

Msme(Micro Small Medium Enterprises):An Analysis Of Contribution Of Msmes In Indian Economy

Preeti

M.Phil scholar, Department of Economics, Maharishi Dayanand University, Rohtak, Haryana, India

Email : pritimahan30@gmail.com

ABSTRACT: MSMEs, which are currently recognised as growth driver of economy due to their equal participation in the development of economy with the large industries. These units are providing employment to the millions in the country like India where unemployment and poverty are the main problems for living. India is an agricultural economy where most of the population is engaged in the agriculture and MSMEs are the second largest manpower employer after agriculture. Earlier these were known as Small Scale Industries and get transformed into MSMEs after the MSMED Act 2006. This paper highlights the contribution of MSMEs in the nation's economy and related government programmes and schemes. This study shows that there is significant increase in the contribution of these units since last one decade. And the main contribution of these units towards the economy is the involvement and upliftment of rural areas.

KEYWORDS: MSME, Contribution, Indian Economy

INTRODUCTION : Micro, Small and Medium Enterprises are the essential part of Indian Economy. These are the engine of growth and the most vibrant sector of Indian economy having high growth potential. There are about 51 million MSMEs in the country and employ about 117 million people. Earlier these were known as Small Scale Industries before the "MSMED (Micro, Small and Medium Enterprises Development) Act 2006". The Act was passed on Oct. 26th 2006 to facilitate the development of these enterprises. It covered policy related issues affecting the MSME and also included investment ceiling of this sector. This act contains 32 sections which are divided in VI chapters.

Definition of MSME: The MSMEs are defined on the basis of investment in the plant and machinery under the MSMED Act 2006. The enterprises are divided in two types:

1. Manufacturing entity 2. Service entity

The present limits of MSMEs are as follows:

(1) Manufacturing Entity

Micro Entity- Below Rs. 25 lakh

Small Entity- Between Rs. 25 lakh to Rs. 5 cr.

Medium Entity- Between Rs. 5 cr. to Rs. 10 cr.

(2) Service Entity

Micro Entity- Below Rs. 10 lakh

Small Entity- Between Rs. 10 lakh to Rs. 2 cr.

Medium Entity- Between Rs. 2 cr. to Rs. 5 cr.

This sector helps in reducing the problems like poverty and unemployment especially in rural areas. It played an important role in socio economic development of the country. The growth rate of this sector is far higher than that of large industries and it is a great contributor in India's GDP. The total share of MSMEs in GDP is 29 percent and a contribution of 50 percent in the exports of the Indian economy. Currently, it provides employment to 11.10 crore people and these shares are expected to increase in coming years.

There is a potential in MSMEs to increase production, employment opportunities, exports etc. therefore this study is the analysis of development of MSMEs in the Indian economy

Objective of the study

1. To analyse the growth trends in the MSMEs
2. To study the contribution of MSMEs in economic development
3. To analyse the Government support to this sector through policies and programmes

This sector is playing an essential role in country's economy and significantly contributing to the revenue of the government therefore it is important to study and analyse the development of this sector.

METHODOLOGY

The present study is based on secondary data from various sources. Data has been taken from RBI and Press Information Bureau (PIB)/Directorate General of Commercial Intelligence and Statistics (DGCIS) and MSME Annual Report 2017-18.

REVIEW OF LITERATURE

BagaleGirish S (2016) in his paper entitled “Indian MSME Sector: A Review” showed the impact of MSME sector on Indian economy. He talked activity wise contribution of MSME in the economy in which leading manufacturing entities contributed 8 percent to the India’s GDP and 45 percent of the total manufacturing output of India. He talked about the status of MSMEs in economy and government efforts for this sector. To promote and support these units, government of India is taking various measures and developing the schemes relating to the marketing, credit and finance, technology etc.

RamaraoRavaulaparthi (2012) in his paper entitled “Competitiveness of India’s Micro and Small Enterprises through Functional Competencies: Role in Nation’s Development” told about the performance and growth rate of MSMEs which is 3.84 percent of unregistered units and 5.28 percent of registered units of MSMEs and growth rate of MSMEs was continuously high than the overall industrial sector. He used secondary data. He calculated per employee annual production which was increasing with a CAGR of 12.11 percent. The average growth rate of the sector was 13 percent per annum till 2012. He compared the country’s data of export share with the other countries. He also talked about the sickness of industries which is occurring parallel to the reduction in growing investment.

GROWTH AND PERFORMANCE

As per the National Sample Survey (NSS) 73rd round conducted by NSS office , Ministry of Statistics and Programme Implementation during the period 2015-16, there are 633.88 lakh unincorporated non agricultural units of MSME in the country which are 324.88 lakh units in rural and 309.00 lakh units in urban involve in different economic activity (196.65 lakh units in Manufacturing, 230.35 lakh units in Trade, other services constitute 206.85 lakh units and only 0.03 lakh units in electricity)which is shown by Table 1.1 below

Table 1.1: Estimated number of MSMEs (Activity wise)

Activity category	Manufacturing	Trade	Other Services	Electricity	All
Rural (in lakh)	114.13	108.72	102	0.03	384.88
Urban (in lakh)	82.40	121.74	104.85	0.01	309
Total (in lakh)	196.55	230.45	206.85	0.03	633.88
Share (%)	31.00	36.00	33.00	0	100

