



PERFORMANCE OF MICRO SMALL AND MEDIUM SCALE ENTERPRISES

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INTRODUCTION:

It is well known that the MSME sector constitutes the spine of the Nation. Small Industries has been one of the major pillars of India's economic development strategy since Independence. India accorded high priority to Small and Medium Enterprises (SMEs) from the very beginning and pursued support policies to make these enterprises viable, vibrant and over time, these have become major contributors to the GDP. Moreover, the MSME sector has weathered and overcome stiff competition in the post liberalization period in the domestic and International arena.

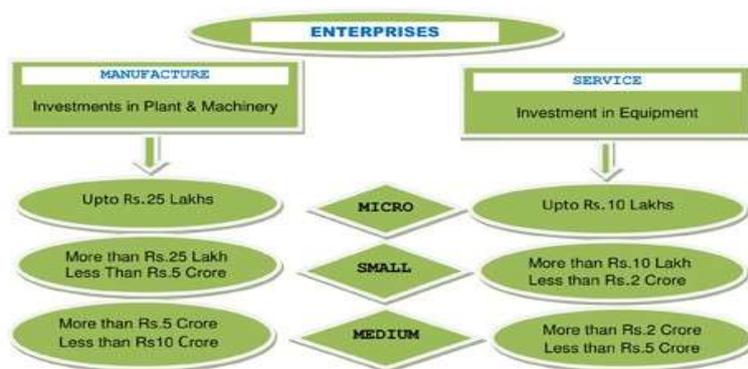
MSMEs have been regarded as the engine of economic growth and development all over the world. This sector plays an important role in the growth of GDP in the economy as it creates employment opportunities at low capital cost. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country.

The Micro, Small and Medium Enterprise (MSME) sector is crucial to India's economy. There are 29.8 million Enterprises in various industries, employing 69 million people. In all, the MSME sector accounts for 45 percent of Indian industrial output and 40 percent of the exports. Although 94 percent of MSMEs are unregistered, the contribution of the sector to India's GDP has been growing consistently at 11.5 percent a year, which is higher than the overall GDP growth of 8 percent.

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. It defines medium enterprises for the first time and seeks to integrate the three tiers of these enterprises, namely, micro, small and medium. The Act also provides for a statutory consultative mechanism at the national level with balanced representation of all sections of stakeholders, particularly the three classes of enterprises and with a wide range of advisory functions. Establishment of specific funds for the promotion, development and enhancing competitiveness of these enterprises, notification of schemes/programmes for this purpose, progressive credit policies and practices, preference in Government procurements to products and services of the micro and small enterprises, more effective mechanisms for mitigating the problems of delayed payments to

micro and small enterprises and assurance of a scheme for easing the closure of business by these enterprises, are some of the other features of the Act.

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 programmes, projects and schemes and monitors their implementation with a view to assisting MSMEs and helps them to scale up.



Objectives of the Study:

The main objectives of the present study are as follows:

1. To study the growth and performance of MSMEs in India
2. To understand various prospects and problems of MSMEs in India
- 3.

Research Methodology:

The data required for the study has been collected from secondary sources such as Annual Reports of MSMEs, various published journals, News papers and books etc., Data collected for a period of eight years from 2006-07 to 2013-14 for which the relationship is studied. The relevant data of MSMEs growth and performance collected and presented.

REVIEW OF LITERATURE:

Sudan, F. K. (2005): Described the challenges in Micro and Small Scale Enterprises Development and policy issues by arising different questions related to Micro and Small Enterprises. The study explained the meaning, advantages, problems and policy options of MSE sector. The study concluded that all the policies which were opted by GOI were the efforts to form a dynamic MSE sector and a diversified economy providing expanded employment opportunities to absorb all new labor force and offer exciting career opportunities.

Bhavani T.A. (2010): Highlights the issue of quality employment generation by the SSIs and negates the short term attitude of increasing the volume of employment generation compromising with quality. The author argues that employment generation by the SSIs may

be high in quantitative term but very low in quality. Technological up gradation would enable the small firms to create quality employment improving remuneration, duration and skill. This structural shift may reduce the rate of employment generation in the short run but would ensure high-income employment generation in the long run.

Tambunan (2011): Lack of capital, business information, technology, and skilled workforce, difficulties in procuring raw materials, marketing and distribution challenges, and govt. policy and regulations are the main constraints' faced by SMEs. Theses constraints may differ from region to region, between sectors, or between individual enterprises within a sector.

