



Role of Micro Small and Medium Enterprises (MSMEs) in Indian Economy

**Dr.Shivalingapp.
G.Vibhuti**

Research Guide, Bharathiar University, Coimbatore, Tamil Nadu

**Prof.Gururaj.
Shivaraj.Barki**

Research scholar, Bharathiar University, Coimbatore, Tamil Nadu

ABSTRACT

A country development is mainly depends on the two sectors, one is manufacturing and second one is service sector. The majority of the service sector task starts and depends on the manufacture. In fact the service industry is depends solely on manufacture. The role of manufacture plays vital role on the development of strong economy of the country. The manifest capacity of Micro, Small and Medium Enterprises (MSMEs) around the world for driving economic growth and development at regional, national and global levels cannot be overemphasized. As India gears up to retrace the high growth path, the MSME sector assumes a pivotal role in driving the growth engine. The MSME sector in India continues to demonstrate remarkable resilience in the face of trialing global and domestic economic circumstances. The MSMEs sustained the annual growth rate ten over the last few years. The government of India has stard the Make in India concept. The Make in India a global hub for manufacturers, how it impacts on the sector of MSMEs and contribution towards the development of the nation. The present paper focuses on the role of MSMEs in Indian economy.

KEYWORDS

Growth, Sectors, Service, Manufacture, MSMEs, Make in India

Introduction

The Micro Small and Medium Enterprises in India is boost to the economy, in the form of gross domestic product of the country and employment opportunity. The success rate of the manufacturing sector especially the MSMEs is incubator to the other sectors. In fact the significance of MSMEs is important avenue for employment generation in India, low capital requirement and technology requirement, also needs promotion of industrial development especially in the rural areas, with the usage of traditional method or practice of manufacture or inherited skill to manufacture, effective use of local resources, mobilization of resources and to export the products. According to the approximation of the Ministry of MSMEs, Government of India, the sector generates around hundred million jobs through over forty six thousand millions of units situated all over the country. Also 38% of contribution to the nation's GDP and more than 40% share of the overall exports and manufacturing output, it is clear with this information that the MSMEs plays major role in the country development, social and economic restructuring of India through that it also helps in Make in India global hub for manufactures.

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.

Ravin Kadian and Aarti Chahal(2015)¹, 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)² - "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)³, "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)⁴, "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)⁵ "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

1. The following are the objectives of the study.
2. To know and understand the classification of MSMEs on investment limits.
3. To study the contribution and performance of MSMEs in Indian economy.
4. Key challenges faced by the MSMEs.

Methodology

The present study is based secondary date collected from the official websites ministry of MSMEs, annual reports, journals and books. Researcher used the statistical tools such as average, SD, variance and CAGR to analyze and interpret the data.

Classification of MSMEs

MSMEs Act, 2006 revised the definition of Micro, Small and Medium Enterprises as given below-

Table – 01: Classification of MSMEs

Class/Category	Manufacturing	Service
Micro Enterprises	Investment upto Rs.25 lakhs	Investment upto Rs.10 lakhs

Small Enterprises	Investment above Rs.25 lakh and upto Rs.5 crore	Investment above Rs.10 lakh and upto Rs.2 crore
Medium Enterprises	Investment above Rs.5 crore and upto Rs.10 crore Advertisement	Investment above Rs.2 crore and upto Rs.5 crore Advertisement

Source : As per MSMEs Act 2006

Contribution and performance of MSMEs

Table – 02 Number of Entrepreneurs Memorandum Part-II

Years	Micro	Small	Medium	Total
2007-08	156051	17777	491	174319
2008-09	171031	18757	690	190478
2009-10	186126	23999	1412	211537
2010-11	204064	29101	1260	234425
2011-12	242606	34192	2939	279737
2012-13	275867	41502	5449	322818
2013-14	296526	59127	7338	362991
2014-15	346206	70933	8219	425358
Average	234809.625	36923.5	3474.75	275207.875
CAGR	10.47%	18.88%	42.22%	11.80%

Source: Annual report 2014-15

The average growth rate in micro small and medium enterprises respectively is 234809.625, 36923.5 and 3474.75. Also the above table shows the compound annual growth rate is 10.47%, 18.88% and 42.22% respectively in micro, small and medium enterprises. The Medium enterprises dominates.

