A Study of Micro Small Medium Enterprises in India (Msme)

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Introduction:

After independence, Government of India (GOI) initiated the path of industrialization by developing manufacturing base to achieve economic prosperity. Much of the industrialization was brought about through the implementation of five-year plans. Industries such as iron and ore, oil refineries, cement, and fertilizers were brought under the gamut of public sector enterprises. The policy makers then, encouraged the development of small and medium scale industries. They perceived that Indian small and medium scale industries would play a vital role in the economic progress India accorded high priority to SMEs thereafter and pursued support policies to make these enterprises viable and vibrant over time. Now these have become major contributors to the GDP. The Census carried out by the Ministry of MSME (2006-07) asserts that as many as 480,946 units would be closedown and while, 77,723 units would be declared sick by March 2010. Jain et al. (2011) observed that the main constraints faced by this MSME sector are: market channel, finance distribution, and power regulation. But other issues like infrastructure and technology were not highlighted. But now a day’s technological innovation and adaptation is unavoidable for firms to get entry in to new markets (Becheikh et al.2006).

Definition of Micro, Small and Medium Enterprises in India

There exists several definitions of the term small and medium enterprises (SMEs), varying from country to country and varying between the sources reporting SME statistics. The commonly used criteria at the international level to define SMEs are the number of employees, total net assets, sales and investment level. If employment is the criterion to define, then there exists variation in defining the upper and lower size limit of a SME. The European Union makes a general distinction between self-employment,
micro, small and medium sized businesses based on the following criteria

**Number of people employed**

<table>
<thead>
<tr>
<th>Types of Enterprises</th>
<th>MSME Act (2006)</th>
<th>MSME (Amendment Bill) 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0</td>
<td>Self Employed</td>
<td>Classification</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Manufacturing Enterprises</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Service Enterprises</td>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2-9</td>
<td>Micro business</td>
<td>Micro</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rs 25 lakh</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rs 10 lakh</td>
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<tr>
<td></td>
<td></td>
<td>Rs 50 lakh</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rs 20 lakh</td>
</tr>
<tr>
<td>10-49</td>
<td>Small business</td>
<td>Small</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rs 25 lakh to Rs 5 crore</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rs 10 lakh to Rs 2 crore</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rs 50 lakh to Rs 10 crore</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rs 20 lakh to Rs 5 crore</td>
</tr>
<tr>
<td>50-249</td>
<td>Medium size business</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rs 5 crore to Rs 10 crore</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rs 2 crore to Rs 5 crore</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rs 10 crore to Rs 30 crore</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rs 5 crore to Rs 15 crore</td>
</tr>
</tbody>
</table>

In the Indian context, micro, small and medium enterprises as per the MSME Development Act, 2006 are defined based on their investment in plant and machinery (for manufacturing enterprise) and on equipments for enterprises providing or rendering services. According to the Micro, Small and Medium Enterprises (MSME) Development Act of 2006, (India) a micro enterprise is where the investment in plant and machinery does not exceed twenty five lakh rupees. A small enterprise is where the investment in plant and machinery is more than twenty five lakh rupees but does not exceed five crore rupees. In the case of the enterprises engaged in providing or rendering of services, as

The new classification MSME is done by (Amendment) Bill 2015. In this amendment the investment limits of production and services are increased. The investment limits for production increases Rs 25 lakh to Rs 50 lakh for micro enterprises, Rs 50 lakh to 10 crore
for medium and 10 crore to 30 crore to Medium enterprises. The limits are also increased for enterprises providing services as the limit is increased for micro Rs 10 to 20 lakh, Rs 20 lakh to 5 crore for small and 5 crore to 15 crore for Medium enterprises.

**REVIEW OF LITRATURE**

The comprehensive literature demonstrates that MSMEs are necessary for sustained economic growth and development of any economy including India. To justify the need of present study, following literature has been reviewed.

