

PERFORMANCE OF MICRO SMALL AND MEDIUM ENTERPRISES IN INDIA

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ABSTRACT

Micro Small and Medium Enterprises (MSMEs) sector has emerged as a highly dynamic sector of the Indian economy over the last six decades. MSMEs sector not only play important role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural areas. MSMEs are complementary to large industries as complementary units and this sector contributes significantly to the socio-economic development of the country. In India, the sector has gained significant importance due to its contribution to Gross Domestic Product (GDP) of the country and exports. This paper made an attempt to know the overall performance of MSMEs in terms of investment, employment and exports in India. The data has been collected from various secondary sources like concern annual reports, magazines, and other journals. The collected data have been analyzed with the help of statistical tools such as AGRs, CAGRs, and Percentages etc.

KEYWORDS: *MSMEs, Performance, Investment, Exports*

Article History

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INTRODUCTION

Indian economy is depending on various sectors as agriculture, industry and information technology. Industrial sector is one of the major contributor towards the Indian economy. As a part of Industrial sector, Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last six decades. MSMEs 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. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country. The Micro Small and Medium Enterprises (MSMEs) sector is a major contributor to the socio-economic development of the country. In India, the sector has gained significant importance due to its contribution to Gross Domestic Product (GDP) of the country and exports. The sector has also contributed immensely with respect to entrepreneurship development especially in semi-urban and rural areas of India. MSMEs are complementary to large industries as complementary units and this sector contributes enormously to the socio-economic development of the country. The Sector consisting of 36 million units, as per recent statistics, 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.

Micro, Small and Medium Enterprises Development Act, 2006

The Micro, Small and Medium Enterprises Development (MSMED) Act was notified in 2006 to address policy issues affecting MSMEs as well as the coverage and investment ceiling of the sector. The Act seeks to facilitate the development of these enterprises as also enhance their competitiveness. It provides the first-ever legal framework for recognition of the concept of “enterprise” which comprises both manufacturing and service entities. On 9 May 2007, subsequent to an amendment of the Government of India (Allocation of Business) Rules, 1961, the erstwhile Ministry of Small Scale Industries and the Ministry of Agro and Rural Industries were merged to form the Ministry of Micro, Small and Medium Enterprises (M/o MSME). This Ministry now designs policies and promotes/ facilitates programs, projects and schemes and monitors their implementation with a view to assisting MSMEs and helps them to scale up.

Definition

A revision in Micro Small and Medium Enterprises (MSME) definition was announced under the Aatmanirbhar Bharat Abhiyaan Scheme on May 13, 2020. The Ministry of Micro, Small, and Medium Enterprises, vide its gazette notification dated June 1, 2020, has announced the upward definition and criteria of the MSME. The new classification for MSME came into effect from July 1, 2020. Therefore, according to the new classification of Micro, Small and Medium Enterprises (MSME) under the Aatmanirbhar Bharat Abhiyaan Scheme, enterprises are defined based on the investment criteria in plant and machinery and turnover.

Table

| Criteria | Manufacturing and Service Enterprises (Revised Classification with effective from July 1, 2020.) | |
|----------|---|---|
| | Turnover | Investment |
| Micro | Rs.5 Crore (US \$ 610000) | Less than Rs.1 Crore (US \$ 120000) |
| Small | Rs.50 crores (US \$ 6.1Millioin) | More than Rs. 1 (US \$ 120000)Crore but less than Rs. 10 Crore (US \$ 1.2 million) |
| Medium | Rs.250 Crores (US \$ 30.4 Million) | More than Rs.10 Crore (US \$ Million) but less than Rs.50 Crore (US \$ 6.1 Million) |

REVIEW OF LITERATURE

Meeravali Shaik, K. Ajay Kumar, K.V Ramesh & G. Sekhar Babu (2017), based on their study, it is suggested that government has to adopt integrated policy, providing sound data with efficient governance, promote skill development to increase productivity and providing accessible credit through government sponsored agency exclusively to MSME is essential to increase productivity and contribution to economic growth.

