



GROWTH AND EMPLOYMENT GENERATION IN MICRO, SMALL AND MEDIUM ENTERPRISES IN INDIA

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ABSTRACT

Micro, small and medium enterprises (MSMEs) are the largest segment of an economy. MSMEs are not only playing a very important role in employment generation, resource utilisation and income generation to a large segment of the society, but also help in industrialisation of rural and backward areas, thereby reducing regional imbalances, assuring more equitable distribution of national income and wealth. It contributes significantly to the country's output, employment and exports and is credited with generating the highest employment as well as accounting for a major share of industrial production and exports. The present paper is an attempt to analyse the growth and performance of Micro, Small and Medium enterprises and employment generation in MSMEs. For the purpose of analysis, Simple Average and Compounded Annual Growth Rate were taken as statistical tools and the data were shown with graphical presentation. The main objective of the present study is to analyse the growth and generating employment in MSME sector in India.

KEYWORDS: MSMEs, Growth, Employment, challenges

INTRODUCTION:

India is a developing country. Its economic development depends upon agriculture sector, service sector, and manufacturing industries. Every sector has its own value and contribution in the development of the economy. In India, we have micro, small and medium enterprises (MSME) which also contributes in their own way. MSMEs occupy an important place in the sphere of employment and economic development. For the last many years, these industries have been producing wide range of commodities from ordinary consumer goods to sophisticated goods based on the most modern technology, like electronic goods, television sets etc. The major advantage of the sector is its pivotal role through its contribution in industrial output, exports, and majority in employment generation at low capital cost. The labour intensity of MSME sector is much higher than that of the large enterprises. The MSMEs constitute over 90 percent of total enterprise in most of the economies and credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. In India too, the MSMEs play a pivotal role in the overall industrial economy of the country. In recent years the MSME sector has consistently registered higher growth rate compared to the overall industrial sector.

As per available data from the National Sample Survey, 73rd Round survey conducted by NSSO & MSME in 2015-16, indicate that around 51% of these enterprises are based on rural areas of the country and 31% of the manufacturing output is contributed by the MSME sector. The share of MSME sector in total exports of India is about 40%. It provides employment to around 111 million persons in India spread over 63.38 million enterprises. Without any dispute, MSMEs are one of the key drivers behind this growth. This sector comprising of manufacturing, infrastructure, service industry, food processing, packaging, chemicals and I.T. has emerged as most vibrant and dynamic engine of growth

of Indian economy. Several statutory and non-statutory bodies work under the aegis of the Ministry of MSME. These include the Khadi Village Industries Commission(KVIC), and the Coir Board, besides National Small Industries Corporations(NSIC), National Institute for Micro, small and medium Enterprises (NIMSME) and Mahatma Gandhi Institute for Rural Industrialisation (MGIRI). Khadi and Village Industries and Coir Industries are not only providing huge employment, but also ensure regional balance to the rural and backward areas.

in the light of their significance in growth and development, MSME runs various scheme aimed at financial assistance, Technology assistance and upgradation, infrastructural development, skill development and training, enhancing competitiveness and market assistance of MSMEs.

REVIEW OF LITERATURE:

Hussain (2004), in his article on “Performance of Small Scale Industries in India and the Challenges Ahead” has found that a significant increase in all the key parameters over the period and higher contribution of industrial sector in exports leads to economic development. It can also be concluded that there are certain weaknesses that prevail in MSME and need to be removed. **Garg & Walia (2012)**, in his article on “Micro, Small & Medium Enterprises in post reform India: Status & performance” analysed the growth and contribution of micro, small and Medium enterprises in post reform period. The study reveals that the MSMEs were termed as engine of growth for developing economy. **Abdul Naser, V. (2013)**, critically evaluated the contributions made by the Micro, small and medium enterprises in the balanced growth of the Indian economy. The study says that since 55% of the total enterprises operate in rural areas, they promote inclusive growth and regional equity. They play a very important role in employment generation and contribute a commendable portion to the GDP, industrial production and export of the country. The paper also highlights the challenges faced by the sector and its need for structural support. **Srinivas K.T. (2013)**, in his paper entitle Role of micro, small and medium enterprises in inclusive growth. He concluded that the MSME termed as the engine for the growth of the country. In the last few years, there has been tremendous change in the National and state level for consolidating this sector. Poor infrastructure and lack of marketing linkages are the key reasons for the poor growth of the MSMEs in India. The support provided by the Government is not enough for the fulfilment of this sector. Therefore, the Government should take some initiative for further development of these MSMEs in India. **Biswas (2015)**, analysed the growth of growth of micro, small & medium enterprises sector and their contribution in boosting economy in India. **Bilas S. Kale (2015)** conducted a descriptive study of MSMEs operating in Maharashtra to establish that MSMEs help to fight unemployment, poverty and achieve socio-economic growth in the state. MSMEs lead to inclusive and balanced growth of the economy by creating demand for goods and services This sector reduces social imbalance and lads to foster sustainable development. **Dr. Ali Akbar, K. (2016)** in his article on “Growth and Performance of SMEs in India: An Overview” has concluded that India accorded high priority to SMEs from the very beginning and pursued support policies to make these enterprises viable, vibrant and over time, these have become major contributors to the GDP. In nutshell, the MSMEs play a leading role in propelling economic growth sustaining livelihood and promoting equitable regional development. **Mohanty Jeeban Jyoti (2018)** in his article “study of micro, small and medium Enterprises (MSMEs) in India: Status and its Performance” analyse the performance of MSME sector. He found that MSMEs sector as whole is the engine of growth for Indian economy. The study also reveals that there is an increasing pattern in the number of units, employment, market value of assets. There is high degree of relationship between the total factory units and employment. He further revealed that MSMEs has exhibited a good performance in recent years. However, at the same time its challenges are also not ignored. The role of MSMEs sector is growing rapidly and they have become a thrust area for future growth for rural and urban development.

