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Growth and Performance of MSME's in Present Scenario for the Development of India

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“Imparting greater vitality and growth impetus to the Micro, Small and Medium Enterprises (MSME) in terms of output, employment and exports and instilling a competitive culture based on heightened technology awareness”

Ministry of Micro, Small and Medium Enterprises (MSME's)

Abstract

This is the fact that Micro, Small and Medium Enterprises (MSMEs) play a catalytic role in the development process of most economies of any country. Similarly, MSMEs form the backbone of the Indian economy and have become engine of economic growth in India. Today, MSME occupies a very important position in Indian Economy System due to its very significant and important contribution in terms of output, exports and employment. The MSMEs are the biggest employment provider after agriculture, providing employment to nearly 32 million people. This paper closely analyses the growth and development of the Indian MSME sector since opening of the economy in 1991. It also looks into the present scenario of MSMEs and the challenges they face like lending, marketing, and license raj issues.

Introduction

As we all know India's economy is an emerging economy and India is the second largest populated country after China. As India is rich in natural resources and also have the man power in bulk. But still the growth rate is quite lower. India is lacking in the capital formation, that's why it is better to adopt that type of industries and enterprise which are of labour intensive rather than capital intensive. If we go through the following tables, we would able to know that the number of MSMEs as well as its contribution is increasing day by day. MSMEs have been known to the world as “Engine of economic growth and for promoting equitable development”.

Objective of The Study :

- 1:- To analyse the growth of MSMEs in Indian context.
- 2:- To analysis the performance of MSMEs in present scenario.
- 3:- To find out the opportunities for entrepreneurs in MSMEs.
- 4:- To know the contribution of MSMEs in GDP contribution.
- 5:- To critical examine the opportunities of employment created by the MSMEs.
- 6:- To examine the competitiveness in market place
- 7:- To know the seed bed for entrepreneurial ability and innovation
- 8:- To ascertain the Balanced Regional Development.

Review of Literature:

Lots of literatures are available in the area of MSMEs and related aspect of its components. Brief review of literature are discussed below: -

Sudan, F. K. (2005) described the challenges in Micro and Small Scale Enterprises Development and policy issues by arising different questions related to Micro and Small Enterprises. The study explained the meaning, advantages, problems and policy options of MSE sector. The study concluded that all the policies which were opted by GOI were the efforts to form a dynamic MSE sector and a diversified economy providing expanded employment opportunities to absorb all new labour force and offer exciting career opportunities.

Rathod, C. B. (2007) described the importance of small scale industrial sector and also the contribution of Indian small scale entrepreneurs in world economy. The main objective of the study was to study the growth and pattern of

the SSI sector and identify the reasons for success/ failures, to evaluate the impact of globalization on SSIs and export opportunity, to identify the barriers and constraints that SSIs were facing to cope with globalization.

UNIDO (1969) in a study based on evidence from a number of developing countries indicated that small enterprises with a lower level of investment per worker tend to achieve a higher productivity of capital than do the larger, more capital intensive enterprises.

Bargal et al. (2009) examined the causal relationship among the three variables GDP, SSI output and SSI exports and also have compared the performance parameters of SSIs in the pre and post liberalization era. The study found that the annual average growth rate of different parameters of SSIs have declined in the period of nineties vis-à-vis the pre-reform years. There is an absence of any lead-lag causal relationship between exports and production in small-scale sector and GDP of Indian economy.

Singh et al. (2012) analyzed the performance of Small scale industry in India and focused on policy changes which have opened new opportunities for this sector. Their study concluded that SSI sector has made good progress in terms of number of SSI units, production & employment levels. The study recommended the emergence of technology development and strengthening of financial infrastructure to boost SSI and to achieve growth target.

Bodla, B. S. (2004) concluded that SSI has produced the maximum attainable output given the inputs of capital and labour and the available existing technology. It has also been observed that the SSI sector is no way less than its counterpart large scale industries in so far as the utilization of resources is concerned.

Hashim, (2004) has provided an insight into the strengths and weaknesses of small and medium-sized enterprises. It can also be concluded that there are certain weaknesses that prevail in SMEs and need to be removed.

Hussain, V, Syed. (2004) analyzed that to survive in the world market SSIs should have to lay greater emphasis on international standards with regard to quality, health and hygiene to be offered by them.

