



TREND AND GROWTH OF MSME SECTORS IN INDIA: A SYNOPSIS

Dr. G. Palani

Lecturer, Department of Modern Office Practice Government Polytechnic College for Women, Madurai.

Abstract

The Micro, Small and Medium Enterprises (MSMEs) is provide employment opportunities, reduce poverty and to create new entrepreneurs in India. The Budget of 2018-19 has given a big thrust to Micro, Small and Medium Enterprises (MSMEs) to boost employment and economic growth. A sum of Rs. 3794 crore has been provided for giving credit support, capital and interest subsidy and for innovations. MSME also provides to promote skill development to increase productivity and providing accessible credit through government sponsored agency.

MSMEs have been accepted as the engine of economic growth and for promoting equitable development. The labour intensity of the MSME sector is much higher than that of the large enterprises. The MSMEs constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. MSME sector of India is today at the gateway of global growth on the strength of competitive and quality product range. However, facilitation from the Government is required to minimize the transaction costs of technology upgradation, market penetration, modernization of infrastructure etc. The main objective of the study is to analysis the trend and growth of Micro, Small and Medium Enterprises in Indian Scenario. The present study based on the secondary data and the data were collected from MSMEs annual reports, journals, magazines and various reports. This study can conclude that the MSME provides to promote various categories of enterprises in rural and urban areas for development of new entrepreneurs, employment generation and infrastructure. MSME is essential to increase productivity and contribution to nation growth.

Key Words: Employment, Entrepreneurs, Poverty, Economic Growth, Credit Facilities.

Introduction

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. They also play a key role in the development of the economy with their effective, efficient, flexible and innovative entrepreneurial spirit.

Definitions of Micro, Small & Medium Enterprises

In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes:

Table No.1 Classification of Msmes Based On Investments and Equipments

Manufacturing Enterprises	
Enterprises	Investment in Plant & Machinery
Micro	Upto Rs. 25 lakhs
Small	More than Rs. 25 lakhs and upto Rs. 5 crores
Medium	More than Rs. 5 crores and upto Rs. 10 crores
Service Enterprises	
Enterprises	Investment in Equipments
Micro	Micro Upto Rs. 10 lakhs
Small	More than Rs. 10 lakhs and upto Rs. 2 crores
Medium	More than Rs. 2 crores and upto Rs. 5 crores

Source: Micro, Small & Medium Enterprises Development Act

Manufacturing Enterprises-he 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. MSME acronym to Micro, small and medium enterprises, in accordance with Micro, small & medium enterprises



development act, 2006 classified into two classes: Manufacturing enterprises, which involved in the manufacture or production of goods relating to any industry specified in schedule of Industry act 1951 or employing plant and machinery in the process of value addition to final product having a discrete name or character or use and defined in terms of investment in plant & machinery:

1. Retail trade(except of motor vehicle & motor cycles) and Repairs of personal and household goods - 39.85% .
2. Manufacturing of wearing apparels- 8.75% .
3. Manufacturers of foods and beverages-6.94% .
4. Other services activities -6.2%, other business activities – 3.77% .
5. Hotels and restuarents-3.64% .

Review of Literature

Subina Syal (2015) explain the MSMEs constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. The MSMEs play a vital role in the overall growth of industrial economy of the country. With its agility and dynamism, the sector has shown admirable innovativeness and adaptability to survive the recent economic downturn and recession and have lots of opportunities to grow in the future. This paper enlightens the growth of MSMES and outlining the opportunities available for the MSMES in the Indian economy.

Meeravali Shaik, K.V Ramesh, Sekhar Babu & K. Ajay Kumar (March 2017) Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. Over last 5 decades MSME sector emerged as extremely effervescent and vigorous segment of Indian economy. There is continuous growth in MSME employment and MSME providing more employment opportunities over last 7 years. MSME service industry contribution to GDP is growing lower over 6 years of period. 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.

Objectives of the Study

1. To investigate the performance and status of MSMEs in present scenario in India.
2. To identify the opportunities and key challenges encounter by MSMEs entrepreneurs.

Methodology and Research Design of the Study

The study involves a critical analysis of functioning of some micro, small and medium scale enterprises in the country both in manufacturing and service sector and intends to identify the potentialities for growth, opportunities, major issues and challenges experienced by these enterprises. The data are collected mostly from secondary sources by way of access to various Government policies/ programs including published Annual Reports, Journals, Books and available official websites. The primary data are based on analysis of structured questionnaire and interview of entrepreneurs, industry workers and other stake-holders.

