

MSMEs - Engine of Growth and Employment: An Analysis

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Abstract

A Global warning of globalization is in front of us in protection of indigenous or domestic products and services and measures of economic policies for eradication of unemployment and encouragement of entrepreneurs. The Micro, Small and medium enterprises of India is a great driving force for the growth of Indian Economy. These MSMEs also helps in the development of economy by creating employment, which in turn leads to eradication of perplexing problems like unemployment, regional disparities and poverty of the country. Entrepreneur is a person who innovates and come out with over all change by increasing the standard of living for the betterment of the society by investing and taking lot of risk. This sector has been regarded as engine of economic growth and social development with recent amendments in government policies towards MSMEs. The paper used secondary data based on descriptive research methodology from various government journals, annual reports of MSMEs.

Keywords: Micro, small & medium enterprises (MSME); Policies; Eradication;

I INTRODUCTION:

Worldwide, MSMEs have been accepted as the engine of economic growth and for promoting equitable development. They constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth with low investment requirements, operational flexibility and the capacity to develop appropriate indigenous technology; SMEs have the power to propel India to new heights. Hence, it seems like there is a silent revolution happening in India powered by MSMEs.

II OBJECTIVE:

The main objective of the present study is to analyze and interpret the role of MSME sector as an agent of growth and employment in India.

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III METHODOLOGY:

The present study is based on secondary data which were collected from the websites of The Government of India, Central Statistics Office (CSO), Ministry of Statistics & Programme Implementation and its final report, Fourth All India Census of MSME 2006-07. The study is based on NSS 73rd Round 2015-16, MSME Sector, Highlights the role of MSME sector in India.

Table 1. Distribution of Enterprises Sector Wise
(Numbers in lakhs)

Sector	Micro	Small	Medium	Total	Share (%)
Rural	324.09	0.78	0.01	324.88	51
Urban	306.43	2.53	0.04	309.00	49
All	630.52	3.31	0.05	633.88	100

Source : Annud Report 2018-19;Ministry of Micro, Small and Medium Enterprises, Government of India

Table 1. Depicts the distribution of working enterprises sector and area wise. In urban areas with 309.00 lakhs of working enterprises with 49% of overall MSMEs. Whereas rural areas located 324.88 lakhs of working enterprises i.e.; 51% of overall MSMEs.

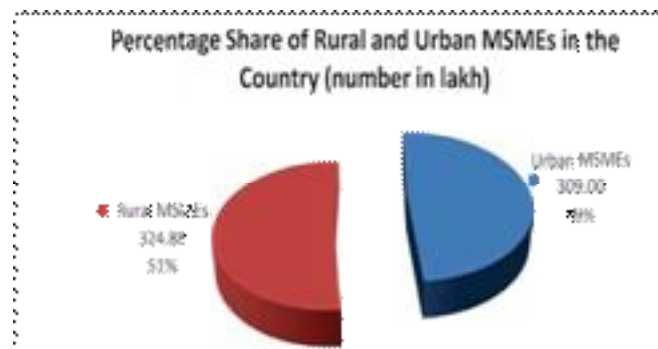


Table 2. Percentage Distribution of Enterprises in Rural and Urban Areas.
(Male/ Female ownership category wise)

Sector	Male	Female	All
Rural	77.76	22.24	100
Urban	81.58	18.42	100
All	79.63	20.37	100

Source : Annud Report 2018-19;Ministry of Micro, Small and Medium Enterprises, Government of India

Table 2.: Depicts the distribution of working enterprises I area wise. In urban areas male ownership consists of 81.58% and 18.42% of female ownership. Whereas on rural areas male owner consists of 77.76% and 22.24% of female ownership.