Sahoo, K, Sukanta. (2004) examined the contribution of SSI in the industrial sector and concluded that with the decline in agricultural employment and virtual stagnation in the organized manufacturing sector, employment in SSI sector has emerged as the only ray of hope.

Kansal et al. (2009) In their study, an attempt has been made to analyze the impact of globalization on the growth of small scale industries. The comparative analysis of growth pattern of key parameters between Pre- and Post – Globalization periods reveals that the “globalization” had a negative impact on the growth of small scale sector measured in terms of number of units, production, employment and exports. It shows that globalization had a negative impact on the growth of SSI.

Annual Report of MSME 2011-2012, gives the overall view of MSMEs with respect to its performance and growth in production, employment, export, number of industries, detail view of various schemes and of various departments of MSMEs.

Annual Report of MSME 2012-2013, , gives the overall view of MSMEs with respect to its performance and growth in production, employment, export, number of industries, detail view of various schemes and of various departments of MSMEs.

Final Report of Fourth All India Census of MSME, gives a sound , accurate and comprehensive database of MSMEs for sound policy formation.

Garg, C, Charu . (1996) in their research paper describes the growth of SSI with some policy issues. Here the comparative analysis has been made between large scale and small scale industries taking into the industrial policy resolutions.

Garg, Ishu. And Walia, Suraj. (2012) confirms that the significant growth of MSMEs have been taken place over a period of time and this sector is the major donor to gross domestic product (GDP), employment and exports in Indian economy using the OLS technique.

DEFINITIONS OF MICRO, SMALL & MEDIUM ENTERPRISES

The Government of India has enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 in terms of which the definition of micro, small and medium enterprises is as under:

Micro, Small & Medium Enterprises

Manufacturing Sector	
Enterprises	Investment in plant & machinery
Micro Enterprises	Does not exceed twenty five lakh rupees
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees
Medium Enterprises	More than five crore rupees but does not exceed ten crore rupees

Service Sector	
Enterprises	Investment in equipments
Micro Enterprises	Does not exceed ten lakh rupees:
Small Enterprises	More than ten lakh rupees but does not exceed two crore rupees
Medium Enterprises	More than two crore rupees but does not exceed five crore rupees

Source - Ministry of Micro, Small and Medium Enterprises (MSME's)

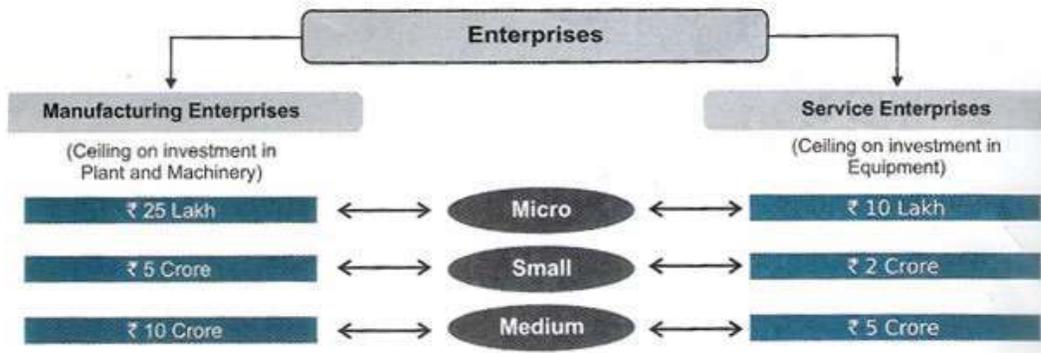
MSME'S GROWTH IN INDIA & CONTRIBUTION IN GDP:

The Micro, Small and Medium enterprises (MSMEs) play a pivotal role in the overall industrial economy of India. MSMEs constitute more than 80% of the total number of industrial enterprises and support industrial development. MSMEs contribute nearly 45% to manufacturing and about 40% to the Indian export sector. Their contribution to the Indian GDP is 8% and the sector has registered growth rate of 10.8%. Indian MSMEs have moved up from the manufacture of traditional goods including leather, gems and jewelry, agricultural goods to much more value addition in the manufacturing sector to its entry in the value added services as well. It is one of the major growth driver of Indian Economy. It is based on the Model of Socio economic policies of the Govt. of India. It develops appropriate indigenous technology. It possess the second largest sector after agriculture. It includes more than 26 million units which are producing more than 8000 products within the country. It provides employment to over 59 million.