B.B. Sahoo1 and K.C. Swain (2020), in their study they said that, most of the MSME solutions are responses to social problems, and therefore, in a growing economy like ours, opportunities in MSMEs must be explored and made use of as a powerful tool of growth and social justice. The second important aspect is that MSMEs are the lower layer of the enterprise system and they help the economy by generating additional employment, increasing export and contribution to GDP. Further, it forms the social base of the enterprise economy of India. With global competition, the MSMEs must incorporate latest technology in every aspect of their operation such as financing, production, marketing and management to withstand the pressure and they must also be innovative and competitive.

Roy, Ekta Singha (2022), he said that, MSMEs contribution in Indian Economy is enormous but it is endangered to socio economic changes. The grey economy is not form as separate legal entity clear views of production activities or independent household. Financial transaction in grey economy is not legally established. They are totally market oriented. Apart from these barriers, Government of India is more emphasizing on development of MSMEs. To finance the project of the first generation entrepreneur, Government has established developing hubs in IIT and IIMs.

Shamal Arvind Pawar (2023), he opined that MSME sector has grown continuously with the passage of time and has helped in promoting employment opportunities for the youth of rural and urban India. Most of the MSME's utilize domestic available natural resources, which assist Indian economy to achieve its regional balanced growth.

Shrijit Rudrappa & Deepak Shyam (2023), In their study they concluded that, the COVID-19 pandemic had a significant influence on India's MSME sector, causing supply chain disruptions, decreased demand, stress on the economy, and the need for quick digital transformation. Even while government support programs offered some help, many MSMEs had trouble adjusting to the new normal. The flexibility of MSMEs in adapting to shifting market conditions, ongoing policy assistance, and technical innovation are all necessary for the sector's long-term recovery and expansion

STATEMENT OF THE PROBLEM

After introducing MSMEs Act 2006, many changes have been taken place in spite of the latest amendments in the definitional concepts. After implementing this MSMEs act, Micro Small and Medium Enterprises are performing in a great extent with minimum obstacles. Meanwhile technological developments also taken place. With the slight variations, MSMEs are showing significant performance in terms of investment and generation of employment. Though there is a remarkable financial support from the government towards MSMEs, some of the sectors are facing difficulties. This study is undertaken with the objectives of studying the policy initiatives and overall performance of the MSMEs in India.

OBJECTIVES OF THE STUDY

The following are the main objectives of the study:

- To know the concept of Micro Small and Medium Enterprises
- To study the overall performance of MSME Sector in India
- To identify the recent government policy initiatives towards MSME Sector.
- To give the suitable conclusion for findings.

METHODOLOGY

This is original research work conducted based on the secondary data and analytical in nature. The data have been collected from the secondary sources such as annual reports, journals and policy reports and previous studies. Available Statistical data have been collected for the period of 10 years from 2006-07 to 2015-16 relating to investment, gross value of output and employment. And 8 years data have been collected for the purpose of total GAV, total MSME GAV and all India GDP (2011-12 to 2018-19). Again 6 years data have been collected to assess the total exports and share of MSME exports (2012-13 to 2017-18). For the purpose of analyzing the collected data, statistical tools such as percentages, averages, Annual Growth Rates and Compounded Annual Growth Rates (CAGR) have been adopted and presented in the tables.

Limitations of the Study

1). 6 to 10years data have been collected for the study from the period 2010-11 to 2019-20. 2). Analyzed only overall performance of MSMEs in connection with investment, employment and export performance of MSMEs. 3). There may be chance of little bias since the data has been collected from the secondary sources

Data Analysis and Interpretation

The collected data of the performance of Micro, Small and Medium Enterprises have been analyzed with the help of the statistical tools like percentages, averages and compounded annual growth rates (CAGR) and presented in the following tables.

