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MSME IN TAMILNADU: AN OVERVIEW

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Abstract: India is amongst the fastest growing countries in the world today, with a GDP growth rate of more than 9% during the Twelfth plan period. MSME is 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, reducing regional imbalances, assuring more equitable distribution of national income and wealth. The development of entrepreneurship has become an important aspect of our plan priorities. Government has taken several measures to encourage entrepreneurs to set up small scale and micro enterprises through the schemes of MSME sectors.

Tamil Nadu continues to be a vibrant industrial State, with a large base of big factories and small units. The State has an estimated seven lakh registered micro, small and medium enterprises (MSME), or about 15.1 per cent of all such units in the country, with Rs 32,000 crore of an estimated investment in them. The State has received thousands of new investment proposals as seen from (Policy Note of Micro, Small and Medium Enterprises Department - 2019-2020). Here's a look at the industrial scene in the State.

Index Terms: Micro, Small and Medium Enterprises, Entrepreneurship, Performance, Investment, Production.

1. INTRODUCTION

In India, the Micro, Small and Medium Enterprises play a pivotal role in the overall industrial economy of the country. It contributes 8 per cent of the country's Gross Domestic Product, 45 per cent of the manufactured output and 40 per cent of its exports. The Micro, Small and Medium Enterprises provide employment to about 60 million persons through 26 million enterprises.

In recent years the Micro, Small and Medium Enterprises Sector has consistently registered higher growth rate compared to the overall industrial sector. With its agility and dynamism, the sector has shown admirable innovativeness and adaptability to survive the recent economic downturn and recession. Thus, Micro, Small and Medium Enterprises are important for the national objectives of growth with equity and inclusion.

Tamil Nadu accounts for the largest number of (15.07 Percentage) Micro, Small and Medium Enterprises (MSMEs) in the country with 6.89 lakhs registered MSMEs, producing over 8,000 varieties of product for a total investment of more than Rs.32,008 crores.

Tamil Nadu is a leader in Auto parts and components, Readymade Garments and Leather and leather goods. In order to give special drive the following 13 Industries have been identified as thrust sector-

1. Electrical and electronic industry
2. Leather and leather goods
3. Auto parts and components
4. Drugs and pharmaceuticals.
5. Solar energy equipment.
6. Gold and Diamond Jewellery for exports.
7. Pollution Control equipments.
8. Sports Goods and Accessories.
9. Cost effective building material.
10. Readymade Garments.

11. Food processing
12. Plastic and
13. Rubber

2. Objectives

To know the major challenges faced by Micro, Small and Medium Enterprises.

To know the growth and performance of MSME in Tamil Nadu.

3. Methodology

The study has been on secondary data gathered from various published sources such as annual reports of MSME, relevant Journals, economic reviews and websites.

4. Entrepreneurship

Entrepreneurship refers to setting a new business to take advantages from new opportunities. It is an economic activity which is undertaken by an individual or group of individuals. It can be defined as the making of a “new combination” of already existing materials and forces; that entrepreneurship throws up as innovations, as opposed to inventions and that no one is entrepreneur forever, only when he or she is actually doing the innovative activity. Commission 2008 defined entrepreneurship as ‘Entrepreneurship is the professional application of knowledge, skills and Competencies and/or of monetizing a new idea, by an individual or a set of people by launching an enterprise de novo or diversifying from an existing one (distinct from seeking self employment as in a profession or trade), thus to pursue growth while generating wealth, employment and social good’. Entrepreneurship is the process where entrepreneur organize and undertake risks, and provide employment to others. Youngsters are taking interest in the Entrepreneurship in present years than past. An entrepreneur is one who starts business and manages it independently and tactfully, takes faces the challenges boldly with an iron will to succeed. Youngsters are vital development agents who can play a significant role in the economic development of a nation. It has also been realised in the last few years that the widespread poverty and stunted economic growth can be overcome only by gainful and sustainable economic participation of young entrepreneurs.

5. Review of literature

Ernani Hadiyativ (2015) , examined there are several ways to measure the success of the government’s role in the empowerment of MSMEs. The success is the development of national and local economics performance through Gross Domestic Product and Gross Regional Domestic Product, generating employment and contributing to the revenue of non-oil exports.

N. Aruna (2015) focused that the role of MSMEs helped in economic restructuring and development of India. Empirical data showed that hurdle like financial constrain and issues relating to power, raw material procurement should be more effectively dealt by the government. The data collected revealed that overall globalized business environment of India has been average favorable for the growth of micro and small scale industries.