MSME'S ACT OF INDIA:

- **MSMED Act, 2006.**
- Industrial Development Regulation Act
- The Industrial Disputes Act
- The Industrial Employment (Standing Orders) Act,1946
- The Industrial Establishment Act
- Urban Land Development Act
- The Factories Act
- The Minimum Wages Act
- Workmen's Compensation Act
- Equal Remuneration Act, 1976

CLASSIFICATION OF MSME'S

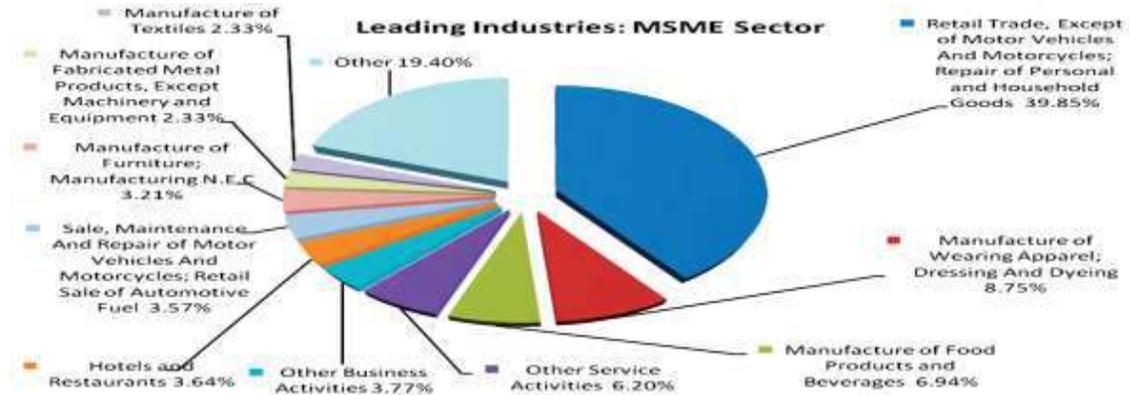


ROLE OF MSME'S IN THE DEVELOPMENT OF INDIA:

MSME'S has definitely helped in growth of Indian Economy by creating opportunities for Entrepreneurs and by creating a number of employment vacancies, as well as it has a very powerful impact on Investments and Gross output also which is explained as below through the statistics.

