

MSMEs Performance in Andhra Pradesh-21ST Century

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Abstract:

The aim of this paper is to study and analyze the growth and performance of the sMicro, Small and medium enterprises (MSMEs) of Andhra Pradesh. Small and medium enterprises are significantly contributing to the growth of Andhra Pradesh economy. In the 21st century, the MSMEs sector is facing stiff competition from domestic as well as global companies. The paper outlines the year-wise growth trends in MSMEs in terms of the number of units, employment generation, and fixed investment. It is evident that Andhra Pradesh had 4th position in number of enterprises and employment, 8th in market value and 7th rank in gross output out of 28 states and 7 union territories. In south India, it was at 2nd place in Number of Enterprises and Employment, 3rd position in Market value of fixed Assets and Gross output. Though MSMEs have been facing sickness in the last Decade, their performance has been growing gradually. Sickness hampers the growth of industry. Rehabilitation and revival of sick industries schemes adopted by Andhra Pradesh are also highlighted. (The study has done before bifurcation of Andhra Pradesh into Andhra Pradesh and Telengana).

Keywords: Andhra Pradesh, MSMEs, 21st Century, Sickness

Introduction:

India has been traditionally a hub for competitive small and medium enterprises. A large number of today's manufacturing units has originally begun as MSMEs, and have grown into much larger establishments. The development of small and medium enterprises is an important element in the growth strategy of varied economies across the globe, small and medium enterprises contribute significantly to improve standards of living, and they bring about substantial local capital formation, utilizing local resources and to achieve high levels of productivity. When compared with large enterprises, small and medium enterprises are more labour intensive.

Today, India is facing migration of professionals, skilled and semi-skilled personnel to various countries across the globe for gainful employment and enjoys high standards of living, thereby transferring funds to India.

Due to this repatriation of funds, the local economies are developing with small and medium enterprises and contributing for the growth of healthy Gross Domestic Product (GDP). For example, the Kerala State is registering the high growth rate of education and each one on an average in the family is migrating to abroad to improve their economic euphoria. Over a period of time, their endeavors have been successful and with the funds available from the foreign countries has not only enabled the families to ameliorate their family fortunes but also paved the path for starting new small and medium ventures that helps to provide local employment.

Due to the introduction of economic reforms, India has travelled a distinct journey and the accepted belief among nations and economies is that no country is self-sufficient and it has been grasped that unless the economy is integrated with the world economy, no sustainable development is ensured. India is not an exception to this phenomenon and taking cue from other economies has opened its doors for Foreign Direct Investment (FDI). Many a countries across the globe have been thinking that India is a production hub, facilitating many of them to start their ventures here. By exploring the natural resources and using state of the art technology these companies are not only producing innovative products but also encouraging the small and medium ancillary units.

At present, MSMEs account for over 8 per cent of national GDP, this Contribution is expected to increase to 22 per cent by 2020 and 45 per cent of India's manufacturing sector. There are around 3.6 crore such enterprises, employing over eight crore people. However, large segments of these are unregistered entities.

The performance of small-scale industries was well and enabled India to attain wide range of events .MSME was made important contribution to employment generation and rural industrialization (Dasari. Pandurangarao 2013). "Empty hands will surely lead to empty pockets and empty pockets will lead to empty homes" stressing the need to find an alternative model for development that will come in the form of micro finances for the poor to survive to save and to thrive in and through the economic activities and states that developing micro finance for the rural SMEs is the need of the hour. (Kalyan Singh 2001). The success story of SMEs entrepreneurs in island of Sunder bans of West Bengal. The author states that the story of rural development with Small and Medium Entrepreneurs (SMEs) participation has brought about rural and urban equilibrium (Biplab Moitra 2001). Change in India is visible not only in a high- visibility sector like IT- enabled services. Entrepreneurship, employment and self-employment are also growing in India's rural and semi-urban economy, the Prime Minister (Atal Bihari Vajpayee, 2003). Economic empowerment is a sine qua non for elevating the status of SMEs in our society. Finally states that one possible approach towards achieving this end could be through entrepreneurship development (Arundhati Chattopadhyay 2005). The author describes the management issues faced by companies that pursue new-business creation, as well as the usual problematic responses. The authors explores a number of the most critical balancing acts the companies must perform, the choices they entail and the risks corporations face when they fail to get the balance right David (A. Garvin and Lynne C. Levesque 2006).

