



Performance Analysis of Msmes in Indian Scenario

M.Bhuvaneswari

M.Phil Research Scholar, PSG College of Arts and Science

Dr.G.Jayanthi

Assistant Professor of Economics, PSG College of Arts and Science

ABSTRACT

In modern era with the development of Indian economy and rapid expansion of trade, the small scale industrial sector has emerged as a vibrant and dynamic segment in the process of industrialization, which is considered not only as a key factor to lift up the per capita income but also a vital mechanism for a larger transformation of Indian economy. In India, small-scale industrial sector is defined as an industrial undertaking, in which the investment in fixed assets in plant and machinery does not exceed Rs. 1 crore. The Government of India has enhanced this investment limit of Rs. 1 crore to Rs. 5 cores as small-scale industry, in respect of certain specified items. The small-scale industries have played a very important role in the socio-economic development of India during the past 50 years. It has significantly contributed to the overall growth in terms of the Gross Domestic Product (GDP), employment generation and exports. The performance of the small-scale industries, therefore, has a direct impact on the growth of the overall economy. This paper closely analyses the growth of the Indian MSME sector since 2000 It also looks in to the present scenario of investment, production and employment.

KEYWORDS :

INTRODUCTION

MSMEs have been considered universally as an engine of economic growth and a key instrument for promoting equitable development. They have emerged as a vibrant and dynamic sector, and as an engine of growth for the present millennium. The sector has been playing a prominent role in the socio economic development of the country for the past six decades. The sector which forms part of the total industrial sector has direct impact on the growth of the national economy. In fact through the establishment of a more flexible, innovative and competitive structure, the small enterprise sector is being accepted a key to sustainable economic growth. In the context of liberalization as experienced through integration with the global economy in a phased manner, and national and international competitive environment, perspective and strategies of small and medium enterprises development have undergone a sea change.

In India, MSME constitutes 95 per cent of the industrial units and contributes 40 per cent to the total industrial output of the country and 35 per cent of the direct export. There are about 3.6 million small – scale industrial units in India and these have employed approximately 19.3 million people, which is second highest next to agriculture. However, the growth of small – scale industries in the country is not evenly distributed among the states. The growth of small – scale industries in the North Eastern Region of India is slow in comparison to the other parts of the country.

The government in its budget normally emphasizes on the contribution of the small and medium scale enterprises. The role of small – scale industries in a country like India with various opinions such as employment, equality, latent resource, trickling effect, insurance against social tension, distributive effect, creation of social eco system and decentralization etc. The other arguments in favour of small – scale industries are making provision for self – employment and capital formation and they are skill light, import light and quick yielding.

REVIEW OF LITERATURE

Sudan (2005) the challenges in Micro and Small Scale Enterprises Development and policy issues by arising different questions related to Micro and Small Enterprises. The study explained the meaning, advantages, problems and policy options of MSE sector. The study concluded that all the policies which were opted by GO were the efforts to form a dynamic MSE sector and a diversified economy providing expanded employment opportunities to absorb all new labor force and offer exciting career opportunities.

Rathod (2007) the importance of small scale industrial sector and also the contribution of Indian small scale entrepreneurs in world economy. The main objective of the study was to study the growth and pattern of International Journal of Interdisciplinary and Multidis-

ciplinary Studies (IJMS), 2014, Vol 1, No.5, 136-143. 13th SSI sector and identify the reasons for success/ failures, to evaluate the impact of globalization on SSIs and export opportunity, to identify the barriers and constraints that SSIs were facing to cope with globalization.

Bargal et al. (2009) examined the causal relationship among the three variables GDP, SSI output and SSI exports and also have compared the performance parameters of SSIs in the pre and post liberalization era. The study found that the annual average growth rate of different parameters of SSIs have declined in the period of nineties vis-à-vis the pre-reform years. There is an absence of any lead-lag causal relationship between exports and production in small-scale sector and GDP of Indian economy.

Singh et al. (2012) analyzed the performance of Small scale industry in India and focused on policy changes which have opened new opportunities for this sector. Their study concluded that SSI sector has made good progress in terms of number of SSI units, production & employment levels. The study recommended the emergence of

Technology development and strengthening of financial infrastructure to boost SSI and to achieve growth target.

