

Performance Indicators and Trends of Small and Medium Enterprises of Economic Development in India

* Mr.E.Manikandan

** Dr.C.Sengottuvel

* Ph.D., Scholar, Salem Sowdeswari College, Salem, Working as Assistant Professor in Vivekanandha Arts and Science College for Women, Sankari.

** Assistant Professor of Commerce, Salem Sowdeswari College, Salem.

Abstract: Small and Medium Enterprises (SME) play pivotal role in Indian manufacturing sector and have become engine of economic growth in India with their effective, efficient, flexible and innovative entrepreneurial spirit. It is generating the highest rates of employment growth and account for a major share of industrial production. It is estimated that Small and Medium Enterprises account for almost 90% of industrial units in India and 40% of value addition in the manufacturing sector. This paper closely analyses the growth and development of the Indian Small and Medium Enterprises sector from opening of the economy in 1991. The Small and Medium Enterprises Act, 2006 is intended to boost the sector. The provisions of the Act are examined closely. In India SME sector is used as an efficient tool of progress. The recent data available indicate that the SME sector of India that accounts for 96% of the country's industrial units with 60% value addition in the manufacturing sector, shares 36% of the country's total export, contributes 9.54% GDP, employs nearly 10 lakhs per annum, registering a sectoral growth rate of 9.24% as against 8.7% of the country's over-all industrial growth rate during 2018-19. During the 12th plan 6.7 million new jobs were created by the sector, while 8.6 million additional jobs are expected to be creating by the 13th plan. The final part provides some future trends and Sustainable performance indicators of small and medium enterprises

Key word: Sustainable Growth and development of SMEs in India,

Introduction

There is consensus among policy makers, economists and business experts that Micro Small and Medium Enterprises (MSMEs) are drivers of economic growth. A healthy MSME sector contributes prominently to the economy through creating more employment opportunities, generating higher production volumes, increasing exports and introducing innovation and entrepreneurship skills. MSMEs are the first step towards development in economies towards industrialization. The dynamic role of MSMEs in developing countries positions MSMEs as engines through which the growth objectives of developing countries can be achieved – a role that has long been recognized.

The Micro, Small and Medium Enterprises 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 contribute enormously to the socio-economic development of the country.

Fast changing global economic scenario has thrown up various opportunities and challenges to the MSMEs in India. While on the one hand, many opportunities have opened up for this sector to enhance productivity and look for new markets at national and international level, it has also, on the other hand, put an obligation to upgrade their competencies in various fields like marketing, finance, business development, operations, technology etc. For this purpose, MSMEs are required to make use of consultancy services.

Definition

MSMED Act 2006: According to Micro, Small and Medium Enterprises act the enterprises are broadly classified in terms of activity such as enterprises engaged in the manufacturing/ production and enterprises engaged in services. While the manufacturing enterprises were defined in terms of investments in

plant and machinery, the service enterprises are defined in terms of investment in equipments. The Act has also defined medium scale enterprises for the first time. The enterprises are further classified into Micro, Small and Medium categories. The investment limits of these enterprises are shown in the Table given below.

Table 1: Classification of MSMEs

Classification	Manufacturing Enterprises*	Service Enterprises**
Micro	2.5 Million/25 lakh	1 Million/10 lakh (US \$ 20,000)
Small	5.0 Million/5 Crore	20 Million/2 Crore (US \$ 0.4 Million)
Medium	100 Million/10 Crore (US \$ 2 Million)	50 Million/2 Crore (US \$ 1 Million)

* Investment Limit in Plant and Machinery

** Investment Limit in Equipment

Objectives

- ❖ To facilitate the promotion and development of and enhancing the competitiveness of micro, small and medium, enterprises
- ❖ To evaluate the economic growth of India
- ❖ To evaluate the employment opportunities created by MSMEs
- ❖ To identify and review what the government and support institutions are doing to facilitate and encourage entrepreneurship
- ❖ To analysis the performance of MSMEs
- ❖ To Provides benefit of the government schemes to the new entrepreneurs
- ❖ To evaluate these policies, programmes and assistance by the government and support agencies

