

## MICRO, SMALL AND MEDIUM ENTERPRISES: A FLOURISHING INDUSTRIAL SECTOR

Naib Singh<sup>\*1</sup>

<sup>\*1</sup>Associate Professor, Department of Commerce, Govt. P.G. College, Ambala Cantt, Haryana, India.

### ABSTRACT

The Micro, Small and Medium Enterprises have emerged as a highly pulsating and vigorous sector of the Indian economy over the last five decades. It contributes significantly in the economic and social development of the country by nurturing entrepreneurship and creating large employment opportunities in the industrial sector of the country. The Micro, Small and Medium Enterprises Development Act 2006 of government of India have defined micro, small and medium enterprises. Initially these industries were defined based on investment limits in plant, machinery and equipment pertaining to manufacturing and service providing enterprises. These industries are production oriented. This industrial sector manufactures the products according to diversified needs of people such as manufacturing of candles, brooms, containers and equipment. This sector encourages these people to use their art in the effective manner. This is not possible in large industrial set up. These industrial units have less gestation as compared to the gestation period of large industries. In this way, MSME sector of India is the prime manufacturing hub of the industrial sector.

**Keywords:** MSMEs, Classification of Industries, Manufacturing Hub.

### 1. INTRODUCTION

Industry leads to the concept of industrialization. Initially, the people of any economy are engaged in those basic activities, which are necessary for their food. As time passes, they start to fulfill their other requirements by transforming the available raw material into those products, which satisfy their needs. This transformation requires the manufacturing process. Initially most of the economies are based on agriculture. Industrialization includes the process of transforming an agricultural economy into one, which is based on manufacturing of products. Hence, industrialization creates the value through transformation process.

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Agriculture is the main occupation in rural areas. Micro, small and medium units are the best option for those farmers who want to change their occupation. MSMEs sector is well suited for rural areas due to the availability of raw material and cheap labour. These units can be started along with the agriculture.

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But from 1st July 2020 these industries have been defined based on investment in plant, machinery or equipment and turnover as under:

**Table 1:** Definition of Micro, Small and Medium Enterprises

Classification of Enterprises	Investment in Plant and Machinery or Equipment	Turnover
<b>Micro</b>	Up to Rs. 1 Crore	Up to Rs. 5 Crore
<b>Small</b>	Up to Rs. 10 Crore	Up to Rs. 50 Crore
<b>Medium</b>	Up to Rs. 50 Crore	Up to Rs. 250 Crore

Source: Annual Report of MSME, 2021-22, Govt. of India

These industries are production oriented. This industrial sector manufactures the products according to diversified needs of people such as manufacturing of candles, brooms, containers and equipment. As per the MSME report 2016-17 of government of India the micro, small and medium enterprises contribute to the manufacturing output up to 33 % approximately.

These industrial units can be established with less capital investment. Many types of units such as the candle making unit and envelop making units can be started with Rs. Two or Three lakh. These units do not require heavy plant and

machinery. These industries make significant contribution to the exports of the state. Main exports of MSMEs include processed food, leather products, sports products, readymade garments, glass products and handicrafts etc. In 2018-19, the share of these industries in the total exports of the country was 48 per cent.

Following table depicts estimated number of Micro, Small and Medium Enterprises:

Category of Activity	Rural	Urban	Total
Manufacturing	114.4	82.50	196.65
Electricity*	0.03	0.01	0.03
Trade	108.71	121.64	230.35
Other Services	102.00	104.85	206.85
All	324.88	309.00	633.88

Source: Annual Report of MSME, 2021-22, Govt. of India

MSME sector contributes to the development of infrastructure in many ways. The establishment of these units requires electricity, transportation, plant and machinery, land and building etc. After the production of goods and services warehouses and markets are developed.

## 2. METHODOLOGY

This paper is based on the descriptive study. The observations are based on various published and online sources and covers the Indian industrial perspective of Micro, Small and Medium industrial units. Secondary data have been used as the main sources from which necessary information have been collected for the purpose.

## 3. OBJECTIVES OF THE STUDY

- **Prime Objective:** This main objective of this paper is to investigate the importance of Micro, small and medium enterprises in the context of industrial economy of India.
- **Secondary Objective:** To draw conclusions on the basis of assessment of various issues and prospects of these industrial units.

## 4. LIMITATIONS OF THE STUDY

- It is not a case study hence the conclusions drawn in this paper cannot be applied to any particular enterprise.
- Secondary data has been used in this study to highlight the present scenario of MSMEs.

## 5. CONCLUSION

Micro, small and medium industrial units are less capital intensive and more productive enterprises that play effective role in economic development. These industries have broad industrial base. These provide entrepreneurship at large. These units fulfill the demand of various large industrial undertaking by producing spare parts and other raw material. These enterprises can be started at any place due to easily availability of workforce and less requirement of infrastructural facilities. A micro or small unit can be started at home by the entrepreneur such as candle making unit, envelop making unit and toy making unit etc. Many micro, small and medium industrial units are operated by artisans. This sector encourages these people to use their art in the effective manner. This is not possible in large industrial set up. These industrial units have less gestation as compared to the gestation period of large industries. Gestation period starts from the establishment of industrial units and ends with the start of production. Shorter gestation period is beneficial for the enterprise because it increases fixed and semi-variable costs. These industrial are established mostly in rural areas. Industrialization increases the income level of people. Increase in the income level leads to the saving. People can fulfill their various needs related to food, education, housing and medical etc. In this way, MSME sector of India is the prime manufacturing hub of the industrial sector.

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