

**ECONOMIC PERFORMANCE OF MICRO, SMALL AND MEDIUM
ENTERPRISES IN INDIA**

SUBMITTED BY

S. MANJU

(14PEC004)

**A DISSERTATION SUBMITTED TO THE
AVINASHILINGAM INSTITUTE FOR HOME SCIENCE AND
HIGHER EDUCATION FOR WOMEN
COIMBATORE – 641 043.**

**IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE
DEGREE OF MASTER OF ARTS IN ECONOMICS**

April 2016

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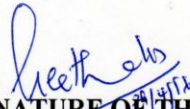
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CERTIFIED AS BONAFIDE RESEARCH WORK

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HEAD OF THE DEPARTMENT



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INTRODUCTION

CHAPTER-I

INTRODUCTION

India is the fourth largest economy in the world and the second largest in developing Asia. India accounts for 22 percent of gross domestic product, 33.8 percent of population and 32.5 percent of potential workforce in developing Asia. In the next 10 years the country will add 120 million to the region's workforce, accounting for 53 percent of the incremental addition. India has grown in stature over the past ten years. Its gross domestic product growth accelerated steadily after India liberalized its economy in 1991, taking a decisive step towards open policies and relinquishing inward looking policies. The average annual gross domestic product growth went up to 7.3 percent in the 2000s from 5.7 percent to in 1990s. The near 9 percent average annual growth over 2003-04 to 2007-08 was unprecedented. Growth enhancing reforms, a structural upward shift in savings and investment rates, and increase in spending capacity have together powered India's growth. (Indian Economic Survey, 2009-10)

The long term policy imperative of the country is to achieve inclusive growth. The current developmental problem facing India is exacerbated by the changing demographic profile of the country. The number of unemployed will range from 19 to 37 million people by 2012, of which the proportion of the educated youth will be the largest. Therefore, the need for strong, accelerated economic growth is now more acute than ever. India's economic growth has been led by the service sector in the last decade, particularly owing to the growth in information technology and business process outsourcing industries. The manufacturing sector's importance has grown in the recent years with the advancement in its output. The sector offers huge potential for employment creation. The importance of Micro, Small and Medium Enterprises (MSMEs) in the growth process is considered to be a key engine of economic growth in India. (Vision 2020: Edelweiss Report 2011)

The Micro, Small and Medium Enterprises is one of the most vital sectors of any economy in general and India is particular in ensuring equitable, inclusive and employment friendly a economic growth. Micro, Small and Medium Enterprises have been playing a momentous role in overall economic development of country like India where millions of people are unemployed or underemployed. This sector solves the many problems viz; poverty and

unemployment through providing immediate large-scale employment, with lower investment and proves to be a second largest manpower employer, after agriculture. By contributing to more than fifty percent industrial production in value accumulation terms, this sector occupies a position of prominence in Indian economy.

Micro, Small and Medium Enterprises play very important role in socio- economic development of Indian economy on account of their inherent advantages like low capital requirement, high employment generation, and decentralization of industrial activity, utilization of locally available resources and widening of entrepreneurial base. Micro, Small and Medium Enterprises have a place of pride in India economy. The growth rate recorded by this sector has normally been higher than that of the industrial sector as a whole. The Small Scale industrial sector has emerged over five decades as a highly vibrant and dynamic sector of the economy. Micro, Small and Medium Enterprises has performed exceedingly well and enabled the country to achieve a wide measure of Industrial growth and diversification. The employment generating potential of this sector reveals its aptness for labour surplus economy like India.

The Micro, Small and Medium Enterprises sector is heterogeneous in terms of the size of the enterprises, variety of products and services, and levels of technology. The Micro, Small and Medium Enterprises sector is an important pillar of Indian economy as it contributes greatly to growth of Indian economy with a vast network of around 30 million units, creating employment of about 70 million, manufacturing more than 6000 products, contributing about 45 percent to manufacturing output and about 40 percent of exports, directly and indirectly. This sector even assumes greater importance now as the country moves towards a faster inclusive growth agenda. Moreover, it is the Micro, Small and Medium Enterprise sector which can help realize the target of proposed National Manufacturing policy of raising the share manufacturing sector in gross domestic product from 16 percent at present to 25 percent by the end of 2022. (Sanjeeb Kumar Dey 2014)

Micro, Small and Medium Enterprises are the fountain head of several innovations in manufacturing and service sectors, the major link in the supply chain to corporate and the PSUs. By promoting Micro, Small and Medium Enterprises, the rural areas of India will be developed. Micro, Small and Medium Enterprises are now exposed to greater opportunities than ever for

expansion and diversification across the sectors. Indian market is growing rapidly and Indian entrepreneurs are making remarkable progress in various Industries like Manufacturing, Precision Engineering Design, Food Processing, Pharmaceutical, Textile and Garment, Retail, IT and ITEs, Agro and Service sector. (Shiralashetti 2014)

Micro, Small and Medium Enterprises is one of the fastest growing industrial sectors in the world economy. Micro, Small and Medium Enterprises are socially and economically important since they represent percentage of all enterprises and provide self employment there by contributing entrepreneurship and innovation.

Considering the importance of Micro, Small and Medium Enterprises in India, the investigator wishes to analyse the Economic Performance of Micro, Small and Medium Enterprises in India with the following objectives.

1. To examine the trends in number of units, fixed investment, production, employment and exports of Micro, Small and Medium Enterprises in India.
2. To analyse the growth of Micro, Small and Medium Enterprises in India.
3. To analyse the productivity performance of Micro, Small and Medium Enterprises in India.
4. To study the economic efficiency of the Micro, Small and Medium Enterprises in terms of returns to scale.
5. To estimate the factors affecting the production of Micro, Small and Medium Enterprises in India.

Limitations of the study

1. The availability of data pertaining to the export relating to various periods has certain limitations.

REVIEW OF LITERATURE

CHAPTER-II

REVIEW OF LITERATURE

The review of literature relating to the present study on “Economic performance of Micro, Small and Medium Enterprises in India” is discussed under the following heads:

- A. Definition of Micro Small and Medium Enterprises
- B. Role of Micro Small and Medium Enterprises
- C. Performance of Micro Small and Medium Enterprises
- D. Problems faced by Micro Small and Medium Enterprises
- E. General studies

A. Definitions of Micro, Small and Medium Enterprises

In accordance with the provision of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes:

(a) **Manufacturing Enterprises:** The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951). The Manufacturing Enterprise is defined in terms of investment in Plant and Machinery.

(b) **Service Enterprises:** The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.

The limit for investment in plant and machinery/ equipment for manufacturing / service enterprises are summarized in the Table I.

TABLE-I

Classification of Micro, Small and Medium Enterprises

MANUFACTURING ENTERPRISES	
Enterprise	Investment in Plant and Machinery
Micro	Upto Rs. 25 lakhs
Small	More than Rs.25 lakhs and upto Rs. 5 crores
Medium	More than Rs. 5 crores and upto Rs.10 crores
SERVICE ENTERPRISES	
Enterprise	Investment in Plant and Machinery
Micro	Upto Rs. 10 lakhs
Small	More than Rs. 10 lakhs and upto Rs. 2 crore
Medium	More than Rs. 2 crores and upto Rs. 5 crores

Source: Micro, Small and Medium Enterprises Development Act 2006.

B. Role of Micro Small and Medium Enterprises

Supratim Pratihar et.al (2007) in their study observed that the Micro, Small and Medium Enterprises are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. In India too, the Micro, Small and Medium Enterprises play a pivotal role in the overall industrial economy of the country. In recent years the Micro, Small and Medium Enterprises sector has consistently registered higher growth rate compared to the overall industrial sector. With its agility and dynamism, the sector has shown admirable innovativeness and adaptability to survive the recent economic downturn. Technology improvement, skill improvement and access to capital and access to market are crucial factors. Healthy competition from global player and signing World Trade Organization’s treaty opening local will drive innovation to this sector.

Raju (2008) in his article “Small and Medium Enterprises in India: Past, Present and Future”, analysed that Small and Medium Enterprises form the backbone of the Indian manufacturing sector and have become engine of economic growth in India. It was estimated that

Small and Medium Enterprises account for almost 90 percent of industrial units in India and 40 percent of value addition in the manufacturing sector. Further it analysed growth and development of the Indian small scale sector from opening of the economy in 1991. The present scenario of Small and Medium Enterprises and the problems they faces like lending, marketing, license issues were discussed. The Micro, Small, and Medium Enterprises Act, 2006 is intended to boost the sector. The provisions of the Act are examined closely. The article concluded some future policy framework for the sustainability of the sector.

Venkatesh and Muthiah (2012) found that the role of small and medium enterprises in the industrial sector was growing rapidly and they have become a thrust area for future growth. They emphasized that nurturing Small and Medium Enterprises sector is essential for the economic well-being of the nation.

Maru (2012) in his article dealt with micro, small and medium enterprises and their role in economic growth and employment generation in the Indian context. Micro, Small and Medium Enterprises have emerged as a vibrant and dynamic sector of the Indian economy. Micro, Small and Medium Enterprises contribution to national Gross Domestic Product is 8 percent and is projected to go up by a minimum of 5 percent and reach 22 percent share of India's Gross Domestic Product by 2012. Around 95 percent of the Small and Medium Enterprises are industrial units and its present contribution to Industrial production is 39 percent and is expected to go up to 45 percent. Micro, Small and Medium Enterprises Share to national exports currently is 33 percent, which will increase to over 40 percent in next five years. Micro, Small and Medium Enterprises providing employment to 322.28 lakh persons in 2007-08 and is projected to provide employment to 391.73 lakh persons in 2011-2012

Venkateswarlu and Ravindra (2012) observed that there is an increased recognition of the important role played by micro, small and medium enterprises in the economic development of a country. Similarly, in the South Asia region, Micro, Small and Medium Enterprises are the main engines behind the economic growth. In particular, Micro, Small and Medium Enterprises are one of the biggest contributors to Gross Domestic Product, employment and play a core role in the supply chain of large businesses. One of the major problems faced by Micro, Small and Medium Enterprises in South Asian countries is lack of finance to advance business growth.

Micro, Small and Medium Enterprises lack setup capital, liquid capital, working capital and investment capital to survive and grow in a dynamic and predatory competitive business environment. Micro, Small and Medium Enterprises heavily depend on the financial institutions such as banks, credit corporations and development banks for the supply of finance to meet their daily financial needs.

Sudha Venkatesh and Krishnaveni Muthiah (2012) in their study reviewed the importance of Micro, Small and Medium Enterprises. The Small and Medium enterprises play a vital role in the Indian economic structure due to its significant contribution in terms of output, exports and employment. For a developing nation like India, where the labour is abundant and capital is scarce, the small sector is a major source of employment for millions of people. Keeping in view the importance of Small and Medium Enterprises, the Indian government has included this sector in its five-year plans. The Small and Medium Enterprises are still hampered by the problems of finance, marketing and low quality. Taking into account the enormous potential of the small sector, the entrepreneurs and the policy-makers must act collectively to facilitate growth in this sector.

Mukund Chandra Mehta (2013) in his study observed that Micro, Small and Medium Enterprises play a pivotal role in the economic and social development of the country. It also plays a key role in the development of the economy with its effective, efficient, flexible and innovative entrepreneurial spirit. Micro, Small and Medium Enterprises contribute 45 percent in the industrial output, 40 percent of exports, employing 60 million people; create 1.3 million jobs every year. It produces more than 8,000 quality products for the Indian and international markets. Its contribution towards gross domestic product in 2011 was 17 percent which increased to 22 percent in 2012. Further it analysed the various challenges and opportunities associated with Micro, Small and Medium Enterprises in India.

