

**AN INVESTIGATION ON THE CURRENT STATE OF MICRO, SMALL, AND MEDIUM-SIZED FIRMS IN INDIA**

**Priya Gupta, Research Scholar, Dept. of Economics, Himalayan University, (India)**  
**Dr. Ganesh Pawar, Assistant Professor, Dept. of Economics, Himalayan University, (India)**

**ABSTRACT**

Over the course of the last five decades, the Micro, Small, and Medium-Sized Enterprises (MSME) sector has grown as a highly lively and dynamic sector in the Indian economy. MSMEs not only contribute to the creation of large numbers of jobs at a lower cost of capital than large corporations, but they also aid in the industrialization of rural and backward areas, thereby reducing regional imbalances and ensuring a more equitable distribution of national income and wealth. MSMEs serve as supplementary units to large corporations, and the sector as a whole contributes significantly to the country's socio-economic development and prosperity. Using this paper, we hope to shed light on the current state of MSMEs in India, as well as the financial support or credit being supplied by public, private, and foreign banks to aid in the development of MSMEs in the country. The major objective of this research paper creation is that to know the status of Uttar Pradesh in the Micro, Small and Medium Sized Enterprises.

**Keywords:** *MSME, Enterprises, Financial support*

**INTRODUCTION**

It is the vision of the Ministry of Micro, Small and Medium Enterprises (M/o MSME) to see the MSME sector flourish, and to achieve this, the Ministry works in collaboration with concerned Ministries/Departments, state governments and other stakeholders to promote growth and development of the MSME sector – including Khadi, Village and Coir Industries – by providing support to existing enterprises and encouraging the establishment of new enterprises. It was announced in 2006 that the Micro, Small, and Medium-Sized Enterprises Development (MSMED) Act will be implemented in order to solve policy issues affecting MSMEs as well as the sector's coverage and investment ceiling. In order to assist the development of these firms while also increasing their competitiveness, the Act was enacted. Moreover, it establishes the first-ever legal framework for recognising the idea of "business," which encompasses both manufacturing and

service-oriented entities. It is the first time that medium-sized enterprises have been defined, and it tries to merge the three tiers of these businesses, namely, micro, small, and medium-sized. As part of its comprehensive advisory functions, the Act establishes a statutory consultative mechanism at the national level, with balanced representation from all relevant sections of the stakeholder community, particularly from the three classes of enterprises, and with wide-ranging advisory powers. Specific funds for the promotion, development, and enhancement of the competitiveness of these enterprises, notification of schemes / programmes for this purpose, progressive credit policies and practises, preference in government procurements for products and services provided by 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 businesses are all priorities for the Government of India. The Ministry of Micro, Small, and Medium-Sized Enterprises (M/o MSME) was established on May 9, 2007, as a result of an amendment to the Government of India (Allocation of Business) Rules, 1961, which merged the former Ministries of Small Scale Industries and Agro and Rural Industries to form the Ministry of Micro, Small, and Medium-Sized Enterprises (M/o MSME). This Ministry now develops policies and supports / facilitates programmes, projects, and schemes, as well as monitoring their execution, with the goal of aiding MSMEs and assisting them in scaling up. Assisting the states in their efforts to promote entrepreneurship, employment, and livelihood opportunities, as well as enhancing MSMEs' competitiveness in the new economic environment, is the duty of the Ministry of Micro, Small, and Medium-Sized Enterprises and its organisations. In order to facilitate/provide: i) an adequate flow of credit from financial institutions/banks; ii) support for technology upgradation and modernization; iii) integrated infrastructure facilities; iv) modern testing facilities and quality certification; v) access to modern management practises; vi) entrepreneurship development and skill upgradation through appropriate training facilities; vii) support for small and medium-sized enterprises (SMEs); and viii) support for large and medium-sized enterprises (SMEs).

