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## **GROWTH AND PERFORMANCE OF MICRO, SMALL AND MEDIUM ENTERPRISES IN INDIA DURING THE PERIOD FROM 2000-01 TO 2010-11**

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### **ABSTRACT**

*This paper examines the growth and performance of Micro, Small and Medium Enterprises (MSMEs) in terms of employment, exports, production and growth in number of units. The sector occupy strategically important place in Indian economy in view of its considerable contribution to employment, production and exports (Planning Commission, GOI). Micro, Small and Medium Enterprises (MSMEs) facilitate the tapping of resources for productive purposes with minimum amount of capital investment, which in turn helps to strengthen the industrial structure of a nation. These enterprises existed in India for a long time in various sectors and contributed significantly in bringing down regional imbalance; generating employment opportunities, output, and exports; reducing poverty; fostering entrepreneurship and accelerating economic development. It occupies a position of prominence in India and contributes over 45 percent of the industrial production in terms of value-addition. This sector plays a key role in the industrialization process and accounts for one-third of exports, and employs the largest manpower next to agriculture. The paper concludes with policy recommendations to ensure the sustainable growth and performance of MSMEs in India.*

**Keywords:** *Micro, Small and Medium Enterprises, growth, performance,*

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## SECTION I

## 1. INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) was Mahatma Gandhi's dream. He supported the growth of Micro, Small and Medium Enterprises in India, because these enterprises are not capital based, but the talent and effort based business. With its less capital intensive and high labour absorption nature, MSME sector has made significant contribution to employment generation and also to rural industrialisation (*Suresh & Shashidhar*). These enterprises have been accorded an important place in the national economy by the national decision makers. The Micro, Small and Medium Enterprise sector constitutes an important segment of the Indian economy in terms of their contribution to the country's industrial production, exports, employment, and creation of an entrepreneurial base. In India this sector is contributing 44.86 percent of the industrial production, 8.72 percent of the gross domestic product, 40 percent of the exports and employing 695.38 lakh of persons (*Annual Report, Ministry of MSME, GOI-2011*). The performance of the MSME sector, therefore, has a direct impact on the growth of the overall economy.

The Micro, Small and Medium Enterprise sector also played very important role in developed countries of the world. Its contribution to gross domestic product (GDP) in 1999 was 48.00 percent in USA, 57.20 percent in Canada, 51.45 percent in United Kingdom and 42.50 percent in Germany (*Ayyagari, Demircuc & Beck-2005*). It has also played a major role in the economic growth in the OECD area. In these countries Small Medium Enterprises constitute over 95 percent of the enterprises which account for 60 to 70 percent of employment and the weight of Micro, Small and Medium Enterprises in the economy is increasing (*Policy Briefs of OECD-2000*).

To enhance the competitiveness in increasing market-led economy and generating addition employment opportunities, the government of India established the Ministry of Small Scale Industries and Agro and Rural Industries (SSI & ARI) in October, 1999 as the nodal Ministry for formulation of policies and Central sector programmes/schemes, their implementation and related co-ordination, to supplement the efforts of the States for promotion and development of these industries in India. The Ministry of SSI & ARI was bifurcated into two separate Ministries, namely, Ministry of Small Scale Industries and Ministry of Agro and Rural Industries in September, 2001. Now, the President under Notification dated 9<sup>th</sup> May 2007 has amended the Government of India (Allocation of Business) Rules, 1961. Pursuant to this amendment, Ministry of Agro and Rural Industries (*Krishi Evam Gramin Udyog Mantralaya*) and Ministry of Small Scale Industries (*Laghu Udyog Mantralaya*) again have been merged into a single Ministry, namely, "Ministry of Micro, Small and Medium Enterprises (*Sukshma Laghu Aur Madhyam Udyam Mantralaya*)".

Indian economy is a developing economy and the resources are remaining either unutilized or underutilized. A major section of labour force is lying idle because of less investment. The output is insufficient and the basic needs of the people remain unfulfilled. In this way, industrialization by way of developing Micro, Small and Medium Enterprise sector is the only solution to this present state of economy. Such industries do not require huge capital and hence suitable for a country like India. The Micro, Small and Medium Enterprises are talent based



business. They can easily be started in the rural areas of the country to prevent regional imbalances and concentration of economic power in the few hands.

Micro, Small and Medium Enterprises in India are not progressing satisfactorily due to various problems that they are facing like, absence of organized marketing and exporting system, inadequate credit assistance, irregular supply of raw material, lack of modern machinery and equipment, absence of adequate infrastructure, competition from large-scale units and imported articles, problem of skilled manpower etc. Due to all these problems the development of MSMEs could not reach a prestigious stage. Therefore, there is a need to look into these problems for benefiting the large section of population engaged in this sector.