**Mali, DD. (1998):** Had analysed that the SEDME (small enterprises development, management and Extension) have observed that small and medium enterprise (SMEs) and micro enterprises have to face increasing competition in the present scenario of globalization, they have to specifically improve themselves in the fields of management, marketing, product diversification, infrastructural development, technology upgradation. Moreover, new small and medium enterprises may have to move from slow growth area to the high growth area and they have to form strategic alliance with entrepreneurs of neighbouring countries. Data bank on industries to guide the prospective entrepreneurs including investors from abroad is also needed.

**Kalantaridis and Pheby (1999):** have analyzed innovativeness in SMEs sector in two ways. Firstly, success cases of local innovation systems at the expense of less successful areas, which are thus in greater need of policy intervention. This paper aspires to address this gap in the literature by focusing on the experience of an area (Bedfordshire) characterized by low levels of innovative activity. Second, the search for the factors that accommodate or hinder innovation concentrated heavily at the macro-level. Consequently, any policy recommendations failed to distinguish between SMEs according to the extent and nature of their previous involvement in innovation.

**Steensma, Marino and Weaver (2000):** have emphasized on adopting of cooperative strategies by the small firm to make a significant contribution in achieving economic strengths. According to them, cooperative strategies consists of structured cooperative agreements between firms like marketing coalition, research & development agreements and distribution agreements to minimize the cost. Such cooperation may allow these entrepreneurial firms to increase
production through innovative process, expand their production capacity through joint production agreements, share marketing expenses and expertise with long-term marketing arrangements, and reach foreign markets with distribution agreements. These agreements may not be confined up to domestic firms but we can also expand the spectrum of cooperation to firms in foreign countries. Especially with those countries which are in transitional phase like China, Malaysia, Taiwan and Korea with divergent cultural values.

Motohashi (2001): have used process innovation to up lift the performances of traditional SME’s and proposed a pro-competition policy to induce entrepreneurship and process innovation in SME’s. The government has made an amendment in SME Basic Law on supporting business innovations. Plant level pattern on industrial dynamics suggests both policies for new business start-up and innovation creation in existing firm are important. There are positive effects on sale growth due to program of the Creative Activity Laws.

Lefebvre and Elisabeth (2001): has analyzed the innovative capabilities of SME’s as latent determinants of export performance. They have made an analysis of empirical data from a longitudinal survey of 3,032 manufacturing SMEs over a three-year period which point out that these firms became progressively more active in foreign markets.

Bala Subrahmanya M.H (2004): has explained in his paper “small Industrial and Globalization: Implications, Performance and Prospects”. He has highlighted the impact of globalization and domestic reforms on small-scale industries sector. The study stated that small industry had suffered in terms of growth of units, employment, output and exports. The Researcher highlighted that the policy changes had also thrown open new opportunities and markets for the small-scale industries sector. He suggested that the focus must be turned to technology development and strengthening of financial infrastructure in order to make Indian small industry internationally competitive and contribute to national income and employment.

Bargak et al. (2009): examined the causal relationship among the three variables GDP, SSI output and SSI exports and also have compared the performance parameters of SSIs in the pre and post liberalization era. The study found that the annual average growth rate of different parameters of SSIs have declined in the period of nineties vis-a-vis the pre-reform
years. There is an absence of any lead-lag causal relationship between exports and production in small-scale sector and GDP of Indian economy. 

Thiripurasundari, K and V. Gurumurthy (2009): Challenges for Small Scale Industry in the Era of Globalization’ in “Small and Medium Enterprises under Globalization: Challenges and Opportunities” the study highlights the challenges of micro, small and medium enterprises of India. One side the globalization is an opportunity as well as another side it is a challenge for the indigenous MSME’S. The Indian MSME’S are facing a great problem due to larger production of foreign manufacturing concern. The financially strong MSME’S will survive strongly at globalized platform

B. H. Hall, F. Lotti, J. Mairesse (2009): had analyzed the impact of process innovation on the productivity of SME’s through structural model in Italy. They demonstrates that there is a massive need to investigate that when and how innovation can be taken place in any sector rather than indulging in any painstaking requirement for deep study about the size of business, public policies, effect of R&D on productivity and productivity levels in different sectors. Further they explain that there are two types of innovation; product innovation and secondly, process innovation. The study is based on primary date source covering the period from 1995 to 2003. Cobb Douglus Model (CDM) has been used for the analysis.

