

# ROLE AND IMPORTANCE OF MSME IN INDIA FOR INTERNATIONAL BUSINESS

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## ABSTRACT:

Through business innovations, the Micro, Small, and Medium Enterprises (MSMEs) have made a substantial contribution to the growth of entrepreneurial endeavours. The MSMEs are expanding their sphere of influence across economic sectors and generating a wide range of goods and services to satisfy domestic and international markets. Among other things, the MSMEs in India are playing a significant role by industrialising rural and underdeveloped areas, addressing regional imbalances, and guaranteeing a fairer distribution of the nation's income. They also provide significant employment opportunities at comparatively lower capital costs than large industries. Small & Medium Enterprises (MSMEs) have made a substantial contribution to the growth of entrepreneurial endeavours through commerce, as discussed in this article focuses on the MSME critical role and performance of various industries in India.

Additionally, MSMEs in India have played a critical role in fostering equitable growth and eradicating poverty. They have given locals job chances by starting enterprises in rural and undeveloped areas, preventing locals from moving to crowded metropolitan areas. This has helped to lessen regional inequities while also raising the level of living in certain areas.

MSMEs have also been essential in supporting innovation and technical development across a range of industries. Compared to bigger firms, these businesses frequently display better flexibility and adaptability, which enables them to swiftly adopt new technology and market trends. Their capacity for innovation has led to the creation of novel goods, services, and business models, increasing competitiveness and stimulating the economy.

Overall, India's MSME sector has contributed significantly to social advancement, job creation, and economic expansion. Its impact on regional growth, industrialisation, and income distribution cannot be disregarded. MSMEs have the capacity to thrive and make a lasting effect on India's economy with the correct assistance and an enabling environment

## Key Words:

International Business, Competitiveness, Policy, MSME, India

## **METHODOLOGY:**

Since 2010, information has been gathered from the Ministry of MSME's Annual Reports. Additionally, information regarding service usage and R&D spending was gathered from the Centre for Monitoring of the Indian Economy (CMIE). Finally, information on the use of e-commerce and digital platforms was gathered from reports made public by many other sources (such IBEF and other government sources, etc.).

## **FINDINGS:**

The research's conclusions show that MSMEs in India have enormous potential for doing business abroad. They have distinctive qualities including invention, adaptability, and flexibility that let them compete on the international market. MSMEs, however, suffer numerous difficulties that impede their growth and development, such as a lack of access to money, technology, and information. To overcome these issues and encourage MSME exports, the Indian government has launched a number of programs, including the Make in India, Digital India, and Skill India campaigns. Resolving issues with money, technology, information, infrastructure, and skills is essential for realising the full potential of Indian MSMEs, who already have characteristics that make them competitive in the global market. An environment that supports MSME exports and encourages their integration into the global economy is created thanks in large part to actions taken by the Indian government, the private sector, and industry players. By solving these problems, Indian MSMEs may expand their markets internationally, support economic expansion, and foster a more diverse and sustainable entrepreneurial environment.

## **OBJECTIVES:**

- To evaluate India's MSME sector performance.
- To examine how MSME businesses operate in both urban and rural settings.
- to comprehend what MSMEs are.
- To talk about the contribution of the MSMEs sector to the national GDP.
- To evaluate the development and effectiveness of MSMEs in terms of employment and investments.
- To evaluate the current MSMEs policy framework

## **INTRODUCTION:**

The economy depends heavily on micro, small, and medium-sized businesses. All emerging nations, including India, have frequently referred to the Micro, Small, and Medium-Sized Enterprises (MSMEs) as their "engine of growth." The weakest and poorest groups in society are given employment chances, which offers them a way out of the poverty that they appear destined to experience. A significant role in the economy is played by MSMEs,

which demonstrate that they are the second largest employer of labour in the country after agriculture while requiring lower initial investments.

MSMEs serve as supplementary units that complement major businesses, and this sector has a substantial impact on the country's inclusive industrial growth. To fulfil the demands of both domestic and international markets, MSMEs are expanding their sphere of influence across economic sectors and providing a wide range of goods and services. In a developing country like India, where labour is cheap and capital is expensive, the small sector provides millions of people with a significant portion of their income.

The Indian government has incorporated this industry in its five-year plans, considering the significance of SMEs. The government has prioritised the growth of the micro, small, and medium-sized business (SME) sector. The mission of the government, according to the Results Framework Document (RFD) for the Ministry of Micro, Small, and Medium Enterprises, is to "Promote growth and development of globally competitive Micro, Khadi, village, and coir industries are examples of small and medium-sized businesses that support current businesses and promote the development of new ones in collaboration with relevant state governments, federal agencies, and other stakeholders.

When compared to the industrial sector, the MSME sector has continuously shown faster growth in recent years. To withstand the recent economic crisis and recession, the sector has displayed commendable inventiveness and adaptability. MSMEs greatly aid in the socioeconomic growth of the nation and serve as auxiliary units to large businesses.

With over 63.4 million registered MSMEs working in industries like manufacturing, services, and agriculture, India is a global centre for MSMEs. Based on the size of the business, the sector is split into three groups: micro (with a turnover of less than Rs. 1 crore), small (with a turnover of Rs. 1 crore to Rs. 10 crore), and medium (Rs.10 crore to Rs.50 crore turnover). The Indian government has introduced a few programmes and efforts to aid in and encourage the expansion of MSMEs throughout the nation.

### **Current Scenario of MSMEs in India:**

MSMEs in India are divided into two groups based on the amount invested in machinery and/or equipment. Microbusinesses are under the first category and can get up to INR 1 crore (\$135,000) in financing. Small and medium-sized businesses fall under the second group, with investments ranging from INR 1 crore to INR 250 crore (\$135,000 to \$33 million) for manufacturing and INR 10 lakh to INR 50 crore (\$13,500 to \$6.75 million) for services. To give financial support and help to MSMEs, the Indian government has developed a number of policies and programmes.



**REVIEW OF LITERATURE:**

This study demonstrates how current MSMEs are vital to the growth and improvement of the Indian economy. To build India, MSMEs are contributing to growth, employment, and eradicating poverty.

- Subrahmanya (2004) emphasised that small industries have suffered in terms of development of units, employment, output, and exports in order to highlight the impact of globalisation and domestic reforms on the small-scale industries sector. In order to make India's small industry competitive on a global scale and boost employment and national income, he also advised that the emphasis should be placed on technology development and building financial infrastructure.
- While Sudan, F. K. (2005) discussed the various benefits, significance, issues, and policy alternatives of the MSME sector. The government of India preferred policies that would create a sizable MSME sector, a diverse economy, and more job possibilities to accommodate the influx of new workers and provide exciting career options.
- The role of MSMEs and the significance of the small-scale industrial sector to the growth of the global economy were discussed by Rathod, C. B. in 2007.
- SMEs in India encounter a variety of difficulties, but according to De Sankar's from 2009, finding short- and long-term finance is one of the most difficult
- According to K, Vasanth, Majumdar M., and K. Krishna (2012), networks of SMEs will become crucial for addressing the systemic issues underlying industrial ecology, enterprise resilience, and global supply chain sustainability because of the gradual evolution of several successful models of the sustainable SME
- Srinivas (2013) conducted an analysis of MSMEs' performance, their contribution to India's economic growth, the number of MSMEs' businesses, and employment, and concluded that MSMEs are essential to the Indian economy's inclusive growth.
- MSMEs are growing annually, according to study by Papiya Manna and Dr. Tapas Mistri (2017), and their contribution to national or state GDP is rising as well.
- According to Yogesh C. Joshi and Kaushal Kishore's research from 2018, a sizable fraction of MSMEs practise energy saving, but more work must be done to raise the number of units using the Data Collection model of energy conservation.
- According to Nihar Ranjan Jena and Lina R Thatte's (2018) analysis, the labour force, economic infrastructure, and national regulatory level variances in presence or absence were to blame for the performance differences of the MSME sector across different states. The current study, which is based mostly on the framework, the size of the GSDP, the density of MSME clusters, etc., discovered that Maharashtra was the state that performed the best in terms of the performance of the MSME sector, closely followed by Gujarat, Tamilnadu, Andhra Pradesh, Uttar Pradesh, West Bengal, and Kerala.