### 1.1 MICRO, SMALL AND MEDIUM ENTERPRISES DEFINED

The definition for Small Scale Industrial undertakings has changed over time. The Government of India set Capital Investment on plant and machinery units as a main criterion for distinguishing between large and small industries. Initially they were classified into two categories- one that using power with less than 50 employees, and second that are not using power with the employee strength being more than 50 but less than 100. However the capital resources invested on plant and machinery buildings have been the primary criterion to differentiate the small and medium enterprises from that of large enterprises. An industrial unit can be categorized as a small- scale unit if it fulfils the capital investment limit fixed by the Government of India. The following table shows the investments limit of Micro, Small and Medium Enterprises that keep on changing from time to time.

The investment limit of small enterprises in 1950 was fixed at ₹5 lakhs in fixed assets with additional condition that these units are employing 50 persons (if using power) and 50- 100 persons (if not using power). The additional condition was removed in 1960 and now the only investment limit will be the primary criterion to be classified as small units. The investment limit was further raise to ₹7.5 lakhs in 1966, ₹10 lakhs in 1975, ₹20 lakhs in 1980, ₹60 lakhs in 1991, ₹3 crores in 1997 and in 1999 the limit was further reduced to ₹1 crore.

After the enactment of Micro, Small and Medium Enterprises Development (MSMED) Act 2006, these industries are classified as Micro, Small and Medium Enterprises. These definitions (*under Micro, Small and Medium Enterprises in India as per MSMED Act, 2006*) are based on their investment in plant and machinery for manufacturing enterprise and on equipment for enterprises providing or rendering services. **Manufacturing Enterprises\***

**TABLE 2 INVESTMENT LIMIT FOR ENTERPRISES TO BE CLASSIFIED AS MICRO, MICRO, SMALL AND MEDIUM ENTERPRISES AFTER OCT. 2, 2006**

Classification	Manufacturing Enterprises*	Service Enterprises**
Micro	₹25 Lakhs	₹10 Lakhs
Small	₹5 Crores	₹2 Crores
Medium	₹10 Crores	₹5 Crores

**Sources:** Ministry of Micro, Small and Medium Enterprises (MSMEs), Government of India, Annual Report 2010-11.

\* Investment limit in Plant & Machinery

\*\* Investment limit in equipment



### 1.1.1 MICRO ENTERPRISE

After 2006, the investment limit for Micro Enterprises was fixed as ₹25 lakh (in plant and machinery) if it exists in manufacturing sector and 10 lakh (in equipment) if exists in services sector.

### 1.1.2 SMALL ENTERPRISE

The investment limit for Small Enterprises was fixed as ₹5 crores (in plant and machinery) if it exists in manufacturing sector and ₹2 crores (in equipment) if exists in services sector.

### 1.1.3 MEDIUM ENTERPRISE

The investment limit for Medium Enterprises was fixed as ₹10 crores (in plant and machinery) if it exists in manufacturing sector and ₹5 crores (in equipment) if exists in services

## 2. STATEMENT OF THE PROBLEM

The the income generated in a large number of Micro, Small and Medium Enterprises is dispersed more widely in the community than income generated in a few large enterprises and bring about greater equality of income distribution. As most of the population in India lives villages; these enterprises can tap the latent resources like hoarded wealth, develop entrepreneurer ability etc. and can be set up easily in these areas. Therefore, it is important to know the performance of Micro, Small and Medium Enterprises in recent times. This study is hoped to contribute to that extent in a big way.

## 3. SIGNIFICANCE OF THE STUDY

The purpose of the study is to analyse the performance of of Micro, Small and Medium Enterprise sector in terms of growth in the units, employment, production and exports. India nearly operates the largest small industries programme in any developing country worldwide. Small scale sector as a priority sector of the national economy is protected and promoted over years through various government policies and measures. Small Medium Enterprise sector in India creates largest employment opportunities for the Indian population that is next only to agriculture. Emphasising the employment argument, *Karve Committee 1955* stated, “The principle of self-employed is at least as important to a successful democracy as that of self-government”. Therefore promotion of such enterprises in developing economies like India is of paramount importance since it: 1) offer a method of ensuring a more equitable distribution of the national income; 2) provide immediate large scale employment and; 3) facilitate an effective mobilisation of unutilised resources of capital and skill (*Industrial Policy Resolution of 1956*).

The standard of living of the people can be raised by the increase in number of Micro, Small and Medium Enterprises units and by providing employment, which in turn result the increase in national economy ( *Bharati, Subbalakshumma & Reddy-2011*). Considering the importance of Micro, Small and Medium Enterprise sector and its contribution towards gross domestic product, employment, production and exports it is important to highlight the performance of this sector.



#### 4. REVIEW OF PREVIOUS STUDIES

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Many studies highlight the importance of Small and Medium Enterprise sector in one way or other way; some say this sector is important because it creates largest employment opportunities; other revealed that this sector is the engine of economic growth and exhibiting a striking export performance.

**Aremu, M. A (2011)**, in his research paper, “Small and Medium Enterprises as a Survival for Employment Generation in Nigeria” found that Small and Medium Enterprise sector has a growth potential and play a critical role in manufacturing and value chain. He further explored that this sector is the engine of economic progress because it has a multiplier effects on the rest of the economy. He has observe that in Nigeria Small and Medium Enterprise sector is the main driving force behind job creation, poverty eradication, wealth creation, income distribution and reduction in income disparities.