Abhijeet Biswas (2015) , highlighted the technology up gradation and innovative schemes for the MSME sector and to identify the barriers to Technology development among Indian MSMEs. In order to enable MSMEs tide-over the problems of technological backwardness and enhance their access to new technologies, it is imperative to offer them a conducive environment, which in the present context of globalization, calls for approach with knowledge playing a predominant role.

Dr. K. Balasubramaniam (2015) , brought out that the Khadi and Village Industries Programme holds great potential for generating gainful employment opportunities for the rural poor, arresting migration of rural unskilled workers to urban areas and for promoting the strategy of sustainable development. It can also be a viable and effective social safety net to enable the poor to ward off the adverse impacts of structural adjustment and economic reforms on their wellbeing.

Ravin Kadian and Aarti Chahal (2015) , this study focuses on the role of MSMEs in the “Make in India” initiative. Quantitative data regarding this has been collected using various reports like RBI Database on Indian Economy, Database of Department of Industrial Policy and Promotion and report of CII’s 13th manufacturing summit 2014. It has been analyzed that the key area of progress for India would be the development of its MSMEs to achieve and manage scale effectively. Our supply chains are over-dependent on MSMEs. The MSME sector employs over 80 million people in 36 million units, and contributes 45

percent of the manufacturing output. However our MSMEs are struggling due to lack of access to investment.

Bilas S. Kale (2015), the study shown that there is a continuous growth of number of units. The growth of these sectors enhances employment, investment and exports of the state as well as in our country. Entrepreneurship development is considered as a key factor to fight against unemployment, poverty and achieve overall socio economic growth in our state. Last but not the least, growth rate of MSMEs is very good and healthy sign towards progress and prosperity of Maharashtra.

Omar says that the small firms are facing problems related to external environments like market place, power, the factors related to customers etc.

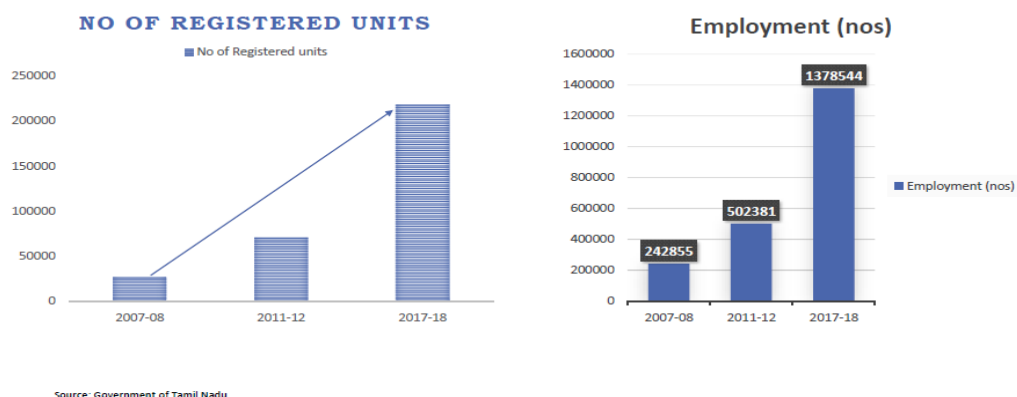
6. Micro, Small and Medium enterprises sector

MSME sector is the major base of manufacturing sector in India with its contribution of over 45% in overall industrial output. To achieve the ambitious targets of National Manufacturing Policy, the Working Group on MSME Growth looks forward to enhance the growth rate of the MSME sector substantially from the existing level of 12 - 13 % growth rate per annum. The Government of India, supplements the efforts of the State Governments through various initiatives. The role of the MoMSME and its organisations is to assist the States in their efforts to encourage entrepreneurship, employment and livelihood opportunities and enhance the competitiveness of MSMEs in the changed economic scenario. The schemes or programmes undertaken by the Ministry and its organisations seek to facilitate and provide the adequate flow of credit from financial institutions or banks and more support for women entrepreneurship. The number of establishments and also employments are increased.

7. MSME in Tamil Nadu

Tamil Nadu is considered a leading industrial state in India and a major manufacturing centre. There has been a phenomenal growth of MSMEs in Tamil Nadu. The sector produces a wide variety of products in almost all fields, the prominent among them are the Textile, electronic products, engineering products, auto ancillaries, leather products, chemicals, plastics, garments jewellery etc. There are 12.94 Lakh registered number of units in the State, providing an employment opportunities to about 80.81 Lakh persons. Since 2007-08 around 7.22 Lakh Entrepreneurs have filed EM Acknowledgement Part II, providing Employment opportunities to about 41.41 Lakh persons with total investments Rs.1,09,074.17 Crore. Consequent to the introduction of UDYOG AADHAAR MEMORANDUM (UAM) by the Ministry of Micro Small & Medium Enterprises GOI, Tamil Nadu started the UAM implementation w.e.f 21.1.2016.

