



Study of Start-ups and its Impact of the MSME Industry.

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Abstract :

Small businesses as a part of the MSME sector have made an immense contribution to the Indian economy as they are widening their operations through the establishment of different products through expansion of the entrepreneurship activities powered by innovation. The start-ups are the new growth engine of economy. This paper focuses on the role of start-ups and its impact on the MSME industries.

Keywords : MSME, Start-up, economy

Introduction

Micro, Small, and Medium Enterprises (MSMEs) and start-ups play a pivotal role in fostering economic growth, driving innovation, and generating employment opportunities. These dynamic entities contribute significantly to a nation's economy, driving competitiveness, and paving the way for a prosperous future.

The Micro, Small and Medium Enterprises (MSME) sector is an important pillar of Indian Economy as it contributes to the growth of Indian economy with a vast network of around 31 million units at present, creating employment for 70 million people, contributing about 4% to manufacturing output and about 40% of exports, directly and indirectly. MSMEs are manufacturing more than 7,000 products ranging from traditional to high tech items. MSME in India have acquired global

competitiveness in sector: Auto components, Leather goods, Textile & garments, Engineering items, Gems & jewellery etc.

According to the estimates of the Ministry of MSME, with 38% contribution to the nation's GDP, this sector generates around 70 millions jobs.

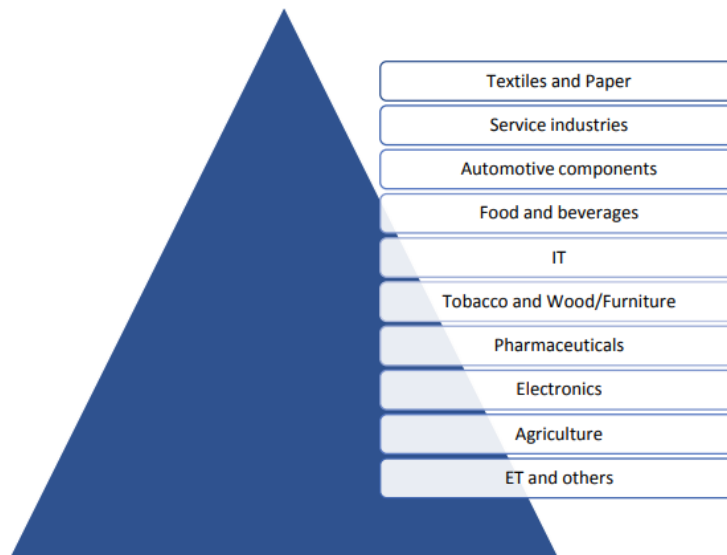
As per the forth All India Census of MSMEs, there has been a big increase in the enterprises engaged in the service sector which constitute 68.21% of all the units while the MSMEs in manufacturing sector only constitutes 28%. One reason for this decline in manufacturing sector units is because



access to infrastructure today does not come easy as costs are high. Things however are looking up now as the government has launched several schemes to address the requirements of MSMEs. To enhance the competitiveness of the MSMEs, the Government now is focused on cluster development like never before. Keeping in mind the potential of MSME sector, it become all the more important to give special attention for growth of small and medium Enterprise sector since they only have the potential to provided wage employment for Indian labor force highest next only to agriculture as well as to provided goods and service at a lower cost.

The Micro, Small and Medium Enterprises Development (MSMED) Act was notified in 2006 to address policy issues affecting MSMEs as well as the coverage and investment ceiling of the sector. The Act seeks to facilitate the development of these enterprises as also enhance their competitiveness. It provides the first-ever legal framework for recognition of the concept of “enterprise” which comprises both manufacturing and service entities. It defines medium enterprises for the first time and seeks to integrate the three tiers of these enterprises, namely, micro, small and medium. The Act also provides for a statutory consultative mechanism at the national level with balanced representation of all sections of stakeholders, particularly the three classes of enterprises and with a wide range of advisory functions. Establishment of specific funds for the promotion, development and enhancing competitiveness of these enterprises, notification of schemes/programmers for this purpose, progressive credit policies and practices, preference in Government procurements to products and services of the micro and small enterprises, more effective mechanisms for mitigating the problems of delayed payments to micro and small enterprises and assurance of a scheme for easing the closure of business by these enterprises, are some of the other features of the Act. Micro, small and medium enterprises as per MSMED Act, 2006 are defined based on their investment in plant and machinery (for manufacturing enterprise) and on equipment for enterprises providing or rendering services. Recognizing the contribution and potential of the sector, the definitions and coverage of the Small Scale Industry (SSI) sector were broadened significantly under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 which recognized the concept of “enterprise” to include both manufacturing and services sector besides, defining the medium enterprises.