**Kalyan et. al. (2011)**, in their study entitled, “Competitive Performance of Micro, Small and Medium Enterprises in India” found that the MSMEs have performed extremely well and enable the country to make the process of providing additional employment and rural industrialisation possible. Further, they stressed on creating a kind of atmosphere, where the MSMEs get facilities like improved credit, human resource and technology easily.

**Birajdar, Shrimant M. (2011)**, in his study, “A Study of the Small Scale Industries in Economic Development in Kholapur District” highlights the importance of small and medium enterprise sector on the ground that this sector creates employment opportunities, promote regional balanced development and ensure more equitable income distribution in theeconomy with abundant unskilled labour, even though such industries may not always supported on the ground of economic efficiency.

**Sonia and Kansal, Rajeev (2009)**, in their paper entitled, “Globalisation and its Impacts on Small Scale Industries in India” found that liberalisation and globalisation is a cause of concern for the policy makers because it has failed to render any positive impact on the growth of Indian small and medium enterprise sector.

**Rathod, C. B. (2007)**, in his study, “Contribution of Indian Small Scale Entrepreneurs to Economic Growth in India: Opportunities and Challenges in Global Economy” analysed that small scale industrial sector in India has been exhibiting a striking export performance; export had grown up to double digit from the last ten years. This study found that a major portion of our exports would have to gear up to the new era of boundary less economy and suggested that there was need for simplified legal and regulatory framework, good governance, sufficient and accessible finance, suitable infrastructure and competitive environment for sustain the performance of small scale enterprise sector.



**Subrahmanyabala, M.H. (2004)**, in his study, “Small Industry and Globalization: Implications, Performance and Prospects” highlighted the impact of globalization and domestic reforms on small-scale industries sector and found that policy changes had open new opportunities and markets for the small-scale industries sector. In this study in order to make Indian small industry internationally competitive and contribute to national income and employment, the author suggested that the focus must be turned to technology development and strengthening of financial infrastructural facilities.

**Beck et. al (2002)**, by using the sample of 45 countries in their study entitled “Small Medium Enterprises, Growth, and Poverty: Cross-Country Evidence” explored the relationship between the relative size of the Small and Medium Enterprise (SME) sector, economic growth, and poverty alleviation. They found a strong, positive association between the importance of Small and Medium Enterprises and GDP per capita growth. Furthermore they found no evidence of Small and Medium Enterprise sector’s contribution to alleviate poverty or to reduce the income inequality among the people.

## SECTION II

### 5. OBJECTIVES THE STUDY

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The objectives of the study are stated as follows:

- 1) To compare the Compound Annual Growth Rates (CAGR) of Small and Medium Enterprise sector to that of overall industrial and GDP growth rates.
- 2) To analyse the growth performances of Small and Medium Enterprises in terms of number of units.
- 3) To analyse the employment performances of Small and Medium Enterprise sector for the period from 2000-01 to 2010-11.
- 4) To analyse the production performances of Small and Medium Enterprise sector for the period from 2000-01 to 2010-11.
- 5) To analyse the exports performances of Small and Medium Enterprise sector for the period from 2000-01 to 2010-11.
- 6) To derive a set of policy measures to enhance the performance of small and medium enterprise sector.

### 6. RESEARCH HYPOTHESIS

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The following research hypothesis was formulated to direct the study:

#### **HYPOTHESIS**

***“There was an Excellent Performance of Micro, Small and Medium Enterprise sector during the period from 2000-01 to 2010-11”.***

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The only hypothesis proposed to test was that whether the Small and Medium Enterprise sector has performed well in the period from 2000-01 to 2010-11 or not.

## **7. METHODOLOGY AND DATA SOURCES**

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Following steps are involved in this regard:

### **7.1 INDICATORS OF PERFORMANCE**

Primarily four indicators have been used to study the performance of Small Scale Industries in this study. These indicators are production, employment, exports, and the growth of numbers of units of SSI.

### **7.2 DATA SOURCES**

For the purpose of the study the required information relating to number of Small and Medium Enterprise units, labour employed, production and exports were compiled from the

Annual Report of Ministry of Micro, Small and Medium Enterprises (MSME). Further, the figures relating to growths are taken from the publication of Central Statistical Organisation.

### **7.3 TESTING THE HYPOTHESIS**

The hypothesis will be accepted or rejected on the basis of trends depicted by using the graphs.

### **7.4 STUDY PERIOD**

The period of study is from 2000-01 to 2010-11 and the inferences drawn on the basis of trends supported by the graphs.

