



## Growth And Prospect Of Msmes In Odisha : An Analytical Approach

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**ABSTRACT**

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSMEs not only play crucial role in providing large opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth.

The present study revealed that there is a continuous growth of number of MSME units. The growth story of these sectors enhances production, employment and exports of the state as well as in our country. According to Economic Survey of Odisha, 2011-12, the anticipated growth rate of Odisha is estimated at 7.18% as against all India anticipated growth of 6.9% in 2011-12. The State Odisha inherent to its location, natural resources has tremendous potentialities to create ample opportunities in small business in various sectors. Entrepreneurship development is considered as a key factor to fight against unemployment, poverty and achieve overall socio-economic growth in our state. Last but not the least, growth rate of MSMEs is very good and healthy sign towards progress and prosperity of Odisha.

**KEYWORDS**

heterogeneous, segment, indispensable, feedback, hostile, synergistic, catalyst, convergence

**INTRODUCTION :**

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSMEs not only play crucial role in providing large opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country. There is a consistent and continuous growth of MSMEs in our country. MSMEs have increased from about 80,000 units in the 1940s to more than 1.30 lakh units till 2014. The MSMEs produce more than 7,500 products and also contribute to about 35% of the India's exports. MSMEs contribute 8% of the country's GDP, 45% of the manufactured output and 40% of exports (Prime Minister's Task Force on MSME, 2010). The MSME sector in India is highly heterogeneous in terms of the size of the enterprises, variety of products and services produced and the levels of technology employed. As per the estimates of 4th All-India Census of MSMEs (2006-07), the number of enterprises is estimated to be about 26 million and provide employment to an estimated 60 million persons. Of the 26 million MSMEs, only 1.5 million are in the registered segment while the remaining 24.5 million (94%) are in the unregistered segment. The sector is dominated by micro units, of the total working enterprises, the proportion of micro, small and medium enterprises were 95.05%, 4.74% and 0.21% respectively.

The states like Bihar, Madhya Pradesh, Odisha and Uttar Pradesh have high incidence of poverty with more than 30% head count ratio (HCR) among their populations. Rural poverty remains high at more than 30%. In this context, importance of micro and small enterprises (MSEs) in contributing to job creation and inclusive growth is widely acknowledged (Eversole, 2003). The major objectives of the MSME sectors generate employment potential at low capital cost, use of local raw material and labour in rural base.

**MEANING OF MSME :**

The MSMEs are defined in different ways in different parts of the world. Some define them in terms of assets, while others in term of employments, shareholder funds or sales. At present, Government of India (GOT) has given a clear definition. According to the Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified as:

**(I) Manufacturing Enterprises:** The 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). The Manufacturing Enterprises are defined in terms of investment in Plant & Machinery as follows :

<b>Enterprise Investment in plant &amp; machinery</b>	
Micro	less than Rs. 10 lakhs
Small	less than Rs. 25 lakhs
Medium	over Rs. 25 lakhs but not exceeding Rs. 5 Crores

**(II) Service Enterprises:** The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment as follows :

<b>Enterprise Investment in plant &amp; machinery</b>	
Micro	less than Rs. 25 lakhs
Small	over Rs. 25 lakhs but not exceeding Rs. 5 Crores
Medium	over Rs. 5 Crores but less than Rs. 10 Crores

**MSMEs-PRESENT SCENARIO :**

According to final report of MSME fourth All India Census, MSME is an important sector and plays a critical role and has an important place in the Indian economy, in terms of employment generation, exports and economic empowerment. For the year 2011-12, total number of enterprises in the MSME sector is 261.12 lakh of which 15.64 lakh are registered, 14.85 lakh enterprises are registered in the micro sector, 0.76 lakh in the small scale sector and 0.03 lakh in the medium sector. Out of total, 28.60% enterprises be-

long to the manufacturing sector and 71.40% belong to the services and repairs and maintenance. It provides employment to 502.57 lakh persons in the country. The sector has registered gross output of Rs.7,07,57 crore. Total number of exporting units are 0.47 lakh and the total amount of exports of the country is 67,914 crore. The Directorate of Industries, Odisha is the nodal agency for promoting MSME, ancillary and down stream industries in the State. The growth of the MSME sub-sector is being emphasized not only because of its potential for generation of employment opportunities but also for its contribution to industrial output in the State. This sub-sector is the second largest employment generating sector after agriculture. During 2013-14, 7,009 MSMEs went into production with an investment of Rs.699.44 crores and 32,136 persons were provided employment opportunities.

