

# MICRO, SMALL AND MEDIUM SCALE ENTERPRISES: A CONTRIBUTOR FOR THE DEVELOPMENT

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**Abstract—** In developing countries, like India, where there is a problem of unemployment, poverty, capital shortage etc., in such economies, small and medium scale enterprises work as a backbone, for providing employment opportunities with less investment. This paper focuses on the role of small and medium scale industries for the economic growth in Haryana. It highlights the position of MSMEs in various districts of Haryana and schemes of government of Haryana for the growth of these industries. This paper also contributes the various suggestions for developing MSME in Haryana. This paper is based on secondary sources of data like journals, articles, ministerial reports, websites etc. The growing importance of small and medium scale industries for the development of a country and rural to urban migration act as a motivator for this study.

**Index Terms—** Micro, Small and Medium Enterprises, MSME Act (2006), Haryana

## I. INTRODUCTION

In India small and medium scale industries are second most employment generator sector after agriculture sector. The contribution of MSMEs alone has been greater than 7% to GDP and 45% to Industrial production. The MSMEs are dominant players in some of India's major export sectors namely Textiles and Garments, Leather products, Sports goods, Gems and jewellery, Handicrafts etc. They also contribute substantially in industrial goods segments in sectors such as electrical, engineering, rubber and plastics. For small and medium scale industries there is an act named micro, small and medium enterprises development act (2006). This act defined the industries on the basis of investment as under:

| Classification of enterprises | Manufacturing industry (Investment) | Service industry (Investment) |
|-------------------------------|-------------------------------------|-------------------------------|
| Micro                         | < 25 lakh                           | < 10 lakh                     |
| Small                         | 25lakh - 5crore                     | 10 lakh- 2 crore              |
| Medium                        | 5 crore – 10 crore                  | 2 crore – 5 crore             |

Source: micro, small and medium enterprises Act (2006)

Manuscript received Nov 14, 2014

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Micro, small and medium scale enterprises have a major contribution in economic growth of Haryana state. Haryana as a state of India came into focus in Nov. 1, 1966 and located in the northern part of the country. This state is spread over an area of about 44000 sq. km. and it is the 20<sup>th</sup> largest state in the country in terms of area. As per the census of 2011, total population of Haryana is about 25 million and it is 17<sup>th</sup> most populated state of India. In Haryana there are 81 cities and 6759 villages. The statistics in the Haryana Census, 2011 reveals that majority of population of Haryana lives in villages. For generating employment and growth of Haryana micro, small and medium enterprises act as a blessing and government also working for developing more and more small and medium enterprises to these areas.

The present industrial policy for encouraging micro and small industries reserved some areas exclusively for these industries. Any large scale industry can not enter in these area except when that enterprise export its 50% output.

## II. REVIEW OF LITERATURE

Micro, small and medium scale enterprises defined separately by different institutions and Acts. World Bank defined these enterprises on the basis of no. of employees, initial investment and sales. An enterprises when fulfils any of two conditions it came into the category of MSME.

| Enterprises | No of employees | Initial investment | Sales            |
|-------------|-----------------|--------------------|------------------|
| Medium      | < 300           | ≤ USD 15 Million   | ≤ USD 15 Million |
| Small       | < 50            | ≤ USD 3 Million    | ≤ USD 3 Million  |
| Micro       | < 10            | ≤ USD 10,000       | ≤ USD 10,000     |

Source: World Bank (international finance group)

Financial institutions also classify MSME on the basis of credit size and annual turnover.

As per the MSME Census, NCEUS total no of MSME is 29.8 million out of which 1.8 million is registered firms and 28 million is unregistered firms.

As per the MSME act (2006), there are some areas which are reserved for small scale industries. These are:

| Category                 | Reserved products   |
|--------------------------|---|
| Food and allied industry | 1. pickles and chutneys<br>2. bread<br>3. mustered oil ( except solvent extracted)<br>4. ground nut oil ( except solvent extracted) |

|   |   |
|---|---|
| Wood and wood products                      | 5. wooden furniture and fixtures  |
| Paper products                              | 6. exercise books and registers   |
| Other chemical and chemical products        | 7. wax candles<br>8. laundry soap<br>9. safety matches<br>10. fire works<br>11. agarbatties   |
| Glass ceramics                              | 12. glass bangles   |
| Mechanical engg. Except transport equipment | 13. steel almirah<br>14. rolling shutters<br>15. steel chairs- all types<br>16. steel tables- all other types<br>17. steel furniture- all other types<br>18. padlocks<br>19. stainless steel utensils<br>20. domestic utensils- aluminium |

