



CHANGING SCENARIO OF MSMEs IN INDIA THROUGH THE YEARS

Dr. Gaonkar Gopalakrishna M.

**Associate Professor of Economics and Head,
Dept. of Economics, Govt. First Grade College and Center for PG Studies,
Tenkanidiyoor, Udupi.**

ABSTRACT

The MSMEs have always been one of the prominent sectors in the Indian economy from the time of pre-British rule. The Indian artisans and cottage industries have been well known in the world economy from a long time. The growth of this sector is also considerable since the independence. During the globalization era also contribution from the MSMEs sector is increased. Thus the past and the present of the sector are thriving with development. There are far-reaching changes in the economy in different dimensions in different sectors the MSMEs are not exception to that. There is always a need to any section of the economy to have a formal frame to grow, to calculate, to have a proper policy, schemes etc.. Generally the definition puts such boarder to any particular sector. The SSI or MSMEs sector also defined from time to time in in the same sense. Majority of states of India have emphasized the development of MSMEs sector in every respect, but as per the study, over a period of time, share of some states has increased and some of them have decreased. As per the observation, services based MSMEs are doing better in every dimension compared to manufacturing units. Therefore, it seems to give more emphasis and policy support to services based units, which may be the good move of policy makers. No doubt, there is huge positive change in the development of MSMEs sector of India in the years forgone after independence. Globalization and its nature of competition might have brought panic among MSMEs, but in reality, MSMEs widened their base and continued to exist and prosper. It seems, though there are some examples of failures, robust policy support and strong initiatives of the entrepreneurs, definitely would lead growth of the sector.

KEY WORDS: Change, Initiative, entrepreneurs, definitions, sector, Policy.

I .INTRODUCTION:

The MSMEs have always been one of the prominent sectors in the Indian economy from the time of pre-British rule. The Indian artisans and cottage industries have been well known in the world economy from a long time. The growth of this sector is also considerable since the independence. During the globalization era also contribution from the MSMEs sector is increased. Thus the past and the present of the sector are thriving with development. In addition to that MSMEs sector has been playing very vital part in bringing the socio-economic equality in the country in different ways.



There are far-reaching changes in the economy in different dimensions in different sectors the MSMEs are not exception to that. Of course that is need of the time. The paper tries to throw light upon some positive changes in the MSMEs sector in India.

II. OBJECTIVES:

1. To know the changing definitions of SSI to MSMEs in the globalization period.

2. To study the changing sector wise growth of MSMEs units and employment opportunities.
3. To study the varying in the share of different states in India.
4. To discuss the changing policy support to the MSMEs growth.

III. METHODOLOGY:

The study is based on the available secondary data. The Govt. reports, SSI census, NSS surveys, are the sources. To analyze statistical tools like percentage, tables and graphs are used.

IV. ANALYSIS.

1. Change in the Definition of SSI and MSMEs over the period of time in India.

There is dependably a need to any area of the economy to have a formal edge to develop, to figure, to have an appropriate approach, plots etc.. Generally the definition puts such visitor to a specific division. The SSI or MSMEs segment additionally characterized every once in a while in a similar sense.

Be that as it may, there was no any such guaranteed definitions with respect to little scale Industries before 1950. Yet, in 1950, Fiscal Commission, Govt. of India, characterized on the bases of enlisted work, by and large 10 to 50 hands and utilized the idea of little scale Industries first time yet confined to assembling part as it were.

Further, with a specific end goal to advance little scale businesses in the nation, the Government of India set up the Central Small-Scale Industries Organization and the Small-Scale Industries Board (SSIB) in 1954-55. In 1955 the Small Scale Industries Board characterized SSI as a unit utilizing under 50 workers if utilizing power and under 100 representatives if not utilizing power and with a capital resource not surpassing Rs 5 lakhs. The meaning of SSI was basically in light of number of workers utilized connected with utilization of intensity and estimation of capital resources utilized by an entity (Manish Kumar Jain and Sunil Kumar Gandhi, 2016)

The major and uncommon consideration given to SSI by the govt. of India in the year 1977, the area alongside SSI and Ancillaries included, minor enterprises to its gambit. Than the definition was, the units having Gross estimation of Fixed Asset up to Rs.10 lakhs were SSI, Gross estimation of Fixed Asset up to Rs.15 lakhs were Ancillaries and upto 1 lakh were in Tiny unit portion. All most all the last definition amendment in a similar standard came in the year 1999, Gross estimation of Fixed Asset up to Rs. crores were SSI units and Ancillaries and Gross estimation of Fixed Asset up to Rs.25 lakhs were in Tiny unit division.

