

A STUDY OF PERFORMANCE AND GROWTH OF MSME SECTOR IN INDIA

Nikita Saxena , Dr Rajinder singh

DESIGNATION- RESEARCH SCHOLAR SUNRISE UNIVERSITY ALWAR RAJASTHAN
DESIGNATION- Professor SUNRISE UNIVERSITY ALWAR RAJASTHAN

ABSTRACT

It is generally agreed that MSEs, along with other small and medium-sized businesses, must have ready access to capital if they are to continue operating and expanding. It also has a domino effect on other business processes, such as advertising, technology development, and personnel acquisition. Focusing on growth and performance, general challenges encountered by the sector, and their financial problem in particular, this research examines the present state of the MSME sector in India. The elements evaluated that cause difficulties for the MSME sector in obtaining financing from formal sources of finance have been found. Financial assistance programs created by the government have also been suggested. The owner/promoter of MSME units' levels of familiarity with government initiatives have also been investigated and assessed.

KEYWORDS: MSME sector, India, financial problem, challenges, technology development, business processes, financial assistance programs

INTRODUCTION:

Small and medium-sized enterprises (SMEs) in developing nations have the potential to become long-term, sustainable development engines of the economy. According to a 2012 assessment by the Edinburg Group, they are able to meet the growing local need of major corporations, which in turn encourages more specialization. Small and medium-sized enterprises (SMEs) have a wildly varying impact on national economies, but they account for a disproportionately large portion of GDP in developing nations. Together with major corporations in the industry, they also contribute significantly to the development of cutting-edge technology and novel consumer goods.

Micro, small, and medium-sized businesses (MSMEs) are widely recognized as the backbone of economic expansion across the world. They have a considerable impact on the nation's

GDP, exports, jobs, and overall industrial output. They provide almost as many jobs as agriculture does, and their contributions to the country's exports help bring in much-needed foreign currency. Today's micro, small, and medium-sized enterprises (MSMEs) face several challenges in the areas of finance, marketing, infrastructure, human resources, etc. This not only causes losses but also stunts the industry's development. Sometimes, growth constraints force businesses to shut down. The purpose of this section is to analyze the evolution and effectiveness of MSMEs before and after the passage of the MSMED Act 2006. In addition, this chapter covered the issues that have hampered the expansion of micro, small, and medium-sized businesses.

EVOLUTION OF MICRO, SMALL AND MEDIUM ENTERPRISES IN INDIA:

The micro, small, and medium-sized enterprise (MSME) sector is not new to the Indian economy. Since the Harappan period, it has played a crucial role. However, India's GDP grew at a meager 0.9% over the first half of the twentieth century (Kishore, 2010), reflecting the demoralization and near destruction of the country's entrepreneurial spirit under British control. The Swadeshi Movement subsequently gained popularity as a means of separating the then-Indian industrial sector from British control. The economic situation in the nation was supposed to improve as a result of the boycott of British goods and the subsequent rise in popularity of American-made goods. By supporting and promoting rural and indigenous businesses, Mahatma Gandhi thought this campaign may help us become economically independent. Self-sufficiency is an obvious benefit of the movement, but it also helped the jobless find work (Meshram, 2012). There are two distinct phases in the development of India's micro, small, and medium-sized enterprise (MSME) sector since independence.

Evolution before Micro, Small and Medium Enterprises Development (MSMED) Act, 2006:-

1948-1991:

Since India's independence, the government has prioritized the smallscale sector in its industrial strategy, however this emphasis has shifted with the goals of each five-year plan. Since 1948, the country's industrial growth has been guided by a series of Industrial Policy Resolutions that have assigned varying weights to various goals (Lokhande, 2011). From 1948 through 1991, policy initiatives acknowledged and prioritized the contributions of micro

