

PERFORMANCE AND GROWTH OF MICRO, SMALL & MEDIUM ENTERPRISES (MSMES)

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Abstract:

Micro, Small and Medium Enterprises (MSMEs), including khadi and village/rural enterprises are credited with generating the highest rates of employment growth and account for a major share of industrial production and export. The socio-economic policies adopted by India since the Industries (Development and Regulation) Act, 1951 have laid stress on MSMEs as a means to improve the country's economic conditions. This sector comprises 95 percent of industrial units in the country, accounting for 40 percent of the total industrial production, 34 percent of the national exports and 1012.59 lakh persons of industrial employment. The small scale industry forms a dominant part of Indian industry and contributing to a significant proportion of production, exports and employment. The main theme of the paper is to evaluate growth and performance of Micro, small and Medium Enterprises (MSMEs). The period of the study is taken from year 2001-02 to 2011-12 and based on secondary data.

Keywords: -Micro, Small & Medium Enterprises, Employment, Performance

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Introduction

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country.

Small scale and cottage industries are instrumental in the equal distribution of wealth and income. This is mainly due to the fact that these industries are not concentrated in few hands. It is widely distributed in small quantities. Income from these industries is also distributed among large no. of people. These industries are also playing an important role in dispersing the industrial units of the country in the various parts of the country. Besides, small-scale industries avoid evils of urbanisation like, housing shortage in cities, high prices etc. There are certain objectives of the development of these Micro, Small & Medium Enterprises (MSMEs). These are as follows:

- To assist in the growth and widespread dispersal of industries.
- To create new avenues for employment.
- To increase the level of earnings of agricultural labour and workers.
- To ensure regular supply of goods and services.
- To put less pressure of population on agriculture.
- To develop entrepreneurship.

Definition of Micro, Small & Medium Enterprises (MSMEs)

Small Scale Industrial Unit: An industrial undertaking in which the investment in fixed assets in plant & machinery, whether held on ownership terms, or on lease, or by hire purchase, does not exceed Rs. 100 lakhs as on 31-03-2001 is to be treated as a Small Scale Industrial Unit.

Table 1: Official Definition of Small Scale Industry in India as Modified from Time to Time

Year	Definition of SSI
1950	Capital Assets not exceeding Rs. 5 lacs
1958	Capital Investment of less than Rs. 5 lacs
1959	In capital investment, value of machinery to be taken at original price paid irrespective of it being new or old
1960	Gross value of fixed asset up to Rs. 5 lacs

1966	Upto Rs. 7.5 lacs
1975	Upto Rs. 10 lacs
1977	Upto Rs. 10 lacs
1980	Upto Rs. 20 lacs
1985	Upto Rs. 35 lacs
1991	Upto Rs. 60 lacs
1997	Upto Rs. 3 crores
1999	Upto Rs. 1 crore
2004	Upto Rs. 1 crore*

Source:

1. SIDBI Report on SSI sector 2002.
2. *Notification of Ministry of Small Scale Industry, Government of India.

Micro Small Medium Enterprises (MSME): MSME Sector consists of any enterprises, whether proprietorship, Hindu undivided family, association of persons, co-operative society, partnership or undertaking or any other legal entity, by whatever name called, engaged in production of goods pertaining to any industry specified in the first schedule of Industries Development and Regulation Act, 1951 & other enterprises engaged in production and rendering services, subject to limiting factor of investment in plant and machinery and equipment respectively as noted below:

Classification	Manufacturing Enterprises	Service Enterprises
Micro	Rs. 2.5 million/ Rs. 25 lakh (US \$ 50,00)	Rs. 1 million/ Rs. 10 lakh (US \$ 20,00)
Small	Rs. 50 million/ Rs. 5 crore (US \$ 1 million)	Rs. 20 million/ Rs. 2 crore (US \$ 0.4 million)
Medium	Rs. 100 million/ Rs. 10 crores (US \$ 2 million)	Rs. 50 million/ Rs. 5 crores (US \$ 1 million)

Micro, Small and Medium Enterprises Development (MSMED) Act

Ministry of Micro, Small & Medium Enterprises (M/o MSME) envision a vibrant MSME sector by promoting growth and development of the MSME Sector, including Khadi, Village and Coir Industries , in cooperation with concerned Ministries/Departments, State Governments and other Stakeholders, through providing support to existing enterprises

and encouraging creation of new enterprises. The Micro, Small and Medium Enterprises Development (MSMED) Act was notified in 2006 to address policy issues affecting MSMEs as well as the coverage and investment ceiling of the sector. The salient features of the Act include:

- Setting up of a National Board for MSMEs
- Classification of enterprises
- Advisory Committees to support MSMEs
- Measures for promotion, development and enhancement of MSMEs
- Schemes to control delayed payments to MSMEs
- Enactment of rules by State Governments to implement the MSMED Act, 2006 in their respective states.

