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# An Assess on the Performance of MSMEs in India

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## Abstract

*The Micro, Small and Medium Enterprise (MSMEs) is the backbone of the Nation's Economy. It contributes 8% of the country's GDP, 45% of the manufacturing outputs and 40% of our exports. Over the last five decades, MSME sectors has highly vibrant and dynamic sector. Though MSMEs are the largest generator of employment in India but it is also helps in industrialization in rural areas. Government has taken various schemes and programs for the innovation, entrepreneurship development and growth of MSMEs in India. The performance of MSMEs plays vital role in the development of MSMEs as well as the for the country's economy. This paper will show the performance of MSME in recent trends in India.*

**Keywords:** MSMEs, Performance, Government, Schemes, Employability, Entrepreneurship Development

## Introduction

On the basis of MSMED Act, 2006, MSMEs are classified in two Classes manufacturing enterprises and service enterprises. In 2006, the government of India has enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, which will facilitate the promotion and development of MSMEs and for the following matters:

- To remove hindrance due to multiple laws
- Introduction of statutory consultative and recommendatory bodies in MSMEs policies
- Registration procedures for statutory of MSMEs
- Statutory basis for purchase preference and credit policies
- Improvement in realization of payments of MSMEs.

The Ministry of MSMEs is also having a responsibility of monitoring the implementation of these schemes. The State Government has the responsibility of promotion and development of MSMEs and their efforts will be supplement by Central Government. The Central Government assist the state govt through number of initiatives. According to the notification published by ministry of micro, small and medium enterprise, New Delhi, 1st June, 2020 and come into effect from 01st July 2020, that the classification criteria of micro, small and medium enterprise namely :-

- A micro enterprise where the investment in Plant and Machinery or Equipment does not exceed one crore rupees and turn over does not exceed five crore rupees.
- A small enterprise where the investment in Plant and Machinery or Equipment does not exceed ten crore rupees and turn over does not exceed fifty crore rupees

- A medium enterprise where the investment in Plant and Machinery or Equipment does not exceed fifty crore and turn over does not exceed two hundred and fifty crore rupees.

### Literature Review

- Ghatak, Shambhu (2010) has written in his paper titled “Micro, small and medium enterprises (MSMEs) in India: an appraisal highlighted that status of Indian MSMEs is much better than Bangladesh & Pakistan. About 95% of Indian SMEs have their bank accounts whereas in Pakistan it is 36% and Bangladesh it is 46%. He also stated that Indian Government should provide further supports to small scale industries by accelerating its initiatives.
- Subrahmanya Bala (2011) has assessed the globalization effect on export potential of small scale enterprise. He has concluded that the growth is stagnant but has high protection period and also Liberalization period has increasing trend. So, the government should continue enhancing policy in competitiveness through infusion in technology, marketing and finance.
- Srinivas. K.T. (2013) has written in his paper titled Role of micro, small and medium enterprises in inclusive growth analysed that

the MSMEs is being termed as the engine for the growth of the country. Though there is a tremendous changes in the national and state level for MSMEs but due to the poor infrastructure and lack of marketing, MSMEs face the poor growth. Entrepreneurs should also take initiatives for the development of MSMEs as only the support provided by the State and Central Government is not enough for the upliftment of the MSMEs in India.

### Objectives

1. To study the performance of MSMEs in India
2. Impact of establishment of MSMEs in India on the employment opportunities
3. To study the role of entrepreneurship development in MSMEs.

### Research Methodology

Study is based on the secondary data that has been collected from annual reports and various other published reports.

#### 1) MSMEs performance in India

The contribution in country’s GDP shows the performance of any sectors. MSMEs contribution in GDP are being described in Table 1:-

**Table 1 Percentage of Share of MSMEs**

Percentage of Share of MSMEs			
Year	Gross Value of Output (Rupees in Crores)	Share of MSMEs in GVA (%)	GDP (%)
2014-2015	3658196	31.80	29.34
2015-2016	4059660	32.28	29.48
2016-2017	4502129	32.24	29.25
2017-2018	5086493	32.24	29.75
2018-2019	5741765	33.50	30.27

\*Source: Annual report of MSMEs 2020-2021

From the above table it is being concluded that on 2014-2015 the gross value of output is 3658196 and share in GDP is 29.34, whereas in 2018-2019, the gross value of output has increased to 574165 and

simultaneously the GDP is also increased to 30.27. It will help the policy makers and entrepreneur to increase the growth of the economy by implementing some policies.

## 2) MSMEs employability in India

The contribution of any sector towards employment also indicate the performance. MSMEs plays an important role in employment generation. Prime Minister’s Employment Generation Programme (PMEGP) has helped to generate more employment. The contribution in employment are as follows:-

**Table: 2**

Year	Margin Money Disbursed (in Crores)	Micro Units Assisted (Numbers)	Estimated Employment Generation (Numbers)
2017-2018	1312.40	48398	387182
2018-2019	2070.00	73427	587416
2019-2020	1950.82	66653	533224
2020-2021	2188.80	74415	595320
2021-2022*	1633.48	52994	423952

\*Source: Annual report of MSMEs 2021-2022

\*Till 31.12.2021

From the above table it is being concluded that on 2017-2018 the number of micro units

assisted is 48398 and employment generation is 387182, whereas in 2021-2022 (till 31.12.2021), the number of micro units has increased to 52994 and simultaneously the employment is also increased to 423952. It will helps to decrease the poverty and unemployment problem of an economy. In 2019-2020, there is a decrease due to Covid’19 pandemic and lockdown. The Pearson’s correlation between number of micro units assisted and employment generation is 0.9999 which is equivalent to perfect positive correlation and is significant at 0.01 level of significant as p value is less than 0.05. It justified that increase in Micro Units is leading to proportionate increase in employment.

## 3) MSMEs contribution in Entrepreneurship Development:

MSMEs provide various programme for the development of entrepreneurship. The National and International Programme are being conducted by the Institute. This programme also helps for wage employment and self-employment. The following details year wise are given below:-

**Table: 3**

Year	Programme	Trainee	Achievement (Success Rate)				
			Wage Employed		Self Employed		Overall
			Numbers	%	Numbers	%	
2013-2014	1045	30910	8843	51.34	5905	41.36	47.54
2014-2015	1599	47092	15419	32.74	9236	19.42	52.16
2015-2016	1075	31874	14130	44.30	6313	19.18	64.10
2016-2017	135	4050	2159	53.00	615	15.00	68.00
2017-2018	87	2610	328	12.56	498	19.08	31.64
2018-2019	25	750	54	7.00	53	7.00	14.00
2019-2020	89	2290	67	3.00	88	3.84	6.84

\*Source: Annual report of MSMEs 2020-2021

## Conclusion

MSMEs contribution in Indian Economy is enormous but it is endangered to socio economic changes. The grey economy is not form as separate legal entity clear views of production activities or independent household (Chen, 2006; Nand, 2006; Williams,2005). Financial transaction in grey economy is not legally established. They are

totally market oriented (Schneider and Bajada,2003; WILLIAMS,2005). Apart from these barriers, Government of India is more emphasizing on development of MSMEs. To finance the project of the firstgeneration entrepreneur, Government has established developing hubs in IIT and IIMs.

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