## **International Trade:**

The term "international business" refers to cross-border trade in commodities, services, technology, and capital. It is a fundamental component of the world economy and has a significant impact on national economic development. Opportunities for market expansion, profit growth, and risk reduction are presented by doing business internationally. However, there are a number of difficulties that come with doing business internationally, including varying legal systems, political unpredictability, and currency volatility.

When dealing in international trade, there are a number of other elements to take into account in addition to the ones already stated.

**Cultural differences:** Interacting with individuals from other cultures is frequently required while conducting business across boundaries. Building effective connections and preventing misunderstandings requires a grasp of and respect for cultural conventions, beliefs, and business practises. In order to successfully navigate diverse corporate contexts, it is important to be culturally sensitive and communicate clearly.

**Trade restrictions and regulations:** The trade restrictions that different nations impose may include tariffs, quotas, and regulatory requirements. It can be difficult and time-consuming to get around these obstacles and make sure import/export rules are being followed. A thorough grasp of trade agreements, customs processes, and legal systems in other nations is frequently necessary to engage in international trade.

Logistics and supply chain management are essential for effectively managing the transportation, storage, and transfer of commodities across international borders. To guarantee prompt and economical delivery of goods to overseas markets, factors including transportation costs, customs clearance, and inventory management must be properly taken into account.

**Changes in exchange rates:** Global trade may be significantly impacted by currency volatility. Changes in exchange rates can have an impact on product price, profit margins, and general competitiveness in international markets. Businesses involved in international commerce must manage foreign exchange risks and create plans to lessen the effects of exchange rate changes.

**Political and legal risks:** Each country has its own political climate, set of laws, and legal framework. International enterprises may be exposed to risks and uncertainties as a result of political turmoil, governmental regulatory changes, and legal challenges. To effectively mitigate these risks, rigorous risk assessments and contingency plans must be in place.

**Competition and market research:** Before entering new foreign markets, thorough market research is essential. In order to create efficient marketing strategies and position goods or services, it is helpful to have a thorough understanding of the target market, customer preferences, and local competitors. Success in international trade depends on being able to adjust to the demands and competitiveness of the local market.

Despite these difficulties, there are many advantages to international commerce, including as access to new markets, a variety of revenue sources, and chances for innovation and expansion. Businesses may benefit from the advantages of global commerce and increase their worldwide presence with careful planning, market knowledge, and risk management techniques.

### Importance of MSMEs in India for International Business:

- 1. Cost-Effective Production:** Indian MSMEs are well renowned for their efficient production techniques, which provide them a competitive edge in the international market. This financial advantage enables foreign companies to source goods and services from India more affordably and raises their profitability.
- 2. High-Quality Products:** Indian MSMEs are renowned for their high-quality, standard-compliant products. They produce items and services that are specifically designed to fulfil the needs of global clients, making them a desirable option for companies searching for specialised goods and services.
- 3. Flexibility:** MSMEs in India are very adaptable and can do so fast when market conditions change. They can respond to the changing demands of global enterprises thanks to their flexibility and provide their customers specialised solutions.
- 4. Access to New Markets:** MSMEs in India have strong ties to the domestic market and substantial market knowledge and expertise. With the aid of this knowledge, foreign companies can expand their operations and penetrate the Indian market, boosting their sales and profitability.

### Role of MSME in India for international business:





The Indian economy depends heavily on Micro, Small and Medium Sized Enterprises (MSMEs), which provide substantial contributions to the creation of jobs, income, and economic growth. MSMEs have the ability to expand their company activities beyond domestic borders and engage in international trade as the global economy becomes more integrated.

MSMEs in India can contribute to global trade in the following ways:

**Exporting:** MSMEs can export their goods and services to other nations, which will increase their consumer base and earnings. The Export Promotion Capital Goods (EPCG) Scheme, the Market Access Initiative (MAI), and the Interest Equalization Scheme are only a few of the programmes and incentives offered by the Indian government to encourage MSMEs to export. (IES).

**Job creation:** MSMEs in India play a vital role in the creation of jobs, particularly in the manufacturing and service industries. Millions of people are employed by these businesses, which helps the economy of the nation. MSMEs significantly aid in the generation of jobs in India, especially in the manufacturing and service industries. These businesses offer job possibilities that not only support economic growth but also empower people, fight poverty, and advance inclusive development. Given the significance of MSMEs in generating jobs, governments must establish an environment that facilitates their development, tackles their problems, and promotes their continuous involvement in job creation.

**International market access:** is possible for MSMEs in India through utilising technology and digital platforms. The ability to sell their goods internationally has been facilitated for these businesses by e-commerce sites like Amazon and Alibaba. The use of technology and digital platforms has increased MSMEs' access to worldwide markets. MSMEs may take use of the strength of online sales, global reach, and efficient logistics through e-commerce platforms like Amazon and Alibaba to open up new prospects and succeed in the global market.

**Collaboration with foreign companies:** MSMEs in India can work with foreign companies to gain access to new markets and technologies. Such collaborations can assist Indian MSMEs in learning about foreign markets and utilising the experience of foreign businesses. However, collaboration with foreign companies provides Indian MSMEs with valuable resources, knowledge, and opportunities that can help them overcome challenges and seize international business prospects. By leveraging the strengths of their foreign partners, MSMEs can enhance their competitiveness, explore new markets, and drive sustainable growth in an increasingly interconnected global economy.

**Contributing to economy:** MSMEs in India contribute significantly to the GDP, create employment opportunities, and foster innovation and entrepreneurship, all of which are important for the country's economy. Despite these difficulties, there are many advantages to international commerce, including as access to new markets, a variety of revenue sources, and chances for innovation and expansion. Businesses may benefit from the advantages of global commerce and increase their worldwide presence with careful planning, market knowledge, and risk management techniques.

