



CHETANA
International Journal of Education
(CIJE)
Peer Reviewed/Refereed Journal
(ISSN: 2455-8729 (E) / 2231-3613 (P))

Impact Factor
SJIF 2023 - 7.286

Research Paper



Prof. A.P. Sharma
Founder Editor, CIJE
(25.12.1932 - 09.01.2019)

Received
20.02.2023

Reviewed
28.02.2023

Accepted
22.03.2023

An Analytical study on MSME in India 2015 -2022

* Manoj Kumar

Keywords: - MSME's, Innovative, Growth, Employment, inequity, subsistence Technology SME's, Start-up India etc.

Abstract

Micro, small and medium enterprises (MSMEs) have been the lifeline of the Indian economy. The sector draws significant importance in terms of employment, production, income and export. The micro, small and medium enterprise (MSME) sector is considered a pillar of India's economy due to its immense contribution to employment and income generation.

The nature of performance and efficiency of the MSMEs are needed to improve to face the competition in the market. This article analyses relative technical efficiencies of registered and unregistered MSMEs of states and union territories in India. Data envelopment analysis (DEA) technique is used to estimate the technical efficiency of the MSMEs. It is a state-wise analysis. This study shows some significant results of the performance and efficiency of MSMEs in India. 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.

The MSME sector in India continues to exhibit extraordinary edibility in the face of testing global and domestic economic circumstances. The sector has shown estimable remarkable innovations and its edibility to Survive economic changes. The signigance of MSMEs is attributes more employment generation, low rate of capital requirement and technology requirement, promotion of industrial

development in rural areas, use of traditional skill, use of local resources, mobilization of resources and exportability of products.

MSME sector is the second largest employment provider in our country and it is good vehicle to achieve inclusive and distributed growth. 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.

Startup India is a flagship initiative of the Government of India, intended to build a strong ecosystem for nurturing innovation and Startups in the country that will drive sustainable economic growth and generate large scale employment opportunities. The Government through this initiative aims to empower Startups to grow through innovation and design.

Introduction

The development of the country is not in the hands of only one sector development are else the contribution of only one sector, in the light of this the overall development of the all sectors required which contributes GDP of the country. Associated with this high growth rates, MSMEs in India are also facing a number of problems like sub-optimal scale of operation, technological obsolescence, product obsolescence, supply chain inefficiencies, increasing domestic and global competition, fund shortages, change in manufacturing strategies and turbulent and uncertain market scenario. In order to overcome all difficulties and to survive with such issues and also upheld the competition with large and global enterprises,

MSMEs require adopting innovative approaches in their overall working approach. In fact to sustain in this globalization, as soon as possible all they need to change dynamically and self-sustaining customs of innovation and cluster based approach for the development of country as well as MSMEs. Present scenario world economy has been moving as an “innovative- based Economy” with innovativeness and the knowledge are being the most important resource and learning tools are the most important process sustenance.

The present scenario of fast moving global, the knowledge and intellectual skills are critical to innovate and improve products and services, develop more efficient distribution and marketing methods and ensure customer satisfaction. In fact, the enterprises lead with the success only because of information management and application are used to improve competitiveness. An innovativeness and knowledge economy is not about build up information, but using that knowledge to convert in best fruitful way improves performance business enterprise.

The performance can be enhanced with innovation. Novelty is thus regarded as one of the most important factor in the social and economic value and its change aggressive to contribute the country development. This has become the powerful force behind expanding global commerce and to increase in living standards. It is, therefore crucial not only for developed but also developing countries including India to promote innovation, especially at the cluster level, since firms, not countries, are the ones that have to compete internationally. According to the estimates of the Ministry of MSME, Government of India, the sector generates around 100 million jobs through over 46 million units situated throughout the geographical expanse of the country.

Recognizing the contribution and potential of the sector, the definitions and coverage of the Small Scale Industry (SSI) 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.

The MSMEs sector has emerged as a dynamic and vibrant sector of the economy. The Indian economy is expected to grow by over 8 percent per annum until 2020 and can become the second largest in the world,

ahead of the United States, by 2050, and the third largest after China and the United States by 2032. In this the context it is very important to examine the role of MSMEs for economic growth of India.

MSMEs are mainly engaged in the development, manufacturing, processing or storage of goods and commodities. They are classified based on investment and turnover, as per the following criteria.

