



## Growth Prospective of Indian Economy – a study on Micro Small Medium Enterprises in India

**Gururaj Barki**

Prof., Research Scholar, Bharathiar University, Coimbatore, Tamil Nadu.

**Dr.S.G.Vibhuti**

Research Guide, Bharathiar University, Coimbatore, Tamil Nadu.

### ABSTRACT

The capacity of Micro, Small and Medium Enterprises (MSMEs) around the world for powerful economic growth, in fact the development of MSMEs at global level, national level and regional level cannot be overemphasized. As India accelerates up to retrace the high growth path, the MSME sector assumes an essential role in driving the growth engine. The MSME sector in India continues to exhibit extraordinary flexibility in the face of testing global and domestic economic circumstances. The sector has sustained a good annual growth rate from the past few years. The sector has shown estimable remarkable innovations and its flexibility to survive economic changes. The significance of MSMEs is attributed to more employment generation, low rate of capital requirement and technology requirement, promotion of industrial development in rural areas, use of traditional skill, use of local resources, mobilization of resources and exportability of products.

**KEYWORDS :** MSME's, Innovative, Growth, Employment, Technology.

### Introduction

The development of the country is not in the hands of only one sector; development is also the contribution of only one sector, in the light of this the overall development of the all sectors required which contributes GDP of the country. Associated with this high growth rates, MSMEs in India are also facing a number of problems like sub-optimal scale of operation, technological obsolescence, product obsolescence, supply chain inefficiencies, increasing domestic and global competition, fund shortages, change in manufacturing strategies and turbulent and uncertain market scenario. In order to overcome all difficulties and to survive with such issues and also uphold the competition with large and global enterprises, MSMEs require adopting innovative approaches in their overall working approach. In fact to sustain in this globalization, as soon as possible all they need to change dynamically and self-sustaining customs of innovation and cluster based approach for the development of country as well as MSMEs. Present scenario world economy has been moving as an "innovative- based Economy" with innovativeness and the knowledge are being the most important resource and learning tools are the most important process sustenance. The present scenario of fast moving global, the knowledge and intellectual skills are critical to innovate and improve products and services, develop more efficient distribution and marketing methods and ensure customer satisfaction. In fact, the enterprises lead with the success only because of information management and application are used to improve competitiveness. An innovativeness and knowledge economy is not about build up information, but using that knowledge to convert in best fruitful way improves performance business enterprise. The performance can be enhanced with innovation. Novelty is thus regarded as one of the most important factor in the social and economic value and its change aggressive to contribute the country development. This has become the powerful force behind expanding global commerce and to increase in living standards. It is, therefore crucial not only for developed but also developing countries including India to promote innovation, especially at the cluster level, since firms, not countries, are the ones that have to compete internationally. According to the estimates of the Ministry of MSME, Government of India, the sector generates around 100 million jobs through over 46 million units situated throughout the geographical expanse of the country.

### Literature review

The following are the literature review is made by the authors in order to justify the need of the present study and the literature reviews are.

Shivalingappa G Vibhuti and Gururaj Shivaraj Barki(2016)<sup>1</sup>. "Role of Micro Small and Medium Enterprises (MSMEs) in Indian Economy."

The paper is focused on the classification of MSMEs, contribution and performance of MSMEs and the key challenges faced by the MSMEs. *Ravin Kadian and Aarti Chahal(2015)*<sup>2</sup>, Make India Innovative and Competitive: Role of MSMEs- The paper focused the Author has also focused his attention on the role of MSMEs in "Make in India" initiative and increase in financial contribution towards MSMEs under *Garg, Ishu. And Walia, Suraj. (2012)*<sup>3</sup> - "Micro, Small & Medium Enterprises (MSMEs) In Post Reform India: Status & Performance". This paper focus on that the significant growth of MSMEs have been taken place over a period of time and this sector is the major donor to gross domestic product (GDP), employment and exports in Indian economy using the OLS technique. *Singh, R., Verma, O.P., and Anjum, B. (2012)*<sup>4</sup>, "Small Scale Industry: An Engine of Growth", they 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. *Bargal, H., Dashmishra, M., and Sharma, A. (2009)*<sup>5</sup>, "Performance Analysis of Small Scale Industries – A Study of Pre-liberalization and Post-liberalization period", they 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. *Rajesh K. Singh, Suresh K. Garg, S.G. Deshmukh, (2008)*<sup>6</sup> "Strategy development by SMEs for competitiveness: a review", Benchmarking: This paper tries to identify the major areas of strategy development by SMEs for improving competitiveness of SMEs in globalised market. SMEs are considered as engine for economic growth all over the world.

### Objectives:

- To study trends in sustainable growth rates of micro small medium enterprises.
- To study the state wise distribution of number of Entrepreneur Memorandums per part II (EM-II)
- To study the sector wise growth rate number of Entrepreneur Memorandum filed as per part II (EM-II)

### Methodology used

The present study is based secondary data collected from the official websites ministry of MSMEs, annual reports, journals and books. Researcher employed the some of the statistical tools to analyze the data such as mean, standard deviation, standard error and t-test.

**Scope of the study**

Present paper concentrate only on innovative present status in India, innovation barriers and types of innovations without any analysis.