**RELEVANCE OF THE STUDY :**

The micro, small and medium enterprises (MSMEs) have been accepted as the engine of economic growth and for promoting equitable development. The labour intensity of the MSME sector is much higher than that of the large enterprises. The MSMEs constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. In recent years the MSME sector has consistently registered higher growth rate compared to the overall industrial sector. The total SSI production, after 2002, has risen at a faster rate. Since 2000, there is a continuous growth in number of units, production, employment and in exports.

The majority of the population (87%) lives in rural areas in the state and is highly dependent on agriculture (73%). Rural problems are seen due to poor banking infrastructure. At this particular period MSMEs are playing important role in providing rural credit to unbanked poor and changed their socio-economic status in the state. The MSMEs are generating ample employment opportunities among rural youth in household base micro enterprises in local areas. It is on this background, the present study is important and interesting to study effectiveness of MSMEs in promoting the socio-economic condition of rural poor in Odisha.

**OBJECTIVES OF THE STUDY :**

The present study attempts to make critical evaluation in performance of MSMEs in promoting socio-economic development of poor in rural Odisha. The specific objectives of this study are as follows.

- To examine the performance of MSMEs in the development of socio-economic condition of rural poor.
- To make an analysis of Products of MSMEs.
- To know the growth and performance of MSMEs in terms of Units setup, Production, Employment generation and Exports in India as well as Odisha.
- To suggest recommendations and suggestion on performance of MSMEs as catalyst to rural development.

**RESEARCH METHODOLOGY :**

**Data Sources:**

The present study is based on certain facts and data, which are collected from the following sources.

- The secondary data includes annual report of MSME, Economic Survey of Odisha, MSME Department, Govt. of Odisha and RBI website other related research articles.

**Tools and Techniques**

The most appropriate research tools like: Anova, ratio, percentage etc. are used to analyze the effectiveness of MSMEs in promoting the socio-economic condition of rural poor households in Odisha.

**DATA ANALYSIS AND INTERPRETATION :**

**Table – 1**

**Growth of MSMEs in Odisha**

Year	MSME units setup (cummulative)	MSME units setup during the year	Investment made (Rs. in Crore)	Employment generated (persons)
2006-07	92417	4556	271.14	20839
2007-08	97127	4710	295.51	23301
2008-09	101933	4806	227.92	20996
2009-10	106840	4907	292.34	23195
2010-11	111856	5016	395.02	24451
2011-12	117361	5505	500.73	30387
2012-13	123292	5931	432.90	27104
2013-14	130301	7009	699.44	32136

Source : Economic survey, Govt. of Odish, BBSR, 2014-15.

Table-1 depicted that there is a consistent growth of MSMEs in Odisha during 2007-14. The year 2013-14 witnessed highest number of MSMEs with capital worth Rs.699.44 crore and huge employments. The lowest units of MSME was 4556 in the year 2006-07 with investment Rs.271.14 crore. The MSMEs are the biggest employment providers in rural Odisha next to agriculture. During 2008-09, growth trend employments in MSMEs was in decreasing trend.

**Table – 2**

**Sector-wise MSME units in Odisha by the end of 2013-14**

Sl No.	Category	No. of Units set-up	Investment (Rs. In crore)	Employment (per sons)
1	Food & Allied	27284	1557.86	147543
2	Chemical & Allied	3038	259.67	23684
3	Electrical & Electronics	1204	72.31	7655
4	Engineering & Metal based	13887	1021.99	101281
5	Forest & wood based	7572	99.79	46749
6	Glass & Ceramics	9257	660.15	143320
7	Livestock & Leather	465	7.89	2605
8	Paper & Paper products	3187	140.16	17537
9	Rubber & Plastics	1858	238.78	11570
10	Textiles	9162	200.45	53411
11	Misc. manufacturing	6946	219.59	33310
12	Repairing & Services	46441	1160.36	149813
	Total	130301	5639.00	7,38,478

Source : Directorate of Industries, Odisha, Cuttack

Table-2 shows that the maximum number of MSMEs belongs to the repairing and services sub-sector (32.29%). Food and allied sector occupies 22.20% in total MSME units set up. It is the engineering and metal sector which occupies 11% in total MSME units set-up. Similarly, Textiles Glass and Ceramic occupy 7.45%, 7.31% respectively in total MSMEs. Forest and wood (6.07%), Misc. Manufacturing (5.58%), Paper & paper products (2.57%), Chemical and allied sector (2.55%) of the total number of MSME units by the end of 2013-14. The livestock and leather sector is the last in number in terms of MSME units set-up.

