

“Growth, Performance and Opportunities of Indian MSME Industry” An Assessment Study

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Abstract

Micro, Small and Medium enterprises (MSME/SSI) emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. Small scale industries have been act as an engine to reach the economy from developing to developed stage. In the context of Indian economy where capital is scarce, small industries can act as a stabilizing force by providing more employment opportunities, income generation, resource mobilization and helping to promote India is a developed economy. This paper will detail growth, performance and challenges being faced by Indian small scale industries.

Introduction

Small scale sector has grown rapidly over the years; the growth rates during the various plan periods have been very impressive. Small scale industries play a vital role in providing large employment opportunities, reducing regional imbalances in the economy. It is estimated that in terms of value, the sector accounts for about 45% of the manufacturing output and 40% of the total exports of the country(MSME Annual report 2009-2010) ,the sector is estimated to employ about 59% million persons throughout the country (MSME Annual report 2009-2010). It has been estimated that 1, 00,000 rupees of investment in fixed assets in the small scale sector generates employment for four persons. The exports from small scale sector have been clocking excellent growth rates in this decade, exports value has increased from Rs.71,244 crore in the year 2001-2002 to Rs 202017 crore in the year 2007-2008(MSME Annual report 2010-2011) The small scale industry accounts for 40% of gross industrial value addition and 50% of total manufacturing exports(Micro, Small and Medium Enterprises in India: Challenges and Issues in the Current Scenario, Vol,V,No.2;December 2009 By Ashish Kumar, Vikas Batra and S.K.Sharma). More than 13.2 million units are spread over the country producing about 6000 items from very basic to highly sophisticated products(Micro, Small and Medium Enterprises in India: Challenges and Issues in the Current Scenario, Vol,V,No.2;December 2009 By Ashish Kumar, Vikas Batra and S.K.Sharma).

Definition of Small, Micro and Medium enterprises in India

Definition of Small, Micro and Medium enterprises was expanded to include two category classifications. Industries engaged in Manufacturing/ Production, enterprises engaged in Service.

Classification	Investment limit in Plant & Machinery in Manufacturing Enterprises	Investment limit in Equipment in Service Enterprises
Micro	Rs.2.5 Million/ Rs.25 lakhs	Rs.1Million/ Rs.10 lakhs
Small	Rs.50 Million/ Rs.5 crore	Rs.20 Million/ Rs.2 crore
Medium	Rs.100 Million/ Rs.10 crore	Rs.50 Million/ Rs.5 crore

Source: MSME Annual report 2012-2013

Review of Literature

Sharma (1990) industrialization has come to be regarded as synonymous with economic development. Not much distinction made between the two terms that is, industrialization and economic development and both are used interchangeably. The essential criteria that are being used to distinguish a developed economy from an underdeveloped One related to proportion of workforce engaged in industrial activity.

Government of India, planning commission, and the committee on the village and small scale industries in its report has stressed that the setting up of small scale industries will provide employment to the people in the rural areas.

Dr.Neelamegham: in his study says that the main reason for non-proliferation of modern marketing concept in India is excessive dependence on agriculture and excessive demand in relation to the supply of products.

People T.S has also shown that though the companies are attaining marketing expertise in short time yet marketing planning techniques are still not sophisticated. Small scale industry also playing stellar role in the economic development of the country but the problems in performing the marketing functions are the major hurdle in this development. So there is a greater need to examine the marketing practices of this sector.

Bhavani T.A (2010) highlights the issue of quality employment generation by the Small Scale industries and negates the short term attitude of increasing the volume of employment generation compromising with quality. The author argues that employment generation by the SSIs may be high in quantitative term but low in quality. Technological upgradation would enable the small firms to create quality employment improving remuneration, duration and skill. This structural shift may reduce the rate of employment generation in the short term but would ensure high income employment generation in the long run.

Objectives of the study

- To highlights the Importance and Role of MSME sector in India
- To analyze the Growth and Performance of Micro, Small and Medium Enterprises (MSMEs) in India.
- Identify the Opportunities and Obstacles of Indian MSME sector.
- To investigate the flow of Credit from commercial banks to Small scale units.