Table 1: Performance of Micro, Small, and Medium Enterprises (MSMEs) from 2006-07 to 2015-16

| Year | Total Working Enterprises (in Lakhs) | AGR (%) | Investment(in Crore) | AGR (%) | Gross Value Of Output(in Crore) | Employment(in Lakhs) | AGR (%) |
|---------|--------------------------------------|---------|----------------------|---------|---------------------------------|----------------------|---------|
| 2006-07 | 361.76 | ----- | 868,543.79 | ----- | 1198818 | 805.23 | ----- |
| 2007-08 | 377.36 | 4.31 | 920,459.84 | 5.98 | 1322777 | 842 | 4.57 |
| 2008-09 | 393.70 | 4.33 | 977,114.72 | 6.15 | 1375589 | 880.84 | 4.61 |
| 2009-10 | 410.80 | 4.34 | 1,038,546.8 | 6.28 | 1488352 | 921.79 | 4.64 |
| 2010-11 | 428.73 | 4.36 | 1,105,934.09 | 6.48 | 1653622 | 965.15 | 4.70 |
| 2011-12 | 447.64 | 4.41 | 1,182,757.64 | 6.94 | 1788584 | 1011.69 | 4.82 |
| 2012-13 | 467.64 | 4.47 | 1,268,763.67 | 7.27 | 1809976 | 1061.4 | 4.91 |
| 2013-14 | 488.46 | 4.45 | 1,363,700.54 | 7.48 | NA | 1114.29 | 4.98 |
| 2014-15 | 510.57 | 4.52 | 1,471,912.94 | 7.93 | NA | 1171.32 | 5.12 |
| 2015-16 | 633.88 | 24.15 | 1,014,761.1 | -31.06 | NA | 1109.89 | -5.24 |
| Total | 4,520.54 | ----- | 11,212,495.13 | ----- | ----- | 9883.6 | ----- |
| Average | 452.054 | ----- | 1,121,249.513 | ----- | ----- | 988.36 | ----- |
| CAGR | 6.43 | ----- | 1.74 | ----- | ----- | 3.63 | ----- |

Source: 1.GOI, Ministry of MSME, Annual Report 2015 Table 2.2,p.8 and table 2.3 and 2. RBI, Hand Book of statistics on Indian Economy 2016-17 (Mumbai, 2017), Table 36, p.84.

Interpretation

The above table No:1 discloses the overall performance of Micro Small and Medium enterprises in India in terms of investment and employment for the period 10 years from 2006-2007 to 2015-2016. It is observed that total working enterprises annual growth rate showing continuous increasing trend. Out of 10 years study period, during the study period 2015-16 surprisingly highest growth rate registered. The compounded annual growth rate of total working enterprises registered as 6.43 for 10 years study period. The total working enterprises are recorded for 10 years as 4,520.54 Lakhs. Its CAGR registered as 6.43 for 10 years study period. Annual Growth Rate of investment is continuously increased till the year 2014-15. All of a sudden in the year 2015-16 showing that negative annual growth rate is decreased to -31.06. The compounded annual growth rate Investment for 10 years study period is showing that 1.74. The total Investment value for 10 years study period is that Rs. 11,212,495.13 Crore. It is showing good sign of improvement in investment. Another significant feature is that employment trend also increased continuously up to the year 2014-15. But in the last year that is in 2015-16 employment rate is decreased.

Table 2: Share of MSME GAV in total Indian GDP

| Year | Total MSME GAV(in Crore) | Growth (%) | Total GAV (in Crore) | Share of MSME in Total GAV (%) | All India GDP (in Crore) | Share of MSME GAV in All India GDP (%) |
|---------|--------------------------|------------|----------------------|--------------------------------|--------------------------|--|
| 2011-12 | 2,583,263 | ----- | 8,106,946 | 31.86 | 8,736,329 | 29.57 |
| 2012-13 | 2,977,623 | 15.27 | 9,202,692 | 32.36 | 9,944,013 | 29.94 |
| 2013-14 | 3,343,009 | 12.27 | 10,363,153 | 32.26 | 11,233,522 | 29.76 |
| 2014-15 | 3,658,196 | 9.43 | 11,504,279 | 31.80 | 12,467,959 | 29.34 |
| 2015-16 | 4,059,660 | 10.97 | 12,574,499 | 32.28 | 13,771,874 | 29.48 |
| 2016-17 | 4,502,129 | 10.90 | 13,965,200 | 32.24 | 15,391,669 | 29.25 |
| 2017-18 | 5,086,493 | 12.98 | 15,513,122 | 32.79 | 17,098,304 | 29.75 |
| 2018-19 | 5,741,765 | 12.88 | 17,139,962 | 33.50 | 18,971,237 | 30.27 |
| Total | 31,952,138 | ----- | 98,369,853 | ----- | 107,614,907 | ----- |
| Average | 3,994,017.25 | ----- | 12,296,231.63 | ----- | 13,451,863 | ----- |
| CAGR | 12.09 | ----- | 11.29 | ----- | 11.71 | ----- |