and small businesses. They were seen as a useful instrument for increasing job possibilities, promoting economic equality, and easing the mobilization of private sector money and expertise. Planners and the Government of India, with the onset of the planned economy in 1951 and the following industrial strategy that followed, assigned distinct roles to both big and small businesses in the Indian economy (Kishore, 2010). By outlining a fundamental framework, the Industries Development and Regulation Act of 1951 provided the necessary momentum for the post-independence industrialisation agenda. In the 1950s, the model was built on capital-intensive heavy industries, which spawned the development of ancillary units (small-scale units serving the needs of the huge sector). As a result, the establishment of small-scale units helped achieve the goal of creating job opportunities for young people in and surrounding the locations where large-scale enterprises were established (Lokhande, 2011). Both large and small scale enterprises were afforded the necessary safeguards, with the latter receiving the most of the attention at the time. To safeguard the smallscale enterprises, a strategy of product reserve was devised. This went on for quite some time, until finally the government embraced a more open and global approach. Changes in industrial policy and climate, however, have reduced the number of items available at that time (Kishore, 2010). In 1954, a group called the Small Industries Development Organization (SIDO) was established to promote the steady expansion of small businesses; now, it goes by the name Micro, Small and Medium Enterprises Development Organization. During this time period (1948-1991), the MSME Development Institute, formerly known as the Small Industries Service Institute (SISI), was founded in 1954. Tool rooms were constructed with German and Danish aid to provide technical services vital to small firms for skilled training, and SISI branches were set up throughout India to teach young people in a variety of trades. In addition to the Coir Board and the Khadi and Village Industries Commission, the National Small Industries Corporation was established in 1956. District Industry Centers (DIC) were established nationally to help first-time business owners with the process of establishing their enterprises (DC- MSME). Priorities shifted as the economy developed; from 1977 to 1980, for example, the government focused on rebalancing regional economies; from 1990 to 1991, it was all about boosting rural exports and redistributing wealth; and from 1991 to 1992, it was all about bolstering small, micro, and medium-sized enterprises (Lokhande, 2011).

1999 onwards:

From 1999 on, the sector has been given special attention by the Ministry of Small Scale Industries and Agro & Rural Industries (SSI & ARI). In order to more effectively handle the ongoing issues with financing, infrastructure, marketing, and technology, a new Policy Package was presented in August of 2000. Micro and small businesses, especially those run by the first generation of their family to enter the workforce (DC-MSME), have access to low-interest, collateral free loans thanks to the Credit Guarantee Scheme, which was established in August 2000.

Evolution after Micro, Small and Medium Enterprises Development Act, 2006:

- In 2006, the Ministry of Micro, Small, and Medium Enterprises (MSME) was formed when the Ministry of Agro and Rural Industries and the Ministry of Small Scale Industries merged.
- The Ministry of Micro, Small, and Medium Enterprises (MSME) now recognizes and covers "services" since the idea of "enterprise" has supplanted that of "industry" (Kishore, 2010).
- To bring together the micro, small, and medium-sized business sectors, it first provided a definition for medium-sized businesses.
- To help micro, small, and medium-sized businesses grow and become more competitive, the government passed the Micro, Small, and Medium-Sized Enterprises Development (MSMED) Act, 2006.
- Other notable aspects of this law include:
 - Preference in Government procurements for products and services of the micro and small enterprises
 - Progressive credit policies and practices
 - Preference in Government procurements for products and services of the micro and small enterprises

- More effective mechanisms for mitigating the problems of delayed payments to micro and small enterprises

MAIN CHARACTERISTICS AND FEATURES OF INDIAN MSMEs

Small and medium-sized businesses (SMBs) in India are crucial to the country's economic success. According to the Report of the Prime Minister's Task Force on Micro, Small, and Medium Enterprises (GoI, 2010), the MSME sector in India is very varied with respect to company size, types of goods and services produced, and technology used. The Indian MSE sector is distinguished from major corporations by a number of distinguishing qualities and characteristics. Some characteristics of India's micro, small, and medium enterprise sector are listed below.

1. The Indian MSME sector is broken down into three categories: manufacturers, repairers, and providers of other services.
2. According to the Fourth All India Census of MSME 2006-07: Registered Sector (2011), the MSME sector in India is made up of 94.94% Micro, 4.89% Small, and 0.17% Medium-sized businesses.
3. It has been determined that 67.10 percent of Indian MSME is involved in manufacturing, 16.78 percent in services, and 16.13 percent in both maintenance and preparation.
4. The majority of businesses in India's micro and small-sized enterprise (MSME) sector are privately held (90.08%), followed by partnerships (4.01%), and then a variety of other forms of ownership (rest).
5. Manufacturers in India's micro, small, and medium-sized enterprise (MSME) sector produce a wide range of goods, including mechanical equipment's, textiles and readymade garments, food and food products, basic metal, rubber and plastic products, furniture, paper and paper products, leather and leather products, and so on.
6. According to the Prime Minister's Task Force on Micro, Small, and Medium Sized Enterprises (2010), the MSME sector in India includes both the formal and informal sectors.
7. Most micro, small, and medium enterprises (MSMEs) have just one or two lenders they work with instead of a wide variety.