The Act seeks to facilitate the development of these enterprises as also enhance their competitiveness. It provides the first-ever legal framework for recognition of the concept of “enterprise” which comprises both manufacturing and service entities. It defines medium enterprises for the first time and seeks to integrate the three tiers of these enterprises, namely, micro, small and medium.

The Act also provides for a statutory consultative mechanism at the national level with balanced representation of all sections of stakeholders, particularly the three classes of enterprises; and with a wide range of advisory functions. Establishment of specific funds for the promotion, development and enhancing competitiveness of these enterprises, notification of schemes/programmes for this purpose, progressive credit policies and practices, preference in Government procurements to products and services of the micro and small enterprises, more effective mechanisms for mitigating the problems of delayed payments to micro and small enterprises and assurance of a scheme for easing the closure of business by these enterprises are some of the other features of the Act. On 9 May 2007, subsequent to an amendment of the Government of India (Allocation of Business) Rules, 1961, while Ministry of Small Scale Industries and the Ministry of Agro and Rural Industries were merged to form the Ministry of Micro, Small and Medium Enterprises (M/o MSME). This Ministry now designs policies and promotes/ facilitates programmes, projects and schemes and monitors their implementation with a view to assisting MSMEs and help them to scale up

Performance of SSI / MSME Units

Performance of Micro, Small & Medium Enterprises (MSME) sector is assessed by conduct of periodic All India Census of the Sector. The latest census conducted was Fourth All India Census of MSME. The Census was conducted with reference year 2006- 07, wherein the data was collected till 2009 and results published in 2011-12. Fourth All India Census of MSME is the first census conducted post implementation of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. Prior to implementation of MSMED Act, 2006, the

sector was defined, as per the provision of Industries Development and Regulation Act 1951, as Small Scale Industries (SSI) sector and its constituent tiny and auxiliary units as per periodic revision of criteria for defining such units. Third All India Census of SSI was conducted with coverage and concepts as prevailing during 2001-02.

Scope and coverage of the MSME sector was broadened significantly under the MSMED Act, 2006, which recognized the concept of “enterprise” and to include both manufacturing and services sector, besides defining the medium enterprises under MSME sector. Thus the entire non-agricultural sector of economy was brought under the coverage of MSME sector subject to the revised criteria prescribed for defining Micro, Small and Medium Enterprises separately for manufacturing and services sectors.

TABLE 2: Performance of SSI / MSME Units, Employment, Investments and Gross Output

SI. No.	Year	Total Working Enterprise (In Lakh)	Employment (In Lakh)	Market Value of Fixed Assets (In Crore)	Gross Output (In Crore)
I	II	III	IV	V	VI
1	2001-2002	105.21	249.33	154349.00	282270.00
2	2002-2003	109.49	260.21	162317.00	314850.00
3	2003-2004	113.95	271.42	170219.00	364547.00
4	2004-2005	118.59	282.57	178699.00	429796.00
5	2005-2006	123.42	294.91	188113.00	497842.00
6	2006-2007	361.76	805.23	868543.79*	1351383.45*
7	2007-2008#	377.37	842.23	917437.46	1435179.26
8	2008-2009#	393.70	881.14	971407.49	1524234.83
9	2009-2010#	410.82	922.19	1029331.46	1619355.53
10	2010-2011#	428.77	965.69	1094893.42	1721553.42
11	2011-2012#	447.73	1012.59	1176939.36	1834332.05

Source: ANNUAL REPORT-MSME-2012-13

* Estimated on the basis of per enterprises value obtained from sample survey of unregistered sector for

