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Growth of Micro, Small and Medium Enterprises in India

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Abstract

Today micro, small and medium enterprises are a major part of the Indian economy. These enterprises have significantly contributed to the overall growth of India in the terms of employment generation, rural development, income distribution, poverty reduction, promotion of exports and regional balance. The main objective of present paper is to study the growth of working enterprises and employment generation in micro, small and medium enterprises in India and also to study the role of banks in growth of MSME sector in India. Secondary data was collected for the purpose of this study. The study revealed that there is an increasing pattern in the number of working enterprises and employment. All scheduled commercial banks such as public sector banks, private sector banks and foreign banks are providing credit to these enterprises at increasing rate every year. The rapidly growing role of MSME sector is proving to be a key reason for development of both rural and urban areas in the country.

Keywords:- Micro, Small and Medium Enterprises, Employment, Indian Economy.

1. Introduction

Micro, small and medium enterprises play a key role in the growth of a developing country. In India, micro, small and medium enterprises are growing rapidly after independence. For the development of India, the balanced growth is required in the fields of agriculture and industry. But India faces the problem of scarcity of capital and finance. Due to that government of India has encouraged alternates to both agriculture and industry. These alternatives involve micro, small and medium enterprises. These enterprises can be established in rural areas, small cities and semi-urban areas where large scale enterprises have not been developed. With the establishment of MSME's, skills of local people as well as local raw material can be properly utilized. The micro, small and medium enterprises are very important for any economy because of their advantages like high employment, cost efficiency, requirement of less capital, contribution in industrial output, best utilization of domestic resources, more flexible operation, small size of market, best opportunity to show individual talent, less industrial disputes, customer satisfaction as personal contact with their customers, quick decisions, important substitutions, contribution in exports etc. Government of India has introduced many policies for the growth of micro, small and medium enterprises in recent years. Various programmes have been undertaken by the concerned ministry and related organizations to provide credit facilities to small scale industries through financial institutions and banks, infrastructural facilities, support for technology up-gradation and modernization. Modern testing facilities and quality certification, modern management practices, appropriate training facilities provide for skill up-gradation, support for product development and packaging, welfare of workers, help in export-import market are some other aspects where there has

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been consistent governmental support. The main objectives behind the establishment of MSME sector are the creation of new job opportunities, increase in standard of living of Indian people, regional balancing, mobilization of local skills and capital etc.

Definition of Micro, Small and Medium Enterprises (MSME)

Government of India introduced in year 2006 Micro, Small and Medium Enterprises Development Act, 2006 [MSMED Act, 2006] which is classified in two groups:-

1. Manufacturing Enterprises.

2. Service Enterprises.

The guidelines with regarding in investment MSMED Act is:-

Manufacturing Enterprises

1. **Micro Enterprise:** A micro enterprise is one where investment in plant and machinery (excluding land and building) does not exceed Rs. 25 lakh.

2. **Small Enterprise**: A small enterprise is one where investment in plant and machinery (excluding land and building) is more than Rs. 25 lakh but does not exceed Rs. 5 crore.

3. **Medium Enterprise**: A medium enterprise is one where investment in plant and machinery (excluding land and building) is more than Rs. 5 crore but does not exceed Rs. 10 crore.

Service Enterprises

1. **Micro Enterprise**: Investment in equipment (not land and building) does not exceed Rs. 10 lakh.

2. **Small Enterprise**: Investment in equipment (not land and building) is more than Rs. 10 lakh but does not exceed Rs. 2 crore.

3. **Medium Enterprise**: Investment in equipment (not land and building) is more than Rs. 2 crore but does not exceed Rs. 5 crore.

2. Review of Literature

Pujar (2014) revealed that urban areas had a huge share of micro, small and medium enterprises as compared to rural areas in the number of employment and enterprises. It was also concluded that micro sector in the MSME is very important sector because a large number of employment and number of enterprises are registered under MSMEs. Garg (2014) revealed that micro, small and medium enterprises play an important role in the development of country like India where people are facing problem like unemployment and poverty. Many opportunities are associated with MSMEs due to finance and subsidies provided by the government, opportunities offered by globalization, infrastructure development and various schemes introduced by government of India for growth. But there are many

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problems which are being faced by MSMEs in India such as lack of IT literacy, lack of formal procedure and discipline, lack of knowledge of foreign market, lack of financial resources, lack of management skills and lack of human resources. Dey (2014) revealed that MSME sector has played a significant role in increasing the employment, investments, manufacturing output and export of the country. But there are some challenges also which are being faced by MSME sector such as high credit cost, low technology, no timely payment, lack of proper infrastructure facilities, lack of skilled manpower, problems of storage, product display, packaging and designing. Bhuyan (2016) revealed that MSME sector had played a crucial role in employment and GDP in the country. This sector encourages the entrepreneurship in India. Many schemes have been introduced to increase the entrepreneurship in MSME sector in India. Kumar (2017) highlighted the status of MSMEs in India and found that there is a perfect correlation between number of working MSMEs and employment. Increase in number of working MSMEs will also increase employment and also found the positive relationship between gross value of MSMEs manufacturing sector and share of MSME sector in total GDP. Shaik et.al. (2017) revealed that there is a satisfactory growth rate of MSME in total number of working enterprises, employment and market value of fixed assets. Because MSME's contribution in GDP of country was not good so the government had taken several measures to improve their productivity, due to that contribution of MSMEs has increased in GDP.

3. Objectives of the Study

1. To study the growth in number of working enterprises in MSME sector in India.
2. To study the growth of employment in MSME sector in India.
3. To study the role of banks in growth of MSME sector in India.

4. Research Methodology

This research is descriptive in nature. The present research is based upon recent available secondary data. The secondary data has been taken from annual report of ministry of micro, small and medium enterprises, internet, books, newspapers, business magazines, websites, national and international journals. The annual reports of Government of India's ministry of micro, small and medium enterprises, studied here, are of the year 2015-2016, 2016-2017, 2017-2018 and 2018-2019.

5. Analysis and Interpretation

Table 1: Total Working Enterprises in MSME Sector

Sr. No.	Year	Total Working Enterprises (in Lakh)
1	2006-07	361.76
2.	2007-08	377.36

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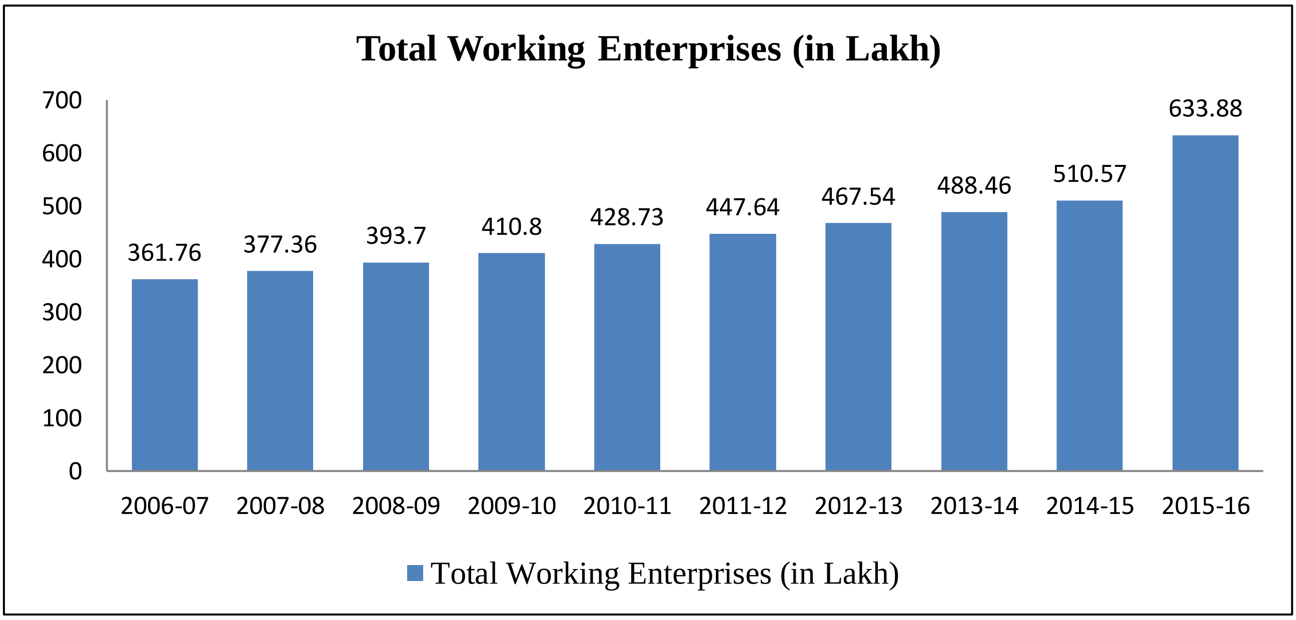
3.	2008-09	393.7
4.	2009-10	410.8
5.	2010-11	428.73
6.	2011-12	447.64
7.	2012-13	467.54
8.	2013-14	488.46
9.	2014-15	510.57
10.	2015-16	633.88