Performance of SSI / MSME Units, Employment, Investments and

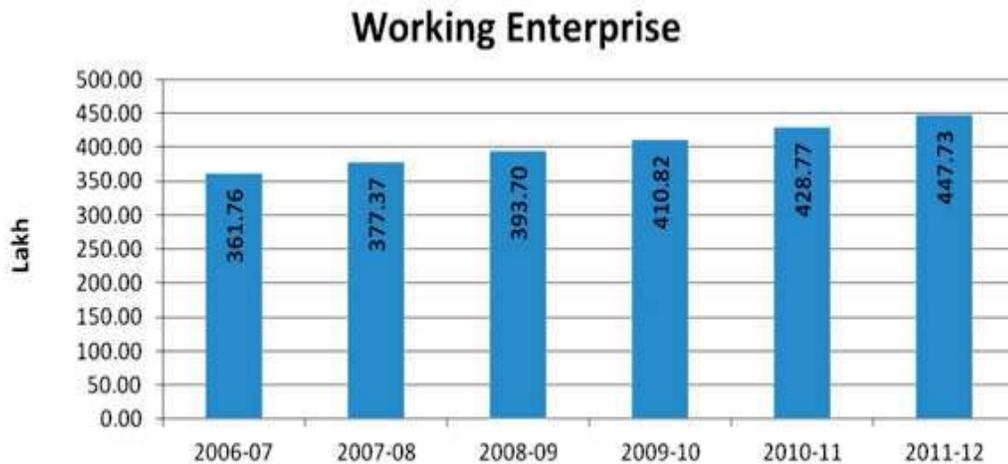
Gross Output



SOURCES - Annual Report 2012-2013

CHARTS SHOWING STATISTICS OF THE SECTOR

A) Number of Enterprises in MSME Sector

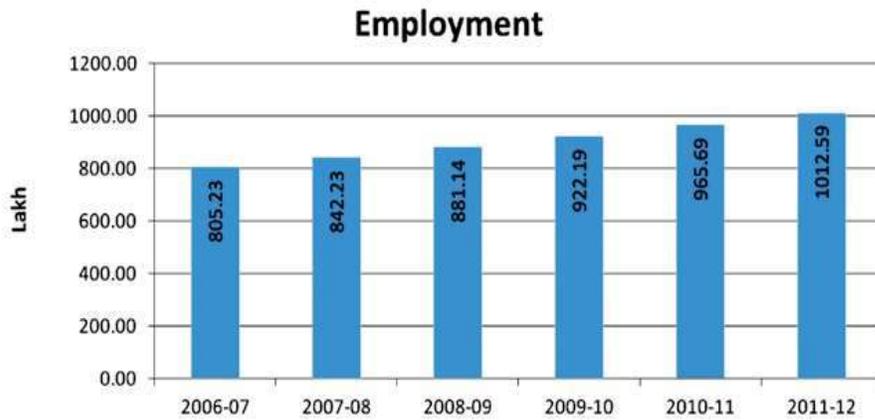


Projected data for the years 2007-08 to 2011-12.

On the basis of graph we can see an increasing trend in number of Enterprises in MSMEs Sector. As in 2006-07 the number of working enterprises was 361.76 and increases to 377.37 in 2007-08 with the increased percentage of 4.32. Till the 2008-09 the no. of enterprises reached to 393.70 with the increase of approx. 4.33%. After this the no. of enterprises reached to 410.82 till 2009-10 that is 4.35%. Upto the year 2010-2011 the no. of enterprises increases with 4.37%. In 2011-12 the no. of enterprises reached to 447.73 with the 4.42%.

Year	No. of Enterprises	Increased percentage
2006-07	361.76	--
2007-08	377.37	4.32
2008-09	393.70	4.33
2009-10	410.82	4.35
2010-11	428.77	4.37
2011-12	447.73	4.42