## **SECTION III**

## **8. GROWTH OF SMALL AND MEDIUM ENTERPRISES IN INDIA**

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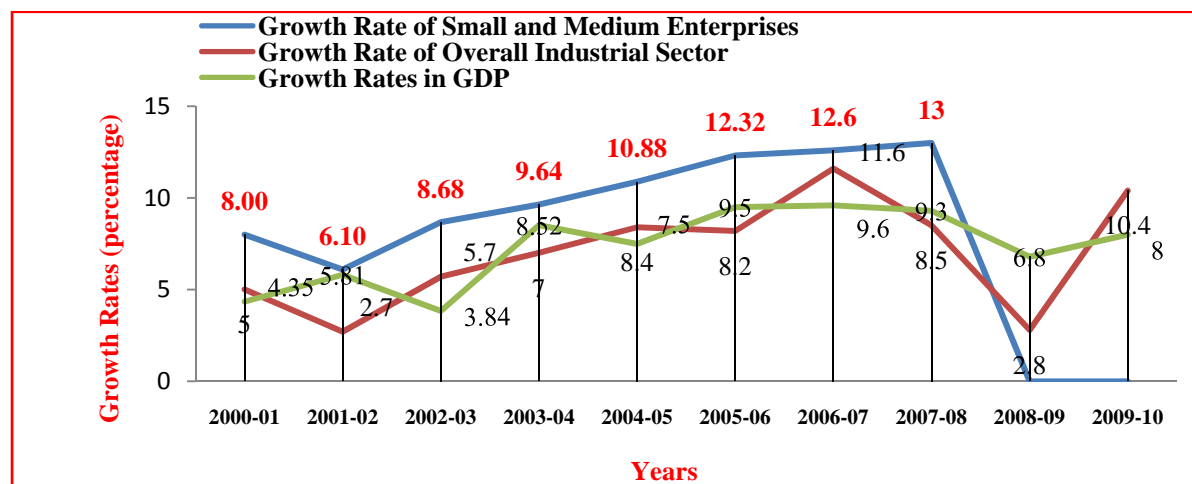
The Small and Medium Enterprise sector has played a very important role in the socio-economic development of the country during the past 60 years. It has significantly contributed to the overall industrial growth and the growth of the Gross Domestic Product (GDP). The performance of the MSME sector, therefore, has a direct impact on the growth of the overall economy.



**TABLE 1 COMMPARISION OF SME WITH THE OVERALL ECONOMY AND INDUSTRIAL SECTORS' GROWTH FROM 2000-01 TO 2010-11**

Years	Growth Rate of SME Sector (%)	Growth Rate of Overall Industrial Sector (%)	Growth Rates in GDP (2004-05 Prices) (at Factor Cost)
2000-01	8.00	5.00	4.35
2001-02	6.10	2.70	5.81
2002-03	8.68	5.70	3.84
2003-04	9.64	7.00	8.52
2004-05	10.88	8.40	7.50
2005-06	12.32	8.20	9.50
2006-07	12.60	11.60	9.60
2007-08	13.00	8.50	9.30
2008-09	NA	2.80	6.80
2009-10	NA	10.40	8.00
2010-11	NA	7.90	8.50
ACGR (2000-01 to 2005-06)	9.01	10.39	16.90
ACGR (2005-06 to 2010-11)	2.72	-0.74	-2.20
ACGR (2000-01 to 2010-11)	7.18	4.68	6.92

**Sources:** Ministry of Micro, Small and Medium Enterprises (MSMEs), Government of India, Annual Report 2010-11 (assessed from [www.msme.gov.in](http://www.msme.gov.in))

**FIGURE 1 TREND IN GROWTH RATES OF SSI, OVERALL INDUSTRIAL SECTOR AND GROWTH RATE OF THE INDIAN ECONOMY****Observation:**

The analysis shows that the growth of Small and Medium enterprise sector has surpassed overall industrial growth and the growth rate of the economy from 2000-01 onwards and predicts a bright future for industrial development of the country. The Compound Annual Growth





rate (CAGR) of SMEs was 7.18 percent from 2000-01 to 2010-11, which is higher than that of overall industrial and GDP growth rates for the same period. Despite the negative CAGR in overall industrial and GDP for the period from 2005-06 to 2010-11, MSMEs are growing at the rate of 2.72 percent for the same period.

