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# THE MSME REVOLUTION: POWERING INDIA'S EXPORT GROWTH

### WHY IN THE NEWS?

Micro, Small, and Medium Enterprises (MSMEs) are playing a key role in boosting India's export performance, with their exports jumping from ₹3.95 lakh crore in 2020-21 to ₹12.39 lakh crore in 2024-25. The number of exporting MSMEs has also surged, increasing from 52,849 in 2020-21 to 1,73,350 by 2024-25. In 2023-24, MSMEs contributed 45.73% to India's total exports, and this share rose to 45.79% by May 2024. This growth highlights their growing impact on the economy and global trade, solidifying their crucial role in India's trade success.



सत्यमेव जयते

# MSME

MICRO, SMALL & MEDIUM ENTERPRISES  
सूक्ष्म, लघु एवं मध्यम उद्यम  
OUR STRENGTH • हमारी शक्ति



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## Ministry of MSME, Govt. of India

### WHAT IS MSME?

MSME stands for Micro, Small, and Medium Enterprises. These are businesses classified based on their investment in plant and machinery or equipment and their annual turnover. MSMEs play a vital role in driving economic growth, creating employment, and contributing to innovation. The classification varies across different countries, but generally, MSMEs are categorized as follows:

Category	Investment in Plant and Machinery	Annual Turnover
Micro Enterprises	Up to ₹1 crore	Up to ₹5 crore
Small Enterprises	₹1 crore to ₹10 crore	₹5 crore to ₹50 crore
Medium Enterprises	₹10 crore to ₹50 crore	₹50 crore to ₹250 crore

#### SIGNIFICANT OF MSME:

- Contribution to GDP:** MSMEs contribute nearly 30% to India's GDP, driving economic growth through a diverse range of activities in manufacturing and services.
- Employment Generation:** MSMEs are vital for job creation, employing millions, especially in rural and semi-urban areas, thereby helping to reduce unemployment.
- Rural Development:** By establishing businesses in non-urban areas, MSMEs promote infrastructure development, curb urban migration, and enhance living standards in rural communities.
- Women Empowerment:** MSMEs create opportunities for women entrepreneurs, fostering financial independence and contributing to gender equality and economic development.
- Formalization of the Economy:** MSMEs aid in formalizing the economy by encouraging business registration and improving access to government schemes and credit, leading to better tax compliance.
- Role in Exports:** MSMEs significantly impact India's export sector, enhancing competitiveness in global markets, particularly in textiles, handicrafts, engineering, and agriculture.

#### GOVT. INITIATIVES TO UPGRADE MSME SECTOR:

- MUDRA Scheme (Micro Units Development and Refinance Agency):** Provides financial support to micro and small businesses through three loan categories: Shishu, Kishore, and Tarun, ensuring easier access to credit.
- PMEGP (Prime Minister's Employment Generation Programme):** Aimed at generating employment by promoting self-employment ventures through subsidies and financial assistance for setting up new micro-enterprises.
- Stand-Up India Scheme:** Promotes entrepreneurship among women, SC/ST, and OBC communities by providing loans for setting up greenfield enterprises.
- Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE):** Offers collateral-free loans to MSMEs, encouraging banks to lend to small businesses without the need for tangible security.
- Atmanirbhar Bharat Package:** Aimed at making MSMEs more self-reliant by providing financial support, creating a conducive environment, and boosting production and exports.
- Technology Upgradation Fund Scheme (TUFs):** Focuses on modernizing technology in the MSME sector by offering financial assistance for the adoption of new technology.
- MSME Databank:** A platform that collects and maintains data on MSMEs, helping in better policy formulation, access to credit, and government schemes.
- National Manufacturing Competitiveness Programme (NMCP):** Promotes competitiveness in the MSME sector by providing financial and technical support, including quality certification and market development initiatives.
- Udyog Aadhar Registration:** Simplifies the registration process for MSMEs, enabling businesses to access various government benefits and schemes quickly.

