

PRESENT SCENARIO OF MICRO, SMALL AND MEDIUM ENTERPRISE IN INDIA

Dr. Anita Rani

Assistant Professor

Ch. Ishwar Singh Kanya Mahavidyalaya, Dhand-Dadwana, Kaithal,

Email-anitaraniirs@gmail.com

Abstract: Micro, Small and Medium Enterprises (MSMEs) is widely recognized as a 'Powerful Instrument' for socio-economic growth and balanced sectorial development. The MSMEs sector has emerged as a vibrant and dynamic sector and engine of growth for present millennium. The MSME sector is a nursery of entrepreneurship, often driven by individual creativity and innovation. This sector contributes 8 per cent of the country's GDP, 45 per cent of the manufactured output and 48 per cent of its exports. The MSMEs provide employment to about 60 million persons through over 26 million enterprises producing over six thousand products. The labour capital ratio in MSMEs and the overall growth in the MSME sector is much higher than in the large industries. The MSMEs are widening their across the sectors of the economy producing diverse range of products and services to meet demands of domestic as well as global market. The purpose of this research paper is to study the present scenario of MSMEs in India. Through this paper we will be able to know the definition of MSME in Indian context. After that we will discuss the current performance of MSMEs and we will also discuss the roll of MSMEs in economic development of country.

Keywords: MSME, Performance, Economic Development.

1.0 Introduction:

The Micro, Small and Medium Enterprises is a vital constituent of India's industrial sector. It contributes significantly to India's Gross Domestic Product (GDP) and export earning besides meeting the social objectives including that of providing employment opportunities to millions of people across the country. In recent years the MSME Sector has consistently registered higher growth rate compared to the overall industrial sector. With its agility and dynamism, the economic downturn and recession. In Indian market, MSMEs rapid growth could be seen as Indian entrepreneurs are making remarkable progress in various Industries like Manufacturing, Precision Engineering Design, Food Processing, Pharmaceutical, Textile & Garments, Retail, IT and ITES, Agro and Service sector. This sector not only serves for urban market but also help in industrialization of rural and backward area, reducing imbalances and assuring more equitable distribution of national income and wealth.

1.1 Objective of Study:

Following are the main objectives of the research study.

To know about the existing and revised definition of MSME.

To investigate the performance of MSMEs in present scenario.

To Study the roll of MSMEs in economic development of the country.

1.2 Methodology:

This study is based on Secondary data. Data has been collected from Books, journals, periodicals, Govt. Report, newspapers and websites. Various reports of R.B.I., Economic Surveys, and Reference books have been used for preparation of paper. The data collected was tabulated, analyzed and Interpreted for drawing conclusions.

2.0 Definition of MSME:

Definitions are governed by Micro, Small and medium Enterprises Development (MSMED Act 2006). MSME are classified into two categories, they are manufacturing and services which are further classified into Micro, Small and Medium.

Manufacturing Enterprises: The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951) or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use. The manufacturing Enterprise is defined in terms of investment in Plant & Machinery.

Service Enterprises: The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment. The following table-1 shows that the Micro, Small and Medium Enterprises

Table-1 Existing Definition of Micro Small & Medium Enterprises

Enterprises	Micro	Small	Medium
Manufacturing Investment in Plant and Machinery	Upto Rs. 25 Lakh	Above Rs. 25 Lakh and Upto Rs. 5Crore	Above Rs. 5 crore and Upto Rs.10 Crore
Services Investment in Equipment	Upto Rs. 10 Lakh	Above Rs.10 Lakh and Upto Rs.2 Crore	Above Rs. 2 Crore and Upto Rs.5 Crore

2.1 The Revised Definition of MSME:

The definition of MSME is changed to accommodate manufacturing and service unit in the same matrix. Earlier, the aforementioned used to be different categories acquiring their status through their amount investment. This matrix has also changed and now the turnover of the units will also be considered as an active matrix in defining MSMEs Unit.

