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A STUDY ON ROLE OF MSME IN ECONOMIC DEVELOPMENT OF RURAL INDIA

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Abstract- The MSME Sector assumes an indispensable part in financial improvement of the country and is an important channel for setting out minimal expense work open doors. For expedient development of SSI, the State Government has effectively achieved Simplification in the SSI enlistment methodology and appropriately decrease in archives has been achieved. The State Government has changed the plan of SSI units has been expanded up to Rs. 1 Crore for Tiny Sector, the venture roof has been expanded from Rs. 50,000/ - to Rs. 2 lakhs. Up to March 2000, there were 1,35,350 perpetual enrolled SSI units in the State. The absolute interest in these units was Rs. 10,73,943 lakhs and their creation limit was Rs. 7,50,744 lakhs. These units in completely utilized around 1011954 people. The service has various projects to help and help business visionary and independent companies. In the event that anybody is wanting to set up business, one may contact National Institute for Entrepreneurship and independent venture advancement (NIESBUD), National Institute for Micro, little and medium endeavors (NI-MSME), Indian Institute of Entrepreneurship (IIE) or the Development chief (DC-MSME) for insight regarding their projects. In the setting of above data, this examination endeavored to know the cutting edge state of MSME mechanical area and its effect on financial just as friendly improvement of district.

Key words: Economic Development, Entrepreneurship, MSME, Regional Development, SSI Units, etc.

I. INTRODUCTION

Economic development is the primary objective of the majority of world nations. This truth is accepted almost without any controversy. As a consequence of rapid growth in Indian economy, the industrial development has become a matter of serious concern for the planners and policy makers. Industrialization plays a vital role in the development of developing countries because they can solve their problems of general poverty, unemployment, backwardness, low production, low productivity and low standard of living etc. It is equally important for developed countries as it helps them not only to maintain their existing growth but also to enjoy still higher standards of living to avoid cyclic fluctuations. Therefore, rapid industrial growth has been a major objective of planning in India. India's post-independence development plans emphasized industrialization as a very important instrument for sustained growth. Industrial development is considered necessary to achieve high rate of economic growth, to provide for the basic needs of population, to lead to an increasingly diversified economy and to give rise to social psychology and institutional changes [1].

MICRO, SMALL AND MEDIUM ENTERPRISES SECTOR IN INDIA

The MSME 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. These enterprises help to build a thriving entrepreneurial eco-system, in addition to promoting the use of indigenous technologies. The sector has exhibited consistent growth over the last few years, but it has done so in a constrained environment often resulting in inefficient resource utilization. Of the many challenges impeding the growth and development of MSMEs, inadequate access to financial resources is one of the key bottlenecks that make these enterprises vulnerable, particularly in periods of economic downturn.

The term 'MSME' is widely used to describe small businesses in the private sector. Regulators and financial institutions across the world use parameters such as employee strength, annual sales, value of fixed assets, and loan size proxies to define the sector in the context of finance. For instance, businesses with employee strength less than 500 (OECD) are considered MSMEs in Mexico. According to the World Bank definition, a business is classified as MSME when it meets two of the three criteria – employee strength, size of assets, or annual sales. The Micro, Small and Medium Enterprise Development Act 2006 (MSMED Act) of the Government of India provides the definition of the MSME sector. An extension of the erstwhile definition of Small Scale Industry (SSI), this classification uses the investment metric to define MSMEs because investment in plant and machinery can be measured and verified.

FINANCIAL INSTITUTIONS AND DEFINITIONS OF MSME

Although investments in plant and machinery are tangible and measurable, the current definition provides limited information on the financial appetite and financial performance of an enterprise. As a result, many financial institutions prefer using annual sales/revenue (turnover) to segment and target MSMEs, as given in table below, and as a key parameter for product development and risk management.

Table - 1

Internal Definition Used by Banks for MSME						
Enterprise Size	**Micro**		**Small**		**Medium**	
Institution Type	Turnover (INR Million)	Credit Size (INR Million)	Turnover (INR Million)	Credit Size (INR Million)	Turnover (INR Million)	Credit Size (INR Million)
Private Commercial Bank	1.5-50	0.2-1	50-200	5-150	200-2000	50-200
NonBanking Finance Companies	0.05-1	1-5	5-25	0.3-5	10-1000	2.5-50

Source: MSMED Act

The micro, small and medium enterprises (MSME) segment of the Indian economy is very vast, with largest number of enterprises, very large number employed, highly dynamic in terms of the entry of new entrepreneurs and the exit of a huge number of enterprises annually. By 2001 this segment of Indian economy had employed 24.932 million in 10.521 enterprises of which 5.808 were rural and the rest urban and mostly in nonmetropolitan towns / semi-urban areas, and manufacturing sectors of the MSME enterprises were close to 40% of the total and the repairing and maintenance sector enterprises constituting another 16%, with total MSME gross output for 2001-02 at Rs. 2,822 billion and export at Rs. 141.79 billion [2].

