



MSME- Boosting India's Economic Growth through Innovation. MSME and Innovation- “A pathway to Sustainable Development”

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Abstract:- MSMEs contribute significantly to innovation due to their ability to quickly adapt to market changes and experiment with new ideas. Their size and structure often allow for greater flexibility, enabling them to explore innovative solutions in technology, processes, and products. Micro, Small, and Medium Enterprises (MSMEs) are pivotal to India's economy, contributing around 30% to the GDP and 45% of exports. As India aims to strengthen its global competitiveness, fostering innovation in the MSME sector is essential. Innovation here involves new products, services, processes, digitalization, and improved business models, which enable MSMEs to enhance efficiency, reduce costs, and expand their market reach.. This innovation capacity helps MSMEs create unique products and services, improve efficiency, and access new markets, enhancing their competitive edge. MSMEs and innovation are intrinsically linked to the pathway of sustainable development. By fostering creativity, enhancing inclusivity, and adopting eco-friendly practices, MSMEs contribute not only to economic prosperity but also to social well-being and environmental health. Strategic support from stakeholders can further amplify their role in achieving global sustainability goals. Digital transformation, especially through Industry 4.0 applications, is becoming a key enabler, helping MSMEs streamline operations and increase productivity. Collaborations with academic institutions, large enterprises, and global bodies further bolster innovation by providing access to advanced knowledge and funding. Digital platforms, e-commerce, and online learning are also expanding opportunities for MSMEs to grow and adapt.

Keywords- Innovation, Entrepreneur, MSME(Micro Small and Medium Enterprises), Technology, Infrastructure

MSME Transformation :- MSME transformation is a process of change carried out by MSMEs to adapt to the changing business environment. This transformation process includes various aspects, such as implementing new strategies, changes in business models, utilization of technology and innovation, and development of internal capabilities. MSME transformation aims to increase productivity, competitiveness, and business sustainability in the face of global competition and rapid market changes. In a changing business environment, MSMEs need to have the ability to adapt to technological developments, market trends, and increasingly complex consumer needs. Through transformation, MSMEs in India can improve operational efficiency, expand markets, improve product and service quality, and diversify their businesses. In addition, technology and innovation can be vital in achieving successful transformation. Information technology, including e-commerce and other digital platforms, can help MSMEs achieve a grander scale and reach a broader market.

Overall, MSME transformation is a strategic step that needs to be taken by MSMEs to remain relevant and competitive in the evolving business era. By improving productivity, competitiveness, and business sustainability, MSMEs can play a more substantial role in the economy, create jobs, and support overall economic growth.

Objectives of Study :-

To study the impact of innovation and different schemes in India.

To find out the problems and hurdles faced by Micro, Small and Medium Enterprises in India

To give suggestions and proper remedies for the growth of Micro, Small and Medium

Innovation and Technology in the Context of MSMEs

Innovation and technology are critical elements in the transformation of MSMEs. Innovation involves the development of new ideas, products, processes, and business models that enable MSMEs to face challenges and capitalize on opportunities that arise around them. In transformation, innovation is essential in responding to market changes, answering consumer needs, and creating

competitive advantage. On the other hand, technology relates to the utilization of tools, devices, and systems that use information and communication to improve efficiency, productivity, and information availability for MSMEs. Technological advancements, such as e-commerce, digital platforms, computer networks, business software, and artificial intelligence, provide excellent opportunities for MSMEs to improve their business performance and

expand their market share. The application of technology also helps MSMEs

overcome resource limitations and improve accessibility, especially in terms of marketing, inventory management, data analysis, and communication with customers. By using technology well, MSMEs can achieve higher efficiency, face better competition, and improve the quality of the products and services they offer.