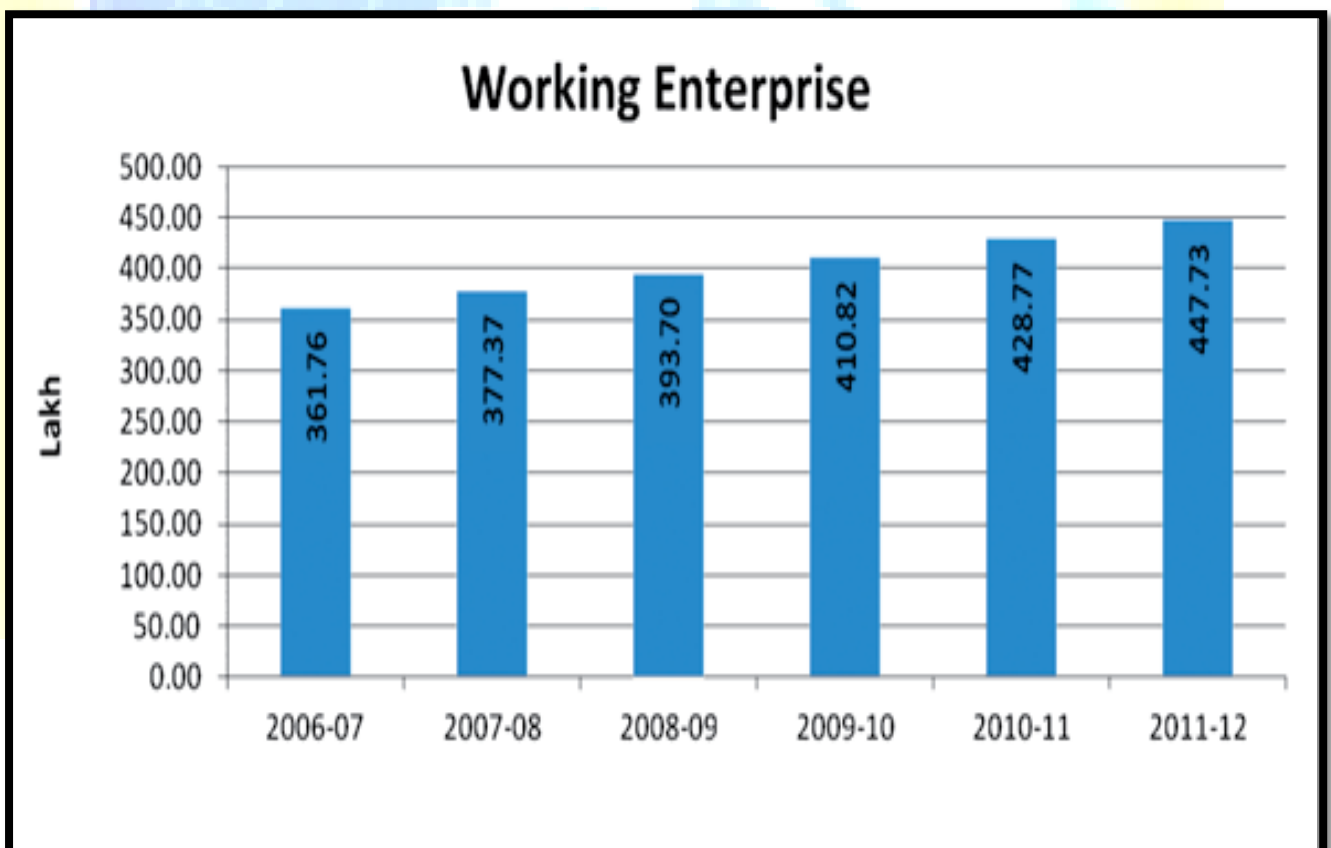
activities wholesale/retail trade, legal, education & social services, hotel & restaurants, transports and storage & warehousing(except cold storage) which were excluded from Fourth All India Census of MSME, unregistered sector

Projected

As per the results of Fourth All India Census of Micro, Small & Medium Enterprises (MSME), the sector contributes significantly to the number of enterprises, employment and output of the country. Based on the data sets of Third and Fourth All India Census of SSI/MSME, augmented with data sets of EC, 2005 and growth rate observed during Fourth (1998) and Fifth (2005) Economic Census, the performance of SSI/MSME Sector is summarized in the above table. These values of working enterprises, employment, output and value of fixed assets are shown through charts below.