F.Gault (2010): International Development Research Council, Canada there are global challenges of climate change, limited supply of energy, food and water. World consumption of water has increased and sources are gradually vanishing due to industrial and human pollution. One positive effect of these challenges is that it should be used as the principal motivator for better innovation leading to sustainable productivity growth. The financial problem led to the reduction of economic growth and contributed to other challenges faced by the humanity in 2009. Since 1989, there are drastic changes in new products, processes, practices, and markets emerged due to globalization.

Cravo (2010) has analyzed the impact of strong SME’s sector on economic growth of Brazilian economy. The author examines the relationship between the small and medium enterprise (SME) sector and economic growth for a panel of 508 Brazilian micro-regions for the period 1980–2004. It observes the significance of SME sector with respect to
two main variables; the share of the SME employment in total employment, and the level of human capital in the SME sector. Moreover, it examines how these aspects of SMEs influence the economic growth in regions with dissimilar level of development. The empirical findings show that Brazilian SME sector has no significant correlation with economic growth but SMEs’ human capital is more important for growth in more developed regions.

Nalabala Kalyan, Kumar. Sardar, Gugloth. (2011): This study focuses upon the growth pattern of the MSME’S, employment generation (1992-2009). Further, study reveals the symptoms and steps involved in industrial sickness. The study gives the ample amount of knowledge about the various credit schemes sponsored by the government. Laghu udyami credit card scheme, Credit guarantee fund trust for small industries, Swarojgar credit card scheme, Credit linked capital subsidy scheme and credit through commercial banks are the sources and schemes available to fulfil the financial needs as well as financially strengthen to the MSME’S.

Dixit, A. and Pandey, A.K (2011): had applied co integration analysis to examine the causal relationship between SMEs output, export, employment number of SMEs and their fixed investment and India’s GDP total exports and employment (public and private) for the period of 1973-74 to2006-07. Their study revealed the positive causality between SMEs output and India’s GDP.

Bhavani, T.A. (2011): This study reveals that how the all aspects of the MSME’S (Employment, Leading sector of MSME’S, Investment in fixed assets) being change in modern perspective. The technological advancement and protection of MSME’S through various subsidy schemes and liberal availability of credit will be a great help.

Singh, R, Verma, O.P, and Anjum, B. (2012): had analysed the performance of small scale industry in India and focused on policy changes which have opened new opportunities for this sector. Their study concluded that SSI sector has made good progress in terms of number of SSI units, production and employment levels. The study recommended the emergence of technology development and strengthening of financial infrastructure to boost SSI and to achieve growth target.
Venkatesh, S. and Muthiah, K. (2012): He found that the role of small and medium enterprises (SMEs) in the industrial sector is growing rapidly and they have become a thrust area for future growth. They emphasized that nurturing SME sector is essential for the economic well-being of the nation. The above literature highlights the various aspects viz. Performance, growth and problems of MSMEs in Indian economy and induces for continuous research in this field.

Naser.V Abdul, (2013): had critically evaluated the contributions made by the small and medium enterprises in the balanced growth of the Indian economy. The study says that since 55% of the total enterprises operate in the 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.

1. RESEARCH METHODOLOGY:

The aim of the study is to identify the factors that determine the growth and performance of micro small and medium enterprises in India. The study is based on secondary data which have been collected from various sources such as Annual Report, News papers, Magazines, Articles, Internet etc. Further the study is based on the following objectives.