OBJECTIVES OF THE STUDY:

The present study has based on following objectives

1. To analyse the growth and performance of MSMEs in India.
2. To examine the employment generation in the MSMEs.
3. To examine the Key challenges faced by MSMEs sector.
4. To give the suggestions on the basis of the study.

RESEARCH METHODOLOGY:

Keeping in view the objective of the paper, the data used in the study are secondary in nature and mostly collected from the Annual Reports published by the Ministry of Micro, small, and Medium Enterprises, Government of India, Various websites connected with the relevant topic of MSMEs, Journal papers, Articles and other relevant sources for MSME sector in India. The study covers a period from 2006-07 to 2015-16. The data for the study has been analysed by using statistical tools like mean and Compound Annual Growth Rate to examine the performance of MSMEs in India.

DEFINITION OF MSMES

The definition of Micro, Small, Medium Enterprises has been changing over time. The changes occurred mainly in the upper ceiling limit prescribed for original value of plant & machinery. Micro, Small and Medium Enterprises are generally defined in terms of the investment in the plant, machinery and equipment, the number of people employed and annual turnover. In India MSMEs are defined just according to the amount of investment ceiling for plant, machinery or equipment. The employment criterion was dropped because the employment trends keep changing seasonally, hence it is difficult to base the definition on them. Classification according to number of people employed gives owner the incentive to limit employment to remain within small and medium enterprises. Another reason to dropping this criterion is the possible discrimination between labour intensive and techno sophistication. (Dr. P. Uma, 2013)

The enactment of Micro, small & Medium Enterprises Development (MSMED) Act in 2006 by the Government of India gave a legal basis and framework to the micro, small and Medium enterprises by defining and classifying these enterprises on a uniform basis. Enterprises are broadly classified in terms of activity such as enterprises engaged in the manufacturing/production and enterprises engaged in services.

DEFINITION OF MICRO, SMALL AND ALL MEDIUM ENTERPRISES ACCORDING TO MINISTRY OF MSME (IN RS.)

Type of Enterprise	2006 Act		2018 Bill
	Manufacturing enterprises Investment in plant and Machinery	Services enterprises Investment in Equipment	All enterprises Annual Turnover
Micro	Upto Rs. 25 Lakh	upto Rs. 10 Lakhs	upto Rs. 5 Crore
Small	Above Rs. 25 lakhs & upto Rs. 5 crore	Above Rs. 10 lakhs & upto Rs. 2 crore	Above Rs.5 crore & upto Rs. 75 crore
Medium	Above Rs. 5 Crore & upto Rs. 10 crore	Above Rs. 2 crore & upto Rs. 5 crore	Above Rs. 75 crore & uptoRs. 250 crore

Source: MSME Annual Report

As per the new definition of MSMEs announced in 13th May 2020, the investment in plant and machinery has been revised upward and an additional criterion of turnover introduced. The distinction between manufacturing and services has been done away with. now a micro firm is one with investment up to Rs. 1 crore and turnover less than Rs. 5 crores. The small firm has investment up to Rs 10 crore and turnover up to Rs. 50 crore and medium-firm will be one with investment up to Rs 20 crore and turnover Rs. 100 crores. However, this proposal will be needed for amendment in the MSMED Act and passed through Parliament.

Revised MSME classification			
Composite Criteria: Investment and Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing & Services	Investment up to Rs 1 crore and turnover up to 5 crore	Investment up to Rs 10 crore and turnover up to 50 crore	Investment up to Rs 20 crore and turnover up to 100 crore

SIGNIFICANCE OF MSMEs SECTOR

The growth and development of MSME sector in our country has been consistent and remarkable over the preceding decades. As per the data available, The MSME sector's contribution to the National GDP is * percent. It contributes about 6.1 percent of the manufacturing GDP, 24 percent of the services, and 33.4 percent of the India's

manufacturing output. Its contribution to export stand on 40 percent. around 32% to the Gross Value added and 29 percent to the GDP in the year 2015-16. The MSME sector produces more than 8000 products ranging from simple and traditional consumer goods to modernized finished products. Some of the industries under MSMEs are related to cotton textiles, jute and jute based, food products, paper & paper products, plastic and plastic products, basic metal products, jute based products, electrical & electronically goods, chemicals & pharmaceuticals, Information Technological service etc. The leading industry in the MSME sector is retail constituting 39.85% of industries, followed by the manufacturing of wearing apparel (8.75%), Manufacture of food products and beverages (6.94%), other service activities (6.20%), other business activities (3.77%), hotel and restaurant (3.64%), sales, repair and maintenance of motor vehicle and motor cycles; retail sales of automobile fuel (3.57%), manufacturing of furniture and N.E.C. (3.21%) and Manufacturing of Textile (2.3%).

The Government of India has introduced numerous initiatives for support and promotion of micro, small and medium enterprises in the country. The most recent one being the 12 point initiative launched by the Honourable Prime Minister for overhauling the entire MSME ecosystem towards making it more competitive and resilient in the Nation as well as global scenarios. The budgetary allocation to MSME for the year 2018-19 was Rs. 3790 crores for credit support, capital and interest subsidy, and innovations. These include establishment of Small Industries Development Bank of India (SIDBI) in 1990 for promotion and financing of MSME sector, Credit Guarantee Fund Trust of Micro and Small Enterprises (CGTMSE) was in 2000 to offer credit facilities to eligible borrower and the Prime Minister's Employment Generation Programme (PMEGP) in 2008 to generate employment opportunities in rural and urban areas through new self-employment ventures/ projects/ micro enterprises.