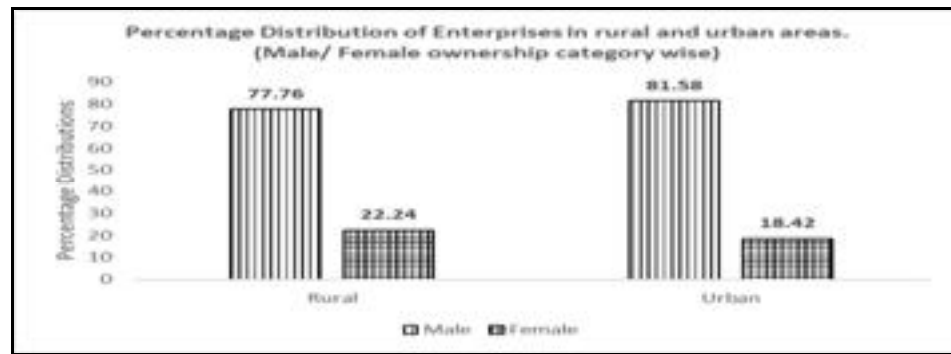


Table 3. Percentage distributions of Enterprises by Male/Female Owners

Category	Male	Female	All
Micro	79.56	20.44	100
Small	94.74	5.26	100
Medium	97.33	2.67	100
All	79.63	20.37	100

Source : Annual Report 2017-18;Ministry of Micro, Small and Medium Enterprises, Government of India.

Table 3. Depicts the distribution of enterprises by gender wise ownership. In micro sector male ownership consists of 79.56% and 20.44% with female ownership. In small sector male ownership consists of 94.74% and 5.26% with female ownerships. In medium sector male ownership consists of 97.33% and 2.33% with female ownership.

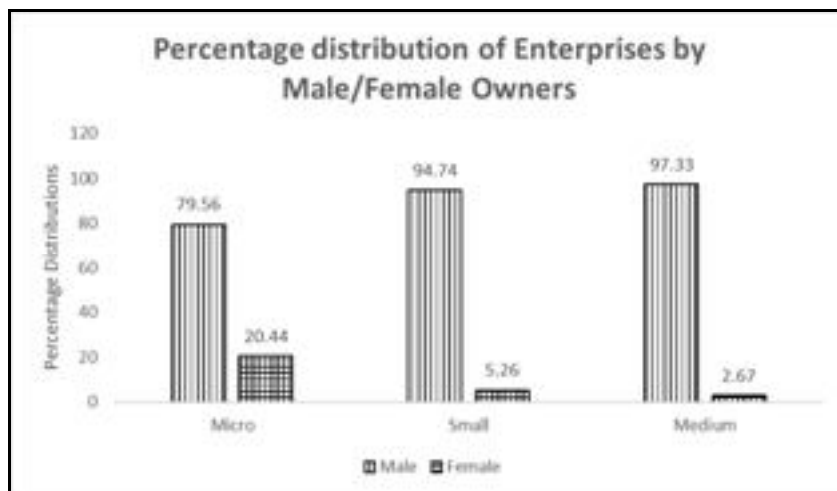


**Table 4. Distribution of Employment in Rural and Urban Areas
(Number in lakhs)**

Sector	Micro	Small	Medium	Total	Share (%)
Rural	489.30	7.88	0.60	497.78	45
Urban	586.88	24.06	1.16	612.10	55
All	1076.19	31.95	1.75	1109.89	100

Source : Annual Report 2018-19; Ministry of Micro, Small and Medium Enterprises, Government of India.

Table 4. Depicts the distribution of employment sector and area wise. In urban area overall MSMEs distribution is 612.10 lakhs i.e; 55% of overall share. Whereas in rural area overall MSMEs distributions 497.78 lakhs i.e; 45% of overall share.