Objectives:

The main objectives of the present study are:

- To study the MSMEs performance in India
- To reveal the contribution of micro small and medium scale enterprises to the growth of the GDP

(A) GROWTH AND PERFORMANCE OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) AND (B) FOURTH ALL INDIA CENSUS OF MSMEs

Performance of Micro, Small and Medium Enterprises (MSME) Sector is assessed by conduct of periodic All India Census of the Sector. The latest census conducted was Fourth All India Census of MSME. The Census was conducted with reference year 2006-07, wherein the data was collected till 2009 and results published 2011-12. Fourth All India Census of MSME us the census conducted post implementation of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. Prior to implementation of (MSME) 2006, the sector was defined, as per the provision of Industrial Development and Regulation Act 1951, as Small Scale Industries (SSI) sector and its constituent tiny and auxiliary
units as per periodic revision of criteria for defining such units. Third All India Census of SSI was conducted with coverage and concepts as prevailing during 2001

The scope and coverage of the MSME sector were broadened significantly under the MSMED Act, 2006, which recognised the concept of “enterprise” and to include both manufacturing and services sectors, besides defining the medium enterprises under MSME Sector subject to the revised criteria prescribed for defining Micro, Small and Medium Enterprises separately for manufacturing and services sectors.

The census adopted different methodology for Registered and unregistered Sectors. While complete enumeration of enterprises was adopted in registered sector, sample survey was resorted to in Unregistered Sector. However, activities under wholesale/retail trade, legal, educational and social services, hotel and restaurants, transports and storage and ware housing (except cold storage) were excluded from the coverage of sample survey. For these activities, data was extracted from Economic Census, 2005 (EC, 2005) conducted by Central Statistic Office (CSI) if Ministry of Statistics and Programme Implementation (MOSPI) for estimation of MSME relevant enterprises.

DEFINITION

(i) Registered Sector: Enterprises registered with District Industries Centres in the State/UTs., Khadi and Village Industries Commission/ Khadi and Village Industries Board, Coir Board as on 31.03.2007 and factories under the coverage of section 2m(i) and 2m(ii) of the Factories Act 1948 used for Annual Survey of Industries having investment in plant & machinery up to Rs.10 crore were considered to belong to registered sector.

(ii) Unregistered Sector: All MSME engaged in the activities of manufacturing or in providing/ rendering of services, not registered permanently or not filed Entrepreneurs Memorandum Part-II/ [EM-II] with State Directorates of Industries’ District Industries Centres on or before 31-3-2007 are called unregistered MSME. Those enterprises that are temporarily registered on or before 31–3-2007 as also the units that are temporarily or permanently registered or filed EM-II after 31-3–2007 till the date of Sample Survey MSME, 2006-07, were treated as unregistered MSME. All unregistered MSME, covering both manufacturing and services sectors, constituted unregistered sector.

(iii) Small Scale Industrial Unit (SSI): An industrial undertaking in which the investment in fixed assets in plant & machinery, whether held on ownership terms, or on lease, or by hire purchase, does not exceed `100 lakh as on 31-03-2001 were be treated as a Small Scale Industrial Unit.

(iv) Micro Small Medium Enterprises (MSME): MSME Sector consists of any enterprises, whether proprietorship, Hindu undivided family, association of persons, co-operative society, partnership or undertaking or any other legal entity, by whatever name called, engaged in production of goods pertaining to any industry specified in the first schedule of Industry Development & Regulation Act, 1951 and other enterprises engaged in production and rendering services, subject to limiting factor of investment in plant and machinery and equipments respectively.
2.1.3. As per the results of Fourth All India Census of MSME, the sector contributes significantly to the number of enterprises, employment and output of the country. Based on the data sets of Fourth All India Census of MSME, augmented with data sets of EC, 2005 and growth rate observed during Fourth (1998) and Fifth (2005) Economic Census, the performance of MSME