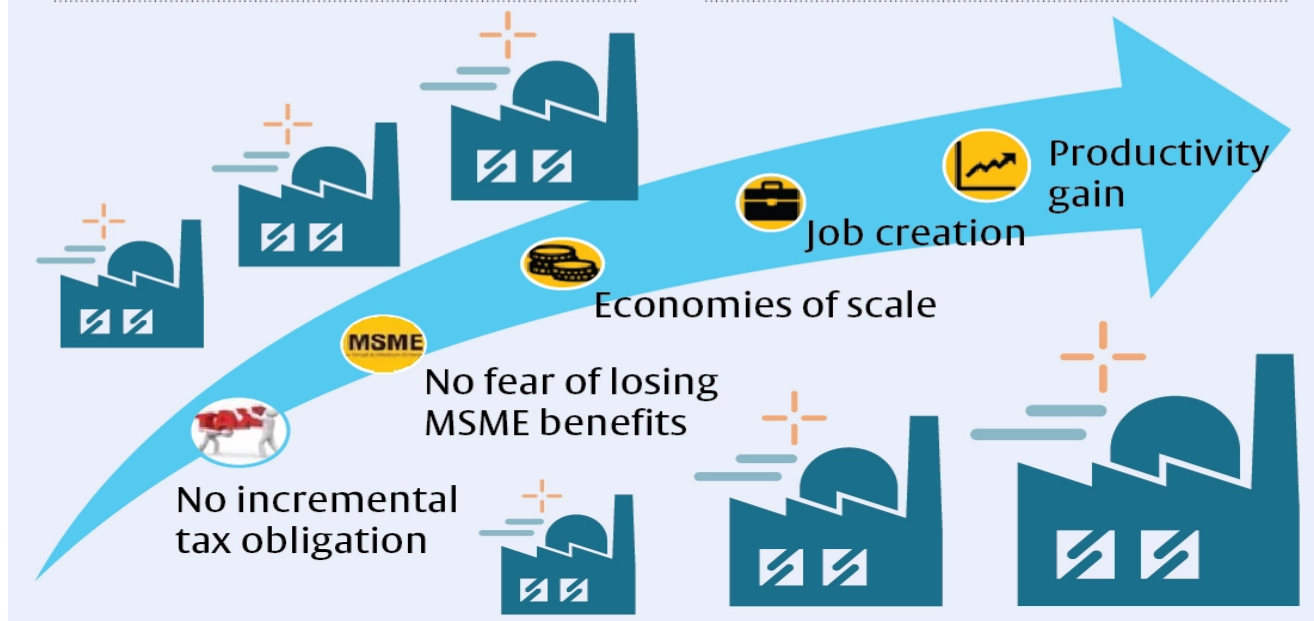
## Change in MSME definition

### Investment criteria

|        | Manufacturing | Service  |
|--------|---------------|----------|
| Micro  | ₹25 lakh      | ₹10 lakh |
| Small  | ₹5 cr         | ₹2 cr    |
| Medium | ₹10 cr        | ₹5 cr    |

### Investment & turnover criteria

|        | Investment | Turnover |
|--------|------------|----------|
| Micro  | ₹1 cr      | ₹5 cr    |
| Small  | ₹10 cr     | ₹50 cr   |
| Medium | ₹20 cr     | ₹250 cr  |



### Government Initiatives to Promote MSMEs in India:

To support Micro, Small and Medium Enterprises (MSMEs) in the nation, the Indian government has undertaken several initiatives. The following are a some of the major projects:

- PMEGP, the Prime Minister's Employment Generation Program:** PMEGP, a credit-linked subsidy scheme that was introduced in 2008, intends to create job possibilities in both urban and rural areas. The programme offers financial support for starting new microbusinesses and modernising existing ones. Promoting self-employment, especially in fields with significant employment potential, is one of the PMEGP's main goals. The programme promotes a variety of commercial ventures, including production, provision of services, and trading. PMEGP helps people turn their entrepreneurial ideas into successful businesses by giving them financial support, which promotes economic growth and employment creation.

PMEGP is carried out through a network of implementing organisations at the federal, state, and local levels. These organisations are essential in finding potential business owners, giving them the instruction and direction, they require, and enabling the approval and distribution of loans and subsidies. This extensive support network makes sure that aspiring company owners have access to the tools and information they need to launch and run successful operations.



- **Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE):** CGTMSE was established to offer MSMEs collateral-free credit. In accordance with this program, the government offers the lending institutions credit guarantee coverage up to 75% of the loan amount.

One of the main issues facing MSMEs in India is the absence of sufficient collateral or a strong credit history needed to get loans from financial institutions. The Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) has played a significant role in alleviating this issue. The government gives lending institutions a safety net by extending credit guarantee coverage, giving them the assurance to issue loans to MSMEs.

MSMEs can get collateral-free lending for term loans and working capital loans under the CGTMSE programme. Up to 75% of the loan amount is covered by the guarantee, with varied slabs depending on the size of the loan. This coverage gives lending institutions peace of mind, allowing them to reduce the risk of default and promote financing to MSMEs.

- **National Small Industries Corporation (NSIC):** NSIC is a government organisation that offers MSMEs comprehensive support services. Assistance with marketing, the acquisition of raw materials, and training and consulting services are among the services provided.

NSIC is essential in helping public sector organisations and government agencies with their procurement procedures. It serves as a single point of contact for MSMEs looking for government contracts and helps with the bidders' needs for paperwork and compliance. This assistance enables MSMEs to take advantage of government procurement possibilities and increase their clientele.

Additionally, NSIC aids MSMEs in acquiring loans and financing. By working with banks and financial institutions, it makes it easier for people to access different financial projects and plans. In order to ensure that MSMEs have access to timely and cost-effective financing solutions for their business needs, NSIC serves as a facilitator in the sanctioning and distribution of loans.

- **Technology Upgradation Fund Scheme (TUFS):** To help MSMEs upgrade their technology, TUFS was introduced in 1999. In accordance with this plan, the government offers a 15% subsidy on capital expenditures for modernising technology.

In addition to the subsidies, TUFS offers assistance by paying back interest rates and supplying funds for margin money needs. This extensive help makes sure MSMEs have access to the money they need to carry out technology upgrade projects successfully.

TUFS aids MSMEs in maintaining their competitiveness in the global market by encouraging technology advancement. MSMEs may improve the quality of their products, expand their product offerings, and discover new markets via using technology. Additionally, it enables them to enhance operational efficiency and lower manufacturing costs.

- **Udyog Aadhaar Memorandum (UAM):** For MSMEs, UAM offers a streamlined online registration process. The Udyog Aadhaar portal allows for the free online registration process.

A centralised database of registered MSMEs is made available through the Udyog Aadhaar site, fostering business networking and cooperation. It encourages MSMEs to share information, knowledge, and business prospects, establishing a positive business environment for small and medium-sized enterprises.

The government's dedication to making conducting business simple and supporting the expansion of MSMEs is seen in the Udyog Aadhaar Memorandum and the online registration procedure. The government hopes to encourage more company owners to formally register their companies and take advantage of the incentives provided to MSMEs by digitising the registration process and creating an accessible platform.

The Udyog Aadhaar platform has greatly streamlined and improved accessibility for MSMEs, especially for those in rural locations or with little resources.

### **MSME DURING COVID-19:**

The COVID-19 pandemic has had a significant impact on India's MSME sector, but it has also underlined the sector's significance in global trade.

The following are some of the major functions and significance of MSME in India for foreign trade during COVID-19:

**Export growth:** MSMEs account for more than 40% of all exports from India, and the sector has significantly boosted the growth of the nation's export revenues. Despite the pandemic's difficulties, a lot of MSMEs have been able to change their business strategies and keep exporting, which has helped India's foreign trade.

**In addition to making up a sizeable amount of India's overall exports, MSMEs have been essential in fostering export development due to a number of causes, including:**

**Product diversification:** By varying the types of goods produced, MSMEs have significantly increased India's export base. These businesses have proven their capacity to innovate and adapt by spotting untapped markets and creating goods that satisfy global demand. MSMEs have boosted the overall competitiveness of India's exports by developing specialised and specialty products.

**Market Access:** MSMEs have improved their access to global markets by utilising technology and digital platforms. MSMEs now have a worldwide reach thanks to e-commerce sites like Amazon, Alibaba, and international trade directories, which enables them to interact with customers from many nations.

