



PERFORMANCE, CHALLENGES AND PROSPECTS OF M S M E 'S IN INDIA

SUJATA S DODDAMANI

Abstract:

Worldwide, the Micro, Small and Medium enterprises (MSMEs) play a number one role in propellant economic process sustaining sustenance and in promoting just regional development. The MSMEs represent over ninetyeth of total enterprises in most of the developing economies and attributable with generating the best rate of employment growth and accounting for a serious share of commercial production and exports. In Bharat too, the MSMEs play a important role within the overall industrial economy of the country. it's calculable that in terms important , the world accounts for concerning thirty ninth of the producing output and around thirty third of the full export of the country. Further, in recent years the MSME sector has systematically registered a better rate compared to the industrial sector.

KEYWORD:

Performance, challenges , propellant economic process .

INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) play an important role for the expansion of Indian economy by contributory forty fifth of commercial output, four-hundredth of exports, using sixty million individuals, create 1.3 million jobs each year and turn out over 8000 quality product for the Indian and international markets. MSME's Contribution towards GDP in 2011 was Revolutionary Organization 17 November that is predicted to extend to twenty second by 2012. There square measure some thirty million MSME Units in Republic of India and twelve million persons square measure expected to affix the personnel within the next three years. MSMEs square measure the fountain head of many innovations in producing and repair sectors, the foremost link within the provide chain to company and therefore the PSUs. By promoting MSMEs, the agricultural areas of Republic of India are going to be developed.

MSMEs square measure currently exposed to larger opportunities than ever for growth and diversification across the sectors. Indian market is growing apace and Indian entrepreneurs square measure creating exceptional progress in numerous Industries like producing, exactitude Engineering style, Food process, Pharmaceutical, Textile & clothes, Retail, IT and ITES, Agro and repair sector.

DEFINITIONS OF MSMES

The MSMEs of manufacturing enterprises have been classified into micro, small and medium enterprises based on the amount of investment in plant and machinery as follows;

Manufacturing Enterprises – Investment in Plant & Machinery		
Description	INR	USD(\$)
• Micro Enterprises	• Up to Rs. 25Lakhs	• Up to \$ 62,500
• Small Enterprises	• above Rs. 25 Lakhs & up to Rs. 5 Crores	• above \$ 62,500 & up to \$ 1.25 million
• Medium Enterprises	• above Rs. 5 Crores & up to Rs. 10 Crores	• above \$ 1.25 million & up to \$ 2.5 million

The MSMEs of service enterprises have been classified into micro, small and medium enterprises based on the amount of investment in equipments as follows

Service Enterprises – Investment in Equipments		
Description	INR	USD(\$)
• Micro Enterprises	• Up to Rs. 10Lakhs	• Up to \$ 25,000
• Small Enterprises	• above Rs. 10 Lakhs & up to Rs. 2 Crores	• above \$ 25,000 & up to \$ 0.5 million
• Medium Enterprises	• above Rs. 2 Crores & up to Rs. 5 Crores	• above \$ 0.5 million & up to \$ 1.5 million

Objectives The main objectives of the present study are:

- To examine the growth and performance MSMEs,
- To reveal the contribution of MSMEs to the growth of the GDP and
- To analyse the problems of MSMEs

Performance of small, Small Medium Enterprises (MSME) sector is assessed by conduct of periodic All India Census of the arena. the most recent census conducted was Fourth All India Census of MSME. The Census was conducted with reference year 2006- 07, whereby the info was collected until 2009 and results revealed in 2011-12. The scope and coverage of the MSME sector was broadened considerably below the MSMED Act, 2006, that recognized the construct of “enterprise” and to incorporate each producing and services sector, besides process the medium enterprises below MSME sector. it's clear from the table No. a pair of that range of enterprises, employment, investment in fastened assets associate degreed gross output of MSME units in India show an increasing trend over the amount of twelve years. From FY 2006-07, figures includes activities of wholesale/retail trade, legal, education & social services, edifice & restaurants, transports and storage & deposit (except cold storage) that information were extracted Economic Census 2005, Central Statistics workplace, M/o SPI. range of enterprises associate degreed employment registered an annual growth of thirteen approx. whereas the worth of fastened assets and output witnessed a growth of nineteen approx.