## 9. CONTRIBUTION OF SMALL AND MEDIUM ENTERPRISE SECTOR IN INDUSTRIAL PRODUCTION AND GROSS DOMESTIC PRODUCT (GDP)

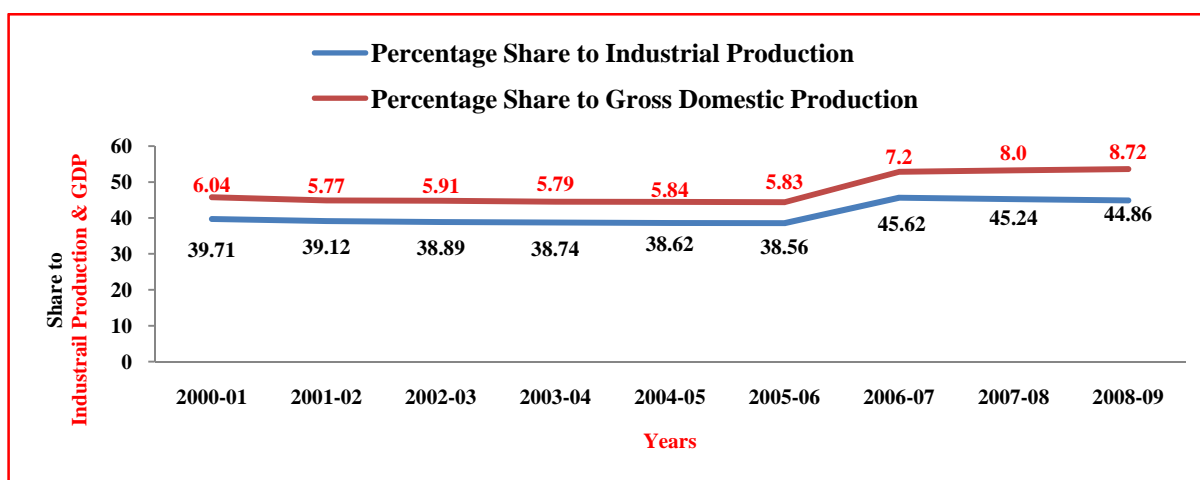
Small and Medium Enterprise sector plays a key role in our planned economic development with its contribution to industrial production and gross domestic product (GDP).

**TABLE 2 CONTRIBUTION OF SSI IN INDUSTRIAL PRODUCTION AND GROSS DOMESTIC PRODUCT**

Year	Percentage Contribution of SSI (at 1999-2000 prices)	
	Industrial Production	Gross Domestic Production
2000-01	39.71	6.04
2001-02	39.12	5.77
2002-03	38.89	5.91
2003-04	38.74	5.79
2004-05	38.62	5.84
2005-06	38.56	5.83
2006-07	45.62	7.20
2007-08	45.24	8.00
2008-09	44.86	8.72

**Sources:** Ministry of Micro, Small and Medium Enterprises (MSMEs), Government of India, Annual Report 2010-11 (assessed from [www.msme.gov.in](http://www.msme.gov.in))

**FIGURE 2 TRENDS IN THE PERCENTAGE SHARE OF SMEs TO INDUSTRIAL PRODUCTION AND GDP**



**Observation:**

It has been observed that the contribution of Small and Medium Enterprises towards gross domestic production is constantly increasing from 2000-01 to 2008-09. Its contribution to industrial production was 39.71 percent in 2000-01 which no doubt come down to 38.56 percent in 2005-06 but after 2006-07, there is a continuously increasing trend has been predicted.

**SECTION IV**

### 9. PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN INDIA FOR THE PERIOD FROM 2000-01 TO 2010-11

The Small and Medium Enterprises (SMEs) constitutes an important segment of the Indian economy in terms of their contribution to the country's industrial production, exports, and employment. The Performance of the SME sector for the period from 2000-01 to 2010-11 is contained in table 3 given below:

**TABLE 3 PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN INDIA FROM 2000-01 TO 2010-11**

Years	No. of Units (in Lakhs)	Production* (in Crores)	Employment (in Lakhs)	Exports (in Crores)
2000-01	101.1 (4.07)	2,61,289 (11.78)	238.73 (4.21)	69,797 (28.78)
2001-02	105.21 (4.07)	2,82,270 (8.03)	249.33 (4.44)	71,244 (2.07)
2002-03	109.49 (4.07)	3,14,850 (11.54)	260.21 (4.36)	86,013 (20.73)
2003-04	113.95 (4.07)	3,64,547 (15.78)	271.42 (4.31)	97,644 (13.52)
2004-05	118.59 (4.07)	4,29,796 (17.90)	282.57 (4.11)	1,24,417 (27.42)
2005-06	123.42 (4.07)	4,97,842 (15.83)	294.91 (4.37)	1,50,242 (20.76)
2006-07	261.01 (111.48)	7,09,398 (42.49)	594.61 (101.62)	1,82,538 (21.50)
2007-08	272.79 (4.51)	7,90,759 (11.47)	626.34 (5.34)	2,02,017 (10.67)
2008-09	285.16 (4.53)	8,80,805 (11.39)	659.35 (5.35)	NA
2009-10	298.08 (4.53)	9,82,919 (11.59)	695.38 (5.47)	NA
CAGR (2000-01 to 2005-06)	4.07	13.76	4.31	16.57
CAGR (2005-06 to 2009-10)	24.66	18.53	23.91	15.95
CAGR (2000-01 to 2009-10)	12.76	15.85	12.61	16.39

**Sources:** Ministry of Micro, Small and Medium Enterprises (MSMEs), Government of India, Annual Report 2010-11 (assessed from [www.msme.gov.in](http://www.msme.gov.in))

