Role of MSME Sector in Growth and Development of the Economy: A Quantitative Investigation

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Abstract

India's Micro, Small, and Medium-Sized Businesses (MSMEs) industry is acknowledged as a key factor in the expansion and development of the national economy. With over a million people employed and a sizable impact on the Economy of the nation, it is one of the greatest employment-generating sectors. Recognizing the significance of the MSME sector, the Indian government has launched a number of programmes to support its expansion and advancement. There are numerous approaches to measure the MSME sector's impact on the Indian economy. It creates job possibilities in both urban and rural areas, thereby reducing poverty and boosting economic growth. India is becoming a big player in the global market thanks to the sector's tremendous growth in exports over time. For the long-term growth and development of the nation, the MSME sector fosters entrepreneurship and innovation. For India's economy to flourish and thrive, the MSME sector must expand and develop. This sector is crucial to the development of the nation as a whole since it has the ability to enhance exports, foster innovation, decrease poverty, and create jobs.

Keywords: MSMEs, Employment Generation, Economic Growth, Indian Economy, Export Potential.

Introduction

In India, the MSME sector is essential for fostering development and economic prosperity. Around a million people are employed in the sector, which boosts the nation's Economy. The industry, however, also faces a number of difficulties that impede its expansion and advancement. For instance, MSMEs find it challenging to expand their enterprises due to poor infrastructure and restricted access to financing. It is also difficult for MSMEs to embrace new technology and compete on the global market due to the sector's lack of skilled labour. The Indian government has initiated a number of efforts to encourage the expansion and development of the MSME sector in order to overcome these issues. The MSME sector is essential to the growth and development of the economy because it promotes entrepreneurship, innovation, and job opportunities (Das 2017).

The problems that MSMEs in other regions of India's small-scale industry (SSI) in Goa encounter have a similar set of problems. These issues include a shortage of competent labor, a lack of suitable infrastructure, and restricted financial access. Furthermore, it demonstrates that the SSI industry in Goa is subject to intense rivalry from big businesses, making it challenging for SSIs to thrive. In addition, the industry lacks technological innovation, which makes it difficult for SSIs to compete on the international market. The government is advised to improve infrastructure, widen financial access, and give MSMEs access to training and education in order to address these issues (Mulimani et al. 2012).

The role of MSME companies in creating jobs, fostering entrepreneurship and innovation, supporting rural development, and increasing the nation's GDP cannot be overstated. That demonstrates how heavily the sector contributes to India's exports. However, the industry has a number of difficulties, including poor infrastructure, restricted access to financing, and a shortage of competent labour. To address these issues, the government has started a number of programmes to aid in the expansion and improvement of the MSME sector. The Prime Minister's Employment Generation Project, the Micro and Small Businesses Cluster Development Programme, and the Credit
 Guarantee Fund Trust for Micro and Small Entrepreneurs are some of these programmes. These programmes aim to support MSMEs financially and technically, increase their competitiveness, and give them the tools they need to contribute more effectively to the economy (Joshi and Kishore 2018).

**Literature Review**

An important factor in the expansion and advancement of India's economy is the Micro, Small, and Medium Businesses (MSME) sector. According to Zanjurne (2018), MSMEs are especially important for fostering entrepreneurship and creating jobs in rural and semi-urban areas. Yet, a sizable fraction of MSMEs are part of the informal economy, which has been severely impacted by the COVID-19 pandemic. To ensure continued growth and development, Unni (2020) emphasises the necessity of reviving the informal economy. To aid MSMEs in overcoming the obstacles posed by the pandemic and foster sector growth, it is critical to offer them financial support and simple access to finance.

With a multi-actor, multi-level approach, Sindhwani et al. (2022) investigated the MSME sector's resilience. They showed that the MSME sector demonstrates high levels of resilience as a result of its dynamic nature, adaptability to shifting market conditions, and capacity to utilise technology. The expansion of India's economy is aided by the sector's critical role in creating employment opportunities, encouraging innovation, and encouraging entrepreneurship. MSMEs' importance in fostering entrepreneurship and accelerating India's economic growth was highlighted by Amutha (2022). In addition to making a sizable contribution to the GDP of the nation, it was stated, MSMEs foster regional development, foster local entrepreneurship, and create employment possibilities. The official and informal economic sectors of the economy are both benefited by MSMEs. Policymakers should provide appropriate support and resources to the MSME sector to ensure its continuing success because it contributes significantly to India's economic growth and development.

