Research Paper

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Growth and Performance of Smes in India – an Overview

Economics

KEYWORDS : Entrepreneurship, development growth and performance

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ABSTRACT

Micro, small and medium enterprises (MSMEs), sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSMEs not only play a crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural and backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. In this background, the present study is tries to examine the growth and performance of small and medium enterprises performances (SMEs) in India. The micro, small and medium enterprises (MSMEs) play a vital role in the economic and social development of the country, often acting as a nursery of entrepreneurship and innovation.

Background

Micro, small and medium enterprises (MSMEs), sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSMEs not only play a crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural and 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 socioeconomic field.

According to the Government of India ministry, of micro, small and medium enterprises (MSMEs), also cover SMEs. In 2006, a more comprehensive definition was attempted which included services and an international nomenclature of micro, small and medium enterprises under the s development act. So now, the manufacturing MSMEs are defined as per their capital investment: micro (less than Rs. 2.5 million), small (between Rs. 2.5 to 50 million) and medium (between Rs. 50 to 100 million). To arrive at the total number of MSME units, the following data sets were added: 100% enumeration of registered MSMEs registered with district industry Centers of the states, factories act and Khadi and village industries commission (KVIC), a sample survey of unregistered MSMEs which were otherwise within the frame of MSMEs definition and their extrapolation for the entire country.

According to the last MSMEs census (2006-07) finally reported that there were 36.17 million MSMEs units employing over 80 million people producing a gross output of Rs. 13.5 trillion. (Based on census, the corresponding figures projected by ministry of MSMEs for the year 2011-12 are 44.7 million units, employing 101 million people with gross output exceeding Rs. 18.3 trillion). Of the 36.17 million strong MSMEs sector, the registered MSMEs segment comprises of 1.54 million units, barely 4.3%! Because almost 96% of the MSMEs were found to be unregistered, the sector is largely the epithet of informal sector. Further, of these 1.54 million MSMEs almost 95% are 'micro', 4.8% are 'small' and 0.2% 'medium'. This means the segment of MSMEs sector which has some scale i.e. small and medium units, and which has access to some form of policy support because it is registered, is just 5% i.e. 77,000 units. An amazingly small number!

Chirico and Sirmon (2010) studied entrepreneurial orientation and performance in family firms using the joint effect of generational involvement and participative strategy to better understand the EO/performance relationship in family firms. Fontenele, (2010) surveyed entrepreneurship, competitiveness and economic growth: Empirical evidence shows that despite the growing interest in research on development of entrepreneurship, the relationship between competitiveness and economic growth has been explored very little. Wennekers et al (2010) investigated the relationship between entrepreneurship and economic development. A cross-sectional analysis showed a U-shaped relationship between start-up rates of enterprise and levels of economic development.

Objectives and Methodology

In this background, the present study is tries to examine the growth and performance of small and medium enterprises performances (SMEs) in India. This study is based on Secondary data and data were collected from databases such as RBI, Directorate of Economics and statistics, Ministry of industry and Commerce, Ministry of Finance, the World Bank website and specialized journals.

Overview of the SSI / MSMEs Sector

Performance of micro, small and medium enterprises (MSMEs) sector is assessed periodically by entire India census of the Sector. The latest census conducted was the fourth all India census of MSMEs. The fourth all India census of MSMEs is the first census conducted post implementation of micro, small and medium enterprises development (MSMED) Act, 2006. Prior to implementation of MSMED Act, 2006, the sector was defined, as per the provision of industries development and regulation act 1951, as small scale industries (SSI) sector and its constituent tiny and auxiliary units as per periodic revision of criteria for defining such units.

The scope and coverage of the MSMEs sector was broadened significantly under the MSMEs Act, 2006, which recognized the concept of "enterprise" and to include both manufacturing and services sector, besides defining the medium enterprise under MSMEs sector. Thus the entire non-agricultural sector of economy was brought under the coverage of MSMEs sector subject to the revised criteria prescribed for defining micro, small and medium enterprises separately for manufacturing and services sectors.

