

## **DEVELOPMENT OF MICRO, SMALL AND MEDIUM ENTERPRISES IN INDIA IN THE CONTEXT OF FINANCIAL REFORMS**

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### **ABSTRACT**

*Micro, Small and Medium Enterprises (MSMEs) play a very vital role in terms of their balanced and sustainable growth, employment generation, development of entrepreneurial skills and contribution to export earnings. MSMEs have been playing a momentous role in overall economic development of a country like India where millions of people are unemployed or underemployed. This sector solves the many problems viz., poverty and unemployment through providing immediate large-scale employment, with lower investments and proves to be a second largest manpower employer, after agriculture. MSMEs face a lot of problems in their day-to-day life but there is a strong need for financial bodies to shed their risk-averse mindset and come out with innovative government programmes to uplift these sectors. In other words, the government has introduced a lot of programmes for the survival of MSME sectors and to encourage Indian entrepreneurs. The current paper is an attempt to analyze development of MSMEs in India in the context of financial reforms.*

**KEYWORDS:** MSMEs, MUDRA, ASPIRE, PCR, MGIRI, NSIC, Financial Reforms.

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### **Introduction**

In modern era with the development of Indian economy and rapid expansion of trade, the Micro, Small and Medium Enterprise (MSME) sector has emerged as a vibrant and sensitive segment in the process of industrialization, which is considered not only as a key factor to lift up the per capita income but also a vital mechanism for a larger transformation of Indian economy. The significance of Micro, small and Medium Enterprises (MSMEs) is attributable to its capacity of employment generation, low capital and technology requirement, use of traditional or inherited skill, use of local resources, mobilization of resources and exportability of products. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country (Garg and Walia, 2012).

### **Definition of Micro, Small and Medium Enterprises in India**

The Government of India has enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 on June 16, 2006 which was notified on October 2, 2006. With the enactment of MSMED Act, 2006, the paradigm shift that has taken place is the inclusion of the services sector in the definition of Micro, Small & Medium enterprises, apart from extending the scope to medium enterprises. The MSMED Act, 2006, has modified the definition of micro, small and medium enterprises engaged in manufacturing or production and providing or rendering of services which are as follows:

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