### TABLE 2.1: PERFORMANCE OF MSME, EMPLOYMENT AND INVESTMENTS

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Year (Yr)</th>
<th>Total Working Enterprises (in Lakh)</th>
<th>Percentage growth rate in working enterprises</th>
<th>Employment (in Lakh)</th>
<th>Percentage growth rate in employment</th>
<th>Market Value of Fixed Assets (Rs. in Crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>II</td>
<td>III</td>
<td>IV</td>
<td>V</td>
<td>VI</td>
<td>VII</td>
</tr>
<tr>
<td>1</td>
<td>2006-07</td>
<td>361.76</td>
<td>4.133983464</td>
<td>805.23</td>
<td>4.5663972</td>
<td>868,543.79</td>
</tr>
<tr>
<td>2</td>
<td>2007-08</td>
<td>377.36</td>
<td>4.150368301</td>
<td>842.00</td>
<td>4.6128266</td>
<td>920,459.84</td>
</tr>
<tr>
<td>3</td>
<td>2008-09</td>
<td>393.70</td>
<td>4.162609542</td>
<td>880.84</td>
<td>4.6489714</td>
<td>977,114.72</td>
</tr>
<tr>
<td>4</td>
<td>2009-10</td>
<td>410.80</td>
<td>4.182119283</td>
<td>921.79</td>
<td>4.7038913</td>
<td>1,038,546.08</td>
</tr>
<tr>
<td>5</td>
<td>2010-11</td>
<td>428.73</td>
<td>4.224376731</td>
<td>965.15</td>
<td>4.8220484</td>
<td>1,105,934.09</td>
</tr>
<tr>
<td>6</td>
<td>2011-12</td>
<td>447.64</td>
<td>- 0.022344371</td>
<td>1,011.69</td>
<td>4.9135605</td>
<td>1,182,757.64</td>
</tr>
<tr>
<td>7</td>
<td>2012-13</td>
<td>447.54</td>
<td>8.37734922</td>
<td>1,061.40</td>
<td>4.9830413</td>
<td>1,268,763.67</td>
</tr>
<tr>
<td>8</td>
<td>2013-14</td>
<td>488.46</td>
<td>85.44512946</td>
<td>1,114.29</td>
<td>582.26315</td>
<td>1,363,700.54</td>
</tr>
</tbody>
</table>
Including activities of wholesale/retail trade, legal, education and social services, hotel and restaurants and storage and warehousing (except cold storage) for which data were extracted Economic Census 2005, central Statistics Office, MOSPI.

Estimated on the basis of per enterprises value obtained from sample survey of unregistered sector for activities wholesale/retail trade, legal, education and social services, hotel and restaurants, transports and storage and warehousing (except cold storage) which were excluded from Fourth All India Census of MSME. Unregistered sector.

TABLE 2.2: CONTRIBUTION OF MANUFACTURING OUTPUT OF MSME IN GDP

(at 2004-05 prices)

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Value of Output of MSME Manufacturing Sector (‘ in lakh)</th>
<th>Share of MSME sector in total GDP (%)</th>
<th>Share of MSME Manufacturing output in total Manufacturing Output (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Manufacturing Sector MSME</td>
<td>Services Sector MSME</td>
</tr>
<tr>
<td>2006-07</td>
<td>119881800</td>
<td>7.73</td>
<td>27.40</td>
</tr>
<tr>
<td>2007-08</td>
<td>132277700</td>
<td>7.81</td>
<td>27.60</td>
</tr>
<tr>
<td>2008-09</td>
<td>137558900</td>
<td>7.52</td>
<td>28.60</td>
</tr>
<tr>
<td>2009-10</td>
<td>148835200</td>
<td>7.45</td>
<td>28.60</td>
</tr>
<tr>
<td>2010-11</td>
<td>165362200</td>
<td>7.39</td>
<td>29.30</td>
</tr>
<tr>
<td>2011-12</td>
<td>178858400</td>
<td>7.27</td>
<td>30.70</td>
</tr>
<tr>
<td>2012-13</td>
<td>180997600</td>
<td>7.04</td>
<td>30.50</td>
</tr>
</tbody>
</table>

