

# Growth of MSMEs in INDIA: Its' Performance and Future Prospects

**Ms. Heena Upadhyay**

Asst. Professor, IBMR, IPS Academy, Indore

**Dr. Vivek Singh Kushwaha**

Director, IBMR, IPS Academy, Indore

## ABSTRACT

From a macro point of view the micro, small and medium enterprises (MSMEs) appear to be a small and inconsequential part of the economy but on zooming in just a little bit, we understand that the MSMEs constitute of 90% (Saini, 2014) of the total industrial units and are responsible for 45% of industrial output and 40% of the total exports. Simultaneously employ 40% of the total population i.e. 69 million people which accounts for the second largest workforce next to agricultural sector. (Katyal, 2015) The output of their labour intensive nature combined with geographical distribution opens the avenue for employment opportunities for both job seeking and self-employed people promoting equitable distribution of income and inclusive growth. This paper is an attempt to highlight the present status of performance of Indian MSMEs & also forecast the future trend.

**Key words:** MSMEs, Future Prospects.

## INTRODUCTION

The growth of civilization is based on the growth of economy which is reflected in the development and growth of industries. Medium & Small scale industries constitute a key link in the process of the socio-economic transformation of the underdeveloped social structures. Undoubtedly, in terms of developing countries, the process of conversion, either germinating within the rural segment or bringing the latter within its orbit of influence, play a vital role and therefore, occupy an important position in their development strategy. The last half of a century has seen rapid developments in the industrial field.

In a developing country like India MSME sector plays a key role in the Industrialization. Micro, Small and Medium Enterprises (MSME) sector has emerged as a exceedingly vibrant and dynamic sector of the Indian economy over the last five decades. The contribution of Micro, Small and Medium Enterprises (MSME) in country's GDP is nearly about 8%, in manufacturing output it is nearly about 45 percent and in exports it is nearly 40 percent. (Vasu, Jayachandra, 2014). This sector provides the largest share of employment next to agriculture.

MSME not only help in industrialization of rural & backward areas but also play a critical role in providing large scale employment opportunities at reasonably lower capital cost than large scale industries, thereby assuring more impartial distribution of national income, resources and wealth and thus reducing regional imbalances. As subsidiary units MSMEs are corresponding to large industries and contribution of this sector is enormous to the socio-economic development of the country. Huge opportunities in employment are generated by this sector. Economically, this sector has strengthened the regions of the country and helps in achieving the self-reliance in every aspect of life. It also eliminates the imbalances between rich and poor.

## CONCEPTUAL FRAMEWORK

### Definition

Micro Small Medium Enterprises (MSME): MSME Sector comprises of any enterprises, whether proprietorship, association of persons, co-operative society, Hindu undivided family, partnership or undertaking or any other legal entity, by whatever name called, engaged in production of goods pertaining to any industry specified in the first schedule of Industries Development and Regulation Act, 1951 & other enterprises engaged in production and rendering services. Under the Micro, Small and Medium Enterprises Development Act, 2006, MSMEs are classified as under:

Enterprises	Investment in Plant & Machinery (Manufacturing)	Investment in Equipment (Services)
Micro	Up to Rs.25 lakh	Upto Rs.10 lakh
Small	Above Rs. 25 lakh up to Rs.5 Crore	Above Rs. 10 lakh up to Rs.2 Crore
Medium	Above Rs. 5 Crore up to Rs.10 Crore	Above Rs. 2 Crore up to Rs.5 Crore

*Source: Micro, Small and Medium Enterprises Development Act, 2006*

### LITERATURE REVIEW

**Mrs Ashu Katyal, Mrs Betsy Xaviour (2015)** stated MSME (Micro, Small and Medium Enterprises) are the core of Indian Industry. Their contribution especially to a developing country like India is very recognizable. Their contribution is not only up to generating employment but also till encouraging low skilled level workers to start as entrepreneur level in rural areas. As data given by Economic Times in June 2013, MSMEs employ near about to 40% of India's workforce. Their main boost is given to Indian Manufacturing industry which is around 45% and export oriented units which are near about 40%.

**Dr. M.S. Vasu Dr. K. Jayachandra (2014)** found that the Micro, Small and Medium Enterprises (MSME) sector has been emerged as engine of growth for Indian economy . The sector plays a contributes to the balanced and inclusive growth, equitable distribution of national income and regional dispersal of enterprises by way of mobilization of capital and developing entrepreneurial skills.

