

Vol 4 Issue 3 Dec 2014

ISSN No : 2249-894X

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*Monthly Multidisciplinary  
Research Journal*

*Review Of  
Research Journal*

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RNI MAHMUL/2011/38595

ISSN No.2249-894X

Review Of Research Journal is a multidisciplinary research journal, published monthly in English, Hindi & Marathi Language. All research papers submitted to the journal will be double - blind peer reviewed referred by members of the editorial Board readers will include investigator in universities, research institutes government and industry with research interest in the general subjects.

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## PERFORMANCE & GROWTH OF MSME'S IN INDIA

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### Abstract:

*MSME is often termed as “Engine of Growth” for developing countries with their efficient, effective & pioneering entrepreneurial spirit. MSME is playing a key role. MSME is a significant contributor to the Indian economy. MSME sector accounts for about 45% of the manufacturing production and 40% of the total exports of India in 2010. MSME sector engaged in service sector is 69.80% & 30.20% in manufacturing activities. This paper of performance and growth of MSME's in India is undertaken with the objectives of studying the growth of micro, small & medium enterprises, capital invested, labors employed, outputs and exports in finding out the instability in the growth of MSME's. The study is related to 1992-93 to 2010-11.*

### KEYWORDS:

MSME.

### INTRODUCTION

The micro, small & medium enterprise (MSME) is one of the most vital sectors of Indian economy & plays a significant role for the growth of Indian economy. MSME contribute more than 50% towards Industrial output, 40% towards exports, employ 60 million people, create 1.3 million jobs every year & develops more than 8000 quality products for national & International markets. MSME sector solves the major problem of Indian economy i.e. poverty & unemployment by providing large-scale employment facilities with lower investment. Thus it is proved as second largest manpower employer, after agriculture.

Prime Minister DR.Manmohan Singh has stated, “The key to our success in employment lies in the success of manufacturing in the Small Scale Sector.”

MSME play very important role in social-economy development of Indian economy as it provides advantages of low capital requirement, more employment opportunities, utilizing locally available resources and expanding its entrepreneurial base. MSME has achieved great position Indian economy. When we compare the growth rate with industrial sector as a whole, MSME has higher growth rate. MSME's are performing extremely well and has enabled the country to achieve maximum industrial growth and diversification. The major advantage of MSME is the employment generating potential.

MSMEs not only play crucial role in providing large employment 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 (Indian MSME report for 12th plan , 2012). It also contributes in building an inclusive and sustainable society in innumerable ways through creation of non-farm livelihood at low cost, balanced regional development, gender & social balance, environmentally sustainable development and to top it all, recession proofing of economic growth, which the sector has proven time and again.

**DEFINITIONS OF MSMES**

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) or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use. The Manufacturing Enterprise are defined in terms of investment in Plant & Machinery.

The MSMEs of manufacturing enterprises have been classified into micro, small and medium enterprises based on the amount of investment in plant and machinery as follows;

<b>Manufacturing Enterprises – Investment in Plant &amp; Machinery</b>		
<b>Description</b>	<b>INR</b>	<b>USD(\$)</b>
Micro Enterprises	Up to Rs. 25Lakhs	Up to \$ 62,500
Small Enterprises	above Rs. 25 Lakhs & up to Rs. 5 Crores	above \$ 62,500 & up to \$ 1.25 million
Medium Enterprises	above Rs. 5 Crores & up to Rs. 10 Crores	above \$ 1.25 million & up to \$ 2.5 million

**(b) Service Enterprises:** The enterprises engaged in providing or rendering of service and are defined in terms of investment in equipment. The MSMEs of service enterprises have been classified into micro, small and medium enterprises based on the amount of investment in equipments as follows

<b>Service Enterprises – Investment in Equipments</b>		
<b>Description</b>	<b>INR</b>	<b>USD(\$)</b>
Micro Enterprises	Up to Rs. 10Lakhs	Up to \$ 25,000
Small Enterprises	above Rs. 10 Lakhs & up to Rs. 2 Crores	above \$ 25,000 & up to \$ 0.5 million
Medium Enterprises	above Rs. 2 Crores & up to Rs. 5 Crores	above \$ 0.5 million & up to \$ 1.5 million

