

DEVELOPMENT AND PERFORMANCE OF MICRO SMALL AND MEDIUM ENTERPRISES IN INDIA

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Abstract

This is well known fact that not only large scale industries but also Micro, Small Medium Enterprises plays important role in the development of economy of the any country. In India MSME have been accepted as the engine of economic development for promoting equitable development. MSMEs represent over 90 percent of total enterprises in most of the economics and are credited with generating the highest rate of employment development and account for a major share of industrial production and exports. 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 and backward areas, thereby reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSME are complementary to large industries as ancillary units and this sector contributes enormously to the socio economic development of the country. This paper closely analysis the development and development of MSME in India and performance of MSME in India.

Keywords: MSME, Development, Industries, Employment

Introduction

Micro, Small and Medium enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy. 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 and backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementarily to large industries as ancillary units and this sector contributes enormously to the socio economic development of the country. The Government of India has enacted the Micro, Small and Medium Enterprises, Development (MSMED) Act 2006 in terms of which the MSMEs are classified into two classes, namely manufacturing enterprises that are engaged in the manufacturing or production of goods pertaining to

any industry specified in the first schedule to the industries Act 1951 and service enterprises. The limit for investment in plant and machinery equipment for manufacturing/ services enterprises is shown in Table1

The Limit for Investment in Plant and Machinery Equipment		
	Investment in Plant and Machinery	
Enterprises	Manufacturing Sector	Service Sector
Micro Enterprises	Upto Rs. 25 lakhs	Upto Rs. 10 lakhs
Small Enterprises	Between Rs. 25 lakhs to Rs.5 crores	Between Rs. 10 lakhs to Rs.2 crores
Medium Enterprises	Between Rs. 5 crores to Rs.10 crores	Between Rs.2 crores to Rs. 5 crores.

Source: Ministry of MSME

Objectives of the study

The following objectives set out for the present study

- To analyze the development of MSME in India
- To analyze the performance of MSME in present scenario

Methodology

The present study is based on secondary data. All financial data are compiled from annual report of MSMEs, Government of India, different books, periodicals and websites.

Development of MSME

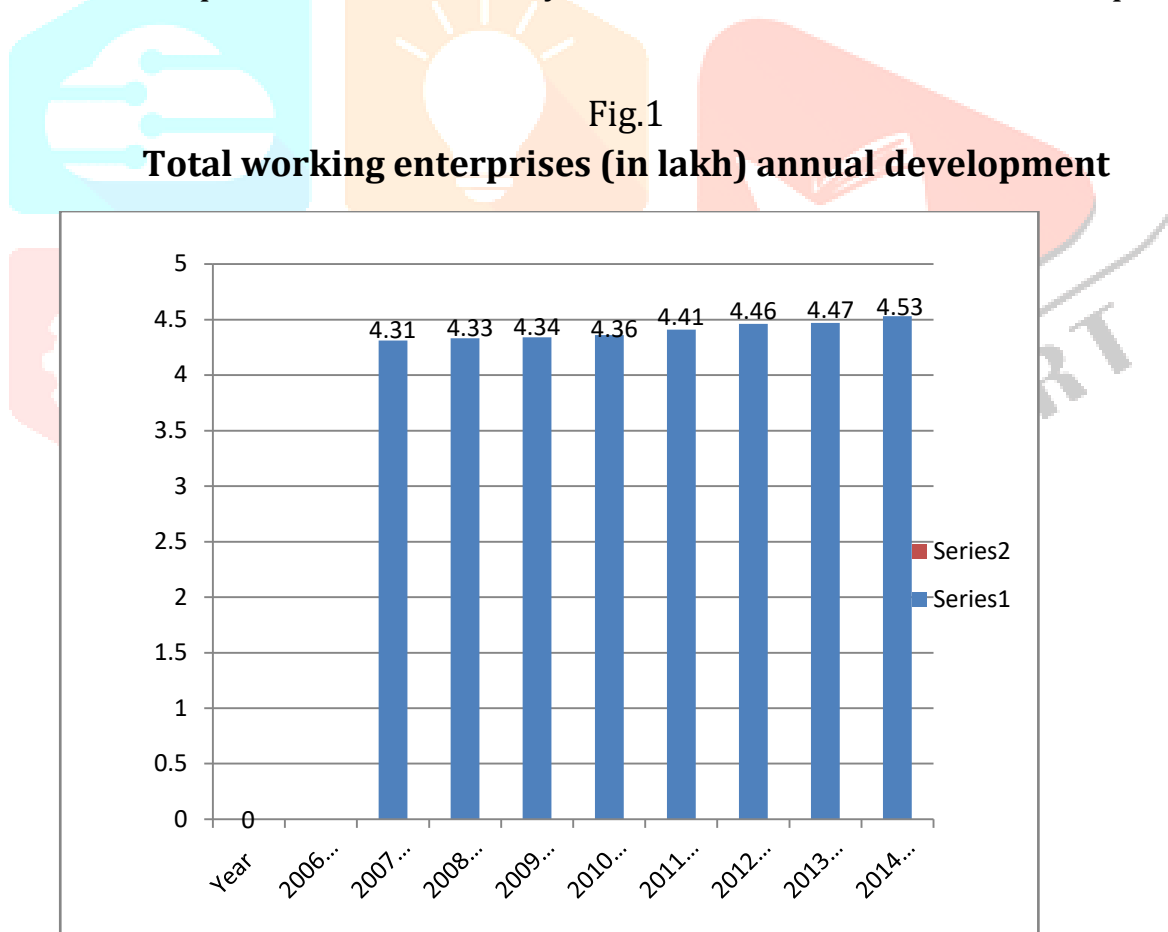
The MSME sector is an important pillar of Indian economy as it contributes greatly to development of Indian economy. Moreover, it is the MSME sector which can help to realize the target of proposed National Manufacturing Policy of raising the share of manufacturing sector in GDP from 16% at present to 25% by the end of 2022. To make an in depth study of the development of MSMEs in India, a study pattern has been selected where the financial year 2006-07 has been as beginning year because it is the year when MSME Act came into force.