Bodla (2004) concluded that SSI has produced the maximum attainable output given the inputs of capital and labour and the available existing technology. It has also been observed that the SSI sector is no way less than its counterpart large scale industries in so far as the utilization of resources is concerned.

Hashim (2004) has provided an insight into the strengths and weaknesses of small and medium-sized enterprises. It can also be concluded that there are certain weaknesses that prevail in SMEs and need to be removed.

Hussain (2004) analyzed that to survive in the world market SSIs should have to lay greater emphasis on international standards with regard to quality, health and hygiene to be offered by them.

STATEMENT OF THE PROBLEM

Analysis of the performance on MSMEs has received different responses from different economists in different studies, right from parameters like number of units, production, employment and exports will help to understand its role in the economic development of the country. The limited literature review shows that small-scale industry development is dynamic and a comprehensive one-time study is not possible, which explores the causal relationship among the variables that help in judging the performance of the small-scale industries for all times.

OBJECTIVES OF THE STUDY

To study the growth of MSMEs in India.

To study the production, investment, employees of MSME sector in India.

To analyze the future trend projections of MSME sector in India.

METHODOLOGY

The study was based on secondary data. The required data were collected from Ministry of MSME, Annual Report and Handbook of Statistics on Indian Economy. The study period covers 15 years from 2000-2014. Analysis of data was done by using Compound Growth Rate, Annual Growth Rate and Trend Analysis.

ANALYSIS AND INTERPRETATION

Number of MSMEs in India has been growing year after years. The position of MSMEs in India has been improving over the last few years. In order to access a growth rate in the MSMEs were calculated with the data and pertaining to their MSMEs .

TABLE 1 MSME SECTOR IN INDIA

S.No	Year	Total MSMEs (lakh numbers)	AGR
1.	1999-2000	97.15	-
2.	2000-2001	101.1	4.07
3.	2001-2002	105.21	4.07
4.	2002-2003	109.49	4.07
5.	2003-2004	113.95	4.07
6.	2004-2005	118.59	4.07
7.	2005-2006	123.42	4.07
8.	2006-2007	361.76	193.11
9.	2007-2008	377.36	4.31
10.	2008-2009	393.70	4.16
11.	2009-2010	410.80	4.36
12.	2010-2011	428.73	4.41
13.	2011-2012	447.66	4.42
14.	2012-2013	467.56	4.44
15.	2013-2014	488.46	4.47
		CGR	11.43

Source: Ministry of MSME, Annual Reports 2013-2014

TABLE 2 TREND ANALYSIS OF NO OF MSMEs IN INDIA

Year	Total MSMEs (lakh numbers)	X	X ²	XY	Yt = a+bX
1999-2000	97.15	-7	49	-680.05	35.8
2000-2001	101.1	-6	36	-606.6	70.16
2001-2002	105.21	-5	25	-526.05	104.52
2002-2003	109.49	-4	16	-437.96	138.88
2003-2004	113.95	-3	9	-341.85	173.24
2004-2005	118.59	-2	4	-237.18	207.6
2005-2006	123.42	-1	1	-123.42	241.96

2006-2007	361.76	0	0	0	0
2007-2008	377.36	1	1	377.36	310.68
2008-2009	393.70	2	4	787.4	345.04
2009-2010	410.80	3	9	1232.4	379.4
2010-2011	428.73	4	16	1717.92	413.76
2011-2012	447.66	5	25	2238.3	448.12
2012-2013	467.56	6	36	2805.36	482.48
2013-2014	488.46	7	49	3419.22	516.84
	4144.94		280	9621.85	

Source: Ministry of MSME, Annual Reports 2013-2014.

