



CONCEPT OF MSME AND ITS GROWTH IN INDIA

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ABSTRACT

In both developed and developing countries Micro, Small and Medium Enterprises is known for its large contribution in different socio-economic objectives such as higher growth of employment, output, promotion of exports and entrepreneurship encouragement. MSME plays an important role in the industrial development of the country. The study objective is to examine the performance and growth of micro, small and medium enterprises in India. The paper is fully based on secondary data. The finding of the study is that many entrepreneurs of MSME are unaware of the incentives and schemes. The paper concludes that number of enterprises are increasing but they also face number of problems and to solve the problems the government has taken several policy initiative but there is a need to ensure proper co-ordination and implementation of such schemes. Government should solve the problems of MSME as it reduces poverty and contributes to economic development of nation.

Keywords: MSME Definition, Growth, Performance and Problems of MSME.

1) Overview of MSME:

Over the last five decades Micro, Small and Medium Enterprises sector has emerged as a highly vibrant and dynamic sector of the Indian economy. In comparison to large industries MSMEs provide large employment opportunities and also help in industrialization of rural & backward areas which reduces regional imbalances, assures more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes a lot to the socioeconomic development of the country.

1.1) Ministry of MSME: Ministry of Micro, Small & Medium Enterprises promotes growth and development of the MSME Sector in cooperation with concerned Ministries, various

Departments, State Governments and other Stakeholders.It provides support to existing enterprises and encourages creation of new enterprises.

The Micro, Small and Medium Enterprises Development Act 2006 seeks to facilitate the development and enhances the competitiveness of MSME.The Act provides the first-ever legal framework for recognition of the concept of “enterprise” which consist both manufacturing and service enterprises. For the first time medium enterprises are defined.In year 2006 MSMED Act was notified to address policy issues affecting MSMEs as well as the coverage and investment ceiling of the sector. The salient features of the Act include:

- Setting up of a National Board for MSMEs
- Classification of enterprises
- Advisory Committees to support MSMEs
- Measures for promotion, development and enhancement of MSMEs
- Schemes to control delayed payments to MSMEs
- Enactment of rules by State Governments to implement the MSMED Act, 2006 in their respective states

State Government has the primary responsibility of promotion and development of MSMEs.However, through various initiatives the Government of India supplements efforts of the State Governments.M/o MSME and its organizations supports the states in encouraging entrepreneurship,employment and enhancing the competitiveness of MSMEs.The schemes and programmes undertaken by the Ministry and its organisations seek to provide:

- Adequate flow of credit from financial institutions
- Support for technology upgradation and modernization
- Integrated infrastructural facilities
- Modern testing facilities and quality certification
- Access to modern management practices
- Appropriate training facilities for Entrepreneurship development and skill upgradation
- Support for product development, design and packaging
- Workers Welfare
- Support for better access to domestic and export markets
- Cluster-wise measures to promote capacity building, empowerment of the units and their collectives.

1.2) Micro, Small and Medium Enterprises:

MSME Sector consists of any enterprise whether proprietorship, Hindu undivided family, association of persons, cooperative society, partnership or undertaking or any other legal

entity which is engaged in production of goods pertaining to any industry specified in the first schedule of Industry Development & Regulation Act, 1951 and other enterprises engaged in production and rendering services defined in terms of investment in plant and machinery and equipments respectively as below:

Table 1: The limit for investment for manufacturing enterprises and service enterprises:

Enterprises	Manufacturing Sector (Investment in Plant and Machinery)	Service Sector (Investment in equipment)
Micro Enterprise	Investment up to Rs 25 lakh	Investment up to Rs 10 lakh
Small Enterprise	Investment above Rs 25 lakh and up to Rs 5 crore	Investment more than Rs 10 lakh but does not exceed Rs 2 crore
Medium Enterprise	Investment above Rs 5 crore and up to Rs 10 crore.	Investment more than Rs 2 crore but does not exceed Rs 5 crore.