**The salient features of this MSME Act include:**

- Setting up of a National Board for MSMEs
- Classification of enterprises
- Advisory Committees to support MSMEs
- Measures for promotion, development and enhancement of MSMEs
- Schemes to control delayed payments to MSMEs
- Enactment of rules by State Governments to implement the MSMED Act, 2006 in their respective States

**2. OBJECTIVES**

1. To study the growth of MSME's in India, capital investment and labor employment.
2. To find out the output and export of MSME's sector.
3. To examine the performance of MSME's.

### 3. METHODOLOGY

The study is related to 1992-93 to 2010-11. It is based on secondary data collected from the website of the Ministry of Small and Medium Enterprises, the government of India. The numerical data for the study is taken from Annual report of MSME's, published by ministry of MSME, Government of India and website.

### 4. PERFORMANCE & GROWTH OF MSME IN INDIA

The MSME sector contributes significantly for about 45% of manufacturing output, 40% of total exports of the country. This sector has provided employment to 60 Million person through the country. Further this sector has consistently registered higher growth rate than the rest of industrial segment. There are 8000 products ranging from conventional to high-tech items, which are being manufactured by the MSME's in India. Indian market is growing rapidly and Indian entrepreneurs are making remarkable progress in various industries like manufacturing, precision engineering design, food processing, pharmaceuticals, textiles and garments, retail, IT, ITES, Agro & service sector.

#### **Opportunities for MSMEs in India:**

Government of India has developed key strategies to promote and support the MSME sector to promote competitiveness, quality upgrading, finance, technology, etc. This has resulted in a dramatic positive change in the sector. Over the years, this sector in India has progressed from the production of simple consumer goods to the manufacture of many sophisticated and precision products like electronics control systems, micro wave components, electro medical equipment, etc. MSMEs in India are considered to be important members within the supply chain and are established in almost all major sectors in Indian industry such as:

Food Processing, Agricultural Inputs, Chemicals & Pharmaceuticals, Engineering; Electricals; Electronics, Electro-medical equipment, Textiles and Garments, Leather and leather goods, Meat products, Bio-engineering, Sports goods, Plastics products, Computer Software, etc

#### **Some Important Schemes of Ministry of MSME, Govt. of India are as under:**

To enhance the competitive strength of the MSEs, the Government introduced a scheme to incentives technological up gradation, quality improvement and better environment management by the MSEs. The objective of these schemes is to popularize the Bar code registration and motivate the small and micro manufacturing enterprises to adopt the Bar Code Certification on large scale and to sell their value added products worldwide and enable higher export price realization, It also helps in domestic marketing (wholesale & retail) Some Important Schemes of Ministry of MSME, Govt. of India are as under:

- Credit Guarantee Scheme
- ISO 9000/14001 Certification Fee Reimbursement Scheme
- Micro & Small Enterprises Cluster Development Program
- Credit Linked Capital Subsidy Scheme
- Intellectual Property Rights for MSMEs
- Incubator Scheme
- Quality Management Standards/Quality Technology Tools
- Mini Tool Room
- Marketing Assistance (Bar Code)
- Lean Manufacturing Competitiveness program
- Technology Up gradation
- Skill Development
- Marketing & procurement
- Export Promotion
- Infrastructural Development
- National Awards

**FINDING OF THE STUDY**

**Table 1: Performance & Growth of MSME in India**

Year	MSME	Fixed Investment	Production (At current prices)
	(lakh numbers)	(Rs. crore)	(Rs. crore)
1992-1993	73.51	109623	84413
1993-1994	76.49	115795	98796
1994-1995	79.6	123790	122154
1995-1996	82.84	125750	147712
1996-1997	86.21	130560	167805
1997-1998	89.71	133242	187217
1998-1999	93.36	135482	210454
1999-2000	97.15	139982	233760
2000-2001	101.1	146845	261297
2001-2002	105.21	154349	282270
2002-2003	109.49	162317	314850
2003-2004	113.95	170219	364547
2004-2005	118.59	178699	429796
2005-2006	123.42	188113	497842
2006-2007	261.01	500758	709398
2007-2008	272.79	558190	790759
2008-2009	285.16	621753	880805
2009-2010	298.08	693532	982919
2010-2011	311.52	773487	1095758

