

SECTOR WISE ANALYSIS OF MSME – CONTRIBUTION TO GROWTH OF INDIAN INDUSTRY

Mr. K. Balasubramanian,

Full Time Ph D Research Scholar,
Department of Management Studies, M S
University, Tirunelveli, India

Dr. S. Madhavan,

Associate Professor, Department of
Management Studies, M S University,
Tirunelveli, India

ABSTRACT

Small Scale Industries (SSIs) play an important role in the economic development of a country. Their role in terms of production, employment generation, contribution to exports in the case of sector wise analysis, this study uses secondary data from the MSMEs annual report of the past twenty years data. The nature in research is exploratory. In a developing country like India, the role and importance of small-scale industries is very significant towards poverty eradication, employment generation, rural development and creating regional balance in promotion and growth of various development activities. It is estimated that this sector has been contributing about 40% of the gross value of output produced in the manufacturing sector and the generation of employment by the small-scale sector is more than five times to that of the large-scale sector. The authors' findings reveal that the performance of small scale industry, parallel increasing growth in MSMEs sector and the overall Industrial sector and the sector namely Food Products and Beverages contribution more than the other nine sectors used in this study.

Keywords: MSMEs, Sector wise, Doing Business, Marketing of MSMEs product.

INTRODUCTION:

According to the former Prime Minister Dr. Manmohan Singh, “The key to our success in employment lies in the success of manufacturing in the small scale sector”. MSME is defined as per MSMED Act 2006 as related to all enterprises engaged in production of goods pertaining to any industry specified in first schedule of industrial (D & R) Act, 1951 and other enterprises engaged in production and rendering of services subject to limiting factor of investment in Plant & Machinery and equipment. The Ministry of Small Scale Industries designs and implements the policies through its field organizations for promotion and growth of small and tiny enterprises, including the coir industries. The Ministry also coordinates with other Ministers/Departments on behalf of the Micro, Small & Medium Enterprises (MSME) sector. Entrepreneurship factors Affecting Entrepreneurial Growth Entrepreneurship Development in India Small-Scale Industry¹ - An Overview Project Identification Project Formulation Project Appraisal Institutional Support to Entrepreneur Institutional Finance to Entrepreneur.

Small scale industries² (SSI) have a significant role in the Indian economy in view of its contribution to production, employment, and export. However, since 1991 small scale industries in India find themselves in an intensely competitive environment due to globalization, domestic economic liberalization, and dilution of sector specific protective measures.

Six Features of Government announcement to the MSME trending in India:

SFUTRI - Scheme of Fund for Regeneration of Traditional Industries for cluster development of Khadi village industries and coir enterprises.

PMEGP - Prime Minister's Employment Generation Programme to promote Start-up and enterprise creation.

ASPIRE - A Scheme for Promotion of Innovation & Rural Entrepreneurship to promote rural livelihood incubator, technology business incubator and funds of funds.

PCR - Performance & Credit Rating Schemes enables quality rating of Micro and Small Enterprises to get easy access to credit.

ATI - Assistance to Training Institution promotes entrepreneurship and skill development among youths.

NMCP - National Manufacturing Competitiveness Programme to promote growth oriented enterprise through 10 interventions like lean manufacturing; design clinic and quality management systems.

Table 1: MSME Classification an Investment among Manufacturing Sector

Type of Enterprises	Particulars	Amount in INR
Micro	Investment in Plant & Machinery	Not exceed 15 Lakhs
Small	Investment in Plant & Machinery	More than 15 Lakhs but Less than 5 Crores
Medium	Investment in Plant & Machinery	Greater than 5 Crores but less than 10 Crores

Source: Ministry of MSME – Annual Reports

In case, if the enterprise is engaged in providing or rendering **Services**,

Table 2: MSME Classification an Investment among Service Sector

Type of Enterprises	Particulars	Amount in INR
Micro	Investment in equipment	Not exceed 10 lakhs
Small	Investment in equipment	More than 10 lakhs but Less than 2 Crores
Medium	Investment in equipment	Greater than 2 Crores but less than 5 Crores