Source:
1. Fourth All India Census of MSME 2006-07,
2. National Accounts Statistics (2014), CSO, MOSPI and
3. Annual Survey of Industries, CSO MOSPI

There are over 6000 products ranging from traditional to high-tech items, which are being manufactured by the MSME Sector in addition to provide wide range of services. The leading industries with their respective shares are as depicted below:

**Leading Industries: MSME Sector**

- Retail Trade, Expt of Motor Vehicles and Motorcycles, Repair of Personal And Sousehold Goods: 40%
- Manufacture of Wearing Apparel, Dressing and Dyeing of Fur: 9%
- Manufacture of Food Products and Beverages: 7%
- Other Service Activities: 7%
- Hotels and Restaurants: 4%
- Other Business Activities: 4%
- Manufacture of Furniture: 3%
- Manufacturing of Vehicles and Motorcycles, Retail Sale of Automotive Fuel: 3%
- Sale Maintenance and Repair of Motor Vehicles: 2%
- Manufacturing of Textiles: 2%
- Manufacture of Fabricated Metal Products Except Machinery and Equipment: 2%
- Manufacture of Textiles: 2%
- Manufacture of Food Products and Beverages: 7%
- Other Service Activities: 7%
- Hotels and Restaurants: 4%
- Other Business Activities: 4%
- Manufacture of Furniture: 3%
- Manufacturing of Vehicles and Motorcycles, Retail Sale of Automotive Fuel: 3%
- Sale Maintenance and Repair of Motor Vehicles: 2%
- Manufacturing of Textiles: 2%
- Manufacture of Fabricated Metal Products Except Machinery and Equipment: 2%
- Others: 19%

**Working Enterprises**
Projected data for the years 2007-08 to 2013-14

B) EMPLOYMENT IN MSME SECTOR

Employment

Projected data for the years 2007-08 to 2013-14.

C) FIXED INVESTMENT IN MSME SECTOR

Market Value of Fixed Assets
Projected data for the years 2007-08 to 2013-14.

2.3 FOURTH ALL INDIA CENSUS OF MICRO, SMALL & MEDIUM ENTERPRISES SECTOR

2.3.1 The latest Census conducted by MSME is Fourth All India Census. It was conducted with reference year 2006-07 where in data was collected till 2009 and results were published in 2011-12.

2.3.2 OBJECTIVES OF THE FOURTH ALL INDIA CENSUS:

a) to strengthen the database for the MSME i.e. Collection of data in respect of number of enterprises, employment, production, extent of closure/sickness, clustering and other relevant economic parameters pertaining to micro, small and medium enterprises.

b) to collect data on enterprises owned and/or managed by women, SC/ST and OBC.

c) to collect data on Khadi & Village Industry units and Coir sector units.

d) to estimate the size of the unregistered MSME sector, including Khadi & Village Industries and Coir Industries through sample survey using EC, 2005 frame of CSO, MOSPI.

2.3.3 METHODOLOGY OF FOURTH CENSUS:

(i) Registered Sector:

In Registered Sector data collection was on complete enumeration basis.

All the enterprises permanently registered up to 31-03-2007 at District Industries Centres (DIC) of the State Governments / UT Administrations numbering 21.04 lakh were surveyed on complete enumeration basis. In addition, 2.15 lakh enterprises registered under section 2m(i) & 2m(ii) of the Factories Act, 1948 were also surveyed on complete enumeration basis so that enterprises with investment in Plant & Machinery above rupees one crore may be culled out. Further, 0.73 lakh Khadi and
Village Industries Commission/ Khadi & Village Industries Board (KVIC/KVIB) units and 0.09 lakh Coir units were also taken up in the census of registered sector. In all, a total of 24.01 lakh enterprises were surveyed on complete enumeration basis.

