

Role of Micro, Small and Medium Enterprises in Inclusive Growth

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ABSTRACT

The Micro, Small and Medium Enterprise sector is crucial to India's economy. There are 30 million enterprises in various industries, employing 69 million people. Together, these account for 45% of the industrial output and 40% of the exports. Although 95% of Micro, Small and Medium Enterprise units are informal in nature, the contribution of the sector to India's GDP has been growing consistently at 11% per annum, higher than overall GDP growth of 7-8%. Nationwide, Micro, Small and Medium enterprises (MSMEs) have been acknowledged as the engine of economic acceleration and for promoting unbiased progress. The finest benefit of this sector is employment generation for the development of Indian economy by increasing of standard of living of the people. In this background researcher made an attempt to study the role of small, micro and medium enterprises in inclusive growth of Indian economy.

Keywords: MSMEs, industrial sector, economy etc,

I. INTRODUCTION

The role of micro, small and medium enterprises (MSMEs) in the economic and social development of the country is well established. The MSME sector is a nursery of entrepreneurship, often driven by individual creativity and innovation. This sector contributes 8 per cent of the country's GDP, 45 per cent of the manufactured output and 40 per cent of its exports. The MSMEs provide employment to about 60 million persons through 26 million enterprises. The labour to capital ratio in MSMEs and the overall growth in the MSME sector is much higher than in the large industries. The geographic distribution of the MSMEs is also more even. Thus, MSMEs are important for the national objectives of growth with equity and inclusion. The micro, small and medium enterprises (MSME) sector contributes significantly to the manufacturing output, employment and exports of the country. It is estimated that in terms of value, the sector accounts for about 45 per cent of the manufacturing output and 40 percent of the total exports of the country. The sector is estimated to employ about 42 million persons in over 13 million units throughout the country. Further, this

sector has consistently registered a higher growth rate than the rest of the industrial sector. There are over 6000 products ranging from traditional to high-tech items, which are being manufactured by the MSMEs in India. It is well known that the MSMEs provide the maximum opportunities for both self-employment and jobs after agriculture.

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. While one end of the MSME spectrum contains highly innovative and high growth enterprises, more than 94 per cent of MSMEs are unregistered, with a large number established in the informal or unorganized sector. Besides the growth potential of the sector and its critical role in the manufacturing and value chains, the heterogeneity and the unorganized nature of the Indian MSMEs are important aspects that need to be factored into policy making and programme implementation.

Micro, Small and Medium Enterprises (MSMEs), including khadi and village/rural enterprises are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. They also play a key role in the development of economies with their effective, efficient, flexible and innovative entrepreneurial spirit. The socio-economic policies adopted by India since the Industries (Development and Regulation) Act, 1951 have laid stress on MSMEs as a means to improve the country's economic conditions.

The majorities of people living in rural areas draw their livelihood from agriculture and allied sectors. However, the growth and balanced development of other sectors such as industry and services is also necessary to sustain the growth of Indian economy in an inclusive manner. The Government of India is striving to improve the economic and social conditions of rural population and non-farm sector through a host of measures including creation of productive employment opportunities based on optimal use of local raw materials and skills as well as undertaking interventions aimed at improving supply chain; enhancing skills; upgrading technology; expanding

markets and capacity building of the entrepreneurs/artisans and their groups/collectives.

The primary responsibility of promotion and development of MSMEs is of the State Governments. However, the Government of India, supplements the efforts of the State Governments through various initiatives. The role of the Ministry of Micro, Small and Medium Enterprises (M/o MSME) and its organizations is to assist the States in their efforts to encourage entrepreneurship, employment and livelihood opportunities and enhance the competitiveness of MSMEs in the changed economic scenario.

The schemes/programmes undertaken by the Ministry and its organizations seek to facilitate/provide:

- Adequate flow of credit from financial institutions/banks
- Support for technology up gradation and modernization
- Integrated infrastructural facilities
- Modern testing facilities and quality certification
- Access to modern management practices
- Entrepreneurship development and skill up gradation through appropriate training facilities;
- Support for product development, design intervention and packaging
- Welfare of artisans and workers
- Assistance for better access to domestic and export markets and
- Cluster-wise measures to promote capacity-building and empowerment of the units.
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II. DEFINITIONS OF MICRO, SMALL & MEDIUM ENTERPRISES

In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes:
 (a) **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 Enterprise is defined in terms of investment in Plant & Machinery.
 (b) **Service Enterprises:** The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.