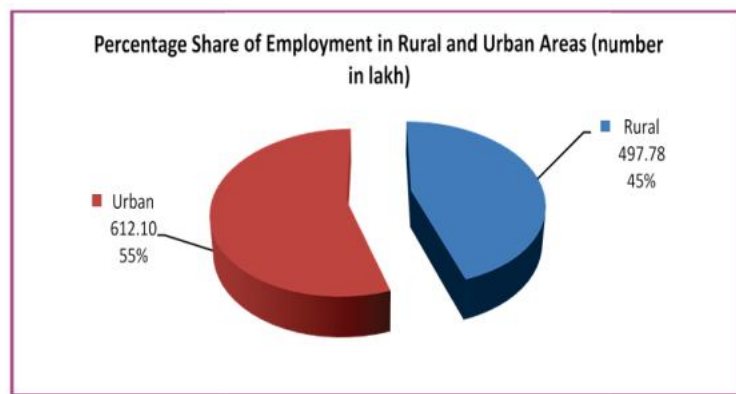


**Table 5. Sectoral distribution of workers in Male and Female Category
(in Lakhs)**

Sector	Female	Male	Total
Rural	137.50	360.15	497.78
Urban	127.42	484.54	612.10
Total	264.92 (24%)	844.68 (76%)	1109.89

Source : Annual Report 2018-19; Ministry of Micro, Small and Medium Enterprises, Government of India.

Table 5. Shows the distribution of workers in area and gender wise. In urban area 127.42 lakhs of female workers and 484.54% lakhs of male workers. In rural areas 137.50 lakhs of female workers and 360.15 lakhs of male workers i.e; male workers with 76% and 24% with female workers.

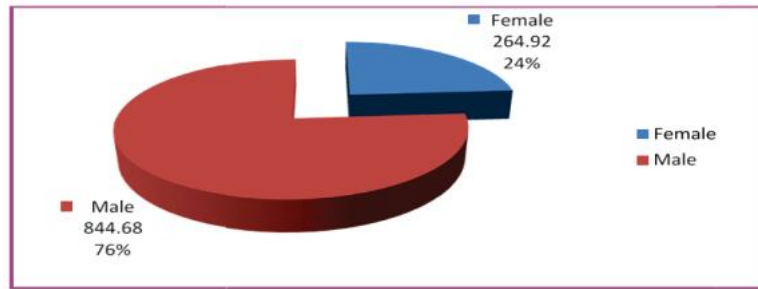


Table 6. Comparative Analysis between Fourth All India MSME Census (2006-07) and NSS 73rd Round (2015-16)
Growth of MSMEs (Figures in lakhs)

Parameter	NSS 73rd Round, 2015-16	Fourth All India Census of MSMEs, 2006-07	Annual Compound Growth Rate (%)
No. of MSMEs (Total)	633.88	361.76	6.43
Manufacturing	196.65	115.00	6.14
Services	437.23	246.76	6.56
Employment (Total)	1109.89	805.24	3.63
Manufacturing	360.42	320.03	1.33
Services	749.47	485.21	4.95

* Service includes Trade, Electricity & Other Services.

Source : Annual Report 2018-19; Ministry of Micro, Small and Medium Enterprises, Government of India.

Table 6. First parameter depicts the comparative analysis of activity in growth rate in MSMEs. According to Fourth All India census of MSMEs 2006-2007, in manufacturing sector 115.00 lakhs of manufacturing units increased Annual compound growth rate is 6.14%. The Fourth All India census of MSMEs 2006-2007 in services sector 246.76 lakhs of units compared with NSS 73rd round 2015-2016, 437.23 lakhs of units of services, increased annual compound growth rate is 6.56%.

Second parameter depicts the comparative analysis of activity in employment growth rate. According to fourth All India census of employment 2006-2007 in manufacturing sector 320.03 lakhs of workers compared with NSS 73rd round 2015-2016, 360.42 lakhs of workers, with increased annual compound growth rate 1.33%. The fourth All India census of MSMEs, 2006-2007, the number of workers in services sector 485.21 lakhs compared with NSS 73rd round 2015-2016, 749.47 lakhs of workers, increased annual compound growth rate is 4.95%.