Methodology of the study

Data used in this study are secondary in nature and mostly collected from the Annual Reports released by, Ministry of Micro, Small and Medium Enterprises, Government of India. This study is also focused on certain parameters like no of units (in lakh) from 2001-2002 to 2011-2012, employment generation (in lakh) from 2001-2002 to 2011-2012, investment on fixed assets (in crore) from 2001-2002 to 2011-2012, gross output value (in crore) 2001-2002 to 2011-2012 and value of exports (in crore) 2001-2002 to 2007-2008.

Limitations of the study

Nothing is perfect in the researches of social sciences, so in this study the present study is also suffers certain limitations. The present study is based on the information from secondary source, which may reduce the degree of accuracy of the study. However an attempt has been made to collect maximum information.

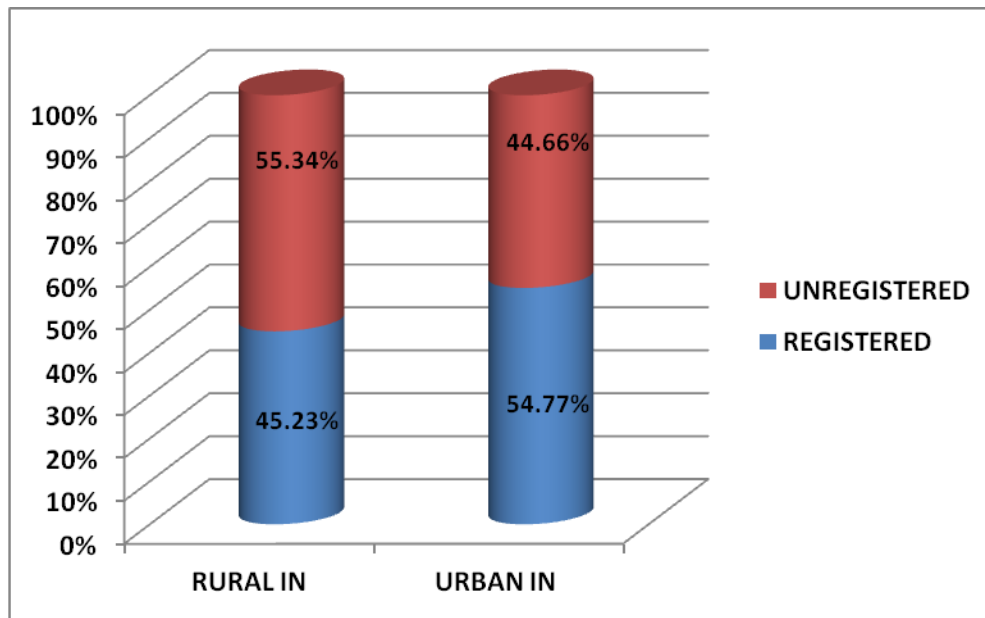
Table: 1

Classifications of Small Scales Industries in India

Classification	Rural in %	Urban in %
Registered	45.23	54.77
Unregistered	55.34	44.66

Source: MSME Annual Report 2012-2013

Chart: 1



Performance of Micro, Small and Medium Enterprises in India

The time series data in respect of the MSME sector on various economic parameters is shown in the following table.