Growth rate of MSME sector on preceding years

Year	Growth % of MSME
2007-08 to 2008-09	11.77
2008-09 to 2009-10	10.45
2009-10 to 2010-11	11.83
2010-11 to 2011-12	18.45
2011-12 to 2012-13	14.30
2012-13 to 2013-14	12.44

Source: MSME Annual Report-2013-14 Government of India:

The growth rate of MSMEs has showed an increasing trend till the year 2010-11 to 2011-12 and declined from there onwards indicating an average growth percentage as 13.21%.

METHODOLOGY:

The present study has based on both primary and secondary data. The secondary data are collected from the website of the Ministry of Small and Medium Enterprises, the government of India. The primary data are collected through the personal discussion with entrepreneurs of these industries located in Dharwad district

Analysis of prospects and problems of MSMEs:

It is clear from table one that the entire numbers of MSMEs have augmented from a 100 and 5.21 lakhs in 2001-02 to 298.08 lakhs in 2009-10. The MSMEs have fully grown around thrice in a very span of 10 years. However, they grow systematically until 2005-06 however in 2006-07 rate was inconceivable (i.e. 111.18 per cent) and thenceforth the expansion rate has been around four.5 per cent until 2009-10 as compared to their several previous years. The fastened investments in these industries have gone up from Rs.154349 crores in 2001-02 to Rs.693835 crores in 2009-10. The fastened investments in these industries have augmented by over fourfold in ten years. just like the rate in range of industries, the fastened investment in these industries grow at around five per cent however in 2006-07, the expansion rate was 264.70 per cent. The fastened investment in these industries once 2006-07 until 2009-10 has fully grown systematically around eleven.50 per cent. this means that ton of investment has been created in MSMEs to extend their development within the interest of nation. the assembly from these industries has passed by around fourfold from 2001-02 to 2009-10. Further, these industries contributed ton in providing employment opportunities to fired personnel. The numbers of persons used in these industries have augmented from 249.33 lakhs in 2001-02 to 695.38 lakhs in 2009-10, that indicates that there has around 3 time increase working in a very span of 10 years. the expansion rate working except 2006-07 has been consistent over a amount of the study. additionally, these industries conjointly four contributed ton in earning interchange to Asian nation. The exports from these industries have augmented from Rs.71244 crores in 2001-02 to Rs.202017 crores in 2007-08. This conjointly signifies that there has associate around 3 time increase in exports in a very span of seven years.

Table 1; Growth and Performance of MSMEs in India

Year	Total MSMEs (lakh numbers)	Fixed Investment (Rs. Crore)	Production (Rs crore)	Employment (lakh persons)	Exports (Rs. crore)
2001-02	105.21	154349	282270	249.33	71244
2002-03	109.49 (04.06)	162317 (05.16)	314850 (11.54)	260.21 (04.36)	86013 (23.73)
2003-04	113.95 (04.07)	170219 (04.87)	364547 (15.78)	271.42 (04.31)	97644 (13.52)
2004-05	118.59 (04.07)	178699 (04.98)	429796 (17.90)	282.57 (04.11)	124417 (27.41)
2005-06	123.42 (04.07)	188113 (05.27)	497842 (15.83)	294.91 (04.37)	150242 (20.76)
2006-07	261.01 (111.48)	500758 (264.70)	709398 (42.79)	594.61 (101.62)	182538 (21.50)
2007-08	272.79 (04.51)	558190 (11.47)	790759 (11.47)	626.34 (05.34)	202017 (10.67)
2008-09	285.16 (04.53)	621753 (11.39)	880805 (11.39)	659.35 (05.27)	NA
2009-10	298.08 (04.53)	693835 (11.59)	982919 (11.59)	695.38 (05.46)	NA

Table 2: Contribution of MSE (%) at 1999-2000 prices in total industrial Production and GDP

Year	Percentage share in total industrial production	Percentage share in total GDP
1999-2000	39.74	5.86
2000-2001	39.71	6.04
2001-2002	39.12	5.77
2002-2003	38.89	5.91
2003-2004	38.74	5.79
2004-2005	38.62	5.84
2005-2006	38.56	5.83
2006-2007	38.57	5.94

Source: Annual Report, 2008-09. Ministry of Micro, Small and Medium Enterprises,

It is witnessed from table a pair of that the contribution of the MSME sector to overall industrial production has declined marginally from 39.74 per cent in 1999-2000 to 38.57 per cent in 2006- 07. The contribution of the MSME sector to the Gross Domestic Product (GDP) has enhanced from 5.86 per cent in 1999-2000 to 5.94 per cent in 2006-07. This signifies that the necessity of MSMEs within the growth and development of Indian economy.