Abdul Naser (2013) critically evaluated the contributions made by the micro, small and medium enterprises in the balanced growth of the Indian economy. The study said that since 55 percent 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 gross domestic product, industrial production and export of the

country. Further it also highlighted the challenges faced by the sector and its need for structural support.

Srinivasa Kumar et.al (2013) in their study analysed trends and policies of Micro, Small and Medium Enterprises in economic development. Micro, Small and Medium Enterprises play pivotal role in Indian manufacturing sector and has become engine of economic growth in India with their effective, efficient, flexible and innovative entrepreneurial spirit. It is generating the highest rates of employment growth and account for a major share of industrial production. It is estimated that Micro, Small and Medium Enterprises account for almost 90 percent of industrial units in India and 40 percent of value addition in the manufacturing sector.

Chandraiah and Vani (2014) observed that the Micro, Small and Medium Enterprises (MSMEs) sector is a vital constituent of India's industrial sector. It contribute significantly to India's Gross Domestic Product and export earnings besides meeting the social objectives including that of providing employment opportunities to millions of people across the country. With the introduction of reform measures in India since 1991, the Government has withdrawn many protective policies for the Micro, Small and Medium Enterprise and introduced promotional policies to increase competitiveness of the sector. The Micro, Small and Medium Enterprises in India are acting as power and spirit of economic growth in the 21st century.

Rupali Sharma and Zia Afroz (2014) observed the fact that Micro, Small and Medium Enterprises play a catalytic role in the development process of most economies of any country. Similarly, Micro, Small and Medium Enterprises form the backbone of the Indian economy and have become engine of economic growth in India. Micro, Small and Medium Enterprises occupies a very important position in Indian economic system due to its very significant and important contribution in terms of output, exports and employment. The Micro, Small and Medium Enterprises are the biggest employment provider after agriculture, providing employment to nearly 32 million people. Further it analysed the growth and development of the Indian Micro, Small and Medium Enterprises sector since opening of the economy in 1991. It also looks into the present scenario of Micro, Small and Medium Enterprises and the challenges they face like lending, marketing, and license issues.

Vasu and Jayachandra (2014) observed that the Micro, Small and Medium Enterprises sector has been recognized as engine of growth all over the world. The Micro, Small and Medium Enterprises sector plays a very significant role in terms of balanced and inclusive growth and contributes to the process of economic development, equitable distribution of national income and regional dispersal of enterprises by way of mobilization of capital and entrepreneurial skills. Further it dealt with Micro, Small and Medium Enterprises and their growth and development in India.

B. Performance of Micro Small and Medium Enterprises

Benjamin (2007) in his article, “Policies, performance and evaluation of small and medium enterprise export: Experience of India,” reviewed the role of small and medium enterprise sector in the Indian economy. He evaluated the performance of the small and medium enterprise sector in exports, and critically looked at the constraints and challenges faced by the sector in making greater contribution to exports. The term small and medium enterprise is used in a broad sense to include the traditional and modern manufacturing and service enterprises. India’s membership of the World Trade Organisation (WTO) and the resultant commitments to the rule-based international trading system has led to many challenges and opportunities for the industrial sector, and particularly to the small and medium enterprise sector. Enlightened existing and prospective entrepreneurs can benefit from the greater opportunities available from the comparative advantages possessed by them. Domestic markets will be subject to increased threats because of lowering of tariffs leading to freer entry of foreign goods, and because of foreign companies establishing manufacturing bases locally, whereas the developing countries will have greater opportunities in the sectors in which they have cost-based comparative advantages. The developed countries will benefit from the opening up of the service sector, and tightening of the intellectual property regime. Export markets will become tougher because of competition among developing countries with similar comparative advantages.

Sonia and Kansai Rajeev (2009) studied the effects of globalization on Micro, Small and Medium Enterprises during pre and post liberalization from 1973-74 to 2008-09. They used four economic parameters namely number of units, production, employment and export. The results revealed that AAGR in pre liberalization period (1973-74 to 1989-90) was higher in all

selected parameters than that of post liberalization period (1991-92 to 2007-08). They concluded that Micro, Small and Medium Enterprises failed to put up an impressive performance in post reform era.

Nagayya and Tirumala Rao (2010) in their article, “Development of Small and Medium Enterprises in Andhra Pradesh,” reviewed the progress of the sector in Andhra Pradesh district-wise. District-wise data presented are in terms of number of units, fixed investment, and employment for five regions - Hyderabad region, rest of Telangana, Rayalaseema, North Coastal Andhra, and South Coastal Andhra. In all the three parameters, prominent position of Telangana region is clearly noticed in respect of micro and small enterprises. This is both due to high growth rates and high shares, largely propelled by high levels of performance of Hyderabad region. Performance of the rest of Telangana has also shown good but moderate performance. Telangana region has, thus, reaped the benefit of industrialisation in the Small and Medium Enterprises sector, much better when compared to Coastal Andhra and Rayalaseema regions, which showed lower level of performance, and are below the State averages. Rest of Telangana’s moderate progress is also noteworthy. During the 16-year period (1995-2010), performance during the recent three years (2007-10), has been the best in all aspects.

Alamelu and Baskaran (2011) reviewed the Micro, Small and Medium Enterprises sector in India is heterogeneous, dispersed, and mostly unorganized. It includes diverse types of production units ranging from traditional crafts to high-tech industries. In this regard, the core challenges of Micro, Small and Medium Enterprises are inadequate access to credit and working capital, dwindling of a vibrant sector, non-availability of quality raw materials and packaging facilities on a timely basis, insufficient market research, linkages and design inputs, rehabilitation of sick small scale industry units, globalization, and technology upgradation and achieving ‘economies of scale’. At present, there is no subsector target for the Micro, Small and Medium Enterprises sector within the overall stipulated 40 percent ceiling for the priority sector lending. Since sub-targets have already been fixed at 18 percent for agriculture and at 10 percent for the weaker sectors, the Micro, Small and Medium Enterprises sector has to compete with real estate, housing, education, retail, etc. for the remaining 12 percent.

Dixit and Pandey (2011) examined the causal relationship between Small and Medium Enterprises output, exports, employment, number of Small and Medium Enterprises and their fixed investments and India's gross domestic product, total exports and employment (public and private) for the period 1973-74 to 2006-07. The study revealed the positive causality between Small and Medium Enterprises output and India's Gross Domestic Product.

Ishu Garg Suraj and Walia (2012) highlighted the growth and contribution of Micro, Small and Medium Enterprises sector in post reform India. The study confirmed that the significant growth of Micro, Small and Medium Enterprises have been taken place over a period of time and this sector is the major donor to gross domestic product (Gross Domestic Product), employment and exports in Indian economy.

Ministry of Micro, Small and Medium Enterprises (2013) reported slowly down in the overall growth of Micro, Small and Medium Enterprises in recent years, especially post 2009. It highlighted the significance of Micro, Small and Medium Enterprises, changing trends in employment growth in this sector and addressed concerns regarding establishing an enterprise and running it successfully. It also recommended support systems for encouraging start ups, doing and expanding business and eases of closure and exit and also drew light on the need to do so.

Srinivas (2013) made an attempt to study the contribution made by micro, small and medium enterprises for the Indian economic growth. The results of the study revealed that, the sectors accounts for about 45 percent of the manufacturing output and 40 percent of the exports of the country. Further, this sector has consistently registered a higher growth rate than the rest of the industrial sector. Further it revealed that, the contribution of Micro, Small and Medium Enterprises to Indian Gross Domestic Product is progressively increasing. Further it estimated that, for the year 2010-11, the employment was 732.17 lack persons in the micro, small and medium enterprises sector. It concluded that the support given by the national and the state governments to the micro, small and medium enterprises is not adequate enough to solve their problems.

Ponmani and Annapoorani (2013) analysed growth and performance of micro, small and medium enterprises in India in post globalisation period. The results of the study revealed

that the growth rate of number of units, fixed investment, production, employment, and export of micro, small and medium enterprises were significant. There had been more instability in the number of micro, small and medium enterprises in the globalisation period as compared to fixed investment, production, employment and exports.

Pankaj Kumar (2014) in his article discussed the performance of micro, small and medium enterprises during the pre-liberalisation and post-liberalisation periods. The sector has faced a number of enactments and amendments in the policies and programmes between the first Industrial Policy and Micro, Small and Medium Enterprises Development Act for better performance. It has acquired a respectable place in the socio-economic contribution of India even after various shortcomings in the policy proposal, poor infrastructure, inadequate training, deficient credit facility, higher sickness rate and so forth. The aim of this article was to compute and compare performance variables of Micro, Small and Medium Enterprises between the pre-liberalisation and post-liberalisation period as well as to examine the inter-relationship among variables plus the functional relationship between variables. The cumulative annual growth rate and average of percentage change value are applied to calculate and compare the performance between two periods. The correlation coefficient is used to find out the inter-relationship among variables and multiple regressions (ordinary least squares) with and without dummy variables is used to find out the degree of functional relationship between output and other performance variables.

Sanjeeb Kumar Dey (2014) attempted to focus the present status of performance of Micro, Small and Medium Enterprises in India and future prospects. The results of the study revealed that, the Micro, Small and Medium Enterprises sector has been accorded high priority in the Industrial policy owing to its vital role in the economy. Further it highlighted that the growth rate of Micro, Small and Medium Enterprises sector has witnessed a higher growth as compared to over all industrial growth of the economy. Further it concluded that this sector contributes significantly to the manufacturing output, employment, exports of the country.

D. Problems faced by Micro Small and Medium Enterprises

Maillat (1990) observed that the major problem for Small and Medium Enterprises is to create a generation of true entrepreneurs, characterized by qualities of responsibility, spontaneity, immigration, capacity to predict and to adopt to change by detecting new opportunities, development strategies, identifying new resources and relational know-how with people and environment.

Malgawakar (1997) has found unavailability of new material along with insufficient infrastructure facilities as the main problem for hindering growth of small industries in the rural areas. The author concludes that procedural delays in disbursement of loan also added to the woes of the entrepreneurs.

Armstrong and Coyle (1999) in their study observed that the main hurdle for lack of competitiveness of Small and Medium Enterprises is outdated technology, unavailability of in – house human expertise and poor financial resources.

Armstrong and Taylor (2000) assessed that Small and Medium Enterprises are able to create a diversified and flexible industrial base by creating a pool of entrepreneurs willing and able to take risks leading to an energetic enterprise culture.

Appasaba et.al (2006) analysed the growth and development of the Indian small scale sector from opening of the economy in last few years. Further it analysed the present scenario of Micro, Small and Medium Enterprises and the problems they phases like lending, marketing, license issues in detail. The Micro, Small and Medium Enterprises Act, 2006 is intended to boost the sector. The provisions of the act are examined closely.

Gohill, Mike (2009) evaluated the problems faced by Indian small business sector in this transformation era, and viewed that less than 5 percent of the small businesses are successful remaining continues to function with various problem, prominent among them is lack of managerial experience of entrepreneurs.

Malla (2009) in his article “Financing of Micro, Small and Medium Enterprises - Issues and Concerns”. The study reveals that the problems cited by Micro, Small and Medium

Enterprises borrowers in accessing the institutional finance are insistence on collateral guarantees, limited outreach of banks, rigid approaches, and high interest and other costs, computer documentation, lack of supporting business development services.

Raj Kumar Gautam and Raghbir Singh (2011) studied on marketing barriers of small enterprises based on a sample of 173 small manufacturing enterprises from Punjab. The study suggested on strategies to be pursued by small enterprises on marketing and other key functional areas. As customers have become quality conscious, relevant certification matching the international standards is needed to continue to capture sizeable share of the market. Marketing planning relating to various aspects of marketing mix and appropriate marketing strategies with greater usage of the web and internet marketing would enable the industry to successfully compete in the market.