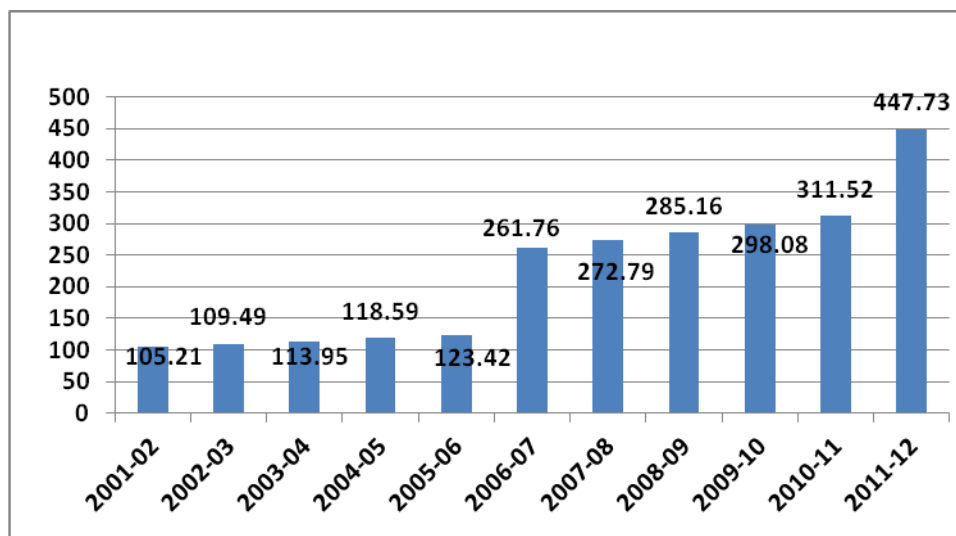
Table: 2

Year	Total working enterprises (in lakhs)	Employment (in lakhs)	Fixed investment (in crore)	Gross output (incrore)	Exports (in crore)
2001-02	105.21	249.33	154349.00	282270.00	71244.00
2002-03	109.49	260.21	162317.00	314850.00	86013.00
2003-04	113.95	271.42	170219.00	364547.00	97644.00
2004-05	118.59	282.57	178699.00	429796.00	124417.00
2005-06	123.42	294.91	188113.00	497842.00	150242.00
2006-07	261.76	595.66	500758.00	709398.00	182538.00
2007-08	272.79	626.34	558190.00	790759.00	202017.00
2008-09	285.16	659.35	621753.00	880805.00	N.A
2009-10	298.08	695.38	693835.00	982919.00	N.A
2010-11*	311.52	732.17	773487.00	1095758.00	N.A
2011-12*	447.73	1012.59	1176939.00	1834332.05	N.A

Source: Annual Reports of MSME 2011-12, 2012-13, *projected, N.A- Not available

Chart: 2.1

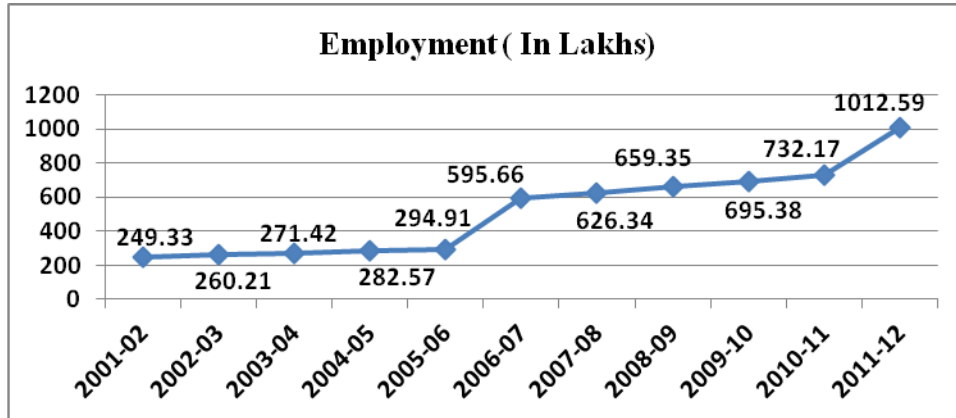
Growth Pattern of MSME Units in India (in Lakhs)



As projected above we observe that the MSME sector in India contentions to grow a growth trajectory from the last decade. It rose considerably in 2001-2002 from 105.21lakh units to 447.73 lakh units in 2011-2012. This is a remarkable achievement in the number of MSME units in India.

Chart: 2.2

Contribution of MSME Industry in Employment Generation



The total employment from the MSME sector in the country as per the Annual report of MSME in the year 2011-2012 was 1012.59 lakh numbers. It indicates the MSME sector provides huge number of employment opportunities in Indian economy.

