



PRESENT SCENARIO OF MICRO, SMALL AND MEDIUM ENTERPRISE IN INDIA

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Abstract—

Micro, Middle (little) and Medium Enterprises play a central role in the economic and social development of the country. It is also playing a key role in the development of the economy and Socialistic with its dominant, efficient, flexible and innovative entrepreneurial spirit. MSMEs contribute around 45% in the industrial output, 40% of exports, employing 60 million people; create 1.3 million jobs every year for the unemployed people. It produces more than 8,000 to 9000 quality products for the Indian and international markets. Its contribution towards GDP in 2011 was 17% which increased to 22% in 2012. This paper analyses the various challenges and opportunities associated with MSMEs in India.

Keywords— Economic Growth, GDP, MSMEs, Enterprises, performance.

1. INTRODUCTION

HE Micro, Small and Medium Enterprises (MSMEs) play a central role in the economic and social development of India. The MSME sector contributes in the manufacturing output, employment and exports. It is playing a key role in the development of the economy with their dominant, efficient, flexible and innovative entrepreneurial spirit. MSME sector has emerged as a dynamic and vibrant sector of the economy. It is expected that Indian economy will grow by over 8% per annum until 2020. The major advantage of this sector is its generating employment at low cost. The MSME sector is highly heterogeneous. There are different size of the enterprises, variety of products and services



and level of technology. It helps in the industrialization of rural and backward areas. It reduces regional imbalances. It provides equitable distribution of national income and wealth.

Highlights of the MSME sector

- MSMEs contribute about 40% of India's total exports.
- MSMEs contribute about 45% of India's manufacturing output.
- This sector has given employment to 73 million people.
- MSME manufactures more than 6,000 products.
- MSMEs are the backbone of the GDP in India. Their contribution to GDP is 8%.

Definition of MSME

MSME are the engines of growth of any country's economy. In accordance with the provision of Micro, Small and Medium Enterprises Development Act 2006 the micro, small and medium enterprises are classified into two classes.

• Manufacturing Enterprises

The Enterprises engaged in the manufacturing or production of goods pertaining to any industry specified in the first schedule to the industries (Development and Regulation Act 1951) the manufacturing enterprises are defined in the terms of investment in plant and machinery.

• Enterprises	• Investment in plant & machinery
• Micro	• Less than Rs 25 lakhs
• Small	• Over Rs 25 lakhs but not exceeding Rs 5 Crores
• Medium	• Over 5 Crores but less than Rs 10 Crores

• Service Enterprises

The enterprises engaged in providing or rendering of services and are defined in the terms of investment in equipment. The limit of investment in plant and machinery/equipment for manufacturing/ Service Enterprises as notified.

Enterprises	Investment in plant & machinery
Micro	Less than Rs 10 lakhs
Small	Over Rs 10 lakhs but not exceeding Rs 2 Crores
Medium	Over 2 Crores but less than Rs 5 Crores

Leading Industries: MSME Sector



Figure no.1 Leading Industries of Micro, Small and Medium Enterprise

Source: Annual Report 2014-15 Govt. of India, Ministry of Micro, Small and Medium Enterprises

Contribution to economy

MSMEs are the backbone of the Indian economy. They contribute in GDP and GNP of India. It acts as a breeding ground for entrepreneurs to grow from small too big. MSME Sectors are increasing enormously in India. India has nearly 12 million MSMEs, which is almost 50% of industrial output and 42% of India's total export. The reasons are as follows:-

- Investment of less capital
- High contribution to domestic products
- Extensive promotion and support by Government
- Significant export earnings
- Operational flexibility

- Man power training, machinery procurement
- Capacity to develop appropriate indigenous technology.
- Technology- oriented industries