The limit for investment in plant and machinery/equipment for manufacturing / service enterprises, as notified, vide S.O. 1642(E) dtd.29-09-2006 are as under:

Manufacturing Sector	
Enterprises	Investment in plant & machinery
Micro Enterprises	Does not exceed twenty five lakh rupees
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees
Medium Enterprises	More than five crore rupees but does not exceed ten crore rupees
Service Sector	
Enterprises	Investment in equipments
Micro Enterprises	Does not exceed ten lakh rupees:
Small Enterprises	More than ten lakh rupees but does not exceed two crore rupees
Medium Enterprises	More than two crore rupees but does not exceed five core rupees

III. NEED OF STUDY

The micro, small and medium enterprises (MSMEs) has been accepted as the engine of economic growth and promoting equitable development. In this position researcher made an attempt study to the contribution made by micro, small and medium enterprises for the Indian economic growth.

Objectives:

1. To understand the concept of micro, small and medium enterprises.
2. To study the MSMEs performance in India
3. To study the Products of MSMEs in India
4. To recognize the contribution of MSMEs in Indian GDP
5. To identify the number of enterprises and employment of MSMEs
6. To offer suggestions based on findings of the study

IV. SCOPE

The present study is confined to MSMEs of India

V. DATA COLLECTION

To achieve the aforesaid objectives data is gathered form secondary sources like annual reports of

VI. RESULTS

Performance Micro, Small and Medium Enterprises (MSMEs)

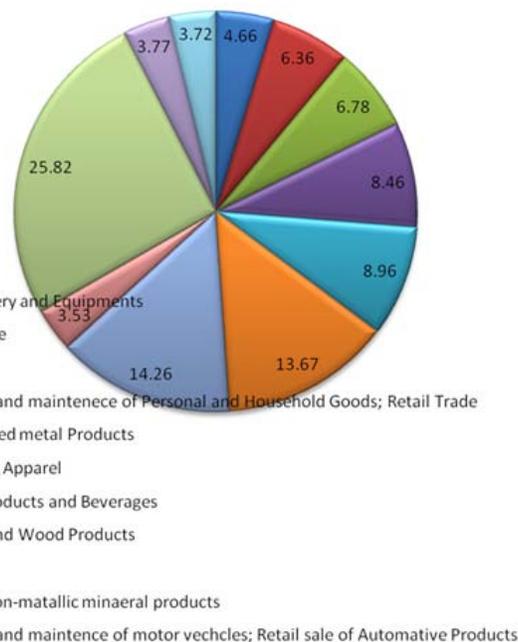
Year	Total working MSMEs (Lakh numbers)	Employment (Lakh Persons)	Fixed investments (Rs. Crore)	Production (Current Price) (Rs. Crore)	Exports (Rs. Crore)
2001-02	105.21(4.07)	249.33(4.44)	154349(5.11)	282270(8.03)	71244(2.07)
2002-03	109.49(4.07)	260.21(4.36)	162317(5.16)	314850(11.54)	86013(20.73)
2003-04	113.95(4.07)	271.42(4.31)	170219(4.87)	364547(15.78)	97644(13.52)
2004-05	118.59(4.07)	282.57(4.11)	178699(4.98)	429796(17.90)	124417(27.42)
2005-06	123.42(4.07)	294.91(4.37)	188113(5.27)	497842(15.83)	150242(20.76)
2006-07	261.12(111.57)	595.66(101.98)	500758(166.20)	709398(42.49)	182538(21.50)
2007-08	272.79(4.47)	626.34(5.15)	558190(11.47)	790759(11.47)	202017(10.67)
2008-09	285.16(4.53)	659.35(5.27)	621753(11.39)	880805(11.39)	N.A.
2009-10 ¹	298.08(4.53)	695.38(5.46)	693835(11.59)	982919(11.59)	N.A.
2010-11 ²	311.52(4.51)	732.17(5.29)	773487(11.48)	1095758(11.48)	N.A.

