

## A STUDY OF GROWTH AND DEVELOPMENT ON THE MSME IN MAKING INDIA PROGRAMME

*Mr.V.Srinivasan, Assistant Professor Department of Management Science, S.A.Engineering College, Chennai-77*

&

*Mr.K.Jagadeeshwaran, MBA(final year student) Department of Management Science, S.A.Engineering College, Chennai-77*

**Abstract-** Make in India is an initiative of the Government of India to encourage multinational, as well as domestic, companies to manufacture their products in India. It was launched by Prime Minister Narendra Modi on 25 September 2014. The major objective behind the initiative is to focus on job creation and skill enhancement in 25 sectors of the economy. The initiative also aims at high quality standards and minimising the impact on the environment. The initiative hopes to attract capital and technological investment in India. Micro, Small and Medium Enterprises play a dominant role in Indian Economy. But there are various problems faced by these enterprises due to which the growth of the enterprises is affected, in turn affecting the growth of the country. MSMEs function must we understand for its effectiveness and the growth of economy. Hence the researcher felt a need to study the problems faced by MSMEs. 100% FDI is permitted in all the above sectors, except

for space (74%), defense (49%) and news media (26%).

### **Objective:**

- To Study about MSMEs
- To analyse the Growth and development of MSME in Chennai.

### **Methodology:**

Both primary and secondary data are used in the study. The study is empirical in nature as it is based on data collected with the help of schedule. The study focused the collection of data from one region in Chennai, Tamil Nadu state. Sample size was 80.

### **Limitation:**

The data was collected from one region in Chennai, Tamil Nadu state. The enterprises were selected at random. The enterprises selected were both registered and unregistered. As per the data collected there are role of MSMEs in these units, though finance is a major problem, in analysis it has not been covered because, there are various reasons which leads to financial problem. All of them could not be covered.

**Keywords:** Micro, Small and Medium Enterprises role

employment growth and account for a major share of industrial production and exports.

## Introduction about MSME

The Micro, Small and Medium enterprises (MSMEs) have been accepted as the engine of economic growth and for promoting equitable development in all over the world. Let there be any category of countries (Developed, Developing and Under Developed), the existence of MSMEs is inevitable. The major advantage of the sector is its pivotal role through its contribution in Industrial output, Exports, and majorly in Employment generation at low capital cost. The labour intensity of the MSME sector is much higher than that of the large enterprises. The MSMEs constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of

In recent years the MSME sector has consistently registered higher growth rate compared to the overall industrial sector In Indian market, MSMEs rapid growth could be seen as Indian entrepreneurs are making remarkable progress in various Industries like Manufacturing, Precision Engineering Design, Food Processing, Pharmaceutical, Textile & Garments, Retail, IT and ITES, Agro and Service sector.

MSMEs account for 45% of India's manufacturing output, about 40% of India's total exports; employ about 73 mn people in more than 31 mn units spread across the country, manufacture more than 6,000 products ranging from traditional to high tech items (MSME report 2011).

| Investment in Plant and Machinery/ Equipment (excluding land and Building Manufacturing Enterprises |   |  |
|---|---|--|
|   | Manufacturing Enterprises                     | Manufacturing Enterprises                    |
| Micro   | Up to Rs. 25 lakhs                            | Up to Rs. 10 lakhs                           |
| Small   | More than Rs.25 lakhs and up to Rs. 5 crores  | More than Rs. 10 lakhs and up to Rs.2 crores |
| Medium  | More than Rs.5 crores and up to Rs. 10 crores | More than Rs.2 crores and up to Rs. 5 crores |

**Make in India focuses on the following 25 sectors of the economy:**

- Automobiles
- Automobile Components

- Aviation
- Biotechnology
- Chemicals
- Construction
- Defence manufacturing
- Electrical Machinery
- Ports and Shipping
- Railways
- Renewable Energy
- Roads and Highways
- Space
- Textiles and Garments
- Thermal Power
- Tourism and Hospitality
- Wellness
- Electronic systems
- Food Processing
- Information Technology and Business process management
- Leather
- Media and Entertainment
- Mining
- Oil and Gas
- Pharmaceuticals

## NEEDS OF THE STUDY:

The sector provides employment to about 69 million persons through 26 million enterprises throughout the country. Over 6000 products ranging from traditional to high-tech items are being manufactured by the MSMEs in the country. The labour to capital ratio in MSMEs and the overall growth in the sector is much higher than in the large industries. The geographic distribution of the MSMEs is also more even. Thus, MSMEs are important for the national objectives of growth with equity and inclusion.