Table 2: MSME Participation and Contribution to the Economy (Selected Countries)

Country Name	Structure of the MSMEs sector (% of all MSMEs)			MSMEs participation in economy	
	Micro	Small	Medium	Per 1000 People	Employment (% total)
Brazil	96.9	6.6	0.6	28.4	67.0
China	NA	NA	NA	7.3	79.0
India	95.0	4.3	-	0.4	69.9
Egypt	94.7	7.1	1.0	27.8	73.5
United Kingdom	95.4	4.9	0.8	74.8	39.6
Ghana	58.3	46.0	3.7	2.2	66.0
United States	79.8	20.7	2.5	21.0	50.9
South Africa	93.0	8.0	2.0	23.0	41.50

Source: World Bank Statistics (2018)

The World Bank (2018), however, estimated that the MSME contribution to employment generation was 69.9% in India. The China's MSME sector contributed highest 79% to its total employment and lowest is South Africa 41.50% it indicates India stood fourth place in the country's economy development.

Contribution Of Msmes Towards Economic Development Of India

Contribution of MSMEs to economic development is highly remarkable comparing to any other sector of the economy. Its role towards Investment, employment generation, export, GDP, industrial production etc in every area is highly significant. The following chart more clearly exposes its significant towards economic development.

It is clearly indicating that MSMEs sectors registered a very high growth rate. This is mainly due to its various advantages comparing to other sectors and Indian economy which is more close to MSMEs environment, like cheap local resources, local talent, high demand etc. Moreover the socio – economic policies adopted by India since the industries development & regulation Act, 1951 have laid stress more on MSMEs sectors as a vehicle to develop Indian economy. Second five-year plan also gave more emphasis on industrial development and adopt various policies for proper development of this sector. Investment and production are closely linked. More investment indicate more production or more production require more investment. Over the year investment in fixed assets by MSMEs are remarkable, which is clear from above table.

Productions of MSME sectors (in value) are going to increases over the year. In 2009-2010 production of MSME was Rs. 2,82,270 Crore where in 2018-19 were Rs.10,95,758 Crore, so increases in ten year are 288.19%. Percentage wise increase than the previous year is also remarkable. MSMEs’s contribution towards employment generation is remarkable comparing to any other sectors employment generation capacity. Average employment generated by this sector in last ten years is 466.734 lakh. Growth rate in employment generation is also mentionable for the same period. Contribution of MSMEs toward GDP is highly significant. This sector contributes 8.72% of country’s GDP in 2016-17. An average contribution in GDP by this sector in last nine year is 6.5% (2009-10 To 2016-17) and towards total industrial production it is 41.04%.

Growth And Performance of Msmes

The micro, small and medium enterprises (MSMEs) sector contribute significantly to the manufacturing output, employment and exports of the country. It is estimated that in terms of value, the sector accounts for about 45 per cent of the manufacturing output and 40 per cent of the total exports of the country. The sector is estimated to employ about 595 lakh persons in over 261 lakh enterprises throughout the country. Further, this sector has consistently registered a higher growth rate than the rest of the industrial sector. There are over 6000 products ranging from traditional to high-tech items, which are being manufactured by the MSMEs in India.

It is well known that the MSMEs provide good opportunities for both self-employment and wage employment. Recognizing the contribution and potential of the sector, the definitions and coverage of the MSE sector were broadened significantly under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 which recognized the concept of “enterprise” to include both manufacturing and services sector besides, defining the medium enterprises. For collecting and compiling the data for the MSMEs sector, the Fourth All India Census of MSMEs with reference year 2014-15, was launched during 2015-16 in the country. Fourth All India Censuses 2014-15 covered both registered and unregistered sectors.

Performance Of Msmes

The Office of the DC (MSME) provides estimates in respect of various performance parameters relating to the sector. The time series data in respect of the sector on various economic parameters is given in the following Table.

