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A Study on Growth and Contribution in Micro, Small & Medium Enterprises with special reference to Chennai District

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ABSTRACT

Micro Small and Medium Enterprises (MSME) form the backbone of the Indian manufacturing sector and have become an engine of economic growth in India. This paper carefully analyses the growth and development of the Indian mall scale sector from the opening of the economy in the last few years. Another part looks into the present scenario of MSMEs 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 final part of this paper provides some future policy framework for the sustainability of the industry and analysis the facts on MSMEs.

1. Introduction

Micro Small Medium Enterprise (MSMEs) constitute over 90% of total enterprises in most of the economies and credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. In Tamil nadu too, the MSMEs play a pivotal role in the overall industrial economy of in this country. In recent years the MSME sector has consistently registered higher growth rate compared to the whole industrial sector. With its agility and dynamism, the sector has shown admirable innovativeness and adaptability to survive the recent economic downturn and recession.

In India, the MSMEs play a pivotal role in the economy of the country. In recent years, this sector has consistently registered higher growth rates compared to the overall Industrial Sector. As per the available statistics, (4thAll India census of the MSME sector), this sector employs an estimated 59.7 million persons spread over 26.1 million enterprises. It is estimated that in terms of value, the MSME sector accounts for about 45 percent of the manufacturing output and around 40 percent of the total exports of the country. Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades.

MSMEs not only play a crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in Industrialization of rural and backward areas, thereby reducing regional imbalances and assure more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units, and this sector contributes enormously to the socio-economic development of the country. Ministry of Micro, Small & Medium Enterprises (M/o MSME) envision a vibrant MSME sector by promoting growth and development of the MSME Sector, including Khadi, Village and Coir industries, in cooperation with concerned Ministries/Departments, State Governments and other Stakeholders, through providing support to existing enterprises and encouraging creation of new enterprises.

The Industrialization in a narrow sense indicates the growth of the manufacturing industry; Broadly defined, Industrialization is 'a process in which change of a series of strategically production functions are taking place. It involves those basic changes that accompany the mechanization of an enterprise, the building up of a new industry, the opening up of a new market.

Industrialization which permits the production of goods for domestic use which would otherwise be imported has also an equally good stabilizing effect. The setting up of industries which makes use of agriculture raw materials such sugarcane, cotton, oil seeds, rice, rubber etc.,. , not merely diversify the nature of the economy, but also creates additional wealth. Industrialization is emphasized due to the dynamic surpluses and the secondary rounds to activates which manufacturing industries and generate through the 'Vertical linkage' with other sector of the economy

Small and Medium Enterprises including Khadi and village rural enterprises constitute an important segment of Indian economy in terms their contribution to country's industrial production, export, employment and creation of an entrepreneurial base.

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Definition of MSMEs' in various Countries

Country	Category of Industry	Country's Official Definitions	Measure
USA	Small enterprise Medium	100 to 499 Employees	Employment
Denmark	Manufacturing	Less than 500 employees. Production units with more than 5 employees	Employment
China	SME	Depends of product group usually less than 100 employees, investment ceiling 30 million Yuan (US 8 million)	Employment and Investment
Japan	Manufacturing and whole sale trade	Less than 300 employees and Fixed Investment less than 100 million yen	Employment and Fixed Assets
Korea	Manufacturing and services	Less than 300 employees Less than 20 employees	Employment
Singapore	Manufacturing Service	Less than S Dollar 12 Million Fixed Assets Less than 100 employees	Fixed Assets Employment
Australia	Manufacturing Service	Less than 100 Employees Less than 20 Employees	Employment
Germany	SME	Less than 500 Employees	Employment

2. Manufacturing Enterprises in India:

- A Micro Enterprise– where the investment in plant & machinery does not exceed Rs. 25 lakhs.
- A Small Enterprise – where the investment in plant & machinery is more than Rs. 25 lakhs but does not exceed Rs. 5 crores.
- A Medium Enterprise – where the investment in plant & machinery is more than Rs. 5 crores but does not exceed Rs. 10 crores.

Service Enterprises:

- A Micro Enterprise– where the investment in plant & machinery does not exceed Rs.10 lakhs.
- A Small Enterprise – where the investment in plant & machinery is more than Rs. 10 lakhs but does not exceed Rs. 2 crores.
- A Medium Enterprise – where the investment in plant & machinery is more than Rs.2 crores but does not exceed Rs. 5 crores.

3. Research Methodology

In this study the researcher has took the micro, small and medium scale enterprises because so many members already done their research on only medium scale enterprises. So researcher will use the descriptive and analytical research methodology to better understand the nature of problem and uses interviews with MSMEs industries which are located in Chennai District only. Sampling Size in Indian geographical area has very large number of population. It is very difficult to cover the all people of the country. So the survey shall include 50 respondent units from the geographical area of Chennai District, Tamilnadu.

4. Objectives

1. To understand the role of Micro, Small and Medium scale industries in the economic development of Chennai District.
2. To know the policy measures for the exponential growth of Micro, Small and Medium scale industries.

