

Growth and Working of Micro Small and Medium Enterprises in India: An Overview

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Abstract

Micro Small and Medium Enterprises (MSMEs) is a vibrant and extensive sector of the Indian economy. It makes a significant contribution to the annual GDP, exports, and employment. In an environment of sustainable growth, economic reforms and, opening of the Indian economy. The role and importance of the MSME sector has become more significant. This sector is characterized by low investment requirement, operational flexibility, region mobility, and import substitutions. MSME Sector has been playing a crucial role in the overall economic development of a country like India and has the advantage of providing gainful employment opportunities with low investment and reduce regional disparities through the dispersal of industries into rural, semi-urban, and backward areas. This study makes an attempt to study the growth and, performance of MSMEs in terms of an increase in the number of working units, employment and investment levels in the recent past. This paper also tries to identify the problems faced by these units and the policy initiatives taken by the government.

Keywords: MSMEs, Development, Performance, Employment, Investment, Policies

Introduction

The Micro Small Medium Enterprise is an influential pillar of Indian economy as it contributes greatly to the growth of the Indian economy with a huge network of around 30 million units, creating employment of about 70 million, manufacturing more than 6000 products, share about 45% to manufacturing output and about 40% of exports, directly and indirectly. MSME Sector has been playing an extensive role in the overall economic development of a country like India and has the advantage of providing gainful employment opportunities with low investment and reduce regional disparities through the dispersal of industries into rural, semi-urban and, backward areas. This sector solves the problems of poverty and unemployment by providing immediate large-scale employment with lower investment. This sector has been recognized as an engine of growth all over the world. The Ministry of Small-Scale Industries assists the states in their promoting the growth and development of small-scale industries to generate more employment opportunities and enhance their competitiveness. The Government of India has initiated several policies for the growth and development of MSMEs. The MSME sector has played a powerful role in the economic

development of the country during the past five decades. It has shown a remarkable contribution to the overall growth in terms of Gross Domestic Product (GDP), employment generation and, exports. The strength of small-scale enterprises lies in their widespread dispersal in rural, semi-urban and urban areas, fostering entrepreneurial base, shorter gestation period, and, equitable distribution of income and wealth.

Definition of MSMEs

The concept and definition of MSMEs have been changing over the years with the changing conditions of the Indian economy. The latest meaning of MSMEs came into force in 2006 with the enactment of (MSMED) Act. According to this definition, the manufacturing and service enterprises of MSMEs are defined as

Manufacturing enterprises defined in terms of investment in Machinery and Equipment (excluding land and building) classified into

- (a) Micro enterprises - investment upto Rs. Twenty-Five lakhs,
- (b) Small enterprises - investment above Rs. Twenty-Five lakhs and up to five crores
- (c) Medium enterprises - investment above Rs. five crores and up to Rs. Ten crores.

Service enterprises defined in terms of their investment in equipment's (excluding land and building) classified into

- (a) Micro enterprises - investment up to Rs. Ten lakhs
- (b) Small enterprises - investment above Rs. Ten lakhs and up to Rs. Two crores and
- (c) Medium enterprises - investment above Rs. Two crores and up to Rs. Five crores.

Overview of Indian MSME Sector

The MSME sector is a big pillar of Indian economy as it subsidizes greatly to the growth of the Indian economy with a vast network of around 30 million units, creating employment of about 70 million, manufacturing more than 6000 products, subsidize about 45% to manufacturing output and about 40% of exports, directly and indirectly. This sector even accepts greater importance now as the country moves with regard a faster and comprehensive growth agenda. Moreover, it is the MSME sector that can help the target of the proposed National Manufacturing Policy of raising the share of the assembling sector in GDP from 16% at present to 25% by the end of 2022.

Objectives of the Study

1. To identify the growth and performance of the MSME sector.
2. To study the contribution of the manufacturing output of the MSME in GDP.
3. To understand various problems faced by MSME.

Collection of Data

Secondary data was collected from published and unpublished sources such as annual reports of MSME, GOI, DIC, and various relevant journals, magazines, newspapers and, websites.

Tools of Analysis

To analyze the growth and performance of MSMEs, tables and bar graphs are used.