Naidu and Chand (2011) in their study found out the various barriers faced Micro, Small and Medium Enterprises in raising finance especially in Kozhikode district of Kerala. Further they suggested that financial problems faced by Micro, Small and Medium Enterprises could be classified into three broad categories such as financing problems, operational problems and administrative problems, sales and debtors' problems.

Fumo and Jabbour (2011) observed that financial and competitive barriers are the main barriers faced by Micro, Small and Medium Enterprises. These barriers vary according to the field of activity of enterprise. Further the study found that 9.59 percent of the respondent, who availed the credit face the problem of delay in disbursement and 35.62 percent of respondent, who availed the credit face the problem as bankers non co-operative attitude to this sector. It was also found that 72.60 percent of respondent, who availed the credit have partially repaid the loan and 8.22 percent of respondent, who availed the credit not repaid the loan. The study found that, major portion of respondents (69.89 percent) availed credit from public sector banks, only a meager portion (2.74 percent) of respondent from private sector banks. It was found that only 11 percent of the respondent availed multiple loans from banks. And 81percent of respondent used both owned and borrowed fund in their capital.

Updesh Khinda et.al (2014) highlighted the key challenges and problems comprising financial constraints, poor technology and poor marketing facilities faced by Micro, Small and

Medium Enterprises in India and it finally recommended some suggestions to policy makers to make Micro, Small and Medium Enterprises Industry more competitive and efficient at global level in this highly competitive era.

Nishanth and Zakkariya (2014) identified the various problems of Micro, Small and Medium Enterprises (MSMEs) have been accepted as an engine of economic growth and for promoting equitable development. In developing countries including India, Micro, Small and Medium Enterprises sector constitute an important part in its development. In spite of this importance, this sector face number of constraints like absence of adequate and timely supply of bank finance, difficulties in procuring raw materials, marketing and distribution challenges and non availability of suitable technology.

Princy Saini (2014) identified and analysed the main regulatory and operational problems faced by Micro, small and medium enterprises in India. The analysed the factors affecting growth of Micro, Small and Medium Enterprises in India. The biggest problems faced by the firms are finance, marketing and lack of skilled labour. Infrastructure comprises of factors like condition of the industrial areas, electricity or energy supply, transportation facilities etc which also play an important role in holding back the company's growth.

E.General studies

Prasad (1983) propagated that Small Scale Industry play a vital role in economic development of a nation. If these enterprises are developed effectively, can solve the problem of large scale unemployment and raise the income and standard of living of lower income people which could help in reducing disparities in regional development.

Little et.al (1988) examined the Indian small enterprise development and policy in detail in an international context, and draw lessons for industrial policy in developing economies. The authors assessed experiences with the development of small enterprises in several other economies, including Colombia, Indonesia, the Republic of Korea, Malaysia, Singapore, Taiwan, the United Kingdom, and the United States. They analysed such issues as the relative factor intensity, productivity, and economic efficiency of small enterprises.

Sandesara (1993) studied the performance of Small Scale Industry producing reserved items collecting data from the second census conducted by the Ministry of SSIs. The study examined the null hypothesis that the Small Scale Industry firms producing reserved category items should perform better than the Small Scale Industry producing non-reserved items. The result revealed that capacity utilization in 1987-88 and aggregate change in production in 1987-88 were both lower for reserved than for unreserved items. . The author observed that this could be due to the entrance of excess Small Scale Industry firms into the protected areas.

Mali (1998) observed that small and medium enterprises (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, technological up gradation. Moreover, new small and medium enterprises may have to move from slow growth area to the high growth area they have to form strategic alliance with entrepreneurs including investors from abroad is also needed.

Mali (2001) in his article highlighted various aspects of development of micro enterprises and entrepreneurship development. The study included policy perspectives, an alternative paradigm for micro enterprises, utilisation of technologies available from research and development organisations, reforms in the industrial sector with focus on small enterprises, microfinance, self help groups, credit and marketing support for micro enterprises, rural industrialisation, self employment programmes, utilisation of renewable sources of energy, entrepreneurship development, including promotion of entrepreneurship among women, role played by nongovernmental organisations in promoting entrepreneurship and micro enterprises, technology upgradation in the decentralised industrial sector covering handlooms and handicrafts, etc.

Bala Subrahmanya (2004) highlighted the impact of globalization and domestic reforms on small-scale industries sector. The study stated 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.

Sudan (2005) described the challenges in Micro and Small Scale Enterprises Development and policy issues by arising different questions related to Micro and Small Enterprises. The study explained the meaning, advantages, problems and policy options of Micro, Small and Medium Enterprises sector. The study concluded that all the policies which were opted by Government of India were the efforts to form a dynamic Micro, Small and Medium Enterprises sector and a diversified economy providing expanded employment opportunities to absorb all new labor force and offer exciting career opportunities.

Pathrose (2006) in his article entitled “Small and Medium Enterprises Financing: Strategic Perspectives for Banks”, points out that the systems and procedures adopt by banks particularly with reference to documentation and accounting to be simplified. He concludes that bank should innovate internet banking, mobile banking and ATM facilities for providing adequate financial benefits to Small and Medium Enterprises and banks personnel should act as guide, philosopher and promoter of industries.

Chopra (2006) in his article entitled “Financing for the Decentralised Sector-SMEs”, points out that the financing for the Small and Medium Enterprises in the decentralized sector. 25 The article widely discusses about the possible ways to finance the Small and Medium Enterprises in the decentralized sector as agricultural based and artisan based Small and Medium Enterprises. It was found that there is a gap between the centralized and decentralized sectors in getting the finance from the banks. The banks are very much lenient in providing loan facilities to the centralized sector.

Kondaiah and Rao (2007) in their article, “Indian Small and Medium Enterprises in Global Value Chain - New Initiatives,” reviewed the new policy initiatives focusing on integration of small and medium enterprises with global value chain, and appraise the strategies being pursued in recent years for accelerating the growth of Small and Medium Enterprises, and enhancing their competitiveness. The growth of Small and Medium Enterprises depends on formulating the right policies and taking the right initiatives that are need based, and making their presence felt in the global value chain. Small and Medium Enterprises need to continue to

strengthen their competitive character by creating opportunities afresh for sustained growth in the changing business environment. Despite competition from large firms, Small and Medium Enterprises certainly have the possibility to enter the global value chains, provided they adapt to the market shifts. Small and Medium Enterprises can gain entry into larger avenues, expand their markets, and find new niche markets for their products, and become strongly visible in the global arena. Gainful participation in the global value chain can be used as a strategic measure for Small and Medium Enterprises development. The contribution of cluster development strategy has been highlighted in enhancing competitiveness of Small and Medium Enterprises and traditional enterprises.

Shambhu Singh (2007) in his article, “Small and Medium Enterprises in Competitive Markets,” presented the results of an empirical study on the role and adaptation of Small and Medium Enterprises under the changing industrial structure in India. The survey was carried out in 1999 and 2000. In line with the objectives of the study, Small Scale Industry did not conform to the general trend of investment observed in the Small Scale Industry sector, since the tilt had to be towards units with higher investment and turnover; and to that extent the results are slightly skewed. Ninety five per cent of Small Scale Industry operates at the lower end of the investment spectrum, while the majority of exporting units are in the higher investment category. Even micro units export, some directly; and others through merchant exporters. Some produce for other brands for direct exports by the brand-owning units.

Nagayya and Sobha Rani (2008) in their article on “Financing Small and Medium Enterprises in the Emerging Scenario,” observed that Small and Medium Enterprises need special treatment through devising special instruments of credit for strengthening their competitiveness. Credit for micro and small manufacturing and service enterprises is part of priority sector lending, as per the latest definitions adopted at the national level for micro and small enterprises. Credit for medium enterprises does not form part of priority sector lending. Cluster focussed business development strategies have been adopted by SIDBI to meet the credit requirement of specific Small and Medium Enterprises clusters. This is found useful in mitigating the credit risk. Credit rating of enterprises, venture capital, credit-linked capital subsidy for technology upgradation, and credit guarantee are some of the measures adopted in recent years to improve the credit flow to micro and small enterprises. Focussed programmes and

policies can pave the way. Concerted and well orchestrated efforts are needed to achieve a high degree of success.

Bergal et.al (2009) examined the causal relationship among the three variables Gross Domestic Product, Small Scale Industry output and Small Scale Industry exports and also has compared the performance parameters of Small Scale Industry in the pre and post liberalization era. The study found that the annual average growth rate of different parameters of Small Scale Industry have declined in the period of nineties vis-à-vis the pre-reform years. There is an absence of any lead lag causal relationship between exports and production in small-scale and Gross Domestic Product of Indian economy.

Apparel Export Promotion Council (AEPC) Cluster (2009) focused on the status, problems and prospects of apparel manufacture in small and medium enterprise sector in the country. The clothing sector is fragmented and is predominantly in the small and medium enterprise sector. It is estimated that there are over 34,000 apparel units (excluding tailoring units) in India, majority of which are in the Small and Medium Enterprises sector. The Apparel Export Promotion Council conducted a study of Apparel Clusters in the country in 2009. As per this study, there are 19 clusters in the country with annual production estimates representing 95 percent of production of garment units. These account for production of 89 billion pieces during 2007-08. Out of the total production, 68 billion pieces (76.4 percent) are for domestic consumption, and 21 billion pieces (23.6 percent) are for exports. Total employment generated in the 19 clusters in 2008 was around 3.43 million with 51percent of it as direct employment, and 49 percent as indirect employment. Top ten clusters representing 80 percent of national production are at: Kolkata, Mumbai, Tirupur and Chennai in Tamil Nadu, Ludhiana (Punjab), Indore (Madhya Pradesh), Bellary and Bangalore in Karnataka, Jaipur (Rajasthan), and Okhla (Delhi). Other nine clusters are at Kanpur (Uttar Pradesh), Ahmedabad (Gujarat), Nagpur (Maharashtra), Jabalpur (Madhya Pradesh); Salem, Erode and Madurai in Tamil Nadu; NOIDA (Uttar Pradesh), and Gurgaon (Haryana). Clusters are specialised in terms of (a) types of garments manufactured (either woven or knitted), and (b) variety of products produced (i.e. men's, women's or children's). Seven major export clusters with value of exports in 2007-08 in Rs. billion given in brackets are: Tirupur (995), Gurgaon (425), Bangalore (400), NOIDA (350), Chennai (200), Ludhiana (140), and Kolkata (100).

Tripathy, Yadav and Sharma (2010) presented the results of an empirical study of the performance of Micro, Small and Medium Enterprises pharmaceutical enterprises. The study (a) examined the performance of Indian Pharmaceutical Micro, Small and Medium Enterprises in the process and product patent regimes; and (b) analysed the efficiency and productivity of these enterprises in the two patent regimes. The performance of Micro, Small and Medium Enterprises is measured in terms of growth in sales and exports. Research and Development expenditure of sample firms has been used to study the strategy adopted by the firms to face the challenges of the new regime. The future strategies for pharmaceutical firms to survive and grow in the product patent regime include the following approaches: (i) collaborating with research institutions, (ii) producing drugs which will become off-patent, (iii) producing new products, (iv) entering new markets, (v) opting for contract manufacturing; and (vi) seeking greater support from the government for various purposes. Intellectual Property Rights (IPRs) awareness, patenting, and management of IPRs are an important aspect of the growth of pharmaceutical companies.

Grimsholm and Poblete (2010) conducted a detailed qualitative study of external and internal factors hampering the growth of Small and Medium Enterprises in Thailand. It reproduced quite generalized results applicable to most of the south Asian countries producing low cost, low value added and labor intensive products. Significant factors hampering growth according to the study are lack of access to finance, competition, barriers to trade, management competence, lack of skilled labor, low investment in Research and Development and new technology.

