

GROWTH AND PERFORMANCE OF MICRO, SMALL AND MEDIUM ENTERPRISES IN INDIA



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Abstract

The Industrialization is a progressive measure which creates social and economical change by transforming the human society from pre industrialization to industrial era; Industrialization plays a pre dominant role in the development of the economy, act as a basic fundamental factor which is influenced on the growth prospects of the economy of a country. The prominence of industrialization creates employment opportunities, balancing the regional development, increasing in the standard of living and poverty eradication etc. In this context the MSME sector act a factory for entrepreneurship and self employment opportunities as well as tool for poverty eradication. So the present study attempts to analyze the growth and performance of Micro, Small and Medium Enterprises in India. The main purpose of the study is to know about the current status, growth and development of the Micro, Small and Medium Enterprises and also discuss the government initiative and measures for development of MSME's in India. The study is based on secondary data only which includes different reference books, journals, research papers, seminar proceedings, articles, and government publications, annual reports etc. This study attempts to test the correlation between the total working enterprises and employment as well as correlation between the Gross values of MSME & total contribution to Gross Domestic Product and for testing the hypothesis correlation coefficient is used and excel calculations are analyzed.

Keywords: Industrializations, MSME, GDP, Employment, MSME Development Programmes

Introduction

Agriculture is the backbone of our country and it is a oldest occupation in the world, in an agricultural economy the industries confer sum of benefits to the national growth by generation of employment, increase in national and per capita income, optimum utilization of available resources, economic stability etc. The Micro, Small and Medium Enterprises plays a significant role in the development of the economy especially in creating or generation of employment opportunities, after enforcement of the new Economic policy in 1991 with new measures and economic reforms by liberalizing the restrictions, licensing for private concerns and globalization of the nation

economy, there by India achieves faster economic growth. The introduction of economic reforms in India after 1991 makes a progressive Impact on the different sectors of the economy majorly in banking, capital markets, service sector, and especially in industrial development. So the present study intends to point out the current progress, growth and performance of the Micro, Small and Medium Enterprises in India. The MSMEs play a pivotal role in the economy; it acts as an economic growth engine. MSMEs have been acknowledged and accepted as engine for economic growth and development .The significant contribution by MSME sector to socio-economic development is employment opportunities and it is a first benefit of this sector. The MSME is the nursery for entrepreneurship often driver by individual creativity and innovation(Srinivas K T 2013).In least developed countries MSMEs have a crucial role to play because of their potential contributors to improvement of income distribution, employment creation, poverty reduction ,industrial development, rural development and export growth(Tulus Tambunan 2006), in India MSMEs have demonstrated considerable strength and resiliencies maintaining a consistent rate of growth and employment generation during the global recession (Parthjeet Das 2017). So present paper addresses the growth and performance of Micro, Small and Medium Enterprises in India.

Methodology of the Study

The methodology of the study includes only the secondary data which is collected from different sources like annual reports published by department of micro small medium enterprises of government of India , articles published in news papers , journals, text books, internet sources ,different academic web sites and research papers published in online journals etc. For analyzing the correlation between the employment and total working enterprises and the correlation between MSME gross value and total GDP contribution the Coefficient correlation is used and hypothesis is framed between the employment and total working enterprises as well as MSME gross value and GDP.

Hypothesis For the study

Alternative Hypothesis

H₁ -There is a significant correlation between the total working enterprises and employment.

H₁ - There is a significant correlation between the Gross value of MSME & Total GDP.

Null Hypothesis

H₀ -There is no significant correlation between the total working enterprises and employment.

H₀ -There is no significant correlation between the Gross value of MSME & Total GDP.

Objectives of the Study

- To analyze the growth of the Micro, Small and Medium Enterprises in India.
- To analyze the role MSMEs in employment and Economic development.

Scope of the Study

The present study is confined to the Indian context only. The analysis and interpretation is based on secondary data which is collected from different sources and also the study is based on secondary data only. The secondary data is the main limitation of this study. Time constraint is also one of the basic limitations. The present study explores the role of micro, small, medium enterprises in employment creation and economic development.