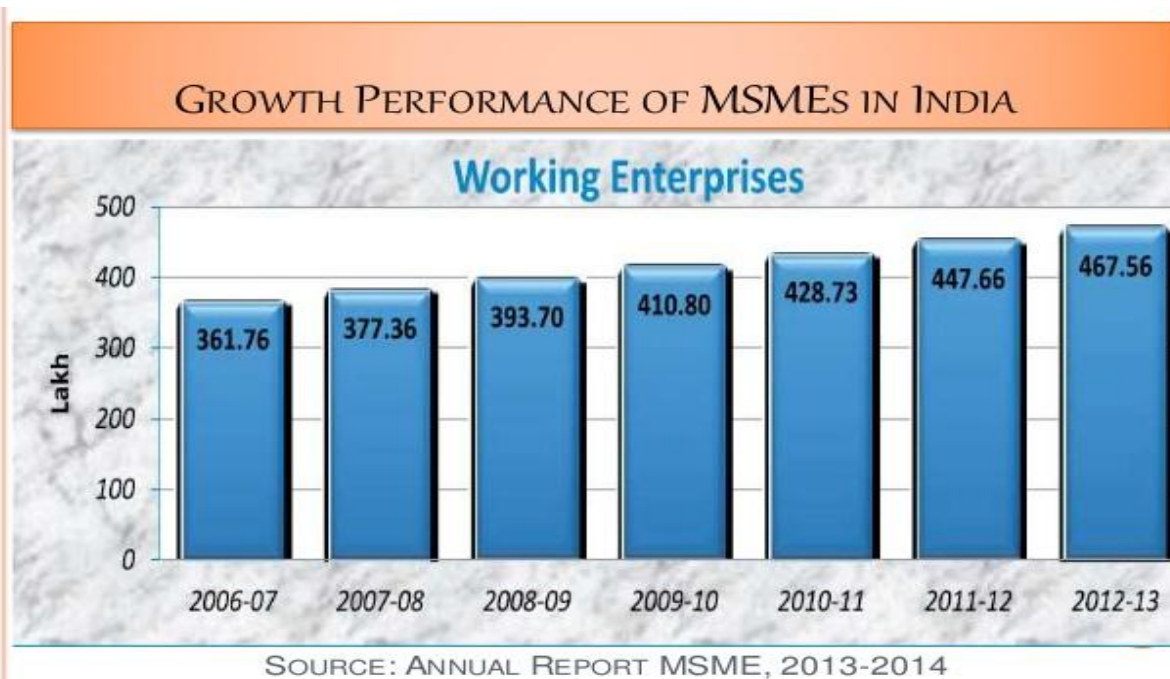


Figure no. 2 Growth Rate of Micro, Small and Medium Enterprise

Source: Annual Report 2014-15 Govt. of India, Ministry of Micro, Small and Medium Enterprises

2. Objectives of the study

- To study the need of importance of MSME
- To review the challenges to be faced by MSMEs in India
- To evaluate the opportunities in India

3. Research methodology

- The descriptive methodology has been used to collect data
- Secondary data has been collected from various published sources and websites.
- The explanation of the data is more qualitative than on quantitative terms.

4. Challenges faced by MSMEs

MSMEs are very important in the economic growth of India but this sector is not getting sufficient support from the concerned government Departments, banks, financial institutions and corporate. This proves hurdle in the growth path of the MSMEs. MSMEs face a number of problems as:

- Absence of adequate and timely resources banking finance.
- Limited capital and knowledge, non-availability of suitable technology.
- Low production capacity.
- High cost of credit.
- Ineffective marketing strategy.
- Lack of skilled man power for manufacturing, services, marketing etc.
- Lack of access to global markets.
- Constraints on modernization of expansion.
- Problems of storage, designing, packing and product display.
- Inadequate infrastructure facilities, including power, water, roads.

Employment Generated In Micro, Small & Medium Enterprises

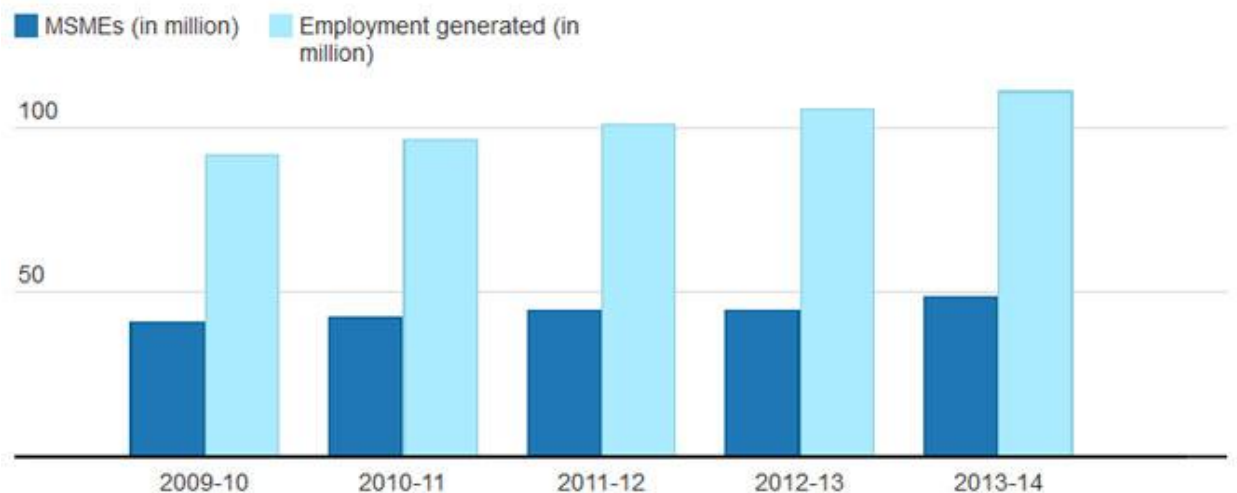


Figure No. 3 Employment rate of Micro, Small and Medium Enterprise

Source: Annual Report 2014-15 Govt. of India, Ministry of Micro, Small and Medium Enterprises

5. Opportunities in MSMEs

- Less capital intensive
- Most important employment generating sector. It provides 50% of private sector employment
- Effective tool for promotion of balanced regional development
- It is extensively promoted and supported by the Government
- Finance and subsidies are provided by the government



- Produced goods are purchased by the Government
- 40% exports in India are through MSME channel
- Procurement of machinery and raw material
- Globalization has offered new opportunities for the MSMEs
- Trade fares and exhibitions played a vital role in the economic growth of the countries

6. Conclusion

The Micro, Small and Medium Enterprise (MSMEs) are an important sector and plays a critical role in the Indian economy. MSMEs will continue to play a very important and vital role in our economy where the twin problems of unemployment and poverty constitute a major development challenge. There are several challenges in the sector of MSMEs. If the Government, Bank and Financial Institutions will take proper initiatives in the sector of MSME and they will take pride while servicing the MSMEs, these challenges can be solved and the economic growth rate of India will be 8- 10% for the next decades.

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