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Status of micro, small and medium enterprises (MSMEs) in India

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Abstract

Micro, Small and Medium Enterprises (MSME) sector has emerged in the Indian economy as a highly vibrant and dynamic sector over the last five decades. MSMEs not only play vital role in providing large employment opportunities at comparatively lesser capital cost than large industries but also help in rural & backward areas industrialization, 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. This paper is attempted to highlight the present status of MSMEs and financial assistance or credit offered by the Public, Private and Foreign banks for the development of MSMEs in India.

Keywords: MSMEs, registered & unregistered sector, bank credit

Introduction

Ministry of Micro, Small & Medium Enterprises (M/o MSME) envisions 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. The Micro, Small and Medium Enterprises Development (MSMED) Act was notified in 2006 to address policy issues affecting MSMEs as well as the coverage and investment ceiling of the sector. The Act seeks to facilitate the development of these enterprises as also enhance their competitiveness. It provides the first-ever legal framework for recognition of the concept of "enterprise" which comprises both manufacturing and service entities. It defines medium enterprises for the first time and seeks to integrate the three tiers of these enterprises, namely, micro, small and medium. The Act also provides for a statutory consultative mechanism at the national level with balanced representation of all sections of stakeholders, particularly the three classes of enterprises and with a wide range of advisory functions. Establishment of specific funds for the promotion, development and enhancing competitiveness of these enterprises, notification of schemes / programmes for this purpose, progressive credit policies and practices, preference in Government procurements to products and services of the micro and small enterprises, more effective mechanisms for mitigating the problems of delayed payments to micro and small enterprises and assurance of a scheme for easing the closure of business by these enterprises, are some of the other features of the Act. On 9 May 2007, subsequent to an amendment of the Government of India (Allocation of Business) Rules, 1961, the erstwhile Ministry of Small Scale Industries and the Ministry of Agro and Rural Industries were merged to form the Ministry of Micro, Small and Medium Enterprises (M/o MSME). This Ministry now designs policies and promotes / facilitates programmes, projects and schemes and monitors their implementation with a view to assisting MSMEs and helps them to scale up. The role of the M/o MSME and its organizations is to assist the States in their efforts to encourage entrepreneurship, employment and livelihood opportunities and enhance the competitiveness of MSMEs in the changed economic scenario.

The schemes / programmes undertaken by the Ministry and its organizations seek to facilitate/provide: i) Adequate flow of credit from financial institutions/banks; ii) Support for technology up gradation and modernization; iii) Integrated infrastructural facilities; iv) Modern testing facilities and quality certification; v) Access to modern management practices; vi) Entrepreneurship development and skill up gradation through appropriate training facilities; vii) Support for product development, design intervention and packaging;

viii) Welfare of artisans and workers; ix) Assistance for better access to domestic and export markets and x) Cluster-wise measures to promote capacity-building and empowerment of the units and their collectives (Annual Report-MSME-2013-14).

Micro, Small and Medium Enterprises (MSME)

MSME Sector consists of any enterprise, whether proprietorship, Hindu undivided family, association of persons, cooperative society, partnership or undertaking or any other legal entity, by whatever name called, engaged in production of goods pertaining to any industry specified in the first schedule of Industry Development & Regulation Act, 1951 and other enterprises engaged in production and rendering services, subject to limiting factor of investment in plant and machinery and equipment's respectively as noted below:

A. For manufacturing sector, an enterprise is classified as:

(a) Micro enterprise, if investment in plant and machinery does not exceed twenty five lakh rupees; (b) Small enterprise, if investment in plant and machinery is more than twenty five lakh rupees but does not exceed five crore rupees; or (c) Medium enterprise, if investment in plant and machinery is more than five crore rupees but does not exceed ten crore rupees;

B. In case, enterprise is engaged in providing or rendering of services, it is classified as:

(a) Micro enterprise, if investment in equipment does not exceed ten lakh rupees; (b) Small enterprise, if investment in equipment is more than ten lakh rupees but does not exceed two crore rupees; or (c) Medium enterprise, if investment in equipment is more than two crore rupees but does not exceed five crore rupees.

Classification of MSMEs in India

MSMEs are classified on the basis of amount of investment on Fixed Assets are as follows.

(i) Registered Sector

Enterprises registered with District Industries Centres in the State/UTs., Khadi and Village Industries Commission/ Khadi and Village Industries Board, Coir Board as on 31.03.2007 and factories under the coverage of section 2m (i) and 2m (ii) of the Factories Act, 1948 used for Annual Survey of Industries having investment in plant & machinery up to Rs.10 crore, were considered to belong to

registered sector.