Bhavani (2010) highlighted the issue of quality employment generation by the Small Scale Industry and negates the short term attitude of increasing the volume of employment generation compromising with quality. The study showed that employment generation by the SSIs may be high in quantitative term but very low in quality. Technological up gradation would enable the small firms to create quality employment improving remuneration, duration and skill. This structural shift may reduce the rate of employment generation in the short run but would ensure high-income employment generation in the long run.

Jagapathi Rao (2010) carried out a study on “Capacity Utilisation in Small Scale Industrial Units,” The study also examined the relationship between the nature of the unit, location and extent of capacity utilisation, and brings out suggestions for improving the utilisation levels. The author suggests that it is important to monitor the performance of units at the district level, and take corrective steps in the right direction in time to improve the situation. Improving capacity utilisation, improving productivity, expanding markets, pursuing quality standards, and exports in a phased manner can bring about healthier industrial climate in a region.

Basu (2011) in his article, focused on major clusters of Leather and Leather Products. Challenges facing the industry in the liberalisation era and also the schemes being implemented for modernisation and for increasing production of value added leather products with focus on export promotion are also covered. The Indian leather industry is known for its substantial contribution to export earnings, employment generation, and inclusive growth. The industry is amongst the top ten foreign exchange earners for the country. Women employment is predominant in the leather products group with about 30 percent share. During 2006-07, as per the 4th All India Census of Micro, Small and Medium Enterprises, there are 26,741 registered micro, small and medium enterprises, and 62,574 unregistered Micro, Small and Medium Enterprises, totalling 89,315 leather enterprises in the country.

Nagayya and Rao (2011) in their article presented cluster-specific and firm-specific programmes being pursued by all India organisations with a wide network of institutions associated with various functions supporting the Small and Medium Enterprises sector at different levels. The approaches covered include the following: (i) MSMED Act 2006, (ii) Policy of de-reservation and facilitating greater equity participation including foreign direct investment (FDI), (iii) Cluster development approach, (iv) National Manufacturing Competitiveness Programme (NMCP) with its ten components, and (v) Suggestions. In an increasingly globalised competitive scenario, Small and Medium Enterprises have to upgrade their capabilities by innovation, and adoption of advanced technologies and modern management approaches. The Micro, Small and Medium Enterprise sector contributes 8 per cent of the country’s gross domestic product (GDP), 45 per cent of the manufacturing output, and 40 per cent of the country’s merchandise exports. Micro, Small and Medium Enterprises Under the scheme of

cluster development, the benefit of a whole variety of interventions ranging from exposure to skill development, from credit to marketing, and from technological improvements to better designs and products is given to concentrations of enterprises in a contiguous belt. The development interventions are carried out for a period of three to five years to enhance the competitiveness and collective efficiency of clusters, and to integrate them with the global economy.

Subrahmanya Bala (2011) has probed the impact of globalization on the exports potentials of the small enterprises. The study shows that share of Small Scale Industry export in total export has increased in protection period but remain more or less stagnated during the liberalization period. However, the correlation co-efficient in liberalization period is higher than that of protection period suggesting that the relationship between the total export and Small Scale Industry export has become stronger in liberalization period. This may be due to the drastic change in composition of Small Scale Industry export items from traditional to non-traditional and growth in its contribution to total export through trading houses, export houses and subcontracting relation with large enterprises. Thus, the current policy of increasing competitiveness through infusion of improved technology, finance, and marketing techniques should be emphasized.

Sanjay Tiwari (2012) in his article “India’s Export Performance and Prospects”, reviewed the contribution of Micro, Small and Medium Enterprises sector in export promotion, role of manufacturing and engineering goods, National Manufacturing Policy (NMP), tapping the potential of services export, and export performance of Special Economic Zones (SEZs). To increase the share of India’s contribution to world exports from 1.44 per cent and world imports from 2.12 per cent in 2010, the Government should come up with policies and budgetary provisions to boost export in potential areas in services, making Special Economic Zones more viable, provide incentives Micro, Small and Medium Enterprises sector with better training skills imparted to them by way of providing Research and Development to make the products globally competitive. To increase exports as well as provide its internal market with domestically produced manufacturing goods that compete with imports, India must manufacture a much larger volume of products at competitive costs and quality”. Engineering exports account for over 20

per cent of India's total exports with around 35 per cent of engineering exports contributed by Micro, Small and Medium Enterprises sector.

Export-Import Bank of India (2012) studied and documented the current situation of Micro, Small and Medium Enterprises and support systems setup for them in India along with select countries of Europe, Asia, and Latin America etc. It explained the evaluation of Indian Micro, Small and Medium Enterprises policies over time. The objective was to increase employment opportunities and equitable distribution of national income, during 1991-1999 it was to make the Micro, Small and Medium Enterprises more competitive in the face of liberalization and 1999 onwards the objective has been development and promotion of the sector by addressing challenges relating to credit, infrastructure, marketing and technology. It also stated the current challenges faced by the Indian Micro, Small and Medium Enterprises and the strategies for their Development based on past experiences of India and other countries such as China, Japan, Malaysia, Thailand, Mexico, and Philippines etc.

Ashok Kumar Panigrahi (2012) critically evaluated the Micro, Small and Medium Enterprises in India over the years. It is further believed that risk management is less developed within the small business sector where strong enterprise culture can only help in managing risk in a professional and structured way. This study focused to investigate the risk management practices small and medium enterprises in India. The attitudes of the owner managers and their knowledge towards risks play an essential role in how systematically risks are handled. Therefore, this study stresses the need of improving current planning system within the Micro, Small and Medium Enterprises together with enhancing the owner managers' knowledge and awareness regarding risks management through proper training and development. Risk management highlighted the fact that the survival of a business entity depends heavily on its capabilities to anticipate and prepare for the change rather than waiting for the change and then react to it. It should be clearly understood that the objective of risk management is not to prevent or prohibit taking risk, but to ensure that the risks are consciously taken with complete knowledge and clear understanding so that it can be measured to help in mitigation.

Sajeevan (2012) attempted to explain the various definitions used in differed data sets of sector Micro, Small and Medium Enterprises and the data collection process on periodical census

in Micro, Small and Medium Enterprises sector. Further, concluded with the latest data available from the fourth all India censuses on Micro, Small and Medium Enterprises sector.

Radha Krishna Mathur (2012) highlighted National Manufacturing Policy, National Manufacturing Competitiveness Programme, public procurement policy to promote and strengthen Micro and Small Enterprises, defence production policy and implications for Micro, Small and Medium Enterprises, impact of bleak global scenario on Micro, Small and Medium Enterprises, greater cooperation and collaboration between Indian Micro, Small and Medium Enterprises and their counterparts overseas, Micro, Small and Medium Enterprises contribution to inclusive growth, unorganised sector, export potential of the sector, eco-system to face the issues confronting the sector, besides giving the Micro, Small and Medium Enterprises global competitive advantage, adoption of new web and IT tools to enhance the operational efficiency of Micro, Small and Medium Enterprises, and steps to be taken to enhance market access for Micro, Small and Medium Enterprises, both within the country and overseas. The policy instruments assign a significant role for small and medium enterprises. National Manufacturing Competitiveness Programme (NMCP) with its ten components for revitalizing the Small and Medium Enterprises sector includes role of ICT tools in the sector, and enhancing competitiveness through specific components of the programme. Use of ICT among Small and Medium Enterprises will enable Micro, Small and Medium Enterprises to adopt cost saving technologies like cloud computing, and establishing partnerships with global buyers and suppliers. Public procurement policy for Micro and Small Enterprises assumes significance to ensure at least 20 percent of total annual purchases of Central ministries, departments, and Public Sector Units (PSUs) are procured from Micro, Small and Medium Enterprises. This will make Micro, Small and Medium Enterprises improve quality and productivity levels. The defence production policy will facilitate Small and Medium Enterprises engaged in high-tech manufacturing to particularly benefit from defence procurement, more so in the light of the defence establishment's accent on indigenisation of equipment and component manufacturing.

Mathew (2012) in his article, "The Relevance of Micro, Small and Medium Enterprises", focused on recent developments in the industrial sector, contribution of Micro, Small and Medium Enterprises, and prospects for growth during the twelfth Plan period, along with directions in which Micro, Small and Medium Enterprises should move in future. The Policy

assigns a significant role for Micro, Small and Medium Enterprises in additional job creation, and outlines the incentives to be offered to Small and Medium Enterprises sector

Sujoy Kumar Dhar (2014) analyzed the current status of Micro, Small and Medium Enterprises in India, to determine the extent of funding the sector receives from different sources, to identify various risks and challenges that the sector is facing across the nation and to develop the strategies for the Micro, Small and Medium Enterprises players so that they will be able to provide maximum benefit to the maximum number of stakeholders of the nation. The study focused on an alternative economic model where adequate impetus will be given to the small scale entrepreneurs instead of providing excessive leverage towards large corporate players.

METHODOLOGY

CHAPTER-III

METHODOLOGY

The methodology relating to the study on “Economic Performance of Micro, Small and Medium Enterprises in India” is discussed under the following heads:

- A. Area of the study
- B. Collection of data
- C. Period of study
- D. Concept used
- E. Tools of analysis

A. Area of the study

Micro, Small and Medium Enterprises sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. The sector has been playing a prominent role in the socio economic development of the country with their effective, efficient, flexible and innovative entrepreneurial spirit. The Micro, Small and Medium Enterprises sector contributes significantly to the country’s manufacturing output, employment and exports and is credited with generating the highest employment growth as well as accounting for a major share of Industrial production and exports. The Micro, Small and Medium Enterprises sector in India is highly heterogeneous in terms of the size of the enterprises, variety of products and services, and levels of technology. It complements large industries as ancillary units and contributes enormously to the socioeconomic development of the country. Therefore, the present study attempted to analyze ‘Economic Performance of Micro, Small and Medium Enterprises in India’.

B. Collection of data

The data for the current study was collected from secondary sources. Data relating to number of units, Production, Investment, Employment, and Export of Micro, Small and Medium Enterprises were obtained from Ministry of Micro, Small and Medium Enterprises, Annual Report 2009-10, 2010-11 and 2014-15 Government of India, Hand book of Statistics on Indian economy.

C. Period of Study

The study covers the period of thirteen years from 2001-02 to 2013-14

D. Concepts Used

(1) Labour- Output Ratio (LQR)

Labour- Output Ratio is a measure of number of labourers required to produce one unit of output.

$$\text{Labour- Output Ratio (LQR)} = \frac{\text{Total number of labour employed}}{\text{Total value of output produced}}$$

(2) Capital- Output Ratio (COR)

Capital output ratio is a measure of amount of capital invested to produce one unit of output.

$$\text{Capital- Output Ratio (COR)} = \frac{\text{Amount of capital invested}}{\text{Total value of output produced}}$$

(3) Efficiency

Efficiency explains the relationship between the maximum output with a given amount of available inputs and it is defined as, Y/\hat{Y}

Where,

Y= actual output

\hat{Y} = CD- Output

(4) Total Factor Productivity (TFPI)

To find out the TFPI,

$$\text{Partial Factor Productivity (K)} = \frac{V(t)}{K(t)}$$

And

$$\text{Partial Factor Productivity (L)} = \frac{V(t)}{L(t)}$$

Where

V (t) = Index value of output for the year t;

K (t) = Index of capital invested for the year t;

L (t) = Index of labour employed for the year t.

$$\text{TFPI} = \sqrt{[\text{PFPI (K)} \times \text{PFPI (L)}]}$$

E. Tools of Analysis

In order to analyse the data based on the objectives of the study the following statistical tools were applied to test the tabulated data.