MSMEs in the country manufacture over 6,000 products. Some of the major subsectors in terms of manufacturing output are food products (18.97%), textiles and readymade garments (14.05%), basic metal (8.81%), chemical and chemical products (7.55%), metal products (7.52%), machinery

and equipments (6.35%), transport equipments (4.5%), rubber and plastic products (3.9%), furniture (2.62%), paper and paper products (2.03%) and leather and leather products (1.98%).

## Performance of Indian MSME Sector

The Indian MSME sector provides maximum opportunities for both self-employment and wage-employment outside the agricultural sector and contributes in building an inclusive and sustainable society in innumerable ways through creation of non-farm livelihood at low cost, balanced regional development, gender and social balance, environmentally sustainable development, etc.

## Ministry of micro, small and medium enterprises

Ministry of Micro, Small & Medium Enterprises (M/o MSME) envisions vibrant MSMEs. We promote growth and development of the MSME Sector, including

Khadi, Village and Coir Industries. This is done in cooperation with concerned Ministries/Departments, State Governments and other Stakeholders.

There are a number of schemes and programmes to help and assist entrepreneurs, especially small businesses. Besides this, several other Ministries have also been supporting the cause of MSME sector.

## MSME – Schemes

### COMMON CHARACTERISTICS OF MSME

#### Greater Operational Flexibility

- The direct involvement of owner(s), coupled with flat hierarchical structures and less number of people ensure that there is greater operational flexibility. Decision making such as changes in price mix or product mix in response to market conditions is possible to the MSMEs in a speedy manner.

and internalize the technology being used by them.

#### High Capacity to Innovate Export

- MSMEs skill in innovation, improvisation and reverse engineering are legendary. By being able to meet niche requirements, they are also able to capture export markets where volumes are not huge.

#### Low Cost of Production

- SMEs have lower overheads. This translates to lower cost of production, least upto limited volumes.

#### High Employment Orientation

- MSMEs are usually the prime drives of jobs, in some cases creating up to 80 per cent jobs. MSMEs tend to be labour intensive per se and are able to generate more jobs for every unit of investment, compared to their bigger counterparts.

#### High Propensity to Adopt Technology

- Traditionally MSMEs have shown a propensity of being able to adopt

## Benefits available to an enterprise that falls within the definition of a micro, small or medium enterprise

- The major benefit for MSMEs is the reservation policy, which reserves certain items, for exclusive manufacture by these enterprises, thus, protecting their interests, as well as providing impetus to the society by generating employment opportunities.
- Furthermore, the Government has been encouraging and supporting the sector through policies for preferential access to credit, preferential purchase policy, etc.
- It has been offering packages of schemes and incentives through its specialized institutions in the form of assistance in obtaining finance; help in marketing; technical guidance; training and technology upgradation, etc.

## Problems in MSMEs

### Financing Problems

- Financing has always been a major problem for the small and medium industries in India. The MSMEs mostly depend on internal sources of finance (personal savings, loan from relatives, and loan from local

money lenders) than that of institutional financing by banks and other financing institutions.

### Lack of infrastructure

- Infrastructural lacking includes inadequate power supply, transportation, water supply etc. Small firms cannot bear the cost of setting up independent power supply unit. They have to depend on irregular power supply from the electricity boards. Inadequate transportation system increases cost of production. The MSMEs producing beverages, tobacco products, medicines etc face the problem of inadequate water supply.

### Lack of Skilled workers

- Though India has no shortage of human resource, most of them are unskilled workers. Large firms pay higher remuneration and employ skilled workers. The MSMEs have to operate with unskilled or semi-skilled workers. Thus, the MSMEs suffer from low managerial capabilities.

### Poor Technology Base

- There exists considerable heterogeneity among the MSMEs in India. A small percentage of firms operate with sophisticated

technology base whereas majority of firms use outdated technology. They suffer from low productivity and poor product quality. Due to their small size, they cannot enjoy large-scale production economies.

## Conclusion

The Make in India Strategy adopted by the Indian Prime Minister Shri Narendra Modi aims to facilitate investment, foster innovation, enhance skill development and build a sustainable eco-system for the manufacturing infrastructure in the country. These measures have succeeded in raising the business confidence in India. The stage has been set through these industry and MSME interventions for a larger share of global business in India which presents opportunities for MSME integration in almost all industry sectors. The Indian MSME sector is poised for rapid growth and integration with major global value chains. Timely policy intervention and due support have promptly resulted in rendering the Indian MSMEs globally competitive.