

# A Study on Micro, Small and Medium Entrepreneurs in India

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## **Abstract:**

The paper focuses on to explain the Micro, Small and Medium Enterprises in perspective of Indian economy. In this paper all data are collected from All India Census of Micro, Small and Medium Enterprises and this study is based on secondary data. The paper focuses on to explain the various definitions of MSME sector and changes in the definitions of MSME over the period of time. In this paper researcher has included study of total employment generation in MSME Sector, investment in MSME Sector and total share in export of MSME. The paper concludes the details about importance of MSME in Indian economy.

**Keywords:** MSME, SSI, Indian economy

**Introduction:** Micro, Small and Medium Enterprises (MSMEs) play a major role in the economic development of the country due to their crucial contribution to production, export and employment. The MSME sector has emerged as a vastly energetic and dynamic sector of the Indian economy over the previous five decades. The Sector of MSME have 36 million units, as of today, provides employment to over 80 million persons. The sector through more than 6,000 products contributes about 8% to GDP besides 45% to the total manufacturing output and 40% to the exports from the country. The MSME sector has the potential to spread industrial growth across the country and can be a major partner in the process of sustainable and inclusive growth.

## **Objective of the Study:**

The main objective of the paper is to study performance of Micro, Small and Medium Enterprises in the Indian Economy.

## **METHODOLOGY:**

The present paper is descriptive and analytical both and based on secondary data. All Data collected from All India Census Report of MSME, Annual Report of MSME, and Websites of Ministry of Micro, Small and Medium Enterprises. The analysis of statistical data is made with help of various graphs, charts and trend lines throughout the study.

## **Review of Literature:**

Various studies have been conducted which emphasized on performance assessments, problems and challenges suffering MSME sector.

Zankharia Kirti and Ragothman Subhdra (2012) had focused on the growth of SME in Gujarat: post liberalization experience. The major focus of the study is importance and role of SMEs in Gujarat and

Indian Economy. However, other most important issue considered in this study is problems and challenges of SMEs in Gujarat as well as in India. The study is about the post liberalization growth of SMEs.

Manna Papaya (2017) Studied on status of Micro, Small and Medium Enterprises (MSME) in India: A regional analysis. The major focus of the research is to study performance and growth of MSME and to find out nature of spatial disparity of MSME in term of registration, output and employment generation. This research paper is based on secondary data. The paper founds MSME in the real sense of the engine of economic growth of any country both developed and developing but specially developing countries.

### **Various Definition of Micro Small and Medium Enterprise**

The small-scale industry evokes different meanings for different agencies and the financial institutions. However, the definition of small industry is an important aspect of government policy as it identifies the target groups.

#### **Modern SSI**

Power operated looms; Industries making spare parts of machines etc are included in modern SSI. These industries are often established in cities.

#### **Traditional SSI**

Handloom Khadi Industries, Handicraft Industries, Silk Industries are included in traditional SSI. These industries have been established in villages and towns and very less capital has been invested in plant. They produce short term employments.

#### **Definition by Fiscal Commission:**

“A small scale industry is one which is operated mainly with hired laborers usually 10-50 hands.”

#### **Definition by Planning Commission:**

“The small scale industries are mainly located in urban centers as separate establishments. In other words small scale industries produce goods with partially or wholly mechanized equipment employing outside labour.”

#### **Definition by Industrial Development and Regulation Act (IDRA):**

"On the basis of these definitions, IDRA 1951 exempted industrial, units for registration which are employing less than 50 workers with power and less than 100 workers without power.

#### **Definition by Small Scale Industry Board (SSIB 1955):**

“A unit employing less than 50 persons if using power and less than 100 persons without the use of power and with a capital investment not exceeding Rs 5 lacs.”

#### **Definition by Ministry of Commerce and Industry**

##### **(MCI 1960):**

“An industrial unit with a capital investment of not more than Rs 5 lacs irrespective of the number of persons employed.

#### **Definition by Ministry of Commerce and Industry**

##### **(MCI 1966):**

“An undertaking having a capital investment in plant and machinery of not more than Rs 5 lacs and Rs 10 lacs in case of ancillary units.

**Definition as given by Government of India:**

**I. In 1975:**

“An undertaking having a capital investment in plant and machinery of not more than Rs 10 lacs and Rs 15 lacs in case of ancillary units.”

**II. In 1980:**

“An undertaking having a capital investment in plant and machinery of not more than Rs 20 lacs and Rs 25 lacs in case of ancillary units.”

**III. In 1985:**

“An undertaking having a capital investment in plant and machinery of not more than Rs 35 lacs and not more than Rs 45 lacs in case of ancillary units.”