Table 3: Comparative Growth Rates

Year	Growth rate of MSMEs (%)	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*	8.0

Source: Annual Report, 2008-09. Ministry of Micro, Small and Medium Enterprises,

The MSME sector has maintained the next rate of growth vis-à-vis the general industrial sector. it's clear from the information of table three that the expansion rate of MSMEs has exaggerated from 8.68 per cent in 2002-03 to 13.00 per cent in 2007-08 wherever because the rate in overall industrial sector has exaggerated from 5.70 per cent to 8.00 per cent throughout a similar amount with increasing trend until 2006-07 however declined in 2007-08. The father of nation, Mahatma Gandhiji said that the small and micro enterprises are the backbone of Indian industrial sector. The sayings of father of nation has been holding true in Indian economy. Therefore, the central further as state governments ought to provide priority within the development of this sector by creating them additional competitive.

KEY CHALLENGES FACED BY THE MSME SECTOR

- Lack of availability of adequate and timely credit
- High cost of credit
- Collateral requirements
- Limited access to equity capital
- Procurement of raw material at a competitive cost
- Problems of storage, designing, packaging and product display
- Lack of access to global markets
- Inadequate infrastructure facilities, including power, water, roads, etc
- Low technology levels and lack of access to modern technology
- Lack of skilled manpower for manufacturing, services, marketing, etc
- Multiplicity of labour laws and complicated procedures associated with compliance of such laws.

Despite the various challenges it has been facing, the MSME sector has shown admirable innovativeness, adaptability and resilience to survive the recent economic downturn and recession.

CONCLUSION

Small and Medium Enterprises (SMEs) contribute to economic development in various ways such as creating employment opportunities for rural and urban population, providing goods & services at affordable costs by offering innovative solutions and sustainable development to the economy as a whole. SMEs in India face a number of problems - absence of adequate and timely banking finance, non-availability of suitable technology, ineffective marketing due to limited resources and non availability of skilled manpower. The Micro, Small and Medium Enterprises (MSME) sector contributes significantly to manufacturing output, employment and exports of the country. It is estimated that in terms of value, the sector accounts for about 45 % of the manufacturing output and 40% of total exports of the country. To make this sector to become more vibrant and significant player in development of the Indian economy the Government of India has taken various initiatives. The definition and coverage of the MSME sector was broadened MSME Development Act 2006 which recognized concept of 'enterprise' to include both manufacturing and service sector besides defining medium enterprises setting up a Board for developing policy frameworks and indicating procurement policy.

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 need 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.

REFERENCES

- 1.Small medium business development chamber of India , available at http://www.smechamberofindia.com/About_MSMEs.aspx
- 2.Bala Subrahmanya, M. H. (2004), 'Small Industry and Globalization: Implications, Performance and Prospects', Economic and Political Weekly, Volume XXXIX, No.18, pp 1826-1834.
- 3.Bargal, H., Dashmishra, M., and Sharma, A. (2009), 'Performance Analysis of Small Scale Industries - A Study of Pre-liberalization
- 4.Lubina Zaidi, Problems affecting the growth of small and Medium Enterprises (SMEs) in India, International Conference on Technology and Business Management March 18-20, 2013, pp.413-422
- 5.Sonia and Kansai Rajeev (2009), "Globalisation and its impact on Small Scale Industries India", PCMA Journal of Business, Vol. 1, No. 2 (June, 2009) pp. 135-146, ISSN0974-9977, (Available in http://www.Publishingindia.com/Upload/Sample_Article/PCMA-Sample-Article.pdf, Accessed 27.9.2012 at 9.23 a.m.)
- 6.MSME Development Act 2006, Ministry of the District Industry Centers (DIC) MSME, Government of India.
- 7.www.wikipedia.org
- 8.www.smechamberofindia.com and www.indiabudget.nic.in