MSME Growth Trends – Over a Decade in Tamil Nadu



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8. Incentives to Micro Small & Medium Enterprises

The Micro, Small and Medium Enterprises sector accounts for the major share in number of industrial units, output in manufacturing sector and exports in the State besides being a major employment provider next only to agriculture, the need for vitalising this sector assumes greater importance. Taking

cognizance of the above factor and in order to give special impetus to MSMEs, the Tamil Nadu Government is extending the following incentives to Micro, Small and Medium Enterprises established in the State:-

1. Subsidy schemes for micro manufacturing enterprises

- 25% Capital Subsidy on the value of eligible plant and machinery.
- 20% low tension power tariff subsidy for the first 36 months from the date of commencement of commercial production or from the date of power connection, whichever is later.
- Stamp duty exemption on mortgaged and pledged documents.

2. Subsidy schemes for Industrially Backward Blocks and Agro Based Enterprises

Micro, Small and Medium Manufacturing Enterprises established in 251 industrially backward blocks, all industrial estates promoted by the Government and Government Agencies like SIPCOT, SIDCO, etc., (excluding Industrial Estates located within a radius of 50 Kms from Chennai city centre) and agro based enterprises set up in all the 385 Blocks in the State are eligible for the following package of incentives:

- 25% capital subsidy on the value of eligible plant and machinery subject to a maximum of Rs.50 lakhs.
- 5% additional employment intensive subsidy on the value of eligible plant and machinery for providing employment to 25 workers for 3 years within the first 5 years from the date of commencement of commercial production, subject to a maximum of Rs.5 lakh.
- 5% additional capital subsidy on the value of eligible plant and Machinery for enterprises set up by women, SC/ST, differently abled and transgender entrepreneurs subject to a maximum of Rs.2 lakh.
- 25% additional capital subsidy on the value of eligible plant and machinery installed to promote cleaner and environment friendly technologies subject to a maximum of Rs.3 lakh, if certified by the Tamil Nadu Pollution Control Board.
- 20% low tension power tariff subsidy for the first 36 months from the date of commencement of commercial production or from the date of power connection whichever is later.

3. Special Capital Subsidy for Thrust Sector Enterprises

A Special Capital Subsidy of 25% on the eligible plant and machinery subject to a maximum of Rs.50 lakhs is extended to 13 thrust sector enterprises setup anywhere in the State viz., Electrical and Electronic Industry, Leather and Leather goods, Auto parts and components, Drugs and Pharmaceuticals, Solar Energy Equipment, Gold and Diamond Jewellery for exports, Pollution Control equipments, Sports Goods and Accessories, Cost effective building materials, Readymade Garments, Food Processing, Plastic and Rubber Industries.

4. Generator Subsidy

The Micro, Small and Medium manufacturing enterprises anywhere in the State, which purchase Generator sets up to 320 KVA capacity are eligible for a Generator Subsidy at 25% of the cost of the generator set, subject to a maximum of Rs.5 lakh.

5. Back-ended Interest Subsidy

Back-ended interest subsidy at the rate of 5%, subject to a maximum of Rs.10.00 lakh for a period of 5 years is being provided to Micro, Small and Medium Manufacturing Enterprises for term loans up to Rs.1 crore obtained for Technology up-gradation / modernization and Credit Guarantee Fund Trust Scheme (CGFTS).

NEEDS

In accordance with the G.O Ms No 49 MSME Dept dated 29.10.2012, the educated youth will be given Entrepreneurship Development Programme training, assisted to prepare their business plans and helped to tie up with financial institutions so as to set up new **Manufacturing and Service ventures**. Modifications have been made in the existing norms vide G.O. (Ms) No.13 MSME (D2) Department dated 24.4.2018. The beneficiary must be a First Generation Entrepreneur. The applicant should be a resident of Tamil Nadu state for not less than 3 years. The Project cost should be above Rs.10.00 Lakh and not exceeding Rs.5.00 Crore. 25% of the Project Cost subject to a ceiling of Rs.50.00 lakh i.e., for projects costing more than Rs.1.20 crore, the subsidy will be restricted to Rs.30.00 lakh 3% Interest Subvention during the entire re-payment period

UYEGP

To start-up a new business, the entrepreneur has to arrange immediate finance besides facing many other business challenges. There are or could be instances when banks or NBFCs hesitate to finance first-time business owners due to lack of experience, income stability, repayment history or trust with lender. To overcome such a situation, the Tamil Nadu Government has introduced a loan scheme for small businesses. The scheme is introduced under the title UYEGP (Unemployed Youth Employment Generation Programme) to encourage unemployed youth to start-up their own business.