Methodology:

This study is conducted to analyze the performance of MSMEs in Andhra Pradesh. Andhra Pradesh is one of the fast developing states in India as well as in the global scenario. Andhra Pradesh has both men and women entrepreneurs. It is a descriptive study and secondary data has been collected from various journals, magazines, daily newspapers, MSME annual reports, annual survey of industries, and various Government publications.

Objectives:

This study is carried out to analyze Growth and performance of MSMEs in Andhra Pradesh.

MSMEs Act-2006:

Micro, Small and Medium Enterprises Development (MSMED) Act 2006 has increased generation, promote exports, create congenial and hassle-free environment, promote linkage between the Large and Small Scale Sector, help the SSI sector to acquire new technologies and skills and protect sick industries and revive them.

According to MSMED Act-2006 MSMEs are classified into two classes; Manufacturing enterprises and Service Enterprises.

Table-1: Showing MSMEs Classification

Manufacturing Sector		Service Sector
Enterprises	Investment in Plant & Machinery	Investment in Equipments
Micro	Less than 25 lakh rupees	Less than 10 lakhs rupees
Small	More than 25 lakh rupees but does not exceed 5 crore rupees.	More than 10 lakh rupees but does not exceed 2 crore rupees.
Medium	More than 5 crore rupees but does not exceed 10 crore rupees.	More than 2 crore rupees but does not exceed 5 core rupees.

Source: MSME Hyderabad

Table-2: Showing State wise performance of MSME

S. No	State wise	Enterprises (lakh)	Rank	Employment (lakh)	Rank	MVFA (Rs. Crore)	Rank	Gross Output (Rs. Crore)	Rank
1	Jammu and Kashmir	1.33	21	3.07	20	8475.28	15	16035	18
2	Himachal Pradesh	1.72	20	2.92	21	5599.25	19	17247	15
3	Punjab	10.14	10	18.31	12	37126.7	7	81625	4
4	Chandigarh	0.29	25	0.7	28	607.05	29	1888.6	27
5	Uttarakhand	2.23	18	4.42	19	6014.98	18	16188	17
6	Haryana	5.2	14	12.23	14	25998.8	10	53199	10
7	Delhi	1.78	19	6.52	17	10164.5	14	29672	13
8	Rajasthan	9.68	12	18.42	11	25452.9	11	50004	11
9	Uttar Pradesh	24.21	1	59.3	1	56161	4	111090	2
10	Bihar	7.98	13	17.45	13	8405.45	16	16709	16
11	Sikkim	0.07	31	0.57	29	72.16	34	189.76	34
12	Arunachal Pradesh	0.25	27	0.88	26	937.48	26	1101.7	30
13	Nagaland	0.18	28	1.17	24	1273.67	24	2845	25
14	Manipur	0.49	24	1.58	22	646.03	28	1094.7	31
15	Mizoram	0.13	30	0.56	30	403.14	31	677.21	32
16	Tripura	0.28	26	0.76	27	661.73	27	1177.8	28
17	Meghalaya	0.5	23	1.17	24	468.55	30	1150.8	29
18	Assam	2.34	17	6.58	16	6941.15	17	13403	19
19	West Bengal	21.23	2	58.53	2	39433.2	6	78880	5
20	Jharkhand	4.43	15	8.99	15	5020.72	20	10040	20
21	Odisha	9.97	11	23.67	9	12284.9	12	29075	14
22	Chhattisgarh	3.01	16	5.43	18	3303.41	22	8437.3	21
23	Madhya Pradesh	12.57	8	20.3	10	10530.4	13	34388	12
24	Gujarat	15.32	5	34.42	6	166754	1	55307	9
25	Daman & Diu	0.02	34	0.28	33	1881.53	23	7735.7	23
26	Dadar and Nagar Haveli	0.06	33	0.34	32	229.58	32	2177.4	26
27	Maharashtra	15.32	5	35.61	5	67941.2	3	126865	1
28	Andhra Pradesh	15.36	4	38.98	4	32757.6	8	58405	7
29	Karnataka	12.49	9	30.48	8	27161.1	9	56318	8
30	Goa	0.59	22	1.2	23	3820.19	21	8147.5	22
31	Lakshadweep	0.01	35	0.05	35	17.3	35	20.01	35
32	Kerala	14.44	7	33.2	7	44353.5	5	74822	6
33	Tamil Nadu	20.55	3	53.16	3	77824.3	2	105270	3
34	Puducherry	0.14	29	0.46	31	1135.29	25	5772	24
35	Andaman and Nicobar Islands	0.07	31	0.23	34	96.95	33	254.24	33
	All India	214.4		501.93		689955		1E+06	
	Mean	6.125		14.341		19713		3077.5	
	Standard deviation	7.294		17.919		32877.1		36119	
	Skewness Coefficient	0.165		0.2096		0.4901		0.1985	

