



A STUDY ON GROWTH AND PERFORMANCE OF MSMEs IN INDIA



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ABSTRACT

Micro small and medium enterprises (MSMEs) play a vital role in accelerating the economic growth of the country. These units in the country help to reduce the regional disparities existing in the country. The MSME sector of India contributing over 45 percent of the individual sector output, close to 40 percent of national exports and it also provides employment opportunities to millions of people. This study aimed to understand the growth and performance of micro, small and medium enterprises from 2004-05 to 2013-2014. This paper also attempts to understand the various problems faced by MSME sector in India. The result of study shows that the MSME sector shows consistently a higher growth role in all parameters like production, employment, exports etc. when compared to overall industrial sectors.

KEYWORDS: MSMEs, Export, Employment, Fixed investment, Production

INTRODUCTION

Micro, small and medium enterprises plays an important role in the overall development of the country. MSMEs are the significant contributor to the national income. They have been contributing over 45 percent of the manufacturing or industrial output, 40 percent of national exports and providing employment more than 60 million persons. There are approximately 488 lakhs MSME units in India and this sector and this sector contributes 8 percent of the GDP. MSMEs are located in both rural and urban areas almost the country. MSME helps to reduce regional imbalance of the country. MSMEs

are producing over 6000 products ranging from traditional to high tech items.

OBJECTIVES

The main objectives of the study are-

1. To study the growth and performance of MSMEs
2. To understand the problems faced by MSMEs
3. To give suggestions on the basis of the study.

RESEARCH METHODOLOGY

This study is based on secondary data. This study is examining the growth and performance of MSMEs from



2004-05 to 2013-14 periods. Secondary data are collected from a number of sources such as annual reports of MSMEs, journals, newspapers, and websites. The collected data has been tabulated, analyzed and interpreted for making conclusions. For the purpose of analysis and interpretation statistical tools like percentages are used.

DEFINITION OF MICRO, SMALL AND MEDIUM ENTERPRISES IN INDIA (MSMEs)

Micro, Small and Medium Enterprises (MSMED) act, 2006 defines MSMEs based on their investment in plant and machinery (for manufacturing enterprises) and on equipment for enterprises providing and rendering services. The defined limits on investment for enterprises are as follows.

Table-1 Classification of MSMEs

	Manufacturing Enterprises	Service Enterprises
Micro	RS 25 Lakh	RS 10 Lakh
Small	RS 5 Crores	Rs 2 Crores
Medium	RS 10 Crores	RS 5 Crores

The defined limits on investment for enterprises as per Micro Small & Medium Enterprises Development (Amendment) Bill, 2015 are as follows-

	Manufacturing Enterprises	Service Enterprises
Micro	RS 50 Lakh	RS 20 Lakh
Small	RS 10 Crores	RS 5 Crores
Medium	RS 30 Crores	RS 15 Crores

Table- 2 Analysis of Growth and Performance of MSMEs

Year	Units (Lakh Nos)	Fixed Investment (Rs Crores)	Production (Rs Crores)	Employment (Lakh Nos)
2004-05	118.59	178,699.00	429796	282.57
2005-06	123.42	188,113.00	497842	294.91
2006-07	361.76	868,543.79	1198818	805.23
2007-08	377.36	920,459.84	1322777	842.00
2008-09	393.70	977,114.72	1375589	880.84
2009-10	410.80	1,038,546.08	1488352	921.79
2010-11	428.73	1,105,934.09	1653622	965.15
2011-12	447.64	1,182,757.64	1788584	1,011.69
2012-13	447.54	1,268,763.67	1809976	1,061.40
2013-14	488.46	1,363,700.54	NA	1,114.29

Source- Annual Report of Ministry of Micro, Small and Medium Enterprises.

NA- No data available

Number of Units:-

There has been a tremendous growth in the number of units in the MSME sector from 118.59 lakhs in 2004-05 to 488.46 in 2013-14. Around 45-50% of the MSMEs are located in rural areas.

Fixed Investment:-

From the table 2, it can be understand that the fixed investment in Micro, small and Medium Enterprises have gone up from Rs. 178,699 crores to 1,363,700 crores in 2013-14. From this it is clear that lot of investment have been made in MSMEs to encourage their growth and development in the interest of the nation.

Production:-

Table 2 clearly shows that the production in MSME sector shows an increasing trend since 2004-05 from Rs. 429796 crores to 1809976 crores in 2012-13. From this we can understand that small sector plays an important role in growth of the country.

Employment:-

Mostly small and medium enterprises are more labor intensive and thereby they can generate more employment opportunities to unemployed work force. From the table it can be clearly understand that the number of persons employed in these industries have increased from 282.57 lakhs persons in 2004-05 to 1,114.29 lakhs in

2013-14. The growth rate in employment has been consistent during the period of the study except 2006-07.

Exports:-

As per Directorate General of Commercial Intelligence and Statistics (DGCI&S) data, the total exports from Micro, Small and Medium Enterprises (MSME) sector have been provisionally estimated as below in table-3

Table-3 MSME Exports

SL NO	Year	MSME Exports(USD Million)
1	2010-11	111403
2	2011-12	131483
3	2012-13	128162

Source- Press Information Bureau Govt of India Ministry of Micro, Small and Medium Enterprises.

From the above table it is clear that there is a decline in exports during 2012-13 as compared to 2011-12 exports.

PROBLEMS OF MSMEs

In spite of the contribution to the nation's economy, the MSME sector doesn't get the required support from the government departments, banks, financial institutions and corporate which became handicap for more competitive in the national and international markets. The following are the major problems faced by the MSME in India.

- ☞ Inadequate infrastructural facilities
- ☞ Non availability of adequate timely bank finance
- ☞ Tough competition from larger firms
- ☞ Lack of skilled managerial and technical personnel
- ☞ Low quality inputs
- ☞ Ineffective marketing strategies
- ☞ Absence of market research
- ☞ Low return
- ☞ Problems related with transportation
- ☞ Lack of adequate information
- ☞ Problems related with transportation
- ☞ Lack of adequate information
- ☞ Lack of warehousing facilities
- ☞ Lack of training
- ☞ Low production capacity

SUGGESTIONS

Based on the study the following are the important suggestions for improving the performance of micro, small and medium enterprises.

1. Reduce the legal formalities for obtaining adequate, timely and easy bank finance.
2. Ensure adequate infrastructural facilities like adequate power supply, water supply and transportation facilities.
3. Provide assistance for conducting marketing research programs.
4. Provide quality inputs at concessional rates.
5. Formulate necessary policies for reducing cutthroat competition from larger firms.

CONCLUSION

India is the one of the fastest developing country in the world, MSMEs sector is one of the leading sector of the Indian economy. They play a key role in the economic and social development of the country and can be considered as engine of economic growth for promoting the equitable growth. They not only plays a critical role in providing employment opportunities at comparatively lower capital cost than large industries but also helps in industrialization of rural and backward areas, reducing regional imbalance and assuring more equitable distribution of national income and wealth. The results of the study revealed that MSMEs sector in India showing a constant growth during the study period.

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