Chart: 2.3

Investment on Fixed Assets in MSME

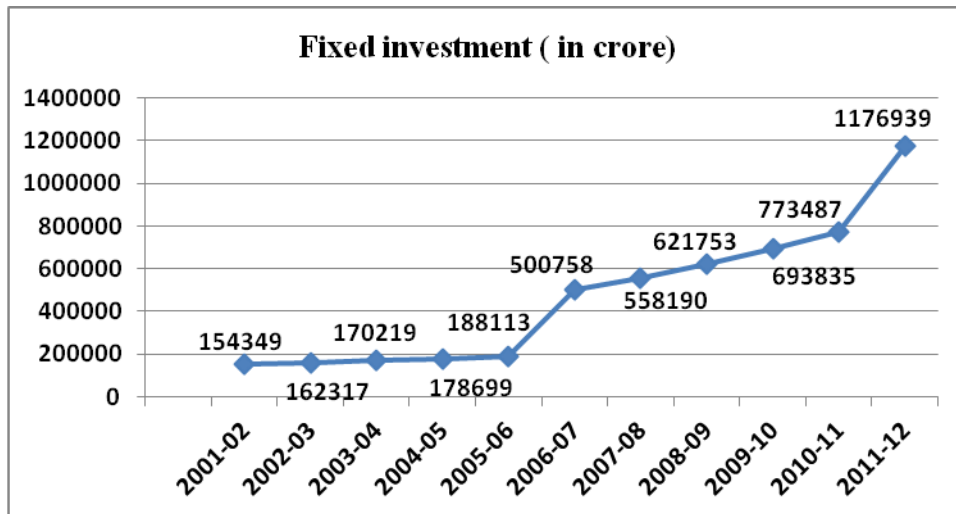


Chart: 2.4

Gross Out Put Value in Small Scale Industry

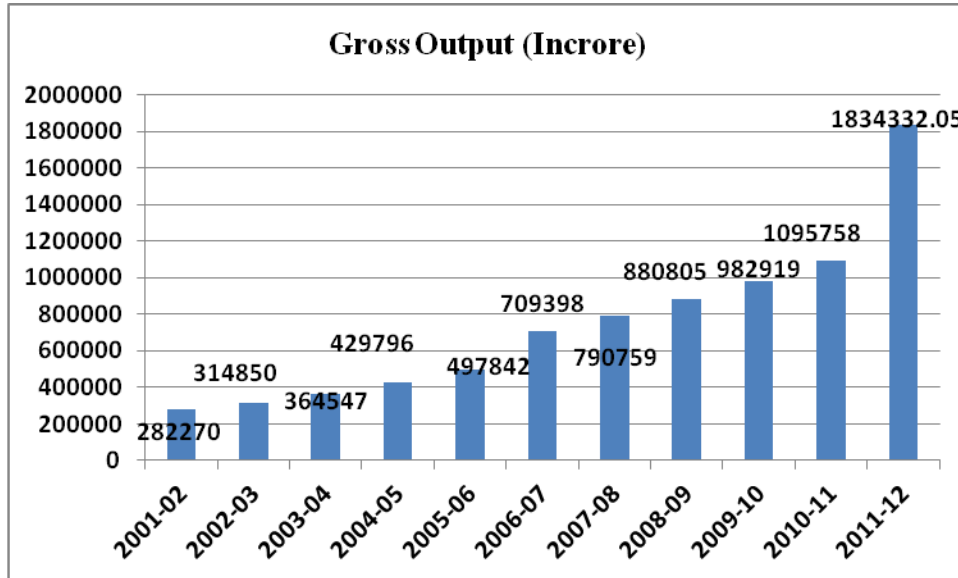


Chart: 2.5

Value of Exports in MSME Sector

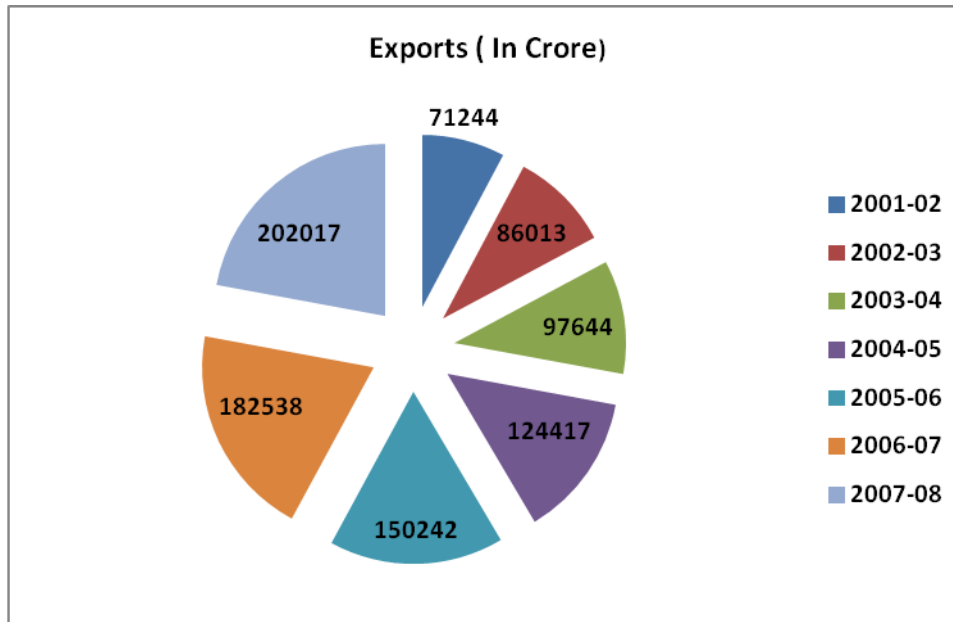


Table: 3

Growth Rate of MSME Sector from 2001-02, TO 2011-12

Year	Total working enterprises (in lahs)	Employment (in lakhs)	Fixed investment (in crore)	Gross output (incrore)	Exports (in crore)
2001-02	4.07	4.44	5.11	8.03	2.07
2002-03	4.07	4.36	5.16	11.54	20.73
2003-04	4.07	4.31	4.87	15.78	13.52
2004-05	4.07	4.11	4.98	17.90	27.42
2005-06	4.07	4.37	5.27	15.83	20.76