The major break throw indefiniton and modification in the SSI sector came in the year 2006 with MSME Development Act of 2006. As per the MSMED Act, 2006, the field of small scale industries in India widened and called Micro, Small and Medium enterprise. The investment limits for defining "small" have been raised and the sector encompasses medium enterprise and service sector also. According to the Micro, Small and Medium Enterprises (MSME) Development Act of 2006, (India) a micro enterprise is where the investment in plant and machinery does not exceed twenty five lakh rupees. A medium enterprise is where the investment in plant and machinery is more than five crore rupees but does not exceed ten crore rupees. A small enterprise is where the investment in plant and machinery is more than twenty five lakh rupees but does not exceed five crore rupees. In the case of the enterprises engaged in providing or rendering of services, as (a) a micro enterprise is where the investment in equipment does not exceed ten lakh rupees. (b) a small enterprise is where the investment in equipment is more than ten lakh rupees but not does exceed two crore rupees. (c) a medium enterprise is where the investment in equipment is more than two crore rupees but does not exceed five crore rupees. Thus the definition has been changed and made the sector more wide and vibrant.

2. Change in the Group Wise Growth of MSMEs:

Broadly we can find two categories in the MSMEs i.e. Manufacturing and services based. As per the study, over the period of time contributions from these categories have changed. Compared to manufacturing units, more units have been established in the services based categories. (Table. No.1). In

2006-2007 it was 115 lakhs units in the manufacturing based sector and it has increased to 196.65 lakhs.in 2016-15, at the same period Services based units increased from 246.lakhs to 437.23 lakhs. It indicates that service based units are more viable and more attractive nowadays in the MSMEs in Indian economy. The same is depicted in the Graph no.1.

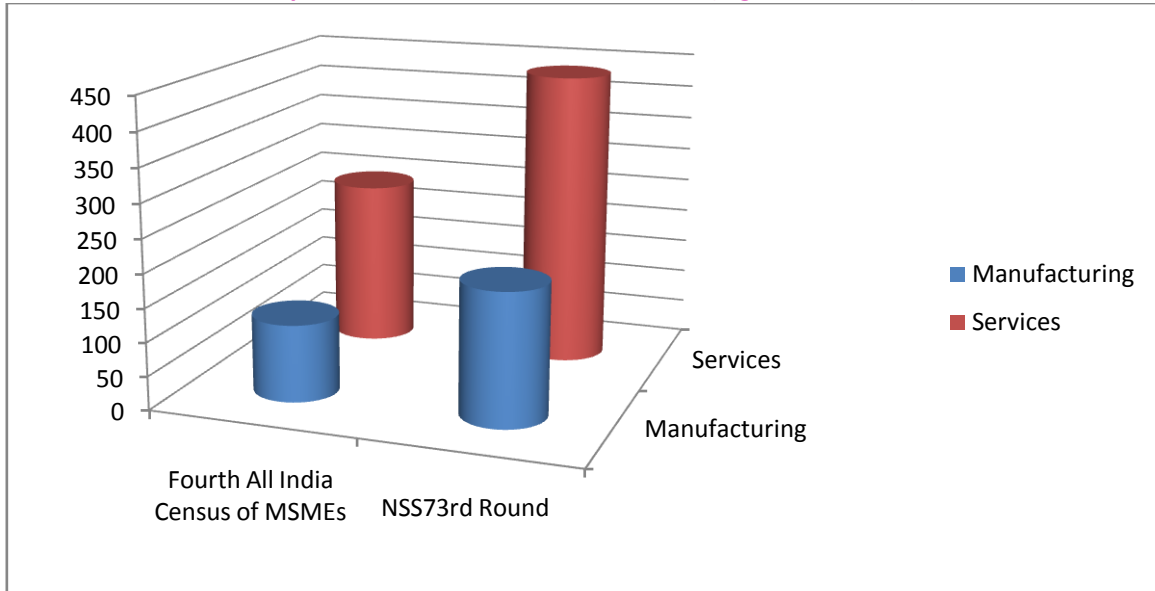
Table .no. 1.Growth in MSMEs units.(Figures in Lakhs)

Parameter	Fourth All India Census of MSMEs 2006-07	NSS 73 rd Round 2015-16	Annual Compound Growth Rate (%)
Manufacturing	115.00	196.65	6.14
Services	246.76	437.23	6.56
No.MSMEs Total	361.76	633.88	6.43

#Service includes Trade, Electricity & Other Services

Sources: MSME Annual report – 2017-18, Ministry of MSME Govt.of India, www.msme.gov.in

Graph . No. 1.Growth in MSMEs units (Figures in Lakhs)



When it also comes to employment opportunities, growth in services based units outruns manufacturing based units. It was 320.03 lakhs employees in manufacturing units in 2006-07 and it has increased to 360.42 lakhs in 2015-16, though there is increase in the total number of employment opportunities, the increase is more in services based units i.e 485.21 lakhs in 2006-07 and it has increased to 749.47 lakhs in 2015-16.(table no.2) Annual compound growth rate is also considerably high in services based units.

