

GROWTH AND PERFORMANCE OF MSME SECTOR IN INDIA

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Abstract—India has always been a land of entrepreneurs and also occupied a strategic position in the Indian economy. Entrepreneurship is a decisive factor in order to achieve dynamism and competition for today's knowledge-based economy. In today's start-ups and its new varieties, entrepreneurship is considered not only as a means of contributing to employment and social and political stability, but as a power for innovation and competition. There is a growing belief that entrepreneurship, innovation and new risks provide necessary fuel for modern development engines. Economists and entrepreneurship scholars consider entrepreneurial behaviour as an entrepreneurial discovery existing in all economic and human activities. The entrepreneurship is usually understood with reference to individual business. Today, MSME units account for about 45% of the total industrial production, 30% of the country exports and estimated to employ 96 millions person in over 26 million units throughout the country. The government of India has defined entrepreneurship based on participation in equity and employed of a business enterprise.

Keywords—Entrepreneurship; MSME; Economics; Indian economy

1. INTRODUCTION

Entrepreneurship is one of the most important inputs in the economic development of a country and MSME is the big platform for this. The entrepreneur acts as a trigger head to give spark to economic activities by his entrepreneurial decisions. The production is possible due to the cooperation of the various factors of production, popularly known as land, labour, capital, and entrepreneurship. The entrepreneurship is a risk-taking factor, which is responsible for the end result in the form of profit or loss. The role of entrepreneurship in MSME is also increasing very efficiently. There is a big role of entrepreneurship and MSME in growth of the country as well as employment generation. Increase in the standard of living of the people is a characteristic feature of economic development of the country. Entrepreneurs play a key role in increasing the standard of living of the people by adopting latest innovations in the production of wide variety of goods and services in large scale that too at a lower cost. This enables the people to avail better quality goods at lower prices which results in the improvement of their standard of living. One topic of interest to researchers is whether individuals are born entrepreneur or will become entrepreneur through academic education. This strongly points out to the importance of education in entrepreneurship. Regarding the concept of education, Wespel believes that failure is more likely to happen in entrepreneurs who have experience but no degree

2. MICRO, SMALL AND MEDIUM ENTERPRISES

In accordance with the provisions of Micro, Small and Medium Enterprises Development Act 2006 the Micro, Small and Medium Enterprises are classified into two classes.

Manufacturing Enterprises

The Enterprises engaged in the manufacturing or production of goods pertaining to any industry specified in the first schedule to the industries (Development and Regulation Act 1951) the manufacturing enterprises are defined in the terms of investment in plant and machinery.

Service Enterprises: - a. The enterprises engaged in providing or rendering of services and are defined in the terms of investment in equipment. The limit of investment in plant and machinery/equipment for manufacturing/ Service Enterprises as notified.

3. OBJECTIVES

- * To study the growth and performance of MSME Sector in India.
- * To discuss the development of entrepreneurs through small and medium enterprises.
- * To determine the possible success factors in such entrepreneurial activities.
- * To draw conclusions and suggestions

4. REVIEW OF LITERATURE

Kumar and Gugloth (2012) evaluated the performance of MSMEs before and after liberalization. The study also analysed the impact of globalization on the performance of MSMEs and made a comparative analysis of the growth pattern of key parameters between pre and post globalization period. It took a period from 1999 to 2010 for the analysis. It also focused on the on-going changes in the business environment. The study found that the small scale sector has grown rapidly over the years. It also found that the period of liberalization and the development of MSMEs sector constituted an important segment of our economy.

In 2011, Dr. Aremu Mukaila Ayand and Dr. Adeyemi Sidikat Laraba, conducted a study to examine relevance of small and medium scale enterprises as a means of generating employment and reduce poverty in Nigeria. The paper concluded that besides the growth potential of the sector and its critical role in the manufacturing and value chains, their wide spread in Nigeria and the multiplier effects they have on the rest of the economy, enable them to be the engine of economic progress. It was also noted that the SME sector is the main driving force behind job creation, poverty reduction, wealth creation, income distribution and reduction in income disparities. SME sector form the vanguard of the modern enterprise sector and presents the propelling force of economic modernization and growth in Nigeria.

