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A Study of The Role of Insurance Sector in Development of Micro, Small & Medium Enterprises in India

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Abstract:

The role of insurance sector in MSMEs is very vast t here is a huge risk in the sector of MSMEs. The estimated number of persons employed in MSMEs s are about 11.10 crore. The ministry of micro, small and medium enterprises (MSMEs) implements various schemes to increase employment opportunities of MSMEs sector in the country. These include PMEGP, micro and small enterprises-cluster development programme (MSE-CDP), scheme of fund for regeneration of traditional industries (SFURTI), credit guarantee fund trust for micro and small enterprises (CGTMSE) and a scheme for promoting innovation, rural industry & entrepreneurship (aspire). Government has taken a number of initiatives under Aatma Nirbhar Bharat Abhiyan to support the MSMEs sector in the country especially in covid-19 pandemic. Insurance plays an important role in protecting a company from risks and supporting its current and future growth and is an integral part of any business. Insurance can be against the risk of fire, terror of god (Flood, Earthquakes, Strikes, Terrorism, Theft) so there are a host number of risk that MSMEs face.

Keyword: Insurance, MSMEs, Risk.

Introduction

The role of insurance in the development of MSMEs industry can be defined as the significance of the insurance in the development of small and medium scale industries in India. Best tool of MSMEs is insurance companies/ bank who provides financial help to these industries and also covers factors which are directly and indirectly affect the industries that is internal and external factors. Industries which adopt the facilities of insurance are gaining massive success within the short span of time. The research will cover all the points which will be successful at evaluating all the points that the insurance sector covers for the development of MSMEs. According to the opinion of article of The Hindu “The MSMEs is the next decade of growth. Surely it is the backbone of our countries economy”. If we look at any prospective such as through business or through output, export the quantity of GDP or entrepreneurships. There are around 6.3crore MSMEs industry. These numbers highlights what actually position of MSMEs stands today in the Indian market. The MSMEs industry give employment to at least 11,00,00,000 people and of this 20% are in the rural countryside. In addition it constitute about 33% of GDP which is about 3rd of Indian GDP and over a 40% of Indian export these numbers are quite staggering. These numbers show the amount of opportunity plus it is a growing at about 18.5% year to year as well. MSMEs also follow government policies such as “Aatma Nirbhar Bharat” and “make in India” programmes. Government of India is planning more financial and legal support for MSMEs. This is the part that the government and the people believe will be their turn, not only today, but in the future. The insurance sector plays an intermediary role in stimulating economic growth. Insurance plays an important role in protecting a company from risks and supporting its current and future growth and is an integral part of any business.

Insurance can be against the risk of fire, terror of god (flood , earthquakes), strikes terrorism theft, so there are a host number of risk that MSMEs face. regarding static part of the industry, due to the pandemic covid-19, there has been a negative effect on the whole of the MSMEs industry the lockdown not only affected the industry but also to its owners, workers, employer as the pandemic has shaken the roots and lowered the demand of the product in the Indian market. Most of business have faced the problem of finance, debt, wages , salaries, rent or expenses.

Although MSMEs is the vital part of the economy there is a lack of information coping with insurance and often the point of insurance is neglected by MSMEs industry, as the record states there are only 5% of MSMEs which are secured with insurance. And the number of MSMEs in India are 6.3crore clearly. MSMEs owners do not have enough information regarding management of risk they are not well aware about the internal and external risk. Thus business insurance must be clearly understood by the MSMEs industries, the role of insurance in the development of MSMEs industry is very crucial, owners should secure it's business, employees against risk. With the help of insurance, MSMEs owners can protect their business from financial risks, and insurance gives business owners hope and confidence that their business will continue even during difficult times amid possible events or consequences or problem.

Problem statement:

Regarding static part of the industry. Due to the pandemic covid-19 there has been a negative effect on the whole of the MSMEs industry the lockdown not only affected the industry but also to its owner, workers, employer as the pandemic has shaken the roots and lowered the demand of the product in the Indian market most of business have faced the problem of finance, debt, wages , salaries, rent or expenses. Although MSMEs is the vital part of the economy there is a lack of information coping with insurance and often the point of insurance is neglected by MSMEs industry , as the record states there are only 5% of MSMEs which are secured with insurance. And the number of MSMEs in India are 6.3crore clearly MSMEs owners do not have enough information regarding management of risk they are not well aware about the internal and external risk. Thus business insurance must be clearly understood by the MSMEs industries, the role of insurance in the development of MSMEs industry is very crucial, owners should secure it's business, employees against risk. With the help of insurance, MSMEs owners can protect their business from financial risks. Insurance gives business owners peace of mind and confidence that they can continue their business despite the occasional setbacks and challenges in the face of possible events and consequences.