The Structure of Indian MSMEs :-

Table 1: Category-wise Distribution of MSMEs at the National Level

Category	Estimated Number of Enterprises (in lakhs)	Share of Each Category in Total MSMEs (%)
Micro	630.52	99.47
Small	3.31	0.52
Medium	0.05	0.01
All	633.88	100

Source: 73rd round NSSO Unincorporated Non-Agricultural Enterprises (Excluding Construction) survey 2015-16 unit level data

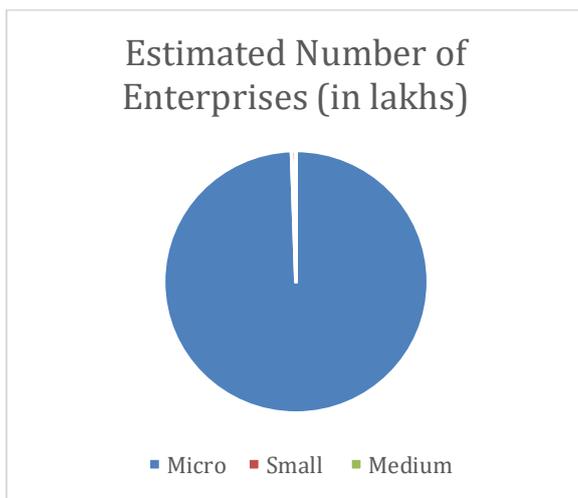


Table 1 provides a comprehensive breakdown of India's MSME landscape, categorizing these enterprises into three distinct groups: Micro, Small, and Medium enterprises, and outlining their respective contributions to the overall MSME sector. A striking observation from the data in Table-1 is the overwhelming prevalence of micro-enterprises, accounting for an astonishing 99.50% of the total MSME sector. Small enterprises, by contrast, constitute a mere 0.52% of the MSME population, while medium enterprises represent a minuscule 0.01%

Table 2: Estimated Number of MSMEs (Activity Wise) at the National Level

Economic Activity	Estimated no. of MSMEs					
	Rural	Share%	Urban	Share%	Total	Share%
Manufacturing	111.14	34.21	82.5	26.70	196.65	31.02
Trade	108.71	33.46	121.64	39.37	230.35	36.34
Services	102	31.40	104.85	33.93	206.85	33.63
All	324.88	100	309.00	100	633.88	100

Source: 73rd round NSSO Unincorporated Non-Agricultural Enterprises (Excluding Construction) survey 2015-16 unit level data.

