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## GROWTH AND PERFORMANCE OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) IN INDIA

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### ABSTRACT

**T**he Micro, Small and Medium Enterprise (MSME) part is vital to India's economy. There are 29.8 million undertakings in different businesses, utilizing 69 million individuals. Taking all things together, the MSME part represents 45 percent of Indian mechanical yield and 40 percent of the fares. Despite the fact that 94 percent of MSMEs are unregistered, the commitment of the part to India's GDP has been developing reliably at 11.5 percent a year, which is higher than the general GDP development of 8 percent. The Micro, Small and Medium Enterprises part has developed as an exceptionally lively and dynamic area of the Indian economy in the course of the most recent five decades. sector of the Indian economy over the last five decades.

**KEYWORDS:** Micro, Small and Medium Enterprise (MSME), Gross Domestic Product (GDP),

### INTRODUCTION :

Micro, Small and Medium Enterprises (MSME) area has developed as a profoundly lively and dynamic part of the Indian economy in the course of the most recent five decades. MSMEs not just assume significant part in giving extensive work openings at similarly bring down capital cost than expansive ventures additionally help in industrialization of provincial and in reverse regions, along these lines, decreasing local irregular characteristics, guaranteeing more evenhanded conveyance of national salary and riches. MSMEs are integral to expansive ventures as subordinate units and this segment contributes tremendously to the financial advancement of the nation.

MSMEs not just assume critical part in giving business openings at nearly bring down cost of capital than huge scale ventures additionally help in foundation of industrialization of rustic and in reverse regions, which prompts to decrease local uneven characters and guarantee impartial appropriation of national wage and riches. MSMEs are correlative to expansive businesses as subordinate units and contribute hugely to the financial advancement of the nation.

### DEFINITION OF MSMES IN INDIA

(As Per Micro, Small & Medium Enterprises Development (MSMED) Act, 2006)



Manufacturing Enterprises – Investment in Plant & Machinery		
Description	INR	USD(\$)
Micro Enterprises	upto Rs. 25Lakh	upto \$ 62,500
Small Enterprises	above Rs. 25 Lakh & upto Rs. 5 Crore	above \$ 62,500 & upto \$ 1.25 million
Medium Enterprises	above Rs. 5 Crore & upto Rs. 10 Crore	above \$ 1.25 million & upto \$ 2.5 million

Service Enterprises – Investment in Equipments		
Description	INR	USD(\$)
Micro Enterprises	upto Rs. 10Lakh	Up to \$ 25,000
Small Enterprises	above Rs. 10 Lakh & upto Rs. 2 Crore	above \$ 25,000 & up to \$ 0.5 million
Medium Enterprises	above Rs. 2 Crore & upto Rs. 5 Crore	above \$ 0.5 million & up to \$ 1.5 million

### OBJECTIVES OF MSME

The Main objectives of MSME are as follows:

- i) Adequate flow of credit
- ii) Support for technology up gradation
- iii) Provide integrated infrastructural facilities
- iv) Entrepreneurship development
- v) Support for product development,
- vi) Assistance for better access to domestic and export markets
- x) Cluster-wise measures to promote capacity-building and empowerment of the units and their collectives.

### Main Classifications

**(i) Registered Sector:** Enterprises enlisted with District Industries Centers in the State/UTs., Khadi and Village Industries Commission/Khadi and Village Industries Board, Coir Board as on 31.03.2007 and production lines under the scope of area 2m(i) and 2m(ii) of the Factories Act 1948 utilized for Annual Survey of Industries having interest in plant and hardware up to Rs.10 crore were considered to have a place with enrolled division.

**(ii) Unregistered Sector:** All MSME occupied with the exercises of assembling or in giving/rendering of administrations, not enlisted forever or not recorded Entrepreneurs Memorandum Part-II/[EM-II] with State Directorates of Industries' District Industries Centers at the latest 31-3-2007 are called unregistered MSME. Those endeavors that are incidentally enlisted at the very latest 31--3-2007 as additionally the units that are briefly or for all time enrolled or recorded EM-II after 31-3--2007 till the date of Sample Survey, directed as a major aspect of Fourth All India Census of MSME, 2006-07, were dealt with as unregistered MSME. All unregistered MSME, covering both assembling and administrations divisions, constituted unregistered part.

**(iii) Small Scale Industrial Unit (SSI):** A modern undertaking in which the interest in settled resources in plant and apparatus, whether hung on proprietorship terms, or on rent, or by contract buy, does not surpass `100 lakh as on 31-03-2001 were be dealt with as a Small Scale Industrial Unit.