Need for the Study

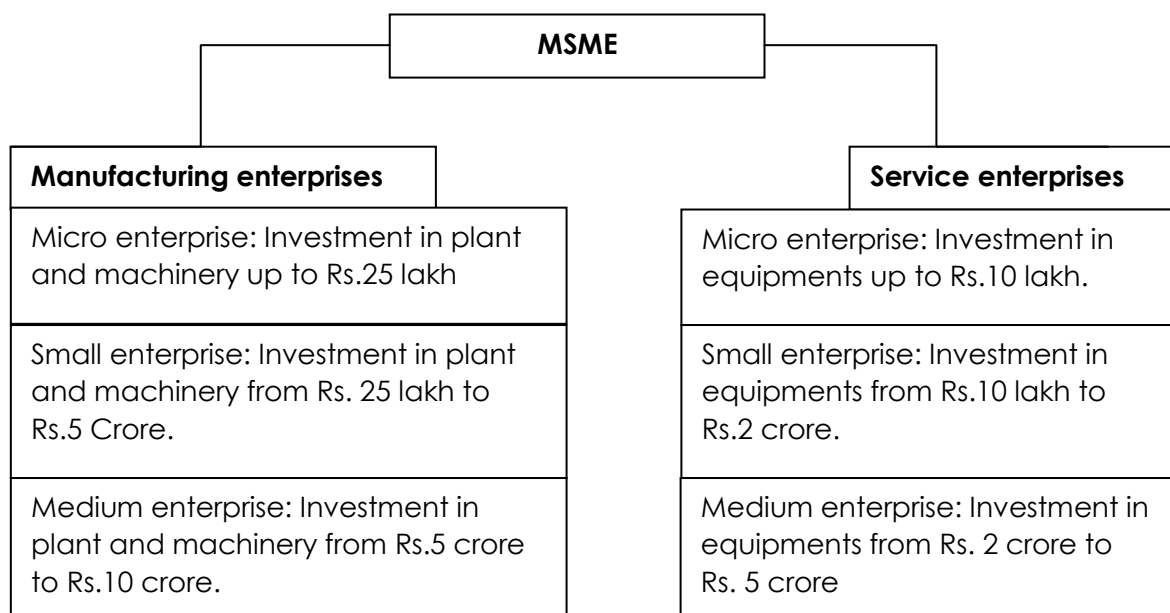
Industrialization is acts as a tool for growth and development of economy. The MSME sector is the major sector which is going to contribute to the development of the economy of a country. The MSME entrepreneurs are facing several problems like statutory clearance, market access, lack technology, infrastructural issues and lack adequate capital etc. So we need to understand the growth and performance of MSME sector. We are required to know about the relationship between the MSMEs and Economic growth and development of the economy.

Conceptual Framework

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vigorous and dynamic sector of the Indian economy. It acts as a factory for creating creative, innovative and self employed entrepreneurial personality. MSMEs sector a play crucial role in poverty eradication through generating employment opportunities compare to the large industries and provision for commercializing the innovative attribute of entrepreneur. It also helps in industrialization of rural & backward areas thereby creating a track to reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs sector contributes enormously to the socio-economic development of the country.

Definition of Micro, Small and Medium Enterprises in India

The MSMEs are defined on the basis of investment in Plant & Machinery and equipments under the MSMED Act, 2006. The present investment limit for MSMEs is as under:



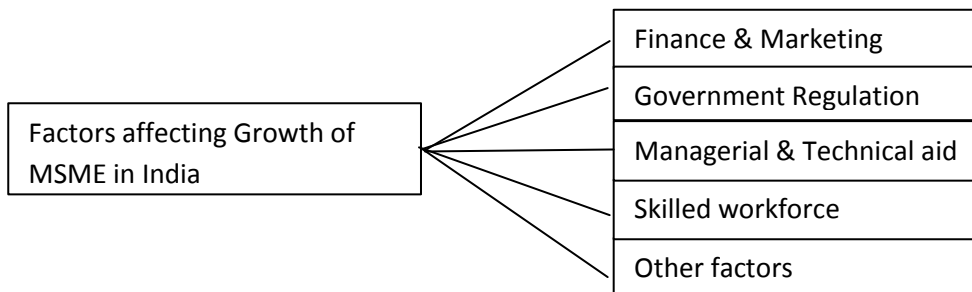
MSME Development Programmes

- Credit Guarantee Fund Scheme (CGTMSE)
- Credit Linked Capital Subsidy Schemes (CLCSS)
- Prime Ministers Employment Generation Programme (PMEGP)
- National Manufacturing Competitiveness Programme (MNCP)
- Scheme of Fund For Regeneration of Traditional Industries (SFURTI)
- Performance & Credit Rating Scheme (PCR)
- Assistance to Training Institution(ATI)
- Marketing Assistance (MA)
- Coir Udyami Yojana (CUY)
- Coir Vikas Yojana (CVY)
- Mahila Coir Yojana (MCY)
- Micro and Small Enterprise Cluster Development Programme(MSE-CDP)