According to Cowling et al. 2016, access to financing has been a major problem for MSMEs in India. MSMEs may find it challenging to invest in new technologies and expand their businesses due to a lack of access to financing, which can impede their growth and development. The government has launched a number of programmes and initiatives to help and encourage MSMEs financially in order to overcome this issue. By way of illustration, the Pradhan Mantri Mudra Yojana offers loans to MSMEs, allowing them to invest in their companies and provide employment possibilities.

The expansion and advancement of the MSME sector depend heavily on innovation. The issues faced by MSMEs in India must be addressed by innovative methods, according to Pratihar and Swain (2014). The National Manufacturing Competitiveness Plan and the Technological Development and Modernization Fund are just two of the government's many initiatives to support innovation in the MSME sector. With the goal of boosting production, efficiency, and competitiveness, these programmes encourage MSMEs to embrace cutting-edge techniques.

According to Lama (2013) the MSME sector in India has a number of obstacles. These difficulties include a shortage of competent labor, poor infrastructure, and restricted access to funding. The industry is also quite susceptible to outside shocks like policy shifts and economic downturns. Given the size of the home market and the government's initiatives to promote the sector, the industry still has a great deal of room to grow despite these obstacles. The government must improve infrastructure, widen financial access, and offer MSMEs training and education in order to fully realize this potential. By doing this, the government may assist MSMEs in overcoming their obstacles and foster their expansion and development.

A regional examination of the situation of MSMEs in India is provided by Mama and Mistri (2017). The industry is very fragmented, with many small businesses operating in the unorganized sector. It implies that the government must offer targeted assistance to MSMEs in various locations in order to assist them in overcoming obstacles and fostering growth and development. MSMEs confront a variety of problems, including a shortage of trained labour, poor infrastructure, and restricted access to financing, depending on the region. The government may encourage innovation, entrepreneurship, and job opportunities while also advancing overall growth and development through fostering the expansion and development of the MSME sector. Dubal (2015) discusses the funding of SMEs in India. It underlines the necessity of timely and enough finance to support MSMEs' expansion and development. The financial institutions and governments should prioritize facilitating MSMEs' access to credit, streamlining loan applications, and lowering collateral requirements.
According to Bhadauria (2015), improving ties with the service industry is necessary for the expansion and development of India's MSME sector. It implies that the service sector plays a significant role in economic growth and that its close ties to the MSME sector can boost the latter's innovation, productivity, and competitiveness. The current connections between these two sectors, however, need to be enhanced by legislative changes, infrastructural investments, and the development of an environment that is friendly to business. The article emphasizes the necessity for the government to support entrepreneurship, make money and technology available, and foster cooperation between various industries.

**Objective of the Study**

- To ascertain the various factors of MSME sector in growth and development of the economy
- To find the significance of the role of MSME sector in the growth of the Economy

**Methodology:**

The present study is based on a survey conducted with a structured questionnaire. In the analysis, there were 185 participants who took part. To identify the results, statistical techniques such as mean and t-test were employed. The research employed a convenience sampling method, where participants were selected based on their availability and accessibility.