(1) Annual Growth Rate(AGR)

Annual growth rate was calculated for the variables. The formula used for estimating the annual growth rate is

$$\frac{P_t - P_o}{P_o} \times 100$$

P_t- Current year

P_o-Previous year

(2) Compound growth rate(CGR)

The compound growth rate was calculated by using the formula

$$Y = a (b)^t$$

In term of logarithms

$$\text{Log } Y = \text{Log } a + t \text{ Log } b$$

Where,

Y = variables and

T = time period

Compound growth rate = $\text{Anti log } (b-1) \times 100$

(3) Co-efficient of Variation(C.V)

To measure the percentage variation in the variables the co efficient of variation was used it.

$$C. V = \frac{\sigma}{\bar{X}} \times 100$$

(4) Multiple Regression

To find out the functional relationship between variables multiple linear regression models was used.

$$Y = B_0 + B_1X_1 + B_2X_2 + u$$

Where

Y = Production

X₁ = Investment

X₂ = Exports

X₁ and X₂ – Independent variables

u- Random term

(5) Cobb-Douglas production function

The Cobb-Douglas production function a popular form of production function was employed to find out the returns to scale of the industries.

For estimating Cobb- Douglas production function the following multiple regressions has been used.

$$\text{Log } v = \text{Log } A + \text{Alpha Log } K + \text{Beta Log } L + \mu$$

Where

V - Output;

K - Capital invested;

L - Number of employees;

α - Elasticity of output with respect to capital;

β - Elasticity of output with respect to labour;

If $\alpha + \beta = 1$ there will be constant returns to scale;

If $\alpha + \beta \geq 1$ there will be increasing returns to scale;

If $\alpha + \beta \leq 1$ there will be decreasing returns to scale.

RESULTS AND DISCUSSION

CHAPTER-IV

RESULTS AND DISCUSSION

The results of the current study on “Economic Performance of Micro, Small and Medium Enterprises in India” are discussed under the following heads:

- A. General background of Micro, Small and Medium Enterprises in India.
- B. Trend analysis of Number of Units, Fixed Investment, Production, Employment and Exports of Micro, Small and Medium Enterprises in the year 2001-02 to 2013-14.
 - a. Trends in Number of Micro, Small and Medium Enterprises units in the year 2001-02 to 2013-14.
 - b. Trends in Fixed Investment of Micro, Small and Medium Enterprises in India.
 - c. Trends in Production of Micro, Small and Medium Enterprises in India.
 - d. Trends in Employment of Micro, Small and Medium Enterprises in India.
 - e. Trends in Export of Micro, Small and Medium Enterprises in India.
- C. Estimated Growth Rate of Micro, Small and Medium Enterprises in India.
- D. Productivity Performance of Micro, Small and Medium Enterprises in India.
 - a. Analysis of Partial and Total Factor Productivity of Micro, Small and Medium Enterprises in India.
 - b. Trends in Labour and Capital Output Ratio.
- E. Cobb- Douglas Production Function
- F. Economic Efficiency of the Micro, Small and Medium Enterprises in India.
- G. Factors affecting the Production of Micro, Small and Medium Enterprises in India.

A. General Background of Micro, Small and Medium Enterprises in India.

Micro, Small and Medium Enterprises are an integral part of the Indian economy. They provide employment opportunities to the weakest and poorest strata of the society, giving them a way out of the perpetual poverty that they seem doomed to. Micro, Small and Medium Enterprises tap in to the raw, latent entrepreneurial potential of the country acting as seedbeds of innovation. In the pre independence period organised industrialization did not gain much traction but after independence in all the Policy Resolutions from 1948 to 1991, recognition was given to

the Micro, Small and Medium Enterprises they were termed as an effective tool to expand employment opportunities, help ensure equitable distribution of the national income and facilitate effective mobilisation of private sector resources of capital and skills. (Ministry of MSMEs 2009)

Currently there are 44.7 million enterprises spread across the country employing 40 percent of the total population. 10.6 million People were working in this sector during 2001-02 where as the number grow to 101 million people in 2012-13. More and more people are getting employed through new Micro, Small and Medium Enterprises every currently making up for largest workforce after the agricultural sector. Micro, Small and Medium Enterprises are responsible for production of more than 6000 different products and services. They cater to a responsible large band of customers by producing from traditional to high-tech products. The leading industry in the Micro, Small and Medium Enterprises sector is Retail trade constituting 39.85 percent of industries followed by Manufacture of wearing apparel (8.75 percent) manufacture of food products and beverages (6.49 percent) etc. (MSME, Annual Report 2013-14)

The Micro, Small and Medium Enterprises Development Act was notified in 2006 to address policy issues affecting Micro, Small and Medium Enterprises as well as the coverage and investment ceiling of the sector. The Act seeks to facilitate the development of these enterprises as also enhance their competitiveness. It provides the first-ever legal framework for recognition of the concept of “enterprise” which comprises both manufacturing and service entities. It defines medium enterprises for the first time and seeks to integrate the three tiers of these enterprises, namely, micro, small and medium. The Act also provides for a statutory consultative mechanism at the national level with balanced representation of all sections of stakeholders, particularly the three classes of enterprises and with a wide range of advisory functions. Establishment of specific funds for the promotion, development and enhancing competitiveness of these enterprises, notification of schemes or programmes for this purpose, progressive credit policies and practices, preference in Government procurements to products and services of the micro and small enterprises, more effective mechanisms for mitigating the problems of delayed payments to micro and small enterprises and assurance of a scheme for easing the closure of business by these enterprises, are some of the other features of the Act.

On 9th May 2007, subsequent to an amendment of the Government of India (Allocation of Business) Rules, 1961, the erstwhile Ministry of Small Scale Industries and the Ministry of Agro and Rural Industries were merged to form the Ministry of Micro, Small and Medium Enterprises. This Ministry now designs policies and promotes or facilitates programmes, projects and schemes and monitors their implementation with a view to assisting Micro, Small and Medium Enterprises and helps them to scale up.

B. Trend analysis of Number of Units, Fixed Investment, Production, Employment and Export of Micro, Small and Medium Enterprises (2001-02 to 2013-14).

a. Trends in Number of Units of Micro, Small and Medium Enterprises in the year 2001-02 to 2013-14.

Micro, Small and Medium Enterprises play a vital role for the growth of Indian economy. It is one of the major growth drivers of Indian economy. It is based on the model of socio economic policies of the Government of India. It develops appropriate indigenous technology. It possesses the second largest sector after agriculture. It includes more than 26 million units which are producing more than 8000 products within the country. Table II depicts the trends in the number of units of Micro, Small and Medium Enterprises in India from 2001-02 to 2013-14.

TABLE-II**TRENDS IN NUMBER OF UNITS OF MSMEs IN INDIA**

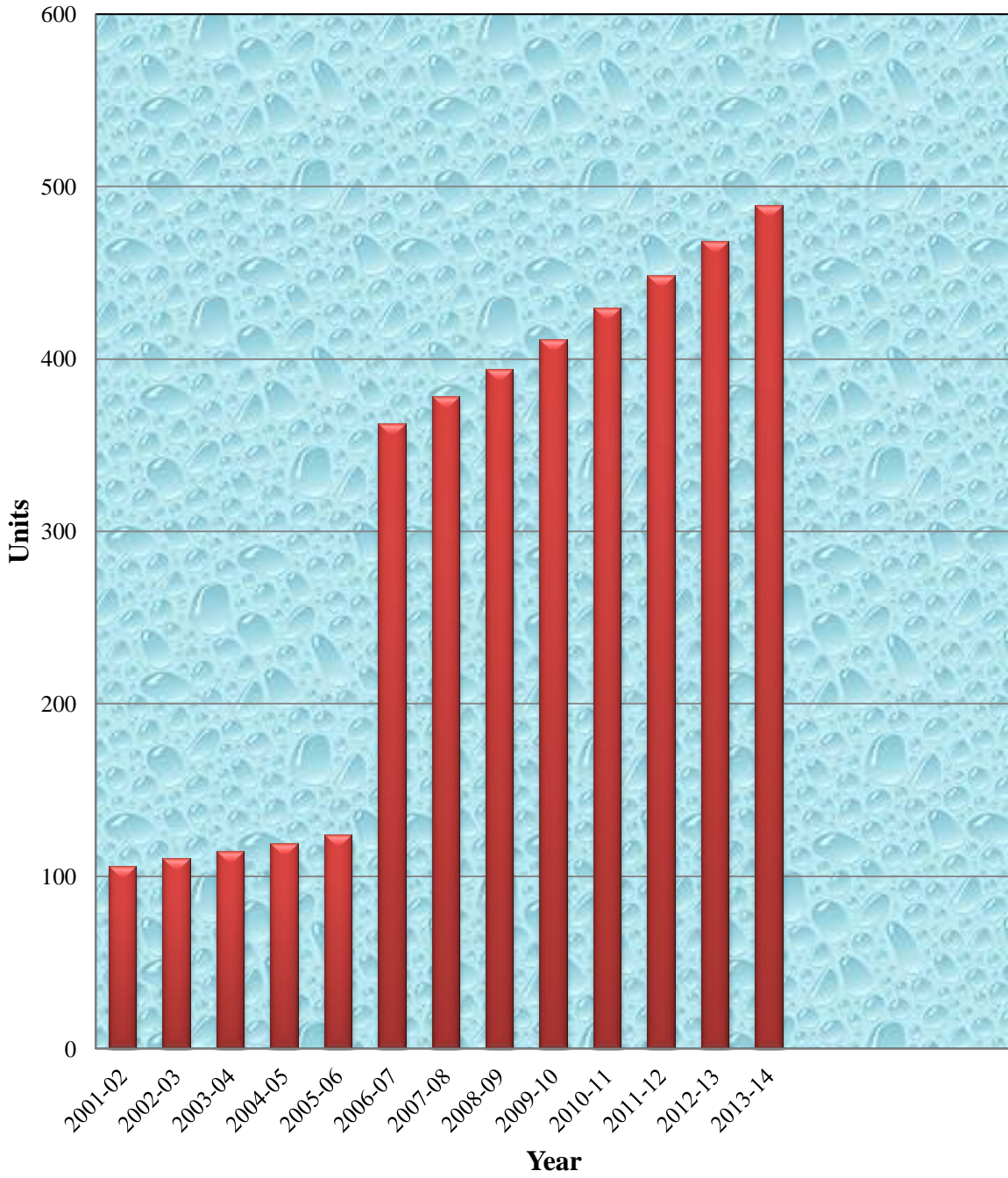
Year	Total MSMEs (lakh numbers)	Index	Annual Growth Rate (in Percent)
2001-02	105.21	100	-
2002-03	109.49	104.07	4.07
2003-04	113.95	108.31	4.07
2004-05	118.59	112.72	4.07
2005-06	123.42	117.31	4.07
2006-07	361.76	343.85	193.11
2007-08	377.36	358.67	4.31
2008-09	393.70	374.20	4.33
2009-10	410.80	390.46	4.34
2010-11	428.73	407.50	4.36
2011-12	447.66	425.49	4.42
2012-13	467.56	444.41	4.45
2013-14	488.46	464.27	4.47
Mean	303.5915		
C.V	52.56		
AAGR	20%		

Source: Ministry of MSME, Annual Report 2009-10, 2010-11 and 2014-15.

Table II clearly shows that during the reference period under the study the total number of Micro, Small and Medium Enterprises units was increased from 105.21 lakhs in 2001-02 to 488.46 lakhs in 2013-14. The average numbers of units were 303.59 lakhs. The estimated coefficient of variation was 52.56 percent. The Micro, Small and Medium Enterprises have grown around three times in a span of thirteen years. However, they grow consistently till 2005-06, but in 2006-07 growth rate was unimaginable (i.e. 193.11 percent) and there after the growth rate has been around 4.4 percent till 2013-14 as compared to the respective previous years. Figure I depict the trends in the number of Micro, Small and Medium Enterprises units in the year 2001-02 to 2013-14.