**Micro, Small, and Medium-Sized Businesses (MSME)**

Small and Medium-Sized Enterprises (MSME) are defined as any enterprise, whether a proprietorship, Hindu undivided family, association of persons, cooperative society, partnership or

undertaking, or any other legal entity, by whatever name called, engaged in the production of goods pertaining to any industry specified in the first schedule of the Industry Development and Regulation Act, 1951, and other enterprises engaged in the production and rendering of services, subject to the constraining factor of investment in plant and machinery. A manufacturing enterprise is classified as a micro enterprise if its total investment in plant and machinery does not exceed twenty-five lakh rupees; a small enterprise if its total investment in plant and machinery does not exceed five crore rupees; or a medium enterprise if its total investment in plant and machinery does not exceed ten crore rupees. B. If an enterprise is engaged in the provision or rendering of services, it is classified as follows:

(a) Micro enterprise, if the investment in equipment does not exceed ten lakh rupees; (b) Small enterprise, if the investment in equipment exceeds ten lakh rupees but does not exceed two crore rupees; or

(c) Medium enterprise, if the investment in equipment exceeds two crore rupees but does not exceed five crore rupees.

In India, there is a classification system for small and medium-sized enterprises (MSMEs).

MSMEs are categorised into the following categories based on the amount of money they have invested in Fixed Assets.

**(i) Registered Sector**

Enterprises in the registered sector included those that were registered with District Industries Centres in the state/UTs, the Khadi and Village Industries Commission/ Khadi and Village industries board and Coir Board as of 31.03.2007, as well as factories that fell under the coverage of sections 2m I and 2m (ii) of the Factories Act, 1948 and were used for the Annual Survey of Industries and had an investment in plant and machinery up to Rs.10 crore.

**(ii) Unregistered Sector (also known as the grey market)**

Unregistered MSMEs are defined as small and medium-sized enterprises (SMEs) engaged in the activities of manufacturing or providing / rendering services that have not been registered permanently or have not filed an Entrepreneurs Memorandum Part-II / [EM-II] with the State Directorates of Industries/District Industries Centers on or before 31-3-2007. As of the date of the

Sample Survey, conducted as part of the Fourth All India Census of MSMEs 2006-07, unregistered MSMEs were defined as those businesses that were temporarily registered on or before 31-3-2007 as well as those businesses that were temporarily or permanently registered or filed EM-2 after 31-3-2007 until the date of the Sample Survey. The unregistered sector consisted of all unregistered MSMEs, which included both the manufacturing and service industries.

**(iii) Small Scale Industrial Unit (SSI)**

An industrial undertaking whose investment in fixed assets in plant and machinery, whether held on ownership terms, on lease, or by hire purchase, does not exceed Rs.100 lakh as of 31-03-2001 is to be treated as a Small Scale Industrial Unit (SSI). (Annual Report-MSME-2013-14).

**Objective and Methodology**

The fundamental goal of the study is to gain an understanding of the current situation of MSMEs in India, as well as their sources of financing from financial institutions in order to run their businesses within the country and also to know the status of Uttar Pradesh. The secondary data has been used in this investigation. Specifically, the information used in the analysis was gathered from the official website of MSMEs. It is necessary to utilise both Percentage Analysis and ANOVA. It is possible to determine the current condition of MSMEs across Indian states and the amount of bank credit available to MSMEs from the Scheduled Commercial Banks in India using percentage analysis. ANOVA is used to determine the difference between outstanding bank credit to micro and small businesses and outstanding bank credit to large corporations.

**The Situation of the Micro, Small, and Medium-Sized Enterprises in India**

The following table summarises the current situation of outstanding bank credit extended to Micro and Small Enterprises in India by public, private, and foreign banks, as well as the status of MSMEs in India in terms of number of enterprises, employment, and market value of fixed assets held by MSMEs.

**Table 1 Outstanding Bank Credit to Micro Small Enterprises**

Year	PSBs	% Increase	Pvt.SBs	% Increase	FBs	% Increase	All SCBs	% Increase
2010	67800	-	8592	-	6907	-	83498	-
2011	82434	21.6	10421	21.3	8430	22.1	101285	21.3
2012	102550	24.4	13136	26.1	11637	38.0	127323	25.7
2013	151137	47.4	46912	257.1	15489	33.1	213538	67.7
2014	191408	26.6	46656	0.0	18063	16.6	256127	19.9
2015	278398	45.4	64534	38.3	21069	16.6	364001	42.1
2016	376625	35.3	87857	36.1	21535	2.2	486017	33.5
2017	396343	5.24	110514	25.79	21760	1.05	528617	8.77

The outstanding bank credit supplied by public, private, and foreign banks to Micro and Small Enterprises in India is depicted in the preceding table 1, which illustrates the situation. For the year 2008, MSMEs obtained the most amount of bank credit from public banks (47.3 percent) and private banks (257.1 percent), whereas they received the greatest amount of bank credit from foreign banks (47.03 percent) for the year 2013. When it came to outstanding bank credit in 2008, all SCBs in India had the highest proportion of it (67.7 percent). Since 2005, there has been an increase in the amount of outstanding bank credit available to SMEs. It indicates that banks have been making loans and advances to help small and medium-sized enterprises (MSMEs) grow in India.