Table.no. 2.Growth of Employment in MSMEs units(Figures in Lakhs)

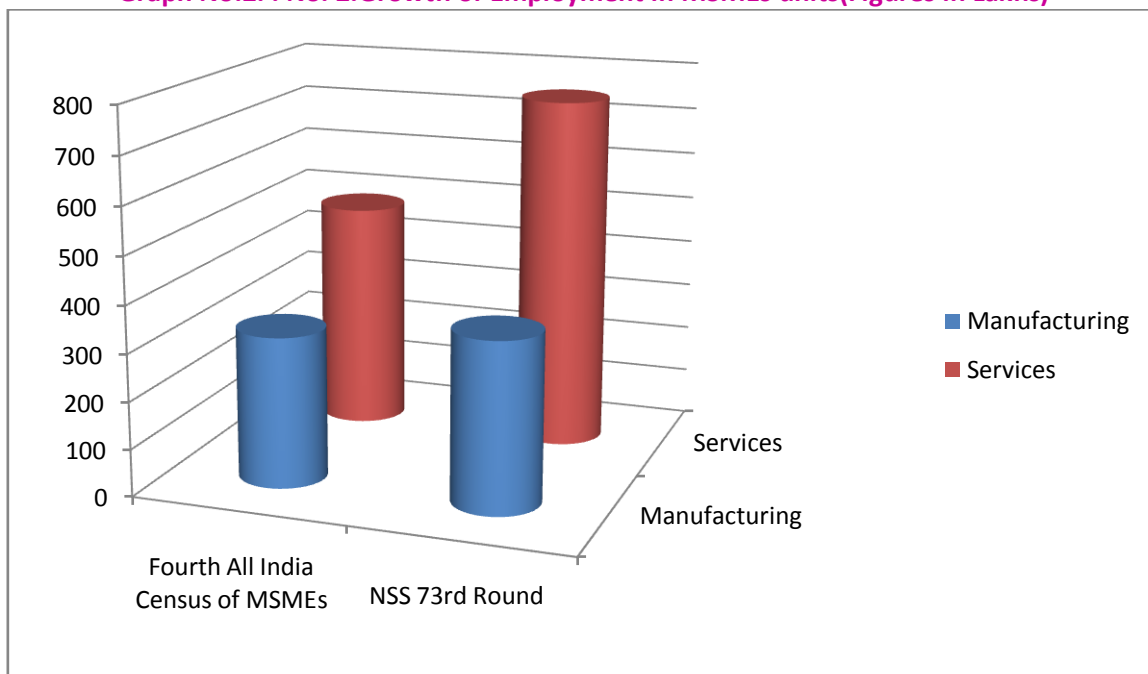
Parameter	Fourth All India Census of MSMEs 2006-07	NSS 73 rd Round 2015-16	Annual Compound Growth Rate (%)
Manufacturing	320.03	360.42	1.33
Services	485.21	749.47	4.95
Employment Total	805.24	1109.89	3.63

#Service includes Trade, Electricity & Other Services

Sources: MSME Annual report – 2017-18, Ministry of MSME Govt.of India, www.msme.gov.in

As per the observation, services based MSMEs are doing better in every dimension compared to manufacturing units. Therefore, it seems to give more emphasis and policy support to services based units, which may be the good move of policy makers.

Graph No.2. . No. 2.Growth of Employment in MSMEs units(Figures in Lakhs)



3. Change in the Share of MSMEs Units among States.

Majority of states of India have emphasized the development of MSMEs sector in every respect, but as per the study, over a period of time, share of some states has increased and some of them have decreased. Compared 2006-2007 to 2015-16, The states like Uttar Pradesh, West Bengal, Bihar etc have fortified their position in the total share, while Tamil Nadu, Andhra Pradesh, Gujarat, Rajasthan, Madhya Pradesh etc share has decreased in total units. In the middle of this a few states maintained their share in the same position like Karnataka, Maharashtra etc. (Table No.3)

TableNo.3. Change in the share of MSMEs units among Top Ten states.