Number of MSMEs (Activity Wise) at the National Level

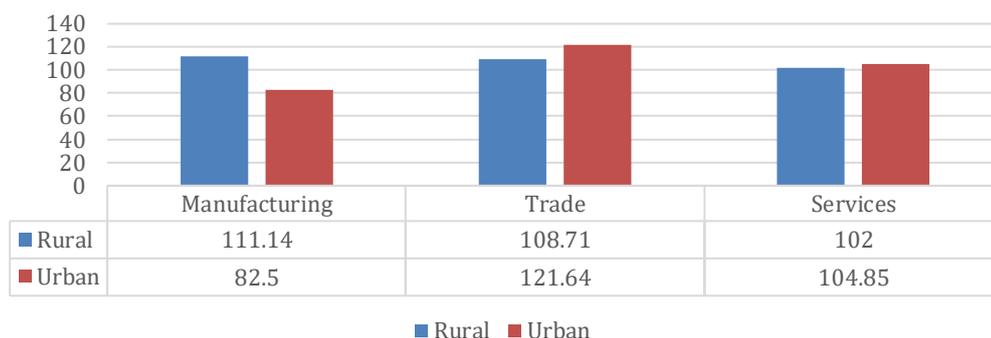


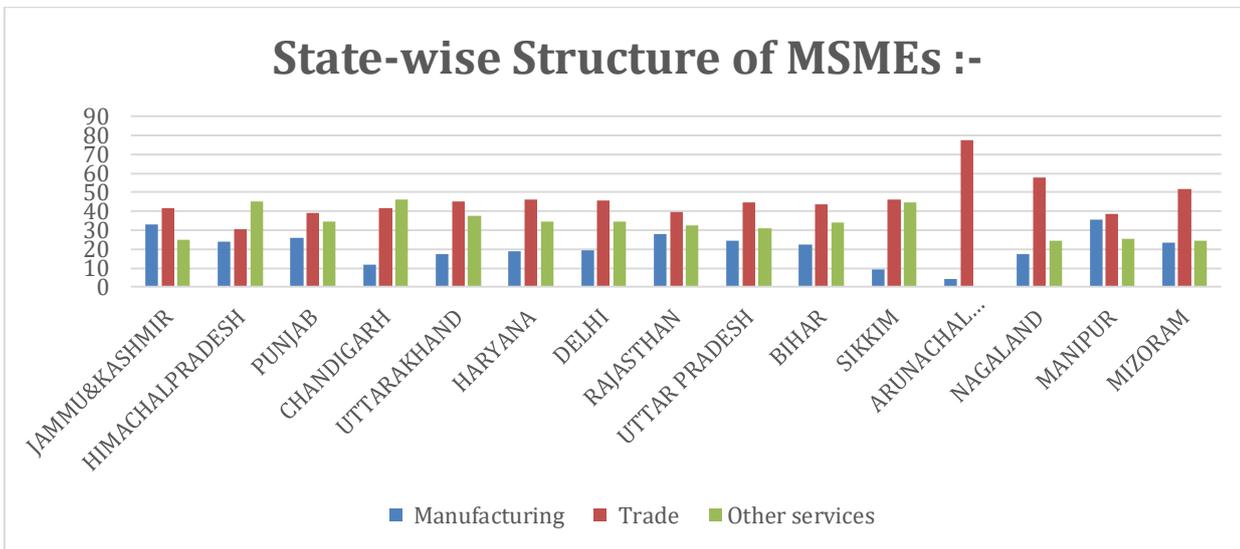
Table-2 presents the estimated number of enterprises and their respective proportions within various economic industries, encompassing Manufacturing, Trade, and Services, across both urban and rural settings. This serves as a valuable resource, equipping policymakers and business owners with insights into the current MSME landscape within diverse economic sectors, thereby aiding the formulation of targeted policy measures aimed at fostering their growth and development.

State-wise Structure of MSMEs :-

MSMEs emphasize the importance of efficient coordination between central and state governments and the significance of having a comprehensive MSME policy that serves as a one-stop resource for firms seeking incentives and programs. Furthermore, governments at all levels must enhance awareness of these incentives and programs to facilitate wider adoption and utilization by MSMEs.

Table-3:- State-wise Structure of MSMEs :-

State and UTs	Manufacturing	Trade	Other services
JAMMU&KASHMIR	33.06	41.70	25.23
HIMACHALPRADESH	23.95	30.76	45.29
PUNJAB	26.19	39.21	34.60
CHANDIGARH	11.93	41.82	46.26
UTTARAKHAND	17.32	45.35	37.41
HARYANA	18.86	46.31	34.84
DELHI	19.35	45.94	34.71
RAJASTHAN	27.95	39.42	32.63
UTTAR PRADESH	24.55	44.50	30.95
BIHAR	22.32	43.70	33.98
SIKKIM	9.25	45.97	44.79
ARUNACHAL PRADESH	4.29	77.33	18.37
NAGALAND	17.61	58.00	24.39
MANIPUR	35.56	38.69	25.75
MIZORAM	23.71	51.68	24.60



Employment in the MSME sector

As per the National Sample Survey (NSS) 73rd round conducted during the period 2015-16, the MSME sector has been creating 11.10 crore jobs (360.41 lakh in Manufacturing, 0.07 lakh in Non-captive Electricity Generation and Transmission, 387.18 lakh in Trade and 362.22 lakh in Other Services) in the rural and the urban areas across the country.