Shiralashetti (2012): Absence of adequate and timely supply of bank finance, limited capital and knowledge, lack of power, low quality inputs, low return, non availability of suitable technology, low production capacity, ineffective marketing strategies are the main problems of MSMEs in India.

ROLE OF MSMEs IN THE DEVELOPMENT OF INDIA:

As per the results of Fourth All India Census of MSME, the sector contributes significantly to the number of enterprises, employment and output of the country. Based on the data sets of Fourth All India Census of MSME, augmented with data sets of EC, 2005 and growth rate observed during Fourth (1998) and Fifth (2005) Economic Census, the performance of MSME sector is summarized as below.

Table1: Showing Growth and Performance of MSMEs in India

Sl.No.	Year	Total Working Enterprises (in Lakh)	Employment (in Lakh)	Market Value of Fixed Assets (Rs. in Crore)	Gross Output (in Crore)
1	2006-07	361.76	805.23	868,543.79	1,351,383.45
2	2007-08#	377.36	842.00	920,459.84	1,435,179.26
3	2008-09#	393.70	880.84	977,114.72	1,524,234.83
4	2009-10#	410.80	921.79	1,038,546.08	1,619,355.53
5	2010-11#	428.73	965.15	1,105,934.09	1,721,553.42
6	2011-12#	447.64	1011.69	1,182,757.64	1,834,332.05
7	2012-13#	447.54	1061.40	1,268,763.67	**
8	2013-14#	488.46	1114.29	1,363,700.54	**

(Source: Annual Report MSMEs 2014-15) # - projected.

Table 2: Showing contribution of Manufacturing output of MSMEs in GDP

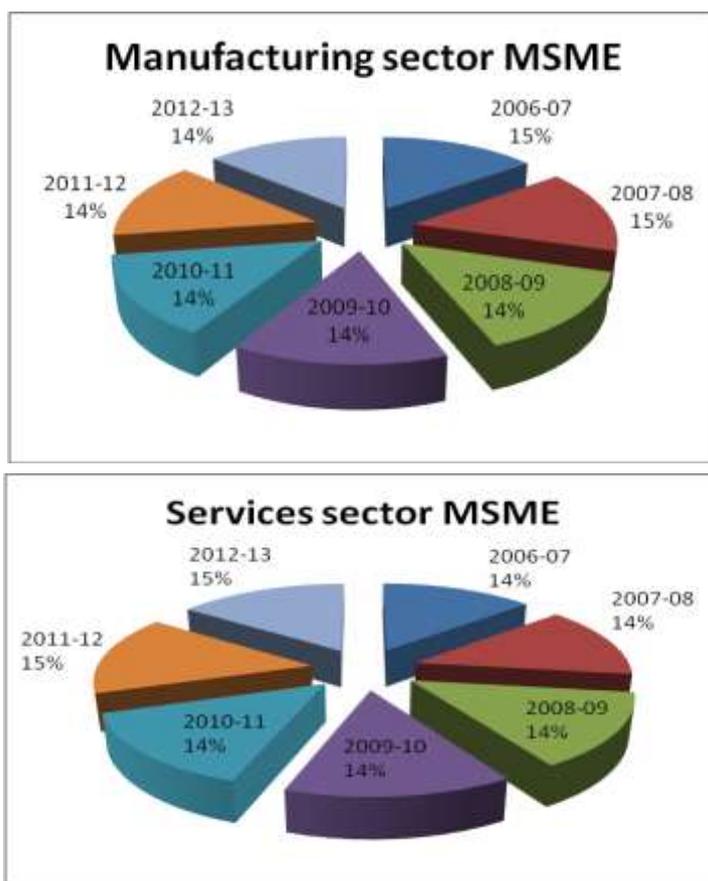
(at 2004-05 prices)

Year	Gross value of	Share of MSME sector in total GDP (%)	Share of
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	output of MSME Manufacturing sector (Rs. in crore)	Manufacturing sector MSME	Services sector MSME	Total	MSME Manufacturing output in total Manufacturing output (%)
2006-07	1198818	7.73	27.40	35.13	42.02
2007-08	1322777	7.81	27.60	35.41	41.98
2008-09	1375589	7.52	28.60	36.12	40.79
2009-10	1488352	7.45	28.60	36.05	39.63
2010-11	1653622	7.39	29.30	36.69	38.50
2011-12	1788584	7.27	30.70	37.97	37.47
2012-13	1809976	7.04	30.50	37.54	37.33

Source: Fourth All India Census of MSME, 2006-07, National Accounts Statistics (2014),

CHARTS SHOWING SHARE OF MANUFACTURING AND SERVICE SECTOR:



STRENGTH AND WEAKNESSES OF SMEs

Major strength of Small Medium Enterprises observed are flexibility, owner management, inexpensive labor, less overhead and favorable capital- output ratio.

