



## Progress and Performance of Micro, Small and Medium Enterprises in Odisha

### KEYWORDS

Micro, Small and Medium Enterprises, export promotion, employment generation.

\* Mr. Ajit Ku. Sahoo

Mrs. Rashmita Sahoo

Research Scholar, Department of Business Administration, Utkal University, Vani Vihar, Odissa.

Lecturer, Department of Business Administration, Utkal University, Vani Vihar, Odissa.

\* Corresponding Author

**ABSTRACT** *Micro, small and medium enterprises are important sector of the industrial development of a country. These sectors performed well with multidimensional aspects of the socio-economic aspects and generate employment opportunity in the state. Growth and progress of MSME in Odisha is an emerging aspect which directly associated with the sustainable development in the State. This article is focused on the Progress and Performance of Micro, Small and Medium Enterprises in Odisha.*

### INTRODUCTION:

Small and medium enterprises contribute about 90% of the business worldwide. They employ over 50% of the world's workforce. They have played a crucial role in the development of manufacturing and export sector of China, Sri Lanka, Egypt etc. In India, micro and small enterprises in agriculture, industry and service sector have a key role in equitable distribution of national income, value addition, employment generation, export earnings, regional dispersal of industries, productive utilization of entrepreneurial skill and capital. With the advent of planned economy from 1951 and the subsequent industrial policy followed by Government of India, both planners and Government earmarked a special role for small-scale industries and medium scale industries in the Indian economy. Due protection was accorded to both sectors, and particularly for small-scale industries from 1951 to 1991, till the nation adopted a policy of liberalization and globalization. It is estimated that in terms of value, the sector accounts for about 45 % of the manufacturing output and 40% of total exports of the country. To make this sector to become more vibrant and significant player in development of the Indian economy the Government of India has taken various initiatives. The definition and coverage of the MSME sector was broadened MSME Development Act 2006 which recognized concept of 'enterprise' to include both manufacturing and service sector besides defining medium enterprises setting up a Board for developing policy frameworks and indicating procurement policy.

### OBJECTIVES:

- To identify the obstacles faced by MSME sector in Odisha.
- To understand the role of financial institutions in the development of MSME in Odisha.
- To suggests and recommend specific measures to improve outcome.

### METHODOLOGY:

Data was collected primarily and from secondary sources. Primary data are collected from various MSME clusters. Secondary data are collected from published annual reports, books, journals, periodical and various e-magazines.

### ORISSA MICRO, SMALL & MEDIUM ENTERPRISES DEVELOPMENT POLICY – 2009:

Govt. of India has enacted the Micro, Small & Medium Enterprises Development Act-2006 with a view to providing a comprehensive legal framework to address the needs of both the manufacturing and the service sector MSMEs. The Govt. of Orissa has also notified Industrial Policy Resolution-2007.

(IPR-2007) which provides for specific fiscal as well as non-fiscal interventions to develop the Micro, Small & Medium Enterprises of the State. Despite the initiative taken in the successive industrial policies, the growth of MSMEs in Orissa is not at par with the national and international standards. However, the MSMEs of the country as well as the state suffer from typical weakness and problems and have specific needs and requirements. In order to address such problems, needs and requirements of the MSMEs of the State in a focused manner and for their revival and development, Government of Orissa is declaring a policy christened as "Orissa MSME Development Policy-2009".

### ROLE OF MSME IN ODISHA:

The importance in utilization of local resources to generate employment and improve living standards of people, who are not employed in large industries, agriculture and services sector, Government of India and like wise State governments including State Government of Odisha have also started giving stress for the development MSMEs. The number of small scale industries and what is called MSME has been increasing overtime in the state of Odisha. During 2008-09 the maximum number of MSME was set up in Sundargarh district, Cuttack district was the next followed by Khurdha and Ganjam district.