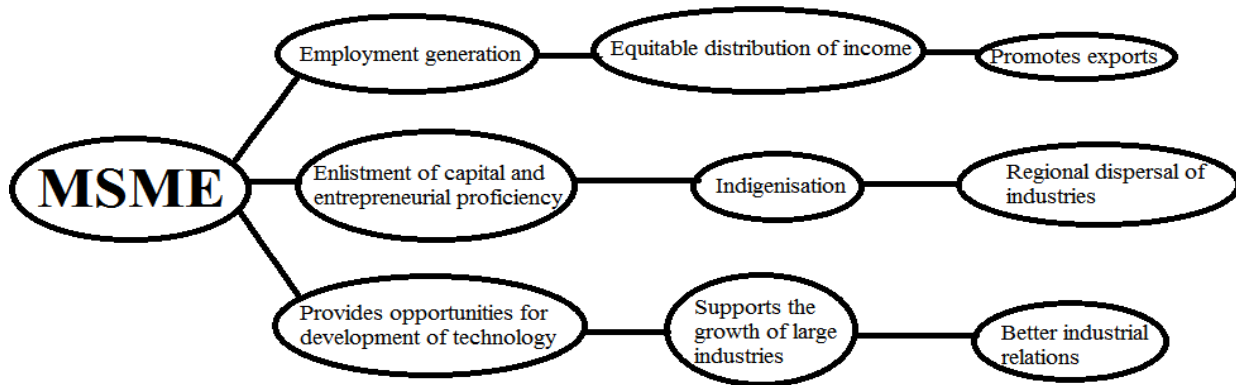
Source: Ministry of MSME – Annual Reports

¹ Natrajan, (2011). *Entrepreneurship Development, Third revised Edition. Mumbai: Himalaya Publishing House.*

² Sahu, G. P. (2008). *Information Technology: A Growth Navigator for Small Scale Industries in India.* IGI Global.

The important role played by small- scale industries in India.

Chart - 1



Source: Self Study

REVIEW OF LITERATURE:

An extensive review of literature shows that lots of works have been done in the area of MSMEs and their contributions to the Indian Economy. “Doing Business Report” published by The World Bank contributes very much to the body of knowledge of MSMEs. The major review of works in this area presented in the format of a table below

Table 4

Author	Title	Main Objectives	Results
Rajkumar Gautam and Raghbir Singh (2009)	“Small-Scale industries of Punjab: An overview”	1. Changes in MSME 2. Analyze the trends in MSME 3. Compare the performance of Total industries and MSME	The researchers found the results and concluded that make the changes for growth of survival of MSMEs and Govt. implementation of ideas for promoting MSME on time are most essentials.
Sushil Kumar Singh (2009)	“Economic performance of MSMEs in India: A Strategic analysis”	1. Evaluate the performance of MSME & Growth status of MSME in units, production, employment, exports. 2. Analyze the contribution of MSME to country economy	This research revealed that phenomenal growth in the number of MSME units which has got positive impact on the production employment and exports on the country’s economy
Rameshwara and Raghurama (2013)	“An overview of Small Scale Industries in India and Karnataka State”	1. Comparative study of Indian MSME sector and Karnataka State Contribution to Indian Economy 2. Analyse the NPA position in Karnataka	This analysis found that the credit assessment and management risk mechanisms, ensuring that no adverse selection.
Uma. P (2013)	“Role of SMEs in Economic Development of India”	The growth and performance of MSME in India for the periods of Pre & Post Liberalization, Growth rate of overall Industrial and SSI Sector	This research proposed that every industrial and business organizations has to take up the responsibility to meet the challenge posed by globalization
Vishal Geete and	“Growth evaluation of	To identify the trend	From the past two decades of