Table No-4: Employment in MSME (Activity Wise)

(Source:- Annual report 2019- 2020)

Broad Activity	Employment (in lakh)			Share (%)
	Rural	Urban	Total	
Manufacturing	186.56	173.86	360.41	32
Electricity	0.06	0.02	0.07	.
Trade	160.64	226.54	387.18	35
Other Services	150.53	211.69	362.22	33
All	497.78	612.10	1109.89	100

Employment in MSME sector (Nature of Activity Wise)

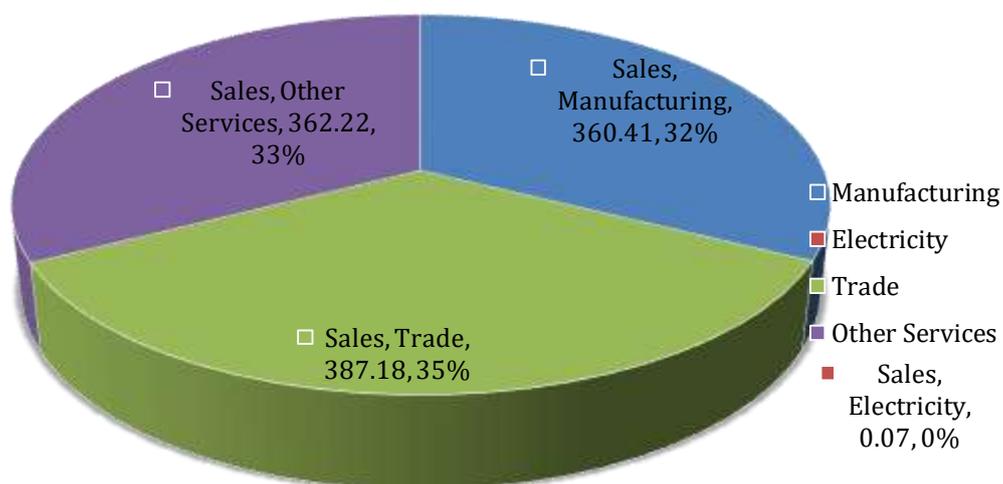
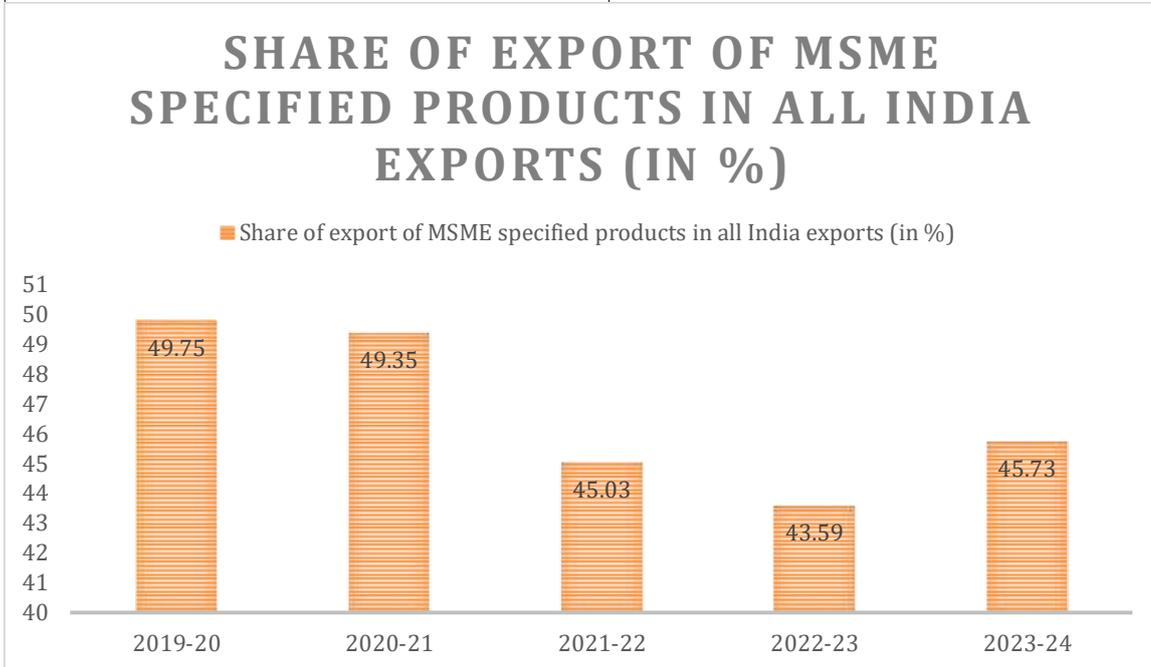