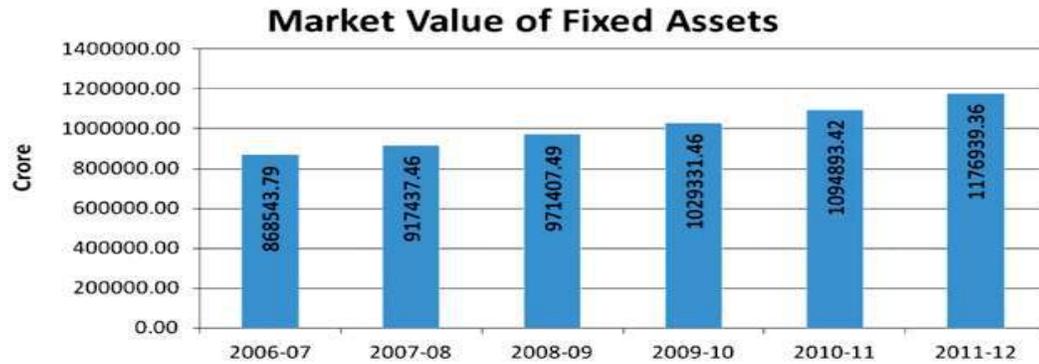
B) Employment in MSME Sector



Projected data for the years 2007-08 to 2011-12

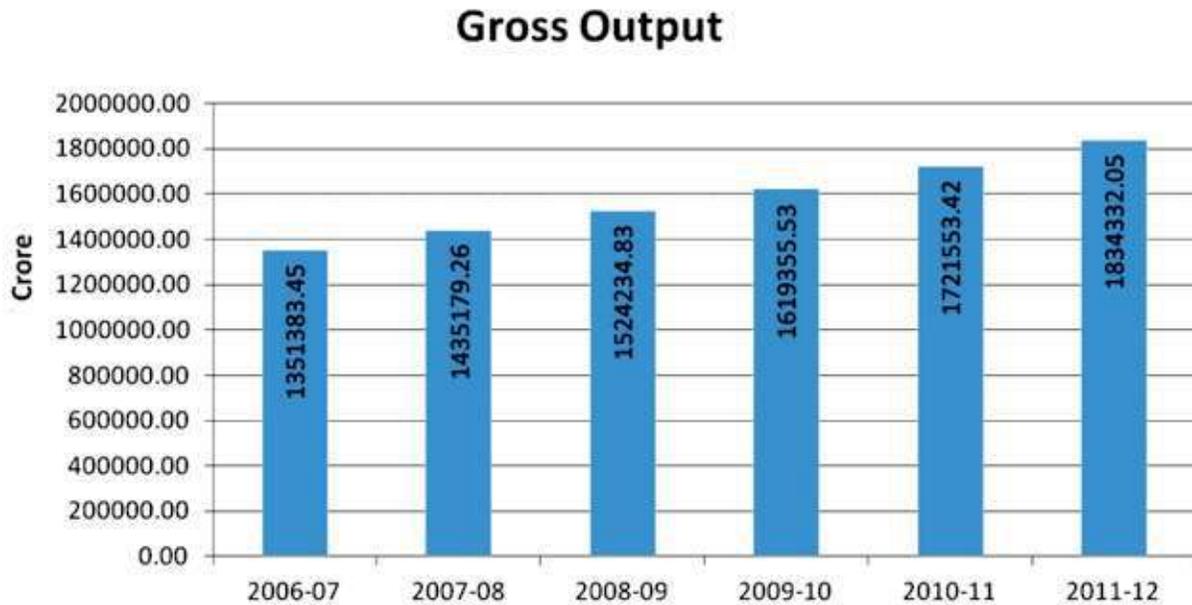
Year	Employment (In Lakhs)	Increased percentage
2006-07	805.23	--
2007-08	842.23	4.59
2008-09	881.14	4.62
2009-10	922.19	4.66
2010-11	965.69	4.72
2011-12	1012.59	4.86

C) Fixed Investment in MSME Sector



Projected data for the years 2007-08 to 2011-12.

D) Gross Output in MSME Sector



Projected data for the years 2007-08 to 2011-12.

CENTRAL GOVERNMENT ROLE (POLICY) FOR THE DEVELOPMENT OF MSME's:

- Prime Minister's Employment Generation Programme
- All India Census of MSMEs
- Credit Guarantee Scheme
- National Manufacturing Competitiveness Programme
- MSE-Cluster Development Programme (MSE-CDP)
- Credit Linked Capital Subsidy Scheme
- Entrepreneurship and Skill Development
- Rajiv Gandhi Udyami Mitra Yojana
- Performance and Credit Rating Scheme
- Financial assistance on bar code

ASSOCIATION AND REGULATING BODIES FOR MSME'S :There are mainly two regulating boundaries regarding MSME's:-

- **National Small Industries Corporation**
- **National Board for MSMEs**

INDIAN MSME'S SECTOR: CHALLENGES

Despite its commendable contribution to the Nation's economy, MSME Sector does not get the required support from the concerned Government Departments, Banks, Financial Institutions and Corporate, which is a handicap in becoming more competitive in the National and International Markets.

MSMEs face a number of problems –

- Mentoring and advocacy
- Credit
- Absence of adequate and timely banking finance,
- Limited capital and knowledge,
- Infrastructure
- Globalization of trade and commerce
- Non-availability of suitable technology,
- Low production capacity, ineffective marketing strategy,
- Identification of new markets or market access,
- Constraints on modernization & expansions,
- Non availability of highly skilled labour at affordable cost,
- Follow-up with various government agencies to resolve problems
- Exit mechanism
- Strategy interventions for revitalization and growth etc.

Conclusion

MSMEs, as a major contributor towards growth of domestic economy and employment generation, should also get adequate support for its growth and development in terms of policy framework, incentives and other relevant aids and supports like providing good infrastructural facilities, developing various industrial parks and technology incubators under MSME cluster development programmes, creating networks of organisations which help to provide training to the skilled workforce to improve productivity, encourage entrepreneurship and competency in management, funding R&D investments, technology advancement may work for the betterment of the sector. Although, Indian MSMEs are finding it difficult to sell their products in the domestic and international markets because of increasing competition and to make their products globally competitive, Indian MSMEs need to up-grade their technology and put more emphasis on innovation.

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