



Role Of Msmes In Manufacturing Sector In Indian Economic Development

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ABSTRACT

On June 16, 2006 The Government of India has legislated and enacted the Micro, Small and Medium Enterprises Development (MSMED) Act . After 1999, the concept of SSIs was again revised and renamed as (MSMED) Act, the act was operational from 2ndOctober 2006.In the accordance with the provision of (MSMED) Act 2006, are classified in two classes 1.Manufacturing Enterprises and 2.Service Enterprises. This act seeks to facilitate the development of MSMEs and to enhance their competitiveness in domestic as well as global market. This sector plays a significant role in the Indian economy. A catalyst for socio-economic transformation of the country, the sector is critical in meeting the national objectives of generating employment, reducing poverty, and discouraging rural-urban migration. Exclusive credit plans for MSMEs entails providing lower rate of interest for growing business units and offering them access to banking service at low rate of interest, quick processing and servicing. The sector through more than 6000 products contributes about 8% to GDP besides 45% to the total manufacturing output and 40% to the exports from the country. The MSMEs sector has a whopping 69% share in the employment ambit, till now this sector has employed over 55 million people across India Covering different manufacturing skills sets and capabilities. MSMEs also play a significant role in Nation development through high contribution to Domestic Production, Significant Export Earnings, Low investment need, Operational Flexibility, Indigenous technology, Import substitution, Contribution towards defense fund thereby generating new entrepreneurs by providing knowledge and training. Despite their high enthusiasm and inherent capabilities to grow, MSMEs in India are also facing a number of problems technological issues, poor supply chain management, insufficient manpower supply. The aim of the paper is to present the role of Manufacturing sector of MSMEs makes development in Indian economy and to do a research how manufacturing Enterprises effects the fastest growth of Indian economy.

KEYWORDS: MSMED, GDP, MSME, Employment, Export, Operational efficiency, etc.

I. INTRODUCTION:

On June 16, 2006. The Government of India has legislated and enacted the Micro, Small and Medium Enterprises Development (MSMED) Act. After 1999, the concept of SSIs was again revised and renamed as (MSMED) Act, the act was operational from

2nd October 2006. In the accordance with the provision of (MSMED) Act 2006, are classified in two classes 1. Manufacturing Enterprises and 2. Service Enterprises. This act seeks to facilitate the development of MSMEs and to enhance their competitiveness in domestic as well as global market. This sector plays a significant role in the Indian economy. A catalyst for socio-economic transformation of the country, the sector is critical in meeting the national objectives of generating employment, reducing poverty, and discouraging rural-urban migration. Exclusive credit plans for MSMEs entails providing lower rate of interest for growing business units and offering them access to banking service at low rate of interest, quick processing and servicing. The sector consisting of 36 million units, as of today, provides employment to over 80 million persons. The sector through more than 6000 products contributes about 8% to GDP besides 45% to the total manufacturing output and 40% to the exports from the country. The MSMEs sector has a whopping 69% share in the employment ambit, till now this sector has employed over 55 million people across India covering different manufacturing skills sets and capabilities. MSMEs also play a significant role in Nation development through high contribution to Domestic Production, Significant Export Earnings, Low investment need, Operational Flexibility, Indigenous technology, Import substitution, Contribution towards defense fund thereby generating new entrepreneurs by providing knowledge and training. Despite their high enthusiasm and inherent capabilities to grow, MSMEs in India are also facing a number of problems technological issues, poor supply chain management, insufficient manpower supply. MSMEs need adopt innovative approaches in their operations. MSMEs are the competitive spirit and willingness to stand with the present business challenges.

II. LITERATURE REVIEW:

De, Sankar (2018) in his article has viewed that SME's in India face, many challenges, but perhaps none are as difficult as the challenge of financing, both short term and long term.

Nanda, Ramana & William R. Kerr (2016) have expressed the view that financing constraints are one of the biggest concerns impacting potential entrepreneurs around the world.

