

# MSMEs' Contribution to India's Sustainable Development

---

\*Dr. Seema Tripathi

## ABSTRACT

Indian MSMEs hold strong potential to promote the UN's (inclusive and sustainable industrial development) philosophy, which calls for improving manufacturing in long term perspective and encourages sustainable development with equal distribution as an engine of economic progress. However, in absence of employment growth and environmental concerns, India may not be able to fulfil its sustainable development target. MSMEs are a crucial component of maintaining sustainable development since they increase economic growth, create jobs, combat poverty, and lessen inequality. Sustainable development is possible via inclusive growth that upholds wealth and human dignity. The study's goal is to evaluate MSMEs' performance and their contribution to India's continued sustainable growth. It also emphasises upon MSMEs' usage of sustainable practises.

**Key Words:** Sustainable development, Employment, MSMEs, Inclusive growth

### 1. Introduction

MSMEs in India account for almost 8% of the nation's GDP, around 45% of manufacturing output, and over 40% of exports. It won't be incorrect to call them the "Backbone of the nation." In accordance with the Micro, Small and Medium Enterprises Development (MSMED) Act of 2006, the Government of India has established MSME, or Micro, Small and Medium Enterprises. Production, manufacture, processing, or preservation of goods and commodities is the main focus of these businesses. MSMEs play a significant role in the Indian economy and have made significant contributions to the socioeconomic growth of the nation. Along with creating job possibilities, it also contribute to the advancement of the nation's rural and underdeveloped regions.

### 2. Literature Review

**Mohammed et al. (2012)** made a compelling case for the contribution of innovative techniques to GDP in the MSMEs sector. According to the study's findings, MSMEs in Nigeria would likely perform better if they begin to more closely resemble major corporations and seize development possibilities offered by the government. Additionally, MSMEs have shown to be more likely to report their entry into new markets, growth in market share, and provision of better production flexibility and innovation-related services.

**Gorze-Mitka (2013)** The goal of the study was to locate risk identification tools in Polish MSMEs. The study demonstrated that past experience, documentation analysis, and brainstorming are effective risk detection

approaches. According to the study, MSMEs are having trouble with this challenge. It can be the result of inadequate understanding of its value or potential for usage.

**Bharadi (2014)** researched the sustainability of MSMEs in India as well as the growth of the rural sector. The study came to the conclusion that SMEs serve as the foundation for entrepreneurship, which develops inventive talent. The rural economy of the nation counts it as an undeveloped and unorganised sector.

**Joshi and Kurulkar (2004)** stressed the need for sustainable industrial growth and noted that the region's chemical and chemical product group sectors are notoriously dirty.

**Sonia and Rajeev (2014)** It was discovered that tiny industries had a significant impact on the state of Punjab's ability to export, promote, use resources, create jobs, and invest, all of which helped to raise the nation's GDP ratio. Growing GDP is dependent on the growth, productivity, and effectiveness of the small-scale sector. The researcher concluded that although there are many opportunities for employment in the future, they are few, and she advises policymakers and the government to act properly to encourage growth in the small-scale industry.

The scope of entrepreneurial studies is much broader. Studies on entrepreneurship have been conducted in a variety of fields, including small business performance, entrepreneurship development programmes, and financial sustainability of units, among others. Regional development that is balanced is crucial for economic

---

\*Assistant Professor, Dept of Commerce, IISE College, Lucknow

expansion. Maintaining competitiveness is a crucial element in the state's equitable progress. Studies to determine the sustainability of MSME sectors have been conducted less often. This inspired the researcher to concentrate on the current subject of micro, small, and medium-sized enterprise sustainability, which is researched using the theory of resource-based perspective.

**3. Research Objectives**

1. To determine competitive resources which support MSME performance.
2. To determine competitive qualities that influence MSME performance.
3. To determine resource barriers preventing MSME from developing competitive capabilities.

4. To identify the resource barriers that prevent MSME from becoming sustainable.

**4. Research Methodology**

The study's focus is strictly descriptive. Information is gathered from secondary sources. Internet articles, publications from the Directorate of Industries and Commerce, the Uttar Pradesh Small Scale Industries Association, the Chamber of Industries and Commerce, and the Uttar Pradesh Institute of Entrepreneurship Development are used to gather secondary data.