MSMEs are a significant driver of the growth of the Indian economy. The 73rd Round of NSS survey on unincorporated Non-Agriculture Enterprises in manufacturing, trade and other trade service sector (excluding Constructions), the total number of enterprises are around 633.88 lakhs enterprises registered as MSMEs in India out of those only 4000 are from the category of large enterprises. Almost 95.58 percent of these enterprises are recorded as micro enterprises, the remaining are small and large enterprises. Around 51 percent of total enterprise are from the rural sector. Also the survey shows that MSME sector has created around 11.09 crore jobs, which is the second largest workforce just after the agriculture sector. Out of which micro enterprises provide around 97 percent of total employment in the MSME sector. The annual compound employee Growth Rate are 3.63 percent as per annual report of MSME in 2017-18. In such a scenario, introduce of friendly laws and policies for MSMEs and establishment of specialised institution for promotion and development of MSMEs can really prove them to become the engines of economic growth in India.

This sector has consistently registered a higher growth rate than the other industrial sector. There are over 7500 products ranging from traditional to high tech items, which are being manufactured by the MSMEs in India. The leading industry in the MSME sector is retail constituting 39.85% of industries, followed by the manufacturing of wearing apparel (8.75%), Manufacture of food products and beverages (6.94%), other service activities (6.20%), other business activities (3.77%), hotel and restaurant (3.64%), sales, repair and maintenance of motor vehicle and motor cycles; retail sales of automobile fuel (3.57%), manufacturing of furniture and N.E.C. (3.21%) and Manufacturing of Textile (2.3%).

AN ANALYSIS OF MSME SECTOR IN INDIA

Micro, Small and Medium Enterprises sector in India has been analysed from 2006-07 to 2015-16 on the basis of following parameters;

1. Performance OF Micro, Small and Medium Enterprises

This sector contributes significantly in the number of enterprises and employment of the country. In recent years the MSME sector has consistently registered higher growth rate compared to the overall industrial sector in India. It is estimated that in terms of value, the MSME sector accounts for about 45 percent of the manufacturing output and around 49 percent of the total exports of the country. As per the 73rd Round Survey (2015-16) conducted by NSSO & Ministry of MSME sector, this sector employs an around 111 million persons in over 63.39 million enterprises. The performance of MSME Sector is given as under

1.1 Employment and Working Enterprises of MSMEs during 2006-07 to 2015-16

Table 1.1: Trend of Growth in MSMEs Units, and Employment in India during 2006-07 to 2015-16

S.N.	Years	Total working Enterprises (in Lakhs)	Employment (in Lakhs)
1	2006-07	361.76	805.23
2	2007-08	377.37	842.23
3	2008-09	393.70	881.14
4	2009-10	410.82	922.19
5	2010-11	428.77	965.69
6	2011-12	447.73	1012.69
7	2012-13	467.54	1061.40
8	2013-14	488.46	1142.29
9	2014-15	510.57	1171.32
10	2015-16	633.88	1109.89
CAGR		6.43	3.63
Mean Value		410.29	988.36

Source: MSME Annual Report 2015-16, Ministry of Micro, small, and Medium Enterprises, Government of India.

Above table shows the employment and total working enterprises of MSMEs during 2006-07 to 2015-16. It can be inferred that number of MSMEs units have been increased during the study period. In the year 2006-07, there were 361.76 lakhs enterprises, in the following years number of enterprises increased significantly. In the year 2015-16, number of enterprises stood at 633.88 lakh enterprises (around 175 percent compared to 2006-07)

Employment generation of MSME sector has been increased during the study period. In the year 2005-06, there were 805.23 lakh employees. in the following years, number of employees increased significantly. In the year 2015-16, number of employees increased to 1109.89 lakh employees (around 137 percent more compared to 2005-06)

Number of enterprises and employment registered an annual growth rate of 6.43 percent and 3.63 percent respectively. Finally, MSMEs are playing significant role in the economy through generating employment.

FIGURE 1. GROWTH TREND IN NUMBER OF MSMEs AND EMPLOYMENT GENERATED (IN LAKHS)