(ii) Unregistered Sector:

As mentioned in para 2.1.2 the activities of wholesale/retail trade, legal, education & social services, hotel & restaurants, transports and storage & warehousing (except cold storage) forming part unregistered sector were excluded from the coverage of sample survey of Fourth All India Census of MSME. For the remaining activities, sample survey procedure was adopted. Sampling design using a two – stage stratified approach was adopted, with first stage unit of census villages as adopted for EC, 2005 in rural area and towns in urban area. Rural area covered 598 districts which consisted of 6,38,619 villages out of which 12,783 sample villages were selected for survey. In urban area, out of 5,170 towns, 568 towns were selected for survey. In selected villages 15 enterprises were surveyed out of the available enterprises. In case of selected towns, a minimum of 20 enterprises were surveyed.

2.3.4 RESULTS:

The Fourth All India Census of MSME 2006-07 estimated the size of MSME sector for the first time taking data from multiple sources. The size of the sector was estimated at 361.76 lakh as compared to 105.21 lakh in Third All India Census of Small Scale Industries (SSI), 2001-02 in terms of estimated number of enterprises. The estimated employment generated in the sector is 805.24 lakh as compared to 249.33 lakh in Third All India Census of SSI. These estimates from census are not strictly comparable. The estimated size of number of MSME as 361.76 lakh and employment as 805.24 lakh includes enterprises relevant to MSME sector for the activities pertaining to wholesale/retail trade, legal, educational & social services, hotel & restaurants, transports and storage & warehousing (except cold storage) which were excluded from the coverage of both Fourth Census of MSME, 2006-07 and Third Census of SSI, 2001-02. For such activities, estimates were based on data extracted from Economic Census, 2005 conducted by CSO, MOSPI and accounted for 147.38 and 303.31 lakh in terms of number of MSME and employment respectively. Summary results are given below.

2.3.4.1 Growth of MSME Sector:

(a.) While on a strictly comparable basis, growth rate recorded during the year 2001-02 to 2006-07 was 15.30% and 15.02% for estimated number of Enterprises and Employment respectively, the sector as a whole recorded a growth rate of 28.02% and 26.42% in cases of estimated number of enterprises and employment respectively, taking into account the definitional changes during the period 2001-02 to 2006-07.

(b.) As the activities brought under the coverage of MSME sector due to definitional changes in 2006-07 were
limited to services sector, the growth rate for manufacturing sector is comparable. The growth recorded during the year 2001-02 to 2006-07 in manufacturing sector was 22.46% and 18.49% for estimated number of enterprises and employment respectively.

(c.) For service sector, while the growth rate in estimated number of enterprises and employment recorded was 31.21% and 34.00% respectively, during the period of 2001-02 to 2006-07 taking into account the expanded coverage of the sector, the same was 9.39% and 10.12% respectively on strictly comparable basis.

![](chart1.png)

# - In view of the fact that the activities excluded in the coverage pirating to service sector only, there is no change in growth rate of manufacturing sector

* - Excluding growth on account of expansion of coverage.

![](chart2.png)
In view of the fact that the activities excluded in the coverage pirating to service sector only, there is no change in growth rate of manufacturing sector.

* Excluding growth on account of expansion of coverage

Additional activities brought under the coverage of MSME Sector in 2006-07 as compared to SSI sector of 2001-02, namely wholesale / retail trade, legal, educational & social services, hotel & restaurants, transports and storage & warehousing (except cold storage), accounted for 12.72% and 11.40% growth in the estimated number of enterprises and employment respectively.

2.3.4.2. Growth of Registered Sector:

(a) The estimated number of enterprises growth at 3.76% annually in case of manufacturing sector and 0.47% for services sector respectively in Registered Sector during 2001-02 to 2006-07, as per Fourth All India Census of MSME 2006-07, Registered Sector and Third All India Census of SSI 2001-02, Registered Sector. The growth in the estimated number of MSME was 2.61% for the period referred above, taking manufacturing and services together.