#### CHALLENGES FACE BY MSME IN INDIA:

- 1. Access to Finance:** Despite various government schemes, many MSMEs struggle with accessing timely and adequate finance due to collateral requirements and complex loan processes.
- 2. Lack of Technological Upgradation:** Many MSMEs lack the resources to invest in modern technologies, limiting their competitiveness in the global market.
- 3. Inadequate Infrastructure:** Poor infrastructure, especially in rural areas, hampers the growth of MSMEs, affecting their productivity and market reach.
- 4. Regulatory Hurdles:** Complex regulatory processes, including taxes and compliance requirements, create barriers for MSMEs to function efficiently.
- 5. Market Access:** MSMEs often face challenges in accessing larger and international markets due to a lack of awareness, marketing expertise, and competitive pricing.
- 6. Skilled Labor Shortage:** There is a lack of skilled labour, which limits MSMEs' potential for growth and productivity, especially in specialized industries.
- 7. Competition from Larger Firms:** MSMEs face intense competition from large enterprises, which can leverage economies of scale, better technology, and larger marketing budgets.

#### WAY FORWARD:

- 1. Promote Financial Inclusion:** Expanding access to finance through simplified loan schemes and strengthening the banking system's support for MSMEs.
- 2. Focus on Skill Development:** Investment in skill development and training programs for MSME workers to bridge the labour skill gap and improve productivity.
- 3. Encourage Technology Adoption:** Supporting MSMEs in upgrading their technology and adopting automation to improve production efficiency and global competitiveness.
- 4. Ease of Doing Business:** Streamlining regulatory processes, reducing compliance burdens, and providing MSMEs with a simpler framework for doing business.
- 5. Market Linkages:** Creating more opportunities for MSMEs to access domestic and international markets through digital platforms and trade fairs.
- 6. Strengthen Infrastructure:** Building better infrastructure in rural and semi-urban areas to support MSME operations and reduce logistical costs.
- 7. Government Support for Innovation:** Encouraging innovation within the MSME sector through incentives for R&D and technology-driven solutions.

#### CONCLUSION

MSMEs are a cornerstone of India's economic growth, contributing significantly to GDP, employment, rural development, and exports. While government initiatives have significantly supported the sector, challenges like access to finance, technology, and skilled labour persist. By addressing these challenges and focusing on creating an enabling environment, MSMEs can realize their full potential, becoming a driving force in India's continued economic success on the global stage.

#### PRELIMS QUESTION:

**Q. With reference to the role of MSMEs in India's economy, consider the following statements:**

1. MSMEs contribute nearly 30% to India's GDP.
2. MSMEs are not involved in the export sector of the economy.
3. The MUDRA Scheme provides financial support to micro and small businesses.

**How many of the above-given statements are correct?**

- A. Only one
- B. Only two
- C. All three

D. None

Answer: A

**MAINS QUESTION:**

Q. Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in driving India's economic growth, contributing significantly to GDP, employment, and exports. Discuss the key challenges faced by MSMEs and suggest measures for their sustainable growth. (250 words, 15 marks)

Ritik singh

## EMPOWERING 'ANNADATAS' FOR A PROSPEROUS NATION

**WHY IN THE NEWS:**

Farmers, revered as the lifeblood of the nation and 'Annadatas,' form the foundation of India's prosperity. Their relentless efforts not only feed the population but also sustain the rural economy and strengthen households across the country. National Farmers' Day, observed on 23rd December, commemorates their invaluable contribution and coincides with the birth anniversary of Shri Chaudhary Charan Singh, India's fifth Prime Minister. Known for his deep understanding of rural issues and steadfast advocacy for farmers' welfare.