In the described period the number of MSMEs raised from 73.51 lakhs in 1992-1993 to 311.52 lakhs in 2010-11. There had been tremendously growth in the number of MSMEs in 2006-07. As compare to previous year. Fixed investment in MSMEs had increased from Rs 1, 09,623 crores in 1992-93 to 7, 73,487 crores in 2010-11. There has been extraordinary growth in production in 2006-2007.

**Table 2: Growth pattern of employees & export of MSME**

Year	Employment	Exports
	(lakh persons)	(Rs. crore)
1992-1993	174.84	17784
1993-1994	182.64	25307
1994-1995	191.4	29068
1995-1996	197.90	36470
1996-1997	205.85	39248
1997-1998	213.16	44442
1998-1999	220.52	48979
1999-2000	229.1	54200
2000-2001	238.73	69797
2001-2002	249.33	71244
2002-2003	260.21	86013
2003-2004	271.42	97644
2004-2005	282.57	124417
2005-2006	294.91	150242
2006-2007	594.61	182538
2007-2008	626.34	202017
2008-2009	659.35	N.S
2009-2010	695.35	N.S
2010-2011	732.17	N.A

The number of labourers employed in MSMEs increased from 174.84 lakhs in 1992-93 to Rs 732.17 lakhs in 2010-11. In the similar period production in MSMEs increased from Rs.84413 crores to Rs.10, 95,758 crores. And exports also increased from Rs.17, 784 crores in 1992-93 to Rs. 2, 02,017 crores in 2007-08. There is remarkable growth in employment from 2006-07.

**Table no 3: Comparative growth of MSME & overall industrial sector**

Year	Growth rate of MSME (Interms of IIP, base 2001 -02)	Growth rate of overall industrial sector (In terms of IIP, base 2001-02)
2002-2003	8.68	5.70
2003-2004	9.64	7.00
2004-2005	10.88	8.20
2005-2006	12.32	8.00
2006-2007	12.60	11.90
2007-2008	13.00	8.70
2008-2009	NA	3.20
2009-2010	NA	10.05
2010-2011	NA	7.80

The above table indicates that the growth of MSME sector, in terms of index of industrial production (IIP) (base 2002-03) reached to 13% in 2007-08. The overall industrial sector achieved only 8.70% growth rate in terms of IIP for the same year. MSME sector has consistently achieved a higher growth rate when compared to the overall industrial sector from 2002-03 to 2007-08. There was decrease in the growth rate of industrial sector in year 2008-09 may be due to impact of global economic crisis.

MSME are labor oriented and labor intensive with relatively high labor investment ratio. Capital invested in this sector of industries is likely to provide more employment in short run, than the sale amount invested in large industry.

**CONCLUSION**

MSME's has performed extremely well and enabled our country to achieve wide ranging events of industrial amplification. MSME sector has made significant contribution towards employment generation and also to rural industrialization by its less capital investment. MSME's have emerged as engine of growth in Indian economy due to their efficient, effective & pioneering entrepreneurial spirit. The experience of decent years shows that MSME has provided maximum employment opportunities second to agricultural sector. The main responsibility for job creation was on the shoulders of unorganized sectors including MSME's.

MSME sector should be improved by its productivity & quality, reduced cost etc. Government policies should promote MSME's by helping them to increase their competitiveness with in a market driven economy. A technologically vibrant, internationally competitive small & medium industry should be encouraged to emerge to make a sustainable contribution to national income, employment & exports. It is important to take care of MSME sector to enable it to take care of Indian economy. MSME's are to be encouraged to modernize to face the challenges arising of world globalization. Support should be provided in the field of skilled development, credit marketing, technology & infrastructure.

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