Micro, Small and Medium Enterprises (MSMEs) in India have evolved considerably since independence. From being referred to merely as the Small Scale Industries (SSI) sector in the 60s and 70s, the MSME sector has progressed in scale and in the scope of business activities over the years. Today, MSMEs are present across sectors (manufacturing, trade and services) in India, thereby constituting a formidable component of the country's outstanding economic growth. While a key achievement of MSMEs over time has been their talent in utilizing available domestic resources to deliver quality products and services, these firms have made their presence felt across India's key sectors as well as in prominent export markets. MSMEs have made an impact on a range of issues, from industrial progress to entrepreneurship and from job creation to economic empowerment. The inclusiveness of the MSME sector is highlighted by the fact that around 50.0 per cent of MSMEs in India are owned by underprivileged groups. Due to its low capital structure, coupled with high labor absorbing power, the sector has played a noteworthy role in achieving rural industrialization as well. The MSME sector remains a key driving force for India's complete transition from an agrarian economy to an industrialized one. Subsequently, MSMEs have been awarded a host of incentives by governments across India. A number of other organizations in the private and non-profit domain have also been aiding MSMEs to remain competitive in a more globalised economic order. This is set to continue in the coming decade as well, with MSMEs requiring access to credit, technological know-how and training centers for bridging the skill gap [3].

ROLE OF MSME IN DEVELOPMENT OF RURAL SECTOR

The development of the rural sector is mostly depend on the development of small and medium manufacturing enterprises, peoples facing various challenges like unemployment, low income, poor standard of living, no proper education facilities, No market for the goods They have various resources as a raw material but no capital to convert in to finished goods and that why societies income generation capacity decreases. Educated and skillful youth migrated to another district because of no job facilities are available though they have large quantity of raw material, water resources, skill and education etc. The

MSME are, however, bedeviled with many challenges that render them ineffective and inefficient. Some MSMEs also complain about the cumbersome banking procedures and difficulties in accessing bank loans. Others also complained about the high interest rates charged by the banks. Most MSMEs also lack formal training in their business lines. Vulnerability to market fluctuations and high fold up rates, in addition, paramount among these problems is high information asymmetry arising from MSMEs lack of accounting records and inadequate financial statements, making it difficult for creditors and investors to access the credit worthiness of potential MSME proposals and advancement in technology. In addition, that is why MSME in manufacturing sustainability problem is created, sick unit are created. In addition, due to which there may be huge blockage of fund in the various fixed (capital) assets. These problems persist in MSME manufacturing sector including those MSMEs in rural sector. In the context of "Make in India" initiative by central government, it is worthwhile to see the role of DIC in development of MSMEs as well as resource constraints our MSMEs are facing for the decades."

Inputs to these segments as evidenced in data from the Input-Output tables of the economy, somewhat dated though and at factor costs, appears to show: low or declining use of machine tools and other industrial machinery; steep rise in energy consumption especially of petroleum products; rise in other inputs from industry; and stagnation or moderate rise or in cases even decline of inputs from agriculture. Rising energy bill with decline in machine tools usage indicates decline in general technological changes in these sectors. Weakened input usage, as reflected in lower value of factor inputs from agriculture might indicate general weakening of materials-flow network between the MSME and the agriculture and is a matter of serious concern. This might also indicate lowered relative prices, indicative of lower technological changes in agriculture and allied sectors. The agricultural input then might be drawn from local unorganized markets or from networks of input providing wholesalers/large traders through non-price transactions. In parallel, the relative rise in values of several types of feedstock or inputs from industry reflects both advancing integration with the industrial system (in comparison with inputs from agricultural system and relative technical stagnation vis-à-vis large industries [4].