8. To get everything done, micro, small, and medium-sized enterprises (MSMEs) often engage a small team of people.
9. Compared to large corporations, small and medium-sized businesses rely less on capital and more on labor.
10. According to P. Uma (2013), the micro, small, and medium-sized enterprise (MSME) sector is more adaptable to market demands for innovation and technology.
11. Small and medium-sized businesses (SMBs) have fewer moving parts than giant corporations, making them simpler to oversee. The direct and exact nature of the control enhances the coordination of workers.
12. Small and medium-sized enterprises (SMEs) are more adaptable than larger corporations because of their less complex organizational structures.
13. Most MSMEs specialize on just a few of goods or services. These businesses are able to maintain stable relationships with their suppliers, customers, and other stakeholders because of their narrow specialization.
14. Compared to huge corporations, MSMEs have less leverage in negotiations.

PRODUCTS AND SERVICES IN INDIAN MSME DOMAIN:-

More than 6,000 goods are made by the micro, small, and medium enterprise sector. Food and drink, clothing, fabricated metal products, repairs to personal and household goods, retail trade, textiles, furniture, machinery and equipment, other non-metallic mineral products, repairs to motor vehicles, wood and wood products, etc. are just some of the many products that fall under this category. In 1967, in order to facilitate the rapid expansion of small-scale companies, a reservation policy was implemented. One of the key protective policy measures for encouraging the MSMEs has been the reservation of commodities for exclusive manufacturing in the MSME sector, as allowed for in The Industries (Development and Regulation) Act, 1951. Some information on the effects of these set aside goods was released in the 1987– 1988 edition of the second all-India census of small-scale enterprises.

- a. The SSI industry accounts for 28.3 percent of overall output and accounts for 11.3 percent of the total number of products produced.

b. Among all the factories in this industry, 36% were producing restricted goods. There were several positive outcomes for the industry as a whole as a result of product reservations, including The SSI industry expanded rapidly as a result of the influx of new units into the reserved market.

c. Making a lot of people's lives better by creating jobs for them.

d. It has boosted ancillary industries like auto mobiles, mechanical and electrical engineering, etc., since major operations have to get scarce components from small-scale ones.

e. Review of the list of products reserved for manufacture in the small-scale sector, (M/o MSME) It has also assisted export promotion, since major units producing these items are required to export at least 50% of the entire output.

f. Initiated with the reservation of 47 goods, the program was expanded to include 504 by 1978. The number of items set aside for small businesses increased from 504 to 807 when the National Industrial Classification (NIC) code was introduced. By 1989, there were 836 items on the reserve list.

g. There are two goals to be achieved by implementing the Reservation Policy: a. boosting small-scale manufacturing of consumer products.

h. Promote the development of small-scale enterprises (Policy of Reservation, M/o MSME) as a means of expanding job prospects.

THE EXPANSION AND PERFORMANCE OF SMALL AND MEDIUMSIZE BUSINESSES IN INDIA:

The economy relies heavily on MSMEs, or micro, small, and medium-sized businesses. They are the lifeblood of the economy and major contributors to the country's gross domestic product (GDP). That is to say, they form the backbone of every prosperous nation's economy (Ravi, 2009). This industry accounts for 80% of India's businesses. They account for approximately 40% of overall exports, bringing in much-needed foreign currency, and 45% of total industrial production. They've been growing at an annual pace of 10.8 percent over the previous four years, and now account for 8 percent of the country's GDP. After agriculture, this sector is expected to contribute 10% to GDP by 2016–17 (Sharma and Afroz,



2014; Annual Report 2015–16). An estimated 117.13 million people are employed in the industry across 51.06 million businesses in India (MSME Annual Report, 2015-16). The Annual Report 2015–16 states that "MSMEs must upgrade and update themselves in response to the continuous change in market demand, opportunities in new markets, technological advancement, etc." MSME Sector Growth and Performance Before and After the MSMED Act of 2006 (1991-2006, pre-MSMED Act): From fiscal year 1990/1991 through fiscal year 2005/2006, the development and success of the MSME sector are discussed here. There have been major changes in the industry since deregulation. Before economic liberalization, a variety of incentives, concessions, and institutional facilities were put in place to foster these industries; now, the emphasis is on developing them via local and international competition. In many instances, however, it has resulted in protecting weak units rather than the independent development of units within a competitive business environment, which is counterproductive to the SSI units' projections. Liberalization has increased competition and provided them with new long-term market and commercial prospects.