**ROLE OF FARMERS IN NATION-BUILDING**

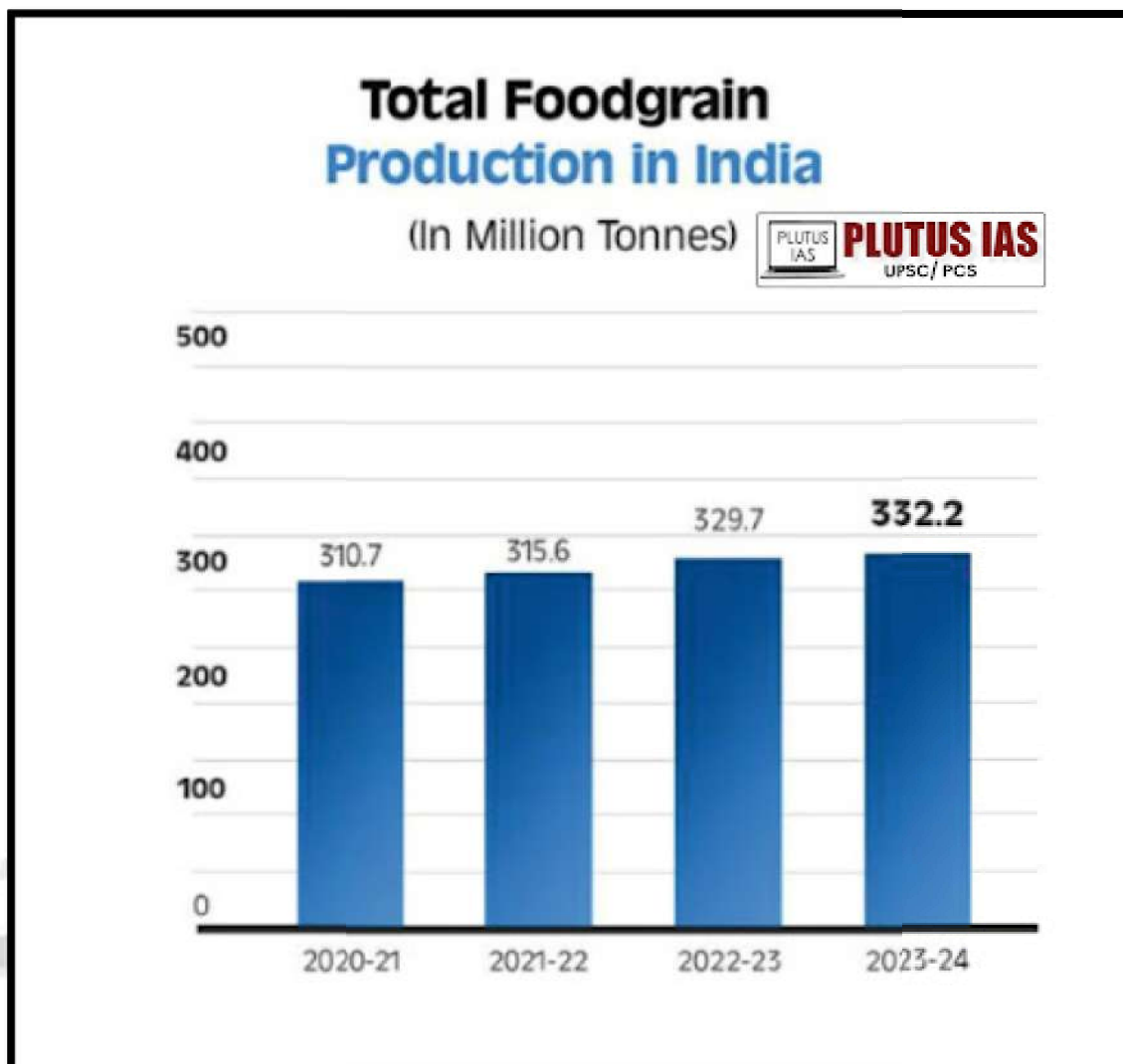
**Employment Generation:** Nearly half of India's population is employed in the agricultural sector, making it a critical source of livelihood and a driver of socio-economic stability.

