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GROWTH AND PERFORMANCE OF MSMEs IN INDIA

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ABSTRACT

Industrialization represents a progressive initiative that fosters social and economic transformation by shifting human society from a pre-industrial to an industrial era. It plays a crucial role in economic development, serving as a fundamental factor that influences a country's growth prospects. The significance of industrialization lies in its ability to generate employment opportunities, promote balanced regional development, enhance living standards, and contribute to poverty alleviation, among other benefits. In this regard, the MSME sector functions as a catalyst for entrepreneurship and self-employment opportunities, as well as a mechanism for poverty reduction. Consequently, this study aims to examine the growth and performance of Micro, Small, and Medium Enterprises (MSMEs) in India. The primary objective of the research is to assess the current status, growth, and development of MSMEs, while also discussing government initiatives and measures aimed at their advancement in India. The study relies solely on secondary data, which encompasses various reference materials, including books, journals, research papers, seminar proceedings, articles, and government publications, as well as annual reports. This research seeks to evaluate the correlation between the total number of working enterprises and employment, as well as the relationship between the gross values of MSMEs and their total contribution to the Gross Domestic Product. To test the hypothesis, the correlation coefficient is employed, and Excel calculations are utilized for analysis.

KEY WORDS: *Industrialization, pre-industrial, entrepreneurship, MSMEs*

INTRODUCTION

Agriculture serves as the foundation of our nation and is one of the oldest professions in the world. In an agricultural economy, industries provide numerous advantages to national development through job creation, enhancement of national and per capita income, optimal use of available resources, and economic stability, among others. The Micro, Small and Medium Enterprises (MSMEs) play a crucial role in the economic development, particularly in generating employment opportunities. Following the implementation of the new Economic Policy in 1991, which introduced new measures and economic reforms by liberalizing restrictions, licensing for private enterprises, and globalizing the national economy, India has achieved accelerated economic growth. The introduction of economic reforms in India post-1991 has had a progressive impact on various sectors of the economy, particularly in banking, capital markets, the service sector, and notably in industrial development. Therefore, the current study aims to highlight the ongoing progress, growth, and performance of MSMEs in India. MSMEs are essential to the economy, functioning as a driving force for economic growth. They have been recognized as engines of economic development. The MSME sector significantly contributes to socio-economic development, primarily through the creation of employment opportunities, which is its foremost benefit. MSMEs serve as a breeding ground for entrepreneurship, often fueled by individual creativity and innovation (Srinivas K T 2013). In least developed countries, MSMEs play a vital role due to their potential to enhance income distribution, create jobs, reduce poverty, foster industrial development, promote rural development, and stimulate export growth (Tulus Tambunan 2006). In India, MSMEs have shown remarkable strength and resilience, maintaining a steady rate of growth and job creation even during the global recession (Parthjeet Das 2017). Thus, this paper addresses the growth and performance of MSMEs. (Prasad.L, 1983) He asserted that Small Scale Industries (SSI) are crucial for a nation's economic development. When these enterprises are effectively nurtured, they can address the issues of widespread unemployment and enhance the income and living standards of low-income individuals, thereby contributing to the reduction of regional development disparities.

REVIEW OF LITERATURE

(M.R.Narayana, 2004) The conducted study indicates that poor quality, inadequate transport facilities, insufficient power and water supply, lack of market information, limited credit availability, and low technology significantly impede the competitiveness of SSI.

(Sudan.F.K, 2005) He outlined the challenges faced in the development of Micro, Small, and Medium Enterprises (MSMEs) and the associated policy issues by posing various questions regarding MSMEs. The study clarified the definition, benefits, challenges, and policy alternatives for the MSME sector. It concluded that all policies implemented by the Government of India were aimed at establishing a dynamic MSME sector.

(Harpreet Singh and Manish Bansal, 2013)
They investigated both the challenges and opportunities concerning the industry's response to seasonal variations in productivity and profitability within the food processing sector. They concluded that the industry is hindered by inadequate marketing strategies, seasonal fluctuations, and product performance.

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(Prof. M. Chandriah and R. Vani, 2014) The MSME sector has encountered significant challenges, including the insufficient availability of timely and adequate credit, high credit costs, collateral demands, limited access to equity capital, and low levels of technology, among other factors.