Table 3: MSMEs Performance: Units, Employment, Investments and Production

Sl. No	Year	Total Working MSMEs	Employment	Average Employment	Fixed Investment	Average Investment	Production (Current Price)	Average Production
		(Lakh numbers)	(Lakh persons)		(Rs. crore)		(Rs. crore)	
1	2009-2010	105.21	249.33	2.37	154349	1467.44	282270	2682.92
2	2010-2011	109.49	260.21	2.38	162317	1482.48	314850	2875.61
3	2011-2012	113.95	271.42	2.38	170219	1493.80	364547	3199.18
4	2012	118.59	282.57	2.38	178699	1506.86	429796	3624.22

	2013								
5	2013 2014	-	123.42	294.91	2.39	188113	1524.17	497842	4033.72
6	2014 2015	-	261.12	595.66	2.28	500758	1918.54	709398	2717.90
7	2015 2016	-	272.79	626.34	2.30	558190	2046.23	790759	2898.78
8	2016 2017	-	285.16	659.35	2.31	621753	2180.37	880805	3088.81
9	2017 2018	-	298.08	695.38	2.33	693835	2327.52	982919	3297.28
10	2018 2019	-	311.52	732.17	2.35	773487	2482.94	1095758	3517.46

Source: Annual Reports of MSMEs

It may be mentioned that data with respect to MSMEs have been collected/compiled for the first time in 2014-15 and hence include both the manufacturing and service sectors. Till the year 2013-14, data in the Table 3 refer to small scale industry only. It can be observed from Table 3 that the number of MSMEs have increased from 105.21 lakh units in 2009-10 to 311.52 lakh units in 2018-19. There has been a steady growth in investments, production and employment during 2018-19 over 2009-10. The investment and production increased from Rs. 1,54,349 crore and 2.82,270 core in 2009-10 to Rs. 7, 73,487 crore and Rs. 10, 95,758 crore in 2018 2019 respectively at current prices. There has been a steady increase of employment of MSMEs. The employment in MSMEs increased from 249.33 lakh in 2009-10 to 732.17 lakhs during 2018-2019.

Registered Msmes Sector

The size of the registered MSMEs sector is estimated to be 15.64 lakh. Of the total working enterprises, the proportion of Micro, Small and Medium enterprises were 94.94%, 4.89% and 0.17% respectively.

Based on nature of activities the major contribution of MSMEs is established in manufacturing enterprises and remaining contribution almost all same by the Services and repairing & maintenance enterprises shown in the Table given below.

Table 4: Nature of Activities

Distribution by Nature of activity	Numbers in Lakh
Manufacturing	10.49 (67.10%)
Services	2.62 (16.78%)
Repairing & Maintenance	2.52 (16.13%)
Total	15. 64 (100%)

Source: Centre for Industrial & Economic Research (CIER)

It indicates 67.10% of the enterprises in the registered MSMEs sector were engaged in manufacturing, whereas 16.78% of the enterprises were engaged in the services activities as may be seen from the table 4 given below. The remaining 16.13% of the enterprises were engaged in repairing and maintenance. About 45.23% of the enterprises were located in rural areas.

Comparison Of the Msme Sector with The Overall Industrial Sector

The MSME sector has maintained a higher rate of growth vis-à-vis the overall industrial sector as would be clear from the compound growth rates of production for both the sectors during last five years as incorporated in the Table given below.