Table-4 Percentage Share of export of MSME:-

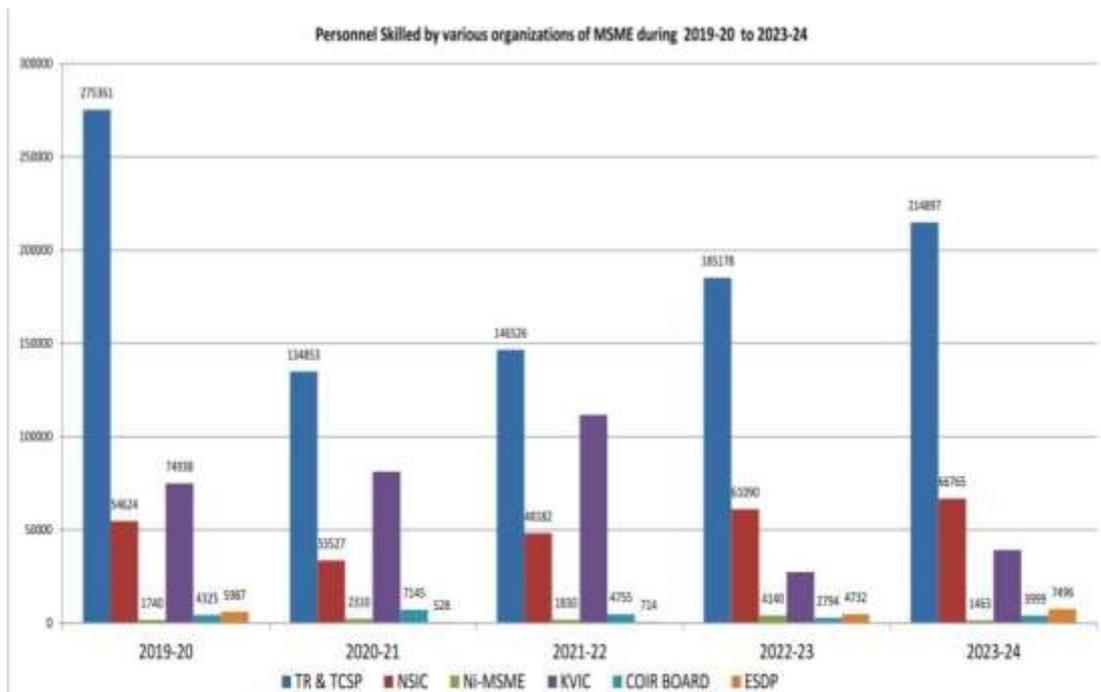
Year	Share of export of MSME specified products in all India exports (in %)
2019-20	49.75
2020-21	49.35
2021-22	45.03
2022-23	43.59
2023-24	45.73



Progress of Skill Development Programmes :- Organizations under the Ministry are providing skill training to the youths for wage employment as well as self-employment. They also provide skill up gradation trainings to existing entrepreneurs and workforce to enhance their performance. These trainings provided under various schemes such as Tool Room & Technical Institutions (TR & IT), TCSP Assistance to Training Institutions (ATI), National SC/ST Hub, Khadi Gramodoyog Vikas Yojna, Coir Vikas Yojna- Skill Upgradation & Mahils Coir Yojna etc. Further more customized demand driven training courses as per industry requirement are also conducted by organizations under the ministry.

The progress of skill development programmes conducted by various organizations of the ministry of MSME since 2019-20 to 2023-24 is provided in the bar chart as below.