Non –captive electricity generation and transmission and distribution by units not registered with the Central Electricity Authority (CEA)

Source: Annual Report, Ministry of MSME 2017-18

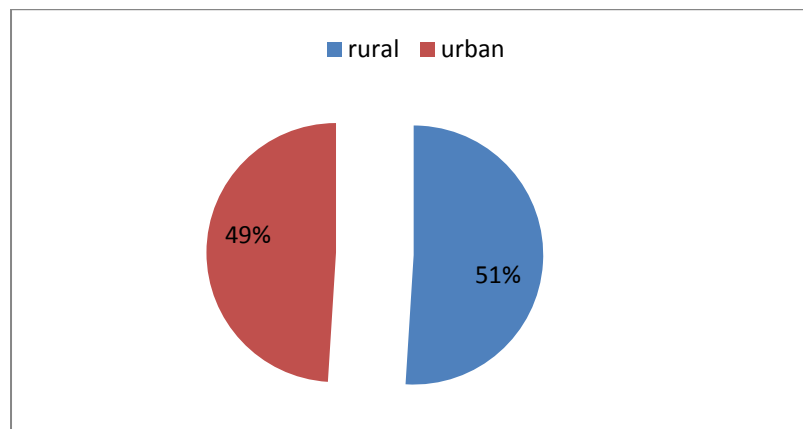


Figure 2.1: Percentage share of rural and urban MSME in the country

Table 1.2: Contribution of MSMEs in the country's Economy at current prices

Year	MSME GVA	Growth %	Total GVA	Share of MSME in GVA %	Total GDP	Share of MSME in GDP in %
2012-13	2977623	15.27	9202692	32.36	9944013	29.94
2013-14	3343009	12.27	10363153	32.26	11233522	29.76
2014-15	3658196	9.43	11481794	31.86	12445128	29.39
2015-16	3936788	7.62	12458642	31.60	13682035	28.77

Source: Annual Report Ministry of MSME 2017-18

AS per the latest data available by Central Statistical Office, Ministry of Statistics and Programme Implementation (MoSPI) contribution of MSMEs in the country is shown by Table 1.3 at current prices for the last five years which seems to be stagnant around 30% in GDP terms and GVA is marginally declining. Growth rate from the year 2012-13 is continuously declining.

Table 1.3: Share of MSMEs in Exports of the country

Year	Total Export	Exports by MSME	Share of MSME (%)
2012-13	300400	127992	43
2013-14	314415	133313	42
2014-15	310352	138896	45
2015-16	262291	130768	50
2016-17	275852	137068	50
2017-18	303376	147390	49

Source: RBI and PIB/Directorate General of Commercial Intelligence and Statistics (DGCIS).

The above table showing the exports of MSMEs in Indian economy and there share is nearly 50 percent of total exports which is showing the importance of MSMEs in country's GDP. Direct exports from this sector accounts nearly 35 percent of total country's exports and 15 percent to exports is contributed by MSMEs indirectly. It contributes almost 40 percent of gross industrial value added in the economy. An million rupee investment in fixed assets in the MSMEs sector produces 4.62 million worth of goods and services which is nearly 10 percent of value addition.

PROGRAMMES AND SCHEMES

MSMEs contribute 6 percent to the nation's GDP, 33 percent to the manufacturing output, 45 percent to the total exports and these units are complementary to the large industries as vendor units according to the MSME 2016-17 reports. As these units provide a large share in employment and socio economic development in the country, government also takes initiatives for the development of these industries.

Schemes:

1. National Manufacturing Competitiveness Program Scheme
2. Lean Manufacturing Competitiveness Scheme
3. Design Clinic Scheme
4. Scheme for Technology and Quality Up gradation Support to MSMEs
5. Marketing Assistance and Technology Up gradation Scheme
6. Marketing Support / Assistance to SMEs on Bar Code

For facilitating promotion and growth of micro and small units, the central govt. timely notify general policies, in respect of procurement of goods and services produced by micro units. There are 12 crores employees in MSMEs today, only after agriculture and engages the women workers. MSMEs suffering from many problems like infrastructure, technology issues, lack of credit. The MSMEs are very much affected by the demonetisation in November 2016, as there most of the transaction are cash based.

The only way to help the micro units is government of the country which initiated many industrial policies which provides a special attention to the Tiny sectors, cottage industries, Indian khadi and Handlooms. Govt had already announced the increase in the limit of plant and machinery of small units, ancillary units and exports-oriented units-

to Rs. 6 millions, Rs. 7.5 millions and Rs 200 thousand respectively. To provide finance access it has been decided to allow equity participation by other industrial undertakings, not exceeding the 24 percent of the total shareholdings. A Technology Development Cell (TDC) would be established. This cell would help in improving input productivity. Industry Association would support Technology Information Centre establishment to provide updated knowledge on markets. Govt. always supports first generation entrepreneurs through training and efforts.

CONCLUSION

In this paper we have seen the export share, their activity wise contribution and their geographical position (urban and rural) in the country. In brief we can say that MSMEs are very strong and dynamic sector of Indian economy and comes out as an engine of growth which was formerly known as Small Scale Enterprises. This sector significantly contributes to the GDP and emerges as a complementary to the large industries. In spite of, the sector facing many problems and difficulties, its contribution towards economy is quite inspiring and govt. also making efforts for the promotion and development of MSMEs.

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