Author	Title	Main Objectives	Results
Anshu Thakur	Indian Small Scale Industries in the Last Two decades”	analysis of MSME units and its performance & its contribution to Indian overall industry	increasing trend line shows that Micro Small and Medium Enterprises has shown a significant role in the development of the economy
Ram Sing, Verma OP, and Bimal Anjum (2012)	“Small Scale Industry: An Engine of Growth”	Analyze the performance of Small Scale Industry in India	The researchers recommend that proper care that has to be taken for Human Resources issue concern for HR training and quality of output and to promote the SSI
Aspelund & Moen, 2001	A generation perspective on small firms’ internationalization— from traditional exporters and flexible specialists to born global	A Study on generations of small exporters: the traditional, the flexible specialists, and the Born Globals	The Researcher found that technological advantage and niche focus combined with strong customer orientation.
Kansal, D. R., & Kansal, R. (2009)	Globalization and Its Impact on Small Scale Industries in India	1. To provide additional employment opportunities. 2. To mobilise resources of capital and skill from various parts of the country. 3. To provide a more equitable distribution of national income. 4. To provide a helping hand to large industries and facilitate them in their work.	This study evaluate the performance of SSI, before and after liberalization and compare them with average annual growth rates, to know the impact of Globalization on the performance of SSI
Vidya, S., & Shashidhar, P. (2007)	Competitiveness of Small-Scale Industries of India	The study the required information relating to number of SSI units, labor employed, production and exports, issues of Economic Survey and of Annual Survey of Industries	The importance of small industries and their role in the economy and the impact of economic reforms on growth pattern and productivity performance of SSI
Sujatha, Y., Reddy, P. S., & Rao, D. K. P. (2012).	SMALL SCALE INDUSTRIES COMMON CAUSES OF SICKNESS AND PROBABLE REMEDIES	To run even a SSI unit, you need to have required knowledge in all the relevant fields. It is not possible to employ these experts or establish the infrastructure and to maintain due to financial constraint	The Government should provide the needed coordination between the existing Government & non-Governmental the Indian Small Scale Industry and its association directly.

RESEARCH GAP:

The study has focused on several reviews on MSMEs. Many researchers have explored various dimensions of MSMEs but there is a very narrow focus on sector classification. So, the researcher has identified sector classification and its impact on the Indian Economy as a research gap.

OBJECTIVES OF THE STUDY:

- ✓ To study fundamental concepts of MSMEs
- ✓ To explore the performance of MSMEs for the past 20 years
- ✓ To compare the performance of MSME sectors and Industrial Sectors for 20 years
- ✓ To identify the major sector and their contribution to GDP.

RESEARCH METHODOLOGY:

Type of research : The study is exploratory in nature.
 Type of data : The data used in the study is Secondary data only.
 Sources of data : The study has been based on secondary data gathered from Journals, Reports, Economic Reviews and Websites.

ANALYSIS AND INTERPRETATION:

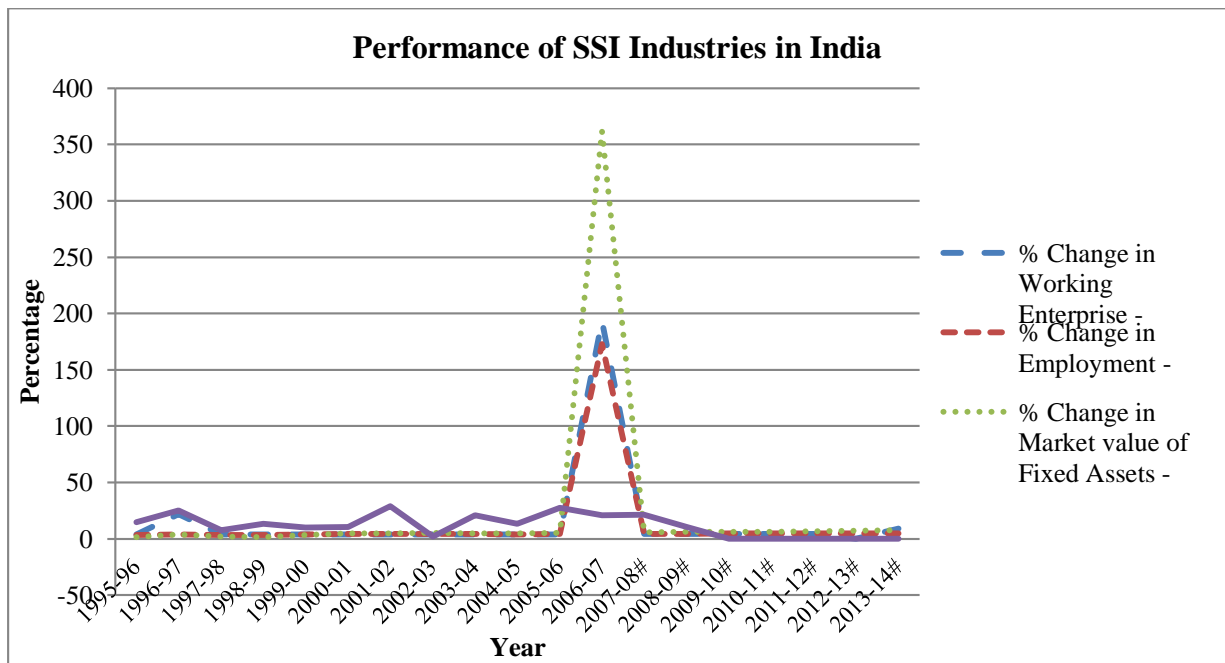
Table 3: Performance of Small Scale Industries in India for the period