**5. Discussion**

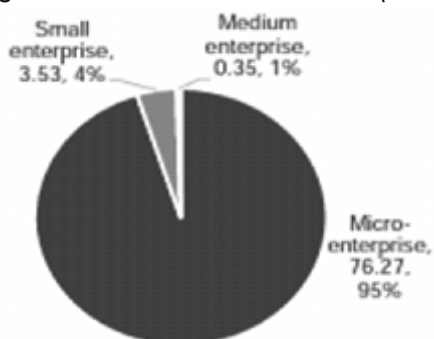
**5.1 Redefined MSMEs**

The Micro, Small and Medium Firms Development (Amendment) Bill, 2018, presented a proposal to redefine MSMEs and categorise them as manufacturing or service-providing enterprises depending on their yearly revenue.

**Table-I. Existing and Revised Definitions of MSMEs**

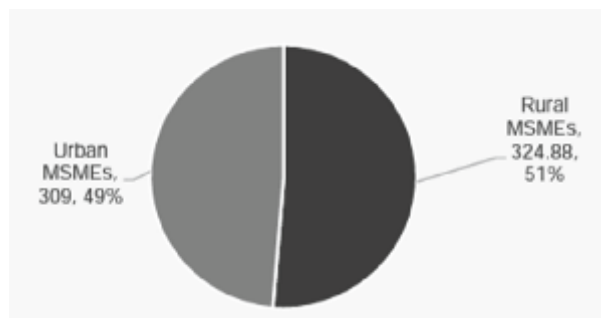
Existing MSME Classification			
Criteria : Investment in Plant & Machinery or Equipment			
Classification	Micro	Small	Medium
Mfg. Enterprises	Investment <Rs. 25 lac	Investment <Rs. 5 cr.	Investment <Rs. 10 cr.
Services Enterprise	Investment <Rs. 10 lac	Investment < Rs. 2 cr.	Investment <Rs. 5 cr.
Revised MSME Classification			
Composite Criteria : Investment And Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing & Services	Investment < Rs. 1 cr. and Turnover < Rs.5 cr.	Investment < Rs. 10 cr. and Turnover < Rs.50 cr.	Investment < Rs. 20 cr. and Turnover < Rs.100 cr.

**5.2 Registered MSMEs in India in FY22 (lakh units)**



**Fig. I. Registered MSMEs in India in FY22**

Source- FICCI-EY Re-imagining India's M & E sector, Ministry of Micro Small and Medium Enterprises, GeM Portal



**Fig. II. Urban and Rural MSMEs in India in FY22**

Source- FICCI-EY Re-imagining India's M & E sector, Ministry of Micro Small and Medium Enterprises, GeM Portal

### 5.3 Benefits of the categorisation suggested

Frequent inspections to verify the investment in plant and machinery would not be necessary in accordance with the proposed reclassification or the new classification. Additionally, MSMEs would conduct their business in a transparent, inclusive, and objective manner.

### 5.4 Features of new MSMEs

A new definition for MSMEs has been provided by the "Atma Nirbhar Bharat Abhiyan" or Self-Reliant India Scheme of 2020 by the Indian government.

Here are a few standout qualities of new MSMEs:

- Collateral-free loans are made available to MSMEs
- 3 lakh crores worth of loans have been arranged for MSMEs.
- A 12-month moratorium period is being offered to MSMEs.
- Taking into account MSMEs in manufacturing and services as the same businesses
- MSM is given a 48-month payback period.
- A 100% credit guarantee is provided for MSMEs.
- About 45 Lac units will gain from the reclassification of MSMEs.

### 5.5 Some of the crucial components of MSMEs

- MSMEs seek to improve the lives of employees and craftsmen. They assist them by offering loans, jobs, and other services.
- MSMEs provide banks capital assistance or credit limits.
- By opening specialised training facilities for the purpose, they encourage the growth of entrepreneurship as well as skill upgrades.
- They back the improvement of infrastructure, the advancement of developmental technologies, and the modernisation of the industry as a whole.
- MSMEs are renowned for offering fair support for increased access to both local and international markets.
- They also provide high-quality certification services and contemporary testing facilities.
- MSMEs currently assist product development, design innovation, intervention, and packaging in line with current trends.

### 5.6 MSMEs' contribution to Indian economy

Since its creation, the MSME segment has shown to be a very active Indian economic sector. MSMEs create and produce a wide range of goods for both home and foreign markets. They have supported the expansion and

development of the coir, khadi, and village industries. In order to improve rural regions, they have cooperated and worked with the relevant ministries, state governments, and stakeholders.

Rural communities now have more job options thanks in large part to MSMEs. In comparison to the major industries, they have contributed to the industrialisation of these areas at a cheap capital cost. The MSME sector, which functions as an addition to bigger sectors, has made a significant contribution to its socioeconomic growth.

MSMEs also contribute and play a crucial part in the growth of the nation in a variety of ways, including the need for minimal investment, operational flexibility, mobility between sites, low rate of imports, and a significant amount of local output.