Table 2- Revised Definition of Micro, Small & Medium Enterprises

Enterprises	Micro	Small	Medium
Manufacturing & Services based on Investment	Upto Rs.1 crore	Above Rs. 1 Crore &Upto Rs.10 Crore	Above Rs. 10 Crore &Upto Rs.20 Crore
Manufacturing & Services based on Annual Turnover	Upto Rs.5 crore	Above Rs.5 Crore & Upto Rs. 50 Crore	Above Rs. 50 Crore & Upto Rs. 250 Crore

3.0 Performance of MSMEs:

The contributory factors towards the growth and enhanced performance of Micro, Small and Medium Enterprise in India can be described mainly in terms of growth in number of units, Investments, employment, exports and production.

Table-3 Overall performance of MSME in India

Serial No.	Year	Total working enterprise (in Lakh)	Production at Current Prices (Rs. in Crore)	Employment (in lakh)	Market Value of Fixed Assets (Rs.in Crore)
1	2008-09	393.7	7,90,759	880.84	977114.72
2	2009-10	410.8	9,82,919	921.79	1038546.08
3	2010-11	428.73	10,95,758	965.15	1105934.09
4	2011-12	447.64	12,21,442	1011.69	1182757.64
5	2012-13	457.54	15,61,143	1061.40	1268763.67
6	2013-14	488.46	16,27,061	1114.29	1363700.54
7	2014-15	510.57	16,95,626	1171.32	1471912.94
8	2015-16	453.63	18,11,428	1901.42	763847.80
9	2016-17	361.76	N.A.	1370.21	947693.00
10	2017-18	633.88	N.A.	1109.89	1014761.10

Source: GOI, Ministry of MSME in Annual report 2017-18

3.1 Expansion of MSME Sector: The details of growth MSMEs from 2008-09 to 2017-18 is shown in Table-3. This table indicated the no. of MSMEs stood at 393.7 Lakh in 2008-09 which steadily increased to 633.88 Lakh in 2017-18, resulting in 38 per cent increase during 10 years. As far as output or production of units in the MSME sectors concerned, it is Rs.7, 90,759 crore in 2008-09 and this rose considerably to Rs.18, 11, 428 crore in 2015-16 at current prices. It is clear that the growth rate of production has exceeded more than three times during 8 years.

Table 4-Export of Micro, Small and Medium Enterprises

Sr.no.	Year	India's Total Export (In Crore)	Export by MSME (In Crore)	% share of MSMEs in total export
1	2008-09	840755	214387	25.49
2	2009-10	885534	238752	26.96
3	2010-11	1142922	256834	22.47
4	2011-12	1465959	283847	19.36
5	2012-13	1634318	654750	40.06
6	2013-14	1905011	808200	42.42
7	2014-15	1896348	848900	44.76
8	2015-16	1716378	855874	49.86
9	2016-17	1841314	914948	49.69
10	2017-18	1952168	947972	48.56

Source: Annual Report of MSMEs

3.2 Employment Performance of MSME:

Unemployment is an important problem in India. The development of MSMEs helps the gainful employment opportunities, especially youths in India. It seen from Table-3 that the employment provided by MSMEs is 880.84 lakhs people in 2008-09 and which increased to 1109.89 lakhs people in 2017-18, resulting a growth rate is more than 26%.

3.4 Export Performance of MSME:

A large number of modern MSMEs formation on post-reform period, the contribution of the MSMEs in export earnings has increased on the Table-4 the growth in exports of MSME sector increased from Rs.211487crores in 2008-09 to Rs. 947972crores in 2017-18, resulting the overall growth rate is recorded at 342% during the period from 2007-08 to 2017-18. It is finally concluded that export from the MSMEs have excellent growth in this decade. Percent share of MSME export to the total export is fluctuating in the whole period but remain almost above 40 percent except except 2008-09 to 2011-12. After 2012 this has been increased above 40 percent and in 2015-16 it reached almost 50 percent (49.86).

4.0 MSMEs and economic development in India

4.1 Employment generation:

The basic problem that the Indian economy is confronting is increasing pressure of population on the land and the need to create massive employment opportunities. This problem is solto a large extent by MSMEs because are labor-intensive in nature. They generate large number of employment opportunities. Employment generation by this sector has shown a phenomenal growth. It is a powerful tool of job creation.