Sl. No.	Year	Total Working Enterprises (in Lakhs)	% Change in Working Enterprise	Employment (in Lakhs)	% Change in Employment	Market Value of Fixed Assets (Rs. in Crores)	% Change in Market value of Fixed Assets	Export (Rs.in Crores)	% Change in Export
1	1994-95	67.87	-	191	-	123790	-	25307	-
2	1995-96	70.63	4.07	198	3.41	125750	1.58	29068	14.86
3	1996-97	86.21	22.06	206	4.01	130560	3.83	36470	25.46
4	1997-98	89.71	4.06	213	3.55	133242	2.05	39248	7.62
5	1998-99	93.36	4.07	221	3.47	135482	1.68	44442	13.23
6	1999-00	97.15	4.06	229	3.88	139982	3.32	48979	10.21
7	2000-01	101.1	4.07	239	4.20	146845	4.90	54200	10.66
8	2001-02	105.21	4.07	249	4.44	154349	5.11	69797	28.78
9	2002-03	109.49	4.07	260	4.36	162317	5.16	71244	2.07
10	2003-04	113.95	4.07	271	4.31	170219	4.87	86013	20.73
11	2004-05	118.59	4.07	283	4.11	178699	4.98	97644	13.52
12	2005-06	123.42	4.07	295	4.37	188133	5.28	124417	27.42
13	2006-07	361.76	193.11	805	173.04	868544	361.66	150242	20.76
14	2007-08#	377.36	4.31	842	4.57	920460	5.98	182538	21.50
15	2008-09#	393.70	4.33	881	4.61	977115	6.16	202017	10.67
16	2009-10#	410.8	4.34	922	4.65	1038546	6.29	NA	NA
17	2010-11#	428.73	4.36	965	4.70	1105934	6.49	NA	NA
18	2011-12#	447.64	4.41	1012	4.82	1182758	6.95	NA	NA
19	2012-13#	447.54	(0.02)	1061	4.91	1,268,764	7.27	NA	NA
20	2013-14#	488.46	9.14	1114	4.98	1363701	7.48	NA	NA