K, Vasanth, Majumder M, K. Krishna (2017) in their paper have stated that since several successful models of the sustainable MSMEs are gradually evolving, networks of MSMEs would become essential for addressing the systemic problems underlying the industrial ecology, enterprises resilience, and global supply chain sustainability.

Export-Import Bank of India, (2012) has critically analysed the present situation of MSMEs and support systems available in India as well as in the global context.

Srinivas K T, (2017) has studied the performance of MSMEs, and their contribution in India's economic growth and concluded that MSMEs play a significant role in inclusive growth of Indian economy.

According to the Annual Report on MSME, Ministry of Micro, Small and Medium Enterprises, Government of India (2018-19), a credit Guarantee Fund Scheme for MSEs has ensured credit availability loans upto 100 lakh without collateral/third party guarantees.

III. OBJECTIVES:

1. Primary Objectives

To study the role of Manufacturing sector of MSMEs makes development in Indian economy.

To do a research how manufacturing Enterprises effects the fastest growth of Indian economy.

2. Secondary Objectives

To understand the purpose of MSMEs act 2006.

To know the benefits of MSME act in Indian economy.

To study the need of MSMEs in fastest growth of Indian economy. To find out the important contribution of MSMEs in Indian economy.

METHODOLOGY:

The study involves a analysis of functioning of some micro, small and medium scale enterprises in the country in manufacturing sector and intends to identify the protentatives for growth, opportunities, major issue and challenges by these enterprises. These data are collected mostly secondary sources by way of access to various government policies/ programs including published annual report, journals, Books and available official websites.

The primary data are based on analysis of structured questionnaire and interview of entrepreneurs, industry workers and other stock holder.

IV. PRESENTATION & DATA ANALYSIS:

Micro, Small and Medium Enterprises MSMEs Act was amendment on 9th may 2007 and act is operational from 2nd October 2006, Under the Ministry of MSMED, from that date the government pf India (GOI) gave a legal basis and frameworks to the MSME enterprises by defining and classifying these enterprises uniform basis. This classification covers industry both under manufacturing and service sector and the above limits are excluding the cost of land, Building other specified items.

Enterprises	Micro	Small	Medium	Remarks
Manufacturing sector	Upto Rs. 25 Lakh	Above Rs. 25 Lakh to 5 crore	Above 5 crore to rs. 10 Crore	Investment in plant & Machinery
Service sector	Upto Rs. 10 Lakh	Above Rs. 10 lakh upto 2 Crore	Above Rs. 2 Crore to Rs.5 Crore	Investment in Equipment

Source :- MSME Annual Report

Table – 1 Performance of MSME sector in India :

SL No.	Year	Total working Enterprises	Employment Generated (In Lakh)	Market Value of Fixed Assets (Rs.. in Crore)
1	2014-15	428.73	965.15	1105934.09
3	2015-16	447.64	1011.69	1182757.64
4	2016-17	447.54	1061.40	1268763.67
5	2017-18	488.46	1114.29	1363700.54
6	2018-19	510.57	1171.32	1471992.94

Source :- Annual report of MSME, Government of India, 2018-19.

The contribution of MSMEs sector towards GDP and total manufacturing output has been depicted in Table- 2. It is clear that the share of service sector MSMEs to the GDP has been increasing indicating robust growth and changing nature of economy.

Table – 2 Contribution of manufacturing output of MSME in GDP.

Year	Gross value of output of MSME manufacturing sector(Rs in crore)	Share of MSME sector in total GDP (%)			Share of MSME output in total manufacturing output (%)
		Manufacturing sector	Service sector	Total	
2014-15	1375589	7.52	27.40	34.92	40.79
2015-16	1488352	7.45	27.60	35.05	39.63

2016-17	1653622	7.39	28.60	35.99	38.50
2017-18	1788584	7.27	29.30	36.57	37.47
2018-19	1809976	7.04	30.70	37.74	37.33

India is the fourth largest economy in the world (in terms of PPP mode, and the second largest in the developing Asia) which accounts for 22% of GDP, 33.8% Population and 32.5% of the potential workforce in Asia.

