

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

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## 7 Abstract

8 The MSME sector is considered to be the engine of growth for an economy. The estimated  
9 contribution of Micro, Small and Medium Enterprises (MSME) sector, including service  
10 segment, to the country's GDP during 2012-13 was 37.54 per cent; while the total employment  
11 in the sector is 805.24 Lakh. The contribution of the sector to India's total export for the year  
12 2014- 15 was 44.70 per cent. Also the problems of poverty and inequality are deep- rooted,  
13 especially in developing countries like India. To address these problems, we need a system of  
14 ?Inclusive Growth?. Growth cannot be inclusive unless and until the fruits of the growth is  
15 percolated to the bottom of pyramid. Specifically in a developing nation like India where  
16 inequality in distribution of wealth and income is significantly high, sustained increase in per  
17 capita income cannot be translated automatically to sustained increase in standard of living.

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19 **Index terms**— inclusive growth, poverty, inequity, subsistence etc.

## 20 1 Introduction

21 Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the  
22 Indian economy. MSMEs not only play crucial role in providing large employment opportunities at comparatively  
23 lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby,  
24 reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are  
25 complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic  
26 development of the country. The Government of India has enacted the Micro, Small and Medium Enterprises  
27 Development (MSMED) Act, 2006 in terms of which the definition of micro, small and medium enterprises is as  
28 under: a) Enterprises engaged in the manufacture or production, processing or preservation of goods as specified  
29 below: i. A micro enterprise is an enterprise where investment in plant and machinery does not exceed Rs. 25  
30 lakh;  
31 ii. A small enterprise is an enterprise where the investment in plant and machinery is more than Rs. 25 lakh  
32 but does not exceed Rs. 5 crore; and iii. A medium enterprise is an enterprise where the investment in plant and  
33 machinery is more than Rs.5 crore but does not exceed Rs.10 crore.

34 In case of the above enterprises, investment in plant and machinery is the original cost excluding land and  
35 building and the items specified by the Ministry of Small Scale Industries vide its notification No. Voluntarily  
36 investing in environmental measures or concerns is part of showing an environmentally friendly attitude or showing  
37 some form of sustainable entrepreneurship. For the private sector this is part of sustainable entrepreneurship:  
38 trying to find a balance between planet, profit and people ??Masurel, 2007:191).

## 39 2 III.

## 40 3 Objectives of the Paper

41 The following are the objectives of the paper: a) To assess the performance of MSMEs in India b) To assess the  
42 role of MSME in entrepreneurship developmentIV.

43 **4 Methodology**

44 The study is based on secondary data. A survey of literatures by eminent research scholars is done to get deep  
45 insights about the subject matter. Several published reports are also consulted such as Annual report of MSME  
46 2014-15 and websites of Ministry Of Micro, Small and Medium Enterprises, Government of India etc. are browsed  
47 through during the study.

48 V.

49 **5 Findings and Analysis**

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

54 **6 Conclusion**

55 The sector's contribution to India's economy is immense but it is extremely vulnerable to socioeconomic changes.  
56 Only few are able to survive beyond five to six years. (Baldwin, 2001;Audet and St-Jean, 2007). According  
57 to Gurtoo, several reasons create this vulnerability (2009:181). The work typically operates at very low levels  
58 of organization and scale. The reliance on day-to-day profits for survival is high, with lack of formal space for  
59 operations, and little or no division between labor and capital ??ILO, 2002 ??ILO, , 2006;;Bhalotra, 2002).  
60 Informal sector work is not constituted as a separate legal entity, independent of the household or with clear  
61 distinction of production activities (Chen, 2006; ?? and, 2006; ??illiams, 2005). Business transactions in informal  
62 sector are not legally established, rendering them personalized and unpredictable. However, these transactions  
63 are totally market based, conceded by any formal system or Government intervention ??Schneider and Bajada,  
64 2003; ??illiams, 2005) Irrespective of all these barriers and impediments, Government of India is providing more  
65 and more emphasize on development of MSME. As a part of the efforts, Government established incubation  
66 centers in IITs and IIMs to finance the venture of first generation entrepreneurs.

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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).

S.O.1722 b) Enterprises engaged in providing or rendering of (E) dated October 5, 2006. 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. 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

Figure 1:

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

Sl. No.	Year	Total Work- ing En- ter- prises (in Lakh)
Year		
Volum2.	MSME also plays a crucial role in encouragement of entrepreneurial instinct in the country. The sc	
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Exhibit  
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(

Global SL. NO.	1 2 3 4 5 6 7 8	Year	Percentage Share of MSME (At 2004-05 prices)	Gross Value of Out
Jour- VI.		2006-		
nal		07		
of		2007-		
Man-		08		
age-		2008-		
ment		09		
and		2009-		
Busi-		10		
ness		2010-		
Re-		11		
search		2011-		
		12		
		2012-		1809976
		13		

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