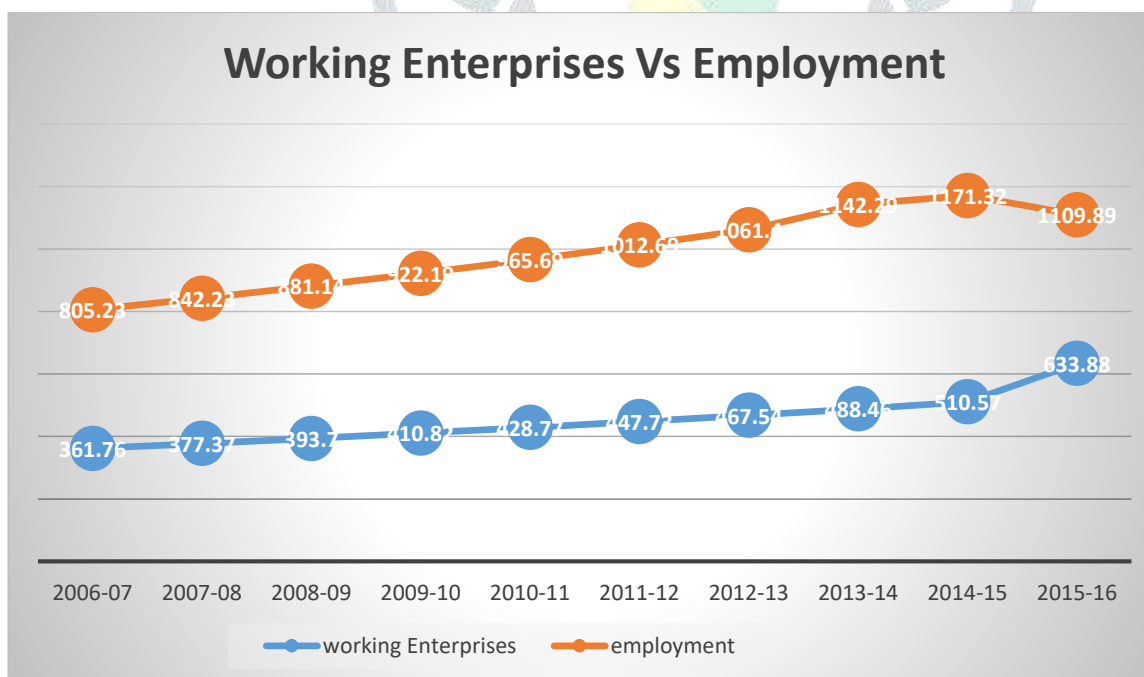


Figure 1 represents the growth trend of the MSMEs in terms of increase in number of working enterprises and consequently the employment generated by the sector. The graph clearly shows the increase in the number of MSMEs over the last decade with a parallel growth in the number of people employed in the sector.

1.2 Growth in Fixed Investment of MSMEs in India:

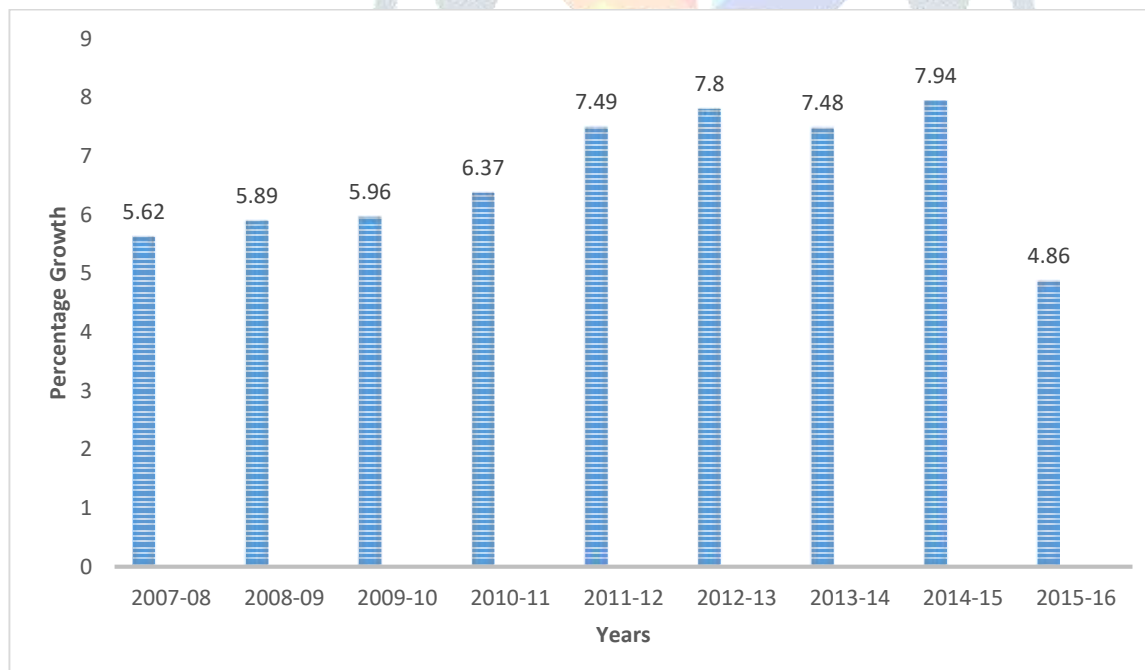
Investment in fixed assets is a good indicator of the growth of an industry. The table given below highlights the year-wise fixed investment growth of MSMEs in India and the percentage growth over the previous years.

Table 1.2: Growth of Fixed Investment in MSMEs

S.N.	Year	Fixed Investment	
		(In Crores)	Percentage Growth
1	2007-08	917347	5.62
2	2008-09	971407	5.89
3	2009-10	1029331	5.96
4	2010-11	1094893	6.37
5	2011-12	1176939	7.49
6	2012-13	1268763	7.80
7	2013-14	1363700	7.48
8	2014-15	1471992	7.94
9	2015-16	1543492	4.86

Source: Annual Report 2018-19, Ministry of MSMEs, Government of India

Figure 2: YEAR-WISE PERCENTAGE GROWTH IN FIXED INVESTMENT OF MSME IN INDIA



The above table and figure clearly indicates that there is immense increase of fixed investment in the MSMEs from 917347 crores in 2007-08 to 1543492 crore in 2015-16 with Combined Annual Growth Rate (CAGR) of 5.95%, which indicates that the large amount of investment has been made in MSMEs under the study period.

1.3: Contribution of MSME (Manufacturing Sector) to the Gross Domestic Product (GDP)

