



ROLE OF MSMEs(MICRO, SMALL AND MEDIUM ENTERPRISES) IN SOCIAL AND ECONOMIC WELL BEING OF INDIA

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ABSTRACT

Over the past fifty years, the Micro, Small, and Medium Enterprises (MSME) sector has grown to be a very active and dynamic area of the Indian economy. MSMEs not only play a significant role in creating many job opportunities at capital costs that are comparably lower than those of large industries, but they also aid in the industrialization of rural and underdeveloped areas, thereby reducing regional imbalances and ensuring a more equitable distribution of income and wealth across the country. MSMEs serve as ancillary units to large enterprises and make significant contributions to the nation's socioeconomic development. Micro, Small, and Medium-Sized Enterprises (MSME) account for about 8% of the GDP, 45% of manufacturing production, and 40% of exports in the nation. After agriculture, they are the second major source of employment. They serve as the incubators for innovation and entrepreneurship. They are widely scattered throughout the nation and generate a wide variety of goods and services to satisfy the demands of regional, national, and international value chains as well as local and worldwide markets. With the use of economic indicators, such as the number of units produced, employment, and production, the current article attempts to analyse critically the role of MSMEs in the economic development of the nation.

KEYWORDS: Employment, export, Annual Average Growth Rate (AAGR), Micro, Small and Medium Enterprises (MSMEs), Globalisation

1. INTRODUCTION

1.1 Over the past fifty years, the Micro, Small, and Medium-Sized Enterprises (MSME) sector has grown to be a very active and dynamic area of the Indian economy. MSMEs not only play a significant role in creating many job opportunities at capital costs that are comparably lower than those of large industries, but they also aid in the industrialization of rural and underdeveloped areas, thereby reducing regional imbalances and ensuring a more equitable distribution of income and wealth across the country. MSMEs serve as ancillary units to large enterprises and have a significant positive impact on the nation's socioeconomic development.

1.2 Our nation's founding father and the proudest legacy of the national independence fight is Khadi. Indian national treasures include khadi and village industries (KVI). The fact that KVI generates employment at a very low per capita investment is one of the project's most important features for the Indian economy. The KVI Sector not only meets the country's enormous rural sector's basic demands for

processed commodities, but it also offers rural craftsmen long-term work. KVI currently stand for a fine legacy product that is both ethical and "ethnic." It could have a sizable clientele in the middle and upper classes of society.

1.3 The coir industry is a historic agricultural sector that started in Kerala and has spread to neighbouring states that produce coconuts, including Tamil Nadu, Karnataka, Andhra Pradesh, Orissa, West Bengal, Maharashtra, and Assam. Because of its reputation as being "environmentally friendly," Coir products are now much more widely accepted.

1.4 The Ministry of Micro, Small, and Medium Enterprises (M/o MSME) aspires to a thriving MSME sector by fostering the expansion and development of the MSME Sector, including Khadi, Village, and Coir Industries, in partnership with relevant Ministries/Departments, State Governments, and other Stakeholders, by offering assistance to current businesses and fostering the start-up of new ones.

1.5 In 2006, notification of the Micro, Small and Medium Enterprises Development (MSMED) Act was made. The Act creates the first-ever legal foundation for the idea of "enterprise" to be recognised. According to the Act, businesses can be roughly divided into those involved in (i) manufacturing and (ii) offering/providing services. Based on their investment in equipment (in the case of businesses offering or performing services) or in plant (in the case of manufacturing businesses), both categories have been further divided into micro, small, and medium businesses.

Manufacturing businesses can invest up to Rs. 25 lakh in microbusinesses, Rs. 25 lakh to Rs. 5 crore in smallbusinesses, and Rs. 5 crore to Rs. 10 crore in medium businesses.

Service businesses: (a) Micro businesses require investments of up to Rs. 10 lakh; (b) small businesses require investments ranging from Rs. 10 lakh to Rs. 2 crore; and (c) medium businesses require investments ranging from Rs. 2 to Rs. 5 crores.

The Act aims to boost these businesses' competitiveness while also facilitating their growth. The Act also establishes a legislative consultation structure with broad advisory responsibilities and balanced representation of all stakeholder groups at the national level, particularly the three classes of firms. The creation of dedicated funds for the development, promotion, and improvement of these businesses' competitiveness; the announcement of programmes and schemes for these purposes; progressive credit policies and practises; preference for goods and services from micro and small businesses in government procurements; Some of the other aspects of the Act include guarantee of a plan to ease the closing of operation by these firms and the promise of more effective systems for reducing the issues of delayed payments to micro and small enterprises. In order to support MSMEs and help them scale up, this Ministry now develops policies, promotes/facilitates programmes, projects, and schemes, and supervises their execution.

