

# Role of Micro Small and Medium Enterprises (MSME) In India Economy: A Regional Analysis of Uttar Pradesh

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**Abstract – India is a developing country, and in a developing country Micro Small and Medium (MSME) are accepted as the “engine of economic growth in India”. In recent years MSME have gained attention of policy makers all around the country because of its true capacity creating enormous measure of result from a lower venture it required. This work concentrated area has the limit of lessening provincial awkwardness through pay and business age. Financial development of provincial people and helps in manageable turn of events. MSME sector is very heterogeneous in nature in India. This research paper will focus the existing trends and scenario of MSME in India.**

**Keywords – MSME, Employment, Enterprise**

## I. INTRODUCTION

Micro, small and medium enterprises (MSMEs) are considered as the catalyst of economic development and social development of developing countries. MSME might be considered as tremendous indication of movement of India, one of the fundamentally arising nations of the world. Indian economy is a huge load of ward on Micro, Small and Medium Enterprises (Biswas, 2016). This district has the restriction of reduction of territorial uniqueness through pay age, sets out business open doors, lessen destitution or more all instigate local turn of events. Aside from setting out work open doors at almost lower cost appeared differently in relation to tremendous organizations, it start industrialization in less progressed regions, limit territorial unwieldiness and convince unprejudiced dissipating of headway and improvement. MSMEs are supplement to colossal augmentation endeavors and considered as subordinate to them (Muthu, 2015). MSMEs get the open door old enough respectfully tremendous aggregate compensation with lower proportion of hypothesis (Sen and Selim, 2015). Accordingly the great point of the public authority was to encourage a fair monetary headway through fairly less extent of experience also in those areas scope where immense degree input is insane or open. MSME support cash chiefs for improvement of existing endeavors and enable monetary experts for new

foundation. Information on present status and situation of MSME in India is vital as monetary as well as examination perspective. India has an old history of business; it is simply also old as our human headway of Indus, Vedic and Harappa. India cautious work, handloom were particularly adjusted to the old world. Thus, this paper will portray what is going on of MSME in India.

### 1.1 MSME in Global Perspective

Due its essential job in business age, abundance creation, advancement improvement, destitution easing, social attachment and neighborhood and provincial turn of events, miniature, little and medium scale endeavors are viewed progressively as significant (Bidja and Mandizvidza, 2017). MSME is fundamentally effectively prospered in emerging nations for instance Cameroon, Uganda, Malawi, Nigeria and so on In any case, made countries are also not holding up behind. Mead and Liedholm (1998) alluded to that there is an adage that eight out of ten positions are made in the by exclusive business in USA. Japan, maybe the most developed nations of the world, little and medium undertaking has involved a huge level of private current specialists in its state of the art plan (Bannock, 1969). USA, Japan, Germany, Taiwan, Europe, South-East Asia, Brazil, China and countless both made and rural countries are

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contributing their organized measures of energy to work on these undertakings to accelerate their financial progress (Nagaraja, 2013). Board of Malawi has seen MSME area as one of the huge wellspring of business age (Daniels and Ngwira, 1993). Ventures with the exception of huge ones are additionally reliant upon macroeconomic exercises as when in general economy is working out in a good way, MSME is likewise follow a similar way as well as the other way around (Mead and Liedholm, 1998)

## **1.2 MSME In Indian perspective**

Generally there are two major type of MSME are there; Manufacturing Sector and Service Sector. As per MSME Act, 2006 MSME are categorized on following criteria

Type of Enterprise	Manufacturing Sector MSME (Total investment on Plant and Plant Machinery)	Service Sector MSME (Investment in Equipments)
Micro Enterprise	Up to 25 Lakh (INR)	Up to 25 Lakh (INR)
Small Enterprise	More than 25 Lakh to up to 5 Crore (INR)	More than 10 Lakh to up to 2 Crore (INR)
Medium Enterprise	More than 5 Crore to up to 10 Crore (INR)	More than 2 Crore to up to 5 Crore (INR)

Source: The Gazette of India, 16th June, 2006

In The Gazette of India, 1st June, 2018 the new definitions are as follows

- A micro enterprise, where the investment in Plant and Machinery or Equipment does not exceed one crore rupees and turnover does not exceed five crore rupees;
- A small enterprise, where the investment in Plant and Machinery or Equipment does not exceed ten crore rupees and turnover does not exceed fifty crore rupees;
- A medium enterprise, where the investment in Plant and Machinery or Equipment does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees.

