



Performance Micro, Small and Medium Enterprises in India

Garika Umamaheswari Lecturer in Commerce, S.M.B.T.A.V & S.N. Degree College,
Veeravasaram-534245, AP

P.Y.Krupavaram, Lecturer in English, S.V.K.P & Dr.K.S.Raju Arts and Science
College, Penukonda, W.G.Dt, AP

Introduction

Small and medium enterprises are the backbone of industrial development. It is very important for both developed and developing country. Small and medium enterprises always represented the model of economic development, which emphasized high contribution to domestic production, significant export earnings, low investment requirements, employment generation, effective contribution to foreign exchange earning of the nation with low import-intensive operations. The contribution of small scale industries (SSIs) has been remarkable in the industrial development of the country. Small and Medium Enterprises play a vital role for the growth of Indian economy by contributing 45% of the industrial output, 40% of exports, 42 million in employment, create one million jobs every year and produces more than 8000 quality products for the Indian and international markets. As a result, MSMEs are today exposed to greater opportunities for expansion and diversification across the sectors.

The Indian market is growing rapidly and Indian industry is making remarkable progress in various Industries like Manufacturing, Precision Engineering, Food Processing, Pharmaceuticals, Textile & Garments, Retail, IT, Agro and Service sectors. SMEs are finding increasing

opportunities to enhance their business activities in core sectors. Overall, the small industry sector has done quite well and has enabled the country to achieve considerable industrial growth and diversification. Small scale industries are less capital intensive and suit the Indian economic environment with scarce resources and large population base. In addition, it is highly and has a scope for labor intensive for building upon the traditional skill and knowledge. Small scale industries have remained high on the agenda of all political parties, intelligentsia and policy makers since independence as a legacy of Gandhian philosophy.

Micro, Small and Medium Enterprises (MSME) 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 this sector contributes enormously to the socio-economic development of the country.

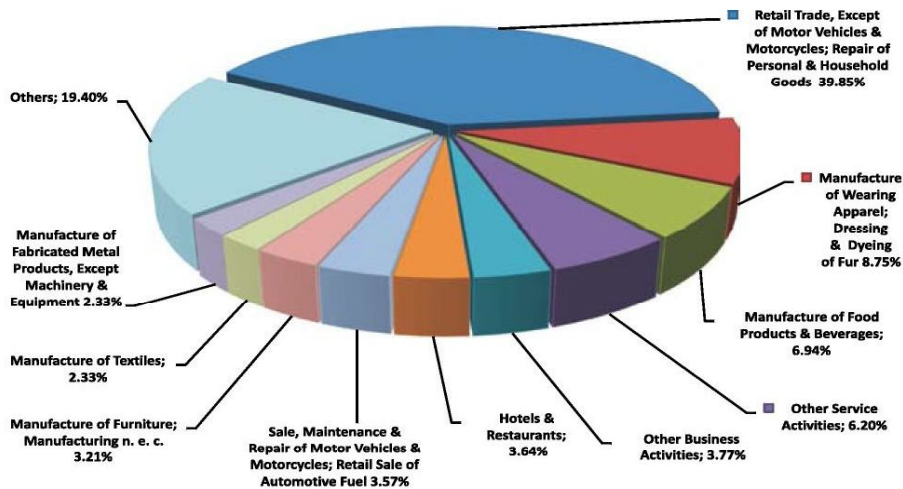


Major leading industries of MSME Sector: In spite of their limitations, the SMEs have made a significant contribution towards technological development and exports. They are established in almost all-major sectors, Electronics, Plastics products, Software, etc.

sectors in the Indian industry such as: Food Processing, Textiles and Garments, Agricultural Inputs, Leather and leather goods, Chemicals & Pharmaceuticals, Bio-engineering, Engineering, Electricals, Sports goods