MSMEs in India consistently feed the domestic and the international value chain as manufacturers, suppliers, distributors, retailers, contractors and service providers for our industrial units.

TOP 5 STATES OF MSME MANUFACTURING UNITS, EMPLOYMENT AND THE MARKET VALUE OF FIXED ASSETS.

In this sector, we will show top 5 state of MSME manufacturing Units, employment provided by the MSME sector and market value of fixed assets of the MSME sector in India.

From the information presented in table 3 below, we observe that the country had 214.4 lakh MSME units spread over all states and union territories.

Table – 3 Top 5 State Of MSME Manufacturing Enterprises

Sl.no.	State	Numbers of enterprises (In “000”)	Percentage of all India total (%)
1	Utter Pradesh	2422	11.30
2	West Bengal	2123	9.90
3	Tamil Nadu	2055	9.58
4	Andhra Pradesh	1536	7.16
5	Gujarat	1533	7.15

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Information provided in Table – 4 below shows that MSME manufacturing units provided employment opportunity to 50193 thousand people spread over all the states and union territories as per the fourth MSME census.

Table – 4 TOP 5 STATES WITH HIGHEST MSME EMPLOYMENT

Sl no.	State	Employment (In '000')	Percentage of all India total (%)
1	Utter Pradesh	5931	11.82
2	West Bnegal	5853	11.66
3	Tamil Nadu	5315	10.59
4	Andhra pradesh	3898	7.77
5	Maharastra	3561	7.09

Top 5 states market value of fixed assets of MSMEs.

Table – 5 STATE WISE MARKET VALUE OF FOXED ASSETS OF MSMEs.

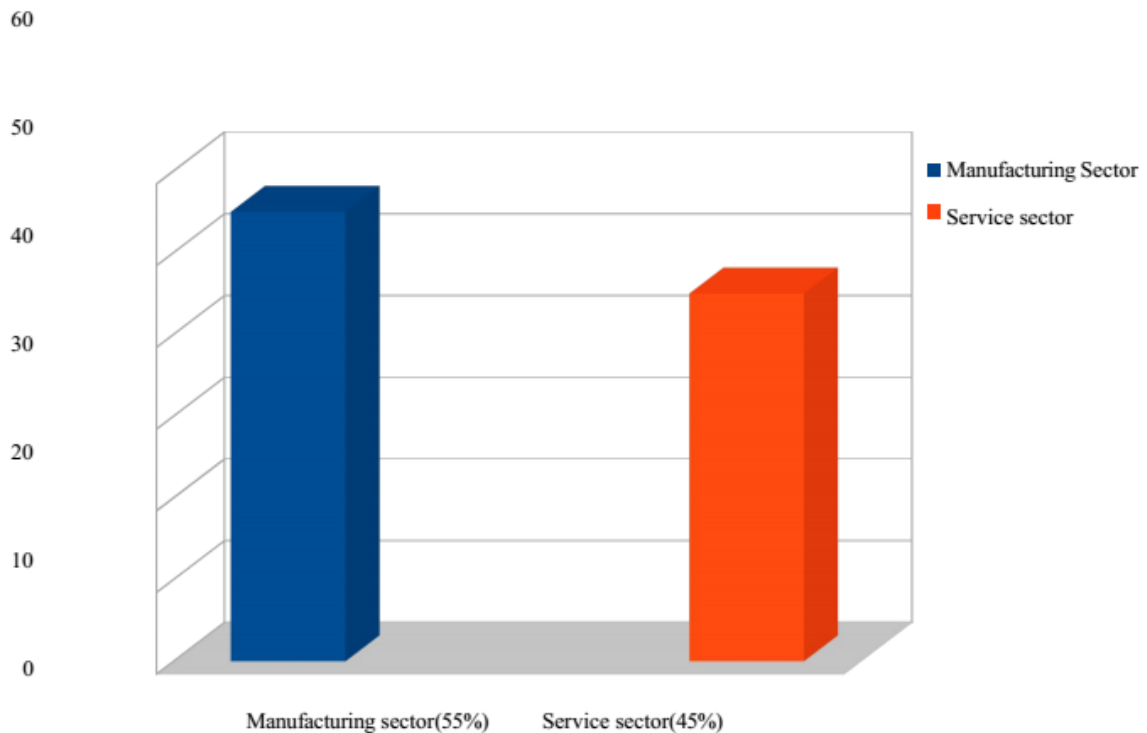
Sl. no.	State	Market value of fixed assets (Rs. Billion)	Percentage of all India total (%)
1	Gujarat	1667.50	24.17
2	Tamil Nadu	778.20	11.28
3	Maharashtra	679.40	9.85
4	Uttar Pradesh	561.60	8.14
5	Kerala	443.50	6.43

