



# **A STUDY ON MICRO SMALL MEDIUM ENTERPRISES PRE AND POST GLOBALIZATION ERA**

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## **ABSTRACT**

*The Micro, Small and Medium Enterprises (MSME) sector has emerged as a extremely vivacious and dynamic sector of the Indian economy over the last five centuries. It subsidizes significantly in the economic and social development of the country by nurturing entrepreneurship and creating large employment openings at comparatively lower capital cost, next only to agriculture. In India, the MSME sector is highly heterogeneous and is involved in a extensive range of occupational activities. The MSME sector has to continue as an engine of growth provided an environment-friendly policy framework and enabling infrastructural support are made available for its functional operations. Our Indian MSMEs are having a great opportunity to contribute more for the country's economic growth and government has got a great role in creating an absolute supporting ecosystem to gain the competitive advantage. The present study covers micro small medium enterprises pre and post globalization era. It also examines the number of MSMEs units, production, employment opportunities and export of MSME in the pre and post globalization period. The study is also important factors influencing to start the MSMEs. Also this study majorly focused on micro, small and medium enterprises located in industrial areas of Bihar state.. Various manufacturers, service providers, start-ups from the agriculture based, yarn textiles, Leather based, metal based, repair and services etc., and were interviewed as a part of the study. Simple random method was adopted from probability sampling method. Both primary and secondary data was collected for the study. There are huge openings for the MSMEs to grow as ancillary industries to unleash superior industrial growth. Development of the sector.*

**Keywords:** MSME, capital cost, employment, production, export, globalization.

## **1.0 INTRODUCTION**

The 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. It contributes significantly in the economic and social development of the country by fostering entrepreneurship and generating large employment opportunities at comparatively lower capital cost, next only to agriculture. And also it is one of the complementary to large industries as ancillary units and this sector contributes significantly in the inclusive industrial development of the country.

MSME sector is not a new phenomenon for India economy and has been there as an integral part since the Harappan era. However, the entrepreneurial spirit of India was demoralized and almost destroyed during the long British rule, as also reflected in the GDP growth rate of 0.9% during the first half of the 20th century (Kishore, 2010). Then came the Swadeshi Movement, with the aim of improving the economic conditions of the people of the country by making them self-reliant. The Indians in this movement boycotted the British products and stressed on the revival of domestic-made products.

The foundation stone for MSME sector was laid by the first Indian government formed right after we got independence in 1947. The present MSME sector is able to emerge as one of the reliable and ever changing sector among all. It is anticipated that there will be growth of around 8% per annum until 2020. MSME sector catering to manufacturing is contributing about 7.09% of GDP. Indian MSMEs are emerging as a strong pillar of Indian economy since its contribution to the Indian GDP is about 37.54%. Our Indian MSMEs are having a great

opportunity to contribute more for the country's economic growth and government has got a great role in creating an absolute supporting ecosystem to gain the competitive advantage.

The movement not only was important in terms of self-reliance but also provided employment opportunities to the unemployed (Meshram, 2012). The post-independence evolution of the MSME sector in India can be broadly divided into two time-frames, before and after The MSMED act, 2006. The firms were categorized as small scale Industries before the MSMED Act, 2006 whereas after the enactment of MSMED act, these units were called enterprises and were categorised into micro, small and medium enterprises.

In present scenario, these MSME units have been accepted as the engines of economic growth across the globe. These enterprises are to be essential for the economic development of developed, developing and under - developed countries. They are key instruments for promoting equitable development. MSMEs constitute more than 90 percent of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a chief share of manufacturing production and exports (Report of MSMEs in India, 2013). In India, the MSME sector is highly assorted and is intricate in a wide range of business happenings. It is the additional largest producer of employment after farming (report of prime minister task force, 2010). MSMEs not only plays a crucial role in providing employment opportunities at comparatively lower capital cost compared to large industries but also helps in industrialisation of rural, Semi – urban and urban masses providing ultimate support to reducing regional imbalances and assuring more equitable distribution of national income and wealth, by eliminating poverty and unemployment problems (Meshram, 2012). MSME rapid the investment in infrastructure, abundant job opportunities, emergence of a robust private sector with small and big companies/ corporate houses and high rise in consumerism. The MSME sector has the potentialities to emerge as the backbone of state economy and to continue as an engine of growth provided an environment-friendly policy framework and enabling infrastructural sustenance are made available for its functional processes.

**1.1 Definition of MSMEs:** The broad classification of Indian enterprises is mainly catering towards manufacturing and service rendering organizations. This is further categorized as Micro, Small and Medium enterprises. As per the Development Commissioner of MSME, 2009, MSMEs under manufacturing sector are categorized based on their investment in plant and machinery and it is on equipment for the service rendering firms. The limit for investment in plant and machinery for manufacturing / equipment for service enterprises after October 2, 2006 is shown by Table 1.

Table 1.1 MSME Definition (October 2006)

<b>MANUFACTURING SECTOR</b>	
<b>Enterprise Category</b>	<b>Investment in plant &amp; machinery</b>
Micro Enterprises	Does not exceed twenty five lakh rupees
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees
Medium Enterprises	More than five crore rupees but does not exceed ten crore rupees
<b>SERVICE SECTOR</b>	
<b>Enterprise Category</b>	<b>Investment in equipment</b>
Micro Enterprises	Does not exceed ten lakh rupees
Small Enterprises	More than ten lakh rupees but does not exceed two crore rupees
Medium Enterprises	More than two crore rupees but does not exceed five crore rupee

Source: msme.gