ISSN:0971-1260
Vol-22- Issue-14-December-2019

MSMEs and its Role in the Development of Rural India, Backward Class People and Women Entrepreneurship in India: An Explorative Study

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Abstract: *The Micro, Small and Medium Enterprises (MSME) sector is a highly vibrant and dynamic sector of the Indian economy. It contributes in the economic and social development of the country. MSMEs are fostering entrepreneurship and generating largest employment opportunities at comparatively lower capital cost, next only to agriculture. This sector also has a great influence in production and export of our country. Now, MSMEs are operated in almost all major sectors in the Indian industry such as- Food Processing, Textiles and garments, Agricultural inputs, Leather and leather goods, Sports goods, Plastic products, Electro-medical equipment, Computer Software etc. MSMEs have a great role in development of rural India and backward class (SC, ST, OBC) people. In this paper the researcher tried to find out the role of MSMEs in development of rural India, backward class people, women empowerment and women entrepreneurship.*

Keywords: *MSMEs, employment, backward class people, women empowerment.*

I. INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) are one of the most vibrant, dynamic and sensitive sectors in Indian economy. The MSMEs are considered engine of growth all over the world. The significance of the sector is attributed to its capacity of employment generation, low capital and technology requirement, use of traditional or inherited skill, mobilisation of local resources and exportability of products. This sector was going through a highly protected area during the pre-liberalisation period. The main objective of that protection was to safeguard the Small Scale Industries

ISSN:0971-1260
Vol-22- Issue-14-December-2019

(SSIs) from market competition by imposing several restrictions. However, with the emergence of globalisation in Indian economy since 1991, the situation changed dramatically. Indian market was opened up for foreign investors by reducing various trade restriction to promote free trade throughout the world.

The MSMEs are one of the major constituent of our economy and contributes significantly to almost 7% of the manufacturing GDP and 31% of the services GDP. They generate about 120 million employment and contribute to around 46% of the overall exports from India.

MSMEs have a great role in development of rural India. By generating large number of employment MSMEs helps to minimise rural poverty. In rural area MSME helps to reduce regional rural imbalances and over dependency of agriculture. MSMEs have proved as great tools in development of backward class people and women empowerment.

II. Definition OF MICRO, SMALL AND MEDIUM ENTERPRISE (MSMEs)

At the initial stage, MSMEs are identified as Small Scale Industries. In 2006 with the implementation of Micro, Small and Medium Enterprises Development Act, 2006, Micro, Small and Medium Enterprises were brought under the same umbrella.

In accordance with the provision of MSMED Act 2006, the MSMEs are defined as under.

Table 1: Changing pattern of SSI definition (As per MSMED Act, 2006)

Manufacturing Sector Enterprises	Investment in plant & machinery
Micro Enterprises	Does not exceed twenty five lakh rupees
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees
Medium Enterprises	More than five crore rupees but does not exceed ten crore rupees
Service SectorEnterprises	Investment in equipments
Micro Enterprises	Does not exceed ten lakh rupees:
Small Enterprises	More than ten lakh rupees but does not exceed two crore rupees

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III. LITERATURE REVIEW

Manickavel, S (1997) has studied the presence of any gender-biasness regarding evaluation of loan requests, sanction of loan to new business by the commercial banks. The study reveals that both male and female entrepreneurs face difficulty in obtaining loan from banks. The problem is, however, more prominent for the female entrepreneurs.

Sandesara (1993) studied the performance of Small scale industries (SSI) producing reserved items. The study compare the performance of SSI firms producing reserved category items with that of producing non-reserved items.

Subrahmanyabala, M.H. (2004) studied that small industry had suffered in terms of growth of units, employment, output and exports.

Rathod, C. B. (2007) analysed the importance of small scale industry and its contribution in world economy. The study also discover that, SSI sector in India has been exhibiting a striking export performance and export had grown up to double digit from the last ten years.

Bhavani T.A. (2010) highlights the issue of employment generation pattern of Small scale industries. The study reveals that, employment generation by the SSIs may be high in quantitative term but very low in quality. Technological up gradation may reduce that problem and can generate quality employment and skill.

SubrahmanyaBala (2011) has studied the impact of globalization on the exports potentials of the small scale enterprises. The study reveals that share of SSI export in total export has increased in protection period but remain more or less stagnated during the liberalization period. However, the correlation co-efficient in liberalization period is higher than that of protection period suggesting that the relationship between the total export and SSI export has become stronger in liberalization period.

Objective of the study

In this study attempt has been made:

- To through light on the role of MSMEs in development of rural India.
- To through light on the role of MSMEs in development of backward class people and to reduce rural poverty.
- To through light on the MSMEs as a tools of women empowerment and women Entrepreneurship.

IV. RESEARCH METHODOLOGY & DATA SOURCE

The approach used in the study is descriptive and analytical in nature and is based on secondary information sources collected from various research papers, repute journals and magazines, annual reports of the Ministry of MSMEs, various census report conducted by the Ministry of MSMEs, and other related websites to this matter.

V. PERFORMANCE ANALYSIS

A. Estimated Number of MSMEs

Table 2: Estimated Number of MSMEs (Activity Wise) Activity Category

	Number of Enterprises (in lakh)		Share (%)	
Rural	Urban		Total	
Manufacturing	114.14	82.50	196.65	31
Trade	108.71	121.64	230.35	36
Other Services	102.00	104.85	206.85	33
Electricity	0.03	0.01	0.03	0
All	324.88	309.00	633.88	100

Source: Ministry of Micro, Small and Medium Enterprises (MSMEs), Government of India, Annual Report 2017-18 (assessed from www.msme.gov.in)

As per the report of the National Sample Survey (NSS) 73rd round, conducted during 2015-16 there were 633.88 lakh unincorporated MSMEs in the country engaged in different economic activities. Whereas, 196.64 lakh (31%) in Manufacturing, 230.35 lakh (36%) in Trade and 206.84 lakh (33%) in Other Services and 0.03 lakh in Non-captive Electricity Generation and Transmission.

Again out of 633.88 lakh estimated number of MSMEs, 324.88 lakh MSMEs (51.25%) were in rural area. Where rural area has a great contribution in Manufacturing Activities. Out of 196.65 Manufacturing Enterprise 114.14 (58.04%) are situated in rural area. Beside it, 47.19% Trade Enterprises and 49.31% Other Services are in rural India. The result defines that, rural India has a great contribution in establishing MSME business.

Table 3: Distribution of Enterprises Category Wise (Numbers in lakh)

Sector	Micro	Small	Medium	Total	Share (%)
Rural	324.09	0.078	0.01	324.88	51
Urban	306.43	2.53	0.04	309	49
All	630.52	3.31	0.05	633.88	100

2017-18 (assessed from www.msme.gov.in)

ISSN:0971-1260
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The Micro enterprises has a dominance in MSME sector. Out of 633.88 lakh MSMEs 630.52 lakh are Micro enterprises, which accounts for more than 99% of total estimated number of MSMEs. Where, Small and Medium enterprises are only 3.31 (0.52%) and 0.05 (0.01%) respectively.

Again, Micro enterprise has a great influence in rural India. Out of 630.52 lakh Micro enterprises 324.09 (51.40%) are situated in rural India. Where share of small and medium enterprises in rural area are 0.078 (2.36%) & 0.01 (20%). So, we can conclude that rural India is more active in Micro enterprises whereas urban area in small & medium enterprises. This dissimilarities may be due to availability of inadequate fund in rural area. Rural MSME's are mostly depend on internal sources of finance (personal savings, loan from relatives, and loan from local money lenders) rather than institutional financing by banks and other financing institutions. That's why they can't able to invest in big project and satisfied with micro sector.

B. Type of Ownership of Enterprises

i) Male/Female Ownership

Table 4: Percentage Distribution of Enterprises in rural and urban areas. (Male/Female ownership category wise)

Table 4: 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

	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

Almost 20% of the MSMEs are owned and controlled by the female owners. But, there has been overwhelming dominance of male owners in MSME sector. Male owned 79.63% of enterprises as compared to female owned only 20.37%. The

ISSN:0971-1260
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dominance of female owned enterprises was more pronounced in rural areas as compared to urban areas (22.24% as compared 18.42%).

Furthermore if we want to see the ownership by category wise as Micro, Small and Medium Enterprises differently, then we can see that, male dominance in ownership has been exist for small and medium enterprises with 95% or more enterprises being owned by them, as compared to micro enterprises where 79.56% were owned by males.

ii) Ownership of Enterprises Social Category Wise

Table 6: Percentage Distribution of enterprises by social group of owners

Sector	SC	ST	OBC	Others	Not Known	All
Rural	15.37	6.70	51.59	25.62	0.72	100
Urban	9.45	1.43	47.80	40.46	0.86	100
All	12.45	4.10	49.72	32.95	0.79	100

The socially backward groups (SC,ST,OBC) owned 66.27% of MSMEs, though majority of that are attributed by OBCs owning in 49.72%. Where, owing of SC, ST contributes only 12.45% and 4.10% respectively. In rural areas, 73.67% of MSMEs were owned by socially backward groups, of which 51.59% belonged to the OBCs and remaining portion by SC, ST. In urban areas, 58.68% MSMEs are belonged to the socially backward groups, of which 47.80% belonged to the OBCs, 9.45% belonged to the SCs and 1.43% belonged to the STs. Therefore, we can say that there is a dominance of socially backward class community in ownership of MSME sector. Thus MSME helps to reduce rural poverty, unemployment and remove the regional rural imbalances and helps rural economy to get a path.

Table: 7 Percentage distribution of Enterprises Social Category wise

Sector	**SC**	**ST**	**OBC**	**Others**	**Not Known**	**All**
Micro	12.48	4.11	49.83	32.79	0.79	100
Small	5.50	1.65	29.64	62.82	0.39	100
Medium	0.00	1.09	23.85	70.80	4.27	100
All	12.45	4.10	49.72	32.95	0.79	100

Enterprises owned by socially backward groups in MSME sector reveals that the Micro sector had 66.42% of enterprises owned by socially backward group, whereas Small and Medium sector owned by socially backward group are 36.80% and 24.94%

ISSN:0971-1260
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respectively. So we can say that, socially backward groups are more active in Micro enterprises compare to Small and Medium enterprises. This may be due to the small amount of fund requirements and involvement of rural female in Micro enterprises.

Employment

Table 8: Distribution of Employment in Rural and Urban Areas (Number in lakh)

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

As per the National Sample Survey (NSS) 73rd round conducted during the perSource: Ministry of Micro, Small and Medium Enterprises (MSMEs), Government of India, Annual Report 2017-18 (assessed from www.msme.gov.in)iod 2015-16, MSME sector has create almost 1,110 lakh jobs (360.41 lakh in Manufacturing, 387.18 lakh in Trade and 362.82 lakh in Other Services and 0.07 lakh in Non-captive Electricity Generation and Transmission) across the country. Among which 497.78 (45%) are in rural area and 612.10 (55%) in Urban area. By generating employment MSMEs help to reduce rural unemployment. Among the total employment Micro sector contribute 1076.19 lakh almost 97% of total employment.

Table 9: Sectoral distribution of workers in Male and Female Category (in Lakh)

Sector	Female	Male	Total	Share (%)
Rural	137.50	360.15	497.78	45
Urban	127.42	484.54	612.10	55
Total	264.92	844.68	1109.89	100

Source: Ministry of Micro, Small and Medium Enterprises (MSMEs), Government of India, Annual Report 2017-18 (assessed from www.msme.gov.in)

ISSN:0971-1260
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VI. CONCLUSION

At the end we can conclude that MSMEs has a great influence in development of rural India and backward class (SC, ST, OBC) people. The MSMEs make significant contribution in employment generation and expanding industrial network in rural and backward areas. Being labour intensive in nature, this sector nurtures the traditional skills and knowledge and the workers inherit and transfer skills from generation to generation. MSMEs create alternative mode of living by generating huge number of employment. It helps in women empowerment and women entrepreneurship. More than 20% enterprises are owned and controlled by women's. In rural area women are more active with MSMEs than that of urban area. A huge number of rural women are engaged with MSME sector. Social backward class people people are also very much active in MSME sector. More than 66% enterprises are owned by social backward class people. It signifies that, MSMEs has a great initiative in development of rural India, women empowerment and socially backward class people.

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