With the ability and capacity to create appropriate local technology, fierce domestic and international competition, tech-savvy industries, a contribution to the development of defence materials, and the ability to create new entrepreneurs by providing knowledge, training, and skill up-gradation through specialised training facilities.

### 5.7 MSMEs are important for the Indian economy

MSMEs are recognised as a tool of fostering equitable development and economic prosperity all over the world. They are renowned for driving the economy's highest pace of growth. MSMEs' demands for inexpensive investment, adaptable operations, and the potential to generate suitable local technology have propelled India to new heights.

- About 120 million people are employed by MSMEs, making them the second-largest employer after agriculture.
- It provides around 6.11% of the GDP from manufacturing and 24.63% of the GDP from service activities, with 45 lac units spread out over the nation.
- By 2025, the MSME Ministry hopes to contribute up to 50% more to the GDP as India draws closer to being a \$5 trillion economy.
- Making up over 45% of all Indian exports
- MSMEs support inclusive growth by giving job possibilities, particularly to those from the poorer societal groups in rural regions.
- When MSMEs in tier-2 and tier-3 cities contribute to the development of chances for individuals to use banking services and products, their contribution to the economy as a whole may be finally included.
- MSMEs encourage innovation by giving aspiring company owners the chance to assist them in developing innovative goods that would increase business rivalry and spur growth.

The Indian MSME sector works as a buffer against shocks to the global economy and as a support system for the country's economy. In light of this, we may conclude that India is advancing toward a strong global economy through a quiet revolution driven by MSMEs.

### 5.8 Sustainable Development

Sustainable development is a strategy to a nation's economic growth without sacrificing the environment's quality for present and future generations. The cost of environmental harm is paid in the form of deforestation, air and water pollution, soil erosion, and other environmental deterioration in the name of economic progress. The negative effects can outweigh the benefits of producing more high-quality goods and services.

### 5.9 Sustainable Development Goals

The following guidelines can help us attain sustainable development:

- Limiting human activity is one way to achieve it.
- Instead of using input, technological growth should be input effective.
- Consumption should not occur at a faster rate than salvation.
- The rate of consumption of renewable resources should not outpace the rate of generation of renewable alternatives.
- Pollution of all kinds ought to be minimised.
- It may be accomplished by using natural resources wisely.

### 5.10 Sustainability Dimensions



Fig. III. Registered MSMEs in India in Fy22

Constant push is needed to lower supply chain costs overall and increase total benefits. The above-mentioned statement is followed by the economic sustainability dimension, which relates to the organization's day-to-day operations and is equally supported by other efforts in charge of developing the marketing and financial plan.

### 5.11 Sustainability and MSMEs

In fact, sustainability has taken centre stage at both the

national and international levels as a widely acknowledged trend. The Indian government has committed to a number of things to support MSME development. With the new "Make in India" programme launched by the Indian government (Zero defect and zero effect). To improve the economy, all segments of the Indian economy must work together. The manufacturing industry currently makes a substantial contribution to long-term economic growth. The MSMEs sector has the ability to provide a great deal of people with employment possibilities, but by using sustainable business practises, it advances and boosts the Indian economy. Through ITC support, MSMEs play a significant direct or indirect role in achieving sustainable goals.

- Innovation and Infrastructure,
- Job Creation,
- Inequality Reduction,
- Zero Hunger,
- Poverty Reduction,
- Gender Equality,
- Inequality Reduction,
- Decent Work Environment, and
- Promotion of Production

However, Epstein (2008) lists nine sustainability principles that corporations should abide by and follow when it comes to corporate sustainability. These guidelines are listed below.

1. **Ethics:** When conducting business with stakeholders, a company always works to promote, uphold, and protect moral principles and practises.
2. **Governance:** A corporation or company manages all of its resources carefully and successfully. All stakeholders are interested in it thanks to the effective management and corporate governance.
3. **Transparency:** A business always divulges information about its goods and services in a certain amount of time.
4. **Business Relations:** A corporation strives to maintain the greatest possible business relationships with partners, distributors, and suppliers.
5. **Financial Return:** The corporation rewards capital contributors with a favourable return on investment and the safeguarding of corporate assets.
6. **Economic Development:** The company promotes a connection between the corporate and the community that is mutually beneficial and in which it is attentive to the culture, context, and requirements of the community.



7. **Value of Production and Services:** A business or organisation consistently tries to provide the greatest goods and services to its clients while taking into account their preferences and demands.
8. **Employment Practices:** A business or organisation always employs human resource management techniques that help employees grow both their personal and professional lives.
9. **Environment Protection:** A company works to protect and improve the environment and supports sustainable growth in goods and services. Therefore, it is evident that a company must consider the interests of all stakeholders if it wants to seek sustainability.