**(iv) Micro Small Medium Enterprises (MSME):** MSME Sector comprises of any ventures, whether proprietorship, Hindu unified family, relationship of people, co-agent society, association or undertaking or some other lawful substance, by whatever name called, occupied with generation of merchandise relating to any industry indicated in the primary calendar of Industry Development and Regulation Act, 1951 and different endeavors occupied with creation and rendering administrations, subject to restricting element of interest in plant and apparatus and supplies individually as noted underneath:

**A. For manufacturing sector, an enterprise is classified as:**

- a) Micro endeavor, if interest in plant and apparatus does not surpass a quarter century rupees;
- b) Small venture, if interest in plant and hardware is more than a quarter century rupees however does not surpass five crore rupees; or
- (c) Medium venture, if interest in plant and apparatus is more than five crore rupees however does not surpass ten crore rupees;

**B. In case, enterprise is engaged in providing or rendering of services, it is classified as:**

- (a) Micro endeavor, if interest in hardware does not surpass ten lakh rupees;
- (b) Small undertaking, if interest in hardware is more than ten lakh rupees yet does not surpass two crore rupees; or
- (c) Medium venture, if interest in gear is more than two crore rupees however does not surpass five crore rupees.

**PERFORMANCE OF MSME**

According to the consequences of Fourth All India Census of MSME, the part contributes fundamentally to the quantity of undertakings, work and yield of the nation. In view of the information sets of Fourth All India Census of MSME, enlarged with information sets of EC, 2005 and development rate saw amid Fourth (1998) and Fifth (2005) Economic Census, the execution of MSME Sector is abridged as underneath. It might be noticed that the Fourth All India Census of MSME, unregistered segment was evaluated by lead of test overview of the division.

**TABLE 2.1: Performance of MSME, Employment and Investments**

S.No.	Year	Total Enterprises (in Lakh)	Working (in Lakh)	Employment (in Lakh)	Market Value of Fixed Assets (Rs. In Crore)
1	2006-07	361.76		805.23	868,543.79
2	2007-08	377.36		842.00	920,459.84
3	2008-09	393.70		880.84	977,114.72
4	2009-10	410.80		921.79	1,038,546.08
5	2010-11	428.73		965.15	1,105,934.09
6	2011-12	447.64		1011.69	1,182,757.64
7	2012-13	447.54		1061.40	1,268,763.67
8	2013-14	488.46		1114.29	1,363,700.54

Source : Annual report MSME 2014-15

Execution of Micro, Small and Medium Enterprises (MSME) Sector is surveyed by direct of intermittent All India Census of the Sector. The statistics received distinctive strategy for Registered and Unregistered Sectors. While finish identification of ventures was received in Registered Sector, test review was depended on in Unregistered Sector. In any case, exercises under discount/retail exchange,

lawful, instructive and social administrations, inn and eateries, transports and capacity and warehousing (with the exception of cool stockpiling) were avoided from the scope of test study. For these exercises, information was extricated from Economic Census, 2005 (EC, 2005) led by Central Statistics Office (CSO) of Ministry of Statistics and Program Implementation (MOSPI) for estimation of MSME significant ventures.

### Contribution of MSME Sector in the GDP

As per the revised methodology suggested by CSO, MoSPI, on the basis of the data on Gross Domestic Product (GDP) published by CSO, MoSPI and final results of the latest Census (Fourth Census), the estimated contribution of MSME sector to GDP and Output, during 2006-07 to 2012-13, are as noted below:

### Contribution of Manufacturing Output of MSME in The GDP

(at 2004-05 prices)

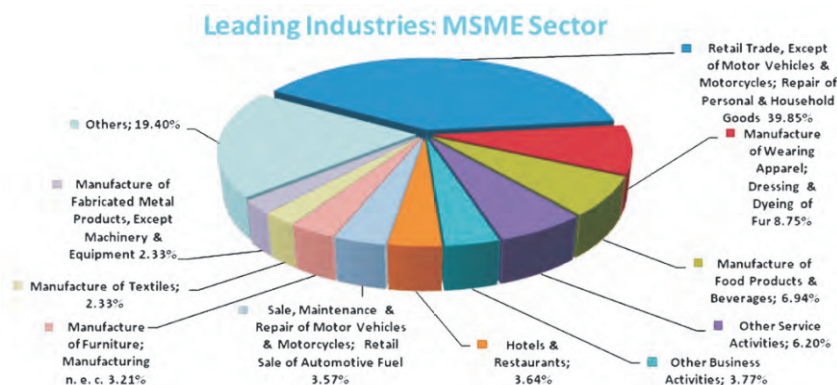
Year	Gross Value of Output of MSME Manufacturing Sector (Rs. In Crore)	Share of MSME sector in total GDP (%)			Share of MSME Manufacturing output in total Manufacturing Output (%)
		Manufacturing Sector MSME	Services Sector MSME	Total	
2006-07	1198818	7.73	27.40	35.13	42.02
2007-08	1322777	7.81	27.60	35.41	41.98
2008-09	1375589	7.52	28.60	36.12	40.79
2009-10	1488352	7.45	28.60	36.05	39.63
2010-11	1653622	7.39	29.30	36.69	38.50
2011-12	1788584	7.27	30.70	37.97	37.47
2012-13	1809976	7.04	30.50	37.54	37.33