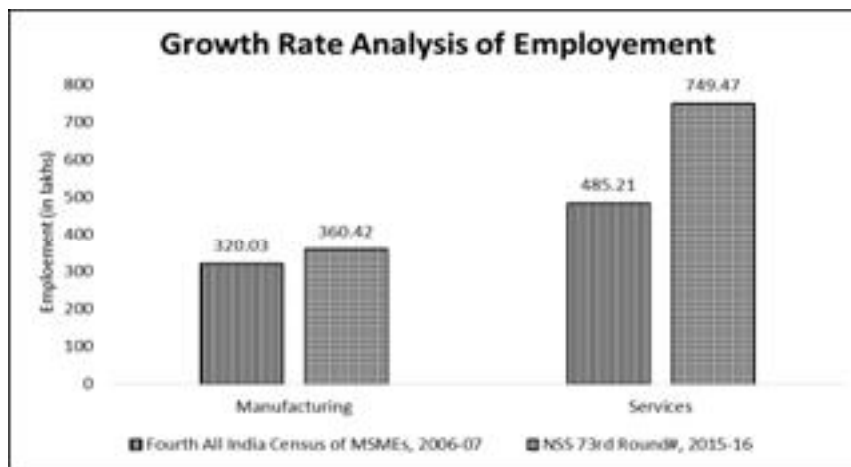
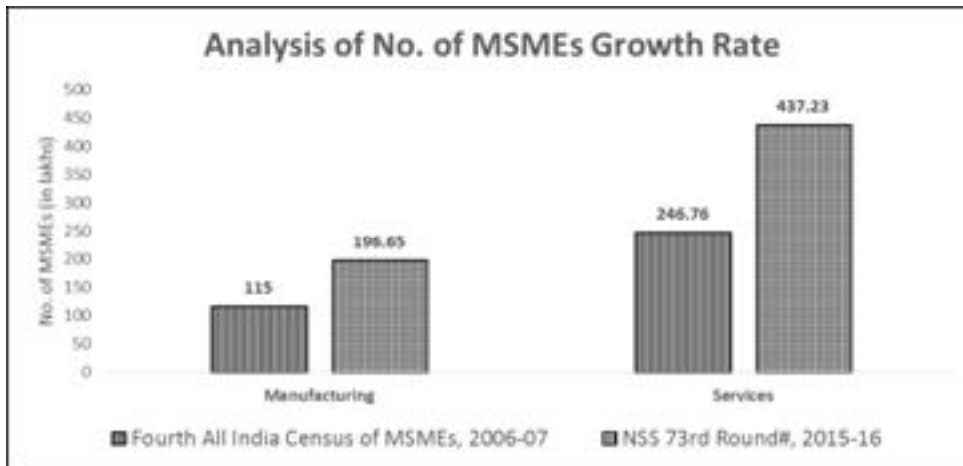


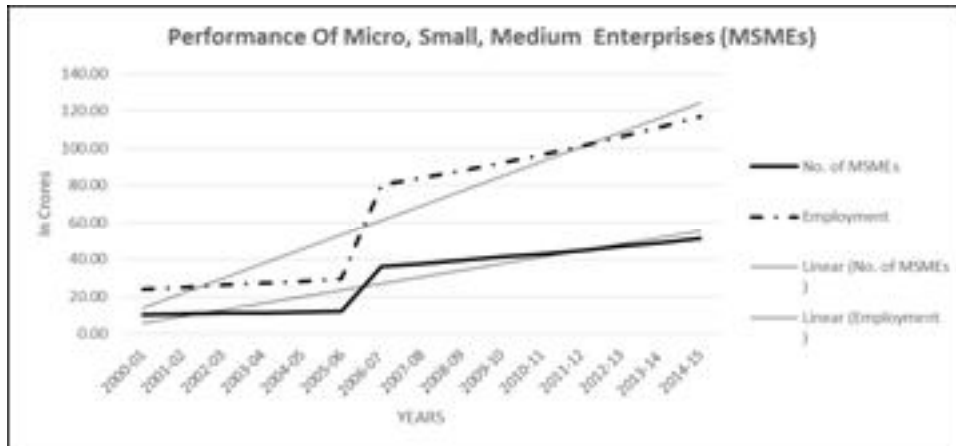
Table 7. Performance Of Micro, Small, Medium Enterprises (MSMEs)