Source:- Annual Reports 2015-2016, 2016-2017, 2017-2018 & 2018-2019, Government of India, Ministry of MSME.



The above table and figure represents the data of the working enterprises from the year 2006-2007 to 2015-2016. It shows that every year number of working enterprises is increasing. In the year 2006-2007 number of working enterprises was 361.76 lakh and in the year 2015-2016 it became 633.88 lakh. So this table shows that the growth rate of number of enterprises in micro, small and medium enterprises is 75.22 percent.

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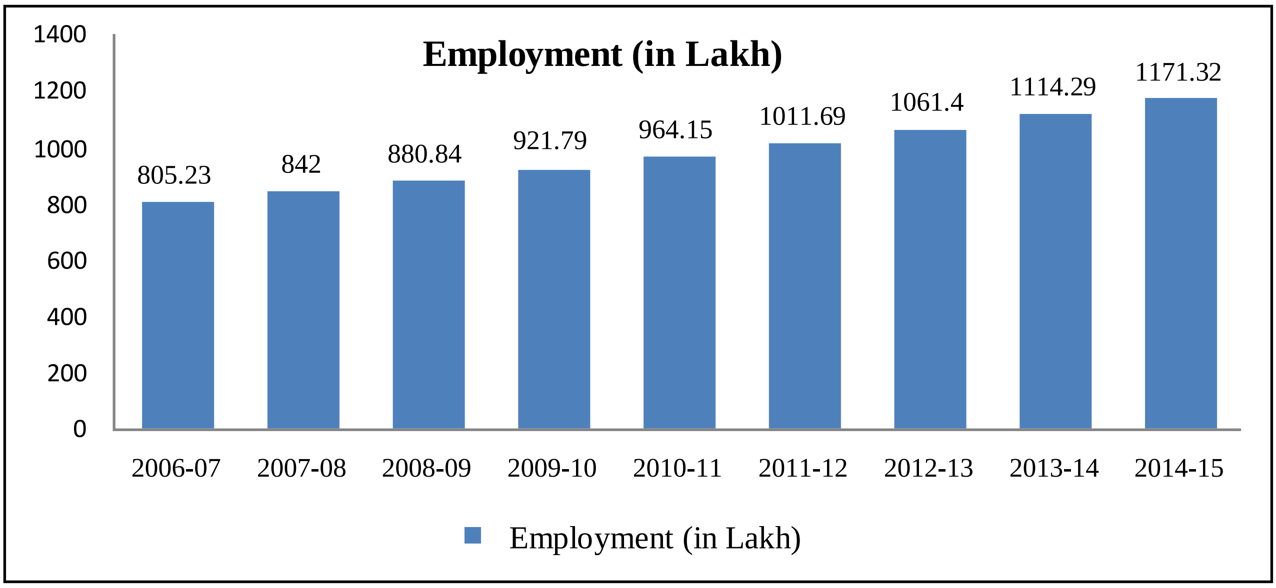
Table 2: Growth of Employment in MSME Sector

Sr. No.	Year	Employment (in Lakh)
1	2006-07	805.23
2.	2007-08	842
3.	2008-09	880.84
4.	2009-10	921.79
5.	2010-11	964.15
6.	2011-12	1011.69
7.	2012-13	1061.40
8.	2013-14	1114.29
9.	2014-15	1171.32

Source:- Annual Reports 2015-2016 & 2016-2017, Government of India, Ministry of MSME



The above table and figure represents the data of employment from the year 2006-2007 to 2014-2015. Now a day MSME plays an important role in employment generation in India. The table represents that

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employment in the MSME sector is increasing year by year. In the year 2006-2007 employment was 805.23 lakh, and in 2014-2015 employment was 1171.32 lakh, which shows that growth of employment was 45.46 percent.