Features and Benefits of UYEGP Scheme

- The rate of interest offered under UYEGP scheme is as per the guidance of RBI
- District level selection of beneficiaries to ensure more participation from each and every district
- Seven days Entrepreneur Development Programme (EDP) training to the beneficiaries of the scheme
- Avail the loan from a wide range of financial institutions – nationalized banks, private banks and Tamil Nadu Industrial Cooperative Bank
- Convenient repayment plan for the loan provided by the bank
- No collateral or security required from the applicant. The credit guarantee trust will ensure the requisite security norms for the banks or financial institutions
- Marketing support by the (DIC) District Industries Centre. DIC also arranges buyer-seller meet at regular intervals
- The applicant can avail the scheme with the project cost of Rs. 10 lakh in the manufacturing sector, Rs. 3 lakh in the service sector and Rs. 1 lakh in the business sector

9. Challenges for Sustained Growth

The real challenge was production, no matter what the costs were. Even to-day our cost of production in many industries is about three times the international prices. The challenge today is termed as 'myopic vision' and make the firms market driven. The manufacturers must understand that the needs and desires of the market precede and not follow the product.

High Technological obsolescence leading to shorter product life cycles (PLCs) is one of the major causes of business failures. "Small business firms produce two and a half times as many innovations as large firms, relative to the number of persons employed".

While many new firms start up each year, very few reach to the commercialization stage. Nearly half of them are out of business within 18 months. It adds, "Excessive sickness in the small scale sector has been on the increase".

Profits are the life sustaining force for MSME business. If profits are insufficient, the business cannot succeed. The entrepreneur must raise his sights and be on the lookout for newer opportunities. The entrepreneur has to create the market for the new product. At times what appear to be non-existent market, are really situations of dormant demand.

Many entrepreneurs choose the short cut of obtaining expert opinions before starting the units. Expert opinions are always welcome but to rely solely on individual opinions can land the entrepreneurs in trouble. Consider several supposedly expert opinions regarding the practicability of then new technologies. There is no short cut to marketing research. Decision based on entrepreneurs egos or on recommendations of friends is one of the major causes of business failures.

Our Government Central, State and Local are dedicated to the development of a strong, healthy and profitable business. Various development agencies provide management assistance at no charge, offer financial assistance and aid in securing government business on preferential basis. But unfortunately Governments throughout the world have been criticized and accused of excessive regulation.

Sustainable Economic Development deliberates the development of the economy without destroying the present environment and without compromising the needs of the future generations. Huge production volume, accelerating exports, creating employment opportunities, increasing exports, introducing innovation in skills are the indicators for healthy MSME sector

10.Suggestions

There is a need to understand and assess the real needs of the MSMEs and accordingly devise approaches that ensure their sustainable growth. The need today is also to manage on modern technologies to harness human capability through the process of increased communication, cooperation and linkages, both within the enterprise as well as across enterprises and knowledge producing organizations.

It is necessary to support the MSMEs, educate and give power to them to make optimum utilization of the resources, both human and economic and informed of the latest developments taking place globally and helped to acquire skills necessary to keep speed with the global developments. It concludes that simple and clear policies and acts are to be made so that these enterprises can understand them and make use of as well as implement them in the business for compliance and secure benefits. There are many government schemes but from the study it was observed that most of these enterprises are not aware and do not understand how they can benefit out of them.

11.CONCLUSION

MSME sector has induced the economic activity in India and all over the world apart from providing self-reliance, sustainable economic development, eradicating poverty by providing employment opportunity to youths. Indian Government and Tamil Nadu Government have taken various efforts to improve the economy by providing relief measures to the MSME units to increase their number vis-à-vis improving employment opportunity, exports and Country's GDP. This is to be continued in the 13th Fiveyear plan too as proposed.

As a dedication to youths every 27th June is celebrated as MSME day with objectives to educate the importance of MSMEs in youth employment, to give awareness around the skills required for the youth and to raise awareness around youth entrepreneurship .

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