MSMEs might aid in attaining SDGs by increasing all-inclusive access to educational services and enhancing young people's and women's employability abilities. New MSMEs business strategies or solutions that will aid in achieving the SDGs. The SDG agenda offers a comprehensive framework to address issues in the education sector.

Our existence depends on the environment, which in turn depends on the labour we undertake to support ourselves. Environmental protection and industrialization go hand in hand. We must employ green technology that will put us on a road toward sustainable growth if we want to flourish in both the environment and industry. Making environmentally responsible decisions and acting appropriately to safeguard the environment are central to environmental sustainability, with an emphasis on maintaining the capacity of the environment to continue supporting our existence. It is a significant issue at the moment because people are becoming more aware of how much of an influence both corporations and people can have on the natural world.

It involves creating procedures that will enable businesses to become sustainable in the future and contribute to the preservation of our world by employing more eco-friendly technology, not just lowering the amount of garbage you create or consuming less energy.

The issue of sustainability has recently come to the forefront of development on a global scale, and the Indian government has publicly pledged to take a number of actions at the national and international levels to protect the environment. One such measure is the government's "Make in India" with "Zero Defect & Zero Effect" initiative, which expresses the desire to strike a balance between economic growth, sustainability, and social inclusion. It also encourages MSMEs to continually improve the quality of their products and processes without harming the environment. To achieve the joint goal of constructing a

sustainable nation, all economic sectors-agriculture, manufacturing, and services-must participate. Consumption of resources, such as fossil fuels or non-renewable resources, is now more important than ever because to an enhanced effort to make the manufacturing sector a vital element of sustainable economic growth.

The micro, small, and medium-sized firms and businesses, which collectively account for over half of the manufacturing output and a significant number of job prospects, need the greatest attention even if large organisations have access to resources and experience. The government has been promoting a number of initiatives and regulations that can help these enterprises adapt and up-scale their operations without harming the environment in order to assist such MSMEs in adopting new and green technology.

A Scheme for Promoting Innovation, Rural Industry & Entrepreneurship (ASPIRE), Credit Linked Capital Subsidy for Technology Upgrading (CLCSS), and Design Clinic for Design Expertise to MSMEs are just a few of the programmes that the Ministry of MSME and numerous other organisations and trade bodies have been helping MSMEs to take advantage of. Thankfully, there are currently a number of technologies, approaches, and models that are accessible for a variety of industries and undoubtedly for those that have been identified as needing a sustainable upgrade to their operations.

Two organisations, the Coir Board and the Khadi and Village Industries Commission (KVIC), are in the forefront of eco-friendly MSMEs when it comes to sustainable growth. The Coir Board was established by the Government of India under the Coir Sector Act, 1953, for the overall sustainable development of the coir industry in India. In conjunction with other trusts and organisations involved in the development of rural areas, KVIC, an organisation under the Ministry of MSMEs, aims to plan, promote, facilitate, organise, and help in the formation and development of Khadi and Village Industries in the rural districts. Both KVIC and Coir Board need a lot of labour and are environmentally conscious.

Even in the current challenging COVID-19 pandemic crisis, KVIC seems to be highly well-liked and aiding individuals with their creative Personal Protective Equipment (PPE) kit designs. The KVIC has created double- and triple-layered Cotton and Silk face masks manufactured from double-twisted Khadi fabric in response to the enormous demand for face masks. The Coir Board, on the other hand, has made effective use of the pandemic period by advancing research and development in the coir industry. The Board has been looking into Coir Geotextiles (CGT), which are used to protect the ground and hasten the growth of flora. CGT is

an excellent source of woven and non-woven natural erosion control blankets that are both environmentally safe and biodegradable.

These were just a few instances of the outstanding performance of the sustainable industries, Coir and KVIC. By supporting these industries more and adding more businesses to them, we can achieve the goal of environmental sustainability. Aspiring or current company owners may always obtain support through the Ministry of MSMEs' Champion portal, where they can be led and helped to start or improve firms, in order to meet the goal of creating eco-conscious and eco-friendly businesses.

One of the newest trends nowadays is starting or converting a firm into an eco-friendly organisation, with a lot of new prospects appearing daily with new inventions, models, and techniques. Making MSMEs eco-aware and eco-friendly not only contributes to environmental preservation but also helps businesses attract customers as more and more people turn to green and organic products. Recent years have witnessed an increase in the number of individuals becoming more conscious of how their purchases influence the environment and all living things on it, as well as the number of customers choosing green and environmentally friendly goods and services.