5. NEED FOR KNOWLEDGE MANAGEMENT IN MSMEs

It is imperative to understand that the world is transforming from an independent and lightly linked society to one of inclusion with a larger, more deeply interconnected global community. This poses challenges to organizations in general and SMEs in particular in terms of survival, sustainability and growth. Knowledge Management practices will be able to provide solution to some of the deep rooted problems faced by MSMEs. While on one side, new policies and schemes are formulated to strengthen MSMEs, on the other end, they face challenges and limitations which are unique to MSMEs are low capital base, concentration of management functions in one / two persons, inadequate exposure to international environment, inability to face impact of WTO regime, inadequate R&D and lack of professionalism. In addition, accessing technology and maintaining competitiveness poses a serious problem to the growth of MSMEs. The problems mentioned above lead to following challenges.

6. CONTRIBUTION OF INDIAN MSMEs

MSMEs in India have contributed considerably to the Indian Economy through many dimensions and some of the critical contributions include

- a. Sector nurtures entrepreneurship through individual creativity and innovation.
- b. 8% share in India’s GDP
- c. 40% in India’s total exports
- d. Large employment generation of 73 million people in 31.1 million units SMEs rank second in fostering employment opportunities after agriculture.
- e. Labour to capital ratio in MSMEs is much larger than in the large industries.
- f. Overall growth in the MSME sector is much higher than large industries.
- g. Geographic distribution of the MSMEs is also more even.

Therefore MSMEs play an important role and are critical to achieve for the national objectives of growth with equity and inclusion. Following Table-1 is extracted from annual report of Ministry of MSMEs for 2011-12 and these give a bird’s eye view of Indian MSME sector.

TABLE-1 MSME BROAD DETAILS

S.No	Parameter	MSME details
1.	GDP	8%
2.	Export	40%
3.	Manufactured output	45%
4.	No.of. Products	6000
5.	No.of.Units	31.1 million
6.	Employment	73.2 million
7.	Employment growth	5.29%
8.	Production (Rs)	10957580
9.	Production growth rate	11.5%
10.	% of manufacturing units	67%
11.	% of service sector units	33%
12.	Average employed	2.05
13.	Rural enterprise registered units	45%
14.	Average employed	5.93 nos
15.	Per unit fixed investment	32.26
16.	Per unit gross output	45.69
17.	Gross output investment	1.37
18.	Employment investment	0.185

The table 1 clearly indicates the importance of MSMEs in contribution to India’s economy in multiple ways. India represents scenario of developing countries in SME sector. In India too, as other developing countries, the contribution of small and medium enterprises (SME) sector to manufacturing output, employment and exports of the country is quite significant (Ramarao Ravulaparthi,Nov.13). Recognizing the importance of MSMEs the Prime Minister’s Taskforce setup to recommend measures to improve MSME sectors has identified lack of skilled manpower for manufacturing, services, marketing, as one of common problems facing MSMEs. Its recommendations include: i) Incentivize the transition of MSMEs from the unorganized to the organized sector as well as for their corporatization as entities ii) Infuse industrial estates which are currently in a state of decay and neglect, with fresh capital and upgrade them to Industrial Townships”

and iii) Create new clusters for MSMEs to meet the requirements of planned development and growth, consistent with the policy of progressively organizing the MSMEs

Governance related issues facing Indian MSMEs

MSMEs in India face several problems such as, lack of availability of adequate and timely credit, high cost of credit, lack of collateral requirements, limited access to equity capital, problems in supply to government departments and agencies, procurement of raw materials at a competitive price, issues of storage, designing, packaging and product display, lack of access to global markets, inadequate infrastructure facilities like power, water and roads, low technology and lack of access to modern technology, problems of skilled labour for manufacturing, services and marketing, multiplicity of labour laws and complicated procedures, absence of a suitable mechanism which enables the quick revival of sick enterprises and measures to close down the unviable entities and issues relating to direct and indirect taxation and their procedures

Problems and Challenges facing Indian MSMEs

The issues and challenges have been collected from the analysis of Indian MSME perceptions through an Indian MSME survey conducted by Firstbiz-Greyhound Knowledge Group in July 2014.