Role of Banks in Growth of MSME Sector

In India, there is no dearth of man power as well as raw material. But in order to utilize these resources MSME sector need money for buying machinery, raw material and payment to be made to the workforce. Hence the government has facilitated various kinds of loans under different schemes through banks. The following table shows the trend of disbursement of loan, credit to MSMEs.

Table 3: Credit by Banks to Micro and Small Enterprises (in crore)

Year	Public Sector Banks	Private Sector Banks	Foreign Banks	All Scheduled Commercial Banks
2005	67,800	8,592	6,907	83,498
2006	82,434	10,421	8,430	1,01,285
2007	1,02,550	13,136	11,637	1,27,323
2008	1,51,137	46,912	15,489	2,13,538
2009	1,91,408	46,656	18,063	2,56,127
2010	2,78,398	64,534	21,069	3,64,001
2011	3,76,625	87,857	21,535	4,86,017
2012	3,96,343	1,10,514	21,760	5,28,617
2013	5,02,459	1,54,732	30,020	6,87,211
2014	6,20,139	2,00,840	29,491	8,50,469
March31, 2015	7,01,571	2,32,171	30,837	9,64,578

Source:- Annual Report 2015-2016, Government of India, Ministry of MSME

The above table shows that in different years, different banks provide credit to micro and small enterprises for example in the year 2005 public sector banks provided a credit of Rs. 67,800 crore while in 2006 public sector banks provided a credit of Rs. 82,434 crore with a growth rate of 21.6 percent. Likewise in the year 2007 public sector banks provided a credit of Rs. 1,02,550 showing a growth of 24.4 percent since 2006. In the year 2008 public sector banks provide a credit of Rs. 1,51,137 crore, 47.4 percent more than the previous year. In the same way every year public sector

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banks provided credit to micro and small enterprises at a growing rate. In the year 2015 public sector banks provided a credit of Rs. 7,01,571 crore recorded a growth of 13.1 percent as compared to 2014. According to the table, just like public sector banks, private sector banks also provided a credit of Rs. 8,592 crore in the year 2005. In 2006 they provided a credit of Rs. 10,421 crore with a growth rate of percent. Every year private sector has provided credit which was more than the preceding year. In the year 2008 private sector banks provided a credit of Rs. 46,912 crore with a growth rate of 257.1 percent which was the highest growth rate as compared to all the years mention in the above table. In the year 2015 they provided a credit of Rs. 2,32,171 crore which was 15.6 percent more than the 2014. According to the above table foreign banks also provided credit to micro and small enterprises amount to Rs. 6907 crore in the year 2005 and it has been increasing every year. In the year 2006 foreign banks provided loans of Rs. 8430 crore 22.1 percent more than the previous year. In the year 2007 foreign banks provided a credit of Rs. 11,637 crore which was 38 percent more than 2006. In the year 2015 they provided a credit of Rs. 30,837 crore. The above table also shows that all scheduled commercial banks have provided loans during each year more than the amount they provided in the preceding year. Such loan from the books help MSME's in their growth, utilization of natural resources, employment generation and growth of the country as well.

Conclusion

Micro, Small and Medium Enterprises contribute in the development of India in various ways such as employment generation for rural and urban population, increasing manufacturing output, providing goods & services to the people at affordable costs by using innovative solutions, increasing export etc. Both the manufacturing sector as well as service sector of MSMEs play a significant role in India's development. These enterprises are labour intensive and require less capital but are much helpful in regional balances. This sector should get proper infrastructure for proper promotion and development. But they face a tough situation due to extreme competition from large industries due to withdrawal of subsidy, lack of proper infrastructure, challenges on total quality management etc. For the solution of these problems the Government of India has taken a number of initiatives. Banks also play an important role in making this sector a significant player in the development of the Indian economy. Different banks such as foreign banks, public sector banks and private sector banks are providing credit to this sector at yearly growing rate. By transforming threats posed by globalization into its opportunities with the help of supply chain management, increased productivity, research and development activities and product diversification MSMEs can emerge as a winner.

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