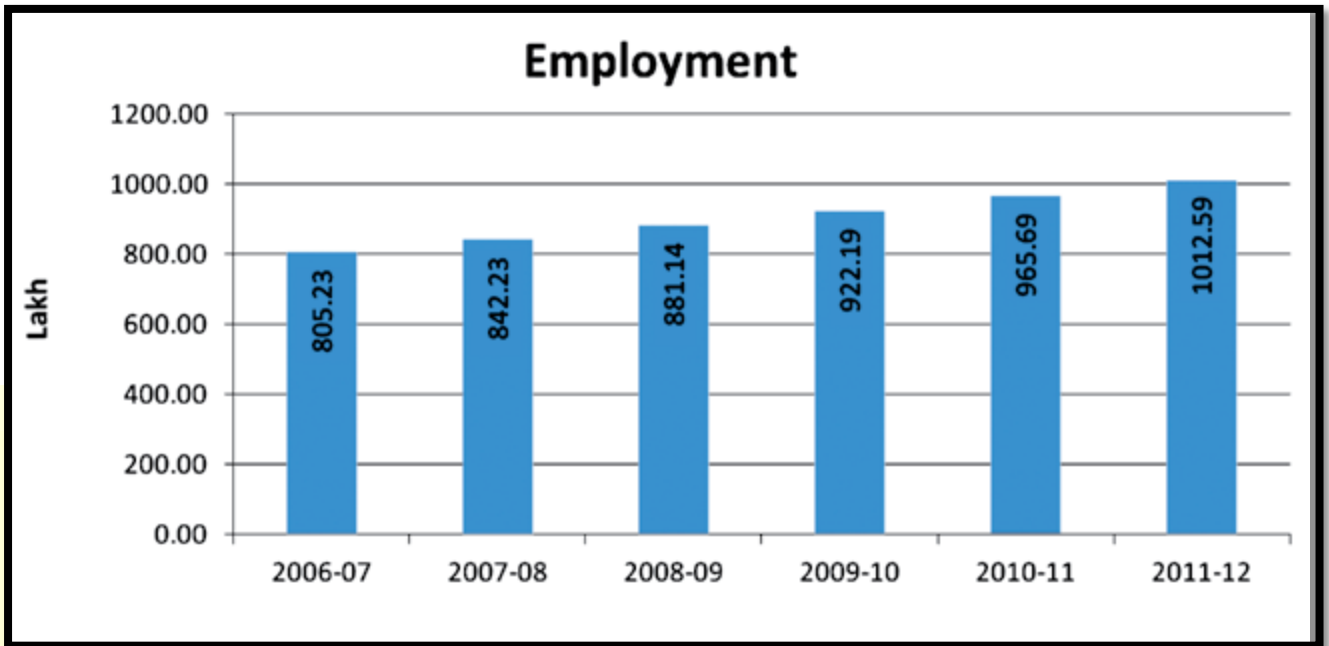
CHARTS SHOWING STATISTICS OF THE SECTOR

Chart 1: Number of Enterprises in MSME Sector



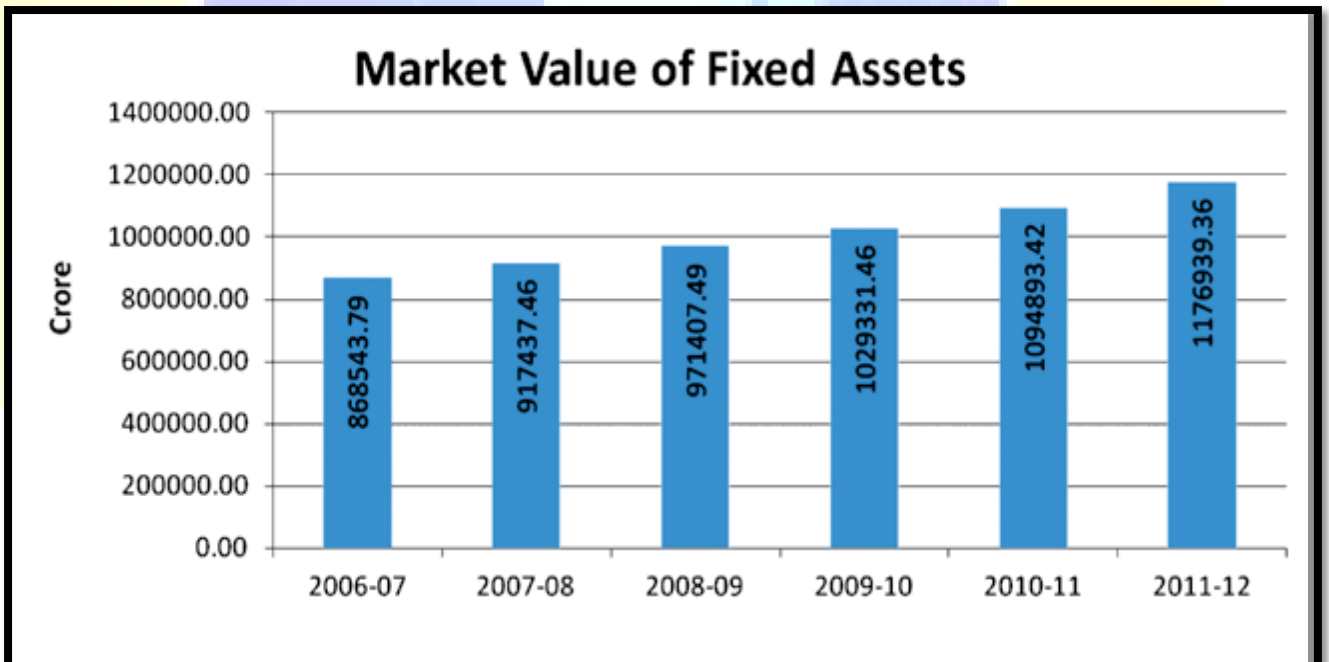
Projected data for the years 2007-08 to 2011-12.