The traditional industries of Orissa which are famous for its aesthetic design, vibrant color and durability are stone carving, coir, filigree work, handicraft and handloom works which are part of MSMEs. The State government provides administrative, managerial and financial support for the revival, promotion and diversification of these traditional industries through various schemes. MSME is playing a vital role in the state of Odisha and promoting economic development by addressing three obstacles of big industrial hubs, i.e; unemployment, poverty and displacement. During 2008-09, nearly 49,095 handlooms operated in the state and produced 16.67 million square meters of loom products and employed 98 thousand persons with an investment of Rs.1662.10 million.

### FOOTSTEPS TO BE TAKEN FOR PROGRES OF MMSE IN ODISHA:

**Technology Upgradation:** The Micro, Small & Medium Enterprises must be encouraged to adopt modern cutting edge technology in order to achieve competitiveness through cost reduction and quality upgradation. MSMEs shall be suitably incentivized to adopt modern technology. Assistance for Technical Know-how :New Micro & Small Enterprises shall be eligible for reimbursement of 50% of cost of purchase of technical know-how up to Rs.1 lakh in case of indigenous

technology and up to Rs.5 lakh in case of imported technology, as per IPR-2007. The State Govt. shall endeavour to promote adoption of Clean Development Mechanism (CDM) and related technologies by the MSMEs.

**Export Promotion:** The Directorate of EP&M shall prepare a product country matrix for the MSMEs of Orissa identifying the products which have potential export market in specific overseas markets.

**Cluster development:** United Nations Industrial Development Organization (UNIDO) has worked intensively in the field of micro, small and medium enterprises cluster development in India by starting a cluster development program in the state of Odisha as part of the DFID (Department of International Development of the UK) funded program "Enabling Pro- Poor Economic Growth in Odisha" Under this project called the MSME Cluster Development Program in the state of Odisha, which conducted during April'2005 to May'2008.

#### Obstacles for MMSE Development:

- Market access: The cluster was catering to low end markets, and had no brand image for products. It had no linkages to the higher end national markets such as Mumbai, Delhi where margins are much higher than in the local markets.
- Low Standard of products: Product range unsuited to the needs of export market
- Informal credit: There was no access to formal credit to most of the units as the institutional financial system does not pay small amounts to the artisans. Hence they resort to informal sources of credit.
- Lack of Raw materials: Non-availability of raw material (sand stone, soft stone) hampers the production process.
- Lack of technology: Limited use of machinery, especially in cutting, sizing, polishing etc, leading to higher costs compared to competitors who use mechanized methods.
- Limited product development: There is a lack of organized effort to take care of the larger interests of the artisans, who have not been able to forge business partnerships to take care of their common problems and issues.
- Poor working conditions: Poor housing, poor health, poor working environment and added with no proper lighting facility at the work place hinders cluster production.

#### Impact

- Access to credit: Loans of 7.5 million rupees worth were extended to artisans at lower rates of interest than what was being charged from them earlier by informal money lenders. And 100 per cent of the credit is invested in productive activities namely, purchase of raw materials, tools and machines and payments to the work force.
- Market Linkages: Artisans were made aware of market requirements, market trends and consumer preferences. About 15 buyers have been linked to the clusters and linkages have been established with 10 premier national exhibitions and 3 institutions CCIC (Central Cottage Industries Corporation), Utkalika and Self Employed Women's Association (SEWA) which have sales outlets all over India.
- Higher Quality: There has been a shift in the clusters from the production of low quality, cheaper goods to higher quality, higher priced products, as a result of establishment of direct linkages with retailers and demanding buyers.
- Higher Margins: Margins earned by artisans and master craftsmen have increased very substantially from a meager 5 per cent to as high as 35 to 50 per cent. As many as 45 units have reported average increase of 20 per cent in sales, which in turn has resulted in higher incomes for the 400 artisans employed in these 45 units.
- Higher Incomes: The income of the skilled artisan has risen from an average of Rs 3000 to Rs 5000 per month, while the corresponding increase for semi-skilled artisans

is estimated to have gone up from Rs 1000 (\$ 22 approximately) to Rs 2500 (\$53 approximately) per month.