Notes: 2007 – 14 # - Projected years; NA – Not Available

Source: Ministry of MSME – Annual Reports

Chart 2



Notes: 2007 – 14 # - Projected years; NA – Not Available

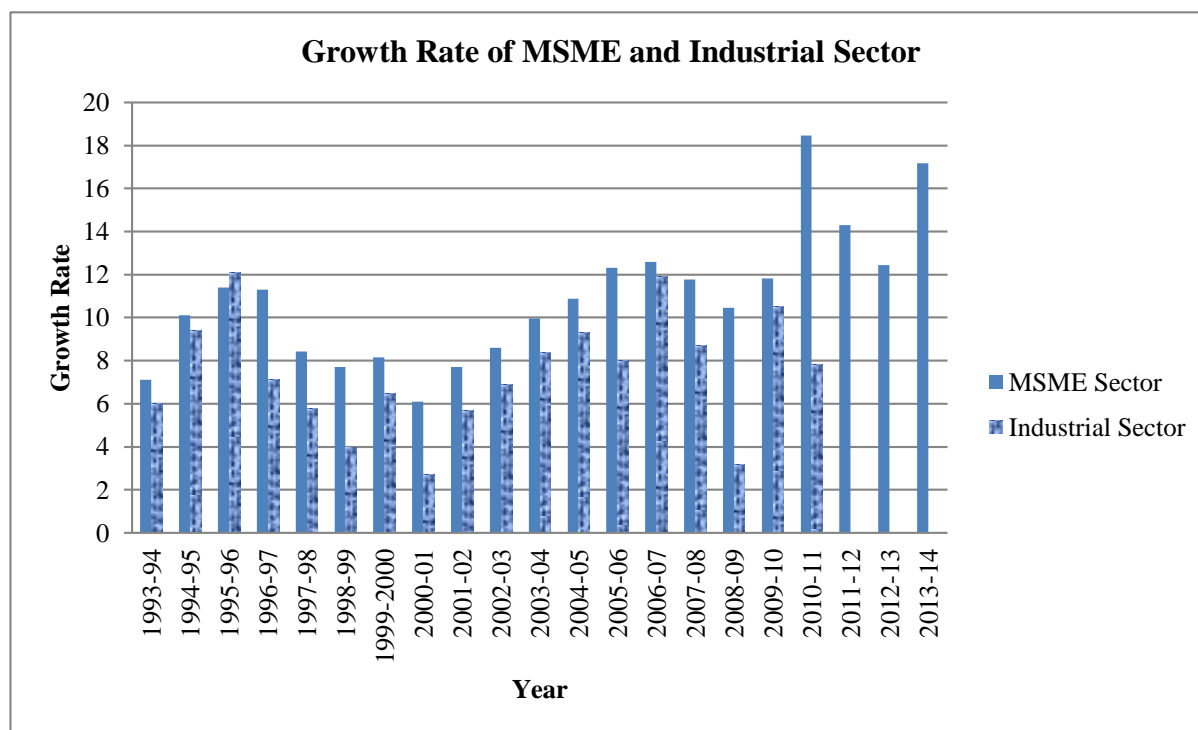
Table 4: Comparative study of Growth Rate of MSME and Industry in India

Year	MSME Growth Rate	Industry Growth Rate
1993-94	7.1	6
1994-95	10.1	9.4
1995-96	11.4	12.1
1996-97	11.3	7.1
1997-98	8.43	5.8
1998-99	7.7	4
1999-2000	8.16	6.5
2000-01	6.1	2.7
2001-02	7.7	5.7
2002-03	8.6	6.9
2003-04	9.96	8.4
2004-05	10.88	9.32
2005-06	12.32	8
2006-07	12.6	11.9
2007-08	11.77	8.7
2008-09	10.45	3.2
2009-10	11.83	10.5
2010-11	18.45	7.8
2011-12	14.3	NA
2012-13	12.44	NA
2013-14	17.18	NA

