

Progress and Performance of Micro, Small and Medium Enterprises in India

C. Paramasivan

Assistant Professor & Research Supervisor

P. Mari Selvam

Ph.D. Research Scholar, Department of Commerce,
Periyar EVR College, Tiruchirappalli, Tamilnadu.

Abstract

Micro, small and medium enterprises are powerful segment of the industrial development of a country. These sectors performed well with multidimensional aspects of the socio-economic aspects. Growth and progress of MSME in India is an emerging aspects which directly associated with the sustainable development in the country. This article is focused on the Progress and Performance of Micro, Small and Medium Enterprises in India with reference to MSME in of India.

Key words: Micro, Small and Medium Enterprises, infrastructural support, technology up gradation, export promotion, employment generation.

Introduction

The MSMED Act 2006, the organization has been renamed as Micro, Small and Medium Enterprises-Development Organization (MSME-DO) with the wider mandate of promotion and development of MSME sector. It has over 60 offices and 21 autonomous bodies under its management. These autonomous bodies include Tool Rooms, Training Institutions and Project-cum-Process Development Centres. MSME-DO provides a wide spectrum of services to the small industries sector, now enlarged to include all enterprises, excluding the larger ones. These include facilities for testing, tool making, training for entrepreneurship development, preparation of project and product profiles, technical and managerial consultancy, assistance for exports, pollution and energy audits etc. MSME-DO provides economic information services and advises Government in policy formulation for the promotion and development of MSME sector. The field offices also work as effective links between the Central and the State Governments in the area of MSME development. Consequent upon the increased globalization of the Indian economy, MSME sector is facing new challenges. MSME-DO has recognized the changed environment and is currently focusing on providing support in the fields of credit, marketing, technology and infrastructure to MSMEs. Global trends and national developments have transformed MSME-DO's role into that of a catalyst of growth of small enterprises in the country. The Ministry of Micro, Small and Medium Enterprises (MSME), Govt. of India recognizes the contribution of Micro & Small Enterprises (MSEs) in growth of Indian economy, export promotion and employment generation. The work of reimbursement has been decentralized and transferred to field offices i.e. MSME-DIs w.e.f. 1st April, 2009 with a view to ensure speedy & timely and extensive implementation of the scheme.

Definition of MSME

The Government of India has enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 on June 16, 2006 which was notified on October 2, 2006. With the enactment of MSMED Act 2006, the paradigm shift that has taken place is the inclusion of the services sector in the definition of Micro, Small & Medium enterprises, apart from extending the scope to medium enterprises. The MSMED Act, 2006 has modified the definition of micro, small and medium enterprises engaged in manufacturing or production and providing or rendering of services.

Role of Micro, Small and Medium Enterprises

Micro, small and medium enterprises (MSME) sector has been recognized as an engine of growth all over the world. The sector is characterized by low investment requirement, operational flexibility, location wise mobility, and import substitution. In India, the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 is the first single comprehensive legislation covering all the three segments. In accordance with the Act, these enterprises are *classified in two*:- (i) manufacturing enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the Industries (Development and regulation) Act, 1951. These are defined in terms of investment in plant and machinery; (ii) service enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.

India has a vibrant micro and small enterprise sector that plays an important role in sustaining the economic growth, by contributing around 39 per cent to the manufacturing output and 34 per cent to the exports in 2004-05. It is the second largest employer of human resources after agriculture, providing employment to around 29.5 million people (2005-06) in the rural and urban areas of the country. Their significance in terms of fostering new entrepreneurship is well-recognized. This is because, most entrepreneurs start their business from a small unit which provides them an opportunity to harness their skills and talents, to experiment, to innovate and transform their ideas into goods and services and finally nurture it into a larger unit.

Importance of the MSME sector

The contribution of micro, small and medium enterprises (MSME) sector to manufacturing output, employment and exports of the country is quite significant. According to estimates, in terms of value, the sector accounts for about 45 per cent of the manufacturing output and 40 percent of the total exports of India. The MSME sector employs about 42 million persons in over 13 million units throughout the country. There are more than 6000 products, ranging from traditional to high-tech items, which are being manufactured by the Indian MSMEs.

Type of Enterprise

Enterprises are broadly classified into two categories.: i) Manufacturing; and ii) those engaged in providing rendering of services. Both categories of enterprises have been further classified into Micro, Small, Medium, and large enterprises based on their investment in plant and machinery for manufacturing enterprises or on equipments (in case of enterprises providing or rendering services).

