

MICRO AND SMALL MEDIUM ENTERPRISES IN INDIA**Dr.S.Rukmangathan**

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Abstract

The micro, small and medium enterprises (MSME) sector contributes significantly to the manufacturing output, employment and exports of the country. It is estimated that in terms of value, the sector accounts for about 45 per cent of the manufacturing output and 40 per cent of the total exports of the country. The sector is estimated about 42 million persons in over 13 million units throughout the country. Further, this sector has consistently registered a higher growth rate than the rest of the industrial sector. There are over 6000 products ranging from traditional to high-tech items, which are being manufactured by the MSMEs in India.

Introduction

Whereas in large businesses the structure and systems often constitute important barriers to intrapreneurship, in small and medium -sized enterprises (SMEs) the owner -managers themselves may become the main inhibitors or, conversely, the best catalysts in the process. The more personalized internal environment in SMEs creates better partnership between the entrepreneurial actors involving MSMEs but also makes it more difficult for intrapreneurs to maintain their anonymity¹.

Defining MSMEs

The Micro, Small and Medium Enterprises Development Act, 2006, which came into effect from October 2, 2006, defines SMEs on the basis of investments in plant and machinery.

For enterprises engaged in the manufacture of goods:

Micro - Investment in plant and machinery less than Rs.2.5 mn

Small - Investment in plant and machinery over Rs.2.5mn but not exceeding Rs.50mn

- Medium - Investment in plant and machinery in excess of SSI limit but less than Rs.100 mn
- For enterprises engaged in providing or rendering of services
- Micro - Investment in equipment not exceeding Rs.1 mn
- Small - Investment in equipment over Rs 1mn but not exceeding Rs. 20 mn
- Medium - Investment in equipment is in excess of SSI limit but less than Rs.50 mn

Importance of the MSME sector

The contribution of micro, small and medium enterprises (MSME) sector to manufacturing output, employment and exports of the country is quite significant. According to estimates, in terms of value, the sector accounts for about 45 per cent of the manufacturing output and 40 percent of the total exports of India. The MSME sector employs about 42 million persons in over 13 million units throughout the country. There are more than 6000 products, ranging from traditional to high-tech items, which are being manufactured by the Indian MSMEs.

Growth of MSMEs in India

Questions about the existence of profits, causes of economic growth, and coordination of resource use by market economy have introduced a concept of the entrepreneur. The concept become relevant with the internet evolution and small-business growth and remains relevant because how entrepreneurs are treated depends on overall national economic performance and direction of economic activity².

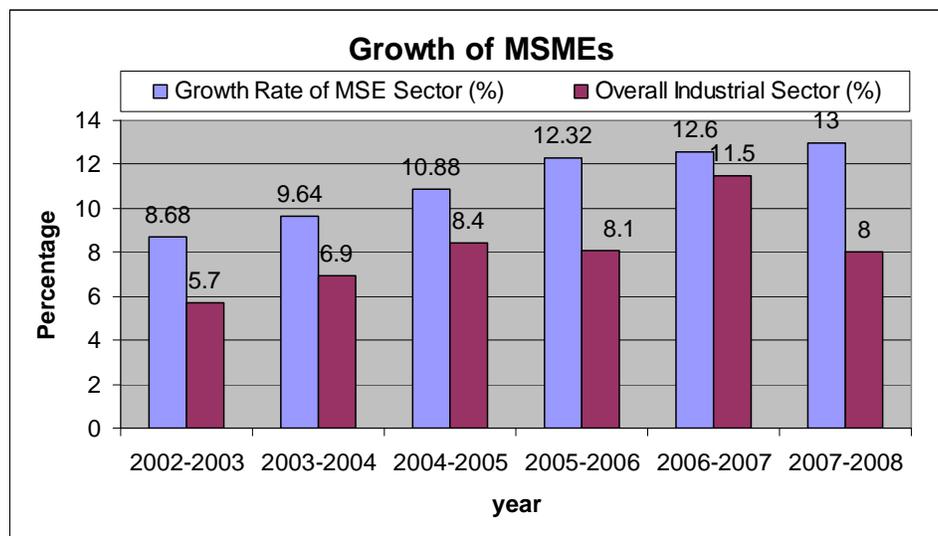
The MSE sector has maintained a higher rate of growth vis-à-vis the overall industrial sector as would be clear from the comparative growth rates of production for both the sectors during last five years as incorporated in the Table 1 given below:

Table - 1 Growth of MSMEs in India

Year	Growth Rate of MSE Sector (%)	Overall Industrial Sector (%)
2002-2003	8.68	5.70
2003-2004	9.64	6.90
2004-2005	10.88	8.40
2005-2006	12.32	8.10
2006-2007	12.60	11.5
2007-2008	13.00	8.00

Source: Economic Survey Annual Report-2008-09.