Notes: 2011 – 14; NA – Not Available

Source: Ministry of MSME – Annual Reports

Chart – 3



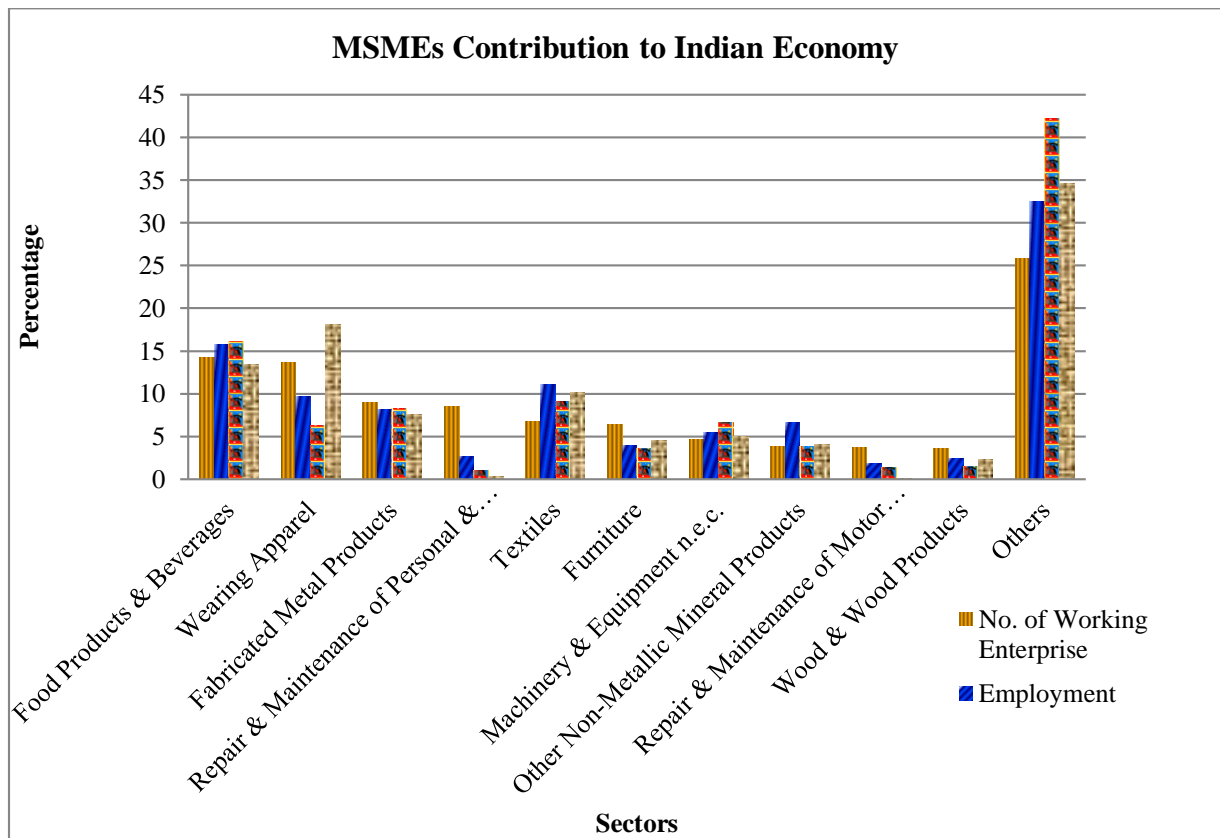
Notes: 2011 – 14; NA – Not Available

Table 5: MSME's contribution to Indian Economy by Sector wise:-

Sl. No.	Description of Activity	No. of Working Enterprise	Contribution in %	Employment	Contribution in %	Production	Contribution in %	Export	Contribution in %
1	Food Products & Beverages	223018	14.26	1468426	15.77	42659.24	16.15	9113.78	13.42
2	Wearing Apparel	213769	13.67	900729	9.68	16637.29	6.30	12275.8	18.08
3	Fabricated Metal Products	140077	8.96	757617	8.14	21931.25	8.30	5177.92	7.62
4	Repair & Maintenance of Personal & Household Goods, Retail Trade	132297	8.46	247737	2.66	2751.11	1.04	183.78	0.27
5	Textiles	106095	6.78	1024990	11.01	24093.33	9.12	6908.1	10.17
6	Furniture	99534	6.36	363407	3.90	9420.7	3.57	3032.27	4.46
7	Machinery & Equipment n.e.c.	72945	4.66	512210	5.50	17581.41	6.65	3382.62	4.98
8	Other Non-Metallic Mineral Products	58982	3.77	615229	6.61	9994.35	3.78	2784.96	4.10
9	Repair & Maintenance of Motor Vehicles; Retail Sale of Automotive Fuel	58181	3.72	171522	1.84	3606.92	1.37	37.5	0.06
10	Wood & Wood Products	55197	3.53	225689	2.42	3970.69	1.50	1536.78	2.26
11	Others	403879	25.82	3021930	32.46	111550.28	42.22	23480.34	34.57
	Total	1563974	100.0	9309486	100.0	264196.57	100.0	67913.85	100

Source: Ministry of MSME – Annual Reports

Chart – 4



FINDINGS:

It reveals that highest growth was recorded in 2006 – 07 (193.11) followed by 1996-97 (22.06), while a negative growth was recorded in 2012 – 2013.

It shows that the MSME employment generated in 2006 – 07 (173.04) has recorded the largest growth. It also depicts that MSME market value of fixed assets improved as highest in 2006-2007(361.66) has recorded largest growth.

It shows that the MSMEs export amount is recorded in 2001-2002 (28.78) have recorded highest growth in the respective years.

It reveals that the growth rate in the MSME sector increased from 1993 – 1994 to 2013 – 2014, which the highest growth was recorded in 2010-11 (18.45), followed by 2013-14 (17.18), while the negative growth rate was recorded 2000-01 (6.1) but the Overall Industrial sectors which the highest growth was recorded in 1995-96 (12.1) and the decreasing growth rate was recorded 2000-01 (2.7).