CONCLUSION

The economic woes of emerging nations may be mitigated and social development secured via industrialization. Micro, small, and medium-sized enterprises (MSMEs) are the backbone of a prosperous country and the product of a wealth of entrepreneurship. If the MSME sector is thriving and innovative, the country as a whole may become economically powerful and self-sufficient in manufacturing. This industry empowers individuals to generate new employment opportunities, which in turn may lead to a country free of the scourge of unemployment. The industry has the potential to lift people out of poverty, provide them with more safety and stability, and help them find better paying jobs. Not only have MSMEs made major contributions to GDP, but they also account for 45% of manufacturing output and over 40% of total exports. They account for 8 percent of national GDP and have grown at a CAGR of approximately 10 percent over the previous several years. It is also obvious that the nation's MSMEs have excelled and made significant contributions to the expansion and improvement of its manufacturing sector. Because of their innovative, creative, and adaptable nature, MSMEs can swiftly adjust to structural shifts and fluctuating client demand. It is crucial that the MSME sector be given the tools it needs to face the difficulties that threaten

its existence and growth if the rate of growth and general development is to be maintained. The research found that issues with accessing capital are among the most significant factors stunting the expansion of MSMEs. The report goes on to pinpoint the causes of a worsening financial situation. When deciding how to proceed with an application for financial aid, financial institutions heavily consider demographic indicators.

REFERENCES

- Aahwini, K. (2012) 'Problems and Prospects of Micro, Small and Medium Enterprises in India (With Special Reference to the State of Karnataka)'Drt. Thesis, Alagappa University, Karaikudi.
- Assibey, E. O., Bokpin, G.A. and Twerefou, D.K.(2012) 'Microenterprise financing preference', Journal of Economic Studies, 39(1) , pp. 84 – 105.
- Babu, R., Bandeiah, CH. and Venkateswarlu, M. (2014) 'Role of Micro, Small and Medium Enterprises in Indian Economic Development', Indian Journal of Applied Research, 4(4), pp. 72-77.
- Beck, T., (2007, April). Financing constraints of SMEs in developing countries: Evidence, determinants and solutions. In KDI 36th Anniversary International Conference, pp. 26-27.
- Beck, T. and Demirguc-Kunt, A., (2006) 'Small and medium-size enterprises: Access to finance as a growth constraint',. Journal of Banking & finance, 30(11), pp.2931-2943.
- Beck, T., Demirgüç-Kunt, A. and Pería, M.S.M., (2011) 'Bank financing for SMEs: Evidence across countries and bank ownership types', Journal of Financial Services Research, 39(1-2), pp.35-54.
- Beck, T., AsliDemirguc-Kunt, Laeven, L. and Maksimovic, V. (2006) 'The Determinants of Financing Obstacles', Journals of International Money and Finance, 25(6), pp. 932-952.
- Beck, T., Demirgüç-Kunt, Asli and Singer, D. (2013) 'Is Small Beautiful? Financial Structure, Size and Access to Finance', World Development, 52, pp. 19-33.
- Beck, T., Demirgüç-Kunt, A. and Maksimovic, V. (2008) 'Financing patterns around the world: Are small firms different?', Journal of Financial Economics, 89 (3), pp. 467-487.



- Calice, P., Chando, V. M. and Sekioua, S. (2012) 'Bank Financing to Small and Medium Enterprises In East Africa: Findings of A Survey in Kenya, Tanzania, Uganda and Zambia', Working Paper Series No. 146, African Development Bank, Tunis, Tunisia.
- Canovas, G. H. and Kant, J. K. (2010) 'The institutional environment and the number of bank relationships: an empirical analysis of European SMEs', *Small Business Economics*, 34, pp. 375–390.
- Chander, S., and Arora, D.D. (2013) 'Study of Financial Problems of women Entrepreneurs', *International Journal of Social Science & Interdisciplinary Research*, 2 (4), pp.103-121.
- Chandrachud, S. and Gajalakshmi, N. (2013), 'The Current Status of SEZ India', *IOSR Journal of Business and Management (IOSR-JBM)*, 9(5), pp. 18-27.