Table – 03 Fourth All India Census of MSMEs

S. No.	Characteristics	Registered Sector	Unregistered Sector	Economic Census-2005	Total
1	Size of Sector (in Lakh)	15.64	198.74	147.38	361.76
2	No. of rural units (in Lakh)	7.07 (45.20%)	119.68 (60.22%)	73.43 (49.82%)	200.18 (55.34%)
3	No. of Women Enterprise (in Lakh)	2.15 (13.72%)	18.06 (9.09%)	6.40 (4.34%)	26.61 (7.36%)
4	Total Employment (in Lakh)	93.09	408.84	303.31	805.24
5	Per Unit Employment	5.95	2.06	2.06	2.23
6	Total original value of plant & machinery (in Lakh)	10502461	9463960	--	19966421
7	Per unit original value of Plant & machinery	6.72	0.48	--	
8	Total fixed investment (in Lakh)	44913840	24081646	--	68995486
9	Per unit fixed investment (in Lakh)	28.72	1.21	--	
	Total Gross Output (in Lakh)	70751027	36970259	--	107721286

Source: Annual report 2014-15

The above data represents the number of employment, units per employment and also shows investment in the MSMEs is better.

Table – 04 Performances of SSI/MSMEs, Employment and Investment

S. No	Year	Total Working Enterprises (in Lakh)	Employment (in Lakh)	Market Value of Fixed Assets (in Lakh)
1	2006-07	361.76	805.23	868,543.79
2	2007-08#	377.36	842	920,459.84
3	2008-09#	393.7	880.84	977,114.72
4	2009-10#	410.8	921.79	1,038,546.08
5	2010-11#	428.73	965.15	1,105,934.09
6	2011-12#	447.64	1,011.69	1,182,757.64
7	2012-13#	467.54	1,061.40	1,268,763.67
8	2013-14#	488.56	1,114.29	1,363,700.54
9	2014-15#	510.57	1,171.32	1,471,912.94
	Average	431.85	974.86	1133081.48
	Std Dev	50.90	125.03	205565.38
	Variation	11.79	12.83	18.14

Source: Annual report 2014-15 # projected data

The standard deviation and variation of the total working enterprises and employment is more consistent compared to market value of assets. The market value of fixed assets is more variable is there. The generation of employment by MSMEs is consistent and increase in trend.

Challenges faced by the MSMEs

MSME sector to face the challenges of liberalization.

One of the major challenges faced by MSMEs is inadequate access to finance due to lack of financial information and non-formal business practices.

They have to continuously update themselves to meet the challenges emerging out of changes in technology, changes in demands, emergence of new markets, etc

More challenges on the cluster governance systems with the active participation of the stakeholders and to gauge the emerging challenges.

Operational challenges such as sparse population, infrastructural bottlenecks, particularly transport and order conditions.

Lack of any documented financial information is one of the major challenges in the underwriting process.

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 un-

leash 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.

References

1. Ravin Kadian and Aarti Chahal(2015)- Make India Innovative And Competitive: Role Of MSMEs. International Journal of Research in Social Sciences and Humanities. Vol. No. 5, Issue No. III, Jul-Sep 2015.
2. Garg, Ishu. And Walia, Suraj. (2012), "Micro, Small & Medium Enterprises (MSME s) In Post Reform India: Status & Performance", International Journal of Latest Trends in Engineering and Technology (IJLET) Vol. 1, Issue 3 September 2012
3. Singh, R., Verma, O.P, and Anjum, B. (2012), "Small Scale Industry: An Engine of Growth", Zenith International Journal of Business Economics & Management Research, Vol.2 Issue 5. Online available at <http://www.zenithresearch.org.in> Singh et al. (2012)
4. Bargal, H., Dashmishra, M., and Sharma, A. (2009), "Performance Analysis of Small Scale Industries – A Studyof Pre-liberalization and Post-liberalization period", International Journal of Business and Management, Vol 1, No 2. Bargal et al
5. Rajesh K. Singh, Suresh
6. K. Garg, S.G. Deshmukh, (2008) "Strategy development by SMEs for competitiveness: a review", Benchmarking: An International Journal, Vol. 15 ISSN: 5, pp.525 – 547.
7. www.msmeindia.com
8. MSMEs annual report 2014-15
9. www.google.com
10. www.money control.com