Growth of SMEs and Employment Creation India

According to Deshmukhet al (2002) with the emergence of planned economy in 1951 and the subsequent industrial policy followed by the Indian government, both government and planners assigned a special role to small- and medium-scale industries in the Indian economy. Due protection was provided for both sectors especially for small-scale industries from 1951 to 1991 until India adopted liberalization and globalization policy. Small and Medium Enterprises (SMEs) in India have seen exponential growth over the last decade. According to the latest reports by the SMB Chamber of Commerce and the Ministry of Micro, Small and Medium Enterprises, India currently has more than 48 million SMEs. These SMEs contribute more than 45% of India's industrial output, 40% of the country's total exports and create 1.3 million jobs every year. Numbering over 48 million

(Figure 4.9); Indian SMEs have grown at a stable pace of 4.5% in the last 5 years. According to the latest annual report issued by the Ministry of Micro, Small and Medium Enterprises, there are over 6,000 products, ranging from traditional to high-tech, which are being manufactured by the MSMEs sector for domestic as well as international markets.

Figure- 1: Growth of SMEs and Employment Creation in Period 5 Years (2008-13)

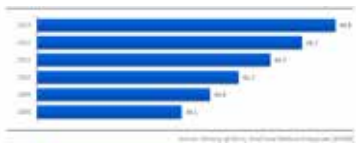
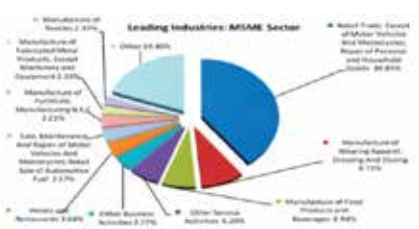


Table 1: Performance of SSI/MSMEs

Sl. No.	Year	Total Working-Enterprise (In Lakh)	Employment (In Lakh)	Market Valueof Fixed Assets(In Crore)	Gross Output(In Crore)
1	2006-07	361.76	805.23	868543.79	1351383.45
2	2007-08	377.37	842.23	917437.46	1435179.26
3	2008-09	393.70	881.14	971407.49	1524234.83
4	2009-10	410.82	922.19	1029331.46	1619355.53
5	2010-11	428.77	965.69	1094893.42	1721553.42
6	2011-12	447.73	1012.59	1176939.36	1834332.05

Source: Annual Report 2013-2014, Ministry of Micro, Small and Medium Enterprises

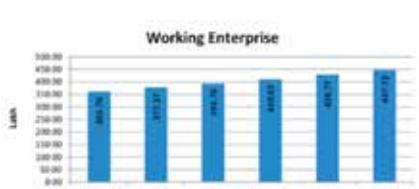
Figure 2: Leading industries in MSMEs sector with their respective shares



The pie figure of leading industries in the MSMEs sector shows that the largest Chunk is for retail trade and repair of personal and household goods taking up a whopping 39.85%. However, this excludes motor vehicles and motorcycles manufacturing of apparel including dress materials and the dyeing process accounts for 8.75%. Food and food products which also includes beverages stood at 6.94%. Hotels and restaurants are another area of leading industries with a share of 3.64%.

Retail sale of fuel for auto motives, their sale, maintenance and repair was 3.57%. Manufacture of furniture and N.E.C. accounts for 3.21% of the MSMEs sector. All fabricated metal products and their manufacture bring machinery and equipment totaled 2.33%. Textile manufacturing was 2.35% and all other industries totaled 19.40%.The below figures, show statistics detail of the MSMEs Sectors in India:

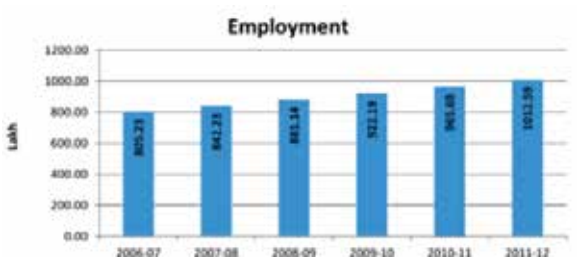
Figure 3: Number of Working Enterprises in MSMEs Sector



Source: Annual Report 2013-2014, Ministry of Micro, Small and Medium Enterprises

As per Figure 2, the number of working enterprises has shown a gradual increase from 36 lakh in 2006-07 to 447.73 lakh in 2010-11. In 2007-08 it was 377.37 Lakh which rose further to 393.70 lakh in 2008-09. In 2009-10, crossed the 400 mark to touch 410.82 lakh and in 2010-11, it was 428.77 lakh.

