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A Study on the Performance of Micro, Small and Medium Enterprises (Msmes) in India

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Abstract- The MSME sector is considered to be the engine of growth for an economy. The estimated contribution of Micro, Small and Medium Enterprises (MSME) sector, including service segment, to the country's GDP during 2012-13 was 37.54 per cent; while the total employment in the sector is 805.24 Lakh. The contribution of the sector to India's total export for the year 2014-15 was 44.70 per cent. Also the problems of poverty and inequality are deep-rooted, especially in developing countries like India. To address these problems, we need a system of 'Inclusive Growth'. Growth cannot be inclusive unless and until the fruits of the growth is percolated to the bottom of pyramid. Specifically in a developing nation like India where inequality in distribution of wealth and income is significantly high, sustained increase in per capita income cannot be translated automatically to sustained increase in standard of living.

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Abstract- The MSME sector is considered to be the engine of growth for an economy. The estimated contribution of Micro, Small and Medium Enterprises (MSME) sector, including service segment, to the country's GDP during 2012-13 was 37.54 per cent; while the total employment in the sector is 805.24 Lakh. The contribution of the sector to India's total export for the year 2014-15 was 44.70 per cent. Also the problems of poverty and inequality are deep-rooted, especially in developing countries like India. To address these problems, we need a system of 'Inclusive Growth'. Growth cannot be inclusive unless and until the fruits of the growth is percolated to the bottom of pyramid. Specifically in a developing nation like India where inequality in distribution of wealth and income is significantly high, sustained increase in per capita income cannot be translated automatically to sustained increase in standard of living. In order to alleviate the curse of poverty, inequity, unemployment and underemployment, adequate employment opportunities should be created for the poor mass which will facilitate them to meet their subsistence level of consumption demand. This paper attempts to assess the performance of MSME sector in India.

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I. INTRODUCTION

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country. 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:

- a) Enterprises engaged in the manufacture or production, processing or preservation of goods as specified below:
- i. A micro enterprise is an enterprise where investment in plant and machinery does not exceed Rs. 25 lakh;

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- ii. A small enterprise is an enterprise where the investment in plant and machinery is more than Rs. 25 lakh but does not exceed Rs. 5 crore; and
- iii. A medium enterprise is an enterprise where the investment in plant and machinery is more than Rs.5 crore but does not exceed Rs.10 crore.

In case of the above enterprises, investment in plant and machinery is the original cost excluding land and building and the items specified by the Ministry of Small Scale Industries vide its notification No.S.O.1722 (E) dated October 5, 2006.

- b) Enterprises engaged in providing or rendering of services and whose investment in equipment (original cost excluding land and building and furniture, fittings and other items not directly related to the service rendered or as may be notified under the MSMED Act, 2006 are specified below.

 - i. A micro enterprise is an enterprise where the investment in equipment does not exceed Rs. 10 lakh;
 - ii. A small enterprise is an enterprise where the investment in equipment is more than Rs.10 lakh but does not exceed Rs. 2 crore; and
 - iii. A medium enterprise is an enterprise where the investment in equipment is more than Rs. 2 crore but does not exceed Rs. 5 crore.

As per the revised methodology suggested by Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation (MoSPI), the estimated contribution of manufacturing sector Micro, Small and Medium Enterprises (MSME) to GDP, during 2012-13, was 7.04 percent. However, taking into account the contribution of services sector MSME, which was estimated at 30.50 percent during 2012-13, the share of MSME sector in GDP of the country, during 2012-13, was 37.54 percent (Mishra, Kalraj, 2014). Based on the export data maintained by Director General of Commercial Intelligence & Statistics, Ministry of Commerce and the information available with this Ministry about MSME products having significant export, the share of MSME in India's total export, for the year 2013- 14, has been estimated as 42.38%. (Ministry of Micro, Small and Medium Enterprises, Government of India, 2014). The development of this sector came about primarily due to the vision of our late Prime Minister Jawaharlal Nehru who sought to develop core industry and have a supporting sector in the form of small scale



enterprises. MSMEs sector has emerged as a dynamic and vibrant sector of the economy. The Indian economy is expected to grow by over 8 per cent per annum until 2020 and can become the second largest in the world, ahead of the United States, by 2050, and the third largest after China and the United States by 2032. In this context it is very important to examine the role of MSMEs for economic growth of India.

The major functions of the Organization are: -

- i. Advising the Government in policy formulation for the promotion and development of MSME units
- ii. Providing techno-economic and managerial consultancy, common facilities and extension services to the MSME Sector;
- iii. Providing for technology upgradation, modernisation, quality improvement and infrastructure;
- iv. Developing Human Resources through training and skill upgradation;
- v. Providing economic information services;
- vi. Maintaining a close liaison with the Central Ministries, Planning Commission, State Governments, Financial Institutions and other organisations concerned with development of MSME Sector
- vii. Evolving and coordinating Policies and Programmes for development of the MSME as ancillaries to large industries.

II. LITERATURE REVIEW

According to Revell and Blackburn, Compliance, competitiveness and value-driven ecological and social concern have been identified as motivations for pro-social and pro-environmental behaviour in SMEs. The competitiveness argument underpins much of the UK government's approach to encouraging voluntary pro-environmental engagement in small businesses, particularly with respect to climate

change and the reduction of greenhouse gas emissions, (2007).