II. REVIEW OF EARLIERS WORKS

A good literature review requires knowledge of the use of indexes and abstracts, the ability to conduct exhaustive bibliographic searches, ability to organize the collected data meaningfully, describe, critique and relate each source to the subject of the inquiry and present the organized review logically and last, but by no means least, to correctly cite all sources mentioned. The literature review is as follows

Dangayach and Deshmukh (2005) reported the findings of an exploratory survey on advanced manufacturing technologies (AMTs) administered in Indian small and medium enterprises (SMEs) of automobile, electronics, machinery, and process sectors. The objective of the survey is to assess the status of AMT, identify AMTs relevant to Indian SMEs, identify competitive priorities, AMT implementation criteria, and assess the degree of investment in AMTs. Responses from 122 companies are analyzed and presented. It is observed that Indian SMEs are giving the highest priority to quality and the least priority to flexibility. "Post-implementation evaluation" and "requirement analysis" AMT implementation steps have attracted least attention from Indian SMEs. This study is useful to others implementing AMT. Small and medium enterprises (SMEs) play a vital role in Malaysian economy, and is considered to be the backbone of industrial development in the country. However, few studies examined their development, challenges and future prospects. Saleh and Ndubisi (2006) examined and analyzed the role of SMEs in different sectors as well as their major contribution to the economy [1] [2].

There appears to be growing consensus that Small Business Enterprises (SBEs) exert a major influence on the economy of Trinidad and Tobago. Baptiste-Cornelis and Long (2008) investigated how and to what extent small businesses influenced macroeconomic variables such as employment, growth and productivity in the important sectors of manufacturing and services. The study used a methodology that traverses the reader though a combination of various literatures, and theories coupled with relevant statistics on small business [3].

Moore and Manring (2009), discussed several different incentives for SMEs to optimize sustainability- (1) becoming valuable sustainable investment targets for larger firms; (2) creating highly competitive networks of sustainable SMEs in market spaces where large enterprises are less successful; (3) becoming highly efficient suppliers in global supply chains through sustainable practices. While, several successful models of the sustainable SME are evolving, it may be that networks of SMEs will become essential for

addressing the systemic problems that underlie industrial ecology, enterprise resilience, and global supply chain sustainability. SMEs represent the majority of all enterprises, and rapidly evolving communication technologies allow for various routes of network formation [4].

According to Khanka (2010) small enterprises have become one of the two important legs of industrial economy of India. That, of late, small enterprise sector has emerged as a vibrant sector in the Indian economy is indicated by its contribution in employment, income and exports. For example, they constitute over 90 per cent of total industrial units, account for around 80 per cent of the total industrial employment, and contribute nearly 39 per cent of the industrial production and around 33 per cent of the country's exports [5].

The study of Upadhyay et al (2011) tried to explore the factors affecting implementation across the stages of ERP implementations using the responses from 98 MSMEs engaged in manufacturing activities. The minimum number of factors explaining the maximum variance in data is determined using confirmatory factor analysis (CFA). The factor analysis is performed on SPSS with the principal component method using the Varimax Rotation Technique. The results of this study highlights four crucial factors that influence the ERP implementation process in the Indian MSME segment. Broadly, they may be summed up under the following heads: project execution competency; product and vendor perspective; organizational climate; and technical perspective [6].

Lahiri (2012), critically analyzed the definitional aspect of MSMEs and explore the opportunities enjoyed and the constraints faced by them in the era of globalization. Annual Average Growth rate (AAGR) has been used as the major statistical tool to compare the performances of MSMEs during pre and post liberalization process. The study results show that except marginal increase in growth rate in employment generation, the growth rate in other parameters is not encouraging during the liberalization period [7].

Sharma et al., (2012) reviewed concisely the literature in this field and addresses in particular opportunities and challenges faced by women entrepreneurs in rural areas. It examined the impact on women empowerment through micro entrepreneurship development and SHGs [8].

Kiran (2013) attempted to understand as to how a small or micro undertaking can achieve success by adopting strategic decisions at the appropriate time. The case study of S.S. Fiber Tech Industries describes a successful journey of a micro industry wading through challenges for a decade into grow into a small industry by apt marketing decision and new channel strategies [9].

According to Dey (2014) the importance of MSME has been recognized in recent years in both developed and developing countries for its significant contribution in gratifying various socio-economic objectives such as higher growth of employment, output, promotion of exports and fostering entrepreneurship. They play a crucial role in the industrial development of any country. The MSME sector is an important pillar of Indian economy as it contributes greatly to growth of Indian economy [10].

Rajesh et al., (2015) observed that micro, small and medium enterprises (MSMEs) all over the world have been recognised as silent drivers of a nation's economy. Their role in the economic and social development of a country is well established. The MSME sector is a breeding ground of entrepreneurship, often driven by individual creativity and innovation at grass root level and shows dynamism in terms of Micro, small and medium enterprises (MSMEs) have been accepted as an engine for economic growth and equitable development [11].

