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Growth, performance and projections — Micro, small, and medium enterprises (MSME's) in India: A discourse analysis

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ABSTRACT

The micro, small, and medium-sized enterprise (MSME) sector is regarded as an economy's growth engine. During 2012-13, the Micro, Small and Medium Enterprises (MSME) sector, including that of the business services industry, contributed 37.54 percent to the nation's exports GDP, with 805.24 lakh people employed inside this sector.

For the fiscal year 2014-15, the industry contributed 44.70 percent of India's overall exports. Income and wealth inequality are also widespread, particularly in emerging nations like India. We require a 'Inclusionary Growth' framework to handle these issues. Growth will not even be comprehensive until and unless the benefits of growth reach the other side of the pyramid. A continuous increase in per capita income cannot inevitably translate to a sustained gain in standard of life in a developing country like India, where disparity in wealth and economic activity is large.

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1. History & Background

The MSME (Micro, Small, and Medium Enterprises) sector of the Indian economy has grown as a lively and active industry. MSMEs not only serve an important role in creating large numbers of jobs at a cheaper cost of capital than major enterprises, but they also aid in the industrialization of rural and backward regions, decreasing regional imbalances and ensuring a more fair distribution of national revenue and wealth. MSMEs serve as auxiliary units to big enterprises, and this sector makes a significant contribution to the country's socioeconomic growth. The Micro, Small and Medium Firms Development (MSMED) Act, 2006 was adopted by the Indian government, and it defines micro, small and medium enterprises as follows:

1.1. Enterprises involved in the following activities: manufacturing, production, processing, or preservation of goods

A micro enterprise is one with an investment in plant and machinery of less than Rs. 25 lakh; ii. A small enterprise is one with an investment in plant and machinery of more than Rs. 25 lakh but less than Rs. 5 crore; and iii. A medium enterprise is one with an investment in plant and machinery of more than Rs. 5 crore but less than Rs. 10 crore.¹

The initial cost of equipment and machinery, excluding land and building and the items mentioned by the Ministry of Small Scale Industries in its notice No.S.O.1722 (E) dated October 5, 2006, is the investment in the aforesaid firms.²

b) Businesses that provide or provide services and have listed below their investment in equipment (original cost excluding land and buildings, furniture, furnishings, and other things not directly relevant to the service supplied or as may be declared under the MSMED Act, 2006).

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Manufacturing Sector	
Enterprises	Does not exceed twenty five lakh rupees.
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees.
Medium Enterprises	More than five crore rupees but does not exceed ten crore rupees.
Service Sector	
Enterprises	Investment in Equipments
Micro Enterprises	Does not exceed ten lakh rupees.
Small Enterprises	More than ten lakh rupees but does not exceed two crore rupees.
Medium Enterprises	More than two crore rupees but does not exceed five crore rupees.

A micro enterprise is one in which the equipment investment is less than Rs. 10 lakh; ii. A small enterprise is one in which the equipment investment is more than Rs. 10 lakh but less than Rs. 2 crore; and iii. A medium enterprise is one in which the equipment investment is more than Rs. 2 crore but less than Rs. 5 crore.^{3,4}

According to the updated approach proposed by the Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation (MoSPI), manufacturing sector Micro, Small and Medium Enterprises (MSME) contributed 7.04 percent to GDP in 2012-13.⁵ Taking into consideration the contribution of the services sector MSME, which was estimated at 30.50 percent in 2012-13, the MSME sector's proportion of GDP in the country was 37.54 percent in 2012-13. (Mishra, Kalraj, 2014). The share of MSME in India's total export for the year 2013-14 has been guesstimated at 42.38 percent based on export data maintained by the Director General of Commercial Intelligence & Statistics, Ministry of Commerce, but also information available with this Ministry about MSME products with significant export. (Govt. of India, Ministry of Micro, Small and Medium Enterprises, 2014).⁶

Developing Human Resource management through training and skill enhancement; v. Providing economic information services; vi. Maintaining a close working relationship with the Central Ministries, Planning Commission, State Governments, Financial Institutions, and other organisations involved in the MSME sector's development. vii. Evolving and coordinating MSME development policies and programmes as ancillaries to major enterprises.⁷

1.2. Review of the Literature

Compliance, entrepreneurialism, especially value-driven environmental and social concern have been highlighted as incentives for pro-social and pro-environmental behaviour in SMEs, according to Revell and Blackburn. Almost all of the UK government's strategy to promoting voluntary pro-environmental participation in small firms, particularly with

regard to climate change and greenhouse gas emissions, is based on the ease of doing business argument (2007).⁸⁻¹²

In terms of social and environmental challenges, SMEs differ from bigger corporations. They have less codified social and environmental policies (Spence, 2007; Hamann et al., 2009) and appear to engage in less explicit environmental and social behaviour than bigger corporations (Spence, 2007). (Lawrence et al., 2006).

Investing voluntarily in environmental measures or concerns is one way to demonstrate an environmentally conscious mindset or some type of sustainable enterprise. This is part of sustainable entrepreneurship in the private sector: attempting to strike a balance between the environment, profit, and people (Masurel, 2007:191).

1.3. The Paper's Objectives

1.3.1. The following are the paper's objectives

1. To evaluate the performance of MSMEs in India;
2. To evaluate the role of MSMEs in the growth of entrepreneurship

2. Materials and Methods

The research is based on secondary information. To get deep insights into the topic area, prominent research researchers conduct a literature review. Several public reports are also studied during the study, including the MSME Annual Report 2014-15 and the Ministry of Micro, Small and Medium Enterprises, Government of India's websites, among others.

2.1. Analysis and Findings

3. Msme's Performance in India

a) The contribution of a sector to the country's GDP is one of the factors used to assess its success in an economy. The following is a breakdown of MSME's contribution to India's GDP.

