	2018-19	41201	258174	4153	81906	990
6.	2019-20	54624	275361	4325	74938	1740
7.	2020-21	29022	134853	7125	81221	2310

Source:www.msme.gov.in (accessed on 21 February, 2022)

In the year 2020, 21, 47612 trainees and in 2021-22, 37345 trainees were trained.

Total numbers of 1,194,689 persons have been trained up to 31st December 2021 in the year 2021-22.

IV CONCLUSION

The MSME sector is crucial constituent of the country's overall industrial sector. The study has revealed that the sector contributes significantly to the GDP and export earnings of the nation. Massive growth had taken place in the sector during the planning period. Subsequent governments have claimed that a major part of the growth was due to the several promotional efforts and measures

being taken by them. After the implementation of the AtmaNirbhar Bharat scheme, various issues which the MSME sectors were facing in terms of finance and credit, infrastructural constraints, rigid tariff structure ,availability of machines and raw materials and inadequate marketing of goods and services produced by the sector have been resolved to a great extent. The scheme has worked on the areas of expansion of MSMEs, employment generation, improving the efficiency of the MSME sector, contribution to exports, credit guarantee fund trust for micro and small enterprise, marketing assistance and technology up-gradation, vendor development program, trade related entrepreneurship assistance and development According to an article published in The Times of India dated 21st October

2021, an average of 11% decline in the volume of the business of the MSMEs was recorded due to the nationwide pandemic induced lockdown. An article in The Indian Express dated 8th February 2022 had reported that 67% of the MSMEs had temporarily shut in the financial year 2021. In this context; the measures announced by the Government of India under the Atmanirbhar Bharat scheme are much needed at this hour. The optimistic and ambitious intention of the scheme to strengthen the MSMEs in India will pay off in the long run thereby, reviving the sector and making it a major strong player of the Indian Economy. It is important to keep an eye for the growth of the sector and the impact of the various government schemes on the former's growth.

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