Source: micro, small and medium enterprises Act, 2006

B.D. Jehra (2000) in his paper, "Export orientation for small and medium enterprises", discussed the importance of small scale sector in the economy, over the last five decades. The paper also highlights the export orientation for small and medium enterprises in India. The study revealed that India as a member of WTO is bound by its regulations. This poses a number of opportunities e.g. with gradual quantitative restriction on imports and a progress reduction in import duties, the Indigenous manufacturers will have to compete with imports even in domestic market. On the other hand, this would open up many new markets for exports where the country can develop competitive advantage.

According to Todd and Javagli (2007) the strategic importance of SMEs has been identified as the following:

- they are responsible for growing employment at a faster rate than large organizations;
- they increase the competitive intensity of the market and reduce the monopolistic positions of large organizations; and
- they encourage the development of entrepreneurial skills and innovation

Leutkenhorst (2004) the contribution of SME's towards employment generation is significant because they

- Tend to use more labour intensive production processes than large enterprises, boosting employment and leading to more equitable income distribution;
- Provide livelihood opportunities through simple, value adding processing activities in agriculturally based economies;
- Nurture entrepreneurship.

MSME census survey (2004) state that the SME's alone contributes to 7% of India's GDP. As per the Third All India Census of Small Scale industries conducted in 2004, the SME's have increased from about 80,000 units in the 1940's to about 10.52 million units. Their total employment is about 25 million and they produce about 7500 products including high technology products. In the sports goods and garments sector their contribution to exports is as high as 90% to 100%.

They constitute 90% of the industrial units in the country and also contribute to about 35% of India's exports.

According to Laghu Udyog Bharti, the attractiveness of SMEs can be summed up as, SMEs are usually started by a single or a group of people mainly to earn their livelihood, flexibility in deciding the price and product with response to the market changes, incur lower overheads thus reducing the cost of production up to a certain volume, capable of meeting the niche market requirements and also export their products in small quantity, create 80% of the jobs, found to be labour intensive compared to the larger counterparts, utilize the manpower locally, located in the dispersed location and emerge as "clusters" for similar kind of units. The dispersed location of SMEs has attracted from national and regional policy.

### III. MSME AND HARYANA

Haryana is also known as 'Greenland' because of its agriculture base. But districts of Haryana around Delhi have a good concentration of small scale units. This may be because of Delhi being the biggest commercial centre and source of supply of raw materials to the industrial units in the Northern region.

There is good balance of small, medium and large scale industries. The state has a very strong industrial base in automobile industry producing motor cars to motor cycles. The agricultural base has also given motivation to the development of many industries linked with the agriculture, such as agricultural and farm implements, agro processing, milk and milk products etc. Even in the service sector, the state has taken a lead and is using its proximity to Delhi to develop tourism industry in the state by developing various tourist destinations.

#### 3.1. Main small and medium scale industries products:

| Districts of Haryana | Main products   |
|----------------------|---|
| Yamuna Nagar         | Metalware/ utensils and light engineering goods                           |
| Gurgaon              | Automobile and auto components, telecommunication, information technology |
| Faridabad            | Auto components   |
| Karnal               | Agriculture implements, footwear industry, milk and milk products         |
| Panchkula            | Tractors and parts, Pharmaceutical formulation                            |
| Bhiwani              | Textile products, Niwar Tapes, Stainless Steel and Hot Rolled             |
| Panipat              | Blankets, Carpet Industry, Handloom Products                              |
| Ambala               | Electrical goods, Scientific and Electronics Instruments                  |
| Jhajjar              | Steel Strips, Sanitary Wares  |
| Rewari               | Copper and copper alloys  |
| Bahadurgarh          | Sanitary wares  |

Source: Directorate of Industries, Haryana, Chandigarh.