Figure -1 Growth of MSMEs in India



It is observed from above table1, the growth rate of MSMEs is an increasing trend and the overall industrial sector had registered fluctuating trends during from the 2002-2003 to 2007-2008. The growth rate of MSMEs production 8.68 per cent in 2002-03 and this percentage increased to 13 per cent in the year 2007-08, but the growth rate of overall industrial sector production in increased from 2002-03 to 2004-05 and it was step down in the year 2005-06 again this number rows to 11.5 per cent in the year 2006-07.

Hurdles of MSME in India

- i) **Lack of Finance:** It has emerged as the most critical barrier for perfect capacity utilization and competing in the market. SMEs are not able to raise adequate funds from banks, especially for high risk projects. Insufficient basic infrastructure facilities like irregular power and water supply, bad road and railway connectivity etc are some of the factors that are hampering the growth of SMEs in India.
- ii) **Lack of Technology:** One of the crucial factors that prompts in the success or failure of enterprise is technology. The best use of technology no doubt enables enterprise in reducing cost of production, maintain consistency in quality, improve productivity and finally develop the competitiveness of the enterprise.
- iii) **Lack of Planning:** Another problem that is mainly faced by SME sector is the proper division of time, which is usually the outcome of improper planning and strategy. Moreover, if you are in debt then you have to be careful from your bankers and suppliers and off course your employees who will be on your nerves on the salary day.
- iv) **Lack of Marketing Assistance:** One of the chief problems that they do not have marketing expertise or not in a position to hire someone who can jazz up their sales. Paucity of marketing support and limitation of the resources is a characteristic of all SMEs. In this framework the discussion focuses on SME's typical traits and how these effect upon marketing characteristics within SMEs.

When it comes to marketing of products or services internationally, any small or medium company is always constrained by its scarcity of budgets, which in turn limits its growth. A B2B marketplace is a platform where sellers can list their businesses free of cost and leverage the power of internet. Not only they solve companies problem of reach to the buyers worldwide, the online marketplace also support their communication needs and help them display an array of products.

- v) **Lack of Knowledge:** Lack of knowledge and information about the various schemes announced by the government.
- vi) **Lack of Right Staff:** Last but not the least SMEs are largely dependent on their staffs, if you fail in the recruitment process, you fail indeed. SMEs must hire right employees, who give their best and support the enterprise through their performances.

By seeing the growing obstacles in the way of SMEs, some renowned companies likeIndiaMART.com and Hellotrade.com are taking initiatives to aware the SMEs about online presence, ICTs, online promotions and online advertisements to get rid of these shortcomings mentioned above. IndiaMART.com is doing this

through a drive involving seminars, events and one to one commitments to illuminate the SME entrepreneurs.

Assistance and support services for Indian MSMEs

Assistance and Support Services for Indian MSMEs

- Domestic Trade and Export Business Development
- Source and Import quality products, machinery, equipments and hi-tech products
- Business Matchmaking, Buyer-Seller Meet, Arrange Delegations and Missions
- Listing in MSME Exchange
- Entrepreneurship Development
- Promotion, Branding, Design, Development and Launch of products and services
- Quality improvements to meet global standards
- Market Survey and Research on various products and services
- Preparation of project reports and financial documents
- Set up new manufacturing units in India and abroad
- Assistance and support for revival of sick units
- Resolve Problems & Issues
- Human Resource Development and Financial Advisory Services
- Indian products and services permanent display centres in various countries
- Liaison with Government Departments & Agencies, Overseas Organizations
- Arrange study tours & visits to factories / industrial plants / trade fairs / exhibitions in India and abroad
- Assistance to represent and participate in international exhibitions, trade fairs and conferences.

Modernization of MSMEs-doLibraries

MSME-DO is maintaining a Library at its Headquarters at Nirman Bhawan and all its field institutes in the country. These Libraries are the valuable source of information and are maintained with an objective of making available different technical information required for the development and promotion of micro and small enterprises. The officers of the institutes and the entrepreneurs of the areas use the library to know about the new developments taking place in the different segments of industrial and business environment.

The libraries are equipped with technical books, journals, reports, project profiles and statistical surveys including other related government publication etc. The libraries are needed to be upgraded regularly with the latest publications and technical books. MSME-DO libraries are also being equipped with Computers, Photostat Machines, Internet connectivity etc.

Suggestions for Improvements

Some suggestions have been proposed in this regard to find solutions to the marketing difficulties faced by the MSME sector.

1. There must be some programmes of making these organizations aware of the modern business tools.
2. MSMEs can be greatly benefited if they recognize the power of internet for exploring and managing the market online.
3. To be alternative marketing approaches such as personal contact networks, social networks, B2B portals, Ecommerce tools, Business networks and industry and marketing networks.

Conclusion

To conclude, Indian SMEs are presently incapable of developing the right perspective as they are technologically, financially and organizationally weak compared to global SMES. It's essential to reposition Indian SMEs in some strategic with some proven comparative advantage. Clusters should be the future strategy for SME development. More support is needed for MSMEs from the government in the form of priority sector lending, government procurement programme, credit and performance ratings and marketing support. Technology transfers (such as green technology) and networking can revive the growth of MSMEs.

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