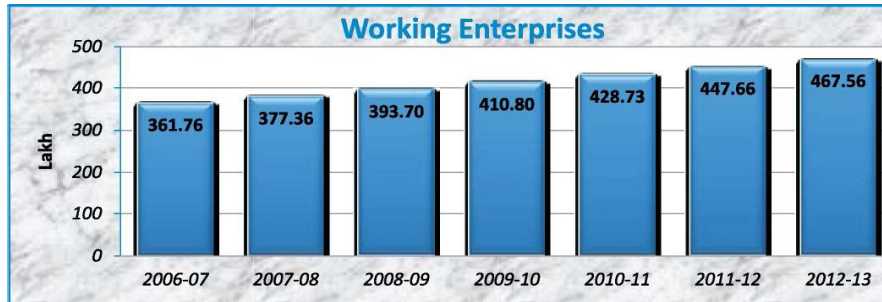
Electro-medical equipment, Computer

Leading Industries: MSME Sector



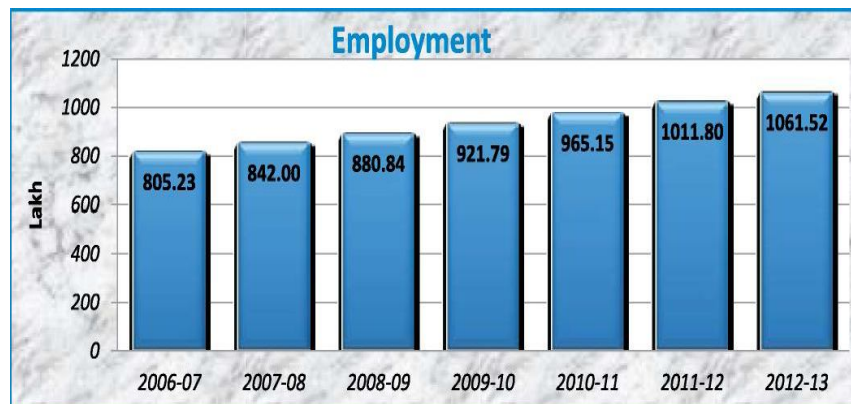
Number of working enterprises

The average growths of Micro, Small and Medium enterprises are 191976, 24765 and 1358 respectively with overall average growth rate of 10.14%. The maximum growth was witnessed by medium scale enterprises i.e. 43.03%. At the year ending 2011-12, there were 242606 micro enterprises with annual growth rate of 9.23%.





Sl. No.	Year	Total Working Enterprises (in Lakh)	Employment (in Lakh)	Market Value of Fixed Assets (Rs. in Crore)
I	II	III	IV	V
1.	2001-02	105.21	249.33	154,349.00
2.	2002-03	109.49	260.21	162,317.00
3.	2003-04	113.95	271.42	170,219.00
4.	2004-05	118.59	282.57	178,699.00
5.	2005-06	123.42	294.91	188,113.00
6.	2006-07	361.76	805.23	868,543.79
7.	2007-08 [#]	377.36	842.00	920,459.84
8.	2008-09 [#]	393.70	880.84	977,114.72
9.	2009-10 [#]	410.80	921.79	1,038,546.08
10.	2010-11 [#]	428.73	965.15	1,105,934.09
11.	2011-12 [#]	447.66	1,011.80	1,183,332.00
12.	2012-13 [#]	467.56	1,061.52	1,269,338.02



Fixed Investment in MSME Sector :





Contribution of MSME (Manufacturing Sector) in the Gross Domestic Product (GDP)

Based on the results of Third and Fourth All India Census of Small Scale Industries/ Micro, Small & Medium Enterprises, an attempt has been made to estimate the share of MSME Sector in manufacturing output and GDP revising the existing ratio-based estimation procedure adopted by the Planning Commission in the year 1992. The

methodology was finalized in consultation with the Central Statistics Office, Ministry of Statistics & Programme Implementation. The estimated value of manufacturing output of MSME Sector and its share in total manufacturing output & GDP are as noted below: It is well known that the MSMEs provide the maximum opportunities for both self-employment and jobs after agriculture sector.

Contribution of Manufacturing Output of MSME in GDP

Year	Gross Value of Output Year (Rs. in Crore)	Percentage Share of MSME	
		Total Manufacturing Output	Gross Domestic Product (GDP)
2007-08	1322960.41	41.98	7.81
2008-09	1375698.60	40.79	7.52
2009-10	1488390.23	39.63	7.49
2010-11	1655580.60	38.48	7.42
2011-12	1790804.67	37.52	7.28

Conclusion

Small and Medium Enterprises (SMEs) contribute to economic development in various ways such as creating employment opportunities for rural and urban population, providing goods & services at affordable costs by offering innovative solutions and sustainable development to the economy as a whole. SMEs in India face a number of problems - absence of adequate and timely banking finance, non-availability of suitable technology, ineffective marketing due to limited resources and non-availability of skilled manpower. The Micro, Small and Medium Enterprises (MSME) sector contributes significantly to manufacturing output, employment and exports of the country. It is estimated that in terms of value, the

sector accounts for about 45 % of the manufacturing output and 40% of total exports of the country. To make this sector to become more vibrant and significant player in development of the Indian economy the Government of India has taken various initiatives. The definition and coverage of the MSME sector was broadened MSME Development Act 2006 which recognized concept of 'enterprise' to include both manufacturing and service sector besides defining medium enterprises setting up a Board for developing policy frameworks and indicating procurement policy

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