2006-07	111.57	101.98	166.20	42.49	21.50
2007-08	4.47	5.15	11.47	11.47	10.67
2008-09	4.53	5.27	11.39	11.39	N.A
2009-10*	4.53	5.46	11.59	11.59	N.A
2010-11#	4.51	5.29	11.48	11.48	N.A
2011-12#	N.A	N.A	N.A	N.A	N.A

Source: Annual reports of MSME 2011-12, 2012-13, www.msme.gov.in
 *provisional, #projected

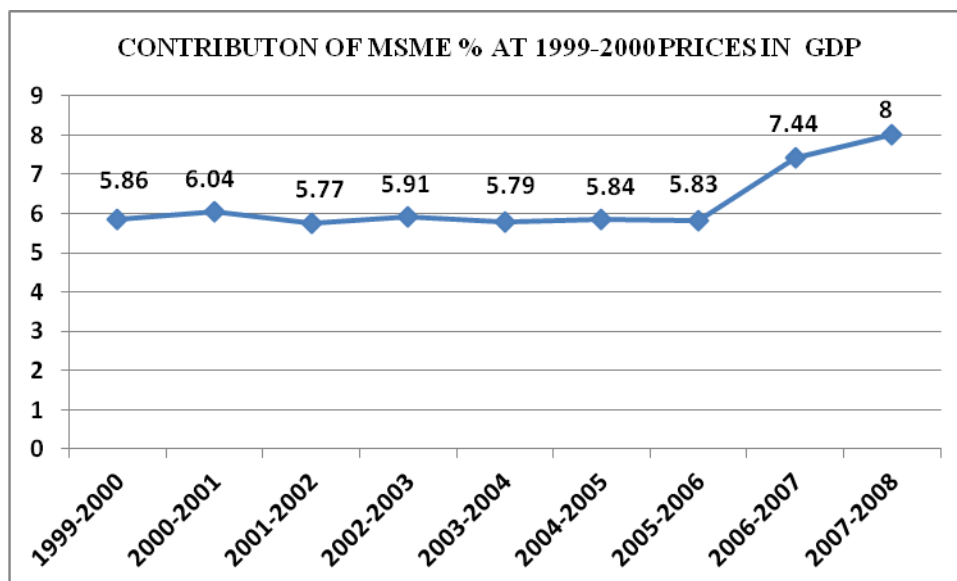
Table: 4

Contribution of MSME in Total Industrial Production and GDP

Contribution Of MSME % at 1999-2000 Prices		
Year	Total industrial production	GDP
1999-2000	39.74	5.86
2000-2001	39.71	6.04
2001-2002	39.12	5.77
2002-2003	38.89	5.91
2003-2004	38.74	5.79
2004-2005	38.62	5.84
2005-2006	38.56	5.83
2006-2007	44.12	7.44
2007-2008	45.00	8.00