5. Scope

The current study is mainly concerned to know the current position of the small and medium scale enterprise in Chennai District and what all the problems are is there in the MSMEs in Chennai District. To find out the how MSMEs role in economic development of the country. The study is restricted to only in the area of Chennai District.

6. Review of Literature

Sudan, F. K. (2015) 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 MSE sector. The study concluded that all the policies which were opted by GOI were the efforts to form a dynamic MSE sector and a diversified economy providing expanded employment opportunities to absorb all new labor force and offer exciting career opportunities.

Saxena.H.M. (2012) has studied the factors underlying the growth of marketing system as a result historic economic reforms and is linked to the growth of human civilization, specifically to the economic development population growth and inactive for urbanization. The study emphasized on understanding the behavior of the market participants the behavior of market participants due to market dynamics and concluded with a suggestion as to how the development of markets and their efficiency could be strategized.

J.M.Keynes (1936) identifies the force that influences formulation of employment policy during industrialization. He propounds the theory of entrepreneurship that will offer the quantum of employment that can be created to maximize the output and profitability he further, stresses that the productivity of labors determinant factor of the level of employment.

7. Statement of the Problems

Despite its strategic importance in any industrialization strategy, the opportunities that the Indian landscape presents and its immense potential for employment generation the MSME sector confronts several challenges. They face problems at every stage of their operation, whether it is buying of raw materials, manufacture of products, marketing of goods or raising of finance. Some of the challenges Indian MSMEs face have been discussed below:

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- Problems in supply to government departments and agencies
- Procurement of raw materials at a competitive cost
- Low technology levels and lack of access to modern technology
- Lack of skilled manpower for manufacturing, services, marketing, etc

8. Analysis and Interpretation of the Data

Ownership pattern of the unit

S. No	Ownership Pattern	Response
1	Sole proprietorship	24
2	Private limited	45
3	Partnership firm	27
4	Public	4
5	Others	0
6	Total	100

Source: Primary Data

This table reveals that study area of Chennai District has most of private firms are participating by this we can see the organizations having the private owners. Partnership firm and sole proprietorship firm showing little bit equal participation. But the study area of Chennai District public organization is very less to other type organizations, so study area organizations having ownership pattern most of all is private limited.

The Table Showing Registered Organization Respondents

S. No	Ownership Pattern	Response
1.	Yes	100
2.	No	0
3.	Total	100

Source: Primary Data

We can see that every organization has got the registration by the above data. The study area has various types of industries in that all industries has got registration which we have took to survey. The table showing role of organization is playing in economic development of Chennai District.

The table showing role of organization is playing in economic development.

S. No	Role of Organization in Economic Development	Yes	No
1.	Creating employment opportunity	93	7
2.	Enhancing standard of living of people	31	69
3.	Contributing to development of social infrastructure	40	60
4	Social responsibilities for providing for common good	24	76
5	Others Please Specify:	9	91

Source: Primary Data

Above table reveals that in MSMEs playing role in economic development activity. That is first they are playing to create employment opportunity for unemployed educated people, the second role contributing to social development infrastructure. Enhancing standard of living of people and social responsibilities for providing for common good role is playing in economic development of Chennai. So MSMEs provide better help to Chennai people to develop their economic condition.

The table showing the important measures as per you would steer the growth of MSMEs

S. No	Measures as per you would steer the growth of MSMEs	YES	NO
1.	Financial Assistance	55	45
2.	Government assistance	43	67
3.	Reducing tax deductions	60	40
4.	More availability of raw material	50	50
5.	Improve the technology	33	67
6.	Innovations	18	82
7.	Improve the production capacity	64	36
8.	Fulfill employees incentives	44	56

Source: Primary Data

The above table reveals that effective measure to growth of MSMEs by their opinion is improve the production capacity, Reducing tax deductions, Financial assistance, More availability of raw material, Fulfill employees incentives, Government assistance, Improve the technology, Innovations these are all the measures they need to growth of MSMEs but first is Improve the production capacity, financial assistance, More availability of raw material is more important factors to develop the MSMEs.

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Classification on the basis of facing marketing problems

Problems	No of units	Percentage
High export duty	3	4.3
High carrying cost	47	67
Foreign exchange fluctuation	5	7.1
High competition	54	77
Higher standard fixed by foreign countries	3	4.3
Less demand	30	43

Source: Primary Data

Table shows the marketing problems faced by the units in industrial estates. Out of 70 units only 3 units (4.3%) have the problems of high export duty. Out of the total units, 47 units are (67%) facing the problems of high carrying cost. 5 units (7.1%) are facing the problems with foreign exchange fluctuations. The majority of unit are facing the problem of high competition. It is one of the main problem of high competition is one of the main problem. 77% are facing this problem. 3 units are facing the problems with higher standard kept by foreign countries. And less demand is faced by 30 units (43%)

Chi-Square Test

Table indicates value is more than calculating the value. So Null hypothesis is accepted, an alternative hypothesis is rejected. There is no relationship between gender and of their growth.