**Economic Contribution:** Agriculture contributes significantly to the nation's economy, with 17.7% of the Gross Value Added (GVA) at current prices in FY 2023-24 coming from this sector.

**Extensive Agricultural Land:** India has approximately 54.8% of its 328.7 million hectares classified as agricultural land, showcasing the vast scope and importance of farming for the country's development.

**High Cropping Intensity:** With a cropping intensity of 155.4% (as per the Land Use Statistics for 2021-22), Indian farmers maximize land use efficiency, ensuring higher productivity and food security.

**Food Security:** Farmers play a central role in feeding the nation, ensuring food availability for over 1.4 billion people, and contributing to global food supplies.



**Rural Development:** By fostering agricultural growth, farmers act as catalysts for rural development, improving infrastructure, income levels, and living standards in rural areas.

**Sustaining Livelihoods:** The agricultural sector supports millions of smallholder and marginal farmers, providing a foundation for their economic and social well-being.

**Resilience and Innovation:** Through their hard work and adoption of innovative farming practices, farmers contribute to building a resilient agricultural system capable of withstanding climate challenges and ensuring long-term sustainability.

**TABLE: NOTABLE AGRICULTURAL INITIATIVES**

<b>Initiative</b>	<b>Details</b>	<b>Key Achievements/Goals</b>
<b>Namo Drone Didi</b>	Approved for 2024-25 to 2025-26 with an outlay of ₹1,261 crore. Provides 80% Central Financial Assistance up to ₹8 lakh for drones and accessories for agricultural rental services.	Empower 15,000 Women SHGs with drones for fertiliser and pesticide application. ₹141.41 crore released for Kisan drone promotion as of Dec 2024.
<b>Soil Health Card Scheme</b>	Launched in 2015 to promote efficient fertiliser use and improve soil health.	Over 24.60 crore cards issued since launch; 36.61 lakh cards generated in 2023-24. Plan to test 5 crore soil samples by 2025-26.
<b>Formation &amp; Promotion of 10,000 FPOs</b>	Launched in 2020 with a budget of ₹6,865 crore to form and promote Farmer Producer Organizations (FPOs).	9,411 FPOs formed so far, involving 26.17 lakh farmers to enhance collective farming and market access.
<b>Kisan Kavach</b>	Bharat's first anti-pesticide bodysuit unveiled on 17th December 2024 to protect farmers from pesticide exposure.	Ensures farmer safety with science and technology. First batch distributed to farmers during the launch event.
<b>Clean Plant Programme (CPP)</b>	Approved on 09.08.2024 with an outlay of ₹1,765.67 crore to provide disease-free planting material.	Enhance the quality and productivity of horticulture crops and promote climate-resilient, high-yield varieties.
<b>Digital Agriculture Mission</b>	Approved on 02.09.2024 with an outlay of ₹2,817 crore, including ₹1,940 crore central share.	Develop Digital Public Infrastructure, implement Digital General Crop Estimation Survey (DGCES), and foster IT initiatives for digital agriculture.
<b>Credit Guarantee Scheme for e-NWR Based Pledge Financing (CGS-NPF)</b>	Launched on 16 December 2024 with a ₹1,000-crore corpus to support post-harvest financing for farmers.	Enable farmers to access credit by pledging produce stored in WDRA-accredited warehouses, backed by e-NWRs.
<b>National Mission on Edible Oils – Oilseeds (NMEO-Oilseeds)</b>	Approved on 03.10.2024 with an outlay of ₹10,103 crore, to be implemented over 2024-25 to 2030-31.	Boost domestic oilseed production and achieve self-reliance in edible oils.
<b>National Mission on Natural Farming (NMNF)</b>	Approved on 25.11.2024 with an outlay of ₹2,481 crore (₹1,584 crore Central and ₹897 crore State share).	Promote chemical-free, natural farming practices across the country.