(Sudhansu Sekharnanda, 2016) MSMEs play a crucial role in economic development by providing goods and services at reasonable prices, offering innovative solutions, and contributing to the sustainable growth of the economy as a whole.

(Chaitra S. Hiremath and Dr. A. L. Malliga, 2016) Research indicates that while the overall performance and growth of MSMEs are commendable, it is important to acknowledge that many MSMEs continue to face significant deficiencies. To enhance their performance, MSMEs must identify and address these challenges.

(Shibakalyan, 2016) MSMEs can support entrepreneurs by providing assistance with raw materials and offering low-interest rates through MSME funds. However, the most significant challenge lies in the market, where competition and reliable manpower support are essential and play a critical role in today's environment.

OBJECTIVES OF THE STUDY

- To examine the expansion of Micro, Small, and Medium Enterprises in India.
- To evaluate the contribution of MSMEs to employment and economic development.

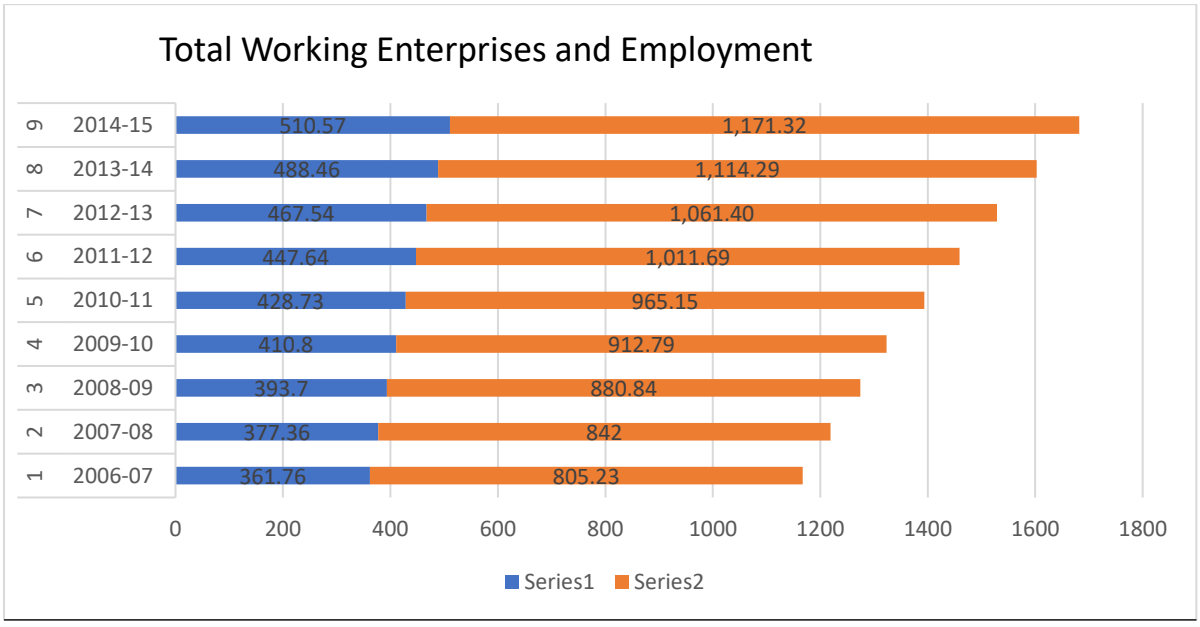
CONCEPTUAL FRAMEWORK

The Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vigorous and dynamic component of the Indian economy. It serves as a breeding ground for fostering creative, innovative, and self-employed entrepreneurial personalities. The MSME sector plays a crucial role in alleviating poverty by generating employment opportunities in comparison to larger industries, as well as facilitating the commercialization of the innovative attributes of entrepreneurs. Furthermore, it contributes to the industrialization of rural and backward areas, thereby establishing a pathway to reduce regional imbalances and ensuring a more equitable distribution of national income and wealth. The MSME sector significantly contributes to the socio-economic development of the nation.