The MSMEs contribution to Indian Economy in the form of Number of working enterprise, Employment, Production and Export which is high rate of contribution given in the industry of Food and Beverages, followed by Wearing Apparel, Fabricated Metal Products. The lowest growth rate was recorded in Repair & Maintenance of motor Vehicles; Retail sale of automotive fuel.

SUGGESTIONS:

From this study, we can understand that the Micro, Small and Medium Enterprises have been the backbone of the Indian Economy. Large scale industries are under the ownership of a few industrialists, but development of small scale industries leads to a large number of industrialists.

It has been stated that small scale and cottage industries can be established throughout the region. These types of industries will help to use the locally available resources. It can also use the local entrepreneurs.

These types of industries are able to keep the traditional art and culture and use the locally available labourers and raw-materials. It is suitable to use locally available resources through small scale industries and cottage industries.

Sickness in the MSME sector is a big issue. To avoid this issue the credit rating agencies are required to offer better credibility ratings and encourage the small scale entrepreneurs.

CONCLUSION:

Every industrial and business organization needs to face the challenges and opportunities in its industry especially after globalization. It has the responsibility of developing country's economy.

While analyzing the sector wise contribution to Indian Economy, Food products and beverages, Apparels, textiles and others such as retail trade, online trade, homemade products those which are significant contributing sectors to Indian GDP.

According to Doing Business Report in India, 97% of MSMEs are proprietorship firms or partnership and do not have an adequate recourse for winding up the business under the companies Act. The "Make in India" is a right initiative in this direction and the support of the Government for this sector and for the concept of Startup capital is very encouraging and hopes that this sector's contribution to the Indian Economy will be much more significant than now.

REFERENCES:

- Gautam, R. K., & Singh, R. (2009). Small-Scale Industries of Punjab: An Overview. *IUP Journal of Management Research*, 8(3), 37.
- Aspelund, A., & Moen, Ø. (2001). A generation perspective on small firm internationalization: From traditional exporters and flexible specialists to born globals. In *Reassessing the Internationalization of the Firm* (pp. 197-225). Emerald Group Publishing Limited.
- Desai, V. (2008). *Small-scale Industries and Entrepreneurship in the Twenty-first Century: Spirit of Enterprise*. Himalaya Publishing House.
- Longenecker, J., Moore, C., Petty, J., & Palich, L. (2003). *Small business management: An entrepreneurial emphasis* Thomson-Southwestern.
- Natrajan, (2011). *Entrepreneurship Development, Third revised Edition*. Mumbai: Himalaya Publishing House.
- Uma, P (2013). Role of SMEs in Economic Development of India . *Asia Pacific Journal of Marketing & Management Review*, Vol.2(6), pp. 120 – 126.
- Raghurama and Rameshwar, (2013). An overview of small scale industries in India and Karnataka State . *GRA – Global Research Analysis*, Vol.2 Iss.2, pp. 24 – 27.
- Singh, R., Verma, O. P., & Anjum, B. (2012). Small scale industry: an engine of growth. *Zenith International Journal of Business Economics & Management Research*, 2(5), 210-221.
- Sushil Kumar Sing, (2009). Economic performance of MSMEs in India: A Strategic analysis. *PCMA Journal of Business*, Vol.1 Iss. 2 pp. 147 – 160 .
- Sahu, G. P. (2008). *Information Technology: A Growth Navigator for Small Scale Industries in India*. IGI Global.
- Kansal, D. R., & Kansal, R. (2009). Globalization and its impact on small scale industries in India. *PCMA Journal of Business*, 1(2), 135-146.
- Geete, V., & Thakur, A. Growth Evaluation of Indian Small Scale Industries in the Last Two Decades. *v3 Journal of Management*, 24.
- Vidya, S., & Shashidhar, P. (2007). Competitiveness of Small-Scale Industries of India.
- Sujatha, Y., Reddy, P. S., & Rao, D. K. P. (2012). Small Scale Industries Common Causes of Sickness and Probable Remedies. *International Journal of Current Research*, 4, 146-148.
- Annual Reports for 2011-15, Ministry of Small Scale Industries, Government of India
https://www.rbi.org.in/scripts/BS_ViewBulletin.aspx?Id=13472