PROJECTION

YEAR	X	Yt
2014-15	8	551.2
2015-16	9	585.56
2016-17	10	619.92
2017-18	11	654.28
2018-19	12	688.64
2019-20	13	723

$$a = \frac{\sum y}{N} = 4144.94 / 15 = 276.32$$

$$b = \frac{\sum xy}{\sum x^2} = 9621.85 / 280 = 34.36$$

$$y_t = a + bx = 276.32 + 34.36x$$

The total number of MSMEs has shown increasing trend. The total MSMEs reached the maximum level at 488.46 lakhs during 2013-2014 and reached minimum level at 97.15 lakhs during 1999-2000. The annual growth rate of MSME sector reached its maximum value at 193.11 percent during 2006 – 07. The sharp increase in the number of small and medium enterprises in the year 2005 – 06 is attributed mainly on account of change in the definition of the small enterprises and defining of the Micro, Small and Medium Enterprises Act by the government of India in 2006. The compound growth rate of MSME sector in India recorded the growth of 11.43 percent.

The trend projection estimation of total number of MSME sector given in the table 1. In the table, the estimated value of the trend in MSME sector for the year 2000-2001 was 101.1 lakhs numbers and it has increased to 193.11 percent in the year 2006 – 2007. The estimated production of the year 2014 – 2015 is 488.46 in lakhs and the same is expected to go on increasing at 723 for the year 2020.

FIXED INVESTMENT, PRODUCTION AND EMPLOYMENT OF MSMEs IN INDIA

The position of MSMEs in India has been improving over the last few years. In order to access a growth rate in the MSMEs were calculated with the data and pertaining to their MSMEs.

TABLE-3 FIXED INVESTMENT, PRODUCTION AND EMPLOYMENT OF MSMEs IN INDIA

S.NO	YEAR	FIXED INVESTMENT (RS. CRORE)	AGR	PRODUCTION (RS. CRORE)	AGR	EMPLOYMENT (LAKHS PERSONS)	AGR
1	1999-2000	1,39,982	-	2,33,760	-	299.10	-
2	2000-2001	1,46,845	4.90	2,61,297	11.78	238.73	4.21
3	2001-2002	1,54,349	5.11	2,82,270	8.03	249.33	4.44
4	2002-2003	1,62,317	5.16	3,14,850	11.54	260.21	4.36
5	2003-2004	1,70,219	4.87	3,64,547	15.78	271.42	4.31
6	2004-2005	1,78,699	4.98	4,29,796	17.90	282.57	4.11
7	2005-2006	1,88,113	4.07	4,97,842	5.27	294.91	12.32
8	2006-2007	8,68,543	361.71	11,98,817	140.8	805.23	173.04
9	2007-2008	9,20,459	5.97	13,22,960	10.35	842.00	4.59
10	2008-2009	9,77,114	5.80	13,75,898	4.00	880.84	4.62
11	2009-2010	10,38,546	6.15	14,88,390	8.17	921.79	4.66
12	2010-2011	11,05,934	6.28	16,55,680	11.2	965.15	4.72
13	2011-2012	11,83,332	6.99	17,90,804	8.16	1,011.80	4.86
14	2012-2013	12,69,338	7.28	NA	NA	1,061.52	4.91
15	2013-2014	13,53,700	6.64	NA	NA	1,114.29	4.97
		CGR	14.58	CGR	15.32	CGR	8.21