**Table 2 One Way ANNOVA for outstanding bank credit of MSMEs**

H0: There is no significant difference on Outstanding Bank Credit to Micro and Small Enterprises between the Banks in India.						
Banks	N	Mean	Std. Deviation	Std. Error	F	Sig.
PSBs	9	238549.44	156494.91	52164.97	13.760	.000***
PvtSBs	9	60130.66	49447.92	16482.64		
FBs	9	17431.44	7829.30	2609.76		
Total	27	105370.51	133535.55	25698.93		

Source: Secondary Data | Computed by Researcher \*\*\* Significance at 1% level

Table 2 indicates that the mean value of outstanding bank credit to micro and small enterprises by public, private, and foreign banks is 238549.44, 60130.66, and 17431.44, respectively, according to the data presented in the table above. It also claims that there is a statistically significant difference between outstanding bank credit to micro and small enterprises held by public, private, and foreign banks at the 1 percent level. It refers to the fact that the outstanding bank credit to Micro and Small

Enterprises from Public Sector Banks, Private Sector Banks, and Foreign Banks varies significantly from one another. In India, the hypothesis H01 is rejected at the 1% level of significance.

**Table 3 The status of the Indian MSME sector in terms of the number of enterprises (in lakhs), the number of people employed (in lakhs), and the market value of fixed assets (in Crore)**

State/UT	Enterprises	%	Employment	%	Fixed Assets	%
Jammu and Kashmir	1.33	0.62	3.07	0.61	8475.28	1.23
Himachal Pradesh	1.72	0.80	2.92	0.58	5599.25	0.81
Punjab	10.14	4.73	18.31	3.65	37126.69	5.38
Chandigarh	0.29	0.14	0.7	0.14	607.05	0.09
Uttarakhand	2.23	1.04	4.42	0.88	6014.98	0.87
Haryana	5.2	2.43	12.23	2.44	25998.8	3.77
Delhi	1.78	0.83	6.52	1.30	10164.54	1.47
Rajasthan	9.68	4.52	18.42	3.67	25452.9	3.69
Uttar Pradesh	24.21	11.29	59.3	11.81	56161.03	8.14
Bihar	7.98	3.72	17.45	3.48	8405.45	1.22
Sikkim	0.07	0.03	0.57	0.11	72.16	0.01
Arunachal Pradesh	0.25	0.12	0.88	0.18	937.48	0.14
Nagaland	0.18	0.08	1.17	0.23	1273.67	0.18
Manipur	0.49	0.23	1.58	0.31	646.03	0.09
Mizoram	0.13	0.06	0.56	0.11	403.14	0.06
Tripura	0.28	0.13	0.76	0.15	661.73	0.10
Meghalaya	0.5	0.23	1.17	0.23	468.55	0.07
Assam	2.34	1.09	6.58	1.31	6941.15	1.01
West Bengal	21.23	9.90	58.53	11.66	39433.22	5.72
Jharkhand	4.43	2.07	8.99	1.79	5020.72	0.73
Odisha	9.97	4.65	23.67	4.72	12284.89	1.78
Chhattisgarh	3.01	1.40	5.43	1.08	3303.41	0.48
Madhya Pradesh	12.57	5.86	20.3	4.04	10530.4	1.53
Gujarat	15.32	7.15	34.42	6.86	166753.68	24.17
Daman & Diu	0.02	0.01	0.28	0.06	1881.53	0.27
Dadra & Nagar Haveli	0.06	0.03	0.34	0.07	229.58	0.03
Maharashtra	15.32	7.15	35.61	7.09	67941.24	9.85
Andhra Pradesh	15.36	7.16	38.98	7.77	32757.63	4.75
Karnataka	12.49	5.83	30.48	6.07	27161.11	3.94
Goa	0.59	0.28	1.2	0.24	3820.19	0.55
Lakshadweep	0.01	0.00	0.05	0.01	17.3	0.00
Kerala	14.44	6.74	33.2	6.61	44353.53	6.43
Tamil Nadu	20.55	9.59	53.16	10.59	77824.34	11.28
Puducherry	0.14	0.07	0.46	0.09	1135.29	0.16
Andaman & Nicobar	0.07	0.03	0.23	0.05	96.95	0.01
All India	214.38	100.00	501.93	100.00	689954.86	100.00