2. LITERATURE REVIEW

Sandesara (1993) examined the performance of SSIs producing reserved commodities using information from the Ministry of SSIs' second census. The study looked at the null hypothesis that SSI companies making reserved category products ought to outperform SSI companies making non-reserved products. According to the study's findings, reserved products had lower capacity utilisation and overall changes in production in 1987–88 than unreserved items did. It was unexpected that the SSI enterprises producing reserved items performed below expectations given that they were exempt from competition from the major firms. The author noted that this might be because too many SSI companies entered the protected zones.

The effects of globalisation on Micro, Small and Medium Enterprises (MSMEs) before and after liberalisation from 1973–1974 to 2008–2009 were examined by Sonia and Kansai Rajeev (2009). They calculated the Annual Average Growth Rate (AAGR) based on four economic parameters: the quantity of units produced, employment, export, and production. AAGR was higher in all of the chosen criteria during the pre-liberalization period (1973–1974 to 1989–1990) than it was during the post-liberalization period (1991–1992 to 2007–2008). They came to the conclusion that MSMEs did not do well after the reform.

Bhavani T.A. (2010) emphasises the problem of SSIs producing quality employment while rejecting the short-term mindset of expanding the quantity of employment generation at the expense of quality.

The author contends that while SSI employment generation may be great in quantity, it is quite low in quality. Small businesses would be able to create excellent jobs with improved pay, length, and skill thanks to technological advancement. This structural change might slow down the creation of jobs in the short term, but it would guarantee the creation of high-paying jobs in the long run.

SubrahmanyaBala (2011) investigated how globalisation affected the potential for exports of small businesses. According to the report, the proportion of SSI exports to overall exports grew during the protection period but essentially stalled throughout the period of liberalisation. However, compared to the protection period, the correlation coefficient is larger during the liberalisation phase, indicating that during the liberalisation period, the link between total export and SSI export has grown stronger. This might be because the SSI export items' composition has drastically changed from traditional to non-traditional, and because the SSI export items' participation to overall export has increased thanks to trading firms, export houses, and subcontracting relationships with big businesses. Therefore, it is important to emphasise the existing strategy of boosting competitiveness through the application of better technology, financial management, and marketing strategies.

According to Venkatesh and Muthiah's (2012) research, small and medium-sized businesses are playing an increasingly important role in the industrial sector and are now a key driver of future growth. They emphasised the need of supporting the SME sector for the country's economic health. The literature mentioned above sheds light on the performance, growth, and issues faced by MSMEs in the Indian economy and encourages further study in this area.

3. PURPOSE OF THE STUDY

The following are the study's main goals:

- 1) To investigate how India's Micro, Small, and Medium-Sized Enterprises (MSMEs) are evolving.
- 2) To assess the development and effectiveness of MSMEs in India.
- 3) To examine how MSMEs contribute to various economic metrics like production, employment, and the number of units.

4. DATABASES AND METHODS

The majority of the secondary data used in the study was gathered from the Ministry of Micro, Small and Medium Enterprises' annual reports. The study spans the years 2006–2007 to 2011–2012. The number of units, production, and employment have been used as parameters to analyse the success of MSMEs.

5. MSMEs' GROWTH AND PERFORMANCE

According to the findings of the Fourth All India Census of Micro, Small & Medium Enterprises (MSME), the sector makes a sizable contribution to the nation's employment, output, and number of