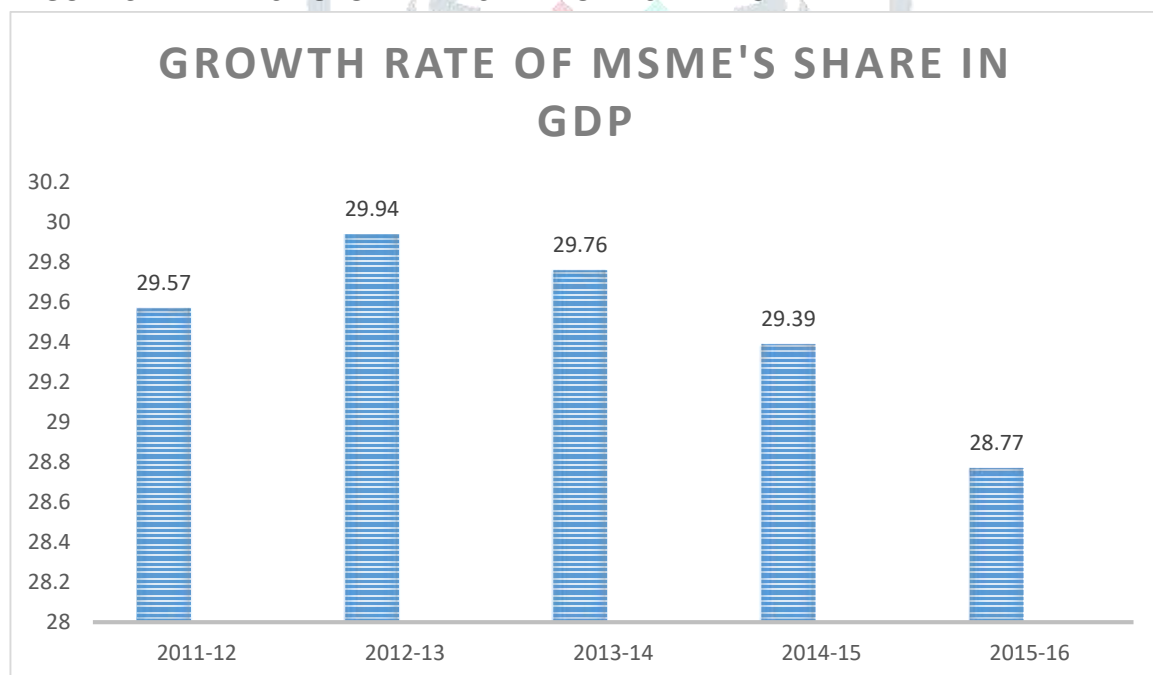
India is one of the fastest growing economy in the world. The Gross Domestic Product of a country indicates its economic stability and prosperity. The share of MSME sector in manufacturing output and Gross Domestic Product(GDP) is significant. of MSME sector

Table 1.3: Contribution of MSMEs to Manufacturing output and GDP at Current Price (in Rs. Crores)

Year	Gross Value of Output (Rs. in Crores)	Percentage Share of MSMEs in Total Manufacturing Output	Total GDP	Percentage Share of MSMEs in GDP
2011-12	2583263	31.86	8736329	29.57
2012-13	2977623	32.36	9944013	29.94
2013-14	3343009	32.26	11233522	29.76
2014-15	3658196	31.86	12445128	29.39
2015-16	3936788	31.60	13682035	28.77

Source: Annual Survey of India, CSO, MOSPI

FIGURE 3: YEAR WISE GROWTH IN SHARE OF MSME IN GDP



Above table and figure clearly shows the contribution of manufacturing output of MSMEs to GDP pattern in India during the study period of 2011-12 to the year 2015-16. It can be concluded that the MSMEs contribution of manufacturing output to GDP is Significant. In the year 2011-12, it was 31.86 percent, in the following years total manufacturing output was slightly decreased. (around .26 percent when compared to 2011-12 manufacturing output).

If we look at the share of MSMEs in total GDP of the country, it is roaming around 29 percent. It has been decreased significantly during the study period. In the year 2011-12, it was 29.57 percent, in the following years, contribution to GDP by MSME sector decreased to 28.77 percent (around .8 percent decline

was reported as compared to 2011-12 contribution to GDP. Finally, through the MSMEs have been increasing by number, their contribution to the economy of the country has been decreased significantly.

1.4: Contribution of MSMEs to the Total Export: MSMEs sector dominates in export of sports goods, readymade garments, plastic products, leather products, handicrafts, processed food, and non-traditional goods (electrical equipment's, electronic goods) etc.

Table 1.4: MSMEs share in Export of India

S.N.	Year	% share in Export
1	2012-13	40
2	2013-14	42.42
3	2014-15	44.76
4	2015-16	49.86

Source: Annual Report 2017-18

Table 1.3 depicts the percentage contribution of MSMEs to the total export of India. In 2012-13, there was 40 percent share from the MSME in India's export, followed by 42.42 percent in 2013-14, 44.76 percent in 2014-15, and 49.86 percent in 2015-16 financial years.

2. EMPLOYMENT PROFILE IN THE TOTAL MSMEs. SECTOR IN INDIA

MSMEs sector in India creates largest employment opportunities next to agriculture sector. MSMEs in India are generating significant number of employment in Economy. There are about 1076.19 lakh people involved with micro, 31.94 lakh people involved with small and 1.76 lakh people involved with medium enterprises in India. This sector is not only play a crucial role in providing large employment opportunities at comparatively lower capital cost than large industries, but also help in industrialisation of rural and backward areas, thereby reducing regional imbalances, and assuring equal distribution of national income.

This table presents the growth of employment covering micro, small and medium enterprises in India during the study period.

Table 2.1: Trends of Employment in MSMEs in India

S.N.	Years	Employment (in Lakhs)
1	2006-07	805.23
2	2007-08	842.23
3	2008-09	881.14
4	2009-10	922.19
5	2010-11	965.69
6	2011-12	1012.69
7	2012-13	1061.40
8	2013-14	1142.29
9	2014-15	1171.32
10	2015-16	1109.89
11	CAGR	3.63
12	Mean	988.36

Source: Annual Report 2017-18

As per the available data from the National Sample Survey(NS) 73rd Round conducted in 2015-16, It was found that employment among the MSME sector continues increasing. In 2006-07, total number of employment generation was 805.23 lakh followed by 842.23 lakh in 2007-08, 881.14 lakh in 2008-09, 922.19 lakh in 2009-10, 965.69 lakh in 2010-11, 1012.69 lakh in 2011-12, 1061.40 lakh in 2012-13, 1142.29 lakh in 2013-14, 1171.32 lakh in 2014-15 and 1109.89 lakh in 2015-16. Further table also shows 3.69 compound Annual Growth rate under the study period of 2006-07 to 2015-16. It was considered as positive trend, but the growth was very steady.