(Source: Development Commissioner, MSME, Ministry of MSME, 2015)

1.3) Role of MSME:

MSME play an important role in the economic and social development of the country. The sector is known for nursery of entrepreneurship and driven by individual creativity and innovation it contributes 8 per cent of the country's GDP, 45 per cent of the manufactured output and 40 per cent of its exports. The MSMEs provide employment to about 60 million persons through 26 million enterprises. The labour to capital ratio in MSMEs and the overall growth in the MSME sector is much higher than in the large industries.

MSMEs are important for the national objectives of growth with equity and inclusion. The MSME sector in India is highly heterogeneous in terms of the size of the enterprises, variety of products and services produced and the levels of technology employed. While one face of MSME contains highly innovative and high growth enterprises, more than 94 per cent of MSMEs are unregistered with a large number established in the informal or unorganized sector. Besides the growth potential of the sector and its critical role in the manufacturing and value chains, the heterogeneity and the unorganised nature of the Indian MSMEs are important aspects that need to be involved in policy making and programme implementation.

1.4) Growth and Performance of MSME:

As per the provisions of the Act, all MSMEs are required to file Entrepreneurs Memorandum (Part-I) at District Industries Centres. After commencement of the project, the entrepreneur concerned is required to file Entrepreneurs Memorandum (Part-II). Table No. 2 shows category wise entrepreneurs under Micro, Small and Medium for last eight years those who filed their memorandum to DICs. For online filing of Udyog Aadhaar Memorandum a simple one page registration form has been introduced which replaces the filing of Entrepreneur's Memorandum Part I & II.

Table 2: DISTRIBUTION OF NUMBER OF EM-II FILED BY TYPE OF ENTERPRISES

Year	No of EM-II Filed			
	Micro	Small	Medium	Total
2007-2008	1,53,110	16,730	467	1,70,307
2008-2009	1,70,262	18,792	702	1,89,756
2009-2010	1,85,180	23,870	1,409	2,10,459
2010-2011	2,05,112	29,125	1,263	2,35,500
2011-2012	2,42,539	34,225	2,949	2,79,713
2012-2013	2,75,867	41,502	5,449	3,22,818
2013-2014	2,96,526	59,127	7,338	3,62,991
2014-2015	3,46,206	70,933	8,219	4,25,358

Source: MSME Annual Report, 2015-16

From the above table it is clear that MSME has shown consistent growth in terms of number of EM-II filed 2007-08 with the District Industries Centres across the country was 1.70 lakh which increased to 1.89, 2.10, 2.35, 2.79, 3.22, 3.62 and 4.25 lakh during 2008-09, 2009-10, 2010-11, 2011-12, 2012-13, 2013-14 & 2014-15 respectively.

Table 3: Performance of MSME In India

Year	Total Enterprises (In Lakh)	Working Employment (In Lakh)	Market Value of Fixed Asset (In Crore)
2006-07	361.76	805.23	868543.79
2007-08	377.36	842	920459.84
2008-09	393.7	880.84	977,114.72
2009-10	410.8	921.79	1,038,546.08

2010-11	428.73	965.15	1,105,934.09
2011-12	447.64	1011.69	1,182,757.64
2012-13	467.54	1061.40	1,268,763.67
2013-14	488.46	1114.29	1,363,700.54
2014-15	510.57	1171.32	1,471,912.94

Source:Ministry of MSME,Government of India, 2015

From the above table during last ten years number of units,investment and employment has been increased. This is because of government programme and scheme and now our young generation wants to be job maker rather than job seeker.

Table 4: Contribution of Manufacturing Output of MSME in GDP (At 2004-2005 prices)

Year	Gross value of output of MSME manufacturing Sector (Rs in crore)	Share of MSME sector in total GDP (%)		Share of MSME Manufacturing output in total manufacturing output (%)
		Manufacturing Sector MSME	Service Sector MSME	
2006-07	1198818	7.73	27.40	42.02
2007-08	1322777	7.81	27.60	41.98
2008-09	1375589	7.52	28.60	40.79
2009-10	1488352	7.45	28.60	39.63
2010-11	1653622	7.39	29.30	38.50
2011-12	1788584	7.27	30.70	37.47
2012-13	1809976	7.04	30.50	37.33
2013-14	NA	NA	NA	NA
2014-15	NA	NA	NA	NA

Source:Ministry of MSME,Government of India, 2015

From the above table it is clear that government should focus on manufacturing sector, during last ten year share of micro, small and medium enterprises manufacturing output in total manufacturing output has decreasing every year. Government should take appropriate steps to boost manufacturing sector.