(ii) Unregistered Sector

All MSMEs engaged in the activities of manufacturing or in providing / rendering of services, not registered permanently or not filed Entrepreneurs Memorandum Part-II / [EM-II] with State Directorates of Industries/District Industries Centers on or before 31-3-2007 are called unregistered MSMEs. Those enterprises that are temporarily registered on or before 31-3-2007 as also the units that are temporarily or permanently registered or filed EM-II after 31-3-2007 till the date of Sample Survey, conducted as part of Fourth All India Census of MSMEs 2006-07, were treated as unregistered MSMEs. All unregistered MSMEs, covering both manufacturing and services sectors, constituted unregistered sector.

(iii) Small Scale Industrial Unit (SSI)

An industrial undertaking in which the investment in fixed assets in plant & machinery, whether held on ownership terms, or on lease, or by hire purchase, does not exceed Rs.100 lakh as on 31-03-2001 is to be treated as a Small Scale Industrial Unit (Annual Report-MSME-2013-14).

Objective and Methodology

The study has the primary object to know the present scenario of MSMEs in India and their sources of finance from the financial institutions to run the enterprises of MSMEs in India as well. The study has used the secondary data i.e the data used for analysis were collected from the official website of MSMEs. Both Percentage Analysis and ANOVA are used. Percentage Analysis is used to know the present status of MSMEs across the states in India and Bank Credit offered by the Scheduled Commercial Banks to MSMEs in India. ANOVA is used to know the difference between Outstanding Bank Credit to Micro and Small Enterprises and the banks.

Status of MSME Sector in India

The present scenario of the outstanding bank credit offered by the Public, Private and Foreign banks to Micro and small Enterprises in India and the status of MSMEs in India in terms of enterprises, employment and market value of fixed assets held by the MSMEs is presented in the following table.

Table 1: Outstanding Bank Credit to Micro and Small Enterprises

Year	PSBs	% Increase	Pvt.SBs	% Increase	FBs	% Increase	All SCBs	% Increase
2010	67800	-	8592	-	6907	-	83498	-
2011	82434	21.6	10421	21.3	8430	22.1	101285	21.3
2012	102550	24.4	13136	26.1	11637	38.0	127323	25.7
2013	151137	47.4	46912	257.1	15489	33.1	213538	67.7
2014	191408	26.6	46656	0.0	18063	16.6	256127	19.9
2015	278398	45.4	64534	38.3	21069	16.6	364001	42.1
2016	376625	35.3	87857	36.1	21535	2.2	486017	33.5
2017	396343	5.24	110514	25.79	21760	1.05	528617	8.77
2018	500250	26.22	152554	38.04	31993	47.03	684797	29.55

Source: Annual Report 2018-2019 | Government of India, Ministry of MSMEs

The above table 1, explains that the outstanding bank credit offered by the Public, Private and Foreign banks to Micro and small Enterprises in India. MSMEs are received the maximum bank credit from the Public (47.4%) and Private

Banks (257.1%) during the year 2008, whereas the maximum bank credit from Foreign Banks (47.03%) in the year 2013. During the year 2008 all SCBs were having maximum outstanding bank credit (67.7%) in India. The

outstanding bank credit is in a growing trend to the MSMEs since 2005. It means banks have been disbursing loans and

advances to the development of MSMEs in India.

Table 2: One way ANOVA for Outstanding Bank Credit to Micro and Small Enterprises

H0₁: There is no significant difference on Outstanding Bank Credit to Micro and Small Enterprises between the Banks in India.						
Banks	N	Mean	Std. Deviation	Std. Error	F	Sig.
PSBs	9	238549.44	156494.91	52164.97	13.760	.000***
PvtSBs	9	60130.66	49447.92	16482.64		
FBs	9	17431.44	7829.30	2609.76		
Total	27	105370.51	133535.55	25698.93		

Source: Secondary Data | Computed by Researcher *** Significance at 1% level

The above table 2, interprets that the mean value of Outstanding Bank Credit to Micro and Small Enterprises by the Public, Private and Foreign Banks are 238549.44, 60130.66 and 17431.44 respectively. It also states that there is a significant difference among the Public, Private and Foreign Banks on Outstanding Bank Credit to Micro and

Small Enterprises at 1% level. It means the Public Sector Banks, Private Sector Banks and Foreign Banks outstanding bank credit to Micro and Small Enterprises having significant variations. H0₁ is rejected at 1% level of significance in India.