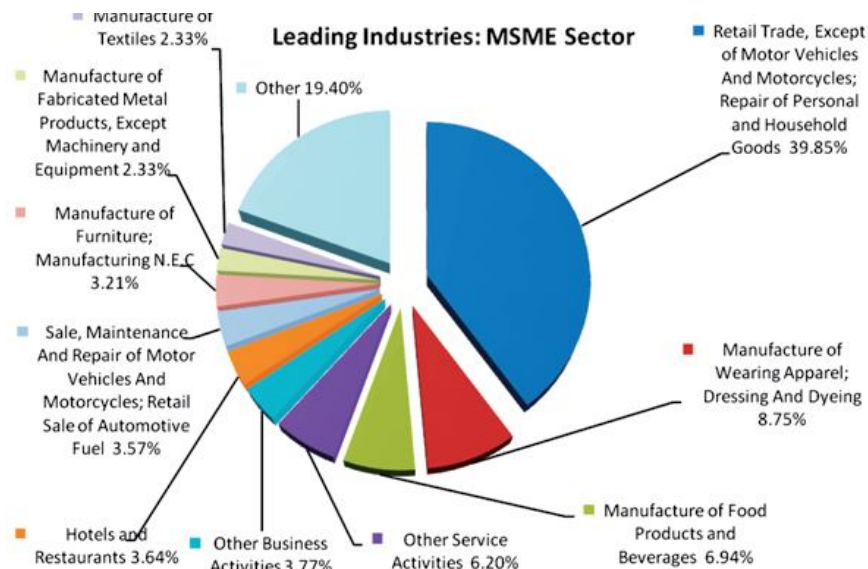
businesses. Using data from the Third and Fourth All India Census of SSI/MSME, as well as statistics from EC 2005 and the growth rates recorded for the Fourth (1998) and Fifth (2005), According to the Economic Census, the SSI/MSME Sector performed as follows: It should be mentioned that the unregistered sector was evaluated by conducting a sample survey of the sector for both the Third and Fourth All India Census of SSI/MSME.

TABLE :5.1
Performance of SSI / MSME Units, Employment and Output

Sr. no.	Year	Total working enterprises (in Lakhs)	Employment (in Lakhs)	Gross output (In Crore)
1.	2006-07	361.76	805.23	1351383.45
2.	2007-08	377.37	842.23	1435179.26
3.	2008-09	393.70	881.14	1524234.83
4.	2009-2010	410.82	922.19	1619355.53
5.	2010-2011	428.77	965.69	1721553.42
6.	2011-12	447.73	1012.59	1834332.05

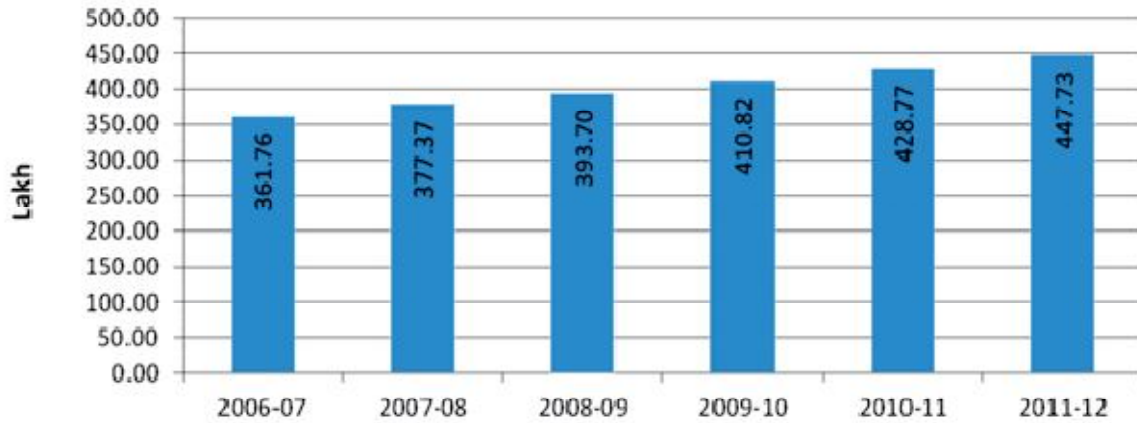
Source: Annual Reports of M/o MSMEs, Govt. of India

In addition to offering a wide range of services, the MSME sector manufactures about 6000 products, ranging from conventional to high-tech items. The following graph shows the top industries together with their corresponding shares:



Number of Enterprises in MSME Sector

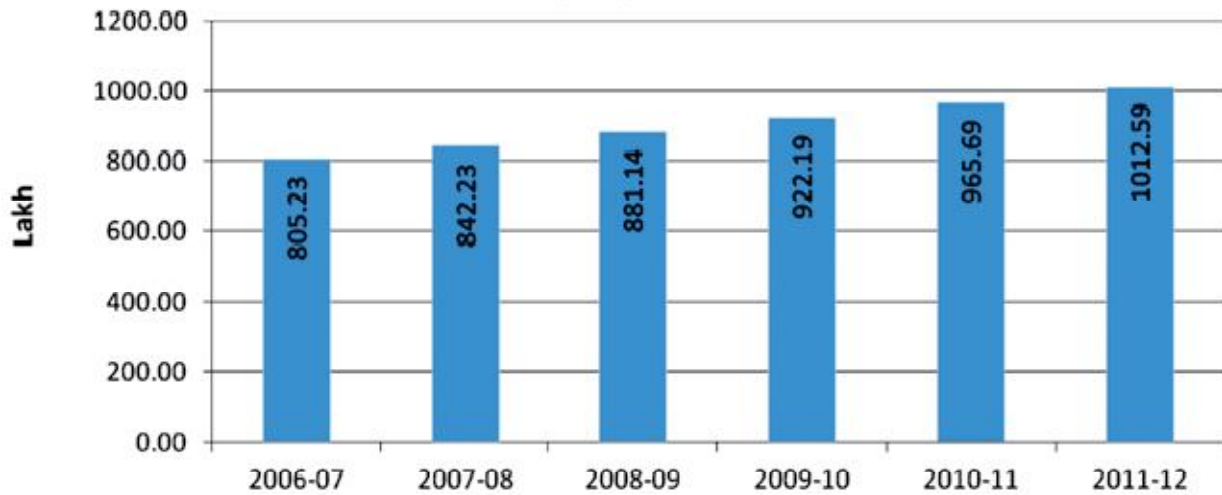
Working Enterprise



Source: Annual Reports of M/o MSMEs, Govt.ofIndia

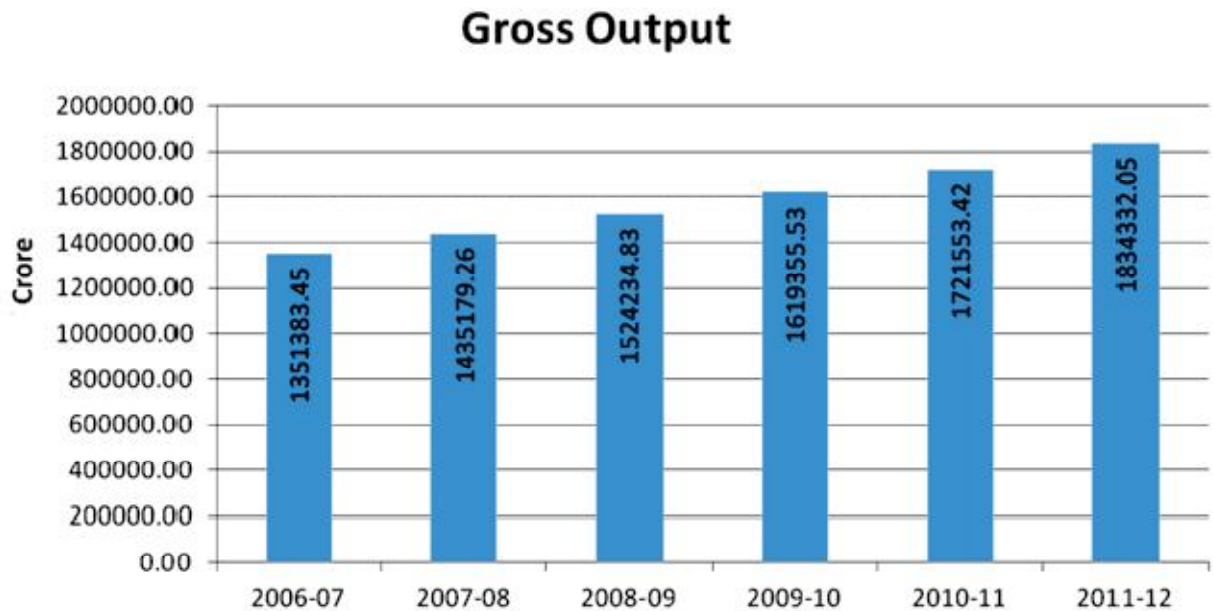
Employment in MSME Sector

Growth in Employment Employment



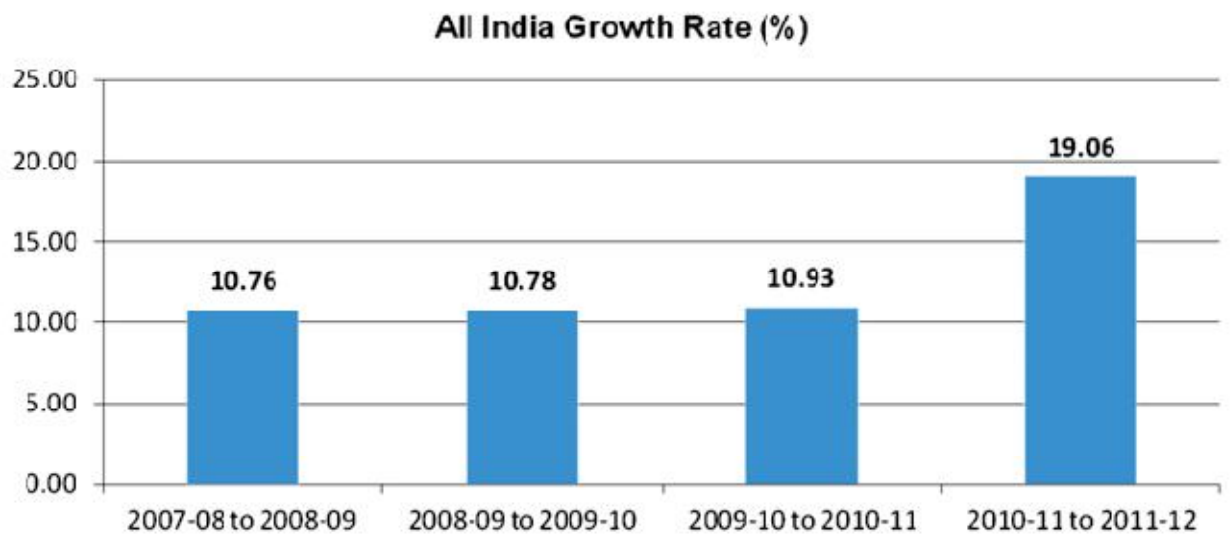
Source: Annual Reports of M/o MSMEs, Govt.ofIndia

Growth Output in MSME Sector



Source: Annual Reports of M/o MSMEs, Govt.ofIndia

Annual Growth Rate



6. CONCLUSION

1. Due to intense rivalry from major businesses, the loss of subsidies, a lack of infrastructure, anti-dumping laws, difficulties with product standardisation, comprehensive quality management, etc. have put MSMEs in India in a difficult position. Despite all the challenges, MSMEs significantly contribute to the nation's social and economic well-being. From 361.76 lakhs in 2006–2007 to 447.73 lakhs in 2011–2023, there were more firms overall, a 24% increase. The percentages of micro, small, and medium-sized businesses are 95.05%, 4.74%, and 0.21%, respectively, of all active businesses. This consists of 33.33% service businesses and 66.67% manufacturing

businesses. Proprietary businesses made up 90.36% of the registered MSME sector's businesses. Approximately 3.85% of the businesses were handled by partnerships, and 2.69% were run by private firms. The rest was owned by public limited companies, cooperatives, trusts, or other entities. Uttar Pradesh (44,03 lakh), West Bengal (36,64 lakh), Tamil Nadu (33,13 lakh), Maharashtra (30,63 lakh), Andhra Pradesh (25,96 lakh), Kerala (22,13 lakh), Gujarat (21,78 lakh), Karnataka (20,19 lakh), Madhya Pradesh (19,33 lakh), and Rajasthan (16,64 lakh) are the top ten states in terms of the number of businesses. According to the research, women owned and operated 13.85% (2,05,419) of the registered MSME units, compared to 13.83% of those that were really managed by women. The sector is still dominated by men.