#### 3.2. Situation of small scale industries in Haryana:

Position of small scale industries in Haryana on the basis of

registered organisations, average daily workers and turnover in lakhs is given below.

| <b>Position of SSI in Haryana in 2011</b> |                                 |                                       |                                 |
|---|---------------------------------|---------------------------------------|---------------------------------|
| <b>Districts</b>                          | <b>Registered organisations</b> | <b>Av. No of daily workers in SSI</b> | <b>Turnover in SSI in lakhs</b> |
| <b>Gurgaon</b>                            | 22491 up to march 2011          | 186040                                | 868504                          |
| <b>Ambala</b>                             | 3536                            | 26163                                 | 60,000                          |
| <b>Bhiwani</b>                            | 2250                            | 7460                                  | 280cr.                          |
| <b>Fatehabad</b>                          | 1125                            | 3500                                  | 27525                           |
| <b>Hisar</b>                              | 10489                           | 31 each                               | 55909                           |
| <b>Jind</b>                               | 814                             | 7 each                                | 38143.98                        |
| <b>Kaithal</b>                            | 1449                            | 5717                                  | 76411.5                         |
| <b>Karnal</b>                             | 2511                            | -                                     | 1097300                         |
| <b>Palwal</b>                             | 73                              | 7200                                  | 3500 cr.                        |
| <b>Panipat</b>                            | 4068                            | 80667                                 | 2500000                         |
| <b>Rewari</b>                             | 1370                            | 9313                                  | 14311                           |
| <b>Rohtak</b>                             | 4761                            | -                                     | -                               |
| <b>Sonepat</b>                            | 13039                           | 59707                                 | 7265.30 cr.                     |
| <b>Jhajjar</b>                            | 1849                            | 16082                                 | 13800                           |
| <b>Kurukshetra</b>                        | 1748                            | 7 each                                | -                               |
| <b>Mahendragh</b>                         | 1022                            | 3 each                                | 4312.84                         |
| <b>Mewat</b>                              | 42                              | 800                                   | 12402.53                        |
| <b>Panchkula</b>                          | 1862                            | 7 each                                | -                               |
| <b>Sirsa</b>                              | 324                             | 1596                                  | 4930.65                         |
| <b>Yamuna Nagar</b>                       | 1159                            | 17500                                 | 111533                          |

Source: MSME annual report 2011

#### IV. MSME AND ECONOMIC GROWTH

##### 4.1 SME and employment opportunities:

MSME are also effective vehicles for employment generation. Cities of Haryana have been continuously experiencing the burden of a growing population, comprising an ever – increasing proportion of migrants in search of employment and livelihood. In such cases Rural MSME and those based outside of the large cities, offer a viable alternative for employment to local labour, hence presenting an opportunity for people to participate in productive, non-farm activities, without needing to migrate to urban areas. According to 2009-10 MSME census report employment opportunities provided by these organisations is 69millions. Share of Haryana MSME in employment in year 2007-08 is 1.71% and providing 12.23 lakhs employment opportunities in Haryana year 2012-13.

##### 4.2. MSME and Rural Development:

MSMEs contribution to rural development can be observed from the fact that 200.19 lakhs of the working enterprises were located in rural areas, which accounted for 55.34% of the total working enterprises in MSME sector; whereas 161.57 lakhs (44.66%) of the working enterprises were located in urban areas 13 lakhs. MSMEs are likely to experience a high growth path, and the share of MSMEs in the country's GDP is expected to touch double-digits by the end of this decade, from the current 8.72 per cent. MSME in rural areas helps to stop migration of rural people to cities.

##### 4.3. MSME and exports:

The share of MSME in India's total exports was estimated to be around 43 percent in 2011-12. Out of the major products of MSME exports, gems and jewellery, electronic items, readymade garments of all textiles, engineering goods etc. In year 2005-06 share of Haryana MSME in exports is 16.14%. State wise share in exports (2006-07)

| District  | Exports |
|-----------|---------|
| Gurgaon   | 59.97   |
| Faridabad | 12.99   |
| Hisar     | 8.18    |

Source: Directorate of Industries, Haryana, Chandigarh.

Narnaul, mewat, fatehabad have 0 share in exports in Haryana.

##### 4.4. MSME and industrialization:

Micro, small and medium scale industries played an important role in industrialization. In Haryana no of MSME are 0.56% of total MSME in year 2007-08. According to RBI report 2009-10 MSME are 95% of total industries. Annual report of MSME 2012-13 shows that total no of enterprises in Haryana is 5.20 lakhs.

##### 4.5. MSME and production:

These industries have 45% share in total industrial output and approximate 8% of GDP. In year 2007-08 share of MSME of Haryana in total production of India is 10.55%. Gross output of Haryana in year 2012-13 is 53198.68 crore.