**Dr. Sanjeeb Kumar Dey (2014)** found the significance of MSME in modernera in both developing and developing countries for its noteworthy contribution in fulfilling various socio-economic objectives such as large scale employment, promotion of exports and entrepreneurship development, increased industrial . Simultaneously he also analyzed that ultimately, it is the MSME sector which can help attain the target of proposed National Manufacturing Policy of raising the contribution of manufacturing sector in GDP from 16% at present to 25% by the end of 2022.

**Ishu Garg, Suraj Walia (2012)** highlighted that the Micro, Small & Medium enterprises MSMEs have been playing a momentous role in overall economic development of a country like India and can be termed as the 'engine of growth' and considered as the boon for a country where millions of people are unemployed or underemployed & facing the problems of poverty by providing immediate large-scale employment, with lower cost of capital and prove to be a second largest manpower employer next to agriculture sector.

Venkatesh and Muthiah (2012) discussed that the role of small & medium enterprises (SMEs) in the industrial sector is growing rapidly and they have become a driving force for future growth. They emphasized that nurturing SME sector is essential for the economic well-being of the nation.

### RESEARCH OBJECTIVES

- To forecast the trend of Market Value of Fixed Assets, Employment and Total Working Enterprises.
- To forecast the trend of contribution Of MSME Sector in India's GDP and Output.

### RESEARCH METHODOLOGY

Research design adopted for this research is Analytical Research Design. The Data required for the present study has been collected from secondary sources. Sources includes (i) various issues of Annual Reports on MSMEs and Handbook of Statistics on the Indian Economy published by Ministry of MSMEs and Reserve Bank of India (RBI) respectively. (ii) Journal Papers (iii) Relevant Websites (iv) Articles (v) All other relevant sources for MSMEs. The study considers the time period from 2006-2007 to 2019-2020. Statistical tool used is Trend Analysis. To examine the performance of MSMEs in India, the available data have been processed and presented in suitable tables.

### GROWTH AND PERFORMANCE

**Table 1:** The estimated trends in regard to performance of MSME sector with respect to Market Value of Fixed Assets, Employment and total working enterprises based on Fourth All India Census of MSME are as noted below:

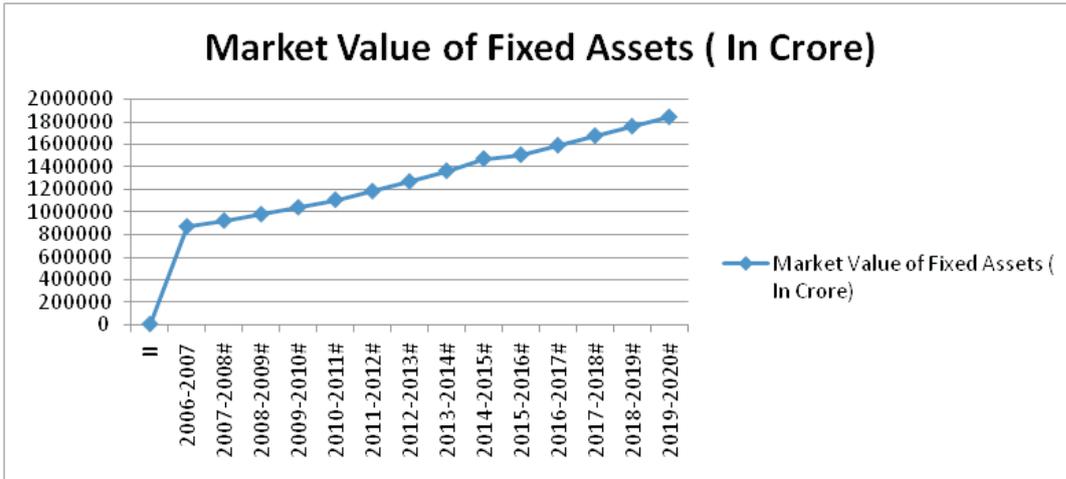
**Table 1: Performance of SSI/MSME, Employment And Investments**