## Key Figures from Major Agricultural Schemes in India

PM-KISAN	Pradhan Mantri Fasal Bima Yojana (PMFBY):	Kisan Credit Card (KCC)	Agriculture Infrastructure Fund (AIF)
Disbursed ₹3.46 Lakh Crore so far, benefitting over 11 Crore farmers	Insured 68.85 Crore farmer applications, disbursed ₹1.65 Lakh Crore in claims since inception.	7.75 Crore operative KCC accounts as of March 31, 2024.	Sanctioned ₹51,448 Crore for 84,333 projects as of November 24, 2024.

### Pradhan Mantri Kisan MaanDhan Yojana (PM-KMY)

Launched on 12th September 2019, PM-KMY provides security to vulnerable farmer families by offering a monthly pension. Farmers between the ages of 18 to 40 contribute monthly to the scheme, which is matched by the government. The Life Insurance Corporation (LIC) manages the pension fund. As of 25th November 2024, over 24.66 lakh farmers have enrolled in the scheme, offering a financial safeguard during their old age.

### Modified Interest Subvention Scheme (MISS)

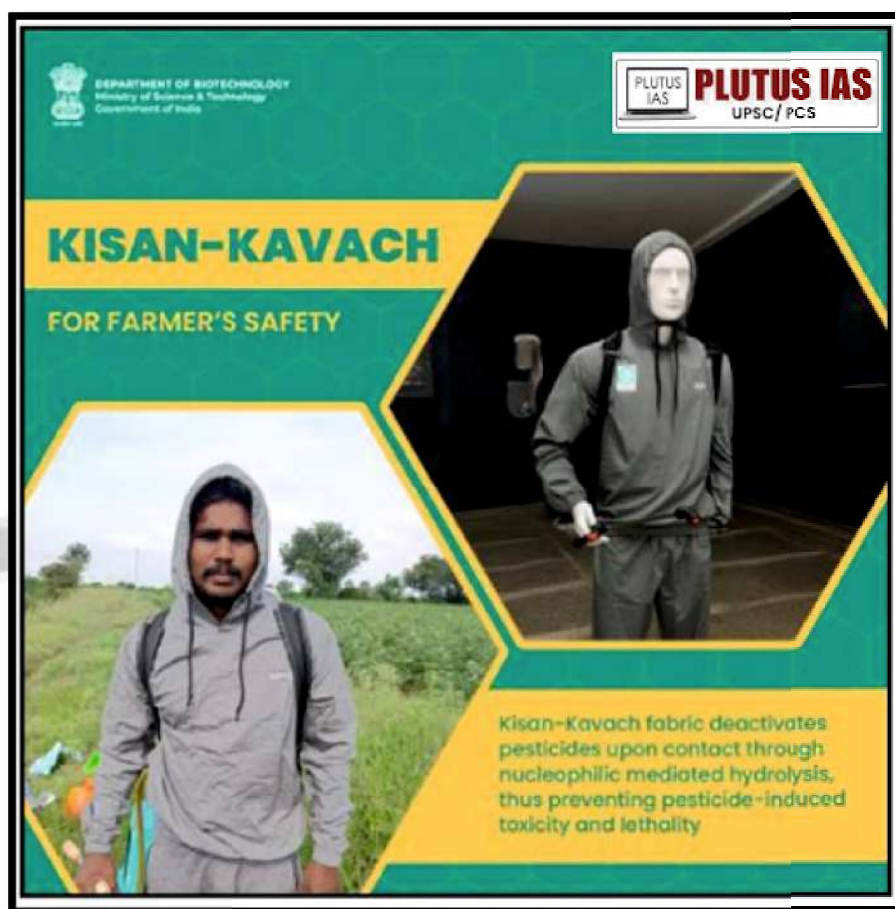
The Modified Interest Subvention Scheme (MISS) provides concessional short-term agri-loans with a 7% interest rate on loans up to ₹3.00 lakh, plus an additional 3% subvention for timely repayment, reducing the effective rate to 4%. Since 2014-15, institutional credit flow to agriculture has nearly tripled from ₹8.5 lakh crore to ₹25.48 lakh crore by 2023-24. The disbursement of easy and concessional crop loans has more than doubled, with the interest subsidy through KCC increasing 2.4 times to ₹14,252 crore in 2023-24.