**Government Support:** To assist MSMEs in their export efforts, the Indian government has put in place a number of programmes and policies. Programmes like the Market Access Initiative (MAI), Trade infrastructural for Export programme (TIES), and Export Promotion Capital Goods (EPCG) programme offer financial aid,

infrastructural support, and promotional efforts to improve MSMEs' export capacities. MSMEs may now more easily navigate global marketplaces and compete with major companies thanks to this support.

**Integration of the supply chain:** MSMEs in India have taken a proactive role in international value chains, working alongside multinational corporations and larger businesses. MSMEs now have access to cutting-edge technology, knowledge transfer, and global networks thanks to these partnerships. MSMEs have boosted their manufacturing capabilities, extended their exposure to broader markets, and improved their competitiveness by integrating into global supply chains.

**Employment Creation:** With over 110 million employees, MSMEs are India's major employers. Despite the fact that the pandemic has caused job losses in a number of industries, MSMEs have been able to maintain employment by implementing cutting-edge strategies like remote work, digitalization, and automation.

**The following additional efforts have been taken by MSMEs in India in addition to the previously listed ones to maintain employment and generate new job opportunities:**

**Training and skill development:** MSMEs understand the need of retraining and upskilling their personnel to match the shifting market demands. To improve the competencies of its personnel, they have made investments in training initiatives and skill development programmes. MSMEs have been able to retain current staff members while also positioning themselves to take advantage of new opportunities in developing industries by providing their workers with new skills.

MSMEs have made a substantial contribution to the development of India's entrepreneurial culture. They have given people the motivation to launch their own companies and help through mentorship, business incubators, and resource access.

MSMEs have played a significant role in India's industrialization of its rural and impoverished regions. MSMEs have created jobs in the area while also bringing economic possibilities closer to the people by establishing their operations there. This has helped to improve the country's overall income and employment distribution by minimising regional disparities.

**Women's Empowerment:** By giving women work opportunities and encouraging gender diversity, MSMEs have played a significant role in empowering women. A lot of MSMEs have concentrated on fostering an environment at work that encourages diversity and equal opportunity for women. MSMEs have aided in the economic emancipation and social advancement of women by promoting their employment.

**Adaptability:** MSMEs have demonstrated exceptional resilience and adaptation during the epidemic by using technology and digital platforms to connect with clients and suppliers, optimise supply chains, and boost productivity. This has helped them maintain their competitiveness in global marketplaces and draw in new clients.



MSMEs have also embraced digitization and remote work, utilising resources like video conferencing, cloud computing, and online collaboration tools. Despite the physical restrictions given by the epidemic, this change has helped them to continue operating their company and providing customer service. MSMEs have found new prospects for development and expansion through utilising technology, in addition to adapting to the difficult conditions.

In order to access a larger consumer base, MSMEs have also aggressively investigated digital marketing and e-commerce channels. In order to sell their goods and services, they have made use of social media platforms, online marketplaces, and their own websites. This has allowed them to reach prospective customers outside of their normal geographic reach.

**Localization:** The epidemic has caused supply chains to become more regionalized and domestic manufacturing and consumption to receive more attention. MSMEs now have the chance to serve the domestic market and lessen reliance on imports, improving their possibilities for growth and aiding in the nation's general economic development.

MSMEs in India have a unique potential to serve the domestic market and support the growth of the country's economy as supply chains regionalize. MSMEs may profit from the demand for locally produced goods and services by refocusing on domestic production and consumption, which will lessen the nation's reliance on imports.

MSMEs may enhance their supply chains and ensure more control over the quality, pricing, and availability of inputs by localising manufacturing and obtaining raw materials locally. This localization boosts their operations' resilience while also fostering independence and the growth of regional enterprises.

Additionally, supplying the local market enables MSMEs to meet the particular tastes and demands of Indian consumers. MSMEs may adapt their offerings to match the particular needs of the home audience by comprehending the local market dynamics, cultural quirks, and consumer trends. With this localization strategy, they may improve customer satisfaction, forge better bonds with customers, and gain a competitive edge.

**CHALLENGES FACED BY MSME DURING COVID:**

|   |   |   |
|---|---|---|
| <p><b>1</b> Lack of operational cash flow</p>                          | <p><b>2</b> Drop in demand for products and services</p>   | <p><b>3</b></p>  <p>Business is closed</p> |
| <p><b>4</b></p>  <p>Reduction of opportunities to meet new clients</p> | <p><b>5</b> Issues with changing business strategies to offer alternative products and services</p>  |   |

MSMEs also find difficulties obtaining raw materials, providing logistics and shipping of products. Workers are also not able to return to work.

MSMEs (Micro, Small and Medium Enterprises) encountered a number of difficulties during the COVID-19 lockdown, which was put in place to stop the virus's spread. The following are some of the major difficulties MSMEs encountered during the lockdown:

- **Supply chain disruption:** The suspension of transportation services and restrictions on the transit of commodities caused MSMEs to experience supply chain interruptions. This resulted in a delay in the delivery of finished goods and raw materials, which had an impact on the production and sales of MSMEs.
- **Cash flow problems:** Due to a fall in sales and clients' delayed payments, MSMEs had cash flow problems. Due to this, they had trouble covering their operating costs and paying employees' salaries.
- **Lack of loan availability:** Due to the market uncertainties and economic recession, MSMEs had trouble obtaining financing from banks and other financial institutions.
- **Reduced demand for goods and services:** As a result of the lockdown, there was a decrease in the demand for MSMEs' goods and services, which had an adverse effect on sales and revenue.
- **Lack of labour:** During the lockdown, workers migrated back to their hometowns, leaving MSMEs with a labour shortfall.
- **Digital infrastructure:** Due to a lack of digital infrastructure and an inability to adapt to the new online business model, many MSMEs lost clients and revenue.
- **Regulation compliance:** Due to the closure of government offices and a lack of clarification regarding the laws and regulations, MSMEs had trouble adhering to the regulatory norms.

#### GOVERNMENT POLICIES:

**12 historic decisions by PM Modi for the MSME Sector**

|   |   |  |
|---|---|--|
| Loan in 59 minutes.                               | Interest benefits for GST registered MSMEs.                     | CPSEs and Corporates more than Rs. 500 crore to join Trade Receivables e-Discounting System or the TReDS Platform. |
| Tech support to MSMEs via 20 hubs and 100 Spokes. | Mandatory 25% procurement from MSMEs by CPSEs.                  | Now, returns due to 8 Labour Laws and 10 rules to be filed only once instead of the earlier twice.                 |
| Pharma Clusters where 70% cost borne by Centre.   | All CPSEs to join Government e-Marketplace (GeM).               | Of the 25% mandatory procurement, 3% to be done only from women-led MSMEs.   |
| Ending Inspector Raj and ensuring transparency.   | Ordinance for simplifying levy of penalties for minor offences. | Easier process for Environmental Clearances and 'Consent to Establish.'  |

In order to support and encourage the expansion of Micro, Small, and Medium-Sized Enterprises (MSMEs) in India, especially those engaged in foreign trade, the Indian government has implemented a number of measures. Among the most important policies are:

**Foreign Trade Policy (FTP):** The FTP offers MSMEs a number of incentives for their exports, including the Market Access Initiative Scheme, the Market Development Assistance Scheme, and the Export Promotion Capital Goods Scheme.