Source: Ministry of MSME, Annual Reports 2013-2014

TABLE-4 TREND ANALYSIS OF FIXED INVESTMENT, PRODUCTION AND EMPLOYMENT OF MSMEs IN INDIA

S.NO	YEAR	FIXED INVESTMENT (RS. CRORE)	TREND VALUE	PRODUCTION (RS. CRORE)	TREND VALUE	EMPLOYMENT (LAKHS PERSONS)	TREND VALUE
1	1999-2000	1,39,982	69947.04	2,33,760	316208.43	299.10	109.02
2	2000-2001	1,46,845	623239.8	2,61,297	377863.52	238.73	183.91
3	2001-2002	1,54,349	137799.56	2,82,270	439518.61	249.33	258.8
4	2002-2003	1,62,317	241672.86	3,14,850	501173.7	260.21	333.69
5	2003-2004	1,70,219	345547.06	3,64,547	562828.79	271.42	408.58
6	2004-2005	1,78,699	449419.46	4,29,796	624483.88	282.57	483.47
7	2005-2006	1,88,113	553292.76	4,97,842	686138.97	294.91	558.36
8	2006-2007	8,68,543	0	11,98,817	0	805.23	0
9	2007-2008	9,20,459	761039.36	13,22,960	809449.15	842.00	708.14
10	2008-2009	9,77,114	864912.66	13,75,898	871104.24	880.84	783.03
11	2009-2010	10,38,546	968785.96	14,88,390	932759.33	921.79	857.92
12	2010-2011	11,05,934	1072659.26	16,55,680	994414.42	965.15	932.81
13	2011-2012	11,83,332	1176532.56	17,90,804	1056069.51	1,011.80	1007.7
14	2012-2013	12,69,338	1280405.86	NA	NA	1,061.52	1082.59
15	2013-2014	13,53,700	138479.16	NA	NA	1,114.29	1157.48

Source: Ministry of MSME, Annual Reports 2013-2014.

TABLE-5 PROJECTION

YEAR	Fixed Investment (Rs. Crore)Yt	PRODUCTION (RS. CRORE)Yt	EMPLOYMENT (LAKHS PERSONS) Yt
2014-15	830986.4	1241034.78	1232.37
2015-16	1592025.76	1302689.87	1307.26
2016-17	1695899.06	1364344.96	1382.15
2017-18	1799772.36	1426000.05	1457.04
2018-19	1903645.66	1487655.14	1531.93
2019-20	2007518.96	1549310.23	1606.82

The fixed investment of MSMEs has shown increasing trend. The investment of MSMEs reached the maximum level at 1353700 in crores during 2013-2014 and reached minimum level at 139982 in crores during 1999-2000. The annual growth rate of MSME sector reached its maximum value at 361.71 percent during 2006 – 07. The compound growth rate of MSMEs sector in India recorded the growth of 14.58 percent. The trend projection estimation of investment as given in the table the estimated value of the trend in MSME sector for the year 2000-2001 was 146845 in crores numbers and it has increased to 361.73 percent in the year 2006 – 2007. The estimated investment of the year 2014 – 2015 is 830986.4 in crores and the same is expected to go on increasing at 2007518.96 in crores for the year 2020.

Production of MSMEs has shown increasing trend. The production of MSMEs reached the maximum level at 1790804 in crores during 2011-2012 and reached minimum level at 233760 in crores during 1999-2000. The annual growth rate of production sector reached its maximum value at 140.8 percent during 2006 – 07. The compound growth rate of MSME sector in India recorded the growth of 15.32 percent. The trend projection estimation of production as given in the table the estimated value of the trend in MSME sector for the year 2000-2001 was 261297 in crores numbers and it has increased to 140.8 percent in the year 2006 – 2007. The estimated production of the year 2014 – 2015 is 1241034.78 in crores and the same is expected to go on increasing at 1549310.23 in crores for the year 2020.

Employment of MSMEs has shown increasing trend. The employment of MSMEs reached the maximum level at 1114.29 lakhs during 2013-2014 and reached minimum level at 238.73 lakhs during 2000-2001. The annual growth rate of employment reached its maximum value at 173.04 percent during 2006 – 07. The compound growth rate of MSME sector in India recorded the growth of 8.2 percent. The trend projection estimation of employment as given in the table the estimated value of the trend in MSME sector for the year 2000-2001 was 238.73 in lakhs numbers and it has increased to 173.04 percent in the year 2006 – 2007. The estimated employment of the year 2014 – 2015 is 1232.37 in lakhs and the same is expected to go on increasing at 1606.82 lakhs for the year 2020.

CONCLUSION

MSMEs, as a major contributor towards growth of domestic economy and employment generation, also get adequate support for its growth and development in terms of policy framework, incentives and other relevant aids and supports like providing good infrastructural facilities, developing various industrial parks and technology incubators under MSME cluster development programmes, creating networks of organizations which help to provide training to the skilled workforce to improve productivity, encourage entrepreneurship and competency in management, technology advancement may work for the betterment of the sector. It concludes that the growth of MSME sector in India showing increasing trend.

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