According to the above table 3, the leading States in India in terms of the number of MSMEs are Uttar Pradesh (11.29 percent), West Bengal (9.90 percent), Tamil Nadu (9.59 percent), Andhra Pradesh (7.16 percent), Maharashtra (7.15 percent), Gujarat (7.15 percent), and Kerala (6.74 percent), and the leading States in terms of employment opportunities are Uttar Pradesh (11.81

percent), West Bengal (11.66 percent), Tamil Nadu (10.59 percent), Andhra Pradesh (7.77).

It is clear from the status of all the states in India that Uttar Pradesh is the only state with leading MSMEs which is more than 11.29% that clearly indicates that the people here in Uttar Pradesh are keenly interested in their own work. They seriously want to spend their rest of the life as an entrepreneur.

### **CONCLUSION**

The findings of the survey provided a clear picture of the state of MSMEs in India's various states. Where Uttar Pradesh is the top-ranking country in terms of the number of MSMEs in the country as well as the amount of outstanding bank credit to MSMEs from Indian public, private, and foreign banks. It has been one of the fundamental pillars of the policies implemented by the government for the sustenance of all sectors of MSMEs in India, in addition to providing a significant competitive advantage to the various sectors of MSMEs in the global environment. Building capacity and ensuring healthy growth are the next goals for Indian micro, small, and medium-sized manufacturing enterprises as they strive to overcome competition and meet challenges in the global markets, as well as with the entry of multinational corporations into the domestic markets of the MSME Manufacturing Sector in India, according to the World Bank.

### **REFERENCES**

- Biswas PK. Indigenous Systems of Organizations and the Development of MSMEs in India. *The Innovation Journal*, 2007, 12(2).
- Das K. SMEs in India: issues and possibilities in times of globalisation. *Asian SMEs and Globalization*, ERIA Research Project Report. 2007; 5:69-97.
- Garg I, Walia S. Micro, Small & Medium Enterprises (MSMEs) in Post Reform India: Status & Performance. *International Journal of Latest Trends in Engineering and Technology*. 2012; 1(3):134-141.
- Ghatak S. Micro, small and medium enterprises (MSMEs) in India: an appraisal. *Journal of EOFEMP*. 2010; 2(5):1, 19.

- Government of India. Annual report 2013-14, 2014. Retrieved from [http://msme.gov.in/WriteReadData/DocumentFile/ANN UALREPORT-MSME-2013-14P.pdf](http://msme.gov.in/WriteReadData/DocumentFile/ANN_UALREPORT-MSME-2013-14P.pdf) on January 25, 2015.
- Khaksar S. The Role of Government Policy and the Growth of Entrepreneurship in the Micro, Small (&) Medium-sized Enterprises in India: an Overview. *Australian Journal of Basic and Applied Sciences*. 2011; 5(6):1563-1571.
- Kumar A, Batra V, Sharma SK. Micro, Small and Medium Enterprises (MSMEs) in India: Challenges and Issues in the Current Scenario. *SMS Varanasi*, 2009; 5(2):75-87.
- Lahiri R. Problems and prospects of micro, Small and Medium Enterprises (MSMEs) in India in the Era of Globalization. In the International Conference on Interplay of Economics, Politics and Society for Inclusive Growth Organized by Royal College of Thimphu, Bhutan, 2012. (October 15 and 16, 2012) [Available: [Http://www. Rtc. bt/conference/2012](http://www.rtc.bt/conference/2012)], Retrieved from [http://www. rtc. bt/Conference/2012\\_10\\_15/6-RajibLahiriMSMEs\\_in\\_India. pdf](http://www.rtc.bt/Conference/2012_10_15/6-RajibLahiriMSMEs_in_India.pdf).
- Ravi S. Entrepreneurship development in the micro small and medium enterprise sector in India. *Indian School of Business*. 2009; 4(1):12-26.