Chart 2: Employment in MSME Sector



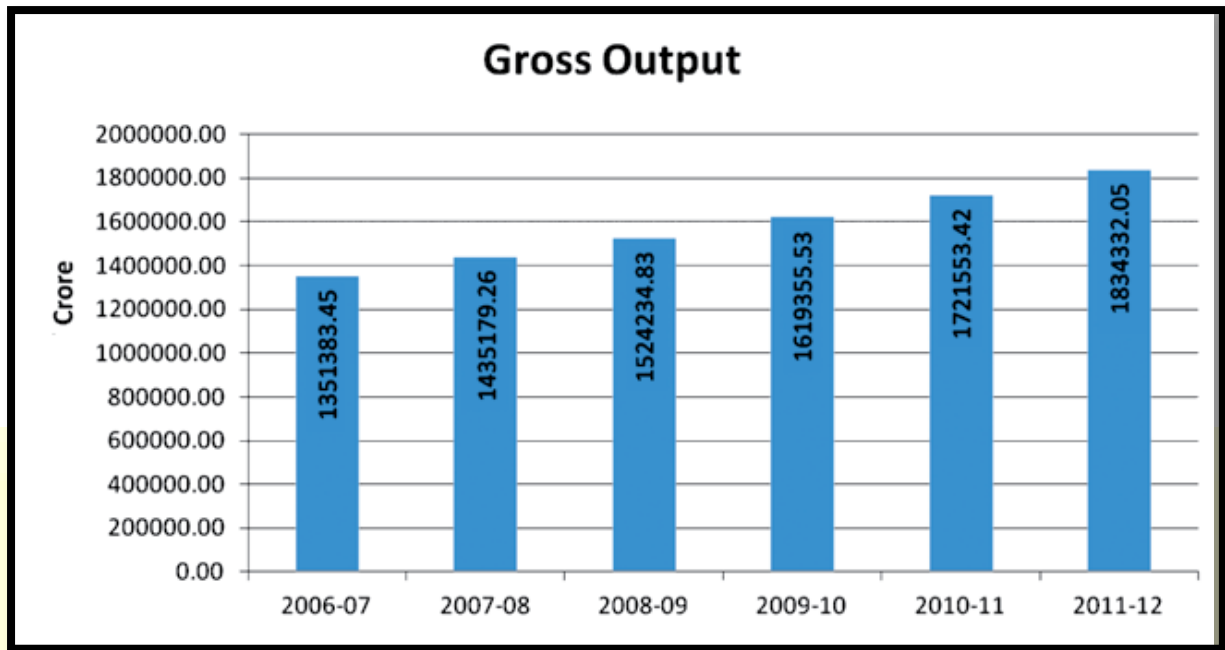
Projected data for the years 2007-08 to 2011-12.

Chart 3: Fixed Investment in MSME Sector



Projected data for the years 2007-08 to 2011-12.

Chart 4: Gross Output in MSME Sector



Projected data for the years 2007-08 to 2011-12.