Table 5: Compound Growth Rates of MSME Sector

Year	Growth Rate of MSME Sector (%)	Overall Industrial Sector Growth Rate (%age)
2010 - 2011	8.68	5.70
2011 - 2012	9.64	6.90
2012 - 2013	10.88	8.40
2013 - 2014	12.32	8.00
2014 - 2015	12.60	11.90
2015 - 2016	13.00	8.70
2016 - 2017	13.56	3.20
2017 -2018	NA	10.50
2018 -2019	NA	7.80

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

The data from Table 5 show the growth rates of MSME sector to that of overall industrial sector of India. 2009-10 is taken as base year. The table shows that during the year 2010-11, the MSME sector growth rate was 8.68, where as the overall industrial growth rate was only 5.70. During 2013-14, the MSME sector growth rate increased to 12.32 while the growth rate of overall industrial sector down by 0.40 i.e. to 8.00. Even after the merger of medium enterprises, the MSME sector growth rate increased to 12.60. It is significant to note that during this year the overall industrial growth rate is also considerable reaching to a maximum of 11.90 during the 9 years period i.e. from 2010-11 to 2018-19. The overall industrial growth rate reached to a ground level during 2016-17 due to recession. The above available picture denotes that the growth rates of MSMEs are always ahead of overall industrial growth of India.

Contribution Of Msmes In The Gross Domestic Product (Gdp)

MSME sector has been contributing considerably to the Gross Domestic Product of India. The facts can be seen in the following table.

Table 6: Contribution of MSMEs in GDP

Year	Contribution of MSEs (% age) of 1999- 2000 prices	
	Total Industrial production	Gross Domestic Product(GDP)
2008 -2009	39.71	6.04
2009 -2010	39.12	5.77
2010 - 2011	38.89	5.91
2011 - 2012	38.74	5.79
2012 - 2013	38.62	5.84
2013 - 2014	38.56	5.83
2014 - 2015	45.62	7.20
2015 - 2016	45.24	8.00
2016 - 2017	44.86	8.72

Source: Annual Reports of MSMEs

The above table depicts that the contribution and micro and small industries to the total industrial production of India was between 39 to 46 per cent from 2008-09 to 2016-17, contributing between 6 and about 9 per cent in the Gross Domestic Product (GDP). After the merger of medium enterprises, the MSME sector's contribution in the total industrial production increased to 45.62, 45.24 and 44.86 per cent during

the years 2014-15, 2015-16 and 2016-17 respectively. Similarly, the share in the GDP also increased to 7.20, 8.00 and 8.72 per cent respectively in these three years.

Trends And Policies of Msme in Economic Development

Micro, Small & Medium Enterprise- Development Institutes (MSME- DIs). The Scheme has been in operation since the 13th Five Year Plan. New Branch Institutes, mostly in the backward and hilly areas of the country have been sanctioned, making a total of 15 such Institutes under the Scheme.

The main activities of MSME-DIs and their Branches are as follows:

- ✓ Assistance/Consultancy to prospective and existing entrepreneurs
- ✓ Preparation of State Industrial Profiles and District Industrial Potential Surveys
- ✓ Preparation/updation of Project Profiles
- ✓ Entrepreneurship Development Programmes
- ✓ Motivational Campaigns
- ✓ Production Index
- ✓ Management Development Programmes
- ✓ Skill Development Programmes
- ✓ Energy Conservation
- ✓ Pollution Control
- ✓ Quality Control & Upgradation
- ✓ Export Promotion
- ✓ Ancillary Development
- ✓ Common Facility Workshop/Lab.
- ✓ Preparation of Directory of specific industries
- ✓ Intensive Technical Assistance
- ✓ Coordination with DICs
- ✓ Linkages with State Government functionaries
- ✓ Market Surveys

Other Action Plan activities assigned by the Headquarters In the 11th five-year plan would aim at raising the rate of growth of the industrial sector to 10 per cent and manufacturing growth to 12 per cent per annum. Continuing commitment to priority lending for MSMEs remains an essential feature of development banking. The 11th plan must ensure that the policies are sufficiently flexible to support the development of micro finance. In the 11th plan, the strategy for manufacturing proposed by the National Manufacturing Competitive Council (NMCC), which includes the following initiatives, should be operationalised