The industrialization is possible when we resolve the problems of MSME sector. It acts as factory for generating entrepreneurial innovative creative personality and self employment, it has witnessed for economic growth and development of a country. The greatest contribution or the return by MSME sector to the GDP is a key issue why because as per the MSME annual report 2015-16 the GDP contribution is 37.33 %. It is the greatest contribution to the national growth. We accomplish the ultimate outcome by providing basic facilities which are essential for incorporation SME.

Factors affecting Growth of MSME in India

The second largest sector in Indian economy is MSME which is influenced by several factors for its growth. The following are the important factors which are affecting growth of MSME in India.



Finance

The finance is the life blood of business. Its position and performance mainly depend on the adequate finance. The financial support is the key factor which determines the growth of firms. The availability capital sources or sources of finance for incorporation of business or working capital requirement for day to day operations are the essentiality for business sustainability.

Marketing

The marketing is key functional area of the every business concern which decides the survival matter of the organization. The question is how the MSMEs are selling their products? How they prefer the local market or national and international market to market their products or service. The government of India introduced the marketing assistance scheme to enhance marketing capabilities & competitiveness of the MSMEs. The export of MSME products to the international market in 2012-13 is 128162 million.

Government Regulation

The role of government in the business or the state intervention in the business as regulator, promoter, entrepreneur, finance provider is the key determinant which is influenced on overall growth of MSME sector. The MSME development act 2006 is the new nomenclature for replacing the definition of Small Scale Industries as Micro, Small and Medium Enterprises in India.

Managerial and Technical Aid

The managerial aid is a Support for Entrepreneurial and Managerial Development of SMEs through Incubators. The managerial aid for new indigenous technology, processes, products, procedure etc which are helps to create knowledge based enterprises or the entrepreneurs by commercializing their innovative ideas.

Other Factors

The other factors include skilled workforce, Basic infrastructural facilities and research development activities for inventing or re- inventing, engineering or re- engineering. The productivity is depend on skilled workforce, life cycle of the enterprises is depend on research development activities and industrialization & its growth is rely up on the Basic infrastructural facilities.

Data analysis and Interpretation

Table 1 Total Working Enterprises (in lakh), Employment (in lakh), Gross value and GDP

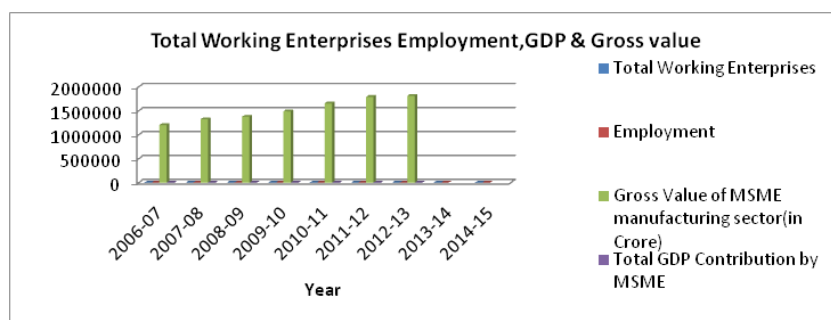
Sl. No	Year	Total Working Enterprises	Employment	Gross Value of MSME manufacturing Sector (in Crore)	Total GDP Contribution by MSME
1	2006-07	361.76	805.23	1198818	35.13
2	2007-08	377.36	842	1322777	35.41
3	2008-09	393.7	880.84	1375589	36.12
4	2009-10	410.8	912.79	1488352	36.05
5	2010-11	428.73	965.15	1653622	36.69
6	2011-12	447.64	1,011.69	1788584	37.97
7	2012-13	467.54	1,061.40	1809976	37.54
8	2013-14	488.46	1,114.29		
9	2014-15	510.57	1,171.32		