MAJOR SECTORS OF SME's



MSME Industry

MSMEs play a very significant role in the economy in terms of balanced and sustainable growth, employment generation, development of entrepreneurial skills and contribution to export earnings. However, despite their importance to the economy, most SMEs are not able to stand up to the challenges of globalisation, mainly because of difficulties in the area of financing. With the opening up of the Indian economy, it has become necessary to consider measures for smoothening the flow of credit to this sector. Small and Medium Enterprises (SMEs) play a very significant role in the economy in terms of balanced and sustainable growth, employment generation, development of entrepreneurial skills and contribution to export earnings. However, despite their importance to the economy, most SMEs are not able to stand up to the challenges of globalisation, mainly because of difficulties in the area of financing.

GROWTH FACTORS FOR MSMEs IN INDIA

- I. World's largest democracy with 1.2 billion people
- II. Enabling business environment with greater global participation
- III. Access to technology as a result of the IT revolution
- IV. Progressive simplification and rationalization of direct and indirect tax structures
- V. Land of abundant natural resources and diverse climatic conditions
- VI. Strong market fundamentals g. Impetus on Infrastructure Development
- VII. Competitively priced skilled labour



Start-ups

Startup means an entity, incorporated or registered in India not prior to five years, with annual turnover not exceeding INR 25 crore in any preceding financial year, working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property. Provided that such entity is not formed by splitting up, or reconstruction, of a business already in existence. Provided also that an entity shall cease to be a Startup if its turnover for the previous financial years has exceeded INR 25 crore or it has completed 5 years from the date of incorporation/ registration. Provided further that a Startup shall be eligible for tax benefits only after it has obtained certification from the InterMinisterial Board, setup for such purpose.

Startup means an entity, incorporated or registered in India not prior to Five years, with annual turnover not exceeding Rupees 25 Crores in any preceding financial year, working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property.

Key Points of Start-up

- Single Window Clearance even with the help of a mobile application
- 10,000 crore fund of funds
- 80% reduction in patent registration fee
- Modified and more friendly Bankruptcy Code to ensure 90-day exit window
- Freedom from mystifying inspections for 3 years
- Freedom from Capital Gain Tax for 3 years
- Freedom from tax in profits for 3 years
- Eliminating red tape
- Self-certification compliance
- Innovation hub under Atal Innovation Mission Textiles and Paper Service industries
Automotive components Food and beverages IT Tobacco and Wood/Furniture
Pharmaceuticals Electronics Agriculture ET and others
- Starting with 5 lakh schools to target 10 lakh children for innovation Programme
- new schemes to provide IPR protection to start-ups and new firms
- Encourage entrepreneurship.
- Stand India across the world as a start-up hub.



Benefits of Start-up Scheme

- No tax on income from Startups
- Capital Gains and ARCs
- 1-day incorporation
- Skilling India
- MUDRA scheme
- Presumptive taxation scheme
- Corporate tax for Small Companies Service Tax exemption
- Rs. 500 cr to support SC/ST, women entrepreneurs

Impact of Start-ups and its impact on MSME

The impact of startups on micro, small, and medium enterprises (MSMEs), as it provides insights into the role of startups in driving economic growth and employment generation. Majority of the states in India and is home to a large number of MSMEs. The state has seen a surge in startup activity in recent years, with the government actively promoting entrepreneurship through various schemes and initiatives. The research paper aims to analyze the impact of startups on the growth and development of MSMEs. The study will employ both qualitative and quantitative research methods to gather data and insights from MSMEs and startups in the state. The research will focus on the following areas:

- **Impact on Innovation:** Startups are known for their innovative products and services. The study will explore how startups are impacting the level of innovation in MSMEs.
- **Impact on Employment:** Startups are significant job creators, especially in the early stages of their growth. The research will examine the impact of startups on employment generation in MSMEs.
- **Impact on Competition:** Startups are often disruptive and can challenge established businesses. The research will analyze the impact of startups on the competition faced by MSMEs.
- **Impact on Access to Finance:** Startups are known to face challenges in accessing finance, but they also bring in new sources of funding. The research will examine how startups are impacting the availability of finance for MSMEs. The research findings will be valuable for policymakers, entrepreneurs, investors, and other stakeholders interested in the startup ecosystem in the nation. The study will provide insights into the opportunities and challenges faced by MSMEs in the state and help identify ways to support their growth and development.



Conclusion

Startup scheme is a great initiative of PM of India for all the young entrepreneurs who have innovative ideas but lacks platform which provide them to start their business. Now under this scheme they will get Tax exemptions for three years and concessions on capital gains tax. A single point of contact for interactions with the government. Many New Innovation Center, Research Center and Institutes will be established and also in case of Exit – 90 days for a startup to close down its business and many other benefits SMEs clusters plays a vital role in total production output in selected products of India for example, the Auto Components cluster of Aurangabad. However, the majority of Indian clusters, especially in the handicrafts sector, are very small with no more than hundred workers, so specialised that no other place in the world matches their skills and the quality of their output. But only few clusters are globally competitive.

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