- **Sustainable growth rates of micro small medium enterprises**

**Hypothesis**

**H<sub>0</sub>:** MSMEs has shown the consistent growth rate in terms of EM-II from past few years

**H<sub>1</sub>:** MSMEs has not shown the consistent growth rate in terms of EM-II from past few year.

**One-Sample Statistics**

	N	Mean	Std. Deviation	Std. Error Mean
EM-II	8	2.7625	.88580	.31318

**One-Sample Test**

	Test Value					
	T	Df	Sig. (2-tailed)	Mean Difference	95% C L of the Difference	
					Lower	Upper
EM-II	2.821	7	.000	2.76250	2.0219	3.5031

As the researcher investigated using the t-test on the growth rate in the EM-II from the 2007-08 to 2014-15 based on the annual report of MSMEs data, the test result is accepted. It means the MSMEs have shown the consistent growth rate in terms of EM-II from past few years.

• **State wise distribution of no. of EM-II**

S.No	State / UT	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	Total
1	J and Kashmir	1192	914	1170	1027	918	1159	559	6939
2	Himachal Pradesh	1053	942	856	772	627	388	96	4734
3	Panjab	2189	2988	3087	2644	2282	2137	1144	16471
4	Chandigarh	255	174	259	139	185	160	65	1237
5	Uttarakand	1871	1973	2121	2291	2469	2669	2082	15476
6	Haryana	2747	2929	2715	2105	2481	1482	1111	15570
7	Delhi	165	199	333	430	329	652	250	2358
8	Rajastan	14631	14863	14678	15363	17601	18655	4074	99865
9	Uttar Pradesh	33479	33027	32304	30933	45342	52203	23402	250690
10	Bihar	4010	4302	4108	3737	3133	2009	345	21644
11	Sikkim	18	40	30	11	8	7	9	123
12	Arunachal Pradesh	86	60	25	55	25	25	0	276
13	Nagaland	1445	217	213	231	242	91	10	2449
14	Manipur	81	122	122	181	178	198	15	897
15	Mizoram	500	198	131	122	213	278	101	1543
16	Tripura	220	218	205	150	173	172	92	1230
17	Meghalaya	1040	748	573	581	641	118	128	3829
18	Assam	1678	1506	1218	1451	1860	2629	1075	11417
19	West Bengal	11685	10109	13470	10342	11380	15244	8983	81213
20	Jharkhand	669	690	939	4554	3592	3450	410	14304
21	Odhisha	1758	1657	2155	2622	2815	2995	1682	15684
22	Chattisgarh	1089	1206	1741	1472	1556	1702	665	9431
23	Madhya Pradesh	19748	19704	20104	19832	19374	19903	5169	123834
24	Gujarat	19992	27939	51781	68235	58627	64160	36616	327350
25	Daman & Diu	107	126	83	76	64	56	28	540
26	Dadra & Nagar Haveli	105	77	103	93	93	90	67	628
27	Maharashtra	11896	14496	15606	16136	19826	36992	20146	135098
28	Andhra Pradesh	4616	3027	2781	2868	2403	2810	3677	22182
29	Karnataka	17195	18434	21021	24208	25966	28754	10244	145822
30	Goa	112	88	97	103	169	160	49	778
31	Lakshadweep	23	24	8	11	9	5	0	80
32	Kerala	10956	11089	11071	13551	14997	14906	5788	82358
33	Tamil nadu	41799	57902	70639	90974	116393	143104	85229	606040
34	Puducherry	200	186	120	86	76	96	38	802
35	Andaman & Nicobar	68	78	82	100	100	112	38	578
36	Telangana	4528	6177	6479	5332	6844	5787	4467	39614
	<b>All India</b>	<b>213206</b>	<b>238429</b>	<b>282428</b>	<b>322818</b>	<b>362991</b>	<b>425358</b>	<b>217854</b>	

Source: Annual report 2015-16

Based on the above table it clearly indicates the state wise distribution on the rank base the Tamil Nadu, Gujarat and Uttar Pradesh took first second and third place respectively.

- **Sector wise growth rate number of Entrepreneur Memorandum filed as per part II (EM-II)**

**Hypothesis**

**H<sub>0</sub>:** MSMEs has shown the consistent performance in annual growth rate in terms of EM-II from past few years

**H<sub>1</sub>:** MSMEs has shown the consistent performance in annual growth

rate in terms of EM- II from past few years

**One-Sample Statistics**

	N	Mean	Std. Deviation	Std. Error Mean
Annual growth of previous years	8	14.3950	3.29376	1.16452

**One-Sample Test**

	Test Value = 0					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper

Annual growth of previous years	12.361	7	.000	14.39500	11.6413	17.1487
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As the researcher investigated using the t-test on the annual growth rate in the EM-II from the 2007-08 to 2014-15 based on the annual report of MSMEs data, the test result is accepted. It means the MSMEs have shown the consistent growth rate in terms of EM-II from past few years.

### Conclusion

Performance, contributions and growth of the MSMEs is critical to our nation's economic growth employing nearly eight crores people, MSMEs are the vehicle for inclusive growth and an incubator for entrepreneurs. An enabling business environment with strong focus on leveraging technology can help unleash the true potential of the sector India needs a focused policy impetus to improve the competitiveness of MSMEs and incentivize exports to broad base and actualize the benefits especially National program: Make in India and its initiative.

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