



AGRICULTURE & INDUSTRY

IMPORTANT PILLARS OF ECONOMIC AND SOCIAL DEVELOPMENT



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Agriculture and Industry : Important Pillars of Economic and Social Development

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CONTENTS

Chapter	Page No.
1. Impact of Micro Finance in the Development of Women Entrepreneurship <i>—Dr. Jyoti Mishra, Dr. Anurag Agarwal and Dr. A.K. Mishra</i>	1–4
2. A Study on Startup and its impact on MSME in India <i>—Alokik Dixit and Dr. Deepak Babu</i>	5–13
3. Emerging Workforce Practices in Government Hospitals for Protecting Employees during Pandemic, COVID-19 <i>—Abhishek Pandey and Dr. Nishant Kumar</i>	14–17
4. MSMEs : A Pillars of Local and National Economic Development <i>—Dr. Manish Kumar and Dr. Krishna Kumar Verma</i>	18–22
5. Long-term Agriculture and Rural Development Financing Banks in India : A Time Series Analysis <i>—Pragya Patel</i>	23–32
6. Sustainable Development Goals <i>—Mr. Sheetal Singh</i>	33–37
7. Provocations to Gain Food and Nutrition Security in Rural, Tribal and Urban Territories of India by Improving the Productivity of Agriculture <i>—Ms. Sulekha Verma</i>	38–42
8. Role of Agriculture in Economic Development of India <i>—Dr. Rajesh Kumar Gangwar</i>	43–45
9. Financial Situation of Rural and Agricultural Development in India <i>—Dr. Rupak Srivastava</i>	52–52
10. Covid-19, GDP and Agriculture : In Indian Scenario <i>—Dr. Puneet Kumar Srivastava</i>	53–55
11. Sustainable Development Goals and Millennium Development Goals <i>—Iti Gautam</i>	56–59
12. Success of Millennium Development Goals in Karnataka : Targets and Achievements <i>—Banadevi S. Kodlennavar and Dr. Huche Gouda</i>	60–62
13. Co-operative Model of Agriculture Mechanization in Rural Hills of Uttarakhand with its Outcomes <i>—Dr. Vinay Kumar and Ajay Purohit</i>	63–69
14. Primary Sector : The Backbone of Indian Economy <i>—Rajinder Singh</i>	70–77
15. Marketing Challenges for the Small-Scale Business Entrepreneurs in India <i>—Minakshi Nag</i>	78–80

MSMEs : A Pillars of Local and National Economic Development

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Introduction

Indian economy is a growing economy. Industries are important base of Indian economy after agriculture. Micro, Small and Medium Enterprises (MSMEs) are the largest segment of an economy. MSMEs are playing a very important role in employment generation, resource utilization and income generation to a large segment of the local area. Therefore; they are vital for economic development of any country.

The MSME's has steadily enumerated surpassing progress in comparison to the entire industrial sector. The MSMEs are providing uniform development to the society and can be a strong mean to utilize the natural resources of India. The MSMEs are very helpful to remove the regional imbalances if it is establish in the underdeveloped areas. The MSMEs are providing more employment per unit. According to the reports generated annually by the Ministry of MSME presents that 45% of the total Exports of the country are assisted by the sector, and are manufacturing more than 6000 quality products, which indicates immense opportunities for growth and venturing its support in different manufacturing sectors. The report also indicates that most of the MSMEs are unregistered, on the whole there are 1.6 million registered MSME in India.

According to the report MSME are dominated by very small scale enterprises constituting 94.9 and the remaining 4.9 percent by small scale firms. Distribution of registered enterprises in urban areas account to nearly 8.57 lakhs of total active enterprises which occupy a share of 54.77%, whereas local areas account to 7.07 lakh (45.23% of the working enterprises). Hence, it is contributing towards a laudable proportion for the equitable progress of Indian economy. According to the statistics generated in the basis of activity for registered firms, it is observed that 67.1 percent is contributed by manufacturing units, 16.8 percent service units and 32.9 percent by service side. The statistics for unregistered firms reveals that 69.80% is contributed by services, whereas 30.20% of the enterprises were involved in the manufacturing activities.

Object of Study

Object of Study of above topic are as follows :

1. To know about MSMEs in India
2. To know contribution of MSMEs in Local area.
3. To know contribution of MSMEs in National Economic Development.
4. To identify different schemes offered by Government for MSME.

About MSMEs

In India, the enterprises have been classified broadly into two categories :

- (i) Manufacturing sector
- (ii) Services Sector.