Indian MSME area is a lot of heterogeneous whether as far as venture or item assortment or administrations or nature of innovation is utilized, regardless of whether enrolled or unregistered units and so on As indicated by Annual Report of MSME 2016-2017, the Ministry of MSME is assuming a crucial part in persistent helping every one of the states to energize business venture, work age, vocation open doors and update the intensity of MSME in the changed monetary field. As development (with value) process should be in every case ace poor or favourable to hindered part of the general public.

## **II. OBJECTIVE OF THE STUDY**

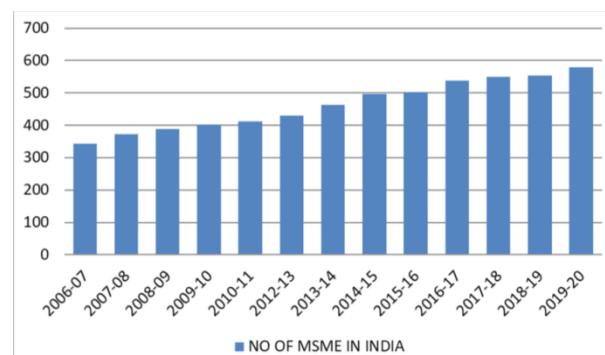
Objectives of the present paper are to focus on performance and growth of MSME's in Uttar Pradesh with perspective of other Indian States. This paper is

descriptive and analytical both and based on secondary data. The sources of this data are following:

- The Gazette of India
- Fourth All India Census Report of MSME
- Annual Report of MSME (Year wise)
- Websites of Ministry of Micro, Small and Medium Enterprises

## **III. PERFORMANCE AND GROWTH OF MSME IN INDIA**

MSME in India has shown a moderate and strong turn of events. Occupations of MSME in Indian economy are very fundamental. It is crucial for the public marks of advancement with worth and fuse. It ensures most prominent entryways for the two positions and self enterprises (Srinivas, 2013). As of 2006, when the Micro Small and Medium Enterprises Act was introduced, MSME in India by and large has shown a moderate and sound turn of events. Accepting that we look at the totalgoings-on working from year of 2007 to 2015 (Fig. 1), itsup moving pattern will be extremely clear.



**Fig.1: Total working enterprises (in Lakhs) in India (2007-2018)**

Source: Annual Report, 2019-2018 (Ministry of MSME, Govt. of India)

Despite various kinds of money related crisis and monetary shocks that have affected the economy, MSME has flexibly suffered with the economy. There are changes being developed pace. Year 2012 enrolled a most extreme increment followed by unforeseen diminishing development and again in 2015to 2016 it has kept up with up pattern as it turning into the urgent area in India economy. Consequently inspite of up-downs in development pace of enrollment in MSME area is positive.

Area of Uttar Pradesh had the best number of studied MSMEs with a piece of 14.20% of MSMEs in the country. Once more west Bengal

comes as close second with a piece of 14%. The super 10 States together tended to a piece of 74.05% of the all-out studied number of MSMEs in the country. With the biggest number of MSME units in the country, Uttar Pradesh is a primary exporter of MSME thing in orders like made works, planning stock, mats, readymade garments, calfskin things, etc. State of Uttar Pradesh has arranged most crucial headway in the Micro, Small and Medium Enterprises (MSME) credit with full scale remarkable of Rs. 570 billion toward the finish of December 2017. Between December 2016 and December 2017, UP enlisted MSME credit improvement of 21%, which is two wrinkle veered from the relating figures in altogether industrialized areas of Gujarat and Maharashtra having headway rates of 10.7% and 10% independently. In respect terms, the altogether MSME credit stream in Maharashtra during Dec 16-Dec 17 at Rs 1.23 trillion was past twofold diverged from UP at Rs. 570 billion. Tamil Nadu, Gujarat and Andhra Pradesh followed next as per outright MSME credit stream of Rs. 820 billion, Rs. 672 billion and Rs. 671 billion separately. Non-Performing Assets (NPA) of the MSME segment in UP stayed at 8.3% at the completion of December 2017, much lower than the relating figures in Maharashtra at 11.5%, West Bengal 12.5 %, Delhi 10.3% and Andhra Pradesh 9.9%. Trades from the Uttar Pradesh Micro, Small and Medium Enterprises (MSME) region have planned basically 6% advancement to contact Rs. 890 billion during 2017-18. The state government is targeting to build MSME items to the tune of Rs. 5 trillion in the accompanying very a long time from the current level of about Rs. 1 trillion on the back of ODOP and other MSME unique tasks, recalling setting up of typical office places for all of the areas Exports from UP have grown in the MSME sector under the following categories:

