



## DEVELOPMENT OF MSMEs IN INDIA

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### ABSTRACT

The micro small and medium enterprises (MSMEs) have been recognized as the engine of economic growth and for stimulating equitable development. The labour intensity of the MSME sector is much higher than that of the enormous enterprises. The MSMEs constitute over 90 percentage of total enterprises in most of the economies and are accredited with generating the highest rates of employment growth and account for a major share of industrial production and exports. The MSMEs play a energetic role in the overall growth of industrial economy of the country. With its dexterity and dynamism, the sector has shown venerable innovativeness and compliance to persist the recent economic downturn and recession and have lots of opportunities to grow in the future. This paper showed the growth of MSMEs in the Indian economy.

**KEYWORDS:** micro small and medium enterprises (MSMEs), of industrial production and exports.

### INTRODUCTION

Micro Small and Medium Enterprises (MSME) have been accepting driving force in the development strategy of the Government of India. The Nehruvian Philosophy of industrialization has given significance and understood the significance of Small and medium enterprises in the national advancement. The underdeveloped and developing countries are for the most part ruled by the agrarian economy and portrayed by underemployment and rising joblessness. The industrialization in these economies is required to fill the double need of making roads for the retention of overabundance work and expansion of occupation. SMEs must broaden the important help and compliment the advantageous impacts of Industrialization. The industrialization in these economies is required to fill the double need of making roads for the retention of overabundance work and expansion of occupation. SMEs must broaden the important help and compliment the advantageous impacts of Industrialization. The SMEs makes more proficient utilization of capital and work for creating economies. They can deliver a unit of yield with the lesser cost of creation. By and large, SMEs units are work escalated and require littler measures of capital. In the capital rare and work surplus economy like India the two angles, i.e. more yield and greater work are similarly critical and in this setting Small and medium ventures turn out to be exceptionally huge. The SMEs makes more effective utilization of capital and work of building up the economy and they can create a unit of yield with lesser capital yet more work than the bigger units. In the capital rare and work surplus economy like India the two viewpoints, i.e. more yield and greater work are similarly imperative.

The ongoing articulation of the long awaited new strategy for small and medium industries by the prime minister at the National Conference on small and medium industries in New Delhi has been broadly invited by the industry. The small and medium industries support a certifiable dread that the market-arranged changes have unfavourably influenced their interests, as well as are a danger to their



extremely presence. The retreat in the economy since 1996 appeared to affirm their most exceedingly awful feelings of trepidation. The ongoing declaration has, along these lines, raised impressive expectations that the new arrangement will bring some alleviation and help them adapt to the seriously focused condition made by the twin approaches.

Small and medium enterprises appreciate certain inalienable quality, for example, bring down overhead costs, adaptability underway, casualness in labour relations, misuse of neighbourhood assets an expertise, ability to execute little requests and to offer tweaked administrations.

Small and medium enterprises in India need to update innovations on a nonstop premise to stay aggressive. Embracing data innovation to expand efficiency and utilizing their favourable position of adaptable working frameworks. There are exceptionally compelling programming bundles accessible in the nation for assembling units, which can dispose of waste, pack creation cycles, and enhance the nature of the items. In the event that they are costly and past the scope of individual Small and medium enterprises, the bundles can be bought by gatherings of units and utilized mutually on a period share premise, paying hourly expenses.

The advancement of the promotion of small and medium industries has been widely recommended as one of the most appropriate means of developing industry in overpopulated backward countries. Japan is usually held up as the great example of what can be done in this way and now, even communist China is said to be following a similar path, at least in the rural areas. In no country, however, has the doctrine of small industry received such strong official support as in India. There are a number of reasons for this. The most important is the legacy of Gandhian teaching. In addition, the very distribution of existing small industry in India, the great pressure of population, and the shortage of capital have all tended to direct attention towards the small-scale sector as a possible means of increasing output and employment in Indian industry for at least the next few decades has been broadly prescribed as a standout amongst the most fitting methods for creating an industry in overpopulated in reverse nations. Japan is typically held up as the considerable case of what should be possible along these lines and now, even comrade China is said to take after a comparable way, in any event in the provincial zones. In no nation, in any case, has the teaching of small industry got such solid authority to bolster as in India. There are various explanations for this. The most essential is the inheritance of Gandhian instructing. Furthermore, the specific circulation of existing small industry in India, the considerable weight of populace, and the lack of capital have every one of the had a tendency to coordinate consideration towards the little scale part as a conceivable methods for expanding yield and work in Indian industry for in any event the following couple of decades.