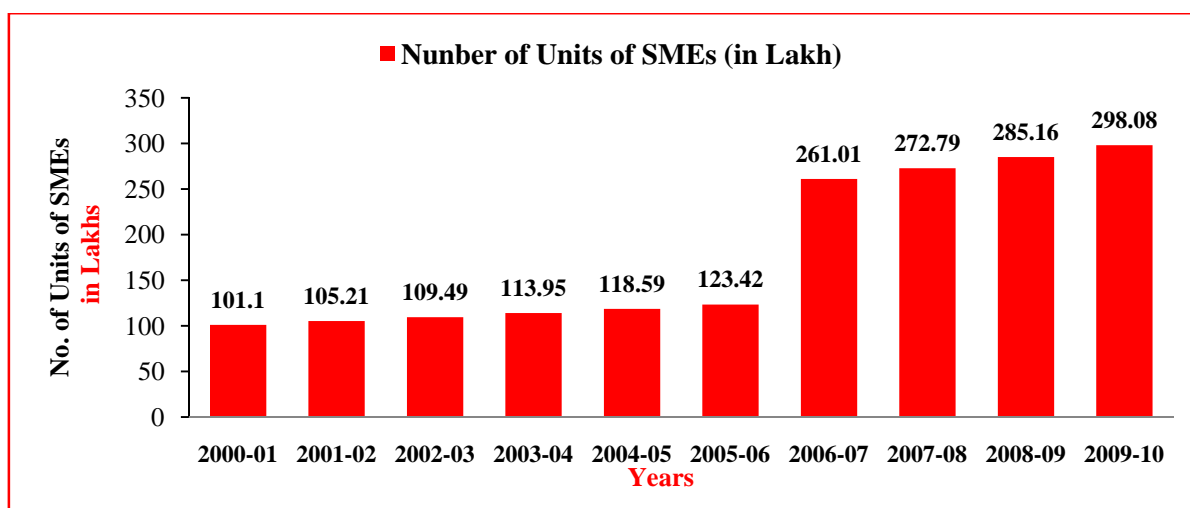
**\*Values are taken at current prices, \*\*the figures in brackets show the percentage growth over the previous year.**



### 10.1 PERFORMANCE IN NUMBER OF UNITS

The numbers of units of SME sector are growing at the rate of 12.60 percent (Compound Annual Growth Rate) for the period from 2000-01 to 2009-10. This is evident in the table 3; the number of units went up from 101.10 lakhs in 2000-01 to 298.08 lakhs in 2009-10.

**FIGURE 3 PERFORMANE OF SMALL AND MEDIUM ENTERPRISES UNITS**



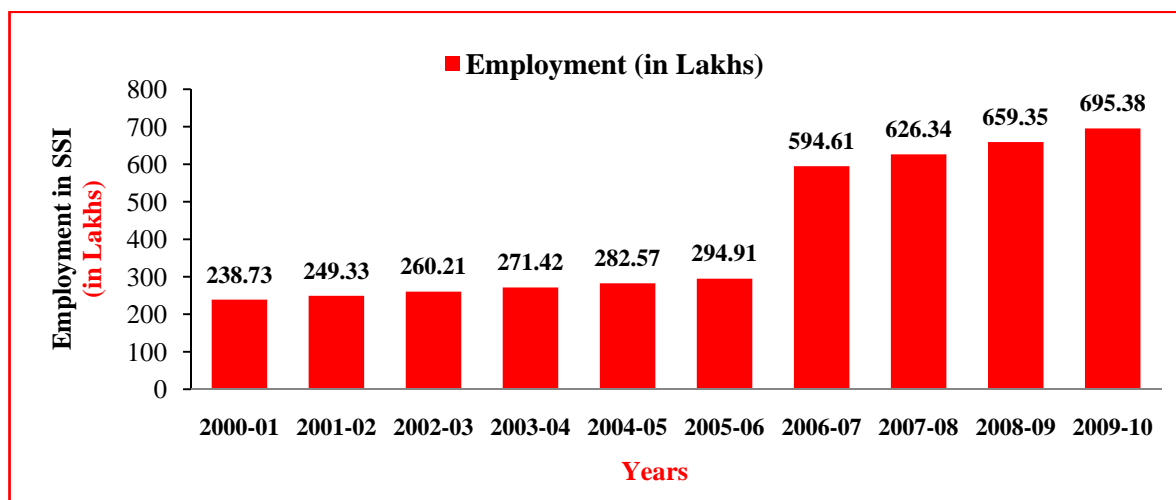
#### Observation:

The increase in units of SMEs to some extent was constant up to 2005-06, but after 2006 there is a sharp increase has been depicted from the graph which means the SME sector is performing well and predicts a bright future for SMEs.

### 10.2 PERFORMANCE IN PROVIDING EMPLOYMENT

Small Scale Industrial Sector in India creates largest employment opportunities for the Indian population that is next only to agriculture. This argument is based on an assumption that small enterprises are labour-intensive and thus create more employment per unit of capital employed. According to our former President of India R. Venkataraman's study the Output-Employment Ratio is the lowest in the small scale sector, employment generating capacity of small sector is eight times that of the large-scale sector. The Compound Annual Growth Rate (CAGR) in creating employment opportunities in this sector was 12.61 percent for the period under study.