**IV. In 1991:**

“An undertaking having an investment in plant and machinery of not more than Rs 60 lacs and not more than Rs 75 lacs in case of ancillary units.”

**V. In 1997:**

“An undertaking having an investment in plant and machinery of not more than Rs 3 crores”

**VI. In 2000:**

“An undertaking having an investment in plant and machinery of not more than Rs 1 crores”

It is evident from the above definition that there were upward revisions in the investment limit on plant and machinery in small-scale sector from Rs. 5 lacs to Rs. 3 crores over years but this limit has been reduced from Rs. 3 crores to Rs. 1 crores in the year 1999-2000.

**Definition by Micro Small and Medium Enterprise Development (MSMED) Act-2006:**

The Micro, Small and Medium Enterprises Development Act, 2006 was enacted on 16th June 2006. The Act has empowered the government to establish a National Board for Micro, Small and Medium Enterprise

**MANUFACTURING ENTERPRISES**

- (i) Micro enterprise: investment in plant and machinery up to Rs. 25 lacs.
- (ii) Small enterprise: investment in plant and machinery from Rs. 25 lacs to Rs. 5 crores.
- (iii) Medium enterprise: Investment in plant and machinery from Rs. 5 crore to Rs. 10 crore.

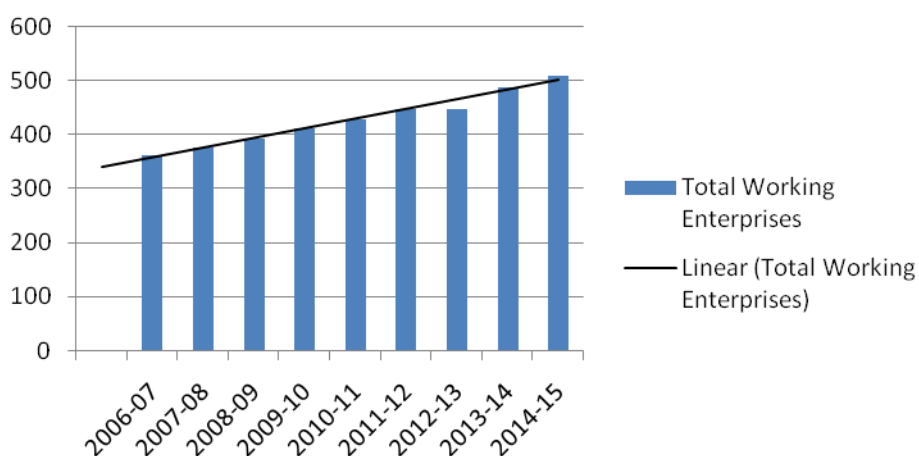
**SERVICE ENTERPRISES**

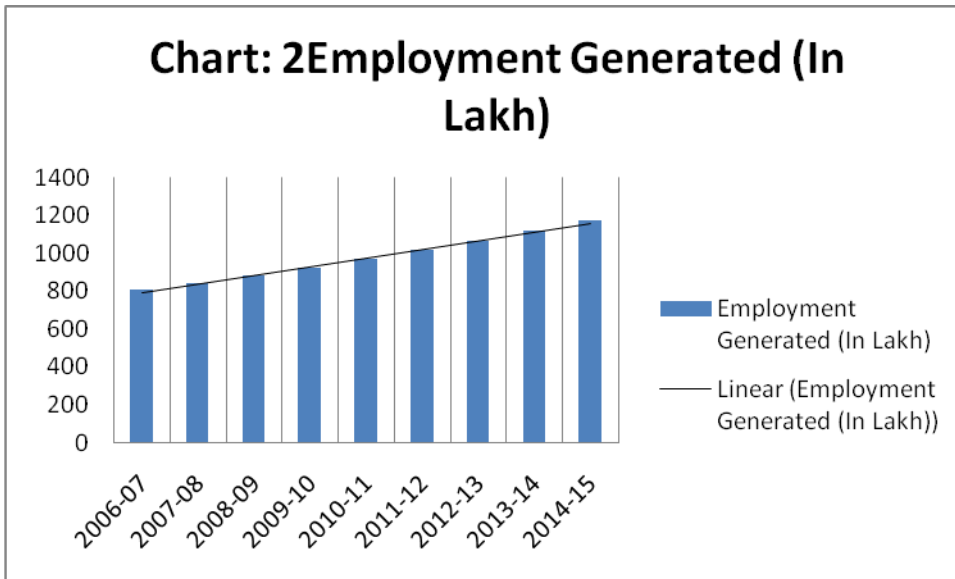
- (i) Micro enterprise: investment in equipments up to Rs. 10 lacs.
- (ii) Small enterprise: investment in equipments from Rs. 10 lacs to Rs. 2 crore.
- (iii) Medium enterprise: investment in equipments from Rs. 2 crore to Rs. 5 crore.