Classification of Micro, Small and Medium enterprises in the manufacturing & Service Sector

Enterprises	Micro	Small	Medium	Remarks
Manufacturing Sector	investment < Rs. 1 crore (US\$ 0.31 million)	Investment < Rs. 10 crore (US\$ 3.1 million)	Investment < Rs. 50 crore (US\$ 6.8 million)	Investment in plant & machinery
Service Sector	& Turnover < Rs. 5 crore (US\$ 0.6 million)	& Turnover < Rs. 50 crore (US\$ 6.8 million)	& Turnover < Rs. 250 crore (US\$ 34 million)	Investment in equipment

Source: Ministry of Micro, Small and Medium Enterprises

Objectives

- To study trends in sustainable growth rates of micro small medium enterprises.
- To study the contribution of manufacturing output of MSME in GDP.
- To review the genesis of MSMEs
- To analyze the performance of MSMEs in the country

Scope of the study

Present paper concentrate only on innovative present status in India, innovation barriers and types of innovations without any analysis.

Salient Features of SME Sectors

- Personal Knowledge
- Personal firsthand information
- Instant decision making
- No notes, no papers, no consultation
- Gut feeling
- 3 Personal firsthand information
- 4 No time clock for work (0 HRS to 24 HRS)
- 5 Often times –more often than not – everyone in the family is a contributor to business
- 6 Negligible labour problems: interpersonal relationship between the owners and the employees is intimate

Start-Up India Scheme

Action Plan in Detail 20% 57% 23% Importance of SMEs in development of Country helps reshaping the productive sectors generates employment creating an environment for entrepreneurship

- E- Registration will be done. The application forms for startup India will be made available in

April 2016

- A self-certification system will be launched
- A dedicated web portal and mobile app will be developed
- Arrangement of self-certificate based compliance
- No inspection during the first 3 years
- 80 percent reduction in the application fee of startup patent
- Easy exit policy
- Inclusion of Credit Guarantee Fund
- Relaxation in Income Tax for first three year
- Special Arrangement for Female applicants

Findings and Analysis

Performance of MSME In India

- ❖ From the table, it can be seen that the contribution of Manufacturing MSMEs in the country's total Manufacturing GVO (Gross Value of Output) at current prices has also remained consistent at about 33%, i.e. one third during the last eight years.

Contribution of Manufacturing Output of MSME in GDP

(Figures in Rs. Crores adjusted for FISIM* at current prices)						
Year	MSME GVA	Growth (%)	Total GVA	Share of MSME in GVA (%)	Total GDP	Share of MSME in GDP (in %)
2011-12	2583263	-	8106946	31.86	8736329	29.57
2012-13	2977623	15.27	9202692	32.36	9944013	29.94
2013-14	3343009	12.27	10363153	32.26	11233522	29.76

2014-15	3658196	9.43	11504279	31.80	12467959	29.34
2015-16	4059660	10.97	12574499	32.28	13771874	29.48
2016-17	4502129	10.90	13965200	32.24	15391669	29.25
2017-18	5086493	12.98	15513122	32.79	17098304	29.75
2018-19	5741765	12.88	17139962	33.50	18971237	30.27

Source: Central Statistics Office (CSO), Ministry of Statistics & Programme Implementation

- ❖ The sector's contribution to employment is another performance metric. MSME has significantly aided in the growth of employment prospects. The same is highlighted in exhibit 2 highlights the same:

Performance of SSI / MSME: Employment, Investments

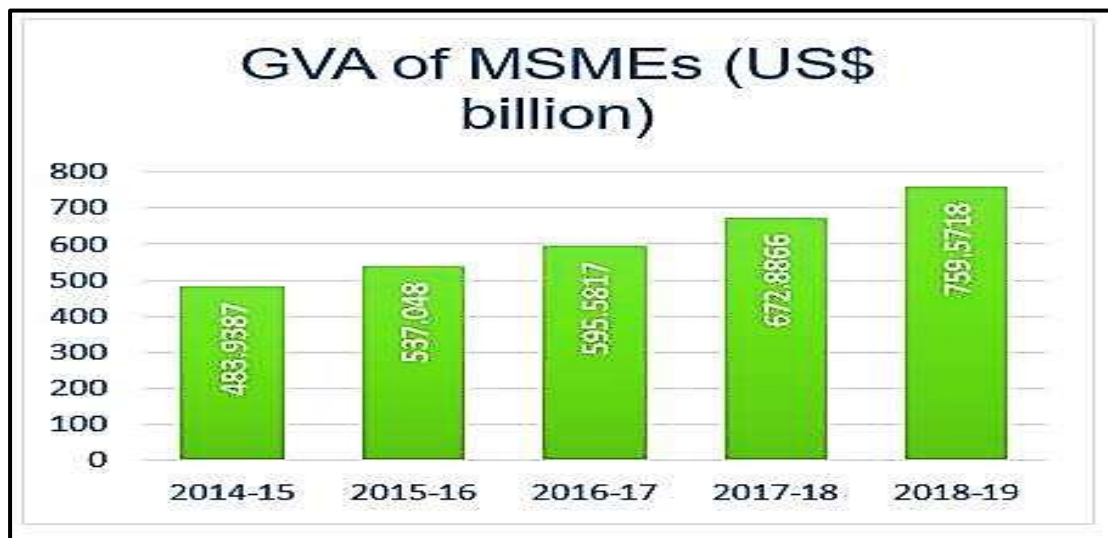
S.No	Year	Number of Total MSMEs (in lakhs)	Fixed Investment (Rs.Crores)	Employment (Lakh Persons)	Average investment	Average Employment
1.	2005-06	123.42	188113	294.91	1524.17	2.39
2.	2006-07	261.01	500758	805.23	1918.54	3.09
3.	2007-08	272.79	558190	626.34	2046.23	2.30
4.	2008-09	285.16	621753	659.35	2180.37	2.31
5.	2009-10	298.1	693835	695.38	2327.52	2.33
6.	2010-11	428.73	1105934	965.15	2579.56	2.25
7.	2011-12	447.64	1182757	1011.69	2642.21	2.26
8.	2012-13	467.54	1268763	1061.4	2713.70	2.27
9.	2013-14	488.46	1363700	1142.29	2791.84	2.34
10.	2014-15	510.57	1471912	1171.32	2882.88	2.29

Source: Annual Report of Msme 2015-16

- ❖ MSMEs' contribution to Indian economy:

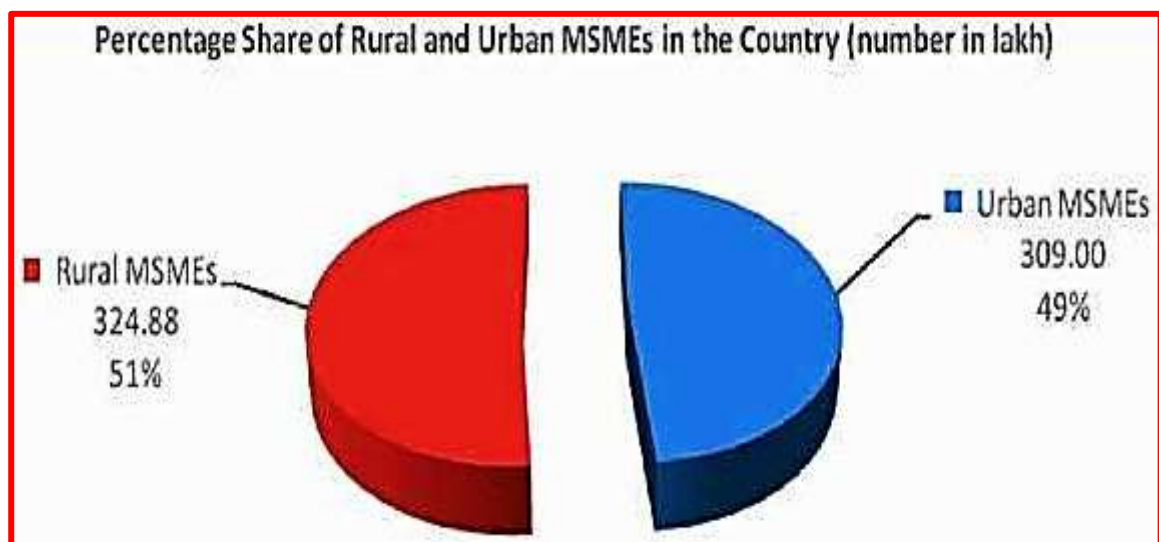
The MSME sector in India gave a major boost to the economy. Over 63 million MSMEs spread across the country contributed 30.5% to India's GDP in FY19 and 30% in FY20. It also created many employment opportunities. Based on a study conducted by the Ministry of Statistics & PI between July 2015 and June 2016, the MSME sector employed 111 million

workers. Compared with large-scale companies, MSMEs aided in the industrialization of rural areas at minimal capital cost. The sector has made significant contributions to the country's socio-economic growth and complemented major industries as well. MSMEs account for approximately 40% of India's total exports, 6.11% of GDP from the manufacturing sector and 24.63% of GDP from the services sector.