Source: Central Statistics Office (CSO), Ministry of Statistics & Programme Implementation

Interpretation

The above **TableNo:2** depicts the total GAV, total all India GDP, MSME share in total GAV and share of MSMEs GAV in all India GDP. From the above table it is observed that the total GAV for 8 years period from 2011-12 to 2018-19 registered as Rs.98,369,853 Crore. Its average is showing as Rs. 12,296,231.63 Crore. Again it is also identified that for eight years period compounded annual growth rate of GAV registered as 11.29 percent. All India GDP for 8 years study period total is Rs. 107,614,907. And the compounded annual growth rate all India GDP registered as 11.1. The total MSMEs GAV for 8 years study period is recorded as Rs. 31,952,138 Crore. Its Compounded Annual Growth Rate is 12.09. It is very unfortunate that the MSME GAV growth rate showing down trend till 2016-17 year and subsequently increased. It is also observed that share of MSMEs in total GAV maintained stability. Another observation is that share of MSME GAV in all India GDP is also maintained almost stability during 8 years study period.

Table 3: Share of MSME Exports in Total Exports in India (Amount in US \$ Million)

| Year | Total Exports | Exports by MSMEs | Growth (%) | Percentage of share of MSME Exports |
|---------|---------------|------------------|------------|-------------------------------------|
| 2012-13 | 300,400 | 127,992 | ----- | 42.61 |
| 2013-14 | 314,415 | 133,313 | 4.15 | 42.40 |
| 2014-15 | 310,352 | 138,896 | 4.18 | 44.75 |
| 2015-16 | 262,291 | 130,768 | -5.85 | 49.86 |
| 2016-17 | 275,852 | 137,068 | 4.81 | 49.69 |
| 2017-18 | 303,376 | 147,390 | 7.53 | 48.58 |
| Total | 1,766,686 | 815,427 | ----- | 46.16 |
| Average | 294447.67 | 135904.5 | ----- | ----- |
| CAGR | 0.20 | 2.86 | ----- | ----- |

Source: RBI & Press Information Bureau/Directorate General of Commercial Intelligence and Statistics (DGCIS)

Interpretation

The above table reveals that total exports in India and share of MSME enterprises during the period 2012-2013 to 2017-2018.(6 years).Out of total exports of amount 1,766,686 Million dollars, the total share of micro small and medium enterprises registered as 815,427 million dollars. Again it is also observed that first 3 years there is an increasing trend in MSME exports growth rate and in 4th year unfortunately straight away MSME exports decreased by -5.85. Another tremendous feature observed that years 2016-17 and 2017-18 suddenly growth rate of MSME has been increased. From the above table it is identified that for 6 years total exports the annual compounded growth rate has registered as 0.20 and

MSME exports CAGR registered as 2.86 for 6 years. Unfortunately the percentage of exports have been decreased in the year 2017-2018.

