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MSME SERVICE SECTOR: AN ENGINE OF INDIAN ECONOMIC GROWTH”

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Abstract

Ministry of Small and Medium Enterprises i.e MSME serves as an essential instrument in the journey of growth in Indian economy. In the current requirement of the market it is very important to diagnose the pulse of an individual or an enterprise in the areas of manufacturing and service sector. Service sector is growing very speedily, the major requirement of investment pertains to providing services in the form of knowledge, information technology, credit banking, skill development and training programs and these are promoted by MSME. In service sector MSME plays a major role through investment in plant and machinery. The role of SMEs in the industrial sector is growing rapidly and they have become a thrust area for future growth. As per the six umbrella schemes of the twelfth five year plan 2012-17, assessing the growth of Indian economy till now through MSME under the schemes assumes importance and analyzing how far have we been successful in terms of economic growth also seems a fruitful proposition. This paper explores the impact of service sector on the growth of economic progress of the six vertical umbrella schemes focusing on skill development and training and delineating the ranking of business enterprises in Indian market under the banner of MSME.

KEY WORDS:- Information technology, Six Umbrella Scheme, Skill development

Introduction: The Indian market is growing and the Indian industry is making rapid progress in industries like manufacturing, food processing, textile and garments, retail, precision engineering, information technology, pharmaceuticals, agro and service sectors. Small and medium enterprises, SMEs of India too have gradually recorded growth over the last few years. The role of SMEs in the industrial sector is growing fast and they have become a thrust area for future growth. Under the changing economic scenario the SMEs feature both opportunities and challenges before them. Ministry of Small and Medium Enterprises i.e MSME of Government of India is an essential instrument in the journey of growth in Indian economy. MSMEs play a significant role in employment generation and thus contribute to the nation's economic growth. Almost 95 per cent of the industrial sector is commanded by SME – MSME. The Micro, Small and Medium Enterprises, MSMEs have seen the highest growth rate in manufacturing sector employment in recent years. MSMEs have recorded a higher growth rate as against the industrial sector. Indian MSME's, manufacture more than 6000 products which range from traditional to high tech items. They also offer maximum opportunities for both self employment and jobs in India, after the agriculture sector. As for India, they account for eight per cent of GDP, 45 per cent of manufacturing output and 40 per cent of exports. Labour capital ratio is too high in MSMEs as compared to giant industries.

Service sector too is growing very speedily which can be gauged through fields of information technology, credit banking, skill development and training programs and all these are in turn promoted by MSME. In service sector MSME plays a major role through investment in plant and machinery.

Six Umbrella Schemes: Six umbrella schemes have been recommended for attaining phenomenal development through MSME in the Prime Minister’s Task Force during Twelfth Plan 2012-17.

Proposed budget during twelfth five year plan: The challenge for the present government is to create a solid economic environment that encourages investments, streamlines policy making and promotes confidence of the investors. The proposals presented in the Union Budget 2014–15 are designed to revive economic growth by accelerating infrastructure development and maintaining fiscal prudence. It has been proposed to create a Rs. 10,000 crore fund to act as a catalyst for attracting private capital to the financial support of MSMEs.

The vertical division and allocation of funds of the working groups of schemes are as follows:

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|--|------------------------|
| 1. Credit and finance | 19,450 (Rs. in crore) |
| 2. Technology upgradation | 9,500 |
| 3. Infrastructure Development | 11,360 |
| 4. Marketing and procurement | 2,110 |
| 5. Skill Development and Training | 3,600 |
| 6. Institutional Structure | 3,100 |
| 7. Khadi and Village Industries Sector | 14,800 |
| 8. Coir Sector | 870 |
| Total | 64,790 |

The advantages of this division are varied. Enough flexibility would be allowed in the utilization of funds under each scheme. In times of requirement, transfer of funds would be allowed from one to the other scheme. Implementation of different components would be cost effective and time saving. There has been a separate entity for Khadi and Village Industries and Coir Sector in plan allocation because of the special status of each of these sectors with autonomous administrative set up. These two sectors have not been aligned in the six umbrella verticals schemes for the same reason.