## REVIEW OF LITERATURE

**Kashif Hamid and Abaidullah (2006)**<sup>1</sup> analysed the financing of the SMEs and its pattern and development in Faisalabad district. The examination demonstrates that a steady increment in the financing pattern of SMEs in Faisalabad area. It has enlisted a development of 72% and has ascended from Rs. 145 billion to Rs. 251 billion by June 2005. The issues like absence of satisfactory security, miss-utilization of credit offices are the obstacles for the quick development of the SMEs inside the Faisalabad district. The examination recommended that because of presence of awesome potential for SMEs in Faisalabad locale, huge scale businesses ought to include themselves for the development of SMEs. The progression taken by

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<sup>1</sup> KASHIF HAMIDI AND ABAIDULLAH ,year 2006,JOURNAL OF AGRICULTURE & SOCIAL SCIENCES,Financing the Small and Medium Scale Enterprises in Faisalabad (Pakistan)Department of Business Management Sciences, University of Agriculture, Faisalabad-38040, Pakistan .ZENITH International Journal of Business Economics & Management ResearchYear : 2012, Volume : 2, Issue : 5First page : ( 23) Last page : ( 38) Online ISSN : 2249-8826. **Micro, small and medium enterprises in the 21st century, Kumar Nalla Bala Kalyan\*, Dr. Gugloth Sardar.**Research Scholar, Department of Management Studies, Sri Venkateswara University, Tirupati, Andhra Pradesh, India.

SBP for appointing focuses for SMEs, financing will likewise contribute towards the development of SMEs financing in this area.

NallaBalaKalyan Kumar and Sardar Gugloth (2012) <sup>23</sup> assessed the introduction of MSMEs, when advancement balances them with normal yearly development rates, and know the effect of globalization on the execution of MSMEs and the improvement of MSMEs new open doors for Employment in a nation. The MSMEs support the main piece of Indian industry and causal to a pivotal extent of creation, fares and businesses. The investigation examined the impact of globalization on Indian MSMEs. Government's projects are unstructured and ill-defined, and miss the mark regarding conveying the planned yields. This requires the endeavours to think deliberately by concentrating on real issues. The prime goal of the investigation is arrangement proposals to guarantee the sustenance and focused development of MSMEs in India. The investigation concentrated on the progressing changes in the business condition and the examination of their recommendation for MSMEs. It additionally centred around the ramifications of globalization and local monetary advancement for MSMEs and broke down its serious execution. It is expressed that the MSMEs has developed as the most powerful segment of the Indian mechanical economy.

Kashfia Ahmed (2009) attempted to distinguish the issues of SMEs of Bangladesh. The execution of SMEs of Bangladesh particularly as far as representative turnover rate, quality affirmation, the portion of assets, promoting exercises have been discovered altogether beneath the worldwide standard. The area gets immaterial help from the government. The rate of advancement of SME isn't up to the desire. With a specific end goal to defeat the issues a couple of proposals for the improvement of SMEs are given by the examination.

### RESEARCH METHODOLOGY

Only secondary data is taken into attention for purpose of the study. The related secondary data is collected from the publication of Ministry of Micro, Small and Medium Enterprises, journals, Government of India available by Reserve Bank of India and Handbook of Statistics on Indian Economy.

### OBJECTIVES OF THE STUDY

Objectives of the study are (i) to examine the growth and development of MSMEs in India

**Table. 1 Contribution of MSMEs in Country's Economy at Current Price**

<b>(Figures in Rs. Crores adjusted for FISIM at current prices)</b>						
<b>Year</b>	<b>MSME GVA</b>	<b>Growth (%)</b>	<b>Total GVA</b>	<b>Share of MSME in GVA (%)</b>	<b>Total GDP</b>	<b>Share of MSME in GDP (in %)</b>
2011-12	2583263	-	8106946	31.86	8736329	29.57
2012-13	2977623	15.27	9202692	32.36	9944013	29.94
2013-14	3343009	12.27	10363153	32.26	11233522	29.76
2014-15	3658196	9.43	11481794	31.86	12445128	29.39
2015-16	3936788	7.62	12458642	31.60	13682035	28.77

**Source:** Annual Report - 2017-18

Table 1 shown contribution of MSMEs in country's economy at current price are expressed to growth and performance in India. It explained during the period from 2011-12 to 2015-16 such as MSMEs GVA, Growth, Total GVA, share of MSMEs in GVA, Total GDP and share of MSMEs in GDP. Share of MSMEs in

GDPare 29.57 percentage in the year 2011-12. In the year 2012-13 has grown up 29.94 percentage. The last year of 2015-16 declined as 28.77 percent of share of MSMEsGDP compare than others.