FIGURE-I

TRENDS IN NUMBER OF UNITS OF MSMEs IN INDIA



b. Trends in Fixed Investment of Micro, Small and Medium Enterprises in India:

The present study tried to find out the changes in the investment in Micro, Small and Medium Enterprises in India during the given period and the increased level of investment in Micro, Small and Medium Enterprises. Table III shows the trends in investment in the Micro, Small and Medium Enterprises during 2001-02 to 2013-14.

TABLE-III**TRENDS IN FIXED INVESTMENT OF MSMEs IN INDIA**

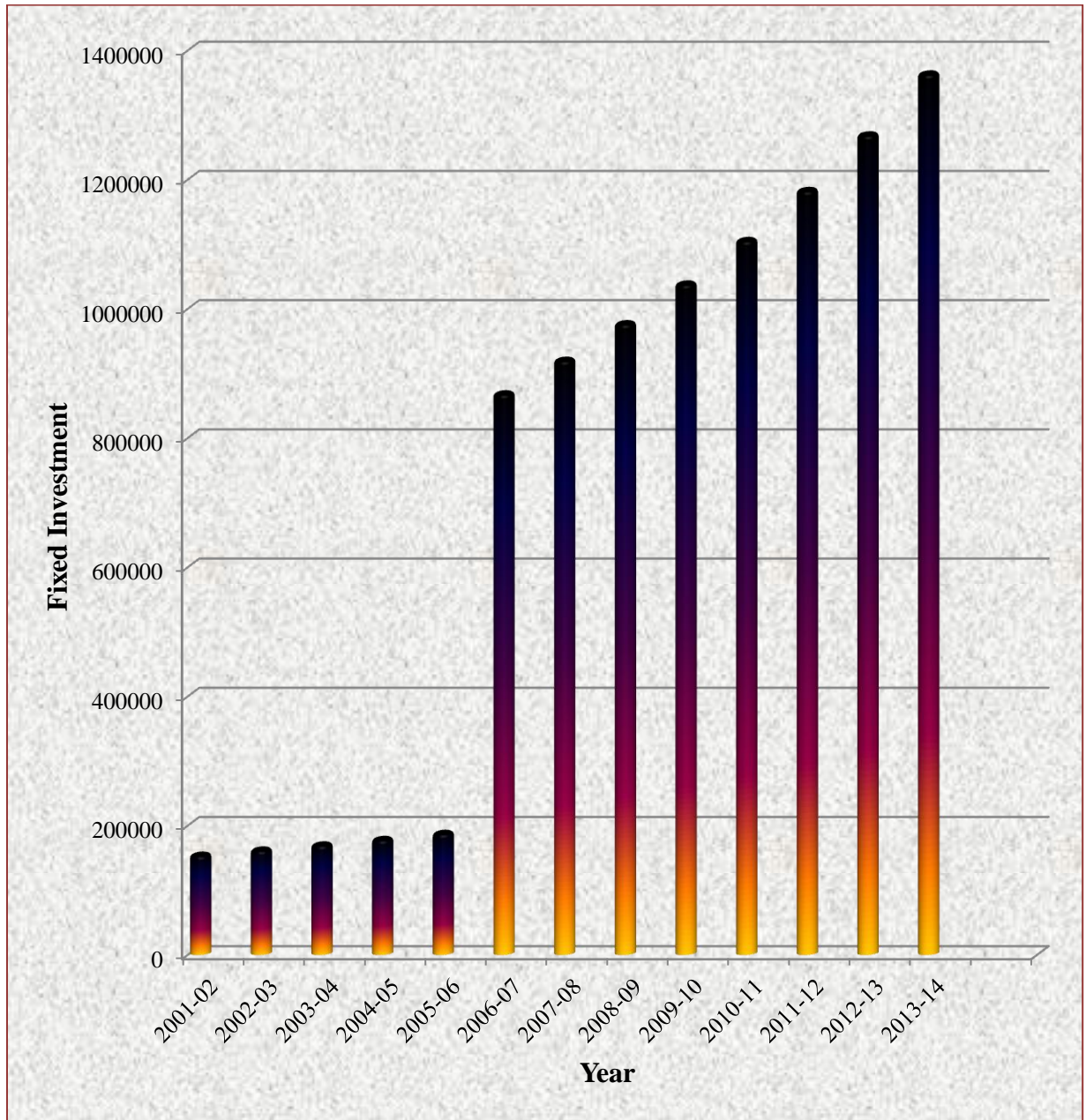
Year	Fixed investment (Rs. in crore)	Index	Annual Growth Rate (in Percent)
2001-02	154349	100	-
2002-03	162317	105.16	5.16
2003-04	170219	110.28	4.87
2004-05	178699	115.78	4.98
2005-06	188113	121.88	5.27
2006-07	868543	562.71	361.71
2007-08	920459	596.35	5.98
2008-09	977114	633.05	6.16
2009-10	1038546	672.86	6.29
2010-11	1105934	716.52	6.49
2011-12	1183332	766.66	6.99
2012-13	1269338	822.38	7.27
2013-14	1363700	883.52	7.43
Mean	736974.1		
C.V	65.72		
AAGR	35.72%		

Source: Ministry of MSME, Annual Report 2009-10, 2010-11 and 2014-15.

It is evident from Table-III the fixed investment in Micro, Small and Medium Enterprises has gone up from Rs.154349 crores in 2001-02 to Rs.1363700 Crores in 2013-14. Like, the growth rate in number of units, the fixed investment in Micro, Small and Medium Enterprises grow at around 5 per cent from 2001-02 to 2005-06, but in 2006-07, the growth rate was 361.71 percent. The fixed investment in this sector after 2006-07 till 2013-14 has grown consistently in around 6 per cent to 7 percent. This indicates that lot of investment has been made in Micro, Small and Medium Enterprises to increase their development in the interest of nation. Figure II represent the trends in fixed investment of Micro, Small and Medium Enterprises in India.

FIGURE-II

TRENDS IN FIXED INVESTMENT OF MSME IN INDIA



c.Trends in Production of Micro, Small and Medium Enterprises in India:

The growth in Production of Micro, Small and Medium Enterprises has been one of the most encouraging features of Indian industrial economy since independence. Production is the physical transformation of the inputs. It covers the services such as transporting, financing, whole selling and retailing. The study of production is necessary as it helps the producers to know the working conditions of the firm, nature of firm and also to find out the optimum output from a given set of inputs.

During the given period under study, the Productions of Micro, Small and Medium Enterprises were considered as important role in the industrial sector of the Indian Economy. Table IV shows the trends in production of Micro, Small and Medium Enterprises in India.

TABLE-IV**TRENDS IN PRODUCTION OF MSMEs IN INDIA**

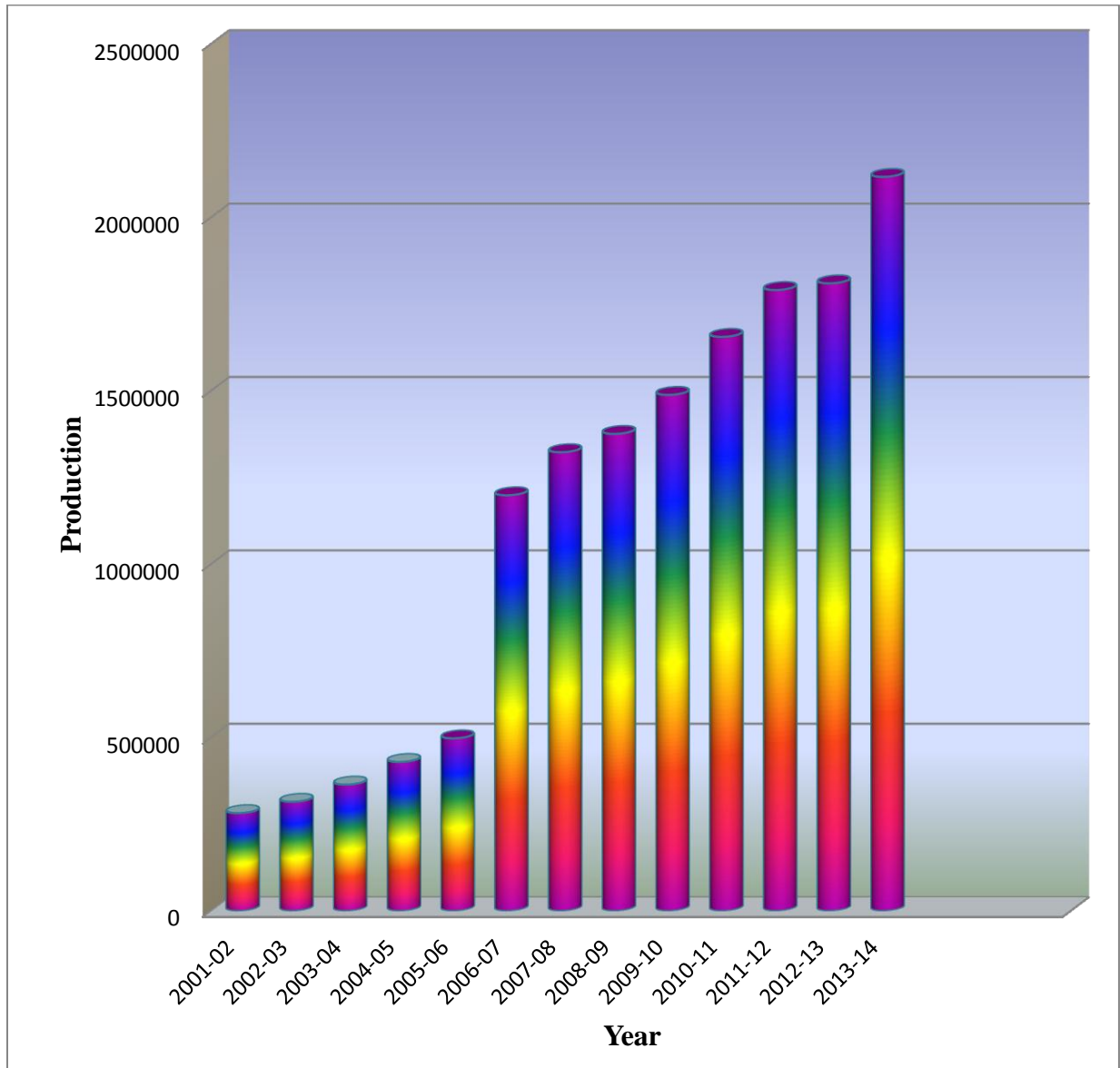
Year	Production (Rs. in Crores)	Index	Annual Growth Rate (in Percent)
2001-02	282270	100	-
2002-03	314850	111.54	11.54
2003-04	364547	129.15	15.79
2004-05	429796	152.26	17.89
2005-06	497842	176.37	15.83
2006-07	1198817	424.71	140.81
2007-08	1322960	468.69	10.36
2008-09	1375898	487.44	4.00
2009-10	1488390	527.29	8.18
2010-11	1655680	586.56	11.24
2011-12	1790804	634.43	8.16
2012-13	1809976	641.22	1.07
2013-14	2117100	750.03	16.97
Mean	1126841		
C.V	58.64		
AAGR	21.82%		

Source: Ministry of MSME, Annual Report 2009-10, 2010-11 and 2014-15.

It is clear from Table IV that the Production from this sector has gone by around seven times from 2001-02 to 2013-14. The average productions in Micro, Small and Medium Enterprises were 1126841 crores of rupees. The average annual growth rate of production indicated that 21.82 percent in a given period under study. The estimated coefficient of variation was 58.64 percent. The major point to be noted here that is the explosive growth of Micro, Small and Medium Enterprises in the year 2006-07. After 2006-07, there was a little fluctuation in the growth of production of Micro, Small and Medium Enterprises. Figure III depict trends in Production of Micro, Small and Medium Enterprises in India.