(b) The employment increased at an annual growth rate of 9.84% for manufacturing sector and 2.06% for services sector during 2001-02 to 2006-07, as per Fourth All India Census of MSME 2006-07, Registered Sector and Third All India Census of SSI 2001-02, Registered Sector.
(c) The employments in Registered Sector as a whole grow at 8.60% per annum during 2001-02 to 2006-07 as per Fourth All India Census of MSME 2006-07, Registered Sector and Third All India Census of SSI 2001-02, Registered Sector.

2.3.4.3 Growth of Unregistered Sector:

(a.) The estimated number of enterprises and employment recorded growth rates of 30.05% and 30.56%, respectively during the period 2001-02 to 2006-07 considering the extended coverage of the sector. The expansion in the coverage of MSME Sector followed adoption of Micro, Small and Medium Enterprises Act 2006. Activities pertaining to wholesale / retail trade, legal, educational & social services, hotel & restaurants, transports and storage & warehousing (except cold storage) which were brought under the coverage of MSME sector accounted for 147.38 and 303.31 lakh in terms of estimated number of enterprises and employment respectively, as per data extracted from Economic Census, 2005 conducted by CSO, MOSPI for MSME relevant enterprises. The annual growth rates recorded, excluding these additional activities, were 16.79% and 16.85% in estimated number of enterprises and employment, respectively. The expansion in the coverage of MSME Sector was limited to service sector only. Therefore, the growth rate for manufacturing sector is not affected and the growth rate was recorded as 25.90% and 22.57% for estimated number of enterprises and employment respectively, during the year 2001-02 to 2006-07.

b.) For service sector, while the growth rate of estimated number of enterprises and employment recorded was 32.83% and 36.11% respectively, during the period of 2001-02 to 2006-07, taking into account the expanded coverage of the sector, the growth rate was 10.03% and 10.88% in case of estimated number of
enterprises and employment respectively on strictly comparable basis.

Growth Rate of Enterprises by Sector: Unregistered Sector

# - In view of the fact that the activities excluded in the coverage pirating to service sector only, there is no change in growth rate of manufacturing sector.

* - Excluding growth on account of expansion of coverage.

Growth Rate of Enterprises by Sector: Unregistered Sector

# - In view of the fact that the activities excluded in the coverage pirating to service sector only, there is no change in growth rate of manufacturing sector

* - Excluding growth on account of expansion of coverage.
Additional activities brought under the coverage of MSME Sector, namely wholesale / retail trade, legal, educational & social services, hotel & restaurants, transports and storage & warehousing (except cold storage), since the conduct of Third All India Census 2001-02 accounted for 13.71% points in the growth rate of number of enterprises and employment, respectively.

Conclusion

To conclude our topic we can say that Industries are the backbone for national development and are one of the important components for the growth of national economy and the growth of the MSMEs sector at a healthy rate is crucial for overall growth of the industry. However, lack of proper financial facilities is the barrier of better performance. There are not many financial resources available for innovation activities within the MSMEs. It is found that the MSMEs depended much of their initial capital on internal sources as they have accessibility problems in getting external debt or equity financing. Even if they are offered with debts, they will be charged with high rates of interest as smaller enterprises are perceived to be more risky and more likely to fail than larger firms are. This problem is shared by the MSMEs around the world, irrespective of the differences in the countries’ financial infrastructure. In this study, an attempt has been made to identify the factor affecting financial management of MSMEs. The present work presents four key issues under financial management. These include Shortage of own financial resources for innovation, Difficulty in access to finance via bank loans, Government subsidies etc., Slow process for loan applications, Lack of Government policies like subsidies, relief in taxes etc. Effective management of these issues can lead to the better performance of SMEs in the competitive environment.

Reference:


USEFUL WEBSITES

Ministry of Micro, Small and Medium Enterprises
http://msme.gov.in/

Development Commissioner, Ministry of Micro, Small and Medium Enterprises:
http://dcmsme.gov.in/

MSME Development Institute, Agra
http://www.msmediagra.gov.in/default.asp

Federation of Indian micro and small & medium enterprises:
http://www.fisme.org.in/