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Government initiatives under skill development Schemes:-

India has been actively promoting innovation and skill development through a range of government initiatives aimed at fostering entrepreneurship, improving employability, and advancing technological capabilities. These schemes are designed to equip the workforce with the necessary skills and create an ecosystem conducive to innovation.

One flagship initiative is Startup India, launched in 2016, which provides funding support, tax benefits, and simplification of regulatory processes to encourage entrepreneurship and innovation. **The Atal Innovation Mission (AIM)** is another significant program under the NITI Aayog that promotes a culture of innovation through **Atal Tinkering Labs (ATL)** in schools, **Atal Incubation Centers (AIC)**, and sectoral innovation hubs.

In the realm of skill development, the **Pradhan Mantri Kaushal Vikas Yojana (PMKVY)** is a flagship scheme under **Ministry of Skill Development and Entrepreneurship (MSDE)**. PMKVY aims to enhance the employability of India's youth by offering short-term training and certification programs in various skill areas. Similarly, **the National Skill Development Mission** focuses on vocational training and skill upgrades across sectors.

The Digital India initiative plays a pivotal role in building digital skills and fostering innovation in technology-driven sectors. This is complemented by Skill India, a broader program to create a skilled workforce aligned with the demands of modern industries.

To support rural innovation, **the Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY)** focuses on improving the employability of rural youth. Additionally, schemes like the **National Apprenticeship Promotion Scheme (NAPS)** and **Stand-Up India** foster entrepreneurship and encourage women and SC/ST entrepreneurs to innovate.

Through these initiatives, the government seeks to build a robust ecosystem that combines skill development with innovation, driving India's economic growth and competitiveness in a global economy.

Issues and Challenges:- MSMEs' ability to innovate is usually restricted by two types of challenges—strategic and operational.

Strategic –:

Intellectual property rights (IPR)

High cost of credit

Operational -:

Lower technology levels
Insufficient infrastructure
Problems of storage, designing, packaging and product display
Lack of skilled manpower
Problems of storage, designing, packaging and product display
Delayed in settlements.

Opportunities for MSMEs in India- The MSME segment has been in the focus from several government institutions, corporate bodies and banks. It also throws light on the growth and capacity-building opportunities they present to Indian MSMEs.

Food processing : MSMEs bridge the gap between the agriculture and industrial segments in India. The Indian food processing industry is estimated to cross the \$300 billion mark by 2015. MSMEs currently contribute 90% of the industrial units and 40% of the revenue to the sector.

Biotech and pharma :- The Indian pharmaceutical market is the fourth largest in the world in terms of volume and the 14th largest in terms of value. This market was US\$ 12 billion in 2010 and is expected to grow at a CAGR of 17 to 20% over the next few years and reach around US\$ 50 billion to 74 billion by 2020. India is expected to be one of the top 10 markets by 2020.

Defence and homeland security: Globally, MSMEs play a vital role in supporting public sector enterprises and bigger integrators within the supply chain of defence and aerospace. They benefit from having a lean structure, agility, lower cost of setting up business, highly skilled labour and cost competitiveness in terms of production of smaller systems and subsystems.

Conclusion and Suggestions :-

In this study, the importance of innovation and technology in the transformation of MSMEs has been discussed. The role of innovation and technology in improving market access, optimizing operational processes, product and service development, and increasing efficiency and productivity has been highlighted. This report emphasizes the need for an elusive quality, adaptable, and diversified policies that embrace the complexity of the MSME sector. While common objectives are essential, state-specific approach is the key to unlocking the sector's full potential and ensuring India's robust growth trajectory. By recognizing the dynamic landscape of Indian MSMEs and calibrating policies accordingly, the nation can build a foundation for inclusive growth, innovation, and economic resilience. As India aspires to amplify its economic footprint and global influence, nurturing the growth of its MSMEs becomes an essential chapter in its journey towards sustainable development and prosperity.

The proper support from the government and bank to face cut throat Competitions should be given to utilize the production capacity to fulfill the objectives of the organization. MSME's need to be supported by central and state government and financial institutions.

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