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MSME In India: Recent Trends Of MSME Which Reframed Its Definitional Characteristics

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1.1 – Introduction

Small-scale enterprises have been around for a long time—over 4,000 years. They began in ancient cultures where trade was buzzing. Many societies, like the Indians, Egyptians, Arabs, Babylonians, Jews, Greeks, & Romans played a part. In those early days, skilled artisans made goods at home. They took care of everything—producing and selling right in the marketplace.

1.1.1 Recent History

As time went on, small-scale industries started to come back strongly around the world. In India, the British government shut down handicrafts without giving people new jobs. This led to a big realization and even de-industrialization in some areas. To fight this problem, Gandhi's idea of Swaraj helped boost village and Khadi industries. After India gained independence, the Government of India (GOI) launched its first big industrial policy in 1948 called the Industrial Policy Resolutions (IPRs)¹. This policy showed how important cottage & small-scale industries were. It highlighted that these industries needed things like raw materials, cheap power sources, technical support & good marketing for their products to grow.

Later on, in the planned development phase, they created the Industries (Development and Regulation) Act back in 1951 to support small-scale & cottage industries. Both the IPRs & this law laid the groundwork for small businesses to thrive and play a key role in the national economy². By 1952-53, five boards were set up for handloom, handicrafts, coir, silk & village industries based on advice from the Cottage Industries Board to help grow small industry areas.

Following that advice, India created the Small-Scale Industries Board (SSIB) & the Central Small Industries Organization (CSIO) in 1954-55. They defined Small-Scale Industries (SSIs) as businesses with fewer than 50 workers if they used power or fewer than 100 workers if they didn't use power and had assets worth not more than Rs. 5 lakhs. After the First Five Year Plan ended, they introduced the Second Industrial Policy Resolution in 1956 during the Second Five Year Plan period based on P.C. Mahalanobis's industrialization model. This resolution further encouraged cottage & small-scale industries by limiting how much large industries could produce directly offering subsidies & creating industrial estates for them³.

These actions really helped small-scale businesses improve with better production methods, easy access to electricity in rural areas & better credit access too. Beyond these changes, new policies came up when they revealed the Industrial Licensing Policy in 1970 which fixed some problems of that earlier act from 1951. *According to this new policy investments up to Rs. 1 crore were free from needing licensing.*

Later in 1977 when the Janata Government took charge a New Industrial Policy was rolled out bringing major changes for Small-Scale Industries (SSIs). Even with these changes adopted though—small industry's growth had ups & downs until the 1980s with no real improvement because of a lot of red tape and strict regulations along with limited awareness out there⁴. In response to these market shifts—the New Economic Policy popped up in '91 aiming to free India's industrial scene from unnecessary bureaucratic rules.

The reform period was super important for the Indian economy. It gave the Central Government the ability to take key actions in many areas. This included things like industrial

¹ Srinivas Reddy Dwarampudi. History of SSI, https://www.slideshare.net/filingsamadhan/msme-policies-changing-msme-landscape?qid=a9441b0d-eafa-45e8-9542-f39cc64b8882&v=&b=&from_search=1

² Role and Importance of Small-Scale Industries, <https://www.toppr.com/guides/business-environment/scales-of-business/small-scale-industries/>

³ Vijay Singh. A study on the Major Constraints of Workers in MSME. Academia, https://www.academia.edu/39054628/A_STUDY_ON_THE_MAJOR_CONSTRAINTS_OF_WORKERS_IN_MSME_AT_MEDICAL_A_REA_OF_JHANSI_A_dissertation_Report_Submitted_in_Partial_Fulfillment_of_the_Requirements_for_the_Degree_of_MASTER_OF_BUSINESS_ADMINISTRATION_MBA-FM_Under_The_Supervision_of_//

⁴ Ibid

licensing, foreign investment, and technology upgrades. They also worked on fixing struggling public sector companies & providing financial help. There was a push to bring in raw materials and equipment, plus

