



Evolution of Micro and Small Enterprises in India

KEYWORDS

MSE, infrastructural support, technology upgradation, export promotion, employment generation.

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ABSTRACT *Micro and Small Enterprises said to be a powerful segment of the industrial development of a country. The Ministry of Micro, Small and Medium Enterprises (MSME), Govt. of India recognizes the contribution of Micro & Small Enterprises (MSEs) in growth of Indian economy, export promotion and employment generation. These sectors are performing well with multidimensional aspects of the socio-economic aspects and progress of MSE in India is an emerging aspect associated with the sustainable development in the country. These autonomous bodies include Tool Rooms, Training Institutions and Project-cum-Process Development Centers. MSME-DO provides a wide spectrum of services to the small industries sector, now enlarged to include all enterprises. The Micro and Small Enterprises (SMEs) contribute immensely to Gross Domestic Product (GDP) and it has a sizeable influence in growth of economy. This paper focuses the evolution of Micro and Small Enterprises which is governed by MSMED Act, 2006 in India.*

Introduction

The Ministry of Micro, Small and Medium Enterprises (MSME), Govt. of India recognizes the contribution of Micro & Small Enterprises (MSEs) in growth of Indian economy, export promotion and employment generation. The Micro and Small Enterprises organized and governed by The MSMED Act 2006, of India. The organization has been understood as Micro, Small and Medium Enterprises-Development Organization with the wider mandate of promotion and development of MSE sector. It has over 60 offices and 21 autonomous bodies under its management. These autonomous bodies include Tool Rooms, Training Institutions and Project-cum-Process Development Centers. MSME-DO provides a wide spectrum of services to the small industries sector, now enlarged to include all enterprises, excluding the larger ones. These include facilities for testing, tool making, training for entrepreneurship development, preparation of project and product profiles, technical and managerial consultancy, assistance for exports, pollution and energy audits etc.

Enactment of MSME

The Government of India has enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 on June 16, 2006 which was notified on October 2, 2006. With the enactment of MSMED Act 2006, the paradigm shift that has taken place is the inclusion of the services sector in the definition of Micro, Small & Medium enterprises, apart from extending the scope to medium enterprises. The MSMED Act, 2006 has modified the definition of micro, small and medium enterprises engaged in manufacturing or production and providing or rendering of services.

Role of Micro and Small Enterprises

Micro and Small Enterprises (MSE) sector has been recognized as an engine of growth all over the world. The sector is characterized by low investment requirement, operational flexibility, location wise mobility, and import substitution. In India, the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 is the first single comprehensive legislation covering all the three segments. In accordance with the Act, these enterprises are classified in two:-(i)

manufacturing enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the Industries (Development and Regulation) Act, 1951. These are defined in terms of investment in plant and machinery; (ii) service enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.

India has a vibrant micro and small enterprise sector that plays an important role in sustaining the economic growth, by contributing around 39 per cent to the manufacturing output and 34 per cent to the exports from the year 2004-05. It is the second largest employer of human resources after agriculture, providing employment to around 29.5 million people in the rural and urban areas of the country. Their significance in terms of fostering new entrepreneurship is well recognized. This is because, most entrepreneurs start their business from a small unit which provides them an opportunity to harness their skills and talents, to experiment, to innovate and transform their ideas into goods and services and finally nurture it into a larger unit.

Importance of the MSE Sector

The contribution of micro and small enterprises (MSE) sector to manufacturing output, employment and exports of the country is quite significant. According to estimates, in terms of value, the sector accounts for about 45 per cent of the manufacturing output and 40 per cent of the total exports of India. The MSME sector employs about 42 million persons in over 13 million units throughout the country. There are more than 6000 products, ranging from traditional to high-tech items, which are being manufactured by the Indian MSEs.

Type of Enterprise

Enterprises are broadly classified into two categories: (i) Manufacturing; and (ii) those engaged in providing rendering of services. Both categories of enterprises have been further classified into Micro, Small and Large Enterprises based on their investment in plant and machinery for manufacturing enterprises or on equipments (in case of enterprises providing or rendering services).

Table 1: Type of Enterprises
(in thousands)

Sl. No.	Type of Enterprise	Number of Enterprise Owned by				Total	Total Percent
		Male		Female			
		No.	Per-cent	No.	Per-cent		
1	Micro	1274	81.41	211	13.48	1485	94.89
2	Small	76	4.85	4	0.26	80	5.11
	Total	1350	86.26	215	13.74	1565	100

Source: MSME Annual Report 2013

Table 1 displays the enterprises wise as well as gender wise profile of the entrepreneurs. 1274 thousands of Micro enterprises owned by male (81.41%) and 211 thousands of enterprises owned by female (13.48%). 76 thousands of Small enterprises owned by Male (4.85%) and 4 thousands of enterprises owned by female (0.26%). It constitutes the total of 1565 micro and small enterprises in India.