**Source:**

1. Fourth All India Census of MSME 2006-07,
2. National Accounts Statistics (2014), CSO, MOSPI and
3. Annual Survey of Industries, CSO MOSPI

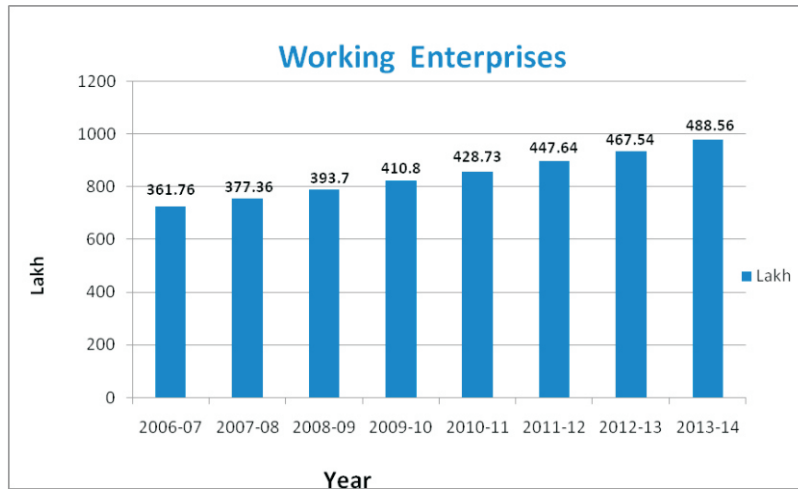
### Growth of the MSME Sector

There are over 6000 products ranging from traditional to high-tech items, which are being manufactured by the MSME Sector in addition to provide wide range of services. The leading industries with their respective shares are as depicted below:

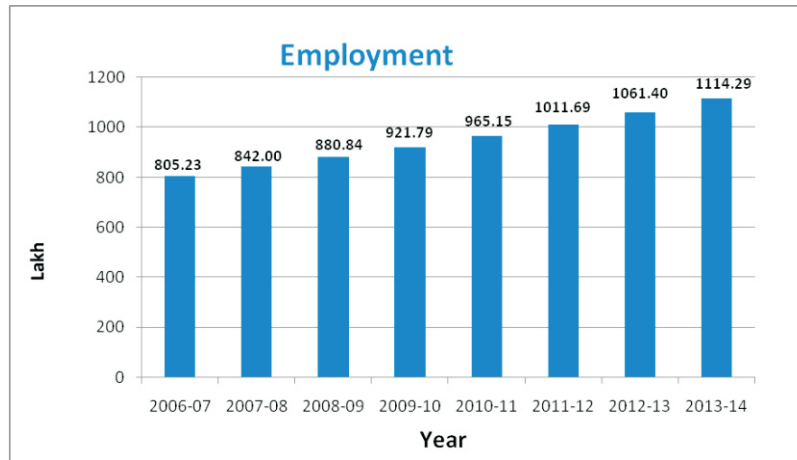




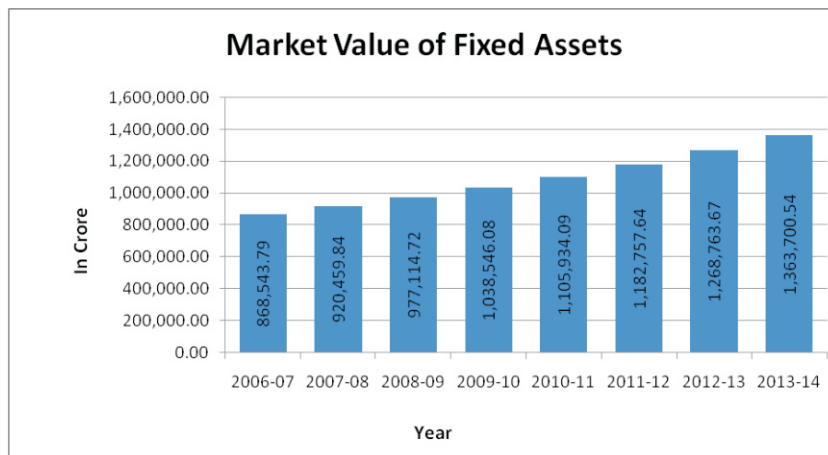
**A. NUMBER OF ENTERPRISES IN MSME SECTOR.**