Source: MSME Annual Report 2009-2010

Chart: 3



Over a period of last few years the contribution of Micro, Small and Medium enterprises in the overall industrial production and Gross Domestic Product (GDP) has grown up. In the total industrial production the contribution of this small scale sector has been around 45.00 % where as in GDP its contribution is nearly 8.0%.

Table: 5

Leading Industries in MSME Sector

Sector	Share
Retail trade	39.85%
Manufacture of wearing apparel dressing and dyeing	8.75%
Manufacture of Food products and Beverages	6.94%
Hotels and Restaurants	3.64%
Sales, Maintenance and Repair of motor vehicles and motor cycles, retail sales of automotive fuel	3.57%
Manufacturing of furniture, Manufacturing of NEC	3.21%
Manufacturing of fabricated metal products (except machinery and equipment)	2.33%
Manufacture of textiles	2.33%
Other service activities	6.20%
Other business activities	3.77%
Other	19.40%

Source: Final report of the Fourth all India census of MSMEs 2006-07: Registered sector

Chart: 4

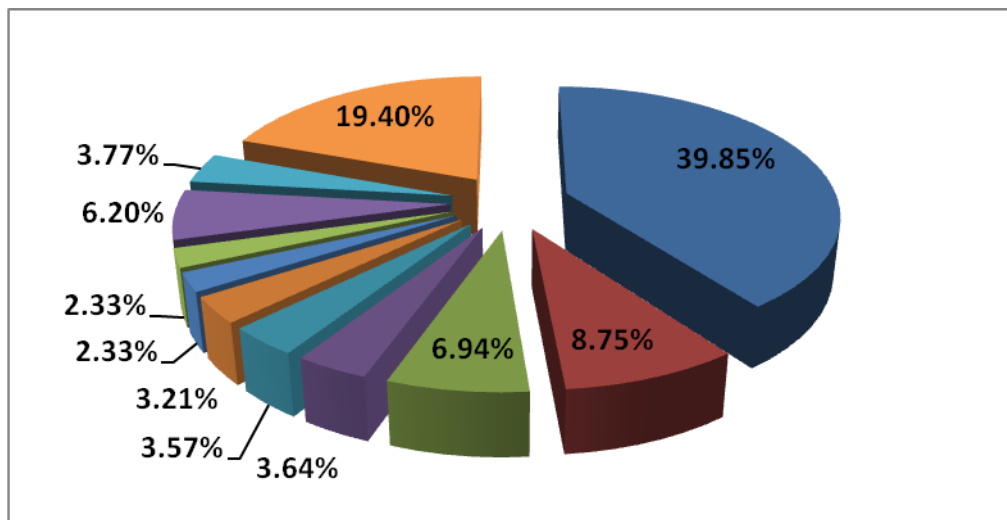


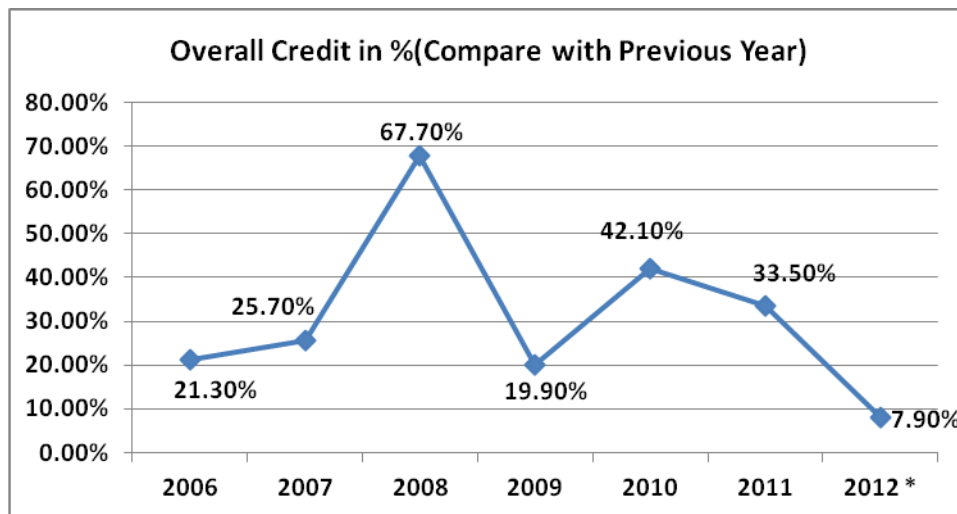
Table: 6

Out Flow of Credit from all the Banks

As On Last Reporting Friday Of March	Public Sector Banks	Private Sector Banks	Foreign Banks	All Scheduled Commercial Banks
2005	67,800	8,592	6,907	83,498
2006	82,434 (21.6%)	10,421 (21.3%)	8,430 (22.1%)	1,01,285 (21.3%)
2007	1,02,550 (24.4%)	13,136 (26.1%)	11,637 (38.0%)	1,27,323 (25.7%)
2008	1,51,137 (47.4%)	46,912 (257.1%)	15,489 (33.1%)	2,13,538 (67.7%)
2009	1,91,408 (26.6%)	46,656 (-0.54%)	18,063 (16.6%)	2,56,127 (19.9%)
2010	2,78,398 (45.4%)	64,534 (38.3%)	21,069 (16.6%)	3,64,001 (42.1%)
2011	3,76,625 (35.3%)	87,857 (36.1%)	21,461 (1.9%)	4,85,943 (33.5%)
2012 *	3,95,976 (5.14%)	1,05,085 (19.61%)	19,839 (-7.56%)	5,20,900 (7.9%)

Source: MSME Annual Report 2012-2013(Growth compare with Previous Year)*provisional

Chart: 5



Over a period of last few years the contribution of commercial banks in credit assistance is contentiously gown down; in the year 2006 growth in credit facility has 21.30% came to the year 2012 growth has only 7.90%, it indicates the Indian small scale industry suffers with credit assistance.