Flexibility

Small and Medium Enterprises can easily absorb new innovation and adapt new method.

The cost of changing the existing system is also relatively less.

Owner management

In Small and Medium Enterprises owner management is a possibility, which ensures quick decision making. This ensures speed and reduces redtapism. (Dalu & Deshmuke)

Inexpensive labor and less over head

The main reason for sickness of large scale industry is its labor problem and escalating wage bill. Small and medium enterprises strength is its cheap labor and less over head.

Favorable capital- output ratio

Small and medium enterprises are labor intensive. Through proper utilization of resources Small and medium enterprises can keep low level of capital investment per unit of output (Gowda and Krishnamoorthy).

Weaknesses

Lack of quality consciousness: It is the major weakness of the small industries. Small and Medium Enterprises pay less attention to total quality programme and hence importance is less felt leading to quality problem (Derrick). Study reports show that under utilization capacity leads to reduction in level of productivity in Small and Medium Enterprises sector in India .

Lack of Financial Strength

The Small and Medium brand image and hence mobilizing capital through other sources is a challenge in Enterprises depend largely on banking finance. They don't have corporate image.

Lack of Industrial Work Culture

Labors give more weight-age to their personal work and don't maintain regularity, discipline in reporting on time. Getting and continuing with trained workers and satisfying them is difficult. Study reports show that in India many small and medium enterprises are sick and some are closing down. The main reason is lack of quality and increasing competition. It is necessary for Small and medium enterprises to face new challenges by adopting best strategies Hence the SMEs should take immediate step to create quality awareness, and adoption of continuous improvement techniques .

PROBLEMS OF MSMEs IN INDIA:

Despite of commendable contribution to the nation's economy, the MSMEs does not get the required support from the concerned Government Departments, Banks, Financial Institutions and Corporate, which become a handicap for more competitive in the National and International Markets. The major problems faced by MSMEs in India are as follows:

- ❖ Absence of adequate and timely affordable bank credit
- ❖ Lack of infrastructure inputs
- ❖ Ineffective marketing strategies
- ❖ Non- identification of new markets
- ❖ Lack of suitable technology
- ❖ Unduly delayed payments by large industry players



- ❖ Limited capital and knowledge
- ❖ Low return on investment
- ❖ Low production and productivity
- ❖ Hurdles in expansions, modernization and innovations
- ❖ Inadequate power and water supply
- ❖ Inadequate transportation facilities
- ❖ Lack of adequate ware housing facilities
- ❖ Lack of skilled labour and training
- ❖ Ruthless competition

PROSPECTS OF MSMEs IN INDIA :

The lots of potentials are available in the field of MSMEs. The prospects of this sector are:

- ❖ Customer satisfaction oriented
- ❖ Employment generation
- ❖ Minimization of Regional Imbalance
- ❖ Enhancement of Export
- ❖ Attraction to the Foreign Investment

CONCLUSION:

The Micro, Small and Medium Enterprises (MSMEs) are one of the major segments of the Indian economy. It plays an important role in the economic development of the Nation. It is the major constituent sector in Employment Generation, Production Systems, Enhancing Exports and GDP. But, there is a need to carefully nurture and support this sector. Joint effort is needed from the Govt. and MSMEs to acquire Technological Effectiveness. Financial support needs to be ensured taking into consideration the growing investment demand, including the requirements of technological transformation. This sector needs to adopt a proactive approach where the Govt. should propose a long term strategy to sustain themselves in the changing economic scenario and progress beyond the current GDP growth.

To empower the MSME sector to take its rightful place as the growth engine of Indian economy, it is necessary to support the MSMEs, educate and empower them to make optimum utilization of the resources, both human and economic, to achieve success. The MSMEs needs to be educated and informed of the latest developments taking place globally and helped to acquire skills necessary to keep pace with the global developments.

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