Both categories of enterprises have been further classified into micro, small and medium enterprises based on their investment in plant and machinery (for manufacturing enterprises) or on equipments (in

case of enterprises providing or rendering services). The present ceiling on investment to be classified as micro, small or medium enterprises is as under :

Enterprise	Manufacturing sector	Service sector
Micro	Upto ₹ 25 lakh	Upto ₹ 10 Lakh
Small	₹ 25 lakh to 5 crore	₹ 10 lakhs to 2 crore
Medium	₹ 5 crore to 10 crore	₹ 2 crore to 5 crore

Key Features of MSMEs

1. MSMEs are important to the local and national economy as they contribute to GDP, taxes & duties.
2. MSMEs support in alleviating poverty and propelling sustainable growth in India.
3. MSMEs are biggest sector of local employment.
4. MSMEs are helpful to increase Export.
5. MSMEs are helpful to fulfill local demand
6. MSMEs are helpful to utilize local resources.
7. MSMEs provide raw material for large scale industries.

Literature Review

1. **Srinivas, K. T. (2013)** in his paper entitled Role of micro, small and medium enterprises in India: A study on the growth of MSMEs in India. He has stated that the growth of MSMEs is slow and the reasons for the poor growth of the MSMEs in India are the support provided by the state as well as Central Govt. is not adequate for the upliftment of the MSMEs in India
2. **Subrahmanyam Bala (2011)** has analysed the effect of globalization on export potential of Small scale enterprises and have concluded that the export of these enterprises is high in liberalization period but has shown the increasing trend in Liberalization period too. Therefore the govt. should continue the policy of enhancing the competitiveness of these SSIs through the infusion of technology, finance & marketing support.
3. **Ghatak, Shambhu (2010)** in his paper titled "Micro, small and medium enterprises (MSMEs) in India: an appraisal highlighted that status of Indian MSMEs is better than its counterpart in Bangladesh & Pakistan. About 36% of Pakistani SMEs have bank accounts where as about 46% Bangladeshi's SMEs have Bank accounts. In comparison to them about 95% of Indian SMEs have their bank accounts. He further stated that Indian Govt. should accelerate its initiatives to provide further support to these Small scale industries.

Major Schemes offered by Government For MSMEs

Various major schemes are offered by government for MSMEs. Some are as follows :

1. Performance and credit rating scheme : To improve performance MSME and keep check on quality, Govt. has offered rating scheme which is carried out through empanelled rating agencies i.e. CRISIL, CARE, ICRA and Brickwork India Ratings. Under this Scheme, rating fee payable by the micro & small enterprises is subsidized for the first year and that is subject to maximum of 75% of the fee or ₹40000/-, whichever is less.

2. Marketing assistance scheme To enhance the marketing competitiveness, platform for interaction with the individual/institutional buyers, update them with prevalent market scenario and to provide a forum for redressing their problems Govt. is offering marketing assistance scheme. MSMEs are supported under the Scheme for capturing the new market opportunities through organising/ participating in various domestic & international exhibitions/ trade fairs, buyer-seller meets intensive campaigns and other marketing events During the year 2018-19, Ministry of MSME organized 8 international events and

66 domestic events with budget allocation of ₹ 34 crore. The other activities viz. buyer-seller meets, on sponsorship, marketing campaigns, etc. were also undertaken by NSIC.

3. International cooperation scheme : Technology infusion, up gradation of MSME, modernization and promotion of their exports are the principal objectives of assistance under this Scheme. Deputation of MSME business delegations to other countries for exploring new areas of technology infusion/up gradation, facilitating joint ventures, improving market of MSMEs products and foreign collaborations are covered under this scheme. During the year 2018-19, financial assistance provided for 42 events and 650 entrepreneurs have been taken part in such events.

4. Assistance to training institutions scheme : The assistance provided to training institutions in the form of capital grant for creation/strengthening of infrastructure and programme support for conducting entrepreneurship development and skill development programmes. Maximum assistance for creation or strengthening of infrastructure will be ₹ 1.5 Crore on matching basis, not exceeding 50% of project cost.

5. Prime Minister's Employment Generation Programme (PMEGP) : Nodal Agency at the national level for setting up new self-employment ventures/projects/micro enterprises to generate employment opportunities in local as well as urban areas of the country. The other objective is to bring together widely dispersed traditional artisans/local and urban unemployed youth and give them self employment opportunities to the extent possible, in their place so as to help arrest migration of local youth to urban areas.

6. Scheme of fund for Regeneration of Traditional Industries (SFURTI) : Funding pattern under the scheme has provision for soft interventions including skill training, capacity building, design development, etc. hard interventions including Common Facility Centers, Raw Material Banks (RMB), training centers, etc. and cross cutting thematic interventions which include brand building & promotion, news media marketing, e-commerce, innovation, R&D initiatives and developing linkages between clusters.