**Performance of MSME sector in India:**

<b>Table:1 Performance of MSME sector in India</b>				
Sl. No.	Year	Total Working Enterprises	Employment Generated (In Lakh)	Market Value of Fixed Assets (Rs. in crores)
1	2006-07	361.76	805.23	868,546.79
2	2007-08	377.36	842.00	920,459.84
3	2008-09	393.70	880.84	977,144.72
4	2009-10	410.80	921.79	1,038,546.08
5	2010-11	428.73	965.15	1,105,934.09
6	2011-12	447.64	1,011.69	1,182,757.64
7	2012-13	447.54	1,061.40	1,268,763.67
8	2013-14	488.46	1,114.29	1,363,700.54
9	2014-15	510.57	1,171.32	1,471,992.94

Source: Annual Report of MSME, Government of India, 2015-16

**Chart: 1 Total Working Enterprises**



Statistics reveals that the number of such enterprises set-up, employment generated and the investments made in the MSME sector in India has shown an increasing trend over the years as evident from Table - 1. Over a period India has registered a sizable growth of MSME Sector. Table 1 shows that there was only 361.76 lacs MSME unit in 2006-07. The number of MSME units increased continuously and has reached to over 510.57 lacs units in 2014-15. These trends were also shown in chart and table. However, employment generation also increases with number of units.

**Table: 2 Contribution of Manufacturing Output of MSME in GDP (at 2004-05 Prices)**

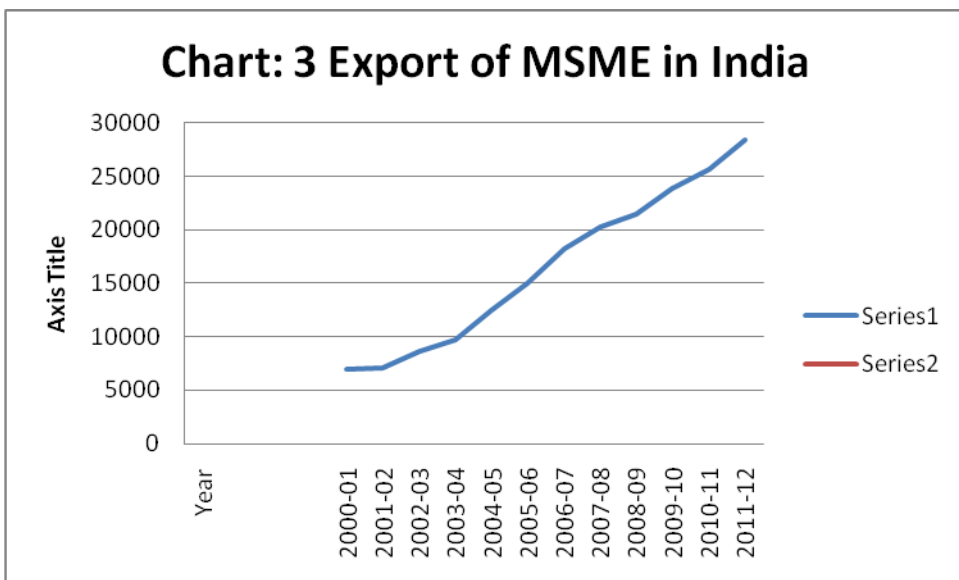
Year	Gross Value	
	of Output of MSME Manufacturing Sector (Rs. in Crores)	Share of MSME output in total Manufacturing Output (%)
2006-07	1198818	42.02
2007-08	1322777	41.98
2008-09	1375589	40.79
2009-10	1488352	39.63
2010-11	1653622	38.50
2011-12	1788584	37.47
2012-13	1809976	37.33

Source: 1. Fourth All India Census of MSME 2006-07,

The contribution of MSME sector towards GDP and total manufacturing output has been depicted in Table – 2. It is clear that the share of service sector MSMEs to the GDP has been increasingly indicating robust growth and changing nature of economy.