Because consumers are growing more conscious of the need for sustainable development and environmentally friendly products, sustainable upgrades tend to be quite profitable for firms and have a lot of room for expansion.

The Champions site utilises a Hub and Spoke architecture with 66 State-level Control Rooms located at the MSME-DI, BR MSME-DI, KVIC, NSIC, and Coir Board offices. These State-level Control Rooms are flawlessly connected to the Central Control Room at the Ministry of MSME in Delhi. The portal seeks to serve MSMEs in the future in terms of financing, raw materials, labour, regulatory approvals, etc. as well as in the tough circumstances they are now in as a result of COVID-19 lockout. The approach identifies prospective MSMEs who may become National and International Champions and encourages MSMEs to seize new possibilities. The Champions portal's mission is to address MSME sector difficulties quickly while transforming them into long-term national and international champions.

## 6. Conclusion

India's villages can grow if entrepreneurship is promoted in rural regions. Micro businesses are crucial in creating work options for young people as well as in encouraging self-employment and entrepreneurship among them. Due to this, the Indian government is placing a high priority on rural industrialisation in order to increase employment and make the most use of available resources. In reality,

rural entrepreneurship is essential if rural development is to be maintained. Rural entrepreneurs may greatly contribute to the development of effective policies for promoting and growing rural by understanding the fundamental characteristics of rural regions and removing the inherent limitations.

Entrepreneurship. Compared to their larger counterparts, micro and small businesses are far better able to serve the country. If these rural businesses had more available money, they could perform miracles. The goal of MUDRA has been to reduce the capital limitations encountered by rural microentrepreneurs and increase the amount of money available to them so they may expand their businesses and help India thrive. Through this programme, microentrepreneurs may support Mr. Modi's Make in India initiative by turning India into a manufacturing powerhouse for millions of tiny goods and selling them to a wider audience.

The Indian government has launched several new programmes and created policies to promote MSMEs in a sustainable manner. Technology has advanced, and small businesses have been upgraded with the future of the Indian economy in mind. The anticipated expansion of rural microenterprises will be greatly aided by the joint efforts of the government, families, and individuals at the grassroots level.

## 7. Way Forward

In five years, the Indian government wants to double its economy to US\$5 trillion. Career options for the young people have been created in order to accomplish this aim, and MSMEs have the ability to play a significant role in creating jobs. As a result, the government has begun to promote MSMEs in an effort to provide new employment to the industry. The government also wants to increase MSME export participation and GDP output.

The government should invest in expanding back-end services to boost the performance of the MSME sector, which supplies goods and services to large industrial businesses, in order to meet these goals. Technology-based industrial activities are few, and R&D spending is minimal, which creates barriers to the sector's competence. Government subsidies for globally accessible technologies might help MSME companies enhance the quality of their products while utilising the available resources. Additionally, academic institutions must assist with this by offering services for product innovation and research and development.

## References

1. Amit, R., & Schoemaker, P. J. (1993) Strategic assets and organizational rent. *Strategic Management Journal*, 14(1): 33-46.

2. Bakri, S. (2017). Strategic Resources for Sustainable Competitive Advantage. *International Journal of Advanced Research*, 237-241. doi: 10.21474/IJAR01/3507
3. Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17(1), 99-120. <https://doi.org/10.1177/014920639101700108>.
4. Becker, G.S. (1993). *Human Capital: A Theoretical and Empirical Analysis with Special Reference to Education* (3rd Ed.). Chicago: University of Chicago Press.
5. Blad, S. (2019). The influence of social aspects on new venture creation : A qualitative study on the role of entrepreneurs? and entrepreneurs? social capital and social competence in the start-up phase. *Core.Ac.Uk*. <https://doi.org/oai:DiVA.org:umu-1783>
6. ICSI - Economic and Commercial Laws Study Material.
7. Government of India: MSME Annual Report 2021-2022.
8. <https://www.ibef.org/industry/msme>
9. Parvez, Nikhat, and Avlokita Agrawal. 2019. "Assessment of Sustainable Development in Technical Higher Education Institutes of India." *JOURNAL OF CLEANER PRODUCTION* 214 (March): 975-94. <https://doi.org/10.1016/j.jclepro.2018.12.305>.
10. Prasad, Kiran. 2017. "From Grey to Green: Sustainable Development Perspectives From India-EU Partnerships." In *HANDBOOK OF RESEARCH ON POLICIES AND PRACTICES FOR SUSTAINABLE ECONOMIC GROWTH AND REGIONAL DEVELOPMENT*, 177-86. *Advances in Finance Accounting and Economics*. <https://doi.org/10.4018/978-1-5225-2458-8.ch016>.