- Increase in productivity: Intervention has increased productivity of the units by 15 per cent to 20 per cent through the introduction of modern machinery (such as stone cutting machines) and best business management practices.
- Empowered women artisans: Women artisans have gained increasing self-confidence, going to the markets to directly sell their products.

**1. MSME AND EMPLOYMENT GENERATION IN ODISHA:** MSME units are increasing day by day by generating employment opportunities. The details of MSME in Odisha are presented in Table 1 & 2.

**Table 1: MSME (Registered) units and employment generation-Odisha**

Year	MSME units setup (Cumulative)	MSME units set up during the year	Investment made (Rupees in million)	Employment generated (number of persons)
2000-01	66206	3676	1531.8	18115
2001-02	70125	3919	1652.3	16582
2002-03	74133	4008	1551.4	16320
2003-04	78568	4435	1701.3	20547
2004-05	83075	4507	2455.9	21898
2005-06	87861	4786	2704.4	25142
2006-07	92417	4556	2711.4	20839
2007-08	97127	4710	2955.1	23301
2008-09	101933	4806	2279.2	20996
2009-10	106840	4907	2923.4	23195
2010-11	111856	5016	3950.2	24451
2011-12	117361	5505	5007.3	30287
<b>TOTAL</b>	<b>54831</b>	<b>31423.7</b>	<b>261673</b>	

Source: Economic Survey, Odisha: 2012-13

**Table-2: Sector wise classification of MMSEs in Odisha**

Category	No of units set up	Investment (Rs. Million)	Employment (No. of persons)
Food & Allied	25683	12035.3 (26.53)	136814 (20.14)
Chemical & Allied	2910	2177 (6.53)	22391 (3.30)
Electrical & Electronics	1154	667 (2.14)	7353 (1.08)
Engineering & Metal	12919	9219.3 (30.24)	95989 (14.13)
Forest & Wood based	7030	798.9 (3.76)	44167 (6.50)
Glass and Ceramics	8495	5470.1 (26.72)	136523 (20.10)
Livestock & Leather	451	75.3 (0.50)	2559 (0.38)
Paper products	2982	1180.2 (7.91)	16497 (2.43)
Rubber & Plastics	1792	1925.7 (14.01)	10817 (1.59)
Textiles	8608	1340.5 (11.34)	50634 (7.45)
Misc.manufacturing	6459	1937.7 (18.49)	31489 (4.64)
Repairing & Services	38878	8539.8 (18.82)	124005 (18.26)
<b>Total</b>	<b>117361</b>	<b>45366.90</b>	<b>679238</b>

Source: Economic Survey, Odisha: 2012-13  
Figures in parenthesis are percentage to total.

#### CONCLUSION:

Micro, Small and medium enterprises are the back bone of the economic development of the country, which concentrates to meet the local as well as the global demands in a unique characters of the products and services. In India, these sectors performed well and spread all over the country according to the availability of resources and traditional methods. These sectors could able to achieve the sustainable development of the country with self reliance aspects. MSME development cuts across sectors, involves multiple stakeholders and necessitates concerted actions by the public

and private sectors. Therefore, MSME development should be mainstreamed into the national development framework. Building up market institutions should be accompanied by capacity building of appropriate institutional structures.

#### SUGGESTION:

- Increase efforts to develop and strengthen enabling legal, regulatory and administrative environments at local, regional and national levels.
- Facilitate availability of and access to loan and equity finance, particularly medium to long-term opportunities to improve trade and investment capacity of MSMEs.
- Strengthen infrastructure services delivery to facilitate market access and reduce the cost of doing business.
- Reinforce support structures for private sector/SME development, particularly institutional support.
- Enhance policy coherence and actively manage aid effectiveness.

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