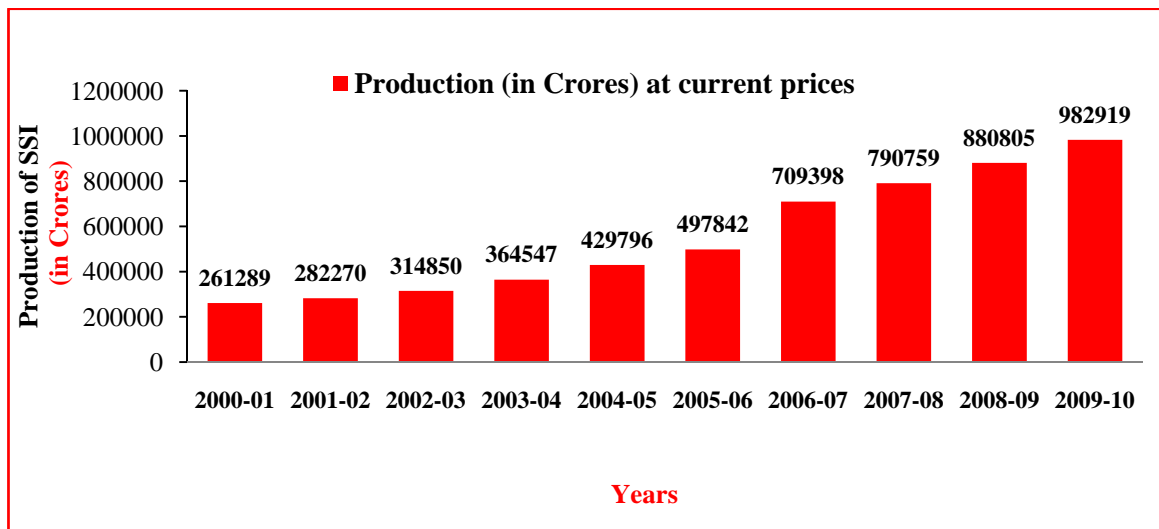
**FIGURE 4 PERFORMANCE OF SMEs IN PROVIDING EMPLOYMENTS****Observation:**

The increase in the number of persons getting employment in SME sector has increased very fast after 2006. In 2009-10, 695.38 lakh persons are engaged in SMEs and trends show that in future the number will increase further.

**10.3 PERFORMANCE IN PRODUCTION**

The Micro, Small and Medium Enterprise sector plays a vital role in the growth of the country. It contributes almost 45 percent of the gross industrial value added in the Indian economy. The total production of SMEs was only of Rs 261289 crores in 2000-01 which is now has increased to Rs. 982919 in 2009-10. When the performance of this sector is viewed against the growth in the manufacturing and the industrial sector as a whole, it instils confidence in the resilience of the SME sector. The SMEs produce the goods at the Compound Annual Growth Rate (CAGR) of 15.85 percent for the period under study.



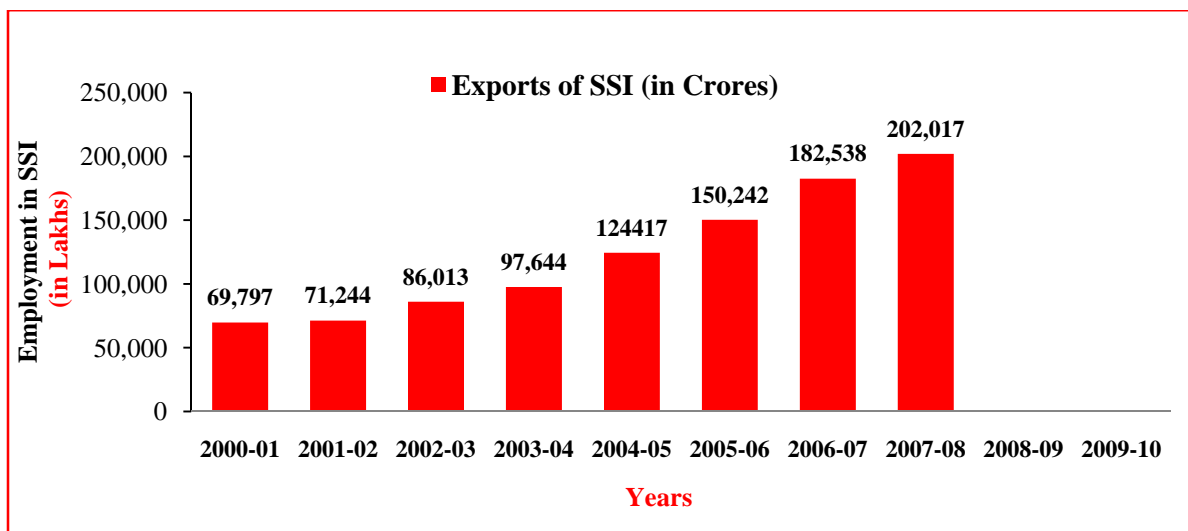
**FIGURE 5 PERFORMANCES OF SME SECTOR IN PRODUCTION****Observation:**

A constant increase in the production of Small and Medium Enterprise sector has been depicted in the graph. In 2000-01, this sector has generated the production of Rs 261289 crores, which went up to Rs 982919 crores in 2009-10. This reflects the strength of SME sector.