Role of MSME sector in Indian Context

The India small scale industry plays a crucial role in certain aspects to develop the economy

- Less capital intensive
- Self employment
- Generation of Employment
- Regional balanced development
- Equal distribution of income
- Optimum utilization of local resources
- Saving foreign currency
- Promote the rural development
- Reduce the poverty

Opportunities in Micro, Small and Medium Enterprises in India

- Self Employment
- Employment Generation
- Use of local Resources
- Export Contribution
- Removal of Regional imbalances
- Less Government Intervention
- Less capital intensive
- Export Promotion
- Scope for growth
- Support from Government
- Availability of Manpower
- Availability of Raw materials
- More demand in Domestic market.

Constraints of Indian MSME Sector

- Problem of Finance
- Competition from Large Industries
- Poor Technical support
- Marketing and Distribution problems
- Lack of proper Storage and warehousing
- Lack of Infrastructure facilities
- Lack of Skilled and Trained manpower
- Lack Support from Government
- Lack of knowledge on foreign markets.

Conclusion

At present the Indian Micro, Small and Medium sector struggled with many problems. Andhra Pradesh Technical Consultancy Organization and Kerala Technical Consultancy Organization conducted study of the various problems faced by the Industries in three states viz Kerala, Karnataka and Andhra Pradesh. This study revealed that the serious problems faced by the industry were the inadequate working capital. 69% of industries in Kerala, 44% of industries in Karnataka and 52% of industries in Andhra Pradesh are facing the working capital problem. The next serious problem is marketing; another setback is non availability of raw materials. These all are affected on cost of production and productivity. So the Government put more efforts to introduce new initiative policies on problems faced by the industries and strengthen the Indian small scale industry.

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