1.5) Focus on Growth:

From a policy perspective, there are high end enterprises and low end enterprises in a large informal sector which requires the support of the government.As informal sector provide self employment to the poor and unskilled people.However, these enterprises face severe

challenges for the growth of Micro, Small and Medium Enterprises. Keeping the above point in mind it is necessary to upgrade business by encouraging the “necessity entrepreneurs” thereby reducing the informal sector and encouraging high growth MSMEs and should focus on the entire value and production chains in manufacturing sector of MSMEs.

1.6) MSME Lifecycle:

For manufacturing output to grow, a supportive ecosystem is necessary for each of the stages of the life cycle of enterprises. Life cycle of enterprises consist of four stages:

First stage: “Setting up of Business” includes the ecosystem for the promotion and creation of enterprises. It determines whether the manufacturing output receive an impetus from start-ups which determines the growth in manufacturing.

Second stage: “Doing Business” determines that the existing enterprises implements their manufacturing plans and sustains the growth of output.

Third stage: “Expansion” determines that the existing enterprises are responsible for increasing their capacity and increasing the growth of output.

Fourth stage: “Exit” determines that the existing enterprises how quickly and effectively boost their output by reorganizing their assets.

Out of these four stages manufacturing sector of MSME face more problems in the first stage.

2) Literature Review:

Table 5: Literature Review on Factors Affecting the growth of enterprises and Problems faced by MSME:

Researchers	Finding
Duchesneau & Gartner, 1990	They founded that successful firms are initiated by entrepreneur who have clear and broad business idea and he also founded that entrepreneurs in successful firm have raised from entrepreneurial parents who had experience of setting business.
Day, 1994; Chen & Martin, 2001; Srivastava et al., 2001	They found that for development of market expansion and for developing strategies for innovative products marketing capabilities act as a key factor for the growth of enterprises.
Bridge et al., 1998	They founded factors which influence the business growth is the business itself in terms of its structure and goals, the performance of its management and in particular the ability to make rational decisions about its operation.
Mali, 1998	He observed that in the scenario of globalization micro, small and medium enterprises face extreme competition and there is a need to improve in the fields of management, marketing, product diversification, infrastructural development and technological upgradation. Moreover, new small and