The number of MSMEs in India is shown below in the following table

Table No.2
The Number of MSMEs in India

Sl.No.	Year	Total Working Enterprises in Lakhs	Percentage of development
1	2006-07	361.76	--
2	2007-08	377.36	4.31
3	2008-09	393.70	4.33
4	2009-10	410.80	4.34
5	2010-11	428.73	4.36
6	2011-12	447.64	4.41
7	2012-13	467.54	4.46
8	2013-14	488.46	4.47
9	2014-15	510.57	4.53

Source : Annual report 2015-15, Ministry of Micro, Small and Medium Enterprises



Source : Author calculation

From the above table 2 and fig 1 shown that total enterprises in MSME from 2006-07 to 2014-15 are continuously increasing and it is good for economic development of country.

Development of Employment of MSME in India

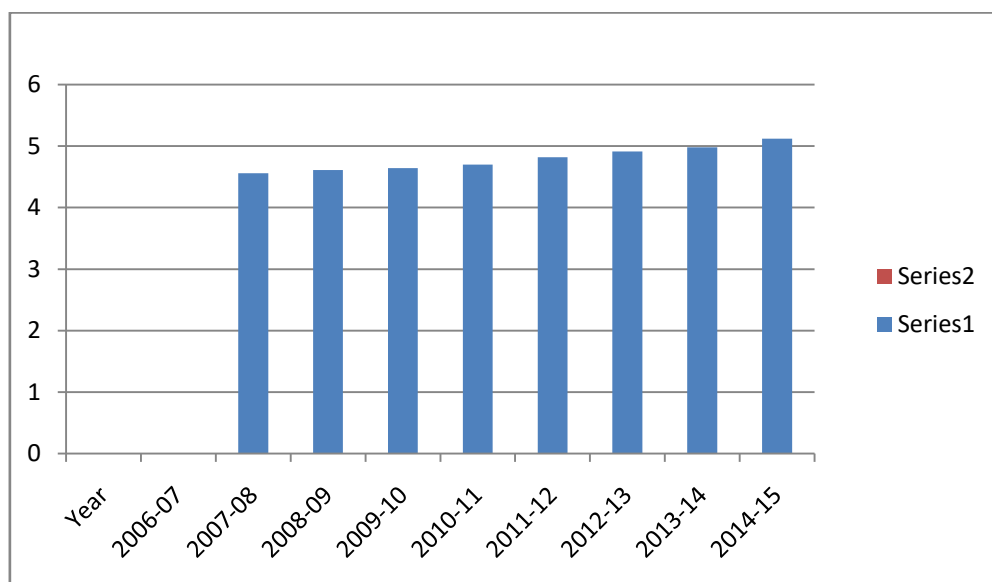
The following table shows the employment development of MSME in India

Table 3
Year wise development in employment of MSME in India

Sl.No.	Year	Employment in Lakhs	Percentage of development
1	2006-07	805.23	-
2	2007-08	842.00	4.56
3	2008-09	880.84	4.61
4	2009-10	921.79	4.64
5	2010-11	965.15	4.70
6	2011-12	1011.69	4.82
7	2012-13	1061.40	4.91
8	2013-14	1114.29	4.98
9	2014-15	1171.32	5.12

Source : Annual report 2015-15, Ministry of Micro, Small and Medium Enterprises

Fig2
Employment (Rs in lakh) Annual development



Source : Author calculation

From the above table 3 and fig 2 shown that there is continuous development in MSME employment and providing more employment opportunities to the people of a country.