Source: Ministry of Micro, Small and Medium Enterprises – Annual Report

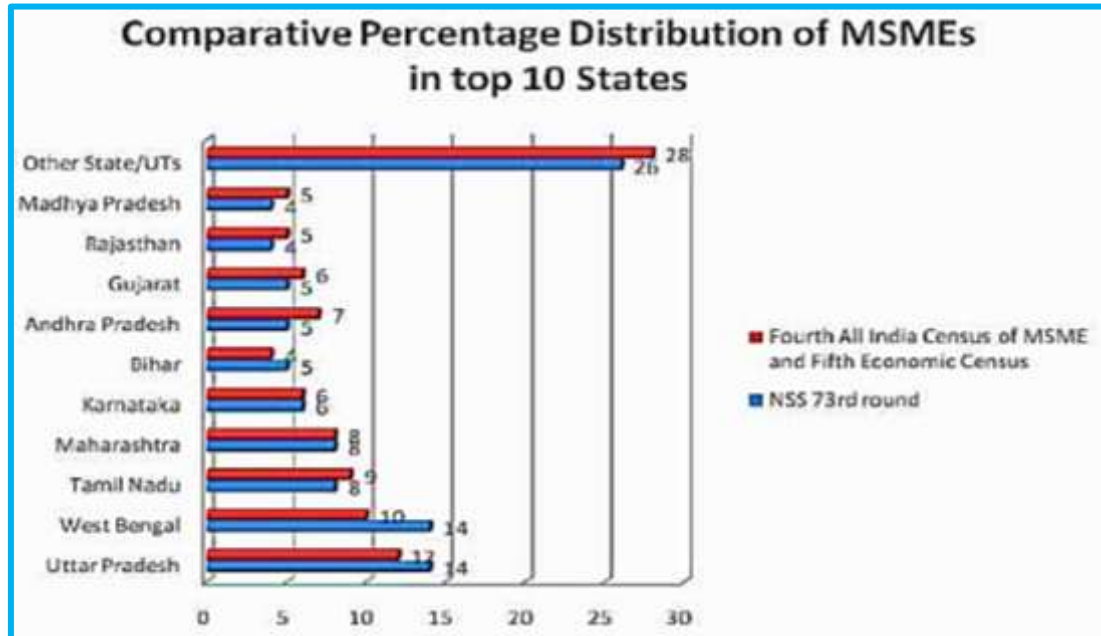
- ❖ Out of 633.88 estimated number of MSMEs, 324.88 lakh MSMEs (51.25%) are in rural area and 309 lakh MSMEs (48.75%) are in the urban areas.



Percentage share of rural and urban MSMEs in the country (No. in lakh)

Source: Annual Report of MSME, Government of India, 2020-21

- ❖ Statement shows the comparative distribution of MSMEs in the top 10 States in percentage .Distribution of Udayam Registrations across all Major States as on 31st December, 2021