**National Manufacturing Competitiveness Programme:** Through a number of initiatives, including the Design Clinic Program, Lean Manufacturing Competitiveness Scheme, and Technology and Quality Upgradation Support, this programme aims to increase MSMEs' competitiveness in the manufacturing sector and encourage their involvement in international value chains.

**Make in India:** The Make in India project, which was started in 2014, intends to promote manufacturing in India and attract both domestic and foreign businesses to invest there. A major area of focus for this campaign is MSMEs.

**Startup India:** This initiative was started in 2016 with the goal of fostering innovation and entrepreneurship in India. MSMEs operating internationally can take advantage of a number of programmes and incentives offered by this program, including tax advantages, finance assistance, and incubation resources.

**Industrial Infrastructure Upgrading Scheme:** This programme offers financial support for infrastructure development, technology certification, and quality assurance in order to increase the competitiveness of MSMEs.

**Financing Guarantee Fund Scheme for Micro and Small Enterprises:** This programme offers MSMEs working capital and term loans with collateral-free financing, allowing them to compete successfully on the global market

#### **Challenges faced:**

- **Resources are scarce:** MSMEs in India typically lack the funding necessary to expand internationally. They might not have the resources to invest in production techniques that are designed to be exported or to investigate new markets.
- **Lack of information:** MSMEs might not have easy access to trustworthy data on international markets, including laws, taxes, cultural distinctions, and business practises. This makes it challenging for them to decide where and how to conduct international business with knowledge.



- **Lack of infrastructure:** MSMEs may find it difficult to participate in international trade if there is a lack of infrastructure in the areas of transportation, communication, and logistics.
- **Controlling quality:** MSMEs may have trouble maintaining the consistency and quality of their products while exporting, which could hurt their reputation and cost them clients.
- **Legal and regulatory issues:** The legal and regulatory framework for foreign trade can be complicated, and MSMEs may not have the necessary knowledge to successfully negotiate it.
- **Rivalry:** MSMEs find it challenging to develop a presence in foreign marketplaces due to the fierce rivalry from established firms.
- **Currency fluctuations:** can have an impact on MSMEs' pricing and profitability in international markets. MSMEs are particularly susceptible to these changes.
- **Protection of intellectual property:** MSMEs may have trouble safeguarding their intellectual property in overseas markets, which may have an effect on their capacity to compete and make a profit.

The Contribution of Indian MSMEs to the Economy and Global Trade is Positively Perceived and Recognised, according to a Survey.

### 1.What is your level of familiarity with MSMEs in India?

32 responses

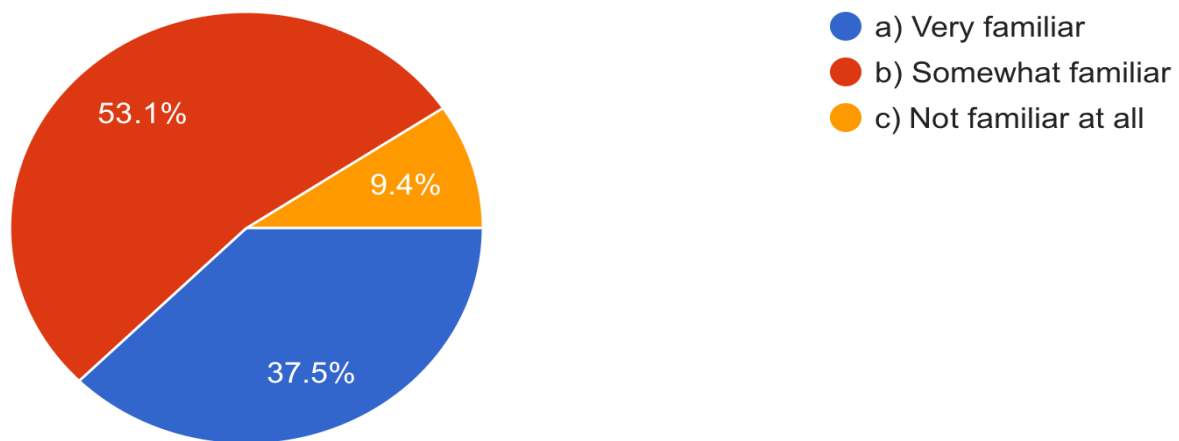
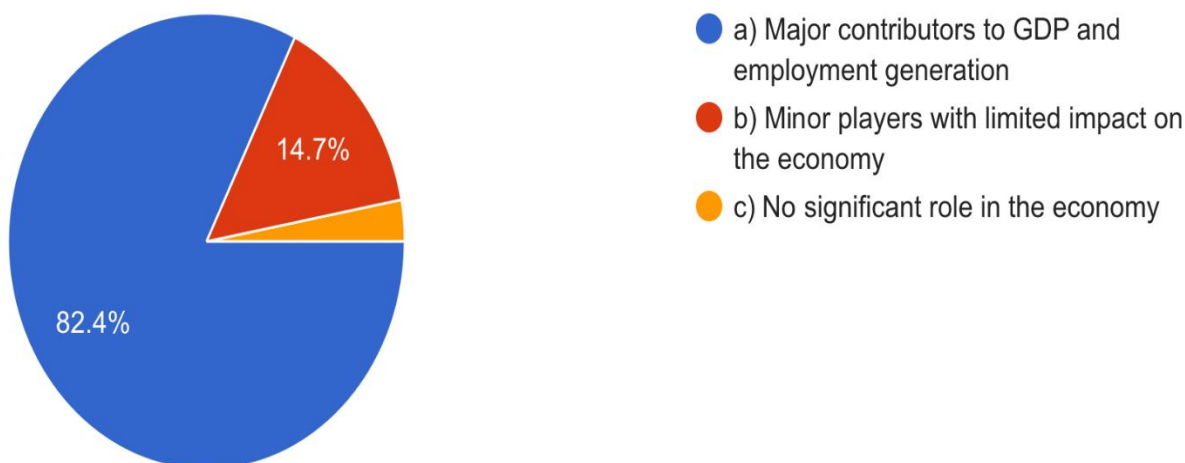


Figure :1

1. According to the survey results, a sizeable portion of respondents (35.5%) are aware of MSMEs, demonstrating their degree of knowledge. This indicates that a sizeable section of the populace is aware of the MSME industry in India. In addition, 54.8% of respondents said they were at least somewhat familiar with the topic, showing a moderate degree of knowledge and comprehension.