		Growth					Total
		Agree	Strongly Agree	Neutral	DisAgree	Strongly Disagree	
Gender	Male	43	28	24	24	14	133
	Female	27	16	8	17	19	87
Total		70	44	32	41	33	220

MSME growth and contribution

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.596[a]	4	.108
Likelihood Ratio	7.648	4	.105
Linear-by-Linear Association	2.115	1	.146
N of Valid Cases	220		

a. ANOVA

Table shows that table less than calculating value. So Null hypothesis rejected, the Alternative hypothesis is accepted. There is a significant relationship between growth and contribution.

			Sum of Squares	df	Mean Square	F	Sig.
Between Groups	(Combined)		1.976	4	.494	.312	.870
	Linear Term	Unweighted	.925	1	.925	.584	.445
		Weighted	.463	1	.463	.293	.589
		Deviation	1.512	3	.504	.319	.812
Within Groups			340.183	215	1.582		
Total			342.159	219			

ANOVA test table implementation of MSME

Q-1, Implementation of MSME	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	2.352	2	1.176	5.591	0.007
Within Groups	8.625	41	0.210		
Total	10.977	43			

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Interpretation

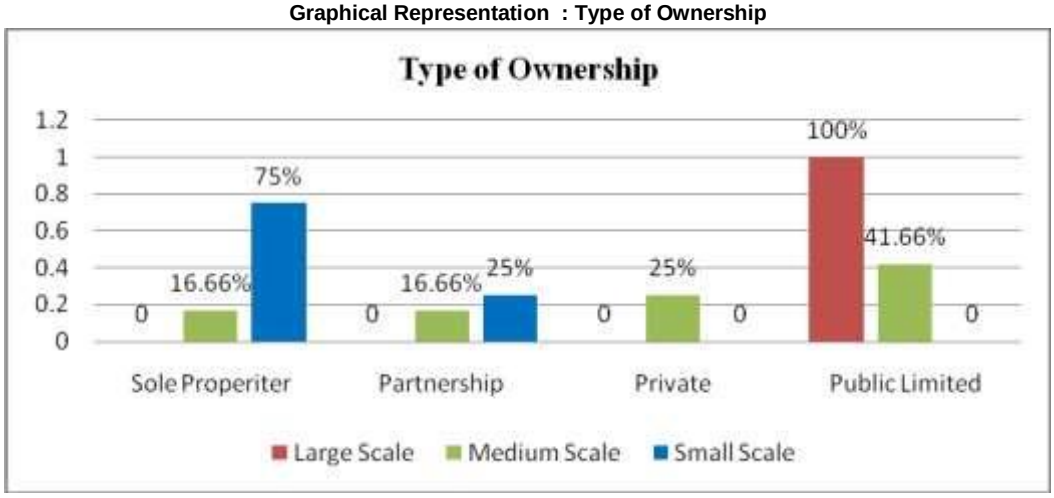
The analysis done using ANOVA as shown above has an asymptotic significance value of 0.007, which indicates that the null hypothesis Ho_1 can be rejected in favour of the alternative hypothesis Ha_1 that the implementation of MSME by the firms is dependent on the scale of operation. However the results of the cross table shows that implementation of MSME is not dependent on the scale of operations of companies.

$HO(2)_1$: As far as the organizations intention to increase the annual turnover is concerned, implementation of MSME by the firms is not dependent on the scale of their operation (Small, Medium or Large).

Cross tabulation: Type of Ownership

Scale of Operation	Type of Ownership				Total
	Sole Proprietor	Partnership	Private	Public Limited	
Large Scale	0	0	0	8	8
Medium Scale	2	2	3	5	12
Small Scale	18	6	0	0	24
Total	20	8	3	13	44

Graphical Representation : Type of Ownership



9. Suggestion

On the basis of above analysis, this study put forward the following suggestions for better performance of the MSME.

- Provide raw materials at minimum price with the support of Govt:
- Provide adequate financial support to each unit.
- Give awareness to all unemployed about the scope of MSME.
- Find out permanent setup for marketing of their product.
- Establish more incentives to entrepreneurs.
- Encourage youth to start this venture.
- Promote more entrepreneurs from the part of women also

The major achievement is that with MSME Act 2006, many changes are held in our district, and there by rural and urban development. Small scale industrial development is an important strategy especially in developing countries. Through MSME many unemployed got employment Opportunities. It also helps to reduce poverty. The notable achievement is MSME reduced gender inequality in Chennai District

10. Conclusion

The study area has various MSMEs to improve the economic condition of the country. The MSMEs role is most important in Study area to improve the life style of people and these MSMEs also having social development activity. MSMEs are providing employment opportunity to unemployed people. MSMEs having the relationship with other country to sell their product by this activity Chennai got good identity. Now day's MSMEs are facing lots of problem because of various reasons that may be finance, employees, technology, innovation problems etc. MSMEs having the social development activity to improve the present economic condition of the Study area. The role of MSMEs in economic development is first and foremost thing is providing employment opportunity to unemployed people. The study area is very comfortable to open more MSMEs because of this area is having required and enough raw materials to related industries and this area having comfortable marketing. According to my survey the marketing, transportation, innovation and tax problem is less compare to other industrial areas like Chennai etc.

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