**MSMEs’ contribution in enhancing exports growth :**

MSMEs sector plays a major role in India’s present export performance. This sector contributes 45%-50% of the Indian exports. The export constitutes direct export for nearly 35% and indirect 15% to exports. As per the data available in Economic Survey, Odisha at the end of 2011-12, there were 344 export-

ers in Odisha and 22,012 Industrial units including 2,285 small scale registered units. Nearly 5,225 samples were tested in the six testing laboratories and Rs. 12.70 lakh of testing fees were collected in 2011-12.

#### OPPORTUNITIES AND POTENTIALITIES IN MSMEs :

The opportunities of growth in the MSMEs sector are enormous due to the following factors:

- Less Capital Intensive.
- Extensive Promotion & Support by Government.
- Reservation for Exclusive Manufacture by small scale sector.
- Funding - Finance & Subsidies. ;
- Raw Material Procurement
- Manpower Training
- Cluster programme for development of technical & entrepreneurial skills.
- Reservation for exclusive purchase by government
- Due to export growth.
- Growing in demand in the domestic market size.

#### CHALLENGES FACED BY MSMEs :

Small is beautiful. MSMEs have commendable contribution to the rural economy as well as national economy at large. But MSME Sector facing financial constraints and does not get the required support from the concerned Government Departments, Banks, Financial Institutions and Corporate. MSMEs face a number of problems and constraints in their path of progress. They are as follows:

- Lack of adequate and timely funding.
- Limited capital and knowledge.
- Non-availability of suitable technology with limited sources,
- Lower production.
- Lack of marketing scope.
- Globalization impact
- Cut throat competition with big sectors.
- Non availability of highly skilled labour at affordable cost.
- FDI in retail sector etc.

Despite the various challenges in the way of progress, the MSME sector has performed exceedingly well and enabled our country to achieve a wide measure of industrial growth and diversification. SSI sector has made significant contributions to employment generation and also to rural industrialization. This sector is ideally suited to build on the strength of our traditional skills and knowledge, by infusion of technologies, capital and innovative marketing practices.

#### GOVERNMENT POLICY IN PROMOTION OF MSMEs :

According to Odisha MSME Development Policy, 2009, the Government has given top priority on the following areas of MSMEs in the state :

- The policy lays emphasis on addressing the infrastructural needs of MSMEs on priority. There is provision for reservation of minimum 20% of land in all industrial estates, industrial parks, industrial corridors and land banks for MSMEs.
- This policy has emphasized on constitution of a credit monitoring group to monitor and facilitate the flow of institutional credit to MSMEs. Launching of "Orissa MSME Venture Capital Scheme" will stimulate promotion of new entrepreneurs, technologies and innovations.
- To boost forward linkage, State Government will ensure procurement of goods and services by the government departments and agencies from MSMEs located within the State via rate contract system.
- Setting up of specialized / focused industrial area / park for MSMEs.
- To promote entrepreneurial spirit amongst the educated youth.
- Enhance competitiveness of MSMEs through clusterisation.

- Convergence of schemes and resources.
- Sector specific Ancillary and Downstream industrial parks shall be set up by IDCO preferably in association with mother plants.
- Commercial banks and financial institutions shall be encouraged to set up dedicated branches for MSMEs to provide business loan at concessional industrial rate.
- The District Industrial Centre (DIC) was set up at district level to provide necessary support services to the MSMEs for their growth and development.

#### CONCLUSION:

The present study revealed that there is a continuous growth of number of MSME units. The growth story of these sectors enhances production, employment and exports of the state as well as in our country. According to Economic Survey of Odisha, 2011-12, the anticipated growth rate of Odisha is estimated at 7.18% as against all India anticipated growth of 6.9% in 2011-12. The State Odisha inherent to its location, natural resources has tremendous potentialities to create ample opportunities in small business in various sectors. Entrepreneurship development is considered as a key factor to fight against unemployment, poverty and achieve overall socio-economic growth in our state. Last but not the least, growth rate of MSMEs is very good and healthy sign towards progress and prosperity of Odisha.

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