S.No	Issue / Challenge
1.	MSME sector plays a vital role in giving a boost to the overall GDP but it is still overlooked by the government, corporate sector and the financial sector. The commendable efforts and support of this sector do not receive the required attention
2.	Dearth of easy finance and credit instruments
3.	Limiting regulatory polices
4.	Unavailability of modern, affordable technology
5.	Lack of basic infrastructure facilities
6.	Absence of exclusive marketing platforms and distribution networks
7.	Inflexible labour laws and availability of affordable skilled labour
8.	Enterprises from Tier-2 towns find it harder to access finance and credit instruments when compared to those from Tier-1 towns
9.	Enterprises from Tier-2 and Tier-3 towns find it harder to access suitable technology when compared to those from Tier-1 towns
10.	Availability of basic infrastructure including Power, Water and Waste Management is a challenge for enterprises across all cities
11.	Enterprises from Tier-2 and Tier-3 cities find obtaining term loans without collaterals a major obstruction as compared to Tier- 1 cities
12.	71% SMEs are not aware of the government's Credit Guarantee Scheme for access to collateral free credit from Banks
13.	SMEs from Tier-3 cities believe in the need for special start schemes more than enterprises from Tier-1 cities
14.	All SMEs echo the need for an exclusive regulatory agency
15.	Enterprises from Tier- 3 cities find it a lot more difficult to access funds to support Innovation and R&D
16.	Smaller enterprises and those headquartered in Tier-3 towns quote minimal knowledge more often than their counterparts
17.	High cost of technology adoption is a key inhibitor for enterprises in Tier-3 towns
18.	Awareness of government programs and grants continues to be a challenge
19.	More SMEs in Tier-3 cities feel the need for cluster infrastructure development as compared to those in Tier-1 cities
20.	When enterprises were questioned about government schemes that are in implementation today, the answer was that they were unaware of the same

7. MINISTRY OF MSME

At the highest level of Governing MSMEs is the Ministry of MSME, Govt. of India. The citizen's charter of the ministry states that the role of the Ministry is mainly to assist the States in their effort to promote growth and development of MSMEs, for enhancing the competitiveness of these enterprises in an increasingly market-led economy and for generating additional employment opportunities. In addition, the Ministry also attempts to address common concerns of these enterprises and also undertakes advocacy on behalf of this sector. The formulation and implementation of policies and programs/projects/ schemes are undertaken by the Ministry with the assistance of its attached office. The objective of this Ministry is to facilitate growth and development of MSMEs(MSME,All Schemes). The main focus of the schemes/ programmes undertaken by the organisations of the Ministry is thus to provide/facilitate provision of a wide range of services and facilities required for accelerating the growth of MSMEs.

The schemes/programmes generally focus on a) capacity building in the States/Regions b) to provide prompt service to for accelerating the growth of MSMEs and also to enhance their competitiveness by formulating appropriate policies and designing/implementing support measures in the fields of credit, technological upgradation, marketing, entrepreneurship development, etc. and undertaking effective advocacy for these purposes

8. ROLE OF ENTREPRENEURSHIP IN MSME

The entrepreneur who is a business leader looks for ideas and puts them into effect in fostering economic growth and development. Entrepreneurship is one of the most important inputs in the economic development of a country and MSME is the big platform for this. The entrepreneur acts as a trigger head to give spark to economic activities by his

entrepreneurial decisions. He plays a pivotal role not only in the development of industrial sector of a country but also in the development of farm and service sector. There are various major roles played by an entrepreneur in the economic development of an economy and MSME. This paper studies the major role of an entrepreneur in growth of the MSME and challenges faced by them. The major roles play by the entrepreneur for growth of MSME as follows;

A. Promotes Capital Formation

Entrepreneurs promote capital formation by mobilizing the idle savings of public. They employ their own as well as borrowed resources for setting up their enterprises. Such type of entrepreneurial activities leads to value addition and creation of wealth, which is very essential for the industrial and economic development of the country and growth of the micro, small and medium industry.

B. Creates Employment Opportunities

Entrepreneurs provide immediate large-scale employment to the unemployed which is a chronic problem of underdeveloped nations. With the setting up of more and more units by entrepreneurs, both on small and large-scale numerous job opportunities are created for others. As time passes, these enterprises grow, providing direct and indirect employment opportunities to many more. In this way, entrepreneurs play an effective role in reducing the problem of unemployment in the country which in turn clears the path towards economic development of the nation.