**B. EMPLOYMENT IN MSME SECTOR**



**C. FIXED INVESTMENT IN MSME SECTOR**



**GROWTH OF MSMES SECTOR**

The Fourth All India Census of MSME 2006-07 evaluated the measure of MSME segment

### Potentials in MSME'S

India's economic growth has been led by the services sector in the last decade, particularly owing to the growth in information technology (IT) and business process outsourcing (BPO) industries. The manufacturing sector's importance has grown in the recent years with the advancement in its output. The sector offers huge potential for employment creation. Moreover, the importance of Micro, Small and Medium Enterprises (MSMEs) in the growth process is considered to be a key engine of economic growth in India.

### The prospectuses of this sector are as under-

1. Employment generation sector
2. Minimization of regional imbalance
3. Contribution in Indian's total export
4. Attraction to the foreign investment
5. Big platform for small and medium enterprises
6. Growing sector for Indian Industries

### CONCLUSION

Small and medium ventures are the foundation of Industrial improvement. It is critical for both created and creating nation that little and medium ventures constantly spoke to the model of financial advancement which accentuated high commitment to household generation, huge fare profit, low speculation necessities, business era, viable commitment to outside trade winning of the country with low import-serious operations. It is likewise obvious that MSMEs has performed exceedingly well and empowered our nation to accomplish a wide measure of mechanical development and advancement. In perspective of the above issues of MSMEs, the time has come to put accentuation on plan of benevolent strategies, good working environment, and change of appropriate infra-structure, organizing legitimate fund offices, effective administrative capacities and orchestrating reasonable present day innovation. In the event that administration starts and arrangements towards MSMEs are nearer towards its different issues and prospect it can be closer givers with horticulture in all regard in future.

In India MSMEs has accomplished relentless development in the course of the last couple of years. The part of MSMEs in the mechanical segment is developing quickly and they have turned into a pushed range for future development. The Indian market is developing and the Indian business is gaining quick ground in different Industries like assembling, nourishment handling, material and articles of clothing, retail, accuracy designing, data innovation, pharmaceuticals, agro and benefit divisions and so on. Under the changing financial situation the MSMEs have both the open doors and difficulties before them.

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interestingly taking information from different sources. The span of the division was assessed at 361.76 lakh when contrasted with 105.21 lakh in Third All India Census of Small Scale Industries (SSI), 2001-02 as far as evaluated number of ventures. The evaluated work produced in the area is 805.24 lakh when contrasted with 249.33 lakh in Third All India Census of SSI.

(a.) While on an entirely practically identical premise, development rate recorded amid the year 2001-02 to 2006-07 was 15.30% and 15.02% for assessed number of Enterprises and Employment separately, the segment in general recorded a development rate of 28.02% and 26.42% in instances of evaluated number of ventures and work individually, considering the definitional changes amid the period 2001-02 to 2006-07.

(b) As the exercises brought under the scope of MSME area because of definitional changes in 2006-07 were restricted to administrations segment, the development rate for assembling division is similar. The development recorded amid the year 2001-02 to 2006-07 in assembling area was 22.46% and 18.49% for assessed number of ventures and business separately.

(c.) For administration part, while the development rate in assessed number of undertakings and business recorded was 31.21% and 34.00% separately, amid the time of 2001-02 to 2006-07 considering the extended scope of the segment, the same was 9.39% and 10.12% individually on entirely practically identical premise.

### PROBLEMS OF MSMEs IN INDIA

Despite of the importance of the MSMEs in Indian economic growth, the sector is facing some major challenges are as under:

1. Lack of adequate capital
2. Non-availability of suitable technology
3. Low production capacity
4. Unavailability of skilled labour
5. Poor infrastructure
6. Lack of sufficient warehouse
7. Regulatory constraints and facilitation

### SUGGESTIONS FOR IMPROVEMENT

To obviate these problems, the Ministry of Micro, Small and Medium Enterprises (MSME) is implementing a number of Schemes & Programmes like Credit Guarantee Scheme, Credit Linked Capital Subsidy Scheme, Cluster Development Programme and National Manufacturing Competitiveness Programme etc. Furthermore, the Ministry has been interacting with various concerned Ministries/Departments/State Governments/Banks and other stake-holders to streamline the mechanism for grant of loans, simplify labour laws and other procedures to facilitate the growth of MSME units.

### The following suggestions for the growth and development of the MSMEs in India:

1. Mutual Supply of Technologies:
2. Constitution of a Panel of Consultants
3. Determination of Technological Needs
4. Training and development, awareness programs
5. Sufficient availability of the credit
6. Relaxation in labor laws and red tape
7. Proper research and development

## Gaps and Way Forward

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