



MSMEs Sector in India and its Performance

*There is a growing and worldwide appreciation that the Micro, Small and Medium Enterprises play a catalytic role in the development process of most economies. This position gets reflected in the form of their increasing number and rising proportion in the overall product manufacturing, exports, manpower employment, technical innovations and promotion of entrepreneurial skills. In this paper an attempt has been made to look at the changing definition of the Micro, Small and Medium Enterprises and the role these enterprises are playing in the growth story of our economy. MSME has played a prominent role in the development of the country in terms of creating employment opportunities-MSME has employed more than 50 million people, scaling manufacturing capabilities, curtailing regional disparities, balancing the distribution of wealth, and contributing to the GDP-MSME sector forms 8% of GDP. **Key Words** : MSME Sector, manpower employment, growth prospects.*

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Introduction :

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. Micro, Small and Medium Enterprises (MSME) contribute nearly 8 percent of the country's GDP, 45 percent of the manufacturing output and 40 percent of the exports. They provide the largest share of employment after agriculture. MSME 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. MSME are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country.

The Sector consisting of 36 million units, as of today, provides employment to over 80 million persons. The Sector through more than 6,000 products contributes about 8% to GDP besides 45% to the total manufacturing output and 40% to the exports from the country. The MSME sector has the potential to spread industrial growth across the country and can be a major partner in the process of inclusive growth.

Definition of Micro, Small and Medium Enterprises :

(a) **Manufacturing Enterprises** i.e. Enterprises engaged in the manufacture or production, processing or preservation of goods as specified below:

(i) A micro enterprise is an enterprise where investment in plant and machinery does not exceed Rs. 25 lakh;

(ii) A small enterprise is an enterprise where the investment in plant and machinery is more than Rs. 25 lakh but does not exceed Rs. 5 crore; and

(iii) A medium enterprise is an enterprise where the investment in plant and machinery is more than Rs.5 crore but does not exceed Rs.10 crore.

In case of the above enterprises, investment in plant and machinery is the original cost excluding land and building and the items specified by the Ministry of Small Scale Industries.

(b) **Service Enterprises** i.e. Enterprises engaged in providing or rendering of services and whose investment in equipment (original cost excluding land and building and furniture, fittings and other items not directly related to the service rendered or as may be notified under the MSME Act, 2006) as specified below:

(i) A micro enterprise is an enterprise where the investment in equipment does not exceed Rs. 10 lakh;

(ii) A small enterprise is an enterprise where the investment in equipment is more than Rs.10 lakh but does not exceed Rs. 2 crore; and

(iii) A medium enterprise is an enterprise where the investment in equipment is more than Rs. 2 crore but does not exceed Rs. 5 crore.

Priority Sector Guidelines for MSME sector :

'**Priority Sector Lending** : Targets and Classification', bank loans to Micro, Small and Medium Enterprises, for both Manufacturing and Service sectors are eligible to be classified under the Priority Sector as per the following norms:

(I) **Manufacturing Enterprises** : The Micro, Small and Medium Enterprises engaged in the manufacture or production of goods to any industry specified in the first schedule to the Industries (Development and Regulation) Act, 1951 and as notified by the Government from time to time. The Manufacturing Enterprises are defined in terms of

investment in plant and machinery.

(2) Service Enterprises : Bank loans up to Rs.5 crore per borrower / unit to Micro and Small Enterprises and Rs.10 crore to Medium Enterprises engaged in providing or rendering of services and defined in terms of investment in equipment under MSMED Act, 2006.

(3) Khadi and Village Industries Sector (KVI) : All loans to units in the KVI sector will be eligible for classification under the sub-target of 7 percent / 7.5 percent prescribed for Micro Enterprises under priority sector.

(4) Bank loans to food and agro processing units will form part of agriculture.

Objectives of the study :

(1) To study the definitions of MSME's on the basis of investment limits. **(2)** To assess the role and performance of MSME's in India. **(3)** To study the problems and prospects of MSME's in India.

Research Methodology :

For the objectives of the present study secondary data has been taken into consideration. Whereas the secondary data has been collected from the relevant MSME's sector website, various research journals, magazines.

Review of literature :

Christopher J. Green, Colin H. Kirkpatrick, and Victor Murinde, (2006) in their paper have examined the ways in which financial sector development policy might contribute to poverty reduction, particularly by supporting the growth of micro and small enterprises (MSEs). This paper highlights on the changing role of MSEs in the development process and the access of MSEs to informal and formal finance, including the role of microfinance. Nanda, Ramana & William R. Kerr (2009) have expressed the view that financing constraints are one of the biggest concerns impacting potential entrepreneurs around the world. De, Sankar (2009) in his article has viewed that SME's in India face many challenges, but perhaps none are as difficult as the challenge of financing, both short term and long term. K. Vasanth, Majumdar M., K. Krishna (2012) in their paper have stated that since several successful models of the sustainable SME are gradually evolving, networks of SMEs would become essential for addressing the systemic problems underlying the industrial ecology, enterprise resilience, and global supply chain sustainability. Great Lakes Herald March 2017, Volume 11 Issue No 1 Page 79 Export-Import Bank of India, (2012) has critically analysed the present situation of MSMEs and support systems available in India as well as in the global context. It has suggested that MSMEs in India should have access to alternative sources of capital like angel funds/risk capital etc. and that existing laws should effectively address issues like insolvencies/bankruptcies; need to redefine the ceiling limits to encourage MSMEs to move up the value chain and need for cluster development approach to increase the level of competitiveness.

Performance of MSME sector in India :

Statistics reveal that the number of such enterprises set-up, employment generated and the investments made in the MSME sector in India has shown an increasing trend

over the years as evident from table. In the table 1 there is data about employment and the market value of fixed assets in MSME sector. Over the time period there has been an increasing trend in employment and as well as in market value of fixed assets in MSME sector. In 2006-07 employment in MSME sector was 805.23 lakh while it has increased to 1171.32 lakh in 2014-15.

Year	Employment (in lakh)	Market value of fixed assets (in crore)
2006-07	805.23	868543.79
2007-08	842	920459.84
2008-09	880.84	977114.72
2009-10	921.79	1038546.08
2010-11	965.15	1105934.09
2011-12	1011.69	1182757.64
2012-13	1061.4	1268763.67
2013-14	1114.29	1363700.54
2014-15	1171.32	1471912.94

Source : Ministry of Micro, Small and Medium Enterprises, Annual Reports 2016-17.

Conclusion :

MSMEs over the years have assumed greater significance in our burgeoning national economy by contributing to employment generation and rural industrialization. This sector possesses enough potential and possibilities to pushbutton accelerated industrial growth in our developing economy and wellpoised to support national programme like 'Make in India'. This sector has exhibited enough resilience to sustain itself on the strength of our traditional skills and expertise and by infusion of new technologies, capital and innovative marketing strategies. Appropriate strategies should be evolved for creation of an enabling ecosystem where these enterprises are able to access the benefits meant for themselves under a formal and friendly ecosystem and are further capable of meeting the emerging challenges of a globally competitive order.

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