**10.4 PERFORMANCE IN EXPORT**

Small and Medium Enterprise Sector plays a major role in Indian present export performance. Forty-five percent to fifty percent of the Indian Exports is contributed by SME Sector. Direct exports from the SSI Sector account for nearly 35 percent of total exports. Besides direct exports, it is estimated that small and medium enterprises contribute around 15 percent to exports indirectly. This takes place through merchant exporters, trading houses, and export houses. They may also be in the form of export orders from large units, or the production of parts, and components for use for finished exportable goods. It would surprise many to know that non-traditional products account for more than 95 percent of the SMEs exports. The Compound Annual Growth Rate (CAGR) in export of SMEs was 16.39 percent for the period from 2000-01 to 2010-11.



**FIGURE 6 PERFORMANCES OF SMEs IN EXPORTS****Observation:**

The exports from SSI sector have been clocking excellent growth rates in this decade. It has been mostly fuelled by the performance of garments, leather, and gems and jewellery units from this sector. The product groups where the SME sector dominates in exports are sports goods, readymade garments, woollen garments and knitwear, plastic products, processed food, and leather products. Substantial increase in exports was observed in case of small and medium enterprises. The value of exports was of Rs. 69797 crores in 2000-01, and it increased to record high figure of Rs. 202017 crores in 2007-08. A very significant feature of exports from SMEs is their share in non-traditional exports.

**SECTION V****10. FINDINGS**

- 1) It is found that the growth of Small and Medium Enterprise sector has surpassed overall industrial growth and the growth rate of the economy from 2000-01 onwards and predicts a bright future. It is growing at the rate of 2.72 percent (CAGR) for the period from 2005-06 to 2010-11, despite the fact that overall industrial and GDP growth rates were negative for the same period.
- 2) The analysis shows that the contribution of Small and Medium Enterprise sector to gross domestic product (GDP) has constantly increasing from 6.04 percent in 2000-01 to 8.72 percent in 2008-09.
- 3) It is found that despite facing competition (not only from large enterprises but also from multinational corporations MNCs) and economic slowdown worldwide, the numbers of units of Small and Medium Enterprise sector are increasing.





- 4) The numbers of people employed in Micro, Small and Medium Enterprises are continuously increasing during the period under study.
- 5) The production and exports of Small and Medium Enterprises in value terms are also increasing constantly without any fluctuations during the period from 2000-01 to 2010-11.

## 11. CONCLUSIONS & SUGGESTIONS

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India has been gifted with an adequate natural resources and this is a favourable factor for the establishment and growth of Small and Medium Enterprises. Small units generate employment at relatively small capital cost, mobilize resources of capital and skill at micro levels and are expected to meet the rising demand for various goods and services required by the economy. The analysis shows that the Small and Medium Enterprise sector has registered a good performance in terms of growth of number of units, production, employment, and exports. Therefore, it

supports and provides sufficient reasons to accept our hypothesis that Small and Medium Enterprise sector is performing better in terms of key variables chosen for analysis. India is second largest populated country in the world and it is difficult to provide employment to all. But, by developing Micro, Small and Medium Enterprise sector at least we can encourage the self employment among the unemployed youths. Government should come up with some incentives which can help to develop the MSMEs. This may encourage unemployed people to start their career in this sector. With proper planning and encouragement, we can make the dream of Mahatma Gandhi implemented in reality.

The following are some of the policy suggestions for sustaining the growth and bettering the performances of the MSMEs in India:

- 1) It is necessary; the goods produced by MSMEs should be sold in large quantity and at remunerative prices in the domestic as well as in foreign markets. It is therefore suggested that a central marketing and exporting agency should be established. After accumulating the goods produced by different small units, the agency will sell under its own trade mark in both the markets at remunerative prices.
- 2) Small Scale Industries in India should organise themselves in industrial co-operative societies. These societies can help them to get raw-materials, improved tools and equipments at cheap rates and sell their finished products at remunerative price. They can also advance loans to these enterprises at low rate of interest.
- 3) Micro, Small and Medium Enterprises have to tender security and guarantee to secure bank loan. Because of this pre-condition very few enterprises take advantage of these loans. The banks should give loan to these enterprises on the basis of their potential credit worthiness.



- 4) With a view to improving the quality of the products, lowering their cost of the production, introducing variety and improving the technical efficiency of the labourer, research and development (R&D) centres should be opened. Moreover, trained experts should be appointed in these enterprises and often allowed to visit in those enterprises which are flourishing and are in a developed state. On the basis of knowledge gained these experts will strive for improving the quality standard and competitive strength of these enterprises.

With these suggestions I stop here and hope that this paper would help the policy makers to a great extent.

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