Source: Ministry of MSMEs Annual Report 2011-12

VII. ANALYSIS

The above table depicts the contribution of micro, small and medium enterprises (MSMEs) sector significantly to the manufacturing output, employment and exports of the country. It is estimated that 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 the country. The sector is estimated to employ about 595 lakh persons in over 261 lakh enterprises throughout the country. Further, this sector has consistently registered a higher growth rate than the rest of the industrial sector.

Note: the figures in brackets show the percentage growth over the previous year. The data for the period up to 2005-06 is Small Scale Industries (SSI). Subsequent 2005-06, data with reference to Micro, Small and Medium Enterprises are being compiled. The growth for the year 2010-11 is based on the average growth rate for the previous three years.



Source: Ministry of MSMEs Annual Report 2011-12

INTERPRETATION: There are over 6000 products ranging from traditional to high-tech items, which are being manufactured by the MSMEs in India. It is well known that the MSMEs provide good opportunities for both self-employment and wage employment.

Contribution of MSEs in GDP

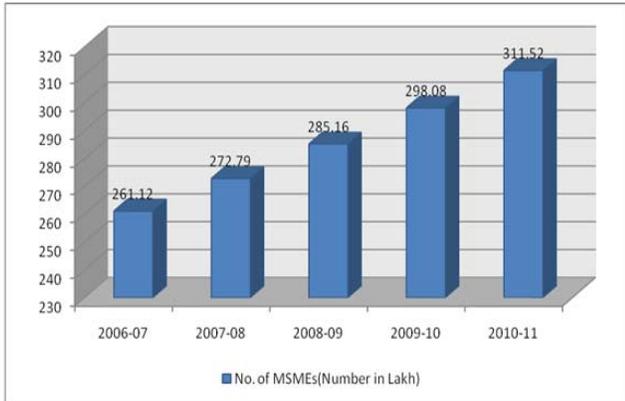
Year	Total industrial Production	Gross Domestic Product (GDP)
2004-2005	38.62	5.84
2005-2006	38.56	5.83
2006-2007	45.62	7.20
2007-2008	45.24	8.00
2008-2009	44.86	8.72

(Contribution of MSEs (%) at 1999-2000 prices in). The data for the period up to 2005-2006 is for Small Scale Industries (SSI). Source: Ministry of MSMEs Annual Report 2011-12

VIII. ANALYSIS

The above table reveals that, the contribution of MSEs to GDP, as researcher notify that the contribution of MSEs to Indian GDP is progressively increasing.

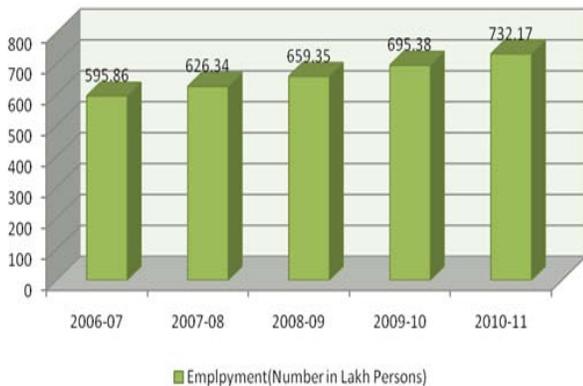
Number of Enterprises in MSMEs Sector



projected data for the year 2009-10 to 2010-11, Source: Ministry of MSMEs Annual Report 2011-12

INTERPRETATION: The above graph depicts the number of enterprises in MSMEs sector since 2006-07 to 2010-11, number of enterprises in MSMEs progressively growing.

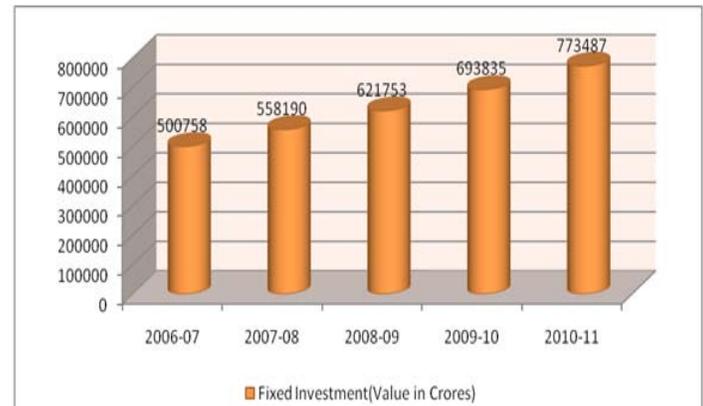
Employment in MSME Sector



#projected data for the year 2009-10 to 2010-11, Source: Ministry of MSMEs Annual Report 2011-12