Present Scenario of MSMEs in India

MSME- an abbreviation of Micro, Small & Medium enterprises- is the pillar of economic growth in many developed, and developing countries in the world. Often rightly termed as “the engine of growth” for India, MSME has played a prominent role in the development of the country in terms of creating employment opportunities-MSME has employed more than **50 million people**, scaling manufacturing capabilities, curtailing regional disparities, balancing the distribution of wealth, and contributing to the **GDP-MSME sector forms 8% of GDP**. Though India is still facing infrastructural problems, lack of proper market linkages, and challenges in terms of flow of institutional credit, it has seen a tremendous growth in this sector.

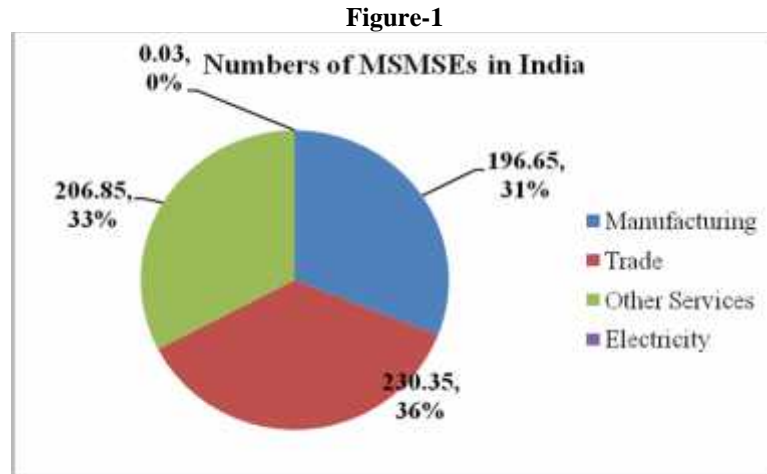
Table No.2 Number of MSMEs in India (Rs. In Lack)

Categories	Rural	Urban	Total	Share (%)
Manufacturing	114.14	82.50	196.65	31
Trade	108.71	121.64	230.35	36
Other Services	102.00	104.85	206.85	33
Electricity	0.03	0.01	0.03	0
All	324.88	309.00	633.88	100

Source: MSMEs Annual Report.



It is seen from table no.2 that 31% MSMEs were found to be engaged in manufacturing activities, while 36% were in Trade and 33% in Other Services.

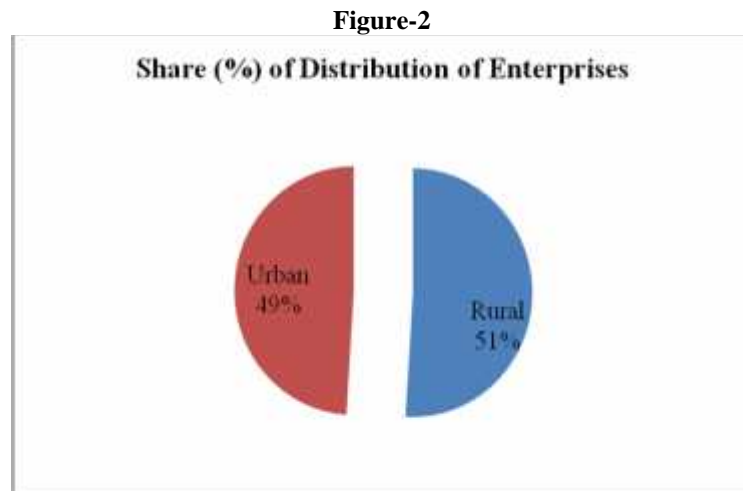


Again out of 633.88 number of MSMEs, 324.88 lakh MSMEs (51.25%) were in rural area and 309 lakh MSMEs (48.75%) were in the urban areas as is evident from the above analysis.

Table No.3 Distribution of Enterprises Category-Wise (in Lakh)

Sector	Micro	Small	Medium	Total	Share (%)
Rural	324.09	0.78	0.01	324.88	51
Urban	306.43	2.53	0.04	309.00	49
All	630.52	3.31	0.05	633.88	100

Source: MSMEs Annual Report.



The above table shows that, the micro sector with 630.52 lakh estimated enterprises accounts for more than 99% of total estimated number of MSMEs. Small sector with 3.31 lakh and Medium sector with 0.05 lakh estimated MSMEs accounts for 0.52% and 0.01% of total estimated MSMEs, respectively.

Focus of the 12th five-year plan regarding growth of the MSMEs

The core area of focus will be finance, technology, infrastructure, and marketing.