2.2 Area Wise Employment Generation in MSME in India: As per the National Sample Survey (NSS) 73rd Round, conducted during the period 2015-16, the urban area wise distribution of employment is dominating during the study period

TABLE 2.2: SECTOR WISE DISTRIBUTION OF EMPLOYMENT IN RURAL AND URBAN AREAS (IN LAKH)

S.N	Area Wise	Employment (in Lakh)	Share%
1	Rural	497.80	45
2	Urban	612.09	55
3	Total	1109.89	100

Source: Annual Report 2015-16

FIGURE 4: PERCENTAGE SHARE OF EMPLOYMENT IN MSME

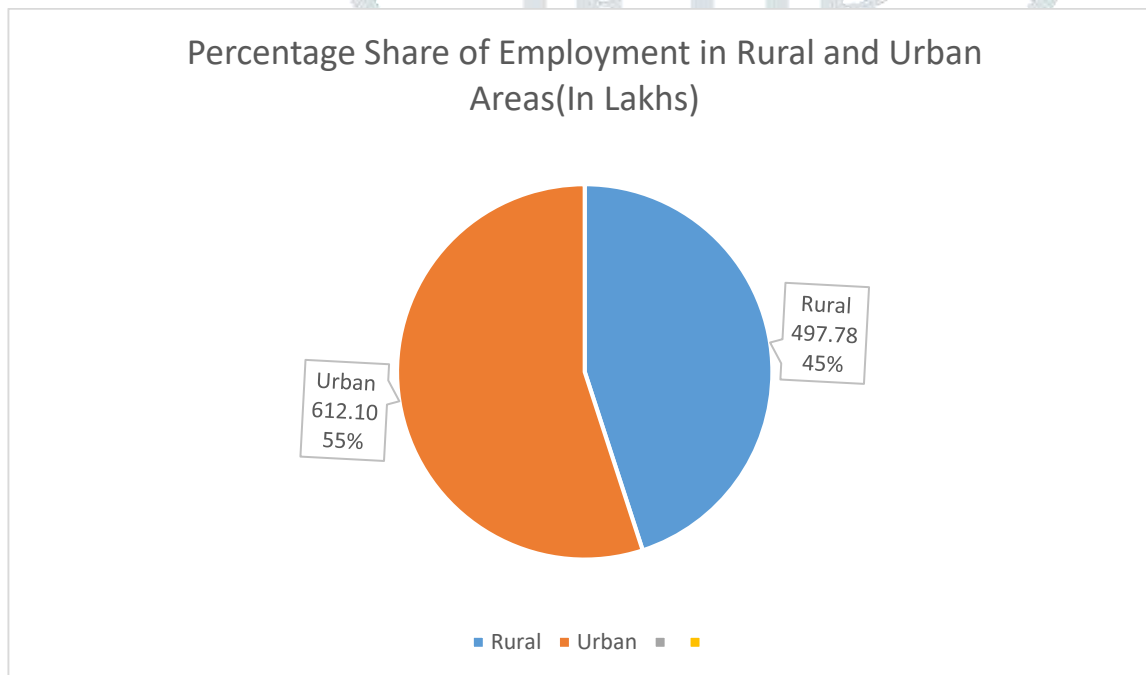


Table 2.2 and

Figure 4 depicts the distribution of employment by area. Urban areas with 612.10 lakh persons, accounted for 55 percent of the total employment in MSME sector, Whereas, rural area recorded 497.78 lakh employees accounted for 45 percent of the total employment of MSME sector.

2.3 Distribution of Employment in MSME by Nature of Activity

Table-2.3: Distribution of employment by Type of Activity in MSME sector

S.N	Nature of Activity	Employment (In Lakh)	Share %
1	Manufacturing	360.41	32.
2	Trade	387.18	35
3	Other Services	362.29	33
4	Total	1109.89	100.