These charts are drawn on the basis of projected data of MSMEs from year 2007-08 to 2011-12. The working enterprises chart (Chart 1) shows that no. of industries has increased from 361.76 to 447.73 in 2011-12. Similarly level of employment was 805.23 in 2007-08 rose to 1012.59 in 2011-12. Market value of fixed assets has increased upto 1176939.36 and level of output upto 1834332.05 in 2011-12. These figures show the considerable growth in output, employment, value of fixed assets and no. of enterprises.

State - wise Distribution of Principal Characteristics of MSME Sector

Performance of Micro, Small & Medium Enterprises (MSME) sector is assessed by conduct of periodic All India Census of the Sector. The following table shows the results of MSMEs state-wise.

Table 3: State - wise Distribution of Principal Characteristics of MSME Sector *

S. No	State/UT	Enterprises (Lakh)	Employment (Lakh)	Market Value of Fixed Assets (Rs. Crore)	Gross Output (Rs. Crore)
1	Jammu and Kashmir	1.33	3.07	8475.28	16035.39
2	Himachal Pradesh	1.72	2.92	5599.25	17247.2
3	Punjab	10.14	18.31	37126.69	81625.05
4	Chandigarh	0.29	0.7	607.05	1888.55
5	Uttarakhand	2.23	4.42	6014.98	16187.64
6	Haryana	5.2	12.23	25998.8	53198.68

7	Delhi	1.78	6.52	10164.54	29672.34
8	Rajasthan	9.68	18.42	25452.9	50004.43
9	Uttar Pradesh	24.21	59.3	56161.03	111089.69
10	Bihar	7.98	17.45	8405.45	16709.3
11	Sikkim	0.07	0.57	72.16	189.76
12	Arunachal Pradesh	0.25	0.88	937.48	1101.73
13	Nagaland	0.18	1.17	1273.67	2845.03
14	Manipur	0.49	1.58	646.03	1094.7
15	Mizoram	0.13	0.56	403.14	677.21
16	Tripura	0.28	0.76	661.73	1177.84
17	Meghalaya	0.5	1.17	468.55	1150.8
18	Assam	2.34	6.58	6941.15	13403.27
19	West Bengal	21.23	58.53	39433.22	78880.05
20	Jharkhand	4.43	8.99	5020.72	10040.29
21	Odisha	9.97	23.67	12284.89	29075.42
22	Chhattisgarh	3.01	5.43	3303.41	8437.34
23	Madhya Pradesh	12.57	20.3	10530.4	34388.44
24	Gujarat	15.32	34.42	166753.68	55306.91
25	Daman & Diu	0.02	0.28	1881.53	7735.73
26	Dadar and Nagar Haveli	0.06	0.34	229.58	2177.43
27	Maharashtra	15.32	35.61	67941.24	126864.55
28	Andhra Pradesh	15.36	38.98	32757.63	58404.82
29	Karnataka	12.49	30.48	27161.11	56317.61
30	Goa	0.59	1.2	3820.19	8147.46
31	Lakshadweep	0.01	0.05	17.3	20.01
32	Kerala	14.44	33.2	44353.53	74821.73
33	Tamil Nadu	20.55	53.16	77824.34	105270.21
34	Puducherry	0.14	0.46	1135.29	5771.99
35	Andaman and Nicobar Islands	0.07	0.23	96.95	254.24
	All India	214.38	501.93	689954.86	1077212.86