	medium enterprises have to move from slow growth area to the high growth area and have to form strategic alliance with entrepreneurs of neighbouring countries. There is a urgent need of Data bank on industries to guide the prospective entrepreneurs including investors from abroad.
Armstrong & Coyle, 1999	They found that the small scale industries lack competitiveness because of outdated technology, unavailability of human expertise and poor financial resources.
Smallbone & Wyer, 2000	He found that location is another factor which influence growth of MSME. Variation in size, scope and buoyancy of demand in local markets is likely to affect growth opportunities. On the supply side variation in the cost and availability of labour, premises and services is also influential.
Orser et al., 2000	They pointed out that the several problems faced by small firms like gender of owner, size of the business, legal structure and age of the firm. Micro operations were more likely to face problems of demand, the availability of alternative sources of finance, lack of information about financing options, and lack of financial expertise.
Mambula, 2002	He also explains that lack of financing, regulatory e.g. government policies and attitudes of public officials, corruption, etc. adversely affect the growth of businesses.
Buttner, 2001 & Makhbul, 2011	They founded that entrepreneur professional background, their entrepreneurship capabilities and preferences, cultural and religious beliefs, as well as the technology affect the performance of small scale industries.
Bhavani, 2002	He studied the impact of globalization on small scale industries and face many problems because of globalisation and found out that in order to survive with globalization small scale industries should improve productivity, quality, reduce cost and improve technology.
Baldwin & Gellatly, 2003	They found lack of management skill ability and experience contributes to the failure of small firms.
Bukvic & Bartlett, 2003	They founded that the high cost of capital, high collateral requirements and bureaucratic procedures of banks create financial barriers. They also found other barriers to small business growth like late payment of bills from customers and inadequate information on finance.
Bala Subrahmanya, 2004 & Singh et al., 2012	They focus on the impact of globalization and domestic reforms on small-scale industries sector. In past small industry had suffered in terms of growth of units, employment, output and exports. The change in policy made by government has open up new opportunities and markets for the small-scale industries sector. He suggested technology development and financial infrastructure should be strengthened to make Indian small industry internationally competitive.
Srinivas, 2005	He found that in the Indian economy MSMEs play a very significant role in terms of balanced and sustainable growth, employment generation, development of entrepreneurial skills and contribution to export earnings. Despite the importance of MSME to Indian economy most MSMEs are unable to face challenges because they do not have adequate finance. To solve these problems it has become necessary to consider measures for smoothening the flow of credit to this sector.
Zehir et al., 2006	They pointed out that marketing, management and information system capabilities have significantly positive effect on growth of business. Weak management, marketing, and information technology skills of small business owners have negative impact on the small business growth.

Krasniqi, 2007	He investigated the barriers to growth of small and medium-sized enterprises through correlation analysis, he found that the growth of the SMEs is reduced by the presence of the business environmental barriers such as tax burden, unfair competition and inadequate financing.
Hassanein & Adly, 2008	They investigated financing barrier faced by small Egyptian construction firms by using survey questionnaire. They found that the lack of access to suitable sources of finance is a major barrier to small business growth.
Bargal et al., 2009	They examined the causal relationship among the three variables GDP, output and exports and also compared the performance parameters of small scale industries in the pre and post liberalization era. The study found that the annual average growth rate of different parameters of SSIs have declined in the period of nineties in comparison to pre-reform years and also found that there is no causal relationship between exports and production of small-scale sector and GDP of Indian economy.
Bhavani, 2010	He highlighted the importance of quality employment generation. The researcher argues that small scale industries generate employment at high quantity but of quality. Technological upgradation will help 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.
Barbero, Casillas, & Feldman, 2011	They highlighted that SMEs possess high capabilities in the different functional areas comprising the business, business marketing and financial capabilities are positively associated with market expansion and innovation as two ways to achieve high growth. Business marketing and financial capabilities are positively associated with market expansion and innovation and both business marketing and financial capabilities are necessary for the growth of MSME.
Venkatesh & Muthiah, 2012	They found that the role of small & medium enterprises is significant in the industrial sector. They emphasized that promoting small and medium enterprises sector is essential for the economic development of the country. MSMEs sector lacks in awareness, investment and resources. Entrepreneurs and Government of India both have to understand that "Zero wastage and continuous design improvement hold the key to survival and growth of MSMEs."
Wakkee et. al, 2012	They found eight factors for poor performance of MSME they are: lack of demand, shortage of working capital, non-availability of working capital, shortage of power, problem related to labour, marketing, equipment, and management.
Navarro, 2012	He found that for the growth of SMEs penetrating existing markets, enhancing efficiency and increasing brand awareness is necessary. Here enhancing efficiency does not have a positive effect on growth rates on the other hand market penetration has a positive effect on growth rates. Brand awareness is both lucrative and feasible growth path for growth after establishing new venture and entering foreign markets.
GOI, 12th Five Year Plan (2012-16)	It is clearly stated that policy should be successfully implemented by the state and central government. This plan focuses on generating employment in manufacturing sector. Plan was designed in such a way that growth should not be just rapid but also inclusive and sustainable. Growth of MSMEs benefits should be reached to SCs, OBCs and Minorities group. Environmental Sustainability issues are considered. Growth is needed but not at the cost of harming environment. The plan has target of 8 %

	growth during 2012-13 to 2016-17.
McKenzie & Woodruff, 2014	They found that micro enterprises found lack of capital, lack of knowledge and skills as important barriers for business growth. He suggests that to increase economic growth and for reducing poverty it is important to improve entrepreneurial and technical skills of MSME.
Lengler, Sousa, Perin & Sampaio, 2015	They found that lack of technology and competitiveness in MSME are the main barriers of exports. He also suggests that technology intensity and competitive intensity is necessary for the success of export market.