Year	No. of MSMEs (in Lakhs)	Employment (in Lakhs)	Gross Output (Crores)
2000-01	10.11	23.87	2,61,297
2001-02	10.52	24.93	2,82,270
2002-03	10.95	26.02	3,14,850
2003-04	11.40	27.14	3,64,547
2004-05	11.86	28.26	4,29,796
2005-06	12.34	29.49	4,97,842
2006-07	36.18	80.52	11,98,818
2007-08	37.74	84.20	13,22,777
2008-09	39.37	88.08	13,75,589
2009-10	41.08	92.18	14,88,352
2010-11	42.87	96.52	16,53,622
2011-12	44.76	101.17	17,88,584
2012-13	46.75	106.14	18,09,976
2013-14	48.85	111.43	-
2014-15	51.06	117.13	-

Source : Ministry of Micro, Small and Medium Enterprises, Government of India.

Table 7. Shows the performance of MSMEs, from the year 2000-01 to 2005-06 the growth rate in employment is moderate. There is more than twofold growth in the year

2006- 07. There onwards the growth rate of employment has doubled its march towards development.



Contribution Of MSMEs In Country's Economy:

The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets. As per the data available with Central Statistics Office (CSO), Ministry of Statistics & Programme Implementation, the contribution of MSME Sector in country's Gross Value Added (GVA) and Gross Domestic Product (GDP), at current prices for the last five years is as below:

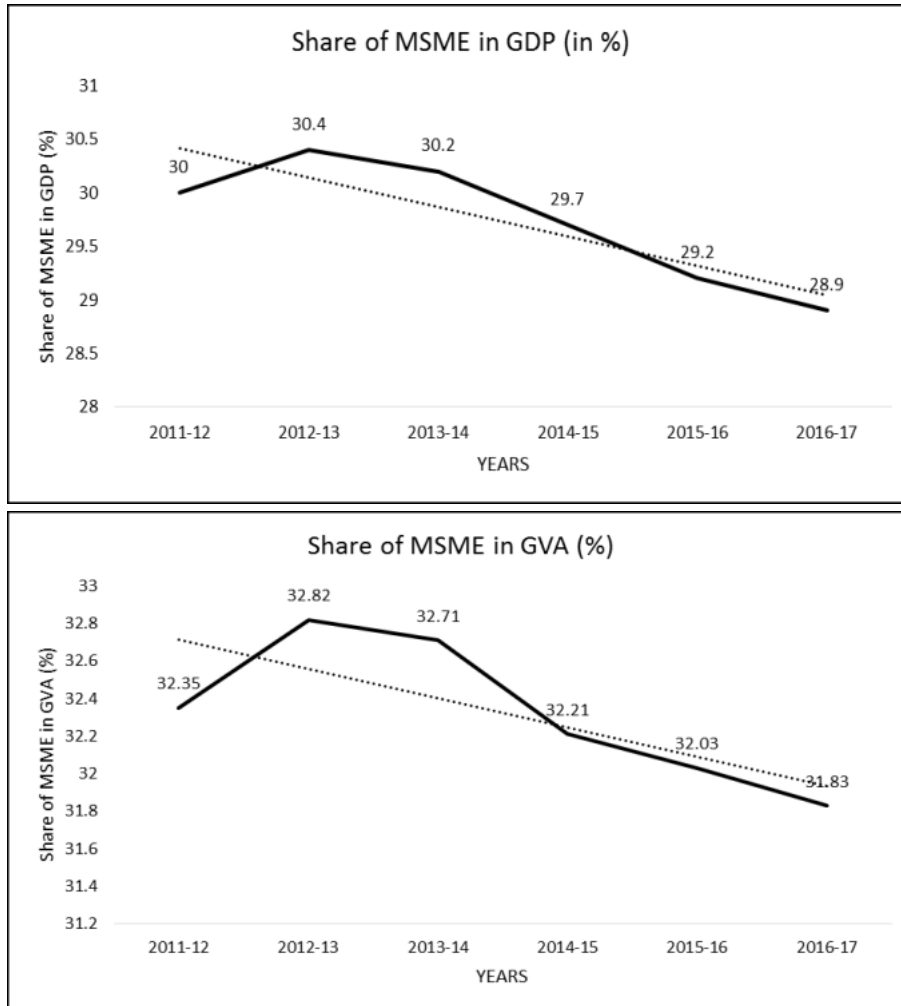
Table 8. Contribution of MSMEs in Country's Economy at Current Price