Source: Annual report-MSME-2012-13

MVFA: Market Value of Fixed Assets

Form the study it is observed Andhra Pradesh was ranked 4th in number of enterprises and employment, 8th in market value and 7th rank in gross output out of 28 states and 7 union territories. In south India, it was at 2nd place in Number of Enterprises and Employment, 3rd position in Market value of fixed Assets and Gross output. It is observed that Tamil Nadu ranked 1st in all categories, indicates that performance of MSMEs was admirable not only in south India but also India wide. Andhra Pradesh MSMEs performance was admirable in South India concern but admissible India wide.

India wide the performance of MSMEs was very worthy in Uttar Pradesh and Tamil Nadu. According to MSME Annual report 2-12-13, 50.193 millions are employed and MSMEs have played an important role in the development of States in terms of the employment generation. More than 55 per cent of these enterprises are located in six major States of the country, namely, Uttar Pradesh, Maharashtra, Tamil Nadu, West Bengal, Andhra Pradesh and Karnataka. Top 10 States in terms of Number of Entrepreneurs, generating employment and gross output and market value of fixed assets include Tamil Nadu, Gujarat, Uttar Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Punjab, West Bengal, Kerala and Andhra Pradesh. Their contribution ranges from 89% to 92% of the total. Top 10 growing states include Gujarat, Delhi, Chandigarh, Chhattisgarh, Dadra & Nagar Haveli, Jharkhand, West Bengal, Odisha, Jammu & Kashmir and Tamil Nadu. Out of which Gujarat has shown consistently increasing Growth rate. It is clearly pictured that except few states of India remaining states performance of MSMEs is poor. The state governments of these states have to take necessary steps and policies to encourage entrepreneurship. Today our banking sector is widely spread into all corners of India. Hence, banks should promote entrepreneurship by offering loans.

Table No: 3 Showing the Growth and Performance of MSME in Andhra Pradesh- 21st Century:

Year	No .of Enterprises (in lakhs)	Fixed investment (Rs. crore)	Employment (in lakhs)
2000 -01	1.37	3,425	11.95
2004 -05	1.44	4,425	12.86
2007 -08	1.49	5,849	13.62
2009-10	1.58	10,504	15.32
2010 -11	1.67	15847	16.82
Average	1.51	8010	14.114
Average growth (%)	2.2	36.26	4.1