Table 1 Total Working Enterprises (in lakh), Employment (in lakh), Gross value and GDP

Sl. No	Year	Total Working Enterprises	Employment	Gross Value of MSME manufacturing Sector (in Crore)	Total GDP Contribution by MSME
1	2006-07	361.76	805.23	1198818	35.13
2	2007-08	377.36	842	1322777	35.41
3	2008-09	393.7	880.84	1375589	36.12
4	2009-10	410.8	912.79	1488352	36.05
5	2010-11	428.73	965.15	1653622	36.69
6	2011-12	447.64	1,011.69	1788584	37.97
7	2012-13	467.54	1,061.40	1809976	37.54
8	2013-14	488.46	1,114.29		
9	2014-15	510.57	1,171.32		

Source: MSME annual report 2015-16



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The data from 2006-07 to 2014-15 shows a consistent upward trend in the growth of the MSME (Micro, Small, and Medium Enterprises) sector in India. The number of total working enterprises increased steadily from 361.76 lakh in 2006-07 to 510.57 lakh in 2014-15, indicating strong entrepreneurial activity and sectoral expansion. Employment generation also rose from 805.23 lakh to 1171.32 lakh in the same period, highlighting the sector's crucial role in job creation. The Gross Value of MSME manufacturing output and its contribution to GDP both showed upward momentum until 2012-13, with gross value increasing significantly from ₹11.99 lakh crore in 2006-07 to ₹18.10 lakh crore in 2012-13. The GDP contribution also improved from 35.13% to a peak of 37.97% in 2011-12, though it slightly declined to 37.54% in 2012-13. The absence of GDP data after 2012-13 limits further analysis, but overall, the figures indicate that the MSME sector played an increasingly vital role in the Indian economy through sustained growth in enterprises, employment, and economic contribution during this period.

KEY FINDINGS

1. **Consistent Growth of Enterprises**: The total number of working MSME enterprises in India increased steadily from 361.76 lakh in 2006-07 to 510.57 lakh in 2014-15, reflecting strong entrepreneurial activity and sectoral expansion.
2. **Robust Employment Generation**: Employment generated by the MSME sector rose significantly from 805.23 lakh to 1171.32 lakh over the same period, reaffirming its role as a major employment provider.
3. **Significant Rise in Manufacturing Output**: The gross value of MSME manufacturing increased from ₹11.99 lakh crore in 2006-07 to ₹18.10 lakh crore in 2012-13, showcasing strong industrial performance.
4. **Growing Contribution to GDP**: MSMEs' contribution to GDP increased from 35.13% in 2006-07 to a peak of 37.97% in 2011-12, indicating enhanced macroeconomic significance.
5. **Resilience During Economic Downturns**: Literature and historical trends suggest that MSMEs maintained steady growth even during global recessions, underlining the sector's resilience and adaptability.
6. **Catalyst for Regional Development**: MSMEs contribute to the industrialization of rural and backward areas, helping reduce regional disparities and supporting inclusive development.
7. **Key Driver of Exports**: The sector accounted for 49.86% of total exports in 2015-16, highlighting its vital role in India's external trade and foreign exchange earnings.
8. **Challenges in Credit and Infrastructure**: Studies identify persistent issues such as limited credit availability, inadequate infrastructure, outdated technology, and lack of skilled manpower that hinder MSME competitiveness.
9. **Policy Support Is Crucial**: The success and expansion of MSMEs are heavily influenced by government policies, including reforms post-1991 that liberalized markets and improved ease of doing business.
10. **MSMEs Foster Innovation and Entrepreneurship**: The sector serves as a breeding ground for innovation, self-employment, and creative enterprise, particularly among first-generation entrepreneurs.

CONCLUSION

The current study ultimately concludes that Micro Small Medium Enterprises (MSMEs) play a crucial role in the economic growth and development of every nation. The MSME sector significantly contributes to GDP growth as well as the overall exports of the country. In the fiscal year 2015-16, the MSME sector accounted for 49.86% of total exports. Industrialization serves as an indicator of economic growth and development. The MSME sector aids in creating employment opportunities and promotes regional development by addressing regional disparities, among other benefits. The Micro Small Medium Enterprises sector has now emerged as a highly vigorous and dynamic component of the Indian economy. It is instrumental in fostering the growth and development of the rural economy and underdeveloped areas, thereby facilitating the socio-economic advancement of the country.

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