FIGURE-III

TRENDS IN PRODUCTION OF MSMEs IN INDIA



d.Trends in employment of Micro, Small and Medium Enterprises in India:

Employment generation is the prime objective of starting industries. Government considers that one of the fundamental objects of industrialisation is to provide high and stable level of employment. In India Small and Medium enterprises sector provides maximum employment next only to agriculture sector. Table-V represents the trends in employment of Micro, Small and Medium Enterprises in India.

TABLE-V**TRENDS IN EMPLOYMENT OF MSMEs IN INDIA**

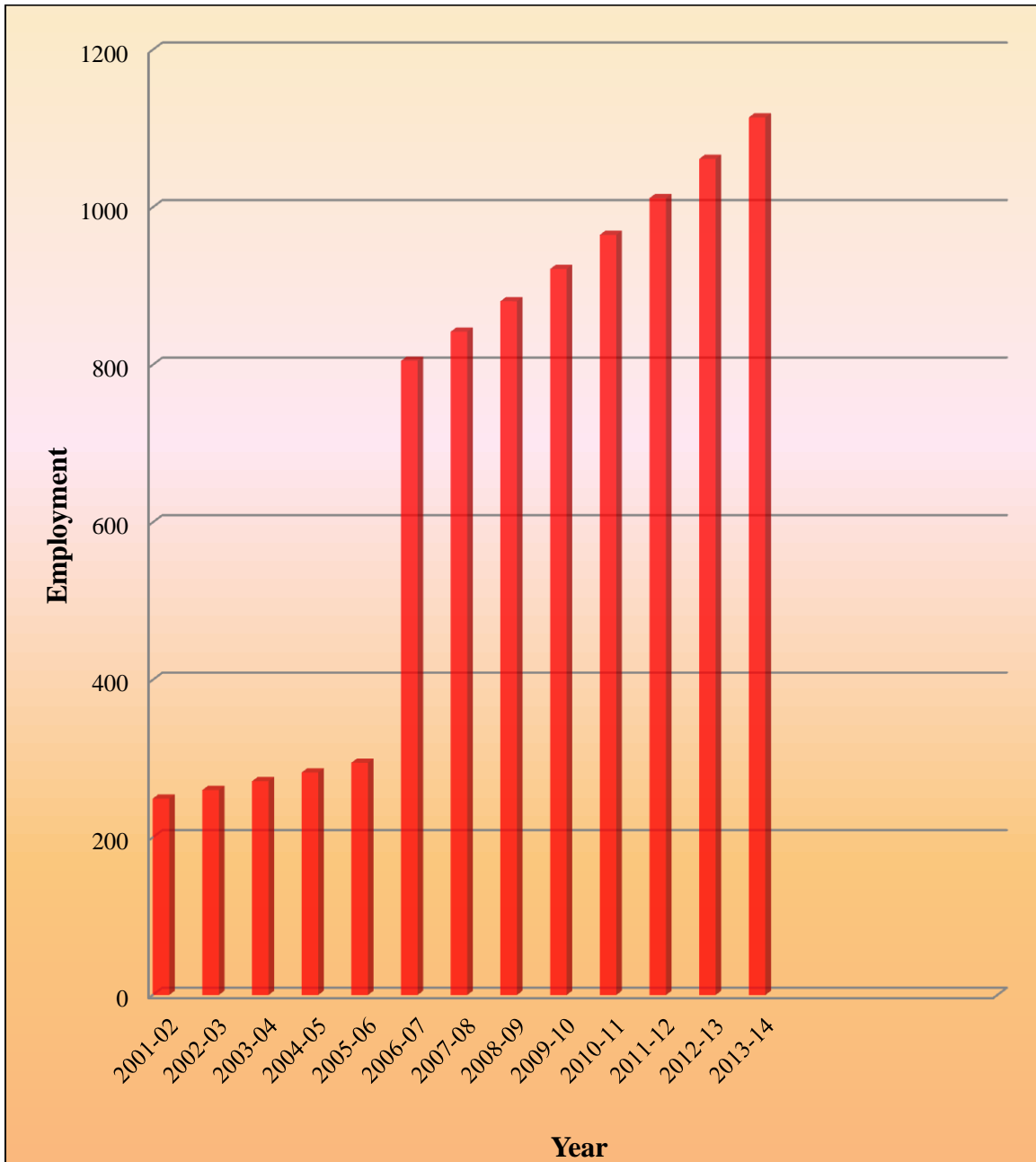
Year	Employment (lakh persons)	Index	Annual Growth Rate (in Percent)
2001-02	249.33	100	-
2002-03	260.21	104.36	4.36
2003-04	271.42	108.86	4.31
2004-05	282.57	113.32	4.11
2005-06	294.91	118.28	4.37
2006-07	805.231	322.96	174.82
2007-08	842.23	337.79	4.59
2008-09	880.84	353.28	4.58
2009-10	921.79	369.71	4.65
2010-11	965.15	387.09	4.70
2011-12	1011.80	405.81	4.83
2012-13	1061.52	425.75	4.91
2013-14	1114.29	446.91	4.97
Mean	689.3301		
C.V	51.29		
AAGR	18.77%		

Source: Ministry of MSME, Annual Report 2009-10, 2010-11 and 2014-15.

During the period 2001-02 to 2013-14, the average number of persons employed increased in 689.33 lakhs. Further, this sector contributed lot in providing employment opportunities to unemployed workforce. The number of person employed in these sectors have increased from 249.33 lakhs in 2001-02 to 1114.29 lakhs in 2013-14, which indicates that there has been around four time increase in employment in a span of thirteen years. The growth rate of employment except 2006-07 has been consistent over a period of the study. The increment in the employment generation showed that the employment opportunities of Micro, Small and Medium Enterprises sector had promoted specifically after 2006-07. The coefficient of variation was 51.29 per cent. The annual average growth rate was 18.77 percent. Figure IV represents trends in the employment of Micro, Small and Medium Enterprises in India.

FIGURE-IV

TRENDS IN EMPLOYMENT OF MSMEs IN INDIA



e. Trends in Exports of Micro, Small and Medium Enterprises in India:

The Micro, Small and Medium enterprises sector contributes significantly to the manufacturing exports of the country. These sectors also contributed lot in earning foreign exchange to India. Table VI shows trends in exports of Micro, Small and Medium Enterprises in India.

TABLE-VI**TRENDS IN EXPORTS OF MSMEs IN INDIA**

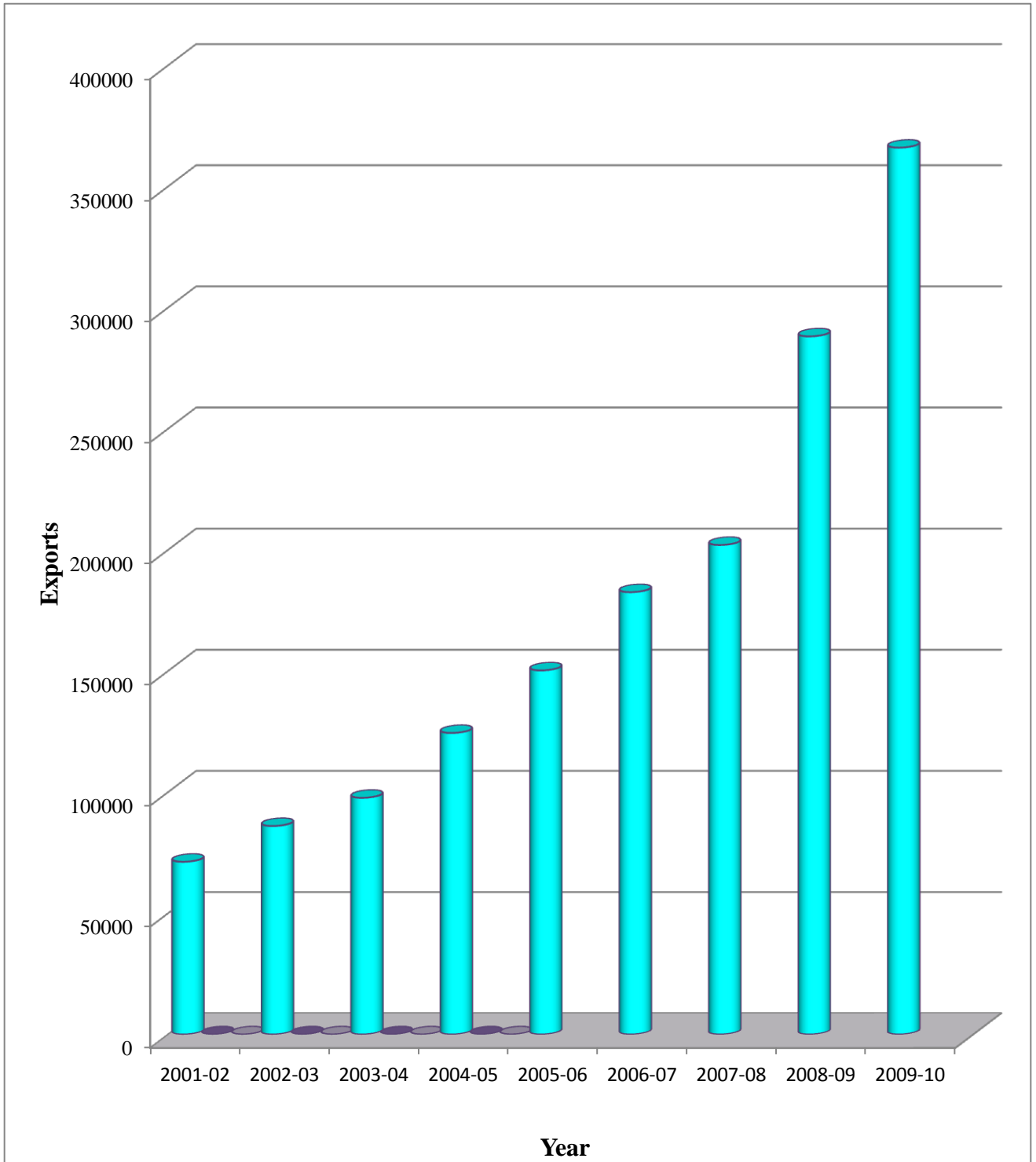
Year	Exports (Rs.in Crores)	Index	Annual Growth Rate (in Percent)
2001-02	71244	100	-
2002-03	86013	120.73	20.73
2003-04	97644	137.06	13.52
2004-05	124417	174.64	27.42
2005-06	150242	210.88	20.76
2006-07	182538	256.22	21.50
2007-08	202017	283.56	10.67
2008-09	288118	404.41	42.62
2009-10	366012	513.74	27.03
2010-11	N.A	-	-
2011-12	N.A	-	-
2012-13	N.A	-	-
2013-14	N.A	-	-
Mean	174249.44		
C.V	56.63		
AAGR	23.03%		

Source: Ministry of MSME, Annual Report 2009-10, 2010-11 and 2014-15.

The exports from these sectors have increased from Rs. 71244 Crores in 2001-02 to Rs. 366012 Crores in 2009-10. This also signifies that there has an around five time increase in exports in a span of nine years. The annual average growth rate was 23.03 percent. The coefficient of variation was 56.63 percent. The figure V represents trends in exports of Micro, Small and Medium Enterprises in India.

FIGURE-V

TRENDS IN EXPORTS OF MSMEs IN INDIA



C. Estimated Growth Rate of Micro, Small and Medium Enterprises in India

The Micro, Small and Medium Enterprises sector has recorded a high growth rate since Independence inspite of stiff competition from the large sector and not to encouraging support from the government. The estimated growth rate of Micro, Small and Medium Enterprises has shown in Table VII

TABLE –VII
GROWTH RATE OF MSMES IN INDIA

Variables	Growth	R²	Sig
Units	0.155	.825	.000
Investment	0.220	.828	.000
Production	0.196	.900	.000
Employment	0.150	.837	.000
Exports	0.200	.989	.000

Source: Calculation based on MSME annual data

Table VII highlighted the growth performance of sector during 2001-02 to 2013-14. It is cleared that the compound growth rate of total number of Micro, Small and Medium Enterprises was 15.5 percent. The fixed investment in this sector has also risen in a considerable manner with a significant compound growth rate of 22 percent. The value of production of Micro, Small and Medium Enterprises has grown at the compound growth rate of 19.6 percent during the period of thirteen years. The employment and exports of Micro, Small and Medium Enterprises has grown at the compound growth rate of 15 percent and 20 percent respectively.