The above literature highlights the various aspects viz. performance, growth & problems of MSMEs in Indian economy and induces for continuous research in this field.

3) Objective of the Study:

- To study the growth and performance of MSMEs in India
- To identify the problems faced by the MSMEs sectors in India.
- To study the various Govt. initiatives in revitalizing the MSMEs sector

4) Research Methodology:

The study is primarily based on secondary data which has been collected from various MSME Annual Reports, International Finance Corporation Report on MSME Finance in India, and SIDBI Annual Reports.

5) Problems Faced By MSME Sector:

Lack of IT Literacy

Lack of Formal Procedures

Lack of Management Skill

Lack of Proper Infrastructure and banking support

Lack of availability of adequate and timely credit

High cost of credit

Limited access to equity capital

Procurement of raw material at a competitive cost

Problems of storage, designing, packaging and product display

Lack of access to global markets

Low technology levels and lack of access to modern technology

Lack of skilled manpower

Multiplicity of labour laws and complicated procedures associated with compliance of laws.

Delayed payments by large industry players

Low managerial capability

Low return on investment
Low production and productivity
Ineffective marketing strategies
Non-Identification of new markets
Hurdles in expansions, modernization and innovations
High competition
Decline in exports

Increased per capita income and consumerism have opened up number of opportunities for MSME to enhance productivity and look at new national and international markets. On the other hand, the sector continues to face challenges like fund shortages, limited access to equity capital, technological obsolescence and lack of infrastructure facilities. Amongst all financial institutions commercial banks remain the largest lenders to the MSMEs. The National Commission on Enterprises in the Unorganised Sector had estimated 73% credit gap for the micro enterprises in March 2012. Despite the various problems MSME is known for its innovativeness, adaptability and toughness to survive and contribute significantly to India's industrial growth. Considering the importance of the MSMEs the MSME sector needs to have timely, adequate and affordable funds to upgrade its technological competencies.

6) Major Concern of the MSME Sector:

- Policy makers do not give the credit to the contribution of MSME sector. This sector has been facing many problems such as lack of access to timely and affordable credit, absence of innovative channels of financing, low level of technology adoption, poor brand building & marketing, and low level of innovation. Despite the growth of export in share in overall exports MSMEs are facing several constraints. With regard to traditional sectors Indian MSMEs are facing stiff competition in existing export markets. This calls for diversification of markets as well as products with increased value addition.

- Skill Development is another important area where funds are required with respect to MSMEs as MSME can hold the skilled workforce and focus is on talented youngsters.

- During the past decade the growth of the MSME sector has been quite impressive. In this regard, providing a congenial regulatory framework and removal of the entry barriers are two immediate issues. While the MSMED Act, 2006 has addressed the overall regulatory issues related to the MSME sector at Government of India level.

As per the studies conducted by International Agencies, In India the entry level barriers for the new entrepreneurs are still very high. Besides the regulatory issues, availability of

Institutional finance to a new entrepreneur is an area of concern. Again, high rate of closure of enterprises and exit of entrepreneurs is a global phenomenon for the MSME Sector. Developing an exit policy for the sector is a challenging task and needs coordinated initiatives by multiple Ministries.

- The major problem faced by the MSME sector is with the policy framework. Always Micro, Small and Medium Enterprises are seen together while making budgetary allocation, devising policy measures and in implementation of policies. These three enterprises have different requirements and needs. By treating them one there requirements are often ignored. It is recommended that government ministries or sub-functionaries within a ministry should be kept separate.