**Table 2. Estimated Number of MSMEs**

Activity Category	Estimated Number of Enterprises (in lakh)			Share (%)
	Rural	Urban	Total	
Manufacturing	114.14	82.50	196.65	31
Trade	108.71	121.64	230.35	36
Other Services	102.00	104.85	206.85	33
Electricity*	0.03	0.01	0.03	0
<b>All</b>	<b>324.88</b>	<b>309.00</b>	<b>633.88</b>	<b>100</b>

Source: Annual Report - 2017-18

Table 2 revealed estimated number of MSMEs for instance manufacturing, trade, other services and electricity. Manufacturing has high level of rural 114.14, low level of urban 82.50, total 196.65 and share of 31 percentage. Trade is rural 108.71, urban 230.35, and share 36 percentage high level compare than other category. Electricity declined less than others.

**Table 3 Distribution of Enterprises Category Wise (Numbers in lakh)**

Sector	Micro	Small	Medium	Total	Share %
Rural	324.09	0.78	0.01	324.88	51
Urban	306.43	2.53	0.04	309.00	49
All	630.52	3.31	0.05	633.88	100

Source: Annual Report - 2017-18

Table 3 exposed about Distribution of Enterprises Category Wise (Numbers in lakh). Rural area have interpreted in micro level 324.09 small level 0.78 medium level 0.01 total level 324.88 and share 51 percentage. Urban level enterprises slowly down but medium have grown compare than others .

### ACHIEVEMENTS OF MSMEs

The primary responsibility of promotion and development of the micro, small and medium enterprises sector lies with the State Governments. However, Government of India recognized the importance and potential of the Micro, Small and Medium Enterprises sector for the growth and development of the national economy and for generation of employment. It also perceived the need for all-India framework for policies and measures for the development and promotion of Micro, Small and Medium Enterprises and has taken keen interest in supplementing the efforts of State Governments in different ways. The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 is a result of the same. After the enactment of this Act, a separate Ministry of Micro, Small and Medium Enterprises (MSME) was formed on 9.5.2007 by the merger of erstwhile Ministry of Small Scale Industry (SSI) and Ministry of Agro & Rural Industries (ARI).

The sector comprises of 633.88 lakh units as per National Sample Survey 73rd Round (2015-16) and has created 11.10 crore jobs.

M/o MSME has taken a number of steps for promoting development of micro, small and medium enterprises. These include availability of credit, schemes for technological up gradation, quality improvement and marketing support. MUDRA, Stand up India, increased coverage of Credit Guarantee Fund for Micro and Small Enterprises and higher credit limits provided by the banks to MSMEs have improved credit support to them.

The Ministry of MSME is also tasked with the promotion of Khadi, Coir and Village Industries. Khadi and Village Industries Commission (KVIC) not only serves the basic needs of the processed goods of the vast rural sector of the country but also provides sustainable employment to approximately 152 lakh persons in rural areas. Khadi and Village Industries Sector represent an exquisite heritage product, which is ethnic as well as ethical. The sector has a potentially strong clientele among the middle and upper echelons of the society

The coir industry has extended its base from Kerala to various other States including Tamil Nadu, Andhra Pradesh, Karnataka, Goa, Odisha, Maharashtra and Gujarat. This industry provides employment to more than 7.30 lakh persons and has contributed significantly in increasing Achievements in Detail Achievements 2014-18 10 exports over the years. Use of coir has witnessed upsurge due to its environment-friendly nature. There is a great potential for value addition in coir products through technological interventions and diversification into products like coir geotextile.

It was indeed an honour for the Ministry of Micro, Small and Medium Enterprises that Hon'ble Prime Minister Shri Narendra Modi ji inaugurated two Schemes of the Ministry namely, National Scheduled Caste / Scheduled Tribe Hub and Zero Defect Zero Effect (ZeD) Scheme on 18th October, 2016. It was for the first time after the constitution of the Ministry in the year 2007 that Hon'ble Prime Minister blessed the unveiling of the Schemes of the Ministry. The MSMEs also came into focus when the Hon'ble Prime Minister made a special mention about the same in his address to the Nation on 31st December 2016. He announced increased credit facilities for MSMEs and increased corpus for Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). It also happened for the first time that MSMEs were segregated for special focus in the Union Budget presented on 1st February 2017 where the Corporate Tax for the MSMEs having a turn-over of less than ` 50 cr. was brought down from 30 per cent to 25 per cent.

## CONCLUSION

Micro Small and Medium Enterprises (MSMEs) contribute to economic development in some ways such as creating employment opportunities for rural and urban population, providing goods & services at reasonable costs by offering new solutions and sustainable development to the economy as a whole. MSMEs in India face a number of problems - absence of sufficient and timely banking finance, non-availability of suitable technology, ineffective marketing due to limited resources and non-availability of capable manpower. The Micro, Small and Medium Enterprises (MSME) sector contributes expertly to manufacturing output, employment and exports of the country.

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