Figure 4: Employment in MSMEs Sector



Source:Annual Report 2013-2014, Ministry of Micro, Small and Medium Enterprises

Employment in MSMEs also rose gradually and this is indicated in figure 4. From 806.23 lakh in 2006-07 it went up to 1012.59 lakh in 2011-12, 2007-08 and 2008-09 saw an increase from 842.23 lakh to 881.14 lakh respectively. Employment rate crossed the 900 mark in 2009-10, recording 922.198 lakh employees. In 2010-11 it stood at 965.59 lakh employees.

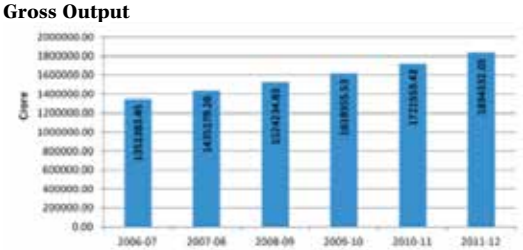
Figure 5: Market Value of Fixed assets in MSMEs Sector
Market Value of Fixed Assets



Source: Annual Report 2013-2014, Ministry of Micro, Small and Medium Enterprises

Fixed investment in MSMEs sector and its market value of fixed assets s shown in figure 4. In 2006-07, it was 8658543.79 crore, 917437.46 crore in 2007-08, 2008-09 it rose to 971407.49 and in 2009-10 it was 1029331.46 crore. In 2010-11 it was 1094893.42crore and 1176939.36in 2011-12.

Figure 6: Gross Output in MSMEs Sector
Gross Output



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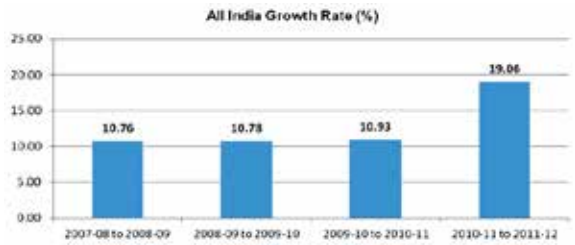
Source: Annual Report 2013-2014, Ministry of Micro, Small and Medium Enterprises

Gross output in 2006-07was 1351383.45 crore, in 2007-08, 1435179.26 crore, in 2008-09, 1435179.26 crore, in 2009-10, 1619355.53 crore, in 2010-11, 1721553.42 crore and in 2011-12, it was 1834332.05 crore.

Figure 7: Annual Growth Rate of MSMEs in India (In percentage)



Source: Annual Report 2013-2014, Ministry of Micro, Small and Medium Enterprises

MSMEs has shown constant growth rate of more than 10% every year till 2010-11, whereas in year 2011-12 growth rate was 19% which is approximately twice the growth rate recorded for previous years.

Summary and Conclusion

The micro, small and medium enterprises (MSMEs) play a vital role in the economic and social development of the country, often acting as a nursery of entrepreneurship and innovation. They also play a key role in the development of the economy with their effective, efficient, flexible and innovative entrepreneurial spirit. The MSMEs sector contributes significantly to the country's manufacturing output, employment and exports, and is credited with generation the highest employment growth as well as accounting for a major share of industrial production exports. MSMEs have been globally considered as an engine of economic growth and as key instruments for promoting equitable development. The MSMEs sector in India is highly heterogeneous in term of the size of the enterprises, variety of products, services and level of technology. Micro, small and medium enterprises (MSMEs), contribute nearly 22 percent of the country's GDP, 45 percent of the manufacturing output and 40 percent of the exports. They provide the largest share of employment after agriculture. They are widely dispersed across the country and produce a diverse range of products and services to meet the needs of the local markets, and the national and international values chains. India accorded high priority to SMEs from the very beginning and pursued support polices to make these enterprises viable, vibrant and over time, these have become major contributors to the GDP. Moreover, the MSMEs has weathered and overcome stiff competition in the post LPG period in the domestic and international arena. In nutshell, the MSMEs play a leading role in propelling economic growth sustaining livelihood and in promoting equitable regional development.

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