D. Productivity performance of Micro, Small and Medium Enterprises in India

- a. Analysis of partial and total factor productivity of Micro, Small and Medium Enterprises in India.

Productivity growth is important because it is the only variable to an increase in the standard of living. Productivity is expressed as the ratio of output and input. Total factor productivity is the combination of partial factor productivity of labour and capital. Partial factor productivity is the difference between the index value of output for the time period 't' and index of the capital and labour employed for the time period 't'. The following Table VIII explains the trends in partial and total factor productivity of Micro, Small and Medium Enterprises in India.

TABLE-VIII**TRENDS IN PARTIAL AND TOTAL FACTOR PRODUCTIVITY OF MSMEs IN INDIA**

Year	V(t)	K(t)	L(t)	PFPI(K)	PFPI(L)	TFPI
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2001-02	100	100.00	100.00	1.0000	1.0000	1.0000
2002-03	111.54	105.16	104.36	1.0607	1.0688	1.0647
2003-04	129.15	110.28	108.86	1.1711	1.1864	1.1787
2004-05	152.26	115.78	113.32	1.3151	1.3436	1.3293
2005-06	176.37	121.88	118.28	1.4471	1.4911	1.4689
2006-07	424.71	562.71	322.96	0.7548	1.3151	0.9963
2007-08	468.69	596.35	337.79	0.7859	1.3875	1.0442
2008-09	487.44	633.05	353.28	0.7699	1.3798	1.8363
2009-10	527.29	672.86	369.71	0.7837	1.4262	1.0572
2010-11	586.56	716.52	387.09	0.8186	1.5153	1.1137
2011-12	634.43	766.66	405.81	0.8275	1.5634	1.1374
2012-13	641.22	822.38	425.75	0.7797	1.5061	1.0837
2013-14	750.03	883.52	446.91	0.8389	1.6783	1.1866
Mean	-	-	-	0.950231	1.373969	1.192077

Source: Calculation based on MSME annual data

V (t) = Index value of output; K (t) = Index of capital invested; L (t) = Index of labour employed;
PFPI (K) and (L) = Partial productivity of capital and labour; TFPI = Total factor productivity.

From Table VIII the average partial productivity of labour was estimated as higher than the capital. This higher estimated average (1.373969) showed that during the period from 2001-02 to 2013-14 the Micro, Small and Medium Enterprises were performed under intensive techniques. The average factor productivity index showed 1.1921.

b. Trends in labour and capital output ratio

The term ratio refers to quantitative relationship between the variables. These labour-capital output ratios are used to explain the relationship between the factor productivity and output growth. Table IX tried to explain the trends in labour and capital output ratios.

TABLE – IX**TRENDS IN LABOUR AND CAPITAL OUTPUT RATIO**

Year (1)	Labour Output Ratio (2)	Capital Output Ratio (3)
2001-02	0.0008	0.5468
2002-03	0.0008	0.5155
2003-04	0.0007	0.4669
2004-05	0.0006	0.4158
2005-06	0.0005	0.3779
2006-07	0.0006	0.7245
2007-08	0.0006	0.6958
2008-09	0.0006	0.7102
2009-10	0.0006	0.6978
2010-11	0.0006	0.6680
2011-12	0.0006	0.6608
2012-13	0.0006	0.7013
2013-14	0.0005	0.6441
Mean	0.000623	0.598442

Source: Calculation based on MSME annual data

From this table, the average of the labour output ratio was estimated at 0.000623 and capital output ratio was estimated at 0.598442. During the period of 2001-02 to 2013-14, there were fluctuation ratios in both the factors on micro, small and medium enterprises in India.

E. Cobb- Douglas production function:

Production function expresses the technological relationship between factor input and output. It describes the laws which govern the transformation of factor inputs into outputs at any particular time period. In order to find out whether the micro, small and medium enterprises is labour intensive or capital intensive the Cobb- Douglas production function was used. The Table XI shows results of Cobb- Douglas production function.

TABLE- X

RESULTS OF ESTIMATED COBB- DOUGLAS PRODUCTION FUNCTION

Variables	Co-efficient	Std. Error	t- value	Sig
Constant	31.186	2.831	11.017	.000
Labour	10.932	1.106	9.886	.000
Capital	-6.610	.749	-8.824	.000

Source: Calculation based on MSME annual data

The results of Cobb- Douglas production function explained that the sum of independent variable $\log L$ (β) and $\log K$ (α) is 4.322 showed that the micro, small and medium enterprises are operating under increasing returns to scale and that the micro, small and medium enterprises are labour intensive.

F.Trends in Technical efficiency by Micro, Small and Medium Enterprises in India

Efficiency explains the relationship between the maximum outputs with a given amount of input. The study tried to analyse the technical efficiency by comparing Cobb-Douglas output and the actual output in the micro, small and medium enterprises. This efficiency is an important factor productivity growth. The Table XI shows the trends in technical efficiency of micro, small and medium enterprises in India.

TABLE –XI**TRENDS IN TECHNICAL EFFICIENCY**

Year	Technical efficiency(Y/Y*)
2001-02	1.1404 (1.97)
2002-03	1.2719 (2.21)
2003-04	1.4728 (2.56)
2004-05	0.1736 (0.30)
2005-06	2.0113 (3.49)
2006-07	4.8431 (8.41)
2007-08	5.3447 (9.28)
2008-09	5.5586 (9.65)
2009-10	6.0130 (10.44)
2010-11	6.6889 (11.61)
2011-12	7.2348 (12.56)
2012-13	7.3122 (12.69)
2013-14	8.5529 (14.84)
Mean	4.4321(7.69)

Figures in bracket showed percentages to total

From Table XII, the efficiency of micro, small and medium enterprises was estimated in average of 7.69 percent (4.4321). This technical efficiency average denoted that the 7.69 percent levels, the micro, small and medium enterprises have used their resources with the given level of inputs.

G.Factors affecting the production of Micro, Small and Medium Enterprises in India:

To know the influence of investment and export on output multiple regression analysis had been attempted .Output is taken as dependent variable and investment and export is taken as independent variable. The Table XII shows the significant relationship between output, investment and exports.

TABLE-XII

RESULTS OF MULTIPLE LINEAR REGRESSION MODEL

Variables	Co-efficient	Std. Error	t- value	Sig
Constant	114697.783	35810.278	3.203	.019
Investment	1.098	0.086	12.781	.000*
Exports	0.720	0.360	1.998	.093

$R^2 = 0.994$, *significant at 1percent level.

The estimated equation reveals that 99 percent of changes in the production of micro, small and medium enterprises are determined by the explanatory variables. The equation reveals that investment is only significant factor that determining production of micro, small and medium enterprises. The regression coefficient is positive and significant at 1 percent level. Exports have the expected positive sign but it is not statistically significant.

SUMMARY AND CONCLUSION

CHAPTER - V

SUMMARY AND CONCLUSION

The Micro, Small and Medium Enterprises are one of the most vital sectors of any economy in general and India in particular. Micro, Small and Medium Enterprises have been playing a momentous role in overall economic development of a country like India where millions of people are unemployed or underemployed. The sectors solves the many problems viz, poverty and unemployment through providing immediate large-scale employment, with lower investments and proves to be a second largest manpower employer, after agriculture. Micro, Small and Medium Enterprises play very important role in socio-economic development of Indian economy on account of their inherent advantages like low capital requirement, high employment generation, and decentralization of industrial activity, utilisation of locally available resources and widening of entrepreneurial base.

By considering the importance of Micro Small and Medium Enterprises the investigator has under taken the current study on 'Economic Performance of Micro, Small and Medium Enterprises in India'. The major objectives are:

1. To examine the trends in number of units, fixed investment, production, employment and exports of Micro, Small and Medium Enterprises in India.
2. To analyse the growth of Micro, Small and Medium Enterprises in India.
3. To analyse the productivity performance of Micro, Small and Medium Enterprises in India.
4. To study the economic efficiency of the Micro, Small and Medium Enterprises in terms of returns to scale.
5. To estimate the factors affecting the production of Micro, Small and Medium Enterprises in India.

Since the study was based on secondary data regarding Number of Units, Investment, Production, Employment and Exports of Micro Small and Medium Enterprises were collected from the various issues of Ministry of Micro, Small and Medium enterprises. Annual Report

2009-10, 2010-11 and 2014-15, Government of India. The major findings of the present study are summarized below:

A. Trend analysis of number of units, fixed investment, production, employment and exports of micro, small and medium enterprises in the year 2001-02 to 2013-14.

- The total numbers of Micro, Small and Medium Enterprises units were increased from 105.21 lakhs in 2001-02 to 488.46 lakhs in 2013-14.
- The Micro, Small and Medium Enterprises have grown around three times in a span of thirteen years.
- The Micro, Small and Medium Enterprises investment trend had increased during 2001-02 to 2013-14. The annual average growth rate of investment was 35.72 percent and coefficient of variation was 65.72.
- The production of Micro, Small and Medium Enterprises sector had gone by around seven times from 2001-02 to 2013-14. The average annual growth rate of production indicated that 21.82 per cent in a given period under study.
- The number of person employed in Micro, Small and Medium Enterprises had increased from 249.33 lakhs in 2001-02 to 1114.29 lakhs in 2013-14. The growth rate of employment except 2006-07, had been consistent over a period of the study. The coefficient of variation was 51.29 percent.
- The export was increased from Rs. 71244 crores in 2001-02 to Rs. 366012 crores in 2009-10. The annual average growth rate was 23.03 percent. The coefficient of variation was 56.63 percent.
- The Micro, Small and Medium Enterprises sector compound growth rate of total number of units, production, investment, employment and export was statistically significant.

B. Productivity performance of Micro, Small and Medium Enterprises in India

- The average of partial factor productivity of labour was higher than the partial factor productivity of capital ($1.3740 > 0.9502$). The average total factor productivity was 1.1921.
- The average of labour and capital output ratios were 0.000623 and 0.5984.

C. Cobb- Douglas Production Function

- The Cobb-Douglas Production Function showed that Micro, Small and Medium Enterprises were operating under increasing returns to scale and it was found that the enterprises were labour intensive during the period under study.

D. Economic Efficiency of the Micro, Small and Medium Enterprises in India.

- The technical coefficient between the actual and Cobb-Douglas output estimated during the period under study and the total average technical efficiency was 4.4321.

E. Factors affecting the Production of Micro, Small and Medium Enterprises in India.

- The multiple regression analysis revealed that there was a statistically significant relationship between output and capital invested.

Conclusion

Micro, small and medium enterprises have been playing an increasing role in the development of developing country. An analysis of performance of micro, small and medium enterprises in India for a period of 13 years from 2001- 02 to 2013-14 revealed a good picture of quantitative achievement. The overall performance in terms of number of units, investment, production, employment and exports were satisfactory. For the future prospects of the study the investigator proposes to give the following recommendations to promote micro, small and medium enterprises in India.

- To face, the competition in the long run and to be economically viable, the micro, small and medium enterprises sector needs to improve its productivity.
- It is essential on the part of the government to take careful decision and honest policy implementation to overcome the problems of micro, small and medium enterprises sector.
- Government should take steps to introduce labour intensive technology in the development of micro, small and medium enterprises sector so as to create greater employment opportunities in rural and backward areas.

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