- Taxes and duties should be made non-distortionary and internationally competitive. Internally, the tax system must promote and be consistent with the unified national market, so that the Indian Industry can reap the benefit of economies of scale and scope.
- While initiatives to provide infrastructure in general are important, they should be supplemented by efforts to promote infrastructure development in local areas such as Special Economic Zones (SEZ) and Special Economic Regions. Technological modernization will be the key to high industrial growth.
- State Governments should take steps to create an investor friendly climate, providing a Single Window Clearance of applications for establishment of industrial units.
- Labour-intensive mass manufacturing based on relatively lower skill levels provides an opportunity to expand employment in the industrial sector.
- The policy of progressive de-reservation of industries for small scale, production has reduced the list of reserved industries from about 800 to 239. This policy should continue in the 11th Plan at an accelerated pace.
- Industrial licensing should be progressively eliminated. Equally important is the need to amend the Companies Act, 1956.
- The existing incentive programmes such those available for the North-East, J&K, Himachal Pradesh and Uttaranchal need to reviewed with a view to assessing their impact on industrialization in these areas. The industrial growth strategy would be incomplete if it does not recognize the critical role and the special needs of the micro, small and medium enterprises (MSMEs).

Conclusion

The micro, small and medium (MSMEs) enterprises constitute a very important segment of the Indian economy. MSME's contribution to the development of our economy is significant as it evident in terms of MSMEs being the major constituent sector in the production system, employment generation, GDP etc. MSMEs also have an aptitude for innovation, creativity, and flexibility which enabling them to respond with more quickly to structural changes and to adapt the dynamic demand patterns of consumers. It is also clear that MSMEs sector has performed exceedingly well and enabled our country to achieve a wide measure of industrial growth and versification. If government policies towards MSMEs are closer towards its various problems and prospect it can be nearer contributors with agriculture in all respect in future. To keep this growth engine on the right way and direction it is time to put emphasis on formulation of MSME friendly policies, conducive operating environment, improvement of proper infrastructure, securing peace and security, arranging proper finance, efficient manager and arranging appropriate modern technology. Considering MSMEs contribution towards every aspect of economic development it should be considered at equal recognition with agriculture.

References

1. A.Gibb, M.G. Manu,"The Design of Extension and Related Support Services for Small Scale Enterprise Development", International Small Business Journal, VIII-3 (2015).
2. Ahmad, Nisar,"Problems and management of Small scale and Cottage Industries", Deep and Deep Publications, New Delhi, 2008.
3. Banerjee, P.,"Social networks as platforms for new public-private partnerships in technical and vocational education", The Innovation Journal: The Public Sector Innovation Journal, 11(3), 2016.
4. Biswas, Pradip Kumar, Ashis Taru Deb.,"Determinants of NPAs in the Indian public sector banks: A critique of policy reforms", The ICAI Journal of Bank Management, 3(3), 2018.
5. Biswas, Pradip Kumar, Ashok Raj,"Skill formation in the indigenous institutions: Cases from India", In Parthasarathi Banerjee and Yoshihiro Sato (eds.) Skill and technological change: Society and institutions in international perspective. New Delhi: Har-Anand Publications, 2006.
6. D. North,"Institutional Change and Economic History", Journal of Institutional and Theoretical Economics, CXLV-1 2015.
7. Jamuar, R.S,"small-scale and Cottage industry in India problems Government Policy Measures for development", Deep and Deep Publications, New Delhi, 2012.
8. Timm, S.,"How South Africa can Boost Support to Small Businesses: Lessons from Brazil and India", Trade and Industrial Policy Strategies (TIPS), 2014.

Guide and Author Biography:

Dr.C.Sengottuvel is currently an Assistant Professor at Salem Sowdeswari College (Govt. Aided), Salem, Affiliated to Periyar University Salem. He obtained Ph.D in Commerce from the Bharathiar University, Coimbatore. Previously he held in position as a Assistant Professor of Commerce and Computer Applications in Nandha Arts and Science College, Erode, affiliated to Bharathiar University, Coimbatore. He participated several national and international conferences and published many research papers in reputed international journals. His area of interest include service quality in transportation, Service quality in primary health care, Small and Medium Enterprises and Micro Finance. Now he is a life member in Indian Commerce Association.