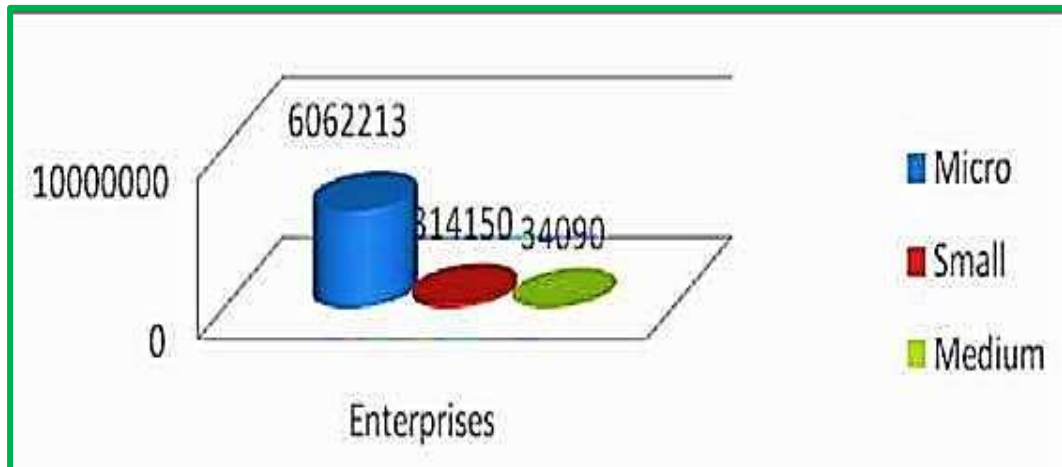


Comparative Percentage Distribution of MSMEs

Source: Annual Report of MSME, Government of India, 2020-21

- ❖ The distribution of Udayam Registration by Micro, Small, and Medium enterprises as on 31 Dec 2021. As can be seen, Micro MSMEs constitute the vast majority of the enterprises followed by the Small Enterprises and the Medium Enterprises of the total Udayam Registration.

Distribution of Micro, Small & Medium Enterprises as per Udayam Registrations as on 31 December, 2021



Source: Annual Report of MSME, Government of India, 2020-21

❖ MSME-SAMBANDH:

Ministry of MSME had launched “MSME-SAMBANDH Portal” on 8th December, 2017. The portal helps in monitoring the procurement by Central Government Ministries, Departments and Central Public Sector Enterprises (CPSEs) and also enables them to share the list of required products/services from MSEs. The portal features, inter alia, the following:

- Total procurement of CPSEs;
- Monthly update of procurement by CPSEs from MSEs;
- Monthly update of procurement by CPSEs from MSEs owned by SC/ST and women;
- Reports for monitoring by heads of Ministries, Departments and CPSEs; and
- Items purchase by CPSEs.

Up to 31st March, 2021, 153 CPSEs had uploaded details for 2020-21. These CPSEs have reported procurement of Rs.1, 44,514.40 crore. The share of purchases from all MSEs amounts to Rs. 40,738.16 crore (1, 76,031 MSEs benefited), which is 28.19% of the total procurement. The amount of purchases from SC/ST owned MSEs amounts to Rs. 756.99 crore (6,832 MSEs benefited) and the amount of purchases from Women owned MSEs amounts to Rs. 718.82 crore (4,969 MSEs benefited). As on 31 December, 2021, a total of 109 CPSEs have uploaded details for 2021- 2022. These CPSEs have reported procurement of Rs.76, 886.15 crore. The share of purchases from all MSEs amounts to Rs. 24,497.98 crore (1,17,984 MSEs benefited) which is 31.86% of the total procurement. The amount of purchases from SC/ST owned MSEs amounts to Rs.572.09 crore (4,649 MSEs benefited) and

the amount of purchases from Women owned MSEs amounts to Rs.582.31 crore (4,389 MSEs benefited)

Prospects of MSME sector in India:

The MSME sector produce huge employment in the country, the sector employ around 73 million people in further than 31 million unites. The micro small and medium enterprises sector is crucial pillar of Indian frugality and proved net worth donation in the Indian frugality the sector also reduces the profitable indigenous difference. The MSME sector contributes around 40 per cent of India's exports.

Government enterprise and colorful schemes for MSME sector-

1. Capital subvention schemes
2. Cluster development programme
3. National equity fund scheme
4. Laghu Udhami Credit Card Scheme
5. Credit guarantee fund scheme (Lama, 2013)

Issues and Challenges

Despite playing a crucial role and being strategically significant for the nation's industrial advance -ment and economic expansion, the MSME sector faces a number of obstacles. Numerous important issues need to be resolved. properly and actions that need to be made in the interest of long-term industrial growth.

Some important challenges have been recognised by the Committee on Financial Architecture of MSME Sector in their report submitted in. Among them are:

- The underutilization of equity as a source of funding and the low incidence of venture capital and angel investment,
- MSMEs struggle with slow payments from customers, which negatively affects their working capital as well as their upcoming production cycle;
- MSMEs lack necessary information about the several government programmes and benefits,
- Banks and financial institutions have trouble evaluating the credit risk of MSMEs.
- Banks haven't used many of the credit guarantee and insurance programmes that are available.

