



Role of Msme's in Economic Development

KEYWORDS

Performance of MSME's, Contribution of MSME's, and Problems of MSME's.

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ABSTRACT The development of small-scale industries contributes to the increase in per capital income i.e. Economic development in various ways. The role of small enterprises in economic development is to see its relative position interms of country's total production employment and exports. It is encouraging to mention that the small-scale enterprises account for 35% of the gross value of the output in the manufacturing sector, about 80% of the total industries employment and about 40% of the total export of the country.

INTRODUCTION:

The micro, small and medium enterprises (MSME) play very important role in the economic and social development of India. It also Contributes in manufacturing output up to 45% and up to 40% in exports. In India GDP has been growing consistently at 11% per annum which is higher than overall GDP growth 7-8%. The growth rate recorded by this sector has normally been higher than that of the industrial sector as a whole.

OBJECTIVES:

The following are the objectives of the study:

- To study the performance of MSME's in Indian economy.
- To study the contribution of MSME's in GDP in Indian economy.
- To find out the problems facing MSME's in Indian economy.

CONCEPT OF MSME's:

Definition of micro and small-scale enterprises in India has changed over the years. Micro small and medium enterprises as per MSME Act 2006 are defined based on their investment in plant and machinery (for manufacturing enterprises) and on equipment for enterprises providing or rendering services. The defined limit on investment for micro, small and medium enterprises is as follows.

| Enterprises | Manufacturing enterprises | Services enterprises |
|--------------------|------------------------------------------------------------------|-------------------------------------------------------------------|
| Micro Enterprises | Does not Exceed 25 Lakh rupees | Does not Exceed ten Lakh rupees |
| Small Enterprises | More than 25lakh rupees but does not exceed five Crore rupees | More than 10 Lakh rupees but does not exceed two crore rupees. |
| Medium Enterprises | More then five Crore rupees but does not exceed ten crore rupees | More than two crore rupees but does not exceed five crore rupees. |

TABLE No:1 PERFORMANCE OF MSME's IN INDIA.

| Year | Total working enterprises (In Lakh) | Employment (in lakh) | Market value of fixed assets (Rs in Crore) |
|---------|----------------------------------------|-------------------------|-----------------------------------------------|
| 2006-07 | 361.76 | 805.23 | 868,543.79 |
| 2007-08 | 377.36 | 842.00 | 920,459.84 |
| 2008-09 | 393.70 | 880.84 | 977,114.72 |

| Year | Total working enterprises (In Lakh) | Employment (in lakh) | Market value of fixed assets (Rs in Crore) |
|---------|----------------------------------------|-------------------------|-----------------------------------------------|
| 2009-10 | 410.80 | 921.79 | 1,038,546.08 |
| 2010-11 | 428.73 | 965.15 | 1,105,934.09 |
| 2011-12 | 447.64 | 1011.69 | 1,182,757.64 |
| 2012-13 | 447.54 | 1061.40 | 1,268,763.67 |
| 2013-14 | 488.46 | 1114.29 | 1,363,700.54 |

Source:-Ministry of MSME's Annual report,2014-15

The above table revealed that, the total numbers of Micro, Small & medium enterprises have increased from 361.76 lakh units in 2006-07 to 488.46 lakh units in 2013-14 There has been a steady increase of Employment and market value of Fixed assets of MSMEs. The employment in MSME's increased from 805.23 lakh in 2006-07 to 1114.29 lakh in 2013-14. And Market value of fixed assets was 868543.79 crore in 2006-07 which increased to 1,363,700.54 crore in 2013-14.

TABLE No:-2 CONTRIBUTION OF MANUFACTURING OUTPUT OF MSME IN GDP

(AT 2004-05 PRICES)

| Year | Gross value output (RS in crore) | Percentage share of MSME's | |
|---------|----------------------------------|-----------------------------|------------------------------|
| | | Total manufacturing out put | Gross Domestic product (GDP) |
| 2006-07 | 1198818 | 42.02 | 7.73 |
| 2007-08 | 1322777 | 41.98 | 7.81 |
| 2008-09 | 1375589 | 40.79 | 7.52 |
| 2009-10 | 1488352 | 39.63 | 7.45 |
| 2010-11 | 1653622 | 38.50 | 7.39 |
| 2011-12 | 1788584 | 37.47 | 7.27 |
| 2012-13 | 1809976 | 37.33 | 7.04 |

Source:-Ministry of MSMEs Annual Report 2014-15

The above table shows that, The contribution of manufacturing output of Micro small & medium enterprise in GDP Gross value output in 2006-07 Was Rs 1198818 crore Which increased to RS 1809976 crore. It Shows that positive trends from 2006-07 to 2012-13, Share of MSME in

Gross Domestic Product was variation between 7.04 percent to 7.81 percent.

PROBLEMS FACED BY MSMEs IN INDIAN ECONOMY

Micro, Small and medium enterprises plays a pivotal role in the Indian economy in terms of employment and growth has recorded a high rate of growth since independence in spite of stiff competition from the large sector, But the MSME's are face several problems, Some of them are as Follows.

- Lack of availability of adequate and timely credit
- High cost of credit
- In adequate infrastructure facilities
- In effective marketing strategy.
- Low Production capacity.
- Lack of access of global market.
- Problem of storage, designing, packing and product display.
- Lack of skilled manpower.
- Low technology levels and lack of access to modern technology
- Non availability of raw materials at a competitive cost, very often due to low volumes.

CONCLUSION:

The Micro, small and medium enterprises (MSME) Sector play a pivotal role in Indias economy. They contribute significantly to the manufacturing output, employment and exports of the country. But there are several challenges in this sector of MSME, Hence it is essential on the part of the government to take carefull decisions' and policy implementation to over come the problems of MSME Sector.

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