Source: NSS 73rd Round Survey (2015-16) conducted by NSSO & MSME

FIGURE 5: ACTIVITY WISE DISTRIBUTION OF MSMES

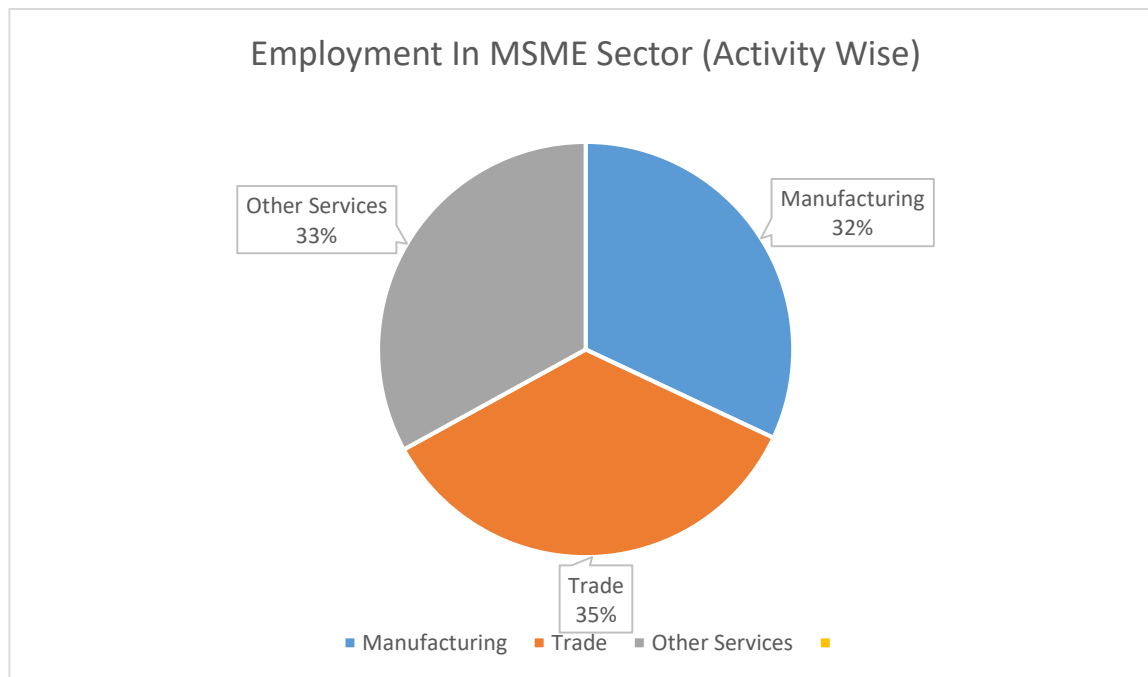


Table 2.3 depicts the distribution of employment by nature of activity in the MSME sector. As per the National Sample Survey (NSS) 73rd Round, conducted during the period 2015-16, MSME sector has been creating 11.10 crore jobs (360.41 lakh) in manufacturing, 387.18 lakh in trade and 362.29 lakhs in other services in across the country. It is evident from figure 5 that 32 percent employees were found to be engaged in Manufacturing activities while 35 percent were in trade and 33 percent employees were engaged in other services under study period.

2.4 Sector wise Employment in MSME Sector The sector wise details of Employment generation are given in the table.

TABLE 2.4: SECTOR WISE DISTRIBUTION OF EMPLOYMENT (In Lakh)

S.N	Sector	Employment	Share %
1	Micro	1076.19	97.00
2	Small	31.94	2.84
3	Medium	1.76	0.16
	Total	1109.89	100.00

Source: NSS 73rd Round Survey (2015-16) conducted by NSSO & MSME

Table No 2.4 disclose the distribution of employment by sector wise. Micro sector is providing employment 1076.19 lakh persons, which accounts for around 97 percent of total employment. Whereas the Small sector is generating employees with 31.94 lakhs (2.84%) and medium sector is being provided with 1,76 lakhs (0.16%) persons of total employment in MSME sector.

2.5 State- wise Position of Employment in MSME Sector: The State/ U.T. Wise details of Employment generation are given in the table below

TABLE 2.5: State-Wise Position of Employment (NSS 73RD Round)

S.N.	Name of State/U.T	Total Employment (In Lakh)	Share (%)
1	Uttar Pradesh	165.26	14.89
2	West Bengal	135.52	12.21
3	Tamil Nadu	96.73	8.71

4	Maharashtra	90.77	8.17
5	Karnatka	70.84	6.38
6	Gujarat	61.16	5.51
7	Andhra Pradesh	55.99	5.04
8	Bihar	53.07	4.78
9	Madhya Pradesh	48.80	4.39
10	Rajasthan	46.33	4.17
11	Kerala	44.64	4.02
12	Telangana	40.16	3.62
13	Odisha	33.26	2.99
14	Jharkhand	24.91	2.24
15	Punjab	24.80	2.23
16	Delhi	23.00	2.07
17	Haryana	19.06	1.72
18	Assam	18.15	1.63
19	Chhatisgarh	16.86	1.52
20	Jammu & Kashmir	10.88	0.98
21	Uttarakhand	6.60	0.59
22	Himachal Pradesh	6.43	0.58
23.	Other States/U.T	17.67	1.59
24	All	1109.89	100.0

Source: Annual Report 2017-18

Table 2.5 depicts the state wise position of employment generation in the MSMEs of the Country. It was found that the MSME sector employed 1109.89 lakh persons during the study period. The ten leading states, in terms of employment are Uttar Pradesh 165.26 lakh (14.89%), West Bengal 135.52 lakh (12.21%), Tamil Nadu 96.73 lakh (8.71%), Maharashtra 90.77 lakh (8.17%), Karnataka 70.84 lakh (6.38%), Gujarat 61.16 lakh (5.51%), Andhra Pradesh 55.99 Lakh (5.04%), Bihar 53.07 Lakh (4.78%), Madhya Pradesh 48.80 Lakh (4.39%), and Rajasthan 46.33 lakh (4.17%) Pradesh put together had a share of 74.25% in the total employment.

3. CHALLENGES IN THE MSMEs SECTOR

Despite in commendable contribution to the nation's economy, MSME sector does not get the required support from the concerned Government Departments, Banks, Financial institutions and Corporate, which is a handicap in becoming more competitive in the National and International market. MSMEs are facing a number of problems-

- Poor Infrastructure- MSME sector is the victim of poor infrastructure. There are inadequate facilities for water supply, transportation, regular power, communication etc. These problems negatively affect the productivity and profitability of the MSME sector.
- Lack of Skilled Manpower- There is a lack of skilled manpower. MSMEs is facing shortage of competent entrepreneurs to run the unit. Due to lack of education, they are ignorant of new equipment and modern technique of production. So it is difficult for MSMEs with limited skills to motivate any technical personnel. The training and development programs in respect of MSMEs development concern is very low, so skilled manpower is not being available to MSMEs. The skill development schemes conducted by the government are not sufficient.
- Financing: The major hindrance in the expansion of MSMEs is the unavailability of sufficient and timely funds to finance their growth plans. MSMEs owners are getting very little financial assistance from the banks and industrial societies. The loan process of the bank is very lengthy, so much documentation is required with high cost processing fee.
- Lack of Latest Technology- The owner of MSMEs are not aware of advances technologies of production. Lack of latest technological skill and obsolescent machinery as well as equipment have contributed to increased operating costs for the Indian MSMEs. This will lead to negative impact on the manufacturing competitiveness of the sector.
- Market Related Challenges- The market scenario is highly turbulent and uncertain because of cut throat competition from cheap imported goods. The tough completion has forced many MSMEs to shut down

the operation. MSMEs units also find it very difficult to internationalise their products because of reliable foreign experts to enter into foreign market. advertisement and sales promotion of MSMEs in India are comparatively weaker than the multinational companies.