(Figures in Rs. Crores adjusted for FIS IM3 at current prices)						
Year	MSME GVA	Growth (%)	Total GVA	Share of MSME in GVA (%)	Total GDP	Share of MSME in GDP (in %)
2011-12	2622574	-	8106946	32.35	8736329	30
2012-13	3020528	15.17	9202692	32.82	9944013	30.4
2013-14	3389922	12.23	10363153	32.71	11233522	30.2
2014-15	3704956	9.29	11504279	32.21	12467959	29.7
2015-16	4025595	8.65	12566646	32.03	13764037	29.2
2016-17	4405753	9.44	13841591	31.83	15253714	28.9

#Source: Central Statistics Office (CSO), Ministry of Statistics & Programme Implementation

Table 8. Depicts the construction of MSMEs in country's economy at current price. In 2011-2012, share of MSMEs in GDP is 30% later it has increased slightly to 30.40% in

2012-2013. There onwards a continuous fall in contribution towards GDP (i.e.) 30.20% to 28.90% during 2013-2014 to 2016-2017. Regarding gross value added (GVA) 32.35% in 2011-2012 of share of MSME slightly increased to 32.82% in 2012-2013. There onwards a continuous fall in contribution towards GVA (i.e.) 32.71% to 31.83% during 2013-2014 to 2016-2017 respectively.

**FINDINGS:**

1. Extension of financial assistance to rural sector in small and medium enterprises.
2. Urban female ownerships are lesser than rural female ownership.
3. There is less percentage of female owners in small and medium enterprises.
4. In small and medium enterprises, employment opportunities are found less. small enterprises are performing better in urban area but in the case of medium level are very poor.
5. Female workers are found less in number as per the sectoral distribution both rural and urban areas.
6. There is a slow growth of manufacturing activities from the past few years.

SUGGESTIONS:

1. To see all the allocated funds to be utilized for the exact purpose.
2. Need to show more emphasis to grow which is least i.e, 18.42%.
3. Female owners has to give proper training, incentives and better security measures for further improvement in small and enterprises.
4. For this better skill development centres for SMEs to be provided and better awareness programs for status to be initiative.
5. Minimum literacy among female needed to be increased, proper intuition centres specially for women and financial subsidy to be increased both in rural and urban areas.
6. There is a need of employment generating program through technological improvement and up gradation of technology to be assisted by respective state overall central govt. This acts as a booster for manufacturing growth.
7. There is an urgent need to upgrade infrastructure utilities (like water, power supply, and road/rail) for any enterprise to run its operations successfully.
8. Entrepreneurs need to develop quality conscious mindsets embedded in the organisational culture sensitisation.

CONCLUSION:

MSME a change challenge and an innovative policy framework for the development of a country is a high building capacity in all aspects and an action agenda for growth and development facing many issues and challenges in this digital and virtual era. The MSMEs has a distinct privilege of low investment with high potential to create employment generation. It also helps in eradicating regional imbalances by dispersal of industries in rural areas. The Indian economy can look forward to a prosperous future in MSME sectors. Specially, micro enterprises, which substantially play a basic role in employment generation and bring forth the entrepreneurship at grass root level. These enterprises are labour intensive and require less capital, helps in eradicating socio-economic problems like unemployment, underemployment, poverty and regional imbalances.

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