#### V. SCHEMES FOR DEVELOPMENT OF MSMEs LAUNCHED BY GOVERNMENT OF HARYANA

##### 5.1. Enhancing competitiveness of existing small scale industries:

In order to improve the performance of Small & Medium Enterprises and to enable them to compete globally, Government has set up SMEs Renewal Fund for Technology Up gradation, Creation of Quality Consciousness, and Promotion of Branding for Improved Marketing, Adoption of Improved Management Practices and Capacity Building.

##### 5.2. Modernization and technology up gradation:

State Government will encourage the existing Small Scale Industrial units to undertake modernization and technology up gradation to meet the challenges of WTO regime. Details of the scheme covering its scope, eligible institutions, definition of technology up gradation, items eligible for the incentive and procedure for sanction and disbursement of the incentive has been formulated by Small & Medium Enterprises Renewal Fund Society of Haryana.

##### 5.3. Patent registration:

Small & Medium Enterprises Renewal Fund Society Haryana will continue to provide assistance to small & medium enterprises for patent registration under the current scheme. The scope of this scheme will be broadened by including universities, educational institutions and the private R&D Institutes in the State for assistance to the extent of 50% of the expenditure incurred for obtaining a patent for their product subject to a maximum of Rs.5 lakhs.

**5.4. Cluster development:** In order to improve the global competitiveness of the domestic industries situated in clusters, State Government will implement the following three projects under the Government of India scheme of Industrial Infrastructure Up gradation Scheme.

- Textile Cluster, Panipat
- Light Engineering Goods Cluster, Faridabad
- Auto Parts Cluster, Gurgaon

Simultaneously, the State Government would take up with the Government of India for up gradation of following clusters under this Scheme:

- Scientific Instruments Cluster, Ambala
- Metal Industries Cluster, Jagadhri
- Agricultural Implements Cluster, Karnal
- Pharmaceutical cluster at Sonapat

Agri Chemical and Industrial Chemical cluster at Bahadurgarh

**5.5. Khadi and village industries:** The State Government recognises the importance of Khadi & village industries in promoting self employment to rural artisans, rural women and other weaker section of society. Due attention will be given in the areas of technology up gradation, training, design and development and marketing. Efforts would be made to adopt cluster approach so that common services such as design and development assistance, raw material etc. could be effectively provided. The activities of Khadi & Village Industries Board would be suitably strengthened.

**5.6. Rural Industrialization:** Rural Industrialization would be given significant importance to diversify economic activity in rural areas, to reduce pressure on land and to meet the challenge of unemployment and underemployment. Khadi & Village Industries Board (KVIB) and NGOs would be effectively involved in this task.

## VI. SUGGESTIONS FOR THE DEVELOPMENT OF MSMEs IN HARYANA

Although there are various schemes were launched by the government of India as well as Haryana, but this is not sufficient because of their failure of effectively implementation. There are some suggestions for developing these organisations:

1. Good infrastructure facility: After so many years of independence, still there are some villages facing the problem of water, electricity, road and rail transport facilities. So, there is a great need of developing infrastructure facilities not even in cities but in villages also.
2. Sound financial facilities: Main problem before these enterprises are financial problem. Because of their small size they face great difficulty for raising funds through capital market as well as from financial institutions. So, there is a need of making sound infrastructure for these industries and make capital market easily accessible for them.
3. Management and technical assistance: Entrepreneurs of small and medium scale enterprises are not professionals. They don't have management expertise and they use labour intensive and obsolete technology. So, it becomes necessary for the development of these organisations that there is an

organisation that provides management and technical assistance in case of need.

4. Restrict substitute goods import for MSME: Government should impose tax, duties and stop dumping of substitute goods that increases competition for these small scale industries products.
5. Promotion of MSME goods: There should be a common platform for the promotion of these industries goods like Surajkund fair. More and more such fairs and exhibitions should be organised exclusively for promoting these enterprises products.

## CONCLUSION

Importance of micro, small and medium scale enterprises increases because of their benefits and their important role in employment generation and revenue. The MSME of Haryana is far ahead in comparison of other states of India in production, exports, rural development etc. Some districts of Haryana like Gurgaon, Faridabad, Panipat have global image in exports of automobiles, electronic goods, textile, garments etc. Government of Haryana recognised the importance of these organisations and launched various schemes for developing MSME. The government should play a facilitator role and improve accessibility of finance by encouraging more banks and other financial institutions.

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