Sl.No.	State/UT	Fourth All India Census of MSMEs 2006-07		NSS 73 rd Round 2015-16	
		Number (in lakhs)	Share (%)	Number (in lakhs)	Share (%)
1	Uttar Pradesh	44.03	12	89.99	14
2	West Bengal	34.64	10	88.67	14
3	Tamil Nadu	33.13	9	49.48	8
4	Maharashtra	30.63	8	47.78	8
5	Karnataka	20.19	6	38.34	6
6	Bihar	14.70	4	34.46	5
7	Andhra Pradesh*	25.96	7	33.87	5
8	Gujarat	21.78	6	33.16	5
9	Rajasthan	16.64	5	26.87	4
10	Madhya Pradesh	19.33	5	26.74	4

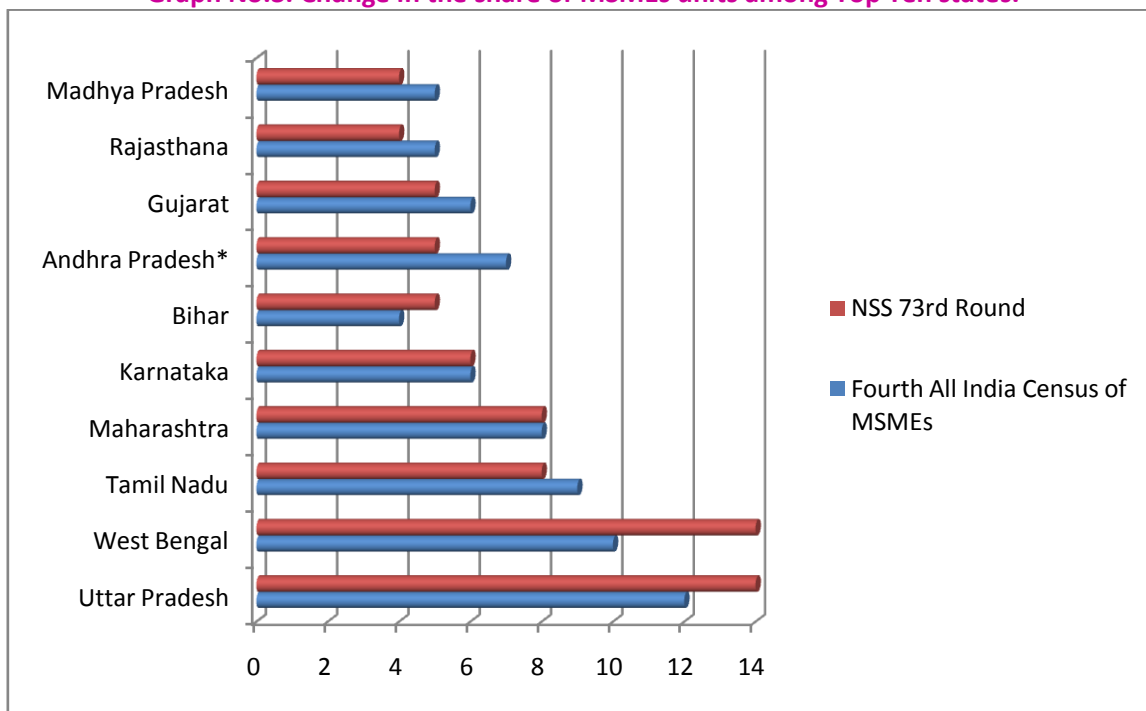
11	Total of Top Ten states.	261.04	72	469.4	74
12	Other states /UTs	110.72	28	164.5	26
13	All	361.76	100	633.9	100

*Included Telangana state in Fourth All India Census of MSME

Sources: MSME Annual report – 2017-18, Ministry of MSME Govt.of India, www.msme.gov.in

The share of other states together has also decreased from 28 to 26 percent. However, the share of each and every state in establishment of number of units and creating job opportunities has been increasing and that is the positive sign which is indicating the growth of MSMEs sector in India.

Graph No.3. Change in the share of MSMEs units among Top Ten states.



* Included Telanganastate in Fourth All India Census of MSME

4. Recent Policy Changes.

The policy regarding any sector for development is most important. Government policies of MSMEs are also regularly amended and changed in tune with overall development of the sector. The world economy is changing very quickly, so to cope with world economy, change of MSMEs policy is also very much needed. So, here are some policy initiatives.

i. Udyog Aadhaar Memorandum.

This policy initiative is to avoid difficulties in registration of MSMEs. The simplified one page Registration form UAM was made after consultations with state and stakeholders.

ii. MSMEs data Bank.