**Table 1 Role of MSME sector in growth and development of the economy**

<table>
<thead>
<tr>
<th>Serial No.</th>
<th>Statement of Survey</th>
<th>Mean Value</th>
<th>t-Value</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>The MSME sector plays a crucial role in the growth and development of an economy.</td>
<td>4.46</td>
<td>12.357</td>
<td>0.000</td>
</tr>
<tr>
<td>2.</td>
<td>MSMEs contribute significantly to a country's export earnings.</td>
<td>4.35</td>
<td>10.290</td>
<td>0.000</td>
</tr>
<tr>
<td>3.</td>
<td>MSMEs can play a vital role in promoting rural development by providing employment opportunities for women and youth.</td>
<td>4.22</td>
<td>8.500</td>
<td>0.000</td>
</tr>
<tr>
<td>4.</td>
<td>The MSME sector can help to increase foreign exchange earnings and improve the overall balance of trade.</td>
<td>4.13</td>
<td>6.353</td>
<td>0.000</td>
</tr>
<tr>
<td>5.</td>
<td>MSMEs also play an important role in social and environmental development.</td>
<td>4.17</td>
<td>7.090</td>
<td>0.000</td>
</tr>
<tr>
<td>6.</td>
<td>MSMEs create jobs at a faster pace than large enterprises, thereby reducing unemployment and poverty.</td>
<td>4.42</td>
<td>10.979</td>
<td>0.000</td>
</tr>
<tr>
<td>7.</td>
<td>MSMEs does not contribute in promoting competition.</td>
<td>3.85</td>
<td>4.340</td>
<td>0.000</td>
</tr>
<tr>
<td>8.</td>
<td>The MSME sector provides opportunities for entrepreneurs from diverse backgrounds to enter the market.</td>
<td>4.30</td>
<td>10.971</td>
<td>0.000</td>
</tr>
<tr>
<td>9.</td>
<td>The government may start programmes to aid in the expansion and improvement of the MSME sector.</td>
<td>3.91</td>
<td>5.351</td>
<td>0.000</td>
</tr>
<tr>
<td>10.</td>
<td>MSMEs are the breeding ground for innovation and entrepreneurship.</td>
<td>4.27</td>
<td>10.113</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Table 1 displays the Mean values for statement for the studying “the role of MSME sector in growth and development of the economy”, looking at the mean scores, the highest mean score is gained by the statement “The MSME sector plays a crucial role in the growth and development of an economy”, the mean score of 4.46,” next statement is “MSMEs create jobs at a faster pace than large enterprises, thereby reducing unemployment and poverty” has the mean score of 4.42. MSMEs are also found to be responsible for trading as shown in statement “MSMEs contribute significantly to a country's export earnings” having the mean value of 4.35. Another advantage of MSME is, “The MSME sector provides opportunities for entrepreneurs from diverse backgrounds to enter the market” for which the mean score is
4.30, statement “MSMEs are the breeding ground for innovation and entrepreneurship” shows the mean value of 4.27, mean value of 4.22 is scored by statement “MSMEs can play a vital role in promoting rural development by providing employment opportunities for women and youth”. “MSMEs also play an important role in social and environmental development” mean score is 4.17. The statement “The MSME sector can help to increase foreign exchange earnings and improve the overall balance of trade” shows the mean value of 4.13. The last two statements are in lowest range, “The government may start programmes to aid in the expansion and improvement of the MSME sector” mean value of 3.91, statement “MSMEs does not contribute in promoting competition” has the mean value of 3.85. T-value of every statement in context of the role of MSME sector in growth and development of the economy is significant, because t-value statements are found to be significance & positive value also less than 0.05.

![Figure 1 Role of MSME sector in growth and development of the economy](image-url)
Conclusion

The growth and development of the Indian economy are greatly influenced by the Micro, Small, and Medium-Sized Businesses (MSMEs) sector. After agriculture, this industry employs the second-highest number of people in the nation and considerably boosts India's GDP. Particularly in rural and semi-urban areas, the MSME sector is crucial for fostering innovation, entrepreneurship, and economic growth. It offers a platform for the establishment of job possibilities, revenue generation, and wealth distribution, thus promoting inclusive growth and reducing poverty. The industry has been crucial in assuring the supply of necessities during the epidemic, which has improved the health of the Indian economy as a whole. In conclusion, the MSME sector is an essential part of the Indian economy, making a significant contribution to job creation, economic growth, and the eradication of poverty. It is impossible to overstate how important the industry is to encouraging innovation, entrepreneurship, and technological advancement. Yet, the industry has a number of issues that need immediate attention from authorities, such as financing availability, technical advancement, and distribution networks. The expansion and development of India's MSME sector can be greatly aided by programmes like financial assistance, technological hubs, and regulatory liberalization. A monument to the industry's fortitude during the COVID-19 pandemic. Many obstacles, including limited access to financing, outdated technology, low productivity, a dearth of marketing outlets, and bad infrastructure, hinder the MSME sector in India. The sector's ability to support India's economic growth and development is demonstrated by its resiliency during the COVID-19 pandemic.

References