S.No.	Year	Market Value of Fixed Assets ( In Crore)	Employment (In Lakh)	Total Working Enterprises (In Lakh)
1	2006-2007	868,543.79	805.23	361.76
2	2007-2008#	920,459.84	842	377.36
3	2008-2009#	977,114.72	880.84	393.7
4	2009-2010#	1,038,546.08	921.79	410.8
5	2010-2011#	1,105,934.09	965.15	428.73
6	2011-2012#	1,182,757.64	1,011.69	447.64
7	2012-2013#	1,268,763.67	1,061.40	467.54
8	2013-2014#	1,363,700.54	1,114.29	488.46
9	2014-2015#	1,471,912.94	1,171.32	510.57
10	2015-2016#	1,505,640.49	1,202.54	524.595
11	2016-2017#	1,590,391.32	1,251.91	544.406
12	2017-2018#	1,675,581.02	1,301.34	564.219
13	2018-2019#	1,760,116.40	1,350.44	583.91
14	2019-2020#	1,842,788.23	1,398.85	603.368

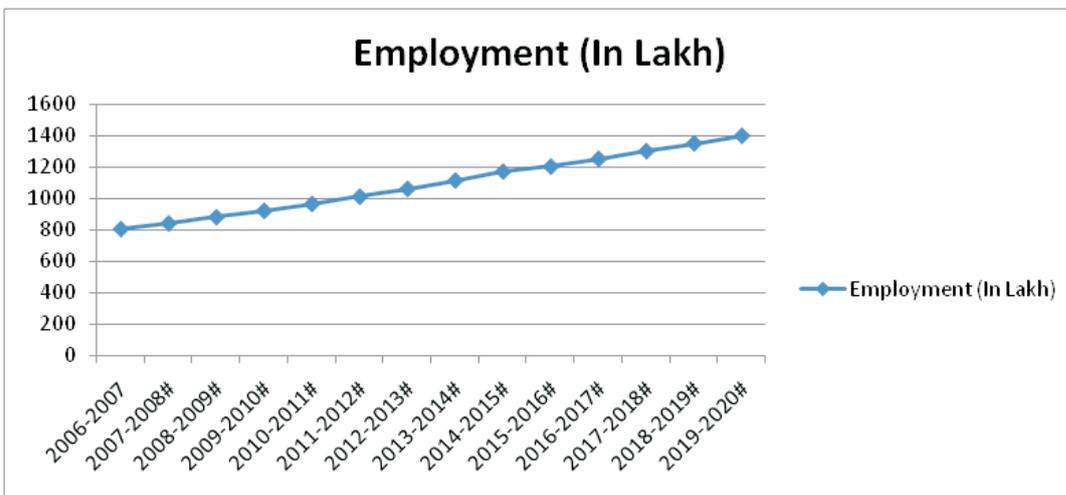
# - Projected.