4.2 Mobilization of resources and entrepreneurial skill:

MSMEs can mobilise a good amount of savings and entrepreneurial skill from rural and semi-urban areas which remain untouched from the clutches of large industries and put them into productive use by investing in small scale units. Small entrepreneurs also improve social welfare of a country by harnessing dormant, previously overlooked talent. Thus, a huge amount of latent resources is being mobilized by small scale sector for the development of the economy.

4.3 Equitable distribution of income:

The MSMEs ensure equitable distribution of income and wealth in the Indian society which is largely characterized by more concentration of income and wealth in the organized sector keeping unorganized sector undeveloped. This is mainly due to the fact that small industries are widespread as compared to large industries and have large employment potential.

4.4 Regional dispersal of industries:

There has been massive concentration of industries in a few large cities of different states of India. People migrate from rural and semi-urban areas to these highly developed centers in search of employment and sometimes to earn a better living which ultimately leads to many evil consequences like over-crowding, pollution, creation of slums, etc. This problem of Indian economy is better solved by MSMEs which utilize local resources and bring about dispersion of industries in various parts of the country there by promoting balanced regional development.

4.5 Providing opportunities for development of technology: MSMEs have tremendous capacity to generate or absorb innovations. They provide ample opportunities for the development of technology and technology in turn, creates an environment conducive to the development of small units. The entrepreneurs of small units play a strategic role in commercializing new inventions and products. They also facilitate the transfer of technology from one to the other. As a result, the economy reaps the benefit of improved technology.

4.6 Promotion of exports:

MSMEs have registered a phenomenal growth in exports over the years. They help in increasing the country's foreign exchange reserves thereby reducing the pressure on country balance of payments.

4.7 Supporting the growth of large industries:

The MSMEs play an important role in assisting bigger industries and projects so the planned activity of development work is timely attended. They support the growth large industries by providing them components, accessories and semi-finished goods. In fact, small industries breathe vitality into the life of large industries.

4.8 Better industrial relations:

Better industrial relations between the employer and employees help in increasing the efficiency of employees and reducing the frequency of industrial disputes. The loss of production and man days are comparatively less in MSMEs. There are hardly any strikes or lockout in these industries due to good employee-employer communication and relationship. Of course, increase in number of units, production, employment and exports of MSMEs over the year considered essential for the economic growth and development of the country.

5.0 Conclusion:

Micro, Small and Medium Enterprises sector contributes to the increase of industrial productivity and rise of national exports, generating more employment opportunities. This sector also contributes very impressively to the GDP. In view of this, the government of India has rightly recognised MSMEs as the engine of growth for the present millennium. For sustainable growth of the MSMEs sector, top priority should be given to financial support to MSMEs. State and Central Governments should facilitate the growth of MSMEs mainly by creating conducive environment for production and marketing of products and services of Micro, Small and Medium Enterprise sectors. By their less capital-intensive and high-labour absorption nature, MSMEs have made significant contributions to employment generation and also to rural industrialization. This sector is ideally suited to build on the strength of our traditional skills and knowledge by infusion of technologies, capital and innovative marketing practices. So MSME sector has emerged as a dynamic and vibrant sector of Indian economy due to new reforms.

6.0 References:

Siva Krishna Golla, (2018), "Growth and Performance of Micro, Small and Medium Enterprises in India after MSME Act 2006", International Journal of research in Management, Economics and Commerce, volume-08, issue-1, January 2018, page no.52-59.

Ghouse, S. M. (2017) Export Challenges to MSMEs: A Case Study of Indian Handicraft Industry. International Journal of Applied Business and Economic Research. Vol.15. Issue6:pp339-349.

Dr.Meeravali Shaik, (2017),”Performance of MSMEs Sector in India”, SSRG International Journal of Economics and Management Studies, volume-4, issue-3, march 2017

Annual Report of MSME-2019-20, Government of India Ministry of Micro, Small and Medium Enterprises.

Dr.Gisha.P.Mathai, (2015),”Challenges and Issues in Micro, Small and Medium Enterprises in India: A Current Scenario of Economic Growth”, Global Journal for Research Analysis, volume-4, issue-7, July 2015.

<https://www.financialexpress.com>

<https://www.rbi.org.in>

<https://msme.gov.in>

<https://www.worldwidejournal.com>

<https://pib.gov.in>