## 2. Which of the following best describes the role of MSMEs in India's economy?

34 responses

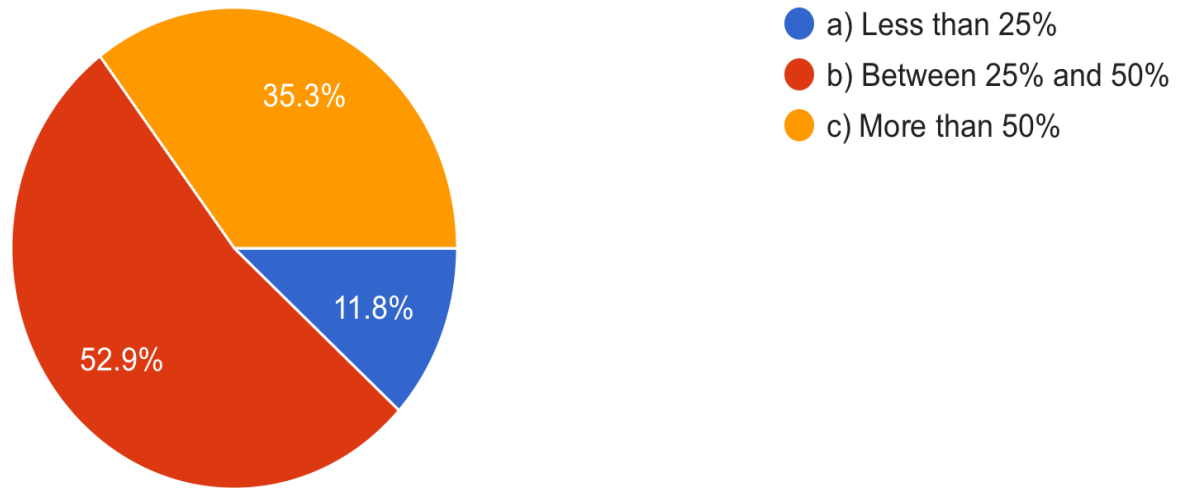


**Figure:2**

2. According to the poll, the majority of participants (81.8%) believe that MSMEs have a significant impact on India's GDP. This shows that MSMEs are acknowledged for their important contribution to the nation's economic development and progress. It demonstrates the knowledge that MSMEs are a crucial part of the Indian economy, significantly boosting its overall output and productivity. On the other hand, just a tiny fraction of respondents (1%) hold the opposite, unpopular opinion that MSMEs play no important role.

### 3. What percentage of India's total exports do you believe is contributed by MSMEs?

34 responses



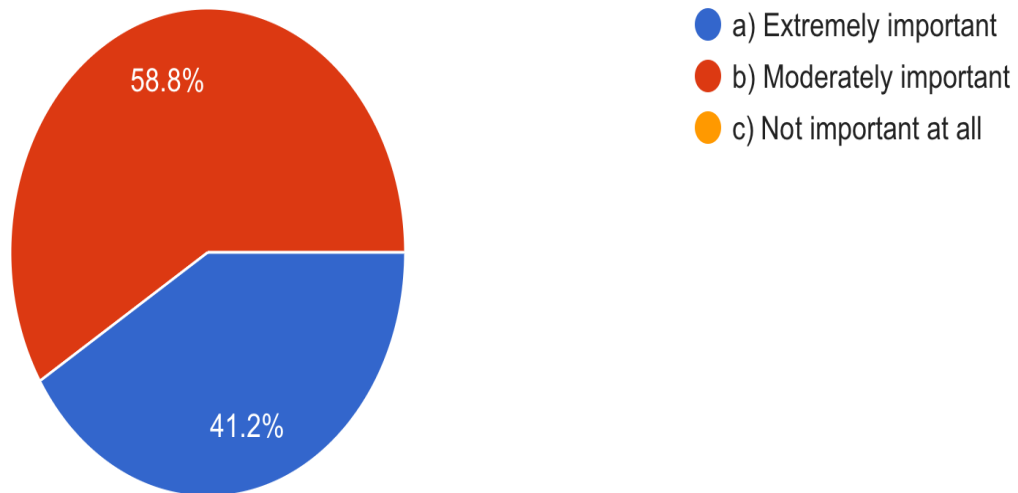
**Figure:3**

3. MSME Contribution to Total Exports: According to the poll, a sizable percentage of participants (54.5%) estimate that MSMEs account for 25% to 50% of all exports from India. This demonstrates the recognised value of MSMEs in the export market for the nation. Additionally, 33.3% of respondents think MSMEs account for more than 50% of all exports, showing a significant role for small businesses in promoting international commerce. However, 12.1% of respondents think MSMEs make up less than 25% of all exports, indicating a lower perceived contribution compared to other industries.



4. How important do you think MSMEs are for the growth of international business in India?

34 responses

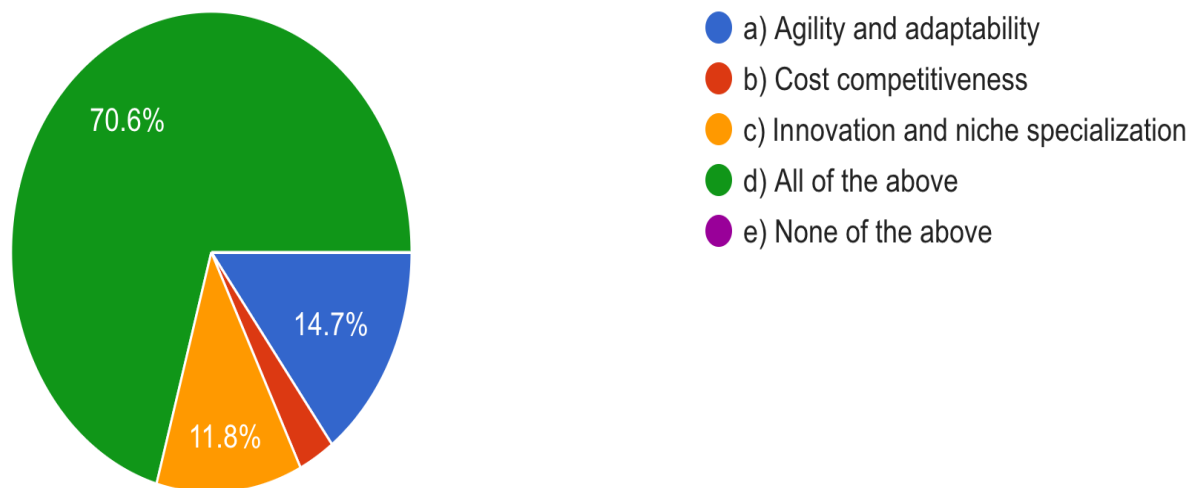


**Figure:4**

4. MSME Growth's Importance for International company: According to the poll, a sizeable percentage of participants (42.4%), believe that MSME growth is highly essential for international company. This demonstrates how MSMEs are recognised for the critical part they play in supporting cross-border commerce and company operations. The majority of respondents (57.6%) also believe that MSME expansion is of modest importance, highlighting the general favourable perception of the influence of MSMEs on global trade.

5. In your opinion, what are the main advantages of MSMEs for international business in India?

34 responses

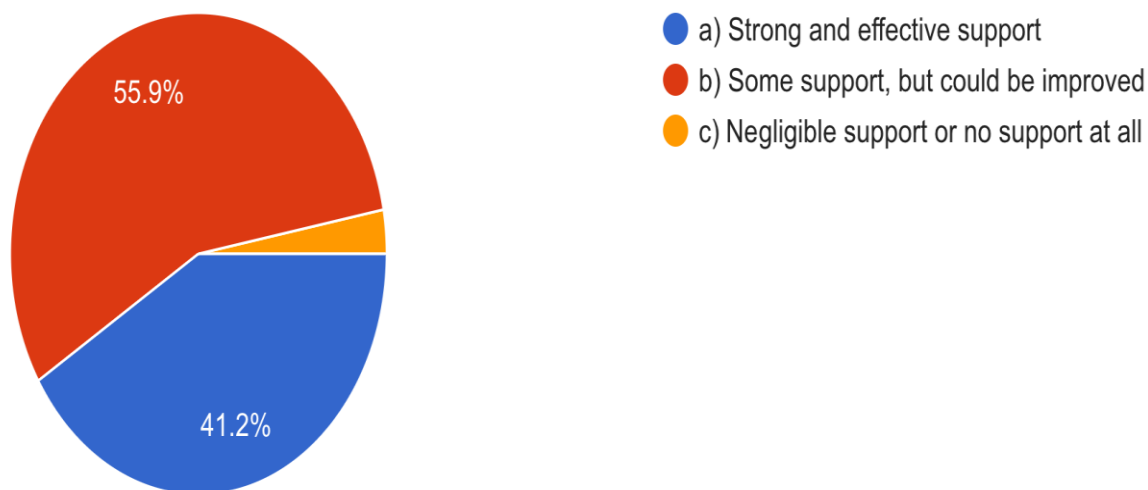


**Figure:5**

5. The majority of respondents (72.7%) correctly recognised the primary benefit of MSMEs, according to the survey's results. Although the precise benefit is not specified in the survey results, it is possible to infer from them that respondents generally understood the advantages or advantages of MSMEs.