Source: Bureau of Economic & Statistics, 2010-11, Government of Andhra Pradesh

The prime job of every government is fast industrial development as it plays an imperative role for the sustainable economic growth of the region. Fast industrial growth results in creating new job opportunities for unemployed, equal distribution of national income, mobilization of capital, increase in exports and so on. From the data the number of micro and small enterprises increased from 1.37 lakhs to 1.67 lakhs during the period of study with an average growth rate of 2.2 per year and , the fixed

investment also registered a growth of 36.26 per cent from 3,425 crore to 15,847 crore during the period of study. At the same time, the rate of growth in employment recorded as 4.1 per cent from 11.95 lakh to 16.82 during the same period. The progress of the state in respect of number of enterprises and employment works out to be less when compared to the increase in fixed investment. Thus, it can be observed from the above discussion that there is a growth and development of micro and small-scale enterprises in Andhra Pradesh during the period 2000-01 to 2010-11.

Sickness of MSME:

Third National census of small-scale industries had identified 1,480 units as sick in Srikakulam district and over 17,000 in 12 other districts in Andhra Pradesh. The other districts were Vizianagaram (954 units), Visakhapatnam (3631), Guntur (2576), Prakasam (1165), Chittoor (1175), Kurnool (1906), Anantapur (1471), Mahaboobnagar (640), Nizamabad (1063), Adilabad (537) and Karimnagar (688).

Apart from tiny units, which include small units like carpentry during the last five-six years, several large, medium, and small-scale industries were also closed down. Of the 26 large and medium units with investments over Rs 1 crore, five were closed down. Among them are cement, steel and drug units and the Amadalavala Cooperative Sugar Factory. The total investment in these units, employing about 500 labourers, was estimated around Rs 14 crores. The sugar factory, however, has been sold to a private company.

As per the RBI, there were 11,480 sick SSIs in Andhra Pradesh in 1999, 13,510 sick units in 2000, 11,724 units in 2001 and 6,589 sick units in 2002. It was reached to 21,990 sick units and 36492 were closed out of 102761 units as per 3rd all India census MSME. With the growing number of SSIs in the state, the number of sick units is also increasing. The sickness seems to be mainly uncontrolled in the districts of Hyderabad (50 per cent), Cuddapah (50 per cent), Nalgonda (48 per cent), Medak (47 per cent) and Khammam (46 per cent), as per the third census report of SSI units in the State.

The national percentage of closed units is 37.65 per cent or 8, 68,021 units out of the total 23, 05,725 registered units. In Andhra Pradesh, this was logged higher than the nationwide percentage of units stopped up.

When it compare to fourth all India census out of 48933 units, 2250 units are closed, 991 units are non traceable and 8916 industries are registered sick. The State-wise distribution of MSMEs show that more than 55% of these enterprises are in 6 States only, namely, Uttar Pradesh, Maharashtra, Tamil Nadu, Gujarat, Andhra Pradesh and Karnataka, all of these states were account for 38.52% sick industries of total sick industries. Top ten in terms of sick industries were Kerala(21.02%), Tamil Nadu(11.41%),Uttar Pradesh(8.67%), Maharashtra (8.34%),Karnataka(6.18%), Rajasthan(5.25%), West Bengal(4.89%),Punjab(3.93%), Andhra Pradesh(3.92%), and Madhya Pradesh(3.05%), Which account for 76.66% of total sick enterprises. Andhra Pradesh was ranked 9th in top 10 sick industries.

According to this, many small-scale units are on the edge of closing because of lack of funding and sufficient infrastructure.

Sickness became a major treat for the survival of MSME. However, number of subsidy schemes announced by the state government over the years large numbers of units have been confronted with a number of problems which turn them into sick or closure. This problem seems to be appearing not only in Andhra Pradesh but in all states of India. There are so many gross root problems need to be diagnosed to kill the virus of sickness.