1. New Registration policy

One Of the critical indicators to assess the successful development of MSME sector in an economy, is the data on opening of new MSMEs. Before the MSMED Act 2006, there was a system of registration by small scale industrial units to the DIC's. Subsequently as per the provision of MSMED Act 2006, MSMEs used file entrepreneurs memorandum (Part – 1) at District Industrial Centers and part II / [EM-II]. A total of 21,96,902 Fm – II fillings is provided, between 2017 and 2015. Since September 2015 in view of promoting case of business an online filling system under udyog aadhar memorandum (UAM) Basted self – declared information has been put in place, since then till end may, 2019 68.25 lakh

MSMEs have all ready registered on(UAM).

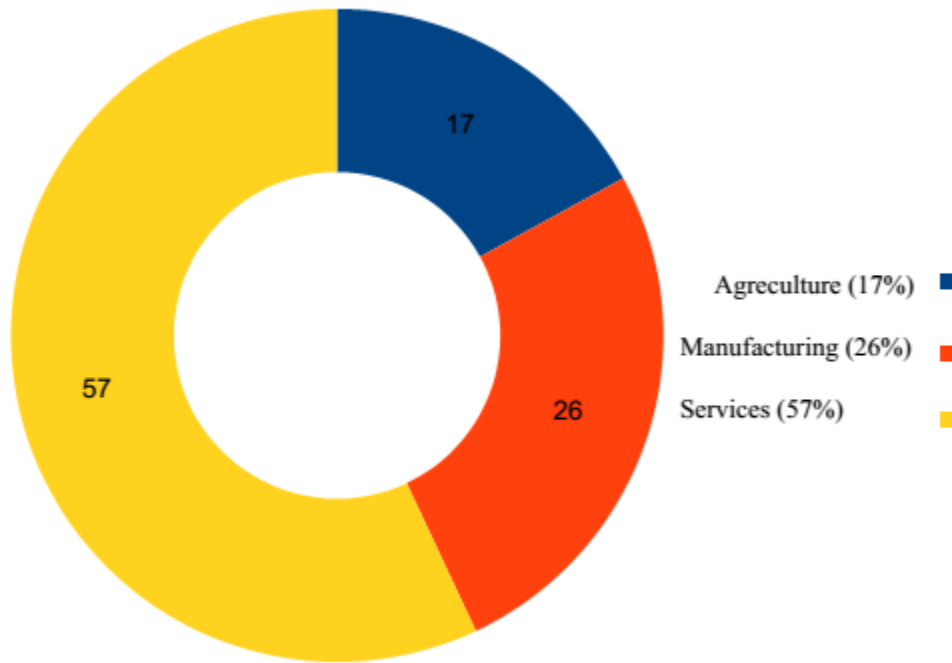
An analysis of UAM fillings shows a break-up provided below of manufacturing and service sector of MSME.



Share of UAM's manufacturing and services MSMEs registered.