Some of the major challenges confronted by these enterprises include; lack of adequate credit and capital, poor and inadequate infrastructural facilities, inadequate access and marketing linkages, technological obsolescence and inadequate application of new technology, lack of skilled human resources, dilatory and cumbersome regulatory practices for clearance and poor adaptability to emerging international trends. This calls for the need for strategic intervention to improve coordination and linkages between various stakeholders including the Government, industries and other agencies/associations working in this field.

- **Lack of Sufficient Funding and Credit:**

One of the biggest obstacles to MSMEs' growth is inadequate capital and credit facilities affect our nation. Access to funding that is quick and easy is essential for business development and expansion. This scenario has been acknowledged as a key factor in the industrial sickness of this sector by the Reserve Bank of India's Working Group on Rehabilitation of Sick MSMEs. The situation is made worse by the banks' use of complicated collaterals, lengthy approval processes, delays in payment, and exorbitant interest rates on term loans.

- **Poor and Insufficient Infrastructural Facilities:**

Limited access to essential amenities like water, power, and road/rail connectivity are indicative of infrastructure deficiencies and poor support facilities. etc. have a negative impact on this industry and raise their operating costs by making MSMEs less competitive in difficult market conditions.

- **Insufficient Access and Marketing Linkages:**

Promoting and selling MSME products continues to be more difficult due to poor marketing connections, which are characterised by insufficient government backing and patronage. In a non-cluster scenario, these businesses become separated, unable to guarantee a decrease in the cost of purchasing from large companies, and unable to streamline the output-supply chain.

- **Absence of Trained Human Resources:**

Another major problem is the lack of improved managerial and entrepreneurial competence nearby the locations of businesses. difficulty for our nation's MSMEs. The expansion of businesses is hampered by a lack of managerial ability, inadequate training in capital management and resource planning, etc.

- **Lack of access to new technology:**

Most companies today need to use modern technology in their operations, yet in India, low technology is still being used. Base causes these businesses to be uncompetitive in the ever-expanding market situations, which lowers productivity. New technology should be implemented for an overall transformation and competitive edge, in addition to improving productivity and quality.

- **Difficult and time-consuming regulatory clearances:**

Related to the approval and disbursement of loans from commercial banks, collateral securities and guarantees, For many MSMEs, getting building licenses, dealing with insolvency, and paying taxes, among other things, continue to be obstacles. The development of these businesses is hampered by the lack of a unified regulatory agency and limited start-up support. Another such restriction that has to be addressed is banks' noncompliance with RBI standards on the rebirth or rehabilitation of distressed firms.

Enterprise Taken in Marketing:

Marketing is an important factor for the growth of MSMEs. Big enterprises have enough coffers for marketing of their products, but MSMEs need support of institutions to have command on these coffers. The need of hour is to give support to MSMEs by converting challenges into openings. To achieve this objective colorful conditioning are conducted similar as

- Theme based exhibitions are organised to provide marketing opportunities to MSMEs within the country. This helps MSMEs to enhance various marketing avenues by capturing new markets.
- Various technology exhibitions are organised by NSIC with a view to provide broader exposure to Indian MSMEs to support them in exploring new business opportunities. Participation in such exhibitions helps MSMEs in exposure to international practices and their business prowess.
- Buyers and merchandisers meet are organised to bring government departments and MSMEs at one place. It helps MSMEs to know the demand of the bulk manufacturers.
- Ferocious juggernauts and selling creation events are organised to circulate the information about colorful schemes and rearmost knowledge of

the streamlined technology to ameliorate the marketing eventuality of products and services.

Various Other Policy Initiatives Taken by Government for MSME:

The Government in the year 2023 has taken a number of recent initiatives to support MSMEs in the country, which inter alia include:

- Rs. 5 lakh crore Collateral Free Automatic Loans for business, including MSMEs.
- Rs. 50,000 crore equity infusion through MSME Self-Reliant India Fund.
- New revised criteria for classification of MSMEs.
- No global tenders for procurement up to Rs. 200 crores.
- “Udyam Registration” for MSMEs, for Ease of Doing Business.
- Launching of an online Portal “Champions” in June, 2020 to cover many aspects of e-governance including grievance redress and handholding of MSMEs.
- Inclusion of Retail and Wholesale trades as MSMEs w.e.f. 02nd July, 2021.
- Non-tax benefits extended for 3 years in case of an upward change in status of MSMEs.