The report on rehabilitation on sick MSMEs highlighted casus of sickness are Lack of demand, Shortage of working capital, Non-availability of raw material, Power shortage, Labour problems, Marketing problems, Equipment problems and Management problems. But as per fourth all India census MSME, many small-scale units are on the verge of closure because of lack of funding and adequate infrastructure and Power shortage making tiny units sick. MSMEs are highly vulnerable to any kind of disruption and their ability to withstand them is quite low

For example, due to the Telangana movement in September and October 2011, unscheduled power cuts, and State Road Transport Corporation strike had adversely affected the small units in the state. Some of these are on the verge of turning sick. Finally MSMEs are incurring a loss of Rs 60 crore per day.

Government Initiatives to prevent sickness and promote MSMEs:

The state government of Andhra Pradesh has announced Industrial Investment Promotion Policy 2010-15 in the year 2010 with objective of extending various incentives for MSME in and to overcome present faced by Andhra Pradesh. In addition, Small Scale Sick Industries Revival & Rehabilitation Scheme-2006 (APSSSIRRS)” was introduced in 2006 for revival of sick enterprises and prevention of incipient sickness.

The government has taken a step forward to encourage scheduled caste / scheduled tribe entrepreneurs by announcing incentives like, 35% investment subsidy on fixed capital, 33 1/3 rebates in land cost limited to Rs.10.00 Lakh in Industrial Estates / Industrial Parks, 100% reimbursement of stamp duty for lease of Land / Shed / Buildings, and also mortgages and hypothecations and other incentives.

To encourage women entrepreneurs schemes like 5% Additional Investment subsidy on fixed capital investment limited to Rs.5.00 Lakh to Micro & Small Enterprises and other benefits are introduced. “Pavala Vaddi” is another subsidy scheme to reduce financial burden for setting up of New Micro & Small Enterprises including Food Processing Industries in the State.

In the view of developing value added Agro Industries and maximize use of opportunities and potential in Agriculture and related sectors Food Processing Policy is introduced.

Conclusion:

The performance of Andhra Pradesh MSMEs is with good pace. It is evident that the state has a place in top ten states. Finally, the MSME sector has maintained a higher growth rate vis-à-vis the overall industrial sector during the past decade and exports from these enterprises have been on the rise. At present, the sector produces a broad variety of products, from simple consumer goods to high-precision, sophisticated finished products. At the same time it is threaten by sickness, which causes to hamper of MSMEs growth. MSMEs are highly vulnerable to any kind of disruption and their ability to withstand them is quite low.

Contribution of small and medium enterprises to the country's GDP is expected to increase to 22 per cent by 2020. Indian companies, products and services were being seen as budding stars and paving way for 'brand India', especially in the Middle East and Africa, where Indian firms were given preference over others. To meet social objectives and nurtures entrepreneurship MSMEs is the way. Economic development is accompanied by poverty alleviation, with MSMEs playing a key role in improving macroeconomic and social performances through turnover, job creation, and the division of labour.

Suggestions:

To encourage establishment of MSMEs particularly in rural areas and achieve key objectives like employment generation and utilization of local resources, the state has to encourage women entrepreneurship, provide easy loan procedure to start up, make subsidy in loan repayment, Encouraging export promotion, prevention of sick industries, patenting local innovation and trade exhibitions in domestic and international markets and has to see new areas of investment.

The state has to take numerous initiatives such as

- ❖ Instructing the banks to give loans in time to MSMEs and the responsibility of the Banks will not ends by giving loans but also to maintain the progress to these units.
- ❖ The state government has to give tax holding to the MSMEs for five years initially.
- ❖ Marketing problems are to be addressed with the help of Information Technology. Technical and marketing consultancy is to be provided to the MSMEs in every district.
- ❖ Fairs and Exhibitions are to be arranged from time to time to give publicity to the products.
- ❖ Government has to make a policy to purchase products from the MSMEs at least 25% annually.
- ❖ Women entrepreneurship is also to be given necessary fulcrum.
- ❖ Industrial sheds are to be built in every area and solar energy is to be utilized instead of depending on power. Quality is to be given utmost important.
- ❖ Power generation is to be increased. It needs solar power plants establishment by the state government and private companies.

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