Source: ANNUAL REPORT-MSME-2012-13

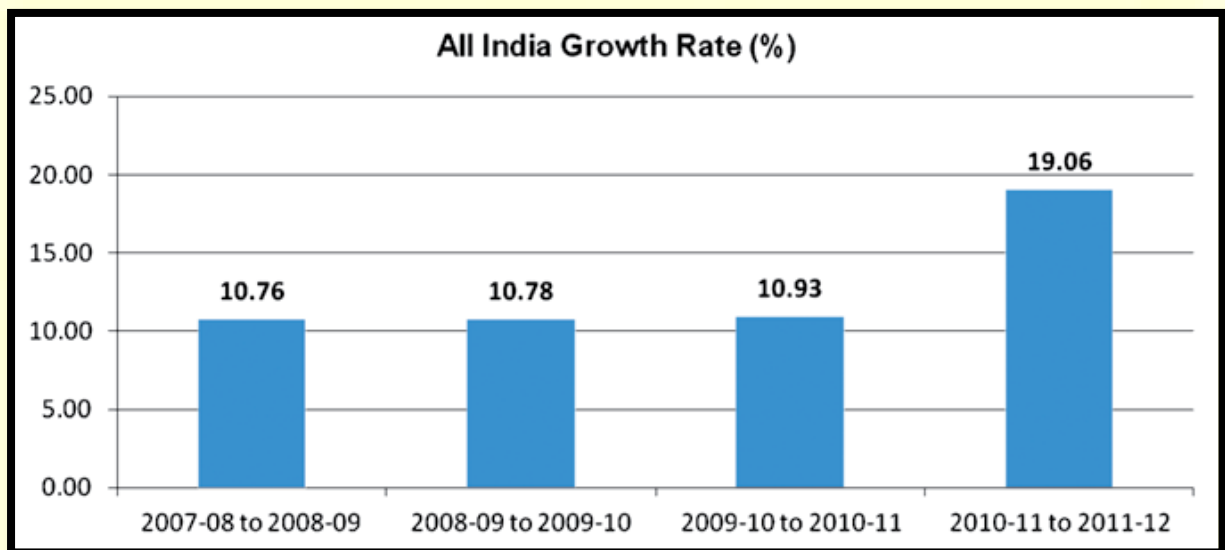
* Excluded activities under wholesale/retail trade, legal, education & social services, hotel & restaurants, transports and storage & warehousing (except cold storage).

The above table shows the data of enterprises, output, employment and fixed assets investment which excludes a no. of areas like legal, education, transport, storage etc. according to the table the maximum no. of industries are there in Uttar-Pradesh but output is maximum of Maharashtra. Value of fixed assets is highest in Gujarat.

Trends in MSME Growth

Subsequent to the implementation of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 with effect from October 2006, filing of Entrepreneurs Memorandum (EM-II) came into vogue. As per the provisions of the MSMED Act, 2006 filing of EM-II is discretionary in nature. However, MSME file EM II at District Industries Centres (DICs), after commencement of the project. MSMEs has shown constant growth rate of more than 10% every year till 2010-11, whereas in year 2011-12 growth rate was 19% which is approximately twice of the growth rate recorded for previous years.

Chart 5: Annual Growth Rate of MSMEs



Source: ANNUAL REPORT-MSME-2010-11

Projected data for the years 2007-08 to 2011-12.

COMPARISON OF THE MICRO AND SMALL ENTERPRISES (MSEs) SECTOR WITH THE OVERALL INDUSTRIAL SECTOR

The MSE sector has maintained a higher rate of growth vis-à-vis the overall industrial sector. Comparative growth rates of production for both the sectors are given in the Table below

Table4: Comparative Data on Growth Rates of MSE Sector

Year	Growth Rate of SSI Sector [2001-02 Base IIP (%age)]	Overall Industrial Sector Growth Rates (%age)#
2004-05	10.88	8.40
2005-06	12.32	8.00
2006-07	12.60	11.90
2007-08	13.00*	8.70
2008-09	**	3.20
2009-10	**	10.50
2010-11	**	7.80

Source: ANNUAL REPORT-MSME-2010-11

* : Projected, IIP – Index of Industrial Production.

: Source- M/o Statistics and PI website- <http://www.mospi.nic.in>

** : Due to revised definition of MSMEs Sector, methodological revisions are under progress.

The above table shows the comparison of Micro and small scale enterprises sector with the overall industrial sector. Growth rate of SSI sector was 10.88 % in year 2004-05 which rose to 12.60% in 2006-07. On the other side overall industrial sector growth rate was 8.40 % in 2004-05 reached to 11.90 % in 2006-07.

Conclusion

Small scale industries have proved itself as a dominant player in most of the developed economies by giving a new dimension to their growth perspectives. It has helped in generation of larger scale employment at a lower capital cost, balanced regional development, generation of expectable surplus and in the establishment of a more flexible, innovative and competitive structure. The contribution of small scale units towards the planned economic development of the country is explained by means of their role in terms of value of output, employment creation and the number of units that sprang up every year. Analysis of the data showed that value of output produced by SSIs is increasing actually in terms of percentage. The Government of India provides no. of facilities and incentives for the growth and performance of this sector form time to time which contributes in the overall development of this sector.

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