Table 1: Type of Enterprise

(Number in Thousand)

Sl. No.	Type of Enterprise	Number of Enterprise Owned by				Total	Total Percent
		Male		Female			
		No.	Percent	No.	Percent		
1	Micro	1274.10	81.46	210.66	13.46	1484.76	94.93
2	Small	72.65	4.64	3.88	0.24	76.53	4.9
3	Medium	2.57	0.16	0.11	0.007	2.69	0.17
Total		1349.32	86	214.65	14	1563.97	100

Source: MSME Annual Report on 2011-2012

Enterprises wise as well as gender wise profile of the entrepreneurs are presented in the table no.1. 1274.10 thousands of Micro enterprises owned by male (81.46%), and 210.66 thousand enterprises owned by female (13.46%). 72.65 thousands of Small enterprises owned by Male (4.64%) and 3.88 thousands of enterprises owned by female (0.24%). Medium enterprises owned by Male (0.16%) and 0.11 thousands of owned by female enterprises in (0.007%). (86%) of entrepreneurs belong to Male and (14%) of belong to Female entrepreneurs.

Nature of Activity

The Ministry of MSME (earlier known as Ministry of Small Scale Industries and Agro & Rural Industries (SSI & ARI) came into being from 1999 to provide focused attention to the development and promotion sector. The new policy package announced in August 2000. MSME Act, 2006 seeks to facilitate the development of these enterprise as also enhance their competitiveness. It provides the first-ever legal frame work for recognition of the concept of “enterprise” which comprises both manufacturing and service entities.

Table 2 reveals that the nature of activities engaged by the entrepreneurs in 67 per cent of the entrepreneurs belongs to Manufacturing activities, 17 per cent belong to Services activities, and 16 per cent belongs to Repairing & Maintenance activities.

As regards the Manufacturing activities belongs to 60.17 per cent Male and 6.92 per cent belongs to Female entrepreneurs. 11.15 per cent the service sector activities belongs to male and 87.96 per cent belongs to female entrepreneurs. Repairing and Maintenance activities belong to 14.95 per cent to male and 1.17 per cent belongs to female entrepreneurs.

As regards the 1563.97 thousands of total entrepreneurs in MSME, its 86 per cent for the male entrepreneurs owned by enterprises and 14 per cent of female entrepreneurs.

Table 2: Nature of Activity

(Number in Thousand)

Activity Code	Nature of Activity	Number of Enterprise Owned by				Total	Total Percent
		Male		Female			
		No.	Percent	No.	Percent		
01	Manufacturing	941.06	60.17	108.34	6.92	1049.39	67
02	Services	174.41	11.15	87.96	5.62	262.37	17
03	Repairing & Maintenance	233.85	14.95	18.36	1.17	252.21	16
Total		1349.32	86	214.65	14	1563.97	100

Source: MSME Annual Report on 2011-2012

Nature of Operation

Entrepreneurs set up industries which remove scarcity of essential commodities and introduce new products. Production of goods on mass scale and manufacture of handicrafts, etc. in small scale sector help to improve the standard of life of a common man. These offer goods at lower costs and increase variety in consumption. Entrepreneurs in the public and private sectors help to remove regional disparities in economic development.

Table 3: Nature of Operation

(Number in Thousand)

Operation No.	Nature of operation	Number of Enterprise Owned by				Total	Total Percent
		Male		Female			
		No.	Percent	No.	Percent		
1	Perennial	1305.65	83.48	208.47	13.32	1514.12	96.81
2	Seasonal	41.06	2.62	5.33	0.34	46.39	2.96
3	Casual	2.61	0.16	0.86	0.05	3.47	0.22
Total		1349.32	86	214.65	14	1563.97	100

Source: MSME Annual Report on 2011-2012

Table 3 shows that the Nature of operation wise entrepreneurship profile in India, 1305.65 thousands of Perennial operation owned by male (83.48%) entrepreneurs and 208.47 thousands by female entrepreneurs (13.32%), 41.06 thousands of Seasonal operation entrepreneurs (2.62 %) by male and 5.33 thousands (0.34%) of female Seasonal entrepreneurs. As regards Casual enterprise 2.61 thousands of (0.16%) by female entrepreneurs and 0.86 thousands (0.05%) by female entrepreneurs.