Finance: Operationalization of SME exchanges for enabling access to Equity Finance

Technology: Scheme for acquisition and up-gradation of technology

Infrastructure: Developing clusters of excellence & Setting up of 100 Tool Rooms and PDCs **Marketing:** Procurement policy for Goods/services from MSEs by the Government



1. Departments and Central PSUs.
2. B2B International portal.
3. Enabling global footprints of MSMEs.
4. Leveraging Defence Offset Policies in favour of MSMEs.

Skill Development: Revamped Skill Development & Capacity Building Programme.

1. Encouraging young/ first generation entrepreneurs by up scaling.
2. PMEGP and other programmes.

Institutional Structure

1. Strengthening of Institutions – MSME-DIs, EDIs and KVI Institutions
2. Application of E-tools in promotional and regulatory matters for facilitating easy entry.
3. Real time Statistical & Policy Analysis through strengthening of Database

MSMEs- Opportunities in India

Growth of the new wave MSME led by entrepreneurship focused on innovation and technologies, creating opportunities for women entrepreneurs and developing skilled resources across the following opportunity areas.

1. **Make in India**”: Promote an ecosystem for ‘Make in India’ for foreign companies to invest in manufacturing, service and agricultural and agri processing related segments for meeting the domestic as well as global demand.
2. **Digital India**: Promote MSMEs’ manufacturing and service capabilities in the ICT sector in line with the government vision.
3. **Export contribution**: Promote Export contribution by supporting and developing MSME segment to be globally competitive and adopt research and development, innovation and global technologies. Provide MSME with global market access by entering into bilateral trade agreements and set off arrangements.
4. **Public procurement policy**: Promote an ecosystem for supplies to defence and public sector enterprises so as to achieve at least 25 per cent portion of total procurement by defence and public sector enterprises from MSME.
5. **Procurement by large Indian and foreign corporate across industry sectors from MSMEs**: Promote an ecosystem, provide incentives for investments and support efforts by large corporate in vendor development for MSME segment particularly adapting to research and development, innovation and global technologies.
6. **Infrastructure**: National, regional and sector specific clusters and business centers for MSME in PPP model for state of the art infrastructure comprising physical infra, knowledge infra, e-platforms, B2B access and technology and innovation support for MSME.
7. **Skill India**: Rewarding MSME for initiatives towards skill development and employment generation, particularly for women and special classes, by way of direct incentives, weighted deductions and reliefs in indirect taxes combined with low cost funding and credit access for stakeholders.

The Opportunities In The MSMES Are Enormous Due To The Following Factors

1. Less Capital Intensive.
2. Extensive Promotion & Support by Government.
3. Reservation for Exclusive Manufacture by small scale sector.
4. Project Profiles.
5. Funding - Finance & Subsidies.
6. Machinery Procurement.
7. Raw Material Procurement.
8. Manpower Training.
9. Technical & Managerial skills.
10. Tooling & Testing support.
11. Reservation for Exclusive Purchase by Government.
12. Export Promotion.
13. Growth in demand in the domestic market size due to overall economic growth.
14. Increasing Export Potential for Indian products.

Issues and Challenges

The Committee on financial architecture of MSME sector in their Report submitted in the February, 2015 has identified some key issues. These include;



1. Lack of Adequate Capital and Credit.
2. Poor and Inadequate Infrastructural Facilities.
3. MSMEs face the problem of delayed payments from their buyers which adversely impacts their working capital as well as their next cycle of production,
4. MSMEs lack adequate information about various schemes and benefits available by the government,
5. Financial institutions/Banks face challenges in credit risk assessment of MSMEs,
6. Lack of Skilled Human Resources.
7. Inadequate Access and Marketing Linkages.
8. Lack of Access to New Technology.
9. Dilatory and Cumbersome Regulatory Practices.

Summary and Conclusion

The MSME sector of India is today at the gateway of global growth on the strength of competitive and quality product range. However, facilitation from the Government is required to minimize the transaction costs of technology upgradation, market penetration, modernization of infrastructure etc.

It is found from the above analysis that 31% MSMEs were found to be engaged in manufacturing activities, while 36% were in Trade and 33% in Other Services. It is also observed from the analysis that the micro sector with 630.52 lakh estimated enterprises accounts for more than 99% of total estimated number of MSMEs

It is suggested that government has to adopt integrated policy, providing sound data with efficient governance, promote skill development to increase productivity and providing accessible credit through government sponsored agency exclusively to MSMEs. This study can conclude that the MSME provides to promote various categories of enterprises in rural and urban areas for development of new entrepreneurs, employment generation and infrastructure. MSME is essential to increase productivity and contribution to nation growth.

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