- In India MSME is define in terms of investment limits and this does not allow the industrial units to grow from micro to small, small to medium and from medium to large. Due to these reasons MSME face the growth constraints in India. MSME should also be defined on the basis of number of employee which is treated as a fair characteristic.

7)Government Initiative to Recharged the MSME Sector:

Ease of Registration Process of MSMEs:

Udyog Aadhaar Memorandum:Ministry of MSME has notified a ‘Udyog Aadhaar Memorandum’ on 18th September 2015 in the Gazette of India vide Notification Number S.O 2576 (E) it is a simple one page registration form which simplifies the form of registration. In India to promote ease of doing business for MSME ,UAM has replaced the filing of Entrepreneurs’ Memorandum (EM part-I & II) with the respective States and UTs. Entrepreneurs of MSME just need to file online a simple one page UAM on <http://udyogadhaar.gov.in> to instantly get a unique Udyog Aadhaar Number. The growth of registrations of the MSMEs is impressive under new system of Udyog Aadhaar Memorandum and as on 17/feb/2016 more than 2.30 lakh units have been registered.

Framework for Revival and Rehabilitation of MSMEs: MSMEs have been playing a significant role in the country’s overall economic growth and are facing constraints of adequate or timely finance. From time to time in different quarters, issues related to sickness of MSMEs, Non-Performing Assets and exit policy have been raised. Keeping in view these issues, On 29th May 2015 in the Gazette of India vide Notification Number S.O 1432 (E) in exercise of the power conferred under section 9 of the MSMED Act, 2006 the Ministry of Micro, Small & Medium Enterprises has notified a Framework for Revival and Rehabilitation

of MSMEs. This framework complements to the features of the existing RBI notification of year 2012 and 2014. Under this framework any enterprise can seek revival and rehabilitation benefit through a committee constituted by banks with representatives from State Governments, experts and others.

Micro, Small And Medium Enterprises Development ACT, 2006: “The Micro, Small and Medium Enterprises Development Act, 2006 was the first comprehensive legislation covering the entire extent of the micro, small and medium enterprises and has come into force w.e.f. 2nd October, 2006.

The Office of the Development Commissioner (MSME) has been actively pursuing the implementation of MSME Act with States and UTs. 33 States / UTs have notified the rule for Micro & Small Enterprises Facilitation Council and all States / UTs have constituted MSEFCs.

Micro, Small And Medium Enterprises Development (Amendment Bill), 2015: On 20th April 2015 Micro, Small and Medium Enterprises Development (Amendment) Bill, 2015 was introduced in the Lok Sabha. The objectives of the proposed amendments are to:

- Enhance the existing limit for investment in plant and machinery considering changes in price index and cost of inputs consistent with the emerging role of the MSMEs in various Global Value Chains.
- Include medium enterprises apart from small enterprises in section 7(9) to enable the aforesaid category of enterprises to avail the benefits and become competitive.
- Empower the central Government to revise the existing limit for investment by notification considering the inflation and dynamic market situation.

Policy of Reservation of Items Reserved For Exclusive Manufacture In Micro and Small Enterprises Sector: With the notification no. 998(E) dated 10/04/2015 there are no item reserved for exclusive manufacture in Micro and Small Enterprises Sector.

National Manufacturing Competitiveness Programme: Small scale sector has to become competitive for the overall growth of manufacturing sector. In the 2005-06 Budget, to support the small and medium enterprises the Government has announced formulation of a National Competitiveness Programme.

The National Manufacturing Competitiveness Programme focus on enhancing the competitiveness of Indian Manufacturing Sector. This can be determined by measuring the

productivity vis-à-vis the use of its human capital and natural resources. In 2007-08 the programme was initiated. The NMCP is the nodal programme of the Government to develop global competitiveness among Indian MSMEs. This programme through various schemes focuses at enhancing the entire value chain of the MSME sector.