Table 4: Comparative Distribution of MSME Units in India's Top 10 Scores (73rd round of NSS and All India Census of MSME)

| SI No | State/UT | NSS 73 rd Round* | | Fourth All India Census of MSME** | |
|-------|--------------------------|-----------------------------|-----------|-----------------------------------|-----------|
| | | Number (in Lakhs) | Share (%) | Number (in Lakhs) | Share (%) |
| 1 | Uttar Pradesh | 89.99 | 14 | 44.03 | 12 |
| 2 | West Bengal | 88.67 | 14 | 34.64 | 10 |
| 3 | Tamil Nadu | 49.48 | 8 | 33.13 | 9 |
| 4 | Maharashtra | 47.78 | 8 | 30.63 | 8 |
| 5 | Karnataka | 38.34 | 6 | 20.19 | 6 |
| 6 | Bihar | 34.46 | 5 | 14.7 | 4 |
| 7 | Andhra Pradesh *** | 33.87 | 5 | 25.96 | 7 |
| 8 | Gujarat | 33.16 | 5 | 21.78 | 6 |
| 9 | Rajasthan | 26.87 | 4 | 16.64 | 5 |
| 10 | Madhya Pradesh | 26.74 | 4 | 19.33 | 5 |
| 11 | Total of Above 10 States | 469.4 | 74 | 261.04 | 72 |
| 12 | Other States/UTs | 164.5 | 26 | 100.72 | 28 |
| 13 | All | 633.9 | 100 | 361.76 | 100 |

Source: MSME, annual report 2021-2022, *NSS 73rd Round, 2015-2016, ** Fourth All- India Census of MSME, 2006-2007, ***Including Telangana in Fourth All-India Census.

The above table reveals that State of Uttar Pradesh had the largest number of estimated MSMEs registered a share of 14.20% of MSMEs in the country. Top 10 States accounted for a share of 74.05% of the total estimated number of MSMEs in the country.

POLICY INITIATIVES

The following initiatives taken by the Government of India recently to support MSMEs in the country:-

- Rs.5 lakh crore Emergency Credit Line Guarantee Scheme (ECLGS) for business, including MSMEs.
- Rs.50, 000 crore equity infusion through MSME Self-Reliant India Fund.
- New revised criteria for classification of MSMEs.
- No global tenders for procurement up to Rs.200 crores.
- Launching of an online Portal “Champions” in June, 2020 to cover many aspects of e-governance including grievance redress and handholding of MSMEs.
- Inclusion of Retail and Wholesale trades as MSMEs w.e.f. 02nd July, 2021.
- Non-tax benefits extended for 3 years in case of an upward change in status of MSMEs.
- Roll out of Raising and Accelerating MSME Performance (RAMP) programme with an outlay of Rs 6,000 crore over 5 years.
- Launch of Udyam Assist Platform (UAP) on 11.01.2023 to bring the Informal Micro Enterprises (IMEs) under the formal ambit for availing the benefit under Priority Sector Lending (PSL).

FINDINGS

- It is observed from the table number 1 that the annual growth rate of total working enterprises during 10 years study period is recorded surprisingly 24.15.
- It is found that the investment criteria is showing positively till end period of study except during the year 2015-16. In this year investment rate is recorded negatively as -31.06.
- Employment rate is also increased continuously till the year 2014-15 and all of a sudden decreased to -5.24 in the year 2015-16.
- It is identified that there is a slight variation in the share of MSME GAV percentage in total Gross Annual Value.
- Most important feature is that the share of MSME GDP in total GDP is almost improved. Really it is great feature.
- It is also recognized that there are some up and downs in the MSME exports during 6 years study period and in middle it is recorded negatively that is -.85

CONCLUSION

Of course Micro Small and Medium Enterprises (MSME) Sector is a potential sector towards development of Indian economy, overall performance of MSMEs is not up to the mark during my study period. There is a significant observation made during study period is that, there was no stability in investment and employment generation growth rates, though there is a positive trend in registration of working MSME enterprises during the study period from 2006 -07 to 2015-16. There were up and downs in investment and employment generation till the year 2014-15. Unfortunately during the year 2015-16 growth rate of investment and employment negatively recorded. The government should consider seriously to improve in this connection. The government should think seriously to improve the investment and employment. It is also recommended that, the government should verify the policy initiatives and evaluation. It is identified that during the study period exports are looking moderate improvement. Concern authorities have to promote skill development and entrepreneurship education towards development of MEMEs.

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