India needs to create 10 to 15 million job opportunities per year over the next decade to provided gainful employment to its population. Current MSME employment is at 28% of the overall employment.

The current growth of MSME is non Uniform and there exists a significant gap in growth of enterprises across services and manufacturing, Step to lower this gap must be taken for a balanced growth outlook.



Source :- Department of Commerce, Annual reports. (Percentage figures indicate contribution of sector to the overall GDP).

MSME – growth rate of employment and enterprises by sector.

Sectors	Growth rate of employment	Growth rate of enterprises
Manufacturing	18%	23%
Services	34%	31%

Source :- Ministry of MSME, Annual Report.

Interpretation :- From the above chart we say that we need MSMEs in Indian economy how much, not only for its growth but also its growth rate on employment also impressive as we see in the previous page picture after Agriculture sector both Manufacturing and Service sector helps in the growth of Indian economy with 26% of manufacturing and 57% in service sector.

Importance of MSME for Indian Economy :-

- **Employment** :it is the second largest employment generating sector after agriculture. It provides employment nearly around 120 million persons in India.
- **Contribution to GDP** :With around 36.1 million units throughout the geographical expanse of the country, MSME contribute around 6.11% of manufacturing and 24.63 % of the GDP from service activities.

MSME ministry has set a target to up its contribution to GDP to 50% by 2025 as India becomes a \$ 5 trillion economy.

- **Exports** : It contribute around 45% of the overall exports from India.
- **Inclusive growth** : MSME promotes inclusive growth by providing employment opportunities in rural areas especially to people of workers sections of the society.

MSME Growth impacted by multiple constraints : Challenges of MSME sector

- Labour inconsistently.
- Credit to MSMEs.
- Low Production capacity.
- Ineffective marketing facilities.
- Lack of proper infrastructure
- Limited capital
- Access to markets.
- Lack of technological knowledge.

Future Prospects of MSME:

1. **More employment generation** : These are large opportunities in the field of manufacturing and service rendering of MSME. In the field of retail and manufacturing sector. MSME are generating different and sample amount of employment.
2. **Focus on customer Satisfaction** : Primarily MSMEs manufacturing goods focus on test and preference, liking and disliking of the consumer. But now a day they produce goods according to the needs or expectations of the customers.
3. **Development of Export** : In the international market, there will be a large demand of Indian product like wooden items, other homemade articles, textile goods etc. So MSMEs none the potential to improve the export of India.
4. **Attraction of Foreign Investment** : The Indian MSMEs are the growing sectors and their growth rate and return on investment is satisfactory. This sector can attract foreign investment in India so, their growth rate increasing drastically.

Interpretation : From all the previous dta analysis, informations, articles we see that MSME has play a important role in Indian economic development. It gives most job opportunities state wise. MSMEs has growth rate of 28% and contributes 30.74% of Indian GDP with over 68.25 Lakh working MSMEs. It serves 6000 product & services. Ministry of MSMEs serve the nation simultaneously.

MSMEs helps in employment, potential economic growth, overall development of the nation.

V. CONCLUSION:

It is concluded from the study that MSMEs over the years have assumed greater significance in our national economy by employment generation and rural industrialization to support 'make the India'. The study also ascertains that the state of Maharashtra is closely followed by Gujarat, Tamil Nadu, Andhra Pradesh, Uttar Pradesh, West Bengal. Among the poor performing states of Rajasthan, Madhya Pradesh, Odisha, Bihar and Assam. Given the importance prediction of Unemployment and poverty in the political economy of India, the policy cannot afford to ignore the importance of MSME in creating jobs. MSMEs contribute 30.74% in Indian GDP also in creates 11 million job opportunities, in terms of value 45% of manufacturing output and 40% of total exports in 51million units and 37% if the workforce. Their is no denying that MSMEs play a vital role in economic growth of India by the year of 2025 it will serve 50% of the Indian GDP.

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