Source: Ministry of Micro, Small and Medium Enterprises, Annual Report 2015-2016

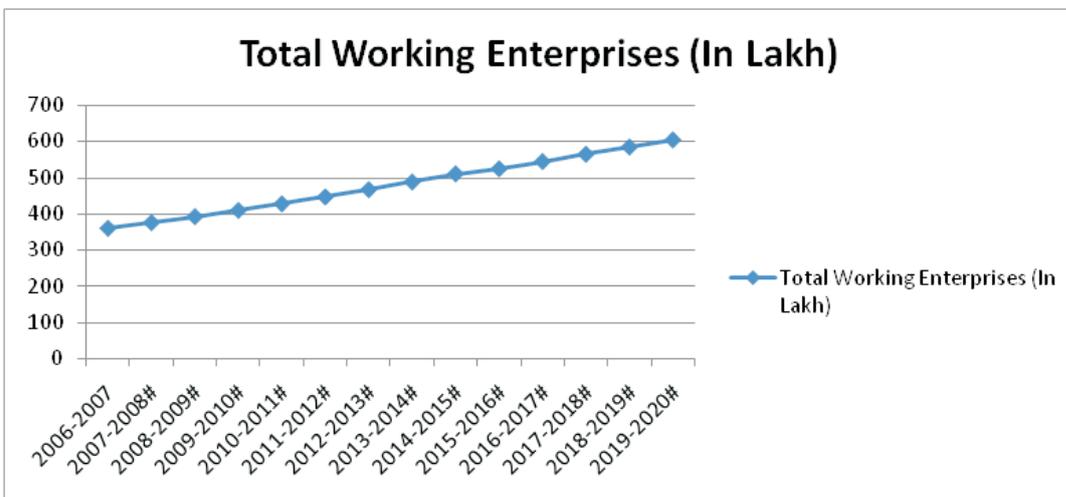
Line Diagram: 1



Line Diagram: 2



Line Diagram: 3



Above three line diagram has been developed from Table no. 1 and indicates the performance of MSME sector during 2006-2007 to 2016-2017. It is cleared that market value of fixed assets of MSMEs has shown a positive trend from 868,543.79 crore in 2006-2007 to 1,590,391.315 crore in 2016-2017. Contribution of this sector in employment generation is also remarkable. It has increased from 805.23 lakh in 2006-2007 to 1,251.9082 lakh in 2016-2017. Simultaneously Total number of MSMEs (Units) has increased from 361.76 lakh in 2006-2007 to 544.406lakh in 2016-2017. Future performance of MSMEs is also forecasted upto 2019-2020 which also shows positive trend from 1,590,391.315 crore in 2016-2017 to 1,842,788.229 in 2019-2020 , from 1,251.9082 lakh in 2016-2017 to 1,398.8476lakhs in 2019-2020, from 544.406lakhs in 2016-2017 to 603.368 lakh in 2019-2020 for market value of fixed assets, employment and total working enterprises respectively. A major point to be noted here is that despite of global meltdown in 2006-2007 MSMEs has shown a consistent growth in market value of fixed assets, employment generation and in increase in no. of working enterprises. Hence it can be concluded from the above discussion that MSME sector is the "backbone" of Indian economy.

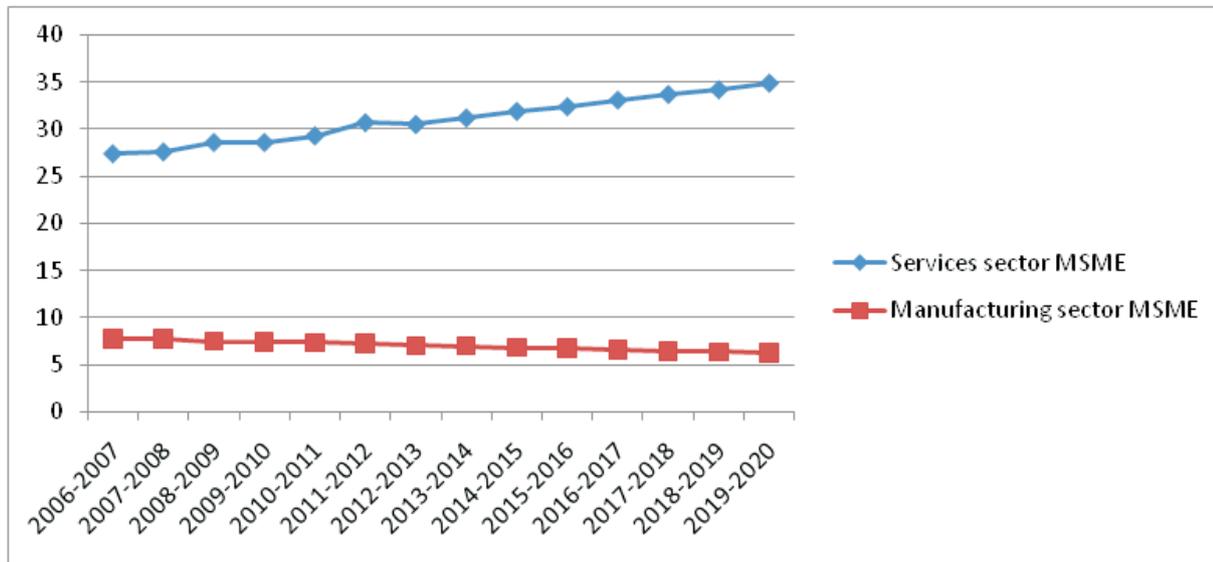
**Table 2:** Contribution of MSME Sector in the Gross Domestic Product As per the revised methodology suggested by CSO, MoSPI, on the basis of the data on Gross Domestic Product (GDP) published by CSO, MoSPI and final results of the latest Census (Fourth Census), the estimated contribution of MSME sector to GDP and Output, during 2006-07 to 2012-13, are as noted below:

**Table 2: Contribution of MSME Sector in GDP and Output**

Year	Share Of MSME Sector in total GDP (%)		
	Services sector MSME	Manufacturing sector MSME	TOTAL
2006-2007	27.4	7.73	35.13
2007-2008	27.6	7.81	35.41
2008-2009	28.6	7.52	36.12
2009-2010	28.6	7.45	36.05
2010-2011	29.3	7.39	36.69
2011-2012	30.7	7.27	37.97
2012-2013	30.5	7.04	37.54
2013-2014#	31.2	6.99	38.19
2014-2015#	31.9	6.83	38.73
2015-2016#	32.4	6.74	39.14
2016-2017#	33.1	6.6	39.7
2017-2018#	33.7	6.46	40.16
2018-2019#	34.2	6.34	40.54
2019-2020#	34.9	6.23	41.13

# - Projected.

Source: 1. Fourth All India Census of MSME 2006-07, 2. National Account Statistics (2014), CSO, MoSPI and 3. Annual Survey of Industries, CSO, MoSPI.