- **Complex Labour Laws**—One of the biggest challenges is related to the complex labour laws which are practically very complex and compliance with laws are practically difficult. Even after registration and licensing, there are problems such as trade barriers. Some state government do not allow transportation of particular manufacture products into their states without registration. The various decision of industry is depending upon the factory commissioner and inspector, so there are many chances of red tape in the operation of MSMEs.

4. FINDINGS OF THE STUDY:

- Under the type of sector based distribution, the micro sector was the most dominant segment in terms of number of enterprises. The sector also accounted for the largest and very dominant share of employment. Micro sector is providing employment 1076.19 lakh persons, which accounts for around 97 percent of total employment. Therefore, micro sector was very important segment of MSME sector in terms of number of enterprises and employment.
- It can be inferred that number of MSMEs units have been increased during the study period. In the year 2006-07, there were 361.76 lakhs enterprises, in the following years number of enterprises increased significantly. In the year 2015-16, number of enterprises stood at 633.88 lakh enterprises (around 175 percent compared to 2006-07).
- MSMEs contribute about 40 percent of the total employment in India after agriculture sector.
- Employment generation of MSMEs sector has been increased during the study period. In the year 2005-06, there were 805.23 lakh employees. in the following years, number of employees increased significantly. In the year 2015-16, number of employees increased to 1109.89 lakh employees (around 137 percent more compared to 2005-06).
- It is revealed that the percentage share of MSMEs to the India's export has been on ascendency. There was 40 percent contribution from the MSMEs in 2012-13 to 49.86% in 2014-15.
- Rural areas had an almost equal share of registered MSME sector with urban areas in respect of number of enterprises, whereas in terms of employment, urban areas had larger share of employment as compare to rural areas. Employment in rural area is 497.78 lakh persons, accounting 45 percent of total employment in MSME sector.
- Activity wise distribution of MSMEs in the country with the trade enterprises having elephant share in terms of number of enterprises and employment when compared with manufacturing and service activities.
- There is immense increase of fixed investment in the MSMEs from Rs. 917347 crores in 2007-08 to Rs. 1543492 crores in 2015-16 with Combined Annual Growth Rate (CAGR) of 5.95%, which indicates that the large amount of investment has been made in MSMEs under the study period.
- It was found from the table that ten leading state of the nation, (in terms of MSME units and Employment generation) occupied three-fourth of the total resources of MSMEs. In terms of employment, Uttar Pradesh, West Bengal, Tamil Nadu, Maharashtra, Karnataka, Gujarat 61.16 lakh, Andhra Pradesh, Bihar, Madhya Pradesh, Rajasthan and Himachal Pradesh put together had a share of 74.25% in the total employment.
- MSMEs contributed averagely 32 percent to the GVA and 30 percent to the GDP growth of the country during the study period.

5. SUGGESTIONS OF THE STUDY:

- The majority of MSMEs operate in the rural areas, the government should improve infrastructural facilities in these areas for smooth functioning of the MSMEs units. Infrastructural facilities in the industrial estate should be also improved.
- Most of the MSMEs depend upon imported raw material, the government should be provided with import duty concession to import necessary raw material from abroad.
- The government should take steps to educate the entrepreneurs with regard to various schemes, incentives and other subsidies so that all the government support should reach to the entrepreneur on time and when required.
- Training centre should be opened to impart knowledge about new techniques. Extension centre should be established to provide services and technical information about MSMEs.
- The rules and regulations related to labour laws must be relaxed to avoid the inconvenience in compliance.

- There should proper research and development in respect of innovative method of production. It will provide the cheaper products and the MSMEs will be able to cope up the situation.
- MSMEs have to tender security and guarantee to secure bank loan. The banks and other financial institutions should give loans to these industries on the basis of their potential credit worthiness.
- There should be detailed survey to assess the technical and financial needs of the MSMEs, so that proper arrangement could be made to fulfil the need of the MSMEs, when required.

6. CONCLUSION:

The MSMEs sector occupy an important position in Indian economy. The present study reveals that there is a continuous growth in terms of number of MSME units registered and employment generation. The growth of these sector enhances production, employment and exports of the nation. The anticipated growth rate of India is estimated at 6.9% and getting 1.80 employees per MSME unit during the study period. MSMEs is manufacturing variety of products ranging from handloom saris, carpets, pickles, soaps, and it also acts as some ancillary industries for the large scale industries providing them with raw material, vital components and backward linkages. However, MSMEs units are facing number of challenges despite various initiatives taken by the Government of India. Poor infrastructure, lack of latest technology skill, the outdated methodology of production, ineffective advertisement and sale promotion, lack of skilled labour force, and not getting inadequate loan from the bank are the major problems. Apart of these problems, The Government of India has launched many policies to help MSMEs in different ways. Today, the role of MSMEs sector is growing rapidly and they have become a thrust area for future growth of rural and urban development. Last but not the least, growth rate of MSMEs is very good and healthy sign towards progress and prosperity of Nation.

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