Nature of Activity

The Ministry of MSME (earlier known as Ministry of Small Scale Industries and Agro & Rural Industries (SSI & ARI) came into existence from 1999 to provide focused attention to the development and promotion sector. The new policy package was announced in August, 2000. MSME Act, 2006 seeks to facilitate the development of these enterprise as also enhance their competitiveness. It provides the first-ever legal frame work for recognition of the concept of "enterprise" which comprises both manufacturing and service entities.

Table 2: Nature of Activity
(in thousands)

Activity Code	Nature of Activity	Number of Enterprise Owned by				Total	Total Percent
		Male		Female			
		No.	Per-cent	No.	Per-cent		
1	Manufacturing	941	60.13	108	6.90	1049	67.03
2	Services	174	11.12	88	5.62	262	16.74
3	Repairing & Maintenance	234	14.95	20	1.28	254	16.23
	Total	1349	86.20	216	13.80	1565	100.00

Source: MSME Annual Report 2013

Table 2 reveals that the nature of activities engaged by the entrepreneurs in 67.03 per cent of the entrepreneurs belongs to Manufacturing Activities, 16.74 per cent belongs to Services Activities, and 16.23 per cent belongs to Repairing & Maintenance Activities. As regards the 60.13% of Male and 6.90% of Female entrepreneurs engaged in Manufacturing Activities. 11.12% of Male and 5.62% of Female entrepreneurs engaged in Services. 14.95 % of Male and 1.28% of Female entrepreneurs engaged in Repairing and Maintenance Activities.

Type of Enterprises

Organization are broadly classified into two Categories: i) Functional organization, ii) Team Management, Organization different wise introducing the Entrepreneur is one who introduce new goods, inaugurates new method of pro-

duction, discovers new market and reorganizes the enterprises. It is important to note that such entrepreneurs can work only when ascertain level of development is already achieved, and people look forward to change and environment.

Table 3 reveals that 90.03 percent of enterprises (78.21% of male and 11.82% of female) engaged as Proprietary or HUF organization, 4.03 per cent (3.64% male and 0.39% female) belongs to Partnership entrepreneurs, and 2.75 per cent (2.56% of male and 0.19% of female) belongs to Private Company entrepreneurs, 0.57 per cent (0.51% male and 0.06% female) of Public Limited Company entrepreneurs, 0.32 per cent (0.26% male and 0.06% female) of co-operatives, and 2.30 per cent of enterprises belongs to other type of organizations.

Table 3: Type of Enterprises
(in thousands)

Org. Code	Type of Organization	Number of Enterprise Owned by				Total	Total Percent
		Male		Female			
		No.	Per-cent	No.	Per-cent		
1	Proprietary or HUF	1224	78.21	185	11.82	1409	90.03
2	Partnership	57	3.64	6	0.39	63	4.03
3	Pvt. Company	40	2.56	3	0.19	43	2.75
4	Pub. Ltd. Company	8	0.51	1	0.06	9	0.57
5	Cooperatives	4	0.26	1	0.06	5	0.32
6	Others	16	1.02	20	1.28	36	2.30
	Total	1349	86.20	216	13.80	1565	100.00

Source: MSME Annual Report 2013

Findings and Suggestions

1. Micro and Small Enterprises is a vibrant segment of the economic development of the country which is responsible to promote the industrial growth, export, employment potential, capital formation and sustainable development. Therefore these sectors should be treated as emerging sectors while providing financial and non financial assistance.
2. There are 1565 thousands MSE in the country of which 94.89 per cent belongs to Micro units, 5.11 per cent belongs to Small units. Hence it seems to be most of the MSE belongs to Micro units which are mostly in rural and traditional based. Hence there is a need of more concentration to the micro units to grow in a concrete manner.
3. The number of enterprises and their nature of activities concerned, 67.03 per cent of the entrepreneurs belongs to Manufacturing Activities, 16.74 per cent belongs to Services Activities, and 16.23 per cent belongs to Repairing & Maintenance Activities. The service oriented enterprises are to be supported financially to grow equally to others.
4. Most of the MSE are under the categories of the proprietary type of organization which are running by a single person. These units are mostly belongs to traditional type of activities with labor intensive. Hence,

these entrepreneurs need proper training to promote their production and marketing strategies in the modern world.

Conclusion

Micro and Small 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 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. MSE are performing in a constant manner even in the globalization era with the competitive advantages. These sectors could be able to achieve the sustainable development of the country with self reliance aspects. Hence this paper concludes that development of the micro and small enterprises is in a significant manner during the study period.

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