Literature review

Doctor Balamurugan. (2015) -Financial system is an important element for the economic growth process. Because they have a function which provides funds for wide areas spreading of new technologies and emulations of capital funds developed financial systems which are effectively fulfilling the function can increase efficiency in addition to economic growth. These features are also focused on privately owned microdeposits. Large investments are diversified to reduce the risk of investors collecting and evaluating information about the project used by specialized institutions.

Mr. Sibesh Sen. (2020) -Industries that have implemented insurance systems are making great strides in a short period of time. Insurance plays an important role or you could say it's an integral part of a business that protects it from risks and helps it grow now or in the future.

Mehul (2021) – Every business needs working capital to keep the company functioning, pay employees, and grow in the market. Insurance assistance against unexpected financial risks, usually mitigated by insurance coverage.

Objective of study

MSMEs are part of the Indian economy and play an important role in the Indian economy.

There are a total of 6.3 billion MSMEs in our country, which contribute to 33% of the country's GDP and provide a lot of employment, especially in the informal sector.

Many jobs are created in the MSMEs industry, where approximately 6.3 million MSMEs employ approximately 110 million people.

Insurance plays an important role in the development of small businesses.

Insurance assistance to mitigate the financial risks faced by the small business industry.

Insurance is the fuel that powers the small business industry. Successful small businesses create jobs and add value to the economy, so insurance plays an important role in small business development

Insurance not only add value to the insurance sector, but also reduce the commercial risks of insurance that the small business industry faces widely.

Research methodology

This study will be based on secondary data . Study will conducted in, almost all of area which are involved in MSMESs. There is a long list of insurance companies involved in MSMESs development. A list of all recent releases can be found in the MSMESs promotions department. This list selects all starters with the highest insurance support. Start search will serve as a template for the proposed study. The factors responsible for accepting a small business insurance policy are determined through consultation with the insurance company's employees and experts and relevant literature. The factor of adoption will be related to the 3 points content scale with most important, important and least important with the score of 3, 2, 1 the main score will be calculated and crank accordingly. The performance of status will be mentioned in term of per quarter profit reports of the sample to determine the effect of insurance financial appraisal will be carried out taking into account the insurance, policies taking premium, paid and cost and benefit analysis will be carried out the data will be collected with the help of well structure pretested interview schedule by personal interviewer in the respondent and the reports available with the insurance company and government released data will be reviewed and analysed for the same purpose. The data will be tabulated analysed an interpreted by applying suitable statistical methods like percentage, frequency and deviation etc.

Employment opportunity in MSMESs in India.

As per 73rd round of NSS report on unincorporated non-agricultural enterprises' (July 2015- June 2016) conducted by ministry of statistics & pi (MOSPI), the estimated number of persons employed in MSMESs are about 11.10 crore. The ministry of micro, small and medium enterprises (MSMESs) implement various schemes to increase employment opportunities of MSMESs sector in the country. These include PMEGP, micro and small enterprises-cluster development programme (MSE-CDP), scheme of fund for regeneration of traditional industries (SFURTI), credit guarantee fund trust for micro and small enterprises (CGTMSE) and a scheme for promoting innovation, rural industry & entrepreneurship (aspire). Government has taken a

number of initiatives under Aatma Nirbhar Bharat Abhiyan to support the MSMEs sector in the country especially in covid-19 pandemic. Some of them are:

Subordinated debt for small businesses of 20,000 crore.

A car loan of 3 million won without collateral for small businesses and other companies. A capital injection of Rs.50,000 crores through the MSMEs fund of funds new and revised MSMEs classification criteria.

Need of Insurance in MSMEs

United nations in the year 2015 brought out an ambitious project titled sustainable development goals (SDG) and want nations to show results by 2030. Every country is geared 10 towards fulfilling this goal. (united nations framework convention on climate change (UNFCCC), a part of the united nations has projected India as the third biggest polluter in the world. In the human development index, India is ranked at 130th which tells that we need to go a long way in achieving better human development index (HDI). As India is aiming to be among the world leaders there is not much time with us to improve this score. Ruiz-coupeau, et.al. (2019) makes an argument for greater involvement and increasing competitiveness of MSMEs in the pursuit of united nation's SDG accomplishment. It is also essential to have regional commitment and support for these organizations as they are in want of economic assistance. The MSMEs contributes to almost 25% of the GDP and provides employment to millions. This sector, however, is largely unregulated and is alleged to contribute to the bulk of the green house gases (GHG) and also violates the human rights of its employees. Not much research is being conducted on the way these sectors are run and the responses of the MSMEs leadership. The few studies that are there look at the problems rather than the contribution of this sector.

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