Data Analysis

**Table 1 Performance of MSME, Total Working enterprises
Employment and Investments**

Sl. No	Year	Total Working enterprise (in lakh)
1	2006-07	361.71
2	2007-08	377.36
3	2008-09	393.7
4	2009-10	410.8
5	2010-11	428.73
6	2011-12	447.64
7	2012-13	447.54
8	2013-14	488.46

Sources: Annual report 2015-16, GOI, Ministry of MSME

Chart 1 A Chart showing the Annual Growth Rate of Total Working Enterprises in MSME

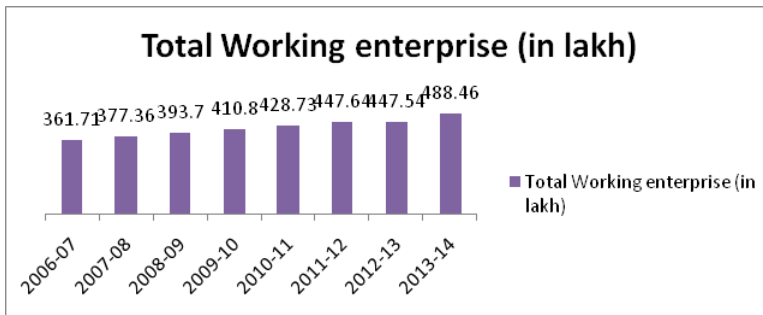


Table 1 shows the number of working enterprises has increased from 361.71 lakhs in 2006-07 to 488.46 lakhs in 2013-14.

Table 2 Performance of MSME, Employment in lakhs

Sl. No	Year	Employment (in lakh)
1	2006-07	805.23
2	2007-08	842.00
3	2008-09	880.84
4	2009-10	921.79
5	2010-11	965.15
6	2011-12	1011.69
7	2012-13	1061.4
8	2013-14	1114.29

Sources: Annual report 2015-16, GOI, Ministry of MSME

Chart 2 A Chart showing an annual growth rate of employment in MSME

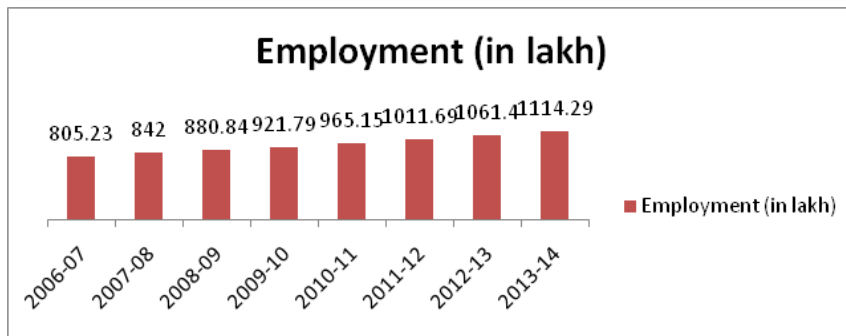


Table 2 shows the level of employment has increased from 805.23 lakhs in 2006-07 to 1114.29 in 2013-14.

Findings of the Study

- The findings of the study reveal that there is a significant increase in the number of working enterprises, in the employment level provided by these units and, the market value of the fixed assets of these units.
- The number of working enterprises has increased from 361.71 lakhs in 2006-07 to 488.46 lakhs in 2013-14
- The level of employment has increased from 805.23 lakhs in 2006-07 to 1114.29 in 2013-14.
- The market value of fixed asset has increased from 868,543.79 in 2006-07 to 1,363,700.54 in 2013-14.

Problems Faced by MSME Sector in India

MSME Sector contributes significantly to the Indian economy through creating employment, production, innovation and, development and, enriching entrepreneurship skills. However, the small-scale sector is not away from facing problems. Some of the complication faced by the MSME Sector include

- Delayed payments by the broad industry players
- Absence of timely credit
- Low Return on Investment (ROI)
- Low production and productivity
- Inefficient marketing strategies
- Non-identification of new markets
- Hurdle in expansion & innovation, lack of warehousing
- Ruthless competition
- Decline in exports

Government Policy Initiatives

The government of India has taken decisive policy initiatives to assist the industries in the small-scale sector. Some of these policies are

- Implementation of MSME development Act 2006, which provides rules and regulations for MSMEs.
- Reservation and de-reservation of products for manufacture in the MSME sector to achieve socio-economic development, enhancing technological and accomplish economies of scale.

- National manufacturing competitiveness program – to build sustainable capacity, overcoming global competitiveness and healthy growth through eight components which includes: incubator, intellectual property awareness, quality management, technology up-gradation, marketing assistance, design expertise and, promotion of ICT.
- Public procurement policy through the implementation of technology in tenders
- E-governance – to facilitate employment, virtual cluster, share database, B2Bporta and, mobile-friendly website.

Conclusion

This study is a compelling increase in the number of working enterprises, employment and market value of fixed assets of the small-scale sector. The study also states that the contribution of MSME to GDP in the manufacturing and service sector increased only to a small extent. However, in spite of the measures taken by the government to improve productivity the small-scale sector contribution to GDP has not increased to an acceptable level. Thus, it is suggested that the government has to adopt assured new approaches like integrated policy, efficient governance, promote skill development, accessibility to credit through government agencies, particularly to MSMEs, to increase productivity and contribute to economic growth.

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