Source: MSME annual report 2015-16

Results of Correlation analysis

Hypothesis	'r' value	Result
Correlation between Total Working Enterprises and Employment	0.999511	Very strong positive relationship
Correlation between total GDP & Gross value of MSME	0.964979	Very strong positive relationship

Source: Excel calculations



Graph-1.1 Total Working Enterprises and Employment Gross Value and GDP

Total Working Enterprises and Employment

The alternative hypothesis states that there is a significant correlation between the total working enterprises and employment. As per the excel output relating to correlation between the total working enterprises and employment is very significant means the correlation coefficient(r) value is 0.999511. It indicates that there is strong positive relationship between the total working enterprises and employment. If the total working enterprises' increases the obviously it leads to increase the employment opportunities. So finally the alternative hypothesis is accepted and the null hypothesis is rejected. The above extracted data about from MSME annual reports its clear that there is increasing trend in the total working enterprises and employments from 2006-07 to 2014-15. By observing the correlation between these two variables it clears that the MSME sector is act as a generator of employments as well as factory for entrepreneurship and self employment. The performance of the Micro Small Medium Enterprises from 2006-07 to the 2014-15 in investment and employment is in growing manner.

Relationship between GDP & Gross Value

The alternative hypothesis states that there is significant correlation between the Gross value of MSME over the years & Total GDP over the years. As per excel output the correlation coefficient between these two variables is very significant in nature and the correlation coefficient(r) value is 0.964979, it indicates that there is high significant correlation between Gross value of MSME over the years & Total GDP over the years. Hence it is clear that if the gross value of MSMEs is increased the total GDP is also increased. Table reveals that the contribution of Micro Small Medium Enterprises to the Gross Domestic Product (GDP) of our country. The MSME sector acts as an engine to our Indian economic growth and development. The table States that both manufacturing and service sector in MSME plays significant role in the GDP growth. The greatest return or contribution from MSME sector to GDP growth is constantly improving from year to year in total of both manufacturing and service sector in MSME. In 2015-16 the contribution from MSME to the GDP growth is 37.54 %.

Table 2

Years	Share of Exports from MSME in India's Total Exports
2013-14	42.42%
2014-15	44.76%
2015-16	49.86%

Exports by MSME Sector

The table- 2 showing the Share of Exports from MSME in India's Total Exports from 2013 – 14 to 2015 – 16. In the year 2015 – 16 the export share by MSME sector is 49.86%.

Source: www.pib.nic.in It indicates that approximately more or less 50% of the total exports of the economy are contributed by MSMEs only. It is

clear that MSME sector plays a significant role in the overall growth prospect of the economy. The increased trend in the exports compare to the large industries is a remarkable indicator of MSMEs performance in India.

Findings

- **Correlation**

There is a significant correlation between the total working enterprises and the employment, as per excel output 0.999511 it indicates that these two set of data are highly significant and correlated and there is a significant correlation between the gross value of MSME sector and GDP, as per excel calculations 0.964979 .it indicates that the relationship is very significant and positive.

- **Economic Growth Engine**

By observing the existing literature it is clear that the MSME sector act as a growth engine for faster economic growth and development and the potential contribution by this sector is generating the employment, increase in standard of living, poverty eradication and removing regional imbalances etc. The total working enterprises and employment is increasing from year to year, in the 2015-16 total working enterprises 361.76 and employment is 1171.32.

- **Role of the Government**

The promotional role of the government relating to industry and commerce especially in MSME sector is highly appreciable one, government acts a provider, adviser, developer, leader and finally a regulator.

Suggestion

The MSME sector act as a factory for generating entrepreneurial personality and self employment, by this reason as well as reviewing the existing, statistics and literature relating to MSME, present study suggests that there is a chance to take revolutionary measures in relation MSME sector growth and development for tackle the faster economic growth.

Conclusion

The present study finally concludes that the Micro Small Medium Enterprises plays significant role in the growth and development of economy of every country. The MSME sector contributes highest return to the GDP growth as well as the total exports of the country. In 2015 – 16 MSME sector has its share of 49.86% of total exports. The industrialization act's as an indicator of the economic growth and development. The MSME sector helps to create employment opportunities, achieving the regional development by removing regional imbalances etc. The Micro Small Medium Enterprises sector now emerged as highly vigorous and dynamic sector of the Indian economy. It plays a key role in the growth and development of rural economy and

backward areas there by accomplish the socio-economic development of the country.

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