Conclusion:

Performance, contributions and growth of the MSMEs is critical to our nation's economic growth employing nearly eight crores people, MSMEs are the vehicle for inclusive growth and an incubator for entrepreneurs. An enabling business environment with strong focus on leveraging technology can help unleash the true potential of the sector India needs a focused policy impetus to improve the competitiveness of MSMEs and incentivize exports to broad base and actualize the benets especially National program: Make in India and its initiative.

Lack of the current technological skills, need-based research programs, non-availability of skilled manpower, low ICT literacy, etc. are few of the causes of technological backwardness of MSME sector. Human resources are not effectively trained with efficient and professional skills related to manufacturing, production, finance, accounting, marketing etc. There is a lack of motivation and presence of high employee attrition.

Low-cost innovative methods should be promoted to improve the quality and competitiveness of production and service rendering. Availability of supportive infrastructure should be made more accessible. The export potential of MSMEs should be

improved by providing training to entrepreneurs regarding export procedures, export documentation, market research, negotiation with buyers, foreign standards, foreign demand patterns.

References:

- Report on Vision 2020 – Implications for MSMEs, Grant Thornton and FICCI, 2011, 31-44.
Retrieved from: <http://www.ficci.com/document/20143/Grant-ThorntonFICCI%20MSME.pdf>
- Das P. Micro, Small and Medium Enterprises (MSME) in India: Opportunities, Issues and Challenges. Great Lakes Herald. 2017; 11(1):77-86.
<https://www.greatlakes.edu.in/herald/pdfs/march2017/article-5.pdf>.
- Garge S, Agarwal P. Micro, Small and Medium Enterprises in India: A Review of Growth and Challenges in the Present Scenario. International Journal of Applied Business and Economic Research. 2017; 15(4):569-580.
<http://www.serialsjournals.com/serialjournalmanager/pdf/1491461626.pdf>
- Kumar A, Shaik M, Ramesh K, Babu G. Performance of MSME sector in India. International Journal of Economic and Management Studies. 2017; 4(3):11-14.
- Shivalingappa G Vibhuti and Gururaj S Barki(2016). "Role of Micro Small and Medium Enterprises (MSMEs) in Indian Economy." PARIPEX-Indian Journal of Research 5.6 (2016).
- Sen, K., Salim, S. (2016). Micro, Small and Medium Enterprises in West Bengal-An Inter-District Analysis .5, Issue 2, (February)
- Ravin Kadian and Aarti Chahal(2015)- Make India Innovative And Competitive: Role Of MSMEs. International Journal of Research in Social Sciences and Humanities. Vol. No. 5, Issue No. III, Jul-Sep 2015.
- Vasu M.S. Growth and Development of MSME in India: Prospects and Problems, Indian Journal of
- Applied Research, vol-4, Issue-5, May 2014, pg.415-424.
- Garg, Ishu. And Walia, Suraj. (2012), "Micro, Small & Medium Enterprises (MSMEs) In Post Reform India: Status & Performance", International Journal of Latest Trends in Engineering and Technology (IJLTET) Vol. 1, Issue 3 September 2012

- Singh, R., Verma, O.P., and Anjum, B. (2012), "Small Scale Industry: An Engine of Growth", Zenith International Journal of Business Economics & Management Research, Vol.2 Issue
- Online available at <http://www.zenithresearch.org.in> Singh et al. (2012) 5. Bargal, H., Dashmishra, M., and Sharma, A. (2009), "Performance Analysis of Small Scale Industries – A Study of Pre-liberalization and Post-liberalization period", International Journal of Business and Management, Vol 1, No 2. Rajesh K. Singh, Suresh K. Garg, S.G. Deshmukh, (2008) "Strategy development by SMEs for competitiveness: a review", Benchmarking: An International Journal, Vol. 15 ISSN: 5, pp.525 – 547.
- <http://www.dcsmse.gov.in/publications/EMII-2014-15.pdf>
- <http://www.dcsmse.gov.in/sido/policypkg.htm>
- Annual Report 2018-19, Ministry of Micro, small, and medium Enterprises.
<http://msme.gov.in>
- www.msmeindia.com
- www.google.com 10. [www.money control.co](http://www.moneycontrol.co)
- www.msme.gov.in
- www.dcsmse.gov.in