Development on Fixed investment of MSMEs in India

Investment in fixed assets is a good indicator of the development of an industry, the table gives below highlights the year wise fixed assets investment development of MSMEs in India and percentage development over the previous years.

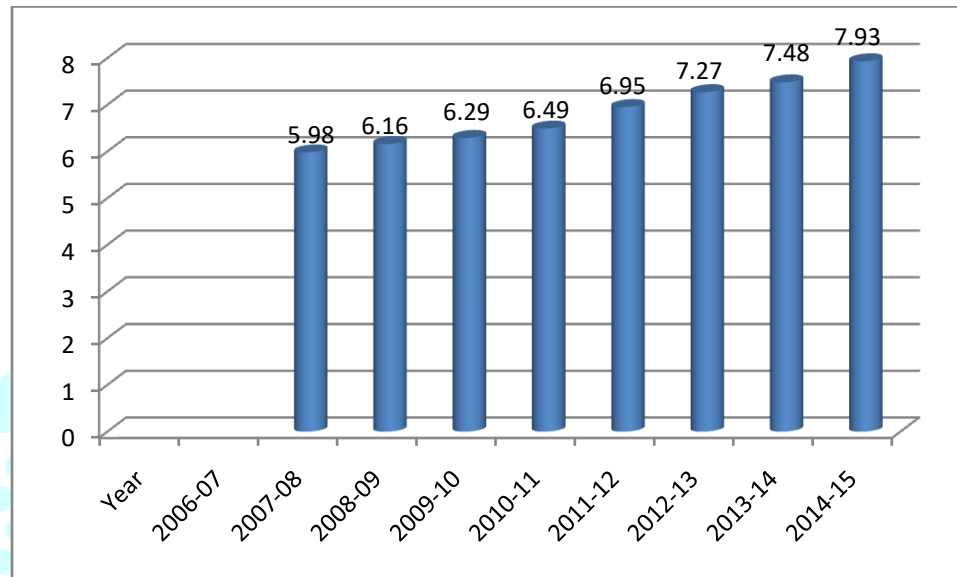
Table 3

Sl.No.	Year	Market Value of Fixed Assets Rs. in Crores	Percentage of development
1	2006-07	868,543,79	
2	2007-08	920,459,84	5.98
3	2008-09	977,114,72	6.16
4	2009-10	1038,546,08	6.29
5	2010-11	1105,934,09	6.49
6	2011-12	1182,757,64	6.95
7	2012-13	1268,763,67	7.27
8	2013-14	1363,700,54	7.48
9	2014-15	1471,912,94	7.93

Source : Annual report 2015-15, Ministry of Micro, Small and Medium Enterprises

Market value of fixed assets (Rs. in crores Annual development

Fig 2



Source : Author calculation

On the basis of above table 3 and fig 2, we can see an increasing market value of fixed assets of enterprises of MSME sector. As in 2007-08 the market value of fixed assets Rs. 92045984 crores that is 5.98 percentage development and 2014-15 the market value of assets has been increased Rs.1471, 912,94 crores with the 7.93 percent development.

Contribution of MSMEs to GDP

Share of MSME sector in total GDP and output

Table 4

year	Gross value of output of MSME manufacturing sector (in crore)	Share of Manufacturing sector MSME	Service sector MSME	Total	Share of 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	35.14	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 : Annual report 2015-15, Ministry of Micro, Small and Medium Enterprises

The contribution of MSME sector towards GDP and total manufacturing output has been depicted in Table 4. It is clear that the share of service sector MSMEs to the GDP has been increasing indicating robust development and changing nature of economy.

Conclusion

No doubt, MSME playing very important role for the development of Indian economy. In the coming decade, dynamic changes occurring at the international and domestic level will shape the future competitiveness of the country MSMEs. At the same time, dynamic technological changes, the creation new skills, removed of barriers to human and financial capital mobility and the world wide concern for the preservation of the environment will present opportunities and challenges the trend request MSMEs to gear themselves to face stiffer domestic and foreign competition in the future. MSMEs must keep abreast will development in factor and product market as these trends dictate that skill demands will shift rapidly in the future. Thus MSMEs will not only be required to continuously train and retrain human resources for a wide spectrum of administrative and managerial positions and acquire the entrepreneurial know how but also in acquiring the relevant knowledge and capacity to operate information technology as well as specialized equipment to suit different industries. One of MSME key strategies is the Industrial Linkage Programme (ILP) which will be implemented with the goal of integrating local companies is to the mainstream of the industrial sector. The ILP will attempt to create dynamic and efficient support and ancillary industries which are necessary in forging stronger industrial linkage. It will initially forces on developing the role of MSME in those industries which have the greatest potential for going linkages. The clusters which have the greatest potential for generating linkage are in machinery and equipment electrical and electronics, automatic and motorcycle industry, marine transportation industry, and wood-based product industry. Emphasis will be placed at a later stage on developing and enhancing linkage with the related industrial clusters.

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