MSME play an important part in the economy's socioeconomic transformation. MSME employs about 80 million people and operates over 36 million units, accounting for 8% of the country's GDP. According to the Ministry of MSME's annual report, the industry accounts for around 45 percent of the country's overall exports. More than 6000 high-quality items are produced by MSME sectors. As a result, the MSME sector has more room to grow and diversify its operations across industries. Micro businesses account for 94.9 percent of MSMEs, followed by small businesses at 4.9 percent.

These businesses are spread over India, with 55 percent of them operating in rural areas and the remainder in semi-urban and metropolitan areas. As a result, MSMEs make a significant contribution to India's balanced economic growth. If we look at the activity level, we can observe

Table 1: Contribution of manufacturing output of MSME in GDP

Year	Percentage Share of MSME (At2004-05 prices)		
	Gross Value of Output (Rs. in Crore)	Total Manufacturing Output	Gross Domestic Product (GDP)
2006-07	1198817.55	42.02	7.73
2007-08	1322960.41	41.98	7.81
2008-09	1375698.60	40.79	7.52
2009-10	1488390.23	39.63	7.49
2010-11	1655580.60	38.48	7.42
2011-12	1790804.67	37.52	7.28
2012-13	1809976	37.54	7.04

Source: Annual report of Msme 2014-15

Table 2: Performance of SSI/MSME employment, investments

Sl. No	Year	Total Working Enterprises (in Lakh)	Employment (in Lakh)	Market Value of Fixed Assets (Rs. in Crore)
1	2001-02	105.21	249.33	154,349.00
2	2002-03	109.49	260.21	162,317.00
3	2003-04	113.95	271.42	170,219.00
4	2004-05	118.59	282.57	178,699.00
5	2005-06	123.42	294.91	188,113.00
6	2006-07	361.76	805.23	868,543.70
7	2007-08	377.36	842.00	920,459.84
8	2008-09	393.70	880.84	977,114.72
9	2009-10	410.80	921.79	1,038,546.08
10	2010-11	428.73	965.15	1,105,934.09
11	2011-12	447.66	1,011.80	1,183,332.00
12	2012-13	467.56	1,061.52	1,269,338.02
13	2013-14	488.46	1,114.29	1,363,700.54
14	2014-15	510.57	1,171.32	1,471,912.94

Table 3:

Sl. No	Year	Number of BI/HI approved	Number of Ideas approved	GOI assistance
1	2008-09	25	18	-
2	2009-10	29	164	1.91
3	2010-11	22	95	5.75
4	2011-12	-	49	2.06
5	2012-13	26	29	2.30
6	2013-14	16	53	2.51
7	2014-15	35	143	2.68
8	2015-16	47	97	4.96

that manufacturing units account for 67.1 percent of total registered units, while service units account for 16.8 percent of total registered units and repair and maintenance units account for 16.1 percent of total registered units. We can obtain a better sense of the distribution of 6000 MSME units into their various sectors by looking at the graphic below.

b) Another metric to look at is the sector's contribution to job creation. MSME has contributed significantly to the establishment of new job possibilities. The following exhibit 2 demonstrates this:

MSME also plays an important role in encouraging the country's entrepreneurial spirit. Since April 2008, a programme dubbed "Support for Entrepreneurial and

Managerial Development of SMEs via Incubators" has been in place. This is one of the components of the National Manufacturing Competitiveness Program (NMCP), which focuses on assisting SMEs with their entrepreneurial and managerial growth through incubators.

3.1. MSME growth trends (EM-II filings) from 2007-08 to 2014-15

Since the Fourth All India MSME Census in 2006-07, the number of Entrepreneur Memorandum Part-II (EM-II) forms submitted at DICs has been used to analyse changes in the MSME sector. The Udyog Aadhaar online filing

mechanism has been in existence since September 2015. The number of EM-IIIs submitted by MSME at DICs was gathered from the State/UT Commission rates/Directorates of Industries in order to examine the trends in MSME growth in the country from 2007-08 to 2014-15. In terms of the number of EM-IIIs filed with District Industries Centers around the country, MSME has exhibited constant development. The number of EM-IIIs filed climbed from 1.73 lakh in 2007-08 to 1.93, 2.13, 2.38, 2.82, 3.23, 3.63, and 4.25 lakh in 2008-09, 2009-10, 2010-11, 2011-12, 2012-13, 2013-14, and 2014-15.

The scheme's principal goal is to support individual innovators who want to start a technology-based business. The DC (MSME) office has chosen 200 business incubators to implement the aforementioned programme and has released a total of 22.18 crores as of January 2016.

4. Conclusion

Although the industry makes a significant contribution to India's economy, it is particularly sensitive to socioeconomic shifts. Only a few people live for more than five or six years. (Audet and St-Jean, 2007; Baldwin, 2001). Several factors, according to Gurtoo, contribute to this susceptibility (2009:181). The task is usually done at a very small scale and with very little structure. With little or no formal space for operations and little or no divide between labour and capital, there is a strong reliance on day-to-day earnings for survival (ILO, 2002, 2006; Bhalotra, 2002). Work in the informal sector is not organised as a distinct legal organisation, separate from the home, or with different production activities (Chen, 2006; N and, 2006; Williams, 2005).

Because informal business transactions are not regulated by law, they are highly customised and unpredictable. These transactions, on the other hand, are entirely market-based, with no formal system or government participation (Schneider and Bajada, 2003; Williams, 2005). Regardless of these challenges and restrictions, the Indian government is placing a greater emphasis on MSME growth. As part of the endeavour, the government created incubation centres in IITs and IIMs to help first-generation entrepreneurs fund their ventures.

5. Source of Funding

None.

6. Conflict of Interest

None.

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