Table 3: Status of Indian MSME Sector in Terms of Enterprises (In Lakh), Employment (In Lakh) and Market Value of Fixed Assets (in Crore)

State/UT	Enterprises	%	Employment	%	Fixed Assets	%
Jammu and Kashmir	1.33	0.62	3.07	0.61	8475.28	1.23
Himachal Pradesh	1.72	0.80	2.92	0.58	5599.25	0.81
Punjab	10.14	4.73	18.31	3.65	37126.69	5.38
Chandigarh	0.29	0.14	0.7	0.14	607.05	0.09
Uttarakhand	2.23	1.04	4.42	0.88	6014.98	0.87
Haryana	5.2	2.43	12.23	2.44	25998.8	3.77
Delhi	1.78	0.83	6.52	1.30	10164.54	1.47
Rajasthan	9.68	4.52	18.42	3.67	25452.9	3.69
Uttar Pradesh	24.21	11.29	59.3	11.81	56161.03	8.14
Bihar	7.98	3.72	17.45	3.48	8405.45	1.22
Sikkim	0.07	0.03	0.57	0.11	72.16	0.01
Arunachal Pradesh	0.25	0.12	0.88	0.18	937.48	0.14
Nagaland	0.18	0.08	1.17	0.23	1273.67	0.18
Manipur	0.49	0.23	1.58	0.31	646.03	0.09
Mizoram	0.13	0.06	0.56	0.11	403.14	0.06
Tripura	0.28	0.13	0.76	0.15	661.73	0.10
Meghalaya	0.5	0.23	1.17	0.23	468.55	0.07
Assam	2.34	1.09	6.58	1.31	6941.15	1.01
West Bengal	21.23	9.90	58.53	11.66	39433.22	5.72
Jharkhand	4.43	2.07	8.99	1.79	5020.72	0.73
Odisha	9.97	4.65	23.67	4.72	12284.89	1.78
Chhattisgarh	3.01	1.40	5.43	1.08	3303.41	0.48
Madhya Pradesh	12.57	5.86	20.3	4.04	10530.4	1.53
Gujarat	15.32	7.15	34.42	6.86	166753.68	24.17
Daman & Diu	0.02	0.01	0.28	0.06	1881.53	0.27
Dadra & Nagar Haveli	0.06	0.03	0.34	0.07	229.58	0.03
Maharashtra	15.32	7.15	35.61	7.09	67941.24	9.85
Andhra Pradesh	15.36	7.16	38.98	7.77	32757.63	4.75
Karnataka	12.49	5.83	30.48	6.07	27161.11	3.94
Goa	0.59	0.28	1.2	0.24	3820.19	0.55
Lakshadweep	0.01	0.00	0.05	0.01	17.3	0.00
Kerala	14.44	6.74	33.2	6.61	44353.53	6.43
Tamil Nadu	20.55	9.59	53.16	10.59	77824.34	11.28
Puducherry	0.14	0.07	0.46	0.09	1135.29	0.16
Andaman & Nicobar	0.07	0.03	0.23	0.05	96.95	0.01
All India	214.38	100.00	501.93	100.00	689954.86	100.00

Source: Annual Report 2018-2019 | Government of India, Ministry of Micro, Small and Medium Enterprises

The above table 3, explains that the leading States in India, in terms of number of MSMEs are Uttar Pradesh (11.29%), West Bengal (9.90%), Tamil Nadu(9.59%), Andhra Pradesh (7.16%), Maharashtra (7.15%), Gujarat (7.15%) and Kerala (6.74%), employment opportunities are Uttar Pradesh (11.81%), West Bengal (11.66%), Tamil Nadu (10.59%),

Andhra Pradesh (7.77%), Maharashtra (7.09%), Gujarat (6.86%) and Kerala (6.61%) and in terms of the market value of fixed assets held by the MSMEs are Gujarat (24.17%), Tamil Nadu (11.28%), Maharashtra (9.85%), Uttar Pradesh (8.14%), Kerala (6.43%), West Bengal (5.72%) and Andhra Pradesh (4.75%) respectively.

Conclusion

The study clearly depicted the status of MSMEs across the states in India and the outstanding bank credit to MSMEs by the Public, Private and Foreign Banks in India. In addition to provide high competitive edge to the various sectors of MSMEs in the global environment, has been one of the essential cornerstones of the policies being pursued by the Government for sustenance of all the sectors of MSMEs in India. To build the capacity and to ensure healthy growth is the next target of the Indian micro, small and medium manufacturing enterprises for overcoming competition and facing challenges in the global markets and with the entry of the multinationals in the domestic markets of the MSME Manufacturing Sector in India.

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