Type of Organisation

Organization are broadly classified into two Categories.: i) Functional organisation, ii) Team Management, Organisation different wise introducing the Entrepreneur is one who introduce new goods, inaugurates new method of production, discovers new market and reorganizes the enterprises. It is important to note that such entrepreneurs can work only when a certain level of development is already achieved, and people look forward to change and environment.

Table 4: Type of Organisation

(Number in Thousand)

Org. Code	Type of organization	Number of Enterprise Owned by				Total	Total Percent
		Male		Female			
		No.	Percent	No.	Percent		
1	Proprietary or HUF	1224.06	78.26	184.70	11.80	1408.76	90.07
2	Partnership	57.11	3.65	5.62	0.35	62.73	4.01
3	Pvt. Company	40.94	2.61	2.48	0.15	43.41	2.77
4	Pub. Ltd. Company	7.60	0.48	0.79	0.015	8.39	0.53
5	Cooperatives	3.63	0.23	1.09	0.06	4.72	0.30
6	Others	15.99	1.02	19.97	1.27	35.96	2.29
Total		1349.32	86	214.65	14	1563.97	100

Source: MSME Annual Report on 2011-2012

Table 4 reveals that the Type of Organization wise entrepreneurship profile engaged by the entrepreneurs, 90.07 per cent of entrepreneurs belongs to Proprietary or HUF organization, 4.01 per cent belongs to Partnership entrepreneurs, and 2.77 per cent belongs to Private Company entrepreneurs, 0.53 per cent of Public Limited Company entrepreneurs, belongs to 0.30 per cent of co-operatives type of organization entrepreneurs, and belongs to 2.29 per cent of Other Type of organization entrepreneurs.

As regards type wise organization is highest of 90.07 per cent in Proprietary or HUF and belongs to least type of organization entrepreneurs its 0.30 per cent in Co-operatives type of organization entrepreneurs in MSMEs.

Suggestions

MSME is a vibrant segment of the economic development of the country which responsible to promote the industrial growth, export, employment potential, capital formation and sustainable development. Therefore these sectors should be treat as emerging sectors while providing financial and non financial assistance.

There are 156.97 thousands MSME in the country off which 94.93 per cent belongs to Micro units, 4.9 per cent belongs to small units and 0.17 per cent belongs to medium units.

Hence it seems to be most of the MSME belongs to Micro units which are mostly in rural and traditional based. Hence there is a need of more concentration to the micro units to grow in a concrete manner.

Majority of the MSME are belongs to permanent nature of operation which are functioning throughout the year. Hence, these sectors able to provides regular employment as well as constant income generation.

Most of the MSME are under the categories of the proprietary type of organization which are running by one or few persons. There units are mostly belongs to traditional type of activities with labour intensive. Hence, these entrepreneurs need proper training to promote their production and marketing strategies in the modern world.

Conclusion

Micro, Small and medium enterprises are the back bone of the economic development of the country, which concentrates to meet the local as well as the global demands in a unique characters of the products and services. In India, these sectors performed well and spread all over the country according to the availability of resources and traditional methods. MSM enterprises performing in a constant manner even in the globalisation era with the competitive advantages. These sectors could able to achieve the sustainable development of the country with self reliance aspects. Hence this paper concludes that the progress and performance of the MSME is a significant manner during the study period.

References

1. Aggarwal Y.P. (1998). Statistical Method- Concepts, Application and Computations, Sterling Publishers Pvt. Ltd. New Delhi.
2. Balaji C.D. and Prasad G. (2009), Business Organization. Margham Publications, Chennai.
3. Gupta. C.B and Srinivasan NP. (2010), Entrepreneurial Development. Sultan Chand & Sons, New Delhi.
4. Gupta S.P. (2001), Statistical Methods, Sultan Chand & Sons, New Delhi.
5. Karthiresan and Radha. (2010). Business Organization. Prasanna Publisher, Chennai.
6. Khanka S.S.(2010). Entrepreneurial Development, S.Chand & Company Ltd. New Delhi.
7. Kothari C.R. (1998). Research Methods, Wishwa Prakashan, Second Edition.
8. MSME Annual Report 2007-08.
9. Munish Vohra. (2006). Entrepreneurial Development, ANMOL Publications Pvt. Ltd. New Delhi.
10. Paramasivan C. Research Methodology for Commerce and Management, Regal Publication, New Delhi.
11. www.msme.gov.in
12. www.msmeonline.tn.gov.in
13. www.smallindustry.com