7. A Scheme for Promoting Innovation and Local Entrepreneurship (ASPIRE) : The scheme is formulated to set up a network of technology centres and to set up incubation centers to accelerate entrepreneurship and also to promote start-ups for innovation and entrepreneurship in agro-industry with annual fund of ₹ 200 Crore. The financial support under livelihood business incubators is up to ₹ 1 Crore for National small industries corporation (NSICs) and ₹ 50 Lakh for PPP incubators. Other financial support includes funds for incubation of ideas @ ₹ 3 lakh per idea and a seed capital of ₹ 1 Crore for setting up of start-ups by the incubators.

Contribution of MSMEs in National Development

MSMEs plays an important role in the development of National economy. Contribution of MSMEs in National development are as follows :

- 1. Decentralized Industrial Development, Better Distribution of Wealth and Investment :** MSMEs expansion, especially in local play imperative role in the economic expansion of the country and results in decentralized industrial development, better distribution of wealth and investment.
- 2. Formation of Capital :** MSMEs by placing profitable business proposition attract investment to ensure private participation in the industrialization process. The otherwise idle savings are channelized for investment in business ventures which in turn provides return. Again the savings are invested giving a multiplier effect to the process of capital formation.
- 3. Balanced regional development :** MSMEs in local areas controls the concentration of industry in urban areas by setting small scale units in remote areas, successful entrepreneurship development programmes can help in achieving balanced regional development.
- 4. Improvement in per capita income :** MSMEs generates more output, employment and wealth by exploiting new opportunities, thereby helping to improve the per capita income of people.

5. General Employment : MSMEs are not the job seekers but job creators and job providers. With the globalization process the government jobs are shrinking leaving many unemployed. In the circumstances, the entrepreneurs and their enterprises are the only hope and source of direct and indirect employment generation. Employment is generated directly by the requirement of the large enterprises and indirectly by ancilliariation and consequential development activities.

6. National Self-reliance : They are the corner stores of national self-reliance. They help to manufacture indigenous substitutes to imported products which reduce the dependence on foreign countries. There is also a possibility of exporting goods and services to earn foreign exchange for the country. Hence, the import substitution and export promotion ensure economic independence and the country becomes self-reliance.

7. Planned Production : MSMEs are considered as economic agents since they unite all means of production. All the factors of production i.e., land, labour, Capital and enterprise are brought together to get the desired production. This will help to make use all the factors of production with proper judgment, perseverance and knowledge of the world of business. The least combination of factors is possible avoiding unnecessary wastages of resources.

8. Earnings of foreign exchange : MSMEs plays significant role in increasing the foreign exchange earnings of the country through export of their produce.

Contribution of MSMEs in Local Development

MSMEs are also contribute in local development :

1. Reduction of Poverty and Unemployment : Most of the MSMEs are of labour intensive and creates large scale employment opportunities for the local people. MSMEs provides a solution to the growing problem of large-scale unemployment and underemployment of Local area. Through local entrepreneurship development programme, unemployed people can opt for self-employment.

2. Check on migration : MSMEs will bring in or develop infrastructural facilities like roads, power, bridges etc. It reduces the gaps and disparities in income between local and urban areas. Local MSMEs can avoid the migration of people from small cities to big cities in search of jobs.

3. Promotion of artistic activities : Local industries also help protect and promote the art and handicrafts, i.e. the age-old rich heritage of the country.

4. Check on social evils : The growth of MSMEs in local areas reduces the social evils like poverty, social tensions, atmospheric pollution, the growth of slums and ignorance of inhabitants etc.

5. Awaken the Local youth : MSMEs in local areas encourages young and promising entrepreneurs to develop and carry out entrepreneurial activities in the local sector.

6. Improves standard of living: MSMEs in local will also increase the literacy rate of local people. Their education and self-employment will prosper the community, thus improving their standard of living.

7. Proper utilization of local resources : MSMEs in local will help in the maximum utilization of local resources like raw materials and labour for productive purposes and thus increase productivity. Efficient and effective use of limited resources by the entrepreneurs leads to overall economic development of an area.

8. Promote prosperity: Improvements in local productivity can promote prosperity.

Conclusion

MSMEs plays a vital role in the economic development of India, particularly in the local economy. It helps in generating employment opportunities in the local areas with low capital, raising the real income of the people, contributing to the development of agriculture by reducing disguised unemployment, reducing poverty, migration, economic disparity, unemployment. Government should go for periodical appraisal of MSMEs development schemes and programmes in order to uplift local areas. MSMEs finds it difficult to take off is due to lack of capital, risk taking and innovation. They are the way of converting

developing country into developed nation. Promotion of MSMEs are extremely important in the context of producing gainful employment and reducing the widening disparities between the local and urban. MSME's provide self dependency and it is the only way to solve the problem of unemployment in a populous country like India. MSME's are boon for reducing regional imbalances and a means to utilize the natural and abundant human resources available in India.

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