Gupta and Barua (2016) identified important enablers of technological innovation in the context of Indian MSMEs. Extant literature review and expert judgment are used to identify enablers of technological innovation. A novel multi-criteria decision making technique called best worst method is applied to find out most important enablers among these. Research results indicate project resources and capabilities; technical know-how of entrepreneurs and government policies as most important enablers contributing significantly towards technological development of MSMEs [12].

An ongoing debate in employment policy is whether promoting small and medium enterprises creates jobs. Martin et al., (2017) used the elimination of small-scale industry (SSI) promotion in India to address this question. Authors identified the consequences for employment growth, investment, output, productivity, and wages of dismantling India's SSI reservations. They exploit variation in the timing of de-reservation across products and also measure the long-run impact of national SSI policy changes using variation in pretreatment exposure at the district level [13].

III. METHODOLOGY

This section presents the research design and the specific procedures used in conducting the present study. This includes information regarding research design, sample selection, research instrument and its development, data collection method and methods of data analysis. In the present study one of the rural districts was considered as study area.

POPULATION AND SIZE OF SAMPLE

The population or universe represents the entire group of units, which is the focus of the study. Thus, the population could consist of all the units in the country, or those in a particular geographical location, or a special ethnic or economic group, depending on the purpose and coverage of the study. A population could also consist on non-human units such as farms, houses or business establishments. Thus, all MSMEs were considered as a universe of study. For the present study total 175 MSMEs are selected for generation of data.

SMAPLING TECHNIQUE, DATA COLLECTION AND RELIABILITY

Clustered Random Sampling technique has been adopted in the present study. MSME units were selected randomly from each cluster.

For data collection questionnaire was developed in the form of instrument. Data was collected on this developed instrument from the selected sample.

Reliability of the instrument on the basis of test-retest has been found to be 0.85 which suffice the reliability needed for collection of data.

STATISTICAL TOOLS

For the purpose of analysis and inferences, following statistical tools have been used.

- Measure of association: Correlation Coefficient
- Test of significance using Chi-Square
- One way ANOVA

IV. DATA ANALYSIS

Table – 2

Type of Industry

Type of Industry	**Frequency**	**Percentage**
Medium	2	1.1
Small	112	64.0
Micro/Cottage	61	34.9
Total	**175**	**100**
Chi sq	**Df**	**Sig.**
38.426	2	< 0.001

Table – 3

Workers Employed in Industries

Workers	**Frequency**	**Percentage**
Less than 25	163	93.1
More than 25	12	6.9
Total	**175**	**100**
Chi. Square Value	**Df**	**Sig.**
130.291	1	< 0.000

Table – 4
Training to Employees for Improving Productivity

Training to Employees	**Frequency**	**Percentage**
Strongly Agree	98	56.0
Agree	65	37.1
Disagree	12	6.9
Total	**175**	**100**
Chi sq	**Df**	**Sig.**
103.149	2	< 0.001

Table – 5
Quality Control As An Import ant Part of Industry

Quality Control	**Frequency**	**Percentage**
Strongly Agree	85	48.6
Agree	78	44.6
Disagree	12	6.9
Total	**175**	**100**
Chi sq	**Df**	**Sig.**
69.411	2	< 0.001

Table – 6
Problems Faced by Industry

Problems faced	**Frequency**	**Percentage**
Finances	70	40.0
Labor	36	20.6
Marketing	24	13.7
Technical	57	32.6

Table – 7
Higher Labor Cost as a Problem

Labor Cost	**Frequency**	**Percentage**
Strongly Agree	85	48.6
Agree	78	44.6
Disagree	12	6.9
Total	**175**	**100**
Chi sq	**Df**	**Sig.**
69.411	2	< 0.001

Table – 8
Financial Assistance

Govt. Provides Financial Assistance	**Frequency**	**Percentage**
Yes	117	66.9
No	46	26.3
Somewhat	12	6.9

Total	**175**	**100**
Chi sq	**Df**	**Sig.**
41.434	2	< 0.001

Table – 9
Government Policies

Govt. Policies are Favorable to Ind.	**Frequency**	**Percentage**
Yes	127	72.6
No	12	6.9
Somewhat	12	6.9
Can't Say	24	13.7
Total	**175**	**100**
Chi sq	**Df**	**Sig.**

V. CONCLUSIONS"

- Majority of MSME industries had less than 25 workers.
- Regular training to employee working in MSME industries help in improving productivity of industries.
- Quality control is an important part of the MSME industry.
- MSME industries faced finance related problems, labor related problems as well as marketing and technical problems.
- Raising labor cost is the problem for majority of MSME industries.
- Current government policies are favorable for development of MSME industries.
- Government provides financial assistance to MSME industries.
- Government should ensure that there should be no power cut-off for MSMEs in the region.

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