6.How do you perceive the government's support for MSMEs in promoting international business?

34 responses



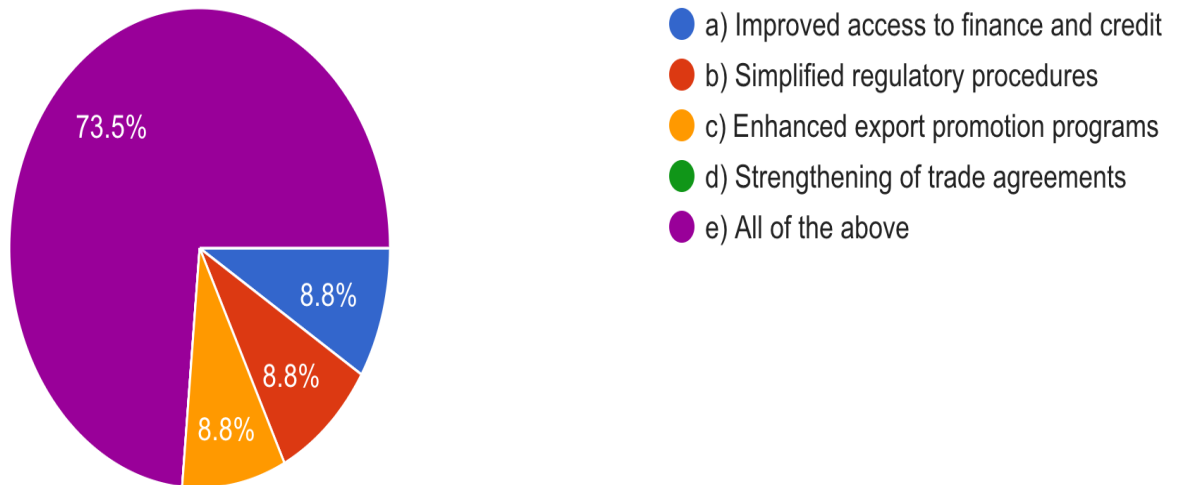
**Figure:6**

6. Government help for MSME in Promoting IB: According to the study, a sizable portion of participants (57.6%) agree that while the government offers some help, it can be enhanced in order to promote MSMEs' international business. This implies that the government's efforts to assist MSMEs in growing their worldwide footprint are acknowledged, but that there is also realisation that more can be done to deepen and enhance this assistance.



7. What measures do you think should be taken to further enhance the role of MSMEs in India's international business?

34 responses

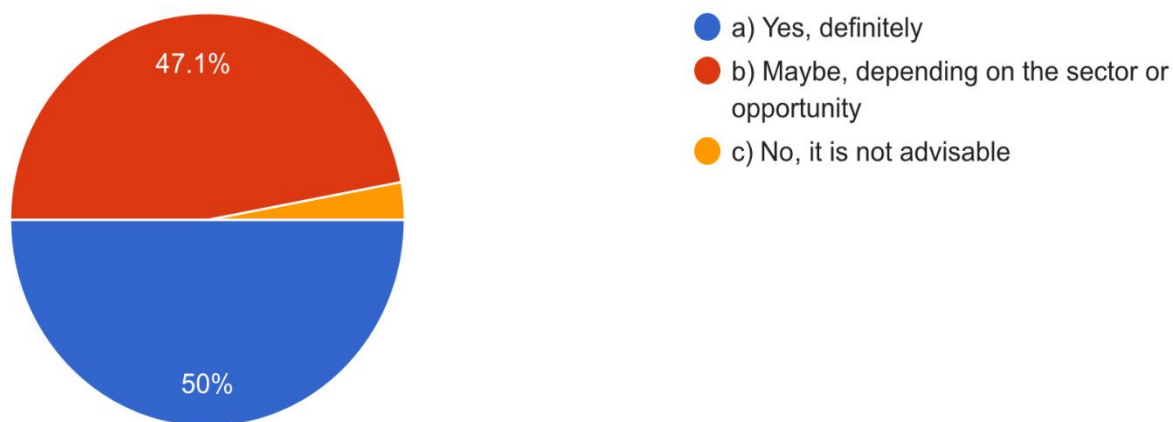


**Figure:7**

7. Measures Taken to Enhance the Role of MSMEs: According to the survey results, the majority of participants (72.7% correctly recognised these measures), MSMEs have been given a greater voice. The poll suggests that the respondents are aware of the efforts, policies, or programmes put in place to encourage and promote the growth of MSMEs in India even if the exact measures are not stated in the study.

8. Would you recommend international investors and businesses to engage with MSMEs in India?

34 responses

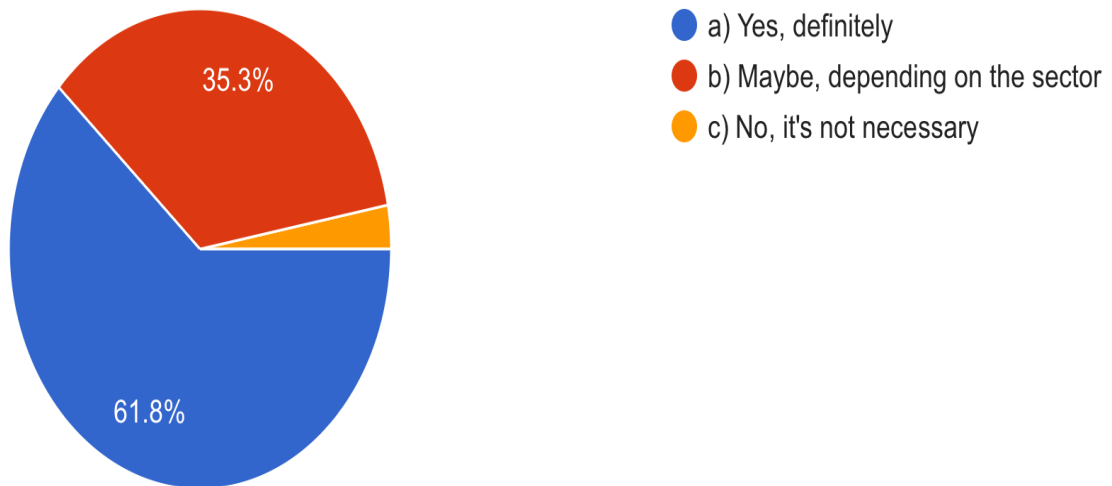


**Figure:8**

8.Recommendation to Foreign Investors and Businesses: According to the study, 51.5% of participants advocate for foreign investors and businesses to work with Indian MSMEs, showing a favorable attitude and possibilities for cooperation. It is important to note that 45.5% of respondents are still unsure (maybe) about this proposal, which shows that more research and analysis may be necessary for such respondents.