Leather and leather products	11.3%
Carpets and mats	11.4%
Glass and Glassware	14%
Meat and Edible meat	11.3%
Readymade garments	13.3%
Plastic and Articles	6.6%

Source: MSME Annual Reports

### 3.1 Challenges round faced By MSME in Uttar Pradesh

State of Uttar Pradesh still contains a far way to go in terms of providing an aiding business friendly environment to investors. These are the several issues faced by MSME in Uttar Pradesh are given below:

- Issues connected with Single Window System: Concerns have been raised by the business in regards to the insufficient working of the Single Window System of

clearances by UP Government. The courses of events determined in the Act and Government Orders are not being stuck to. In addition, there are a few windows behind the single window and accordingly, coming about in processes being unwieldy. Useless powerful advisory gathering of Udyog Bandhu To sort out the difficulties looked by the business visionaries and to propose improvement of guidelines the High Powered Council has been laid out. The other very solid people from the Committee fuse the State level Industry Associations, Principal Secretaries and Secretaries of different divisions connected with Industries. The Committee regardless, has stayed futile for the latest few years.

- Nonappearance of institutional memory: Frequent administrative trades address a basic test as far as staying aware of the institutional memory inside the system.
- Huge cost of Power: The endeavors have been crying of high current obligations in the State, because of high cross sponsorships. This builds the general expense of carrying on with work for the ventures.
- Induction to back for adventures The Micro, Small and Medium Enterprises (MSMEs) face troubles in acquiring permission to back from both the State Finance Corporation what's more the banks.
- Absence of a proficient land bank framework: The State doesn't have a successful land bank framework set up to work with land allocation for enterprises, a component took on by most other North Indian States. There is a great deal of land in UP, which has been obtained by the Government, yet is lying empty and has not been distributed towards improvement of ventures.
- Absence of dispersal of data to enterprises: the data with respect to EoDB changes has not been really scattered to the businesses. The issue endures more if there should be an occurrence of the MSMEs who need data in regards to applicable approaches and guidelines that are set up and accordingly, resort to brokers to satisfy basic strategies.
- Political awareness: UP is a profoundly politically-delicate State. Accordingly, no difference either way advancements are arranged, they are inclined to lot of political

analysis. This makes arranging and execution of arrangements very testing

#### **IV. CONCLUSION**

MSME is in the real sense is the main thrust of monetary advancement of any country both made and developing anyway uncommonly rural countries. It's the silver shot to kill dejection and besides a showed way to deal with human success and personal satisfaction especially for the needy individuals (Sengupta and Aubuchon, 2008, Oroso and Muturi, 2013). In Indian economy, MSME is a lot of assorted and local heterogeneity perseveres in all the states. Fourth registration on MSME was led in 2007 and it was the final remaining one. Subsequently information especially on MSME on a point by point design isn't accessible, however Economic Census gives data on all areas counting huge scope units too. Along these lines, there are a few information compels, subsequently somewhat we want to rely upon old data of fourth assessment on MSME. Bit by bit working undertakings whether gathering or organizations are growing and its part openly or state GDP has also shown extending design for specific changes. Amounts of working endeavors are higher in relaxed or unregistered region and it's assuming essential part in business age as well. In any case enrolled undertakings stifled unregistered region in yield age. So we can say that unregistered MSME in specific states fairly is work raised and enrolled region in substitute way is capital not kidding in a couple of states.

For Uttar Pradesh Capital and Credit for MSME should improve along with capacity building through Entrepreneurship development programs and departmental training centers. To improve quality standards enterprises have to keep up with advancement of technology and increasingly stringent environmental and technical standard across the globe. Uttar Pradesh is a land locked country so MSME are most necessary for the economy of the state.

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