Above line diagram has been developed from Table no. 2 and indicates the contribution of MSME sector in GDP. More specifically contribution of services sector to total GDP has increased from 27.4% in 2006-2007 to 33.1% in 2016-2017 and even after that till 2019-2020 forecasts shows a upward movement. Whereas contribution of manufacturing sector to GDP has shown a very stable trend or can say slightly diminishing. Hence it can be concluded from the above discussion that there is a huge scope for increasing contribution of manufacturing sector in India's GDP.

## CONCLUSION

From the available facts and data it is concluded that contribution of manufacturing sector to India's' GDP has shown a very stable trend or can say slightly diminishing even. Hence, there is a huge scope for increasing contribution of manufacturing sector in India's' GDP. Though Government runs various Entrepreneurship Development Programs and Flagship Program of Indian government "Make in India Campaign" are specially framed to enhance the skills of both existing and potential entrepreneurs but there is a lack of proper tracking system. Lack of motivation and other problems like availing finance from proper sources can be corrected if proper follow up system and timely review system is developed. Finally, as government has realized the importance of MSME sector in Indian Economy and has taken various initiatives and policy recommendation, still there is not any drastic change in their condition because of lack of awareness and poor implementation and lastly poor tracking system so it is recommended from the study that government should focus more on spreading awareness and rather than adding more policies each year.

## REFERENCES

- Agarwal, H. (2011). HR Issues in Micro, Small and Medium Enterprises. *International Journal of Research in Finance & Marketing*, 1(3), 232-246.
- Bargal, H., Dashmishra, M., and Sharma, A. (2009). 'Performance Analysis of Small Scale Industries - A Study of Pre-liberalization and Post-liberalization period', *International Journal of Business and Management*, 1(2).
- Dixit, A. and Pandey, A.K. (2011). 'SMEs and Economic Growth in India: Co integration Analysis', *The IUP Journal of Financial Economics*, 9(2).

- GargIshuWaliaSuraj (2012). Micro, Small & Medium Enterprises (MSMEs) in Post Reform India: STATUS & PERFORMANCE. International Journal of Latest Trends in Engineering and Technology (IJLTET), 1(3).
- Jagtap, K.N. (2011). 'Impact of Globalisation on Small Scale Industrial Units', Indian Streams Research Journal, 1(9).
- KatyalAshu, Xaviour Betsy (2015). A STUDY ON MSMEs'- role in propelling Economic Development of India & a Discussion on current HR issues in MSMEs' in India. International Journal of scientific and Research Publications, 5(2).
- Kumar Sanjeeb (2014).MSMEs inIndia: It's Growth and prospects. Abhinav Journal of Research in commerce and management,3(8).
- Madhan, P. M. (2012). SME's as Growth Driver of Indian Economy: Strategic HR Issues and Perspectives. Business Strategies and India's Economic Growth Conference (RBCON - 2012).
- Mali, D.D. (1998). 'Development of Micro, Small and Medium Enterprises of India: Current Scenario andChallenges', SEDME (Small Enterprises Development, Management and Extension) Journal, 25(4).
- Naser, A. V. (2013). A critical evaluation of the Contributions made bythe Micro, Small and medium Enterprises in Indian Economy. International Journal of Marketing,Financial Services and Management Research, 2(7).
- SainiPrincy(2014). Study of Micro, Small and Medium Enterprises.Researching Reality Summer Internship workingpaper: 319
- Singh, R., Verma, O.P., and Anjum, B. (2012). 'Small Scale Industry: An Engine of Growth', ZenithInternational Journal ofBusiness Economics & Management Research, 2(5).
- Vasu M.s., Jayachandra k,(2014). Growth and Development of Msmes in India: Prospects and Problems. Indian Journal ofApplied research, 4(5).
- FICCI MSME Summit, 2012. Innovation Readiness of Indian SMEs: Issues and Challenges. Accessed 15 June 2013. <http://www.ficci.com/spdocument/20144/FICCI-MSME-Summit-2012-knowledge-paper-new.pdf>. Internet.
- The SME White book 2011-2012 (Businessworld),New Delhi.