SMEs differ from larger firms in terms of their engagement with social and environmental issues. They rarely have codified social or environmental policies (Spence, 2007; Hamann et al., 2009) and seem to engage in less explicit environmental and social behaviour than larger firms (Lawrence et al., 2006).

Voluntarily investing in environmental measures or concerns is part of showing an environmentally friendly attitude or showing some form of sustainable entrepreneurship. For the private sector this is part of sustainable entrepreneurship: trying to find a balance between planet, profit and people (Masurel, 2007:191).

III. OBJECTIVES OF THE PAPER

The following are the objectives of the paper:

- a) To assess the performance of MSMEs in India
- b) To assess the role of MSME in entrepreneurship development

IV. METHODOLOGY

The study is based on secondary data. A survey of literatures by eminent research scholars is done to get deep insights about the subject matter. Several published reports are also consulted such as Annual report of MSME 2014-15 and websites of Ministry Of Micro, Small and Medium Enterprises, Government of India etc. are browsed through during the study.

V. FINDINGS AND ANALYSIS

1. Performance Of Msme In India
- a) One of the variables measuring the performance of any sector in an economy is the contribution of the sector to the GDP of the country. The contribution of MSME to India's GDP is given as follows:

Exhibit 1: Contribution of Manufacturing Output of MSME in GDP

Percentage Share of MSME (At 2004-05 prices)			
Year	Gross Value of Output (Rs. in Crore)	Total Manufacturing Output	Gross Domestic Product (GDP)
2006-07	1198817.55	42.02	7.73
2007-08	1322960.41	41.98	7.81
2008-09	1375698.60	40.79	7.52
2009-10	1488390.23	39.63	7.49
2010-11	1655580.60	38.48	7.42
2011-12	1790804.67	37.52	7.28
2012-13	1809976	37.54	7.04

Source: Annual Report of Msme 2014-15

- b) Another performance indicator is the contribution of the sector towards employment. MSME has made a significant contribution towards creation of

employment opportunities. The following exhibit 2 highlights the same:

Exhibit 2: Performance of SSI / MSME: Employment, Investments

Sl. No.	Year	Total Working Enterprises (in Lakh)	Employment (in Lakh)	Market Value of Fixed Assets (Rs. in Crore)
1	2001-02	105.21	249.33	154,349.00
2	2002-03	109.49	260.21	162,317.00
3	2003-04	113.95	271.42	170,219.00
4	2004-05	118.59	282.57	178,699.00
5	2005-06	123.42	294.91	188,113.00
6	2006-07	361.76	805.23	868,543.79
7	2007-08#	377.36	842.00	920,459.84
8	2008-09#	393.70	880.84	977,114.72
9	2009-10#	410.80	921.79	1,038,546.08
10	2010-11#	428.73	965.15	1,105,934.09
11	2011-12#	447.66	1,011.80	1,183,332.00
12	2012-13#	467.56	1,061.52	1,269,338.02
13	2013-14#	488.46	1,114.29	1,363,700.54
14	2014-15#	510.57	1,171.32	1,471,912.94

Projected

Source: Annual Report Of Msme 2014-15

2. MSME also plays a crucial role in encouragement of entrepreneurial instinct in the country. The scheme called "Support for Entrepreneurial and Managerial development of SMEs through Incubators" is operational since April 2008. This is one of the components of National Manufacturing Competitiveness Programme (NMCP) which emphasis's on the Support for Entrepreneurial and

Managerial development of SMEs through Incubators. Under the scheme the main task is to promote individual innovators who can become technology based entrepreneur. The office of DC (MSME) has selected 200 Business Incubators for implementing the above scheme and released 22.18 Crore up to January, 2016 which is given as below:

Exhibit 3

SL. NO.	Year	Number of BI/HI approved	Number of Ideas approved	GOI assistance
1	2008-09	25	18	-
2	2009-10	29	164	1.91
3	2010-11	22	95	5.75
4	2011-12	-	49	2.06
5	2012-13	26	29	2.30
6	2013-14	16	53	2.51
7	2014-15	35	143	2.68
8	2015-16	47	97	4.96

Source: Annual Report Of Msme 2014-15

VI. CONCLUSION

The sector's contribution to India's economy is immense but it is extremely vulnerable to socio-economic changes. Only few are able to survive beyond five to six years. (Baldwin, 2001; Audet and St-Jean, 2007). According to Gurtoo, several reasons create this vulnerability (2009:181). The work typically operates at very low levels of organization and scale. The reliance on day-to-day profits for survival is high, with lack of formal space for operations, and little or no division between labor and capital (ILO, 2002, 2006; Bhalotra, 2002). Informal sector work is not constituted as a separate legal entity, independent of the household or with clear distinction of production activities (Chen,

2006; N and, 2006; Williams, 2005). Business transactions in informal sector are not legally established, rendering them personalized and unpredictable. However, these transactions are totally market based, conceded by any formal system or Government intervention (Schneider and Bajada, 2003; Williams, 2005) Irrespective of all these barriers and impediments, Government of India is providing more and more emphasize on development of MSME. As a part of the efforts, Government established incubation centers in IITs and IIMs to finance the venture of first generation entrepreneurs.

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