<b>Table : 3 Export from MSMEs Sector</b>		
<b>Year</b>	<b>Exports</b>	<b>Growth rate of exports</b>
	<b>(Rs million)</b>	
2000-01	6979.7	28.78
2001-02	7124.4	2.07
2002-03	8601.3	20.73
2003-04	9764.4	13.52
2004-05	12,441.70	27.42
2005-06	15,024.20	20.75
2006-07	18,253.80	21.49
2007-08	20,201.70	10.67
2008-09	21,438.70	6.12
2009-10	23,875.20	11.36
2010-11	25,683.40	7.57
2011-12	28,384.70	10.52

Source: Annual Report of MSME, Government of India, 2015-16

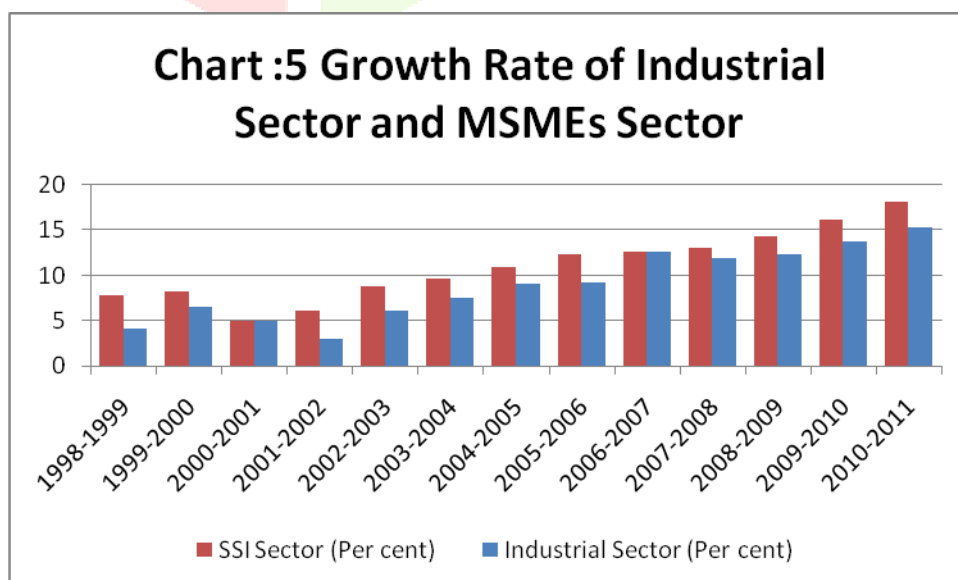


The export from MSME sector has been excellent growth during 2000-01 to 2011-12. There was total export of 6979.7 Rs million in 2000-01, now export continuously increases and has reached to over 28389.70 Rs million.

**Table : 4** Comparison of Growth Rate of Industrial Sector and MSME Sector from 1998-1999 To 2010-2011.

Year	Industrial Sector (Per cent)	MSMEs Sector (Per cent)
1998-1999	4.1	7.70
1999-2000	6.5	8.16
2000-2001	4.9	4.90
2001-2002	2.9	6.10
2002-2003	6.0	8.68
2003-2004	7.4	9.64
2004-2005	9.0	10.88
2005-2006	9.1	12.32
2006-2007	12.5	12.60
2007-2008	11.9	13.00
2008-2009	12.3	14.24
2009-2010	13.7	16.03
2010-2011	15.2	18.05

Source: Annual Report of MSME, Government of India, 2015-16



The growth of Micro, Small and Medium sector in India is always found to be superior when comparing to the overall growth of the total industrial sector. A comparative Table of both these categories are



presented in Table 4. It contains the growth rate of the industrial and the MSMEs sectors during the period from 1998-99 to 2010-11. It could be observed that the growth rate of industrial sector increased tremendously from 4.1 percent in 1998-99 to 15.2 per cent in 2010-11. However, the growth of the MSME sector was fluctuating between 1998-99 and 2000-01. From 2000-01 to 2010-11 the SSI sectors growth rate showed increase trend. The growth rate of the MSME sector rose from 7.70 per cent in 1998-99 to 18.05 per cent in 2010-11.

- **Major findings of study:**

- MSMEs account is about 37% of India's total manufacturing output.
- MSMEs account is about 40% of India's total exports.
- The number of MSMEs units has increased from 361.76 lacs units in 2006-07 to 510.57 lacs units in 2014-15.
- The Fixed Assets increased from Rs.868,546.79 crore in 2006-07 to Rs.1471992.94 crore in 2014-15.
- The growth of Micro, Small and Medium sector in India is always found to be superior when comparing to the overall growth of the total industrial sector.

**Conclusion:** Role of MSME in Indian economy is enormous. With decentralized economy, contribution of Micro, Small and Medium enterprises is increasing year by year. The MSMEs Development Act of 2006 perhaps plays the key role of these recent policy changes. The growth of small-scale industries can be evaluated on the growth rates of units, employment, output and exports of Small-scale industries in 2013 with that of 1990s. MSMEs are a very significant sector in the Indian industrial segment and would maintain to play a vital role in the Indian Economy in the future. A rewarding feature of economic development in India is due to impressive growth of modern MSMEs.

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