- Lean Manufacturing Competitiveness Scheme for MSMEs;
- Promotion of Information & Communication Tools in MSME sector;
- Technology and Quality Up gradation Support to MSMEs;
- Design Clinics scheme for MSMEs;
- Enabling Manufacturing Sector to be Competitive through Quality Management Standards and Quality

Technology Tools

- Marketing Assistance and Technology Up gradation Scheme for MSMEs;
- National campaign for building awareness on Intellectual Property Rights
- Support for Entrepreneurial and Managerial Development of SMEs through Incubators.
- Bar Code under Market Development Assistance scheme.

Prime Minister's Task Force On Micro, Small And Medium Enterprises: To solve the problems of MSMEs the former Prime Minister in August 2009 had set up the Task Force which discuss the issues with all stakeholders and come up with the recommendations on major areas including credit, marketing, labour, rehabilitation and exit policy, infrastructure, technology and skill development and taxation. The implementation of these recommendation was being monitored periodically under the chairmanship of Principal Secretary to the Prime Minister.

Public Procurement Policy For Goods Produced And Services Rendered By Micro And Small Enterprises: Under section 11 of the Micro, Small and Medium Enterprises Development Act, 2006, the Government of India has notified Public Procurement Policy for Micro & Small Enterprises Order, 2012 which is applicable for every Central Ministry / Department / PSU from 1st April, 2012. The Policy mandates that every Central Ministry / Department / Public Sector Undertaking shall set an Annual goal of procurement from Micro and Small Enterprises from the financial year 2012-13 onwards with the objective of achieving an overall procurement of minimum of 20 percent of total annual purchases of products produced and services rendered by Micro and Small Enterprises in a period of three years. The minimum 20% Annual procurement from Micro and Small Enterprises has

become mandatory from 1st April 2015. Policy has also earmarked a subtarget of 4% out of the 20%, from MSEs owned by SC/ ST Enterprises. 358 items are also reserved for exclusive procurement from Micro and Small Enterprises.

All Chief Ministers of State Governments are advised to formulate similar policy for Micro and Small Enterprises in their states. For the Redressal of the grievances for MSEs a Grievances cell has been constituted. This type of policy helps to promote MSEs by improving their market access and competitiveness through increased participation by MSEs in Government purchases and encouraging linkages between MSEs and large enterprises.

E-Governance initiatives/ Digital Initiatives

E-Office: e-Office initiative has also been introduced to achieve paperless office of DC(MSME) with this movement of e-files has been started and digitalization of existing physical files for converting the same into electronic files has been completed. The work has been taken up in consultation with NIC officials for IT setup, hardware platform requirement, IT hardware requirement, number of users, manpower and training activities as per e-office requirement. Since 1st Jan 2016 the Office of the DC (MSME) has been successfully using e-office software.

Proposal for ISO 9001:2015 Certified Organisation: The Office of DC-MSME has taken up the proposal for adoption as an ISO 9001:2015 certified organization. An International agency accredited by NABCB has been consulted for creating primary documentation work.

Mobile Friendly Website: The Ministry website and Office of the DC-MSME has been made mobile friendly so that entrepreneur can be easily accessed the content through any mobile.

AADHAAR Based Attendance: For all employees of the Ministry and Office of Development Commissioner: Aadhaar-based Bio-metric Attendance System is prepared which ensures punctuality of attendance.

8) Conclusion:

Because of withdrawal of subsidy and lack of infrastructure Micro, Small and Medium Enterprises are unable to compete with large industries. From last few years government has given more importance to promotion than protection of MSMEs and has taken several policy

initiatives but attention need to be given to proper co-ordination and implementation of schemes. Globalisation has its merit and demerits for MSMEs. With globalisation MSME have gained competitiveness but they are unable to compete with the global players. The MSMEs can convert the threats of globalization into opportunities through increased productivity, product diversification, supply chain management, Research and Development activities. Government has worked on priority sector lending, programme related to government procurement, credit and performance ratings and marketing support. But government should support MSMEs at the start-up stage. The Indian MSME sector has to work for rapid growth and integration with major global value chains. Timely policy intervention and support of government can only make Indian MSMEs globally competitive.

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