For facilitating the promotion and development and enhancing the competitiveness of MSMEs the data bank has started. This data bank will enable the Ministry to rationalize and monitor the schemes and pass on the benefits directly to the MSMEs.

iii. Direct Benefit Transfer in the M/O MSME.

All welfare and subsidy scheme Government of India brought under Direct Benefit Transfer with the aim of reforming government delivery system by re-engineering the existing process in welfare and subsidy schemes, for simpler and faster flow of funds to ensure accurate targeting of the beneficiaries, de-duplication and reduction of fraud.

iv. Digital Payments.

Ministry of MSME has taken several initiatives to digitally enable the entire MSME ecosystem. The vision is to provide facility seamless digital payment to all citizens of India in a convenient, easy, affordable, quick and secured manner.

v. National Scheduled Caste / Scheduled Tribe Hub.

The hub is set up to provide professional support SC/ST entrepreneurs to fulfill the obligations under the central Government public procurement policy small and micro Enterprises, adopt applicable business practices and leverages the standup Indian Initiatives. Four sub schemes made under this hub.

- a) Special single point registration scheme: SC/ST enterprises registered under this scheme, can be eligible for upfront 100% subsidy on the fee of NSIC for fresh registration / renewal/ amendments/competency certificate and also the inspection fees of the empaneled Inspection agencies/ NSIC including service tax applicable.
- b) Special Marketing Assistance Scheme: SC/ST entrepreneurs shall be allowed reimbursement under SMAS for Maximum of two international events and four domestic events in a financial year.
- c) Subsidy for Performance & Credit Rating Scheme: Under this scheme, 90% subsidy shall be provided on rating fee of all rating agencies for fresh rating under the scheme of NSSH, subject to the specified ceilings. For renewal of rating for units for units having a rating of up to 5 will get a subsidy 50% of the rating fee payable in the first year.
- d) Special Credit Linked Capital Subsidy Scheme: Under this scheme, 25% capital subsidy are given to SC/ST MSEs for technology up gradation (limited to maximum Rs 1 Crore) (MSME Annual report – 2017-18)

V. CONCLUSION:

The growth of MSMEs means there is an effort to create more employment opportunity, step towards proper distribution of income, to preserve environment and above all, struggle to bring socio-economic equality. No doubt, there is huge positive change in the development of MSMEs sector of India in the years forgone after independence. Globalization and its nature of competition might have brought panic among MSMEs, but in reality, MSMEs widened their base and continued to exist and prosper. It seems, though there are some examples of failures, robust policy support and strong initiatives of the entrepreneurs, definitely would lead to growth of the sector.

REFERENCE:

1. Annual report – 2017-18, Ministry of MSME Govt. of India, www.msme.gov.in
2. Das, Parthajeet(March 2017), Micro, Small and Medium Enterprises(MSME) in India: Opportunities, Issues & Challenges, Great Lakes Herald, March 2007, Volume II, Issue No.1.
3. Government of India – Annual Report (2013-14) Ministry of Micro, Small and Medium Enterprise, New Delhi.
4. Handbook For MSME Entrepreneurs, June 2017, The Institute Of Company Secretaries Of India published By The Institute Of Company Secretaries Of India icsi House, 22, Institutional Area, Lodi Road, New Delhi - 110 003
5. Jain, CA Manish Kumar, Prof. Sunil Kumar Gandhi, Defining Indian SMEs: A Critical Analysis, International Journal of Arts, Humanities and Management Studies, Volume 02, No.06, June 2016, ISSN No.2395-0692
6. Micro, Small and Medium Enterprise Fourth Census Report (2006-2007) (Online)

www.dcmsme.gov.in.

7. Mishra ,Shivani 2012, Small Scale Industries:Striving and Thriving in the Era of Globalization, IJECBS India Journal,Vol.2,Issue 2, July-2012
8. Peace C. Kelley, Kenneth Lawyer and Clifford N Baumback, “ How to Organise and Operate a Small Business”, Prentice Hall, Englewood Cliffs, New Jersey, 1968.
9. RamanaiahVenkata M and Ranganatham G (2012),“Small Scale Enterprises in India” , Paper Published in Journal of IPM Meerut, Vol 13, No 2.
10. Valsamma Antony, “ The prospects and Growth of small scale industries in India: An overview”, Southern Economist , Vol .43, No. 6, May 2002,



Dr. Gaonkar Gopalakrishna M.

Associate Professor of Economics and Head, Dept. of Economics, Govt. First Grade College and Center for PG Studies, Tenkanidiyoor, Udupi.