INTERPRETATION: The total employment in the MSMEs sector in the country as per the Final Report of the Fourth Census of MSMEs 2006-07: Registered Sector was 93.09 lakh persons. As per the estimates compiled for the year 2010-11, the employment was 732.17 lakh persons in the MSMEs sector

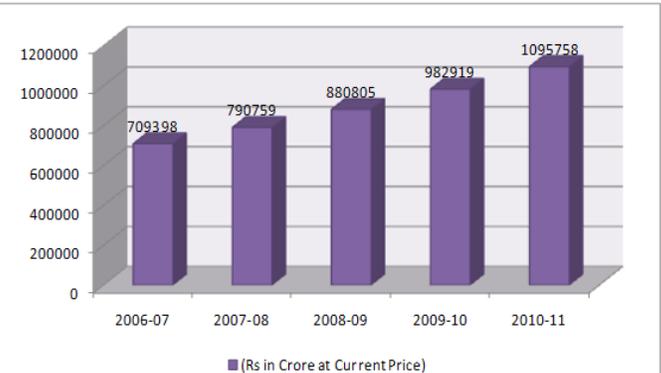
Fixed Investment in MSMEs Sector



#projected data for the year 2009-10 to 2010-11, Source: Ministry of MSMEs Annual Report 2011-12

INTERPRETATION: The above graph reveals the total fixed investment in MSMEs sector since 2006-07 to 2010-11.

Production in terms of Gross Output in MSMEs Sector



projected data for the year 2009-10 to 2010-11, Source: Ministry of MSMEs Annual Report 2011-12

INTERPRETATION: The above graph depicts the production in terms of Gross Output in MSMEs sector

IX. MAJOR ISSUES CONCERNING THE MSME SECTOR

- Lack of availability of adequate and timely credit;
- High cost of credit;
- Collateral requirements;
- Limited access to equity capital;
- Problems in supply to government departments and agencies;

- Procurement of raw materials at a competitive cost;
- Problems of storage, designing, packaging and product display;
- Lack of access to global markets;
- Inadequate infrastructure facilities, including power, water, roads, etc.;
- Low technology levels and lack of access to modern technology;
- Lack of skilled manpower for manufacturing, services, marketing, etc.;
- Multiplicity of labour laws and complicated procedures associated with compliance of such laws;
- Absence of a suitable mechanism which enables the quick revival of viable sick enterprises and allows unviable entities to close down speedily; and
- Issues relating to taxation, both direct and indirect, and procedures thereof.

[3] “Ministry of Micro, Small & Medium Enterprises, 2007: Micro, Small and Medium Enterprises in India: An Overview”, Ministry of Micro Small and Medium Enterprise, Government of India

[4] MSME Development Act 2006, Ministry of MSME, Government of India

X. CONCLUSION

The MSME sector has habitually been termed the ‘engine of growth’ for budding economies. Over the last few years, there have been major policy changes at the national and state level aimed at consolidating and emergent this sector. Poor infrastructure and insufficient market linkages are among key factors that have embarrassed the growth of the MSMEs sector. Along with lack of ample and appropriate access to finance has continued to be the biggest challenge.

The support given by the national and the state governments to the MSMEs is not adequate enough to solve their problems. However for the sector to fully utilize its potential, it is essential that the entrepreneurs along with the government support take necessary steps for further development. It is quite evident that, nurturing this sector is essential for the economic well-being of the nation.

With the above constraint also the growth of MSMEs over the period of time in India is creditable but still lot of scope is there for the upliftment of MSMEs sector. In this regard it is the need of minute have gaze by state as well as central government to take appropriate measures for further improvement of MSMEs sector.

REFERENCES

[1] Annual Reports for 2011-12, Ministry of Small Scale Industries, Government of India

[2] “Micro, Small and Medium Enterprises Development Act – Background Paper”, Jessica Wade, Small Enterprise Finance Centre, IFMR.