### Kisan Credit Card (KCC)

Introduced in 1998, the Kisan Credit Card (KCC) scheme provides farmers with easy access to agricultural inputs and cash for their production needs. In February 2019, RBI extended the KCC facility to Animal Husbandry and Fisheries for their working capital requirements. As of 31st March 2024, there are 7.75 crore operative KCC accounts.

### Agriculture Infrastructure Fund (AIF)

The Agriculture Infrastructure Fund (AIF) Scheme, launched in 2020 under the Atmanirbhar Bharat Package, supports sustainable agriculture by financing infrastructure projects across India. It provides loans up to ₹2 crore with a capped interest rate of 9%, along with a 3% annual interest subvention and reimbursement of credit guarantee fees for up to seven years, ensuring affordability for beneficiaries. As of 24th November 2024, ₹51,448 crore has been sanctioned for 84,333 projects under AIF.



### CHALLENGES FACED BY FARMERS

- 1. Unpredictable Weather:** Climate change has led to erratic weather patterns, adversely affecting crop yields. For instance, India's sugarcane yields have suffered due to droughts and excessive rains, potentially lowering sugar production below consumption levels for the first time in eight years.
- 2. Limited Market Access:** Farmers often struggle to access fair markets due to inadequate infrastructure and exploitation by intermediaries. This limits their ability to obtain fair prices for their produce.
- 3. Low Income and Debt:** A significant number of farmers (86%) are small and marginal, owning less than 2 hectares of land, which limits their income potential.
- 4. Fragmented Landholdings:** The predominance of small and fragmented landholdings reduces productivity and limits the scope for mechanization and large-scale farming.
- 5. Soil Degradation:** Overuse of fertilizers and pesticides, along with intensive farming practices, have led to declining soil fertility, adversely affecting crop yields.
- 6. Water Scarcity:** Dependence on monsoons and inefficient irrigation systems cause water shortages, hampering crop cultivation. Farmers in regions like Marathwada face chronic water shortages, exacerbated by climate change and overuse of groundwater.
- 7. Post-Harvest Losses:** Lack of adequate storage, transportation, and processing facilities results in significant post-harvest losses, reducing farmers' incomes.
- 8. Limited Awareness of Modern Techniques:** Many farmers lack access to modern agricultural technologies, training, and resources, hindering productivity improvements.
- 9. Price Volatility:** Fluctuations in market prices of crops make it difficult for farmers to plan and earn stable incomes. For example, recent policy changes regarding export restrictions have led to dissatisfaction among farmers, as they had already sold their produce at low prices before the restrictions were lifted.



**10. Policy and Subsidy Gaps:** Delayed implementation of policies, inadequate subsidies, and bureaucratic hurdles often prevent farmers from reaping the intended benefits of government schemes.

**WAY FORWARD FOR STRENGTHENING INDIAN AGRICULTURE:**

**Price support with PM-AASHA:** PM-AASHA (Pradhan Mantri Annadata Aay Sanrakshan Abhiyan) ensures remunerative prices for farmers by strengthening procurement mechanisms. In 2023-24, over ₹10,000 crore was allocated to enhance market access for farmers, stabilizing incomes and reducing exploitation by intermediaries.

**Basic Minimum Income Schemes:** Programs like PM-Kisan provide direct income support of ₹6,000 annually to over 11 crore farmers.

**Empowering Women Farmers:** Providing land ownership and access to financial aid enables women farmers to play a more active role in agriculture.