2. The country's overall employment climbed from 805.23 lakh to 1012.59 lakh in 2011-2012, a 207.36 lakh (25.75%) increase in employment. This increase is due to an increase in the size of output and the number of businesses. The expansion of MSMEs has increased employment, which has improved the nation's economic and social well-being. According to employment, the top ten States are Uttar Pradesh (92.36 lakh), West Bengal (85.78 lakh), Tamil Nadu (80.98 lakh), Andhra Pradesh (70.69 lakh), Maharashtra (70.04 lakh), Kerala (49.62 lakh), Gujarat (47.73 lakh), Karnataka (46.72 lakh), Madhya Pradesh (33.66 lakh), and Odisha (33.24 lakh).
3. MSMEs had consistently grown at a rate of more than 10% each year up until 2010–11. In contrast, in 2011–12, the growth rate was 19%, or roughly twice as high as that seen in prior years.

Even if globalisation has somewhat boosted the competitiveness of Indian MSMEs, they still lack the necessary skills to compete with multinational corporations. The government's approach to MSMEs has changed significantly from one of protection to one of promotion. The government has made a number of policy decisions, but it must make sure that these plans are properly coordinated and implemented. In order to make a greater contribution to the social and economic well-being of the nation, MSMEs must turn the dangers of globalisation into opportunities through enhanced productivity, product diversification, supply chain management, and R&D activities.

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