9. Do you think there is a need for more international exposure and marketing support for Indian MSMEs?

34 responses



**Figure:9**

9. greater foreign Exposure and Marketing Support Needed: The majority of respondents (63.6%) concur that Indian MSMEs need greater foreign exposure and marketing assistance. This demonstrates the value placed on MSMEs' ability to extend beyond domestic markets as well as the understanding that better marketing and exposure may support their expansion and competitiveness on a global scale.



10. In your opinion, how important are MSMEs for India's overall economic growth?

34 responses

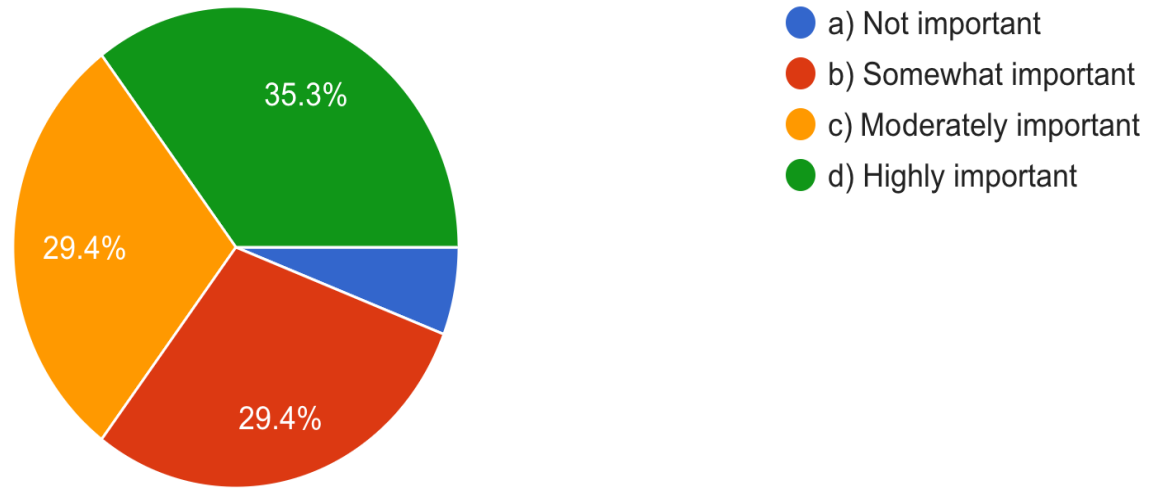
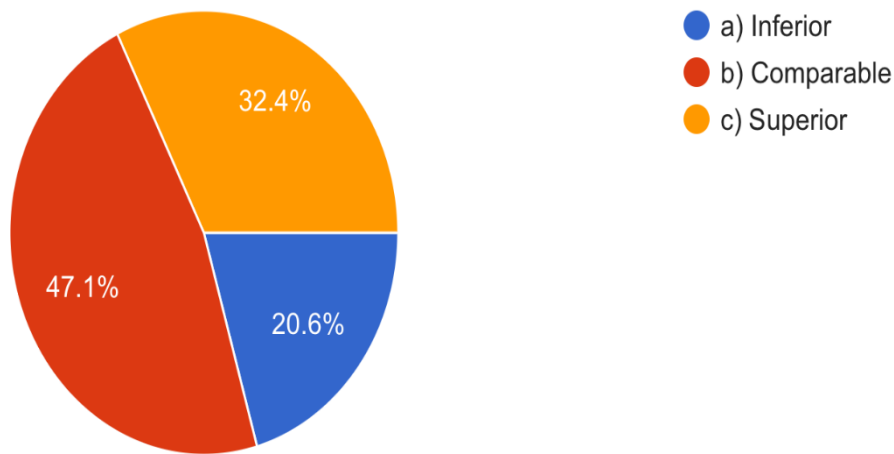


Figure :10

10. The results of the study show that different people hold different views on the significance of MSMEs for India's overall economic growth. MSMEs are viewed as extremely significant by 36.4% of respondents, fairly important by 30.3%, and moderately important by 27.3% of respondents. Some of the respondents, however, expressed the opinion that MSMEs are not crucial for India's economic development.

11. How do you perceive the quality of products/services offered by Indian MSMEs in comparison to larger corporations?

34 responses

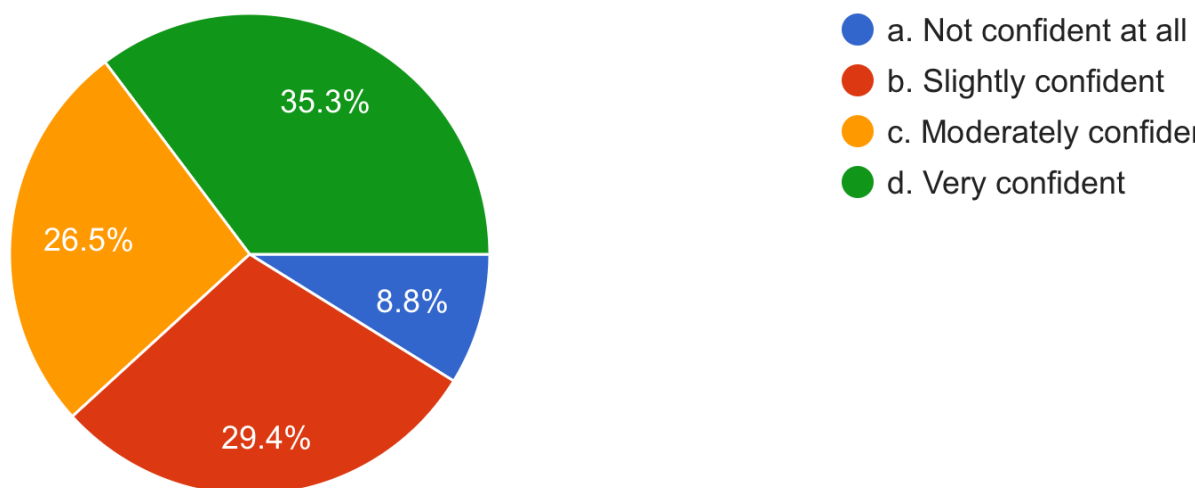


**Figure:11**

11. According to the poll, 45.5% of participants believe that Indian MSMEs deliver goods and services of a calibre that is on par with those of larger businesses. In addition, 21.2% of respondents think the quality is poor, compared to 33.3% who think it is superior. These findings demonstrate the conflicting opinions among respondents on the value of MSMEs' products and imply that a sizable portion of them have favorable opinions of the calibre of their goods and services.

## 12. how confident are you in the ability of Indian MSMEs to compete globally?

34 responses



**Figure:12**

12. Confidence in Indian MSMEs' Abilities to Compete worldwide: The study finds that a sizeable portion of respondents (33.3%) have a high degree of confidence in the abilities of Indian MSMEs to compete worldwide. A minor proportion (9.1%) expresses lack of confidence, on the other side. These data show that there are different levels of confidence in Indian MSMEs' ability to compete in the global market.

### CONCLUSION:

MSMEs are an essential component of the global supply chain, and as a result, they play a significant role in India's international trade. They could stimulate economic development and provide employment possibilities in the nation. The government has started a number of programmes to encourage and support MSMEs in India as they grow and expand internationally. MSMEs have an edge in the global market because of their capacity to manufacture products and services at prices that are competitive and swiftly adjust to changing market conditions. MSMEs are therefore essential to the development of India's international trade and economy.



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