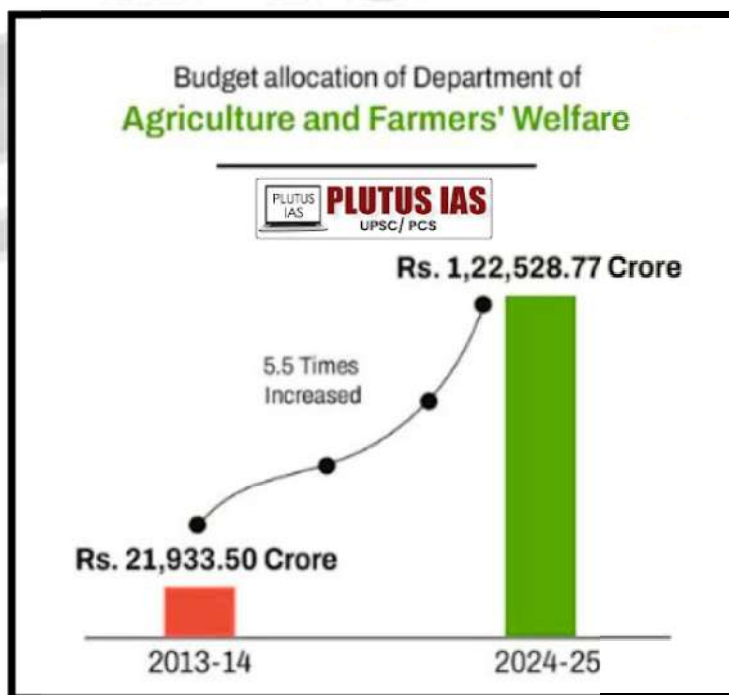
**Formal Credit Access through Priority Sector Lending (PSL):** Banks disbursed ₹20.39 lakh crore under PSL for agriculture in FY 2022-23, boosting farmers' access to formal credit. The Credit Guarantee Scheme for e-NWRs (2024) ensures post-harvest financing for farmers, reducing dependence on informal lenders.

**Weather Prediction via Mission Mausam:** Strengthened weather forecasting systems help farmers plan effectively, reducing losses from erratic weather. New satellite data integration under Mission Mausam aims to provide precise weather predictions and agro-advisories.

**Promoting Organic and Group Farming:** The formation of 10,000 FPOs (Farmer Producer Organizations) with a ₹6,865 crore budget enhances collective farming and promotes sustainable agriculture. The National Mission on Natural Farming (2024) promotes chemical-free farming practices with an outlay of ₹2,481 crore.

**Enhancing Cold Storage and Warehousing Facilities:** Current storage capacity is only 70% of the required levels, leading to 20-30% post-harvest losses in perishables. Investments under the Agri-Infrastructure Fund aim to develop 35 million tonnes of storage capacity by 2026.

**Focus on Research and Development with Reduced Subsidies:** Shifting focus from subsidies to investments in agricultural R&D ensures long-term productivity. Initiatives like the Clean Plant Programme (₹1,765 crore) and Digital Agriculture Mission (₹2,817 crore) enhance innovation and precision farming.



## CONCLUSION

The Government of India's initiatives reflect a strong commitment to empowering farmers and fostering sustainable agricultural growth. Programs like PM-KISAN, PMFBY, Namo Drone Didi, and Digital Agriculture Mission enhance financial security, productivity, and market access. Achievements in food grain production and transformative schemes like the Clean Plant Programme and National Mission on Natural Farming strengthen the agricultural ecosystem. These efforts ensure farmers, the 'Annadatas,' remain integral to India's development, building a resilient and prosperous future.

## PRELIMS QUESTION:

**Q: What is the primary aim of the Clean Plant Programme (CPP):**

- A) To promote organic farming practices
- B) To provide disease-free planting material for horticulture crops
- C) To enhance the irrigation infrastructure for agriculture
- D) To support rural electrification for agricultural purposes

**Answer: B.**

## MAINS QUESTION:

**Q: Discuss the recent initiatives taken by the Government of India to improve farmers' income. Critically analyze whether these initiatives are sufficient to achieve the goal of doubling farmers' income. (Answer in 250 words)**

Munde Dhananjay Navnath

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