C. Wealth Creation and Distribution

It stimulates equitable redistribution of wealth and income in the interest of the country to more people and geographic areas, thus giving benefit to larger sections of the society. Entrepreneurial activities also generate more activities and give a multiplier effect in the economy and helps MSME to grow.

D. Facilitates Overall Development

Entrepreneurs act as catalytic agent for change which results in chain reaction. Once an enterprise is established, the process of industrialization is set in motion. This unit will generate demand for various types of units required by it and there will be so many other units which require the output of this unit. This leads to overall development of an area due to increase in demand and setting up of more and more units. In this way, the entrepreneurs multiply their entrepreneurial activities, thus creating an environment of enthusiasm and conveying an impetus for overall development of the area.

E. Family and Entrepreneurship

In traditional society where men work outside the home to earn money and women play an important role in doing housework and bringing up the children, men are more likely than women to transmit business idea. The modern structure of family in today's society and consequently the women's role outside the home may result in the emergence of new manifestation of creativity and innovation in both males and females.

9. OPPORTUNITIES WITH MSME'S

MSME's are playing very crucial role in the development of Indian economy. It is contributing majorly in export, production and in last five years MSME's generated employment 6, 50,000 approx. Government have also understood that for the growth of Country it is important to develop MSME in rural areas also because 73% of our population are from rural area, that is reason government have declare the MSME's as a priority and instructed banks to pay special attention in the case of MSME and also Ministry of industrial development are planning very cautiously for growth of industries, as urban areas are saturated Government are more concentrating rural industrial development. The government vision for the development is mentioned in above table. To stop Migration of this 73% population employment generation in their origin are is the only way and MSME's will be the only solution to this problem. It would be easy to run MSME's in rural area as it requires less capital. It need cooperation and support from government to show opportunity and scope of MSME.

10. SUGGESTIONS

According the research on the study it is suggested that there is a need to extend the schemes to develop MSMEs in rural areas. The awareness about the scope and opportunity for employment in MSMEs is limited MSMEs and employment opportunity in it is needed especially in the labor class. In India we can easily segregate the type of semi-skilled labor from various states like UP, Bihar, Chhattisgarh etc, are the states who supply large no of semi-skilled labour to entire country. By developing such Industries (MSME's) into areas like this, where specific skills of manpower can be utilised in their own place and preference should be given to the local workers with sufficient wages can contribute in holding manpower into their own area.

11. RECOMMENDATIONS

The findings of the study indicate that although the number of women SME Entrepreneurs are increasing gradually, the condition of them are still not satisfactory. Some recommendations are presented here which are essential for the development of the condition of SME entrepreneurs. To motivate them to start their business by offering various opportunities like, low interest rate in case of bank loan and so on. To help build their capacity by arranging different types

of training program both in urban and in local area. To make entrepreneurs aware of market price, quality of goods, availability of input etc. by the government as well as SME stakeholders.

12. CONCLUSION

Small and Medium Enterprises (SMEs) have played a vital role in India's economic growth and are therefore considered as the backbone of the Indian economy. SME unit are more concentrated in manufacturing sector than service sector. It is so because SME sector form 90 percent of total industrial output. SMEs have a very important role to play in ensuring that processes of economic growth in our country are inclusive, employment-friendly and they contribute to greater regional balance in levels of development. SMEs are important for the national objectives of growth with equity and inclusion. The MSMEs are increasingly contributing towards employment generation in India. The number of people employed by MSME has grown to 73.2 million during FY11 recording a CAGR of 5.3 per cent since FY07. The fixed investment in MSME sector has grown from rupees 5008 billion in 2007 to rupees 7735 billion in 2011. The role of entrepreneurship is increasing rapidly for the growth of micro, small and medium enterprises and also helps the economy to promote and growth in future. When we study entrepreneurship in MSME then various issues arises regarding this, basically this paper explores the various issues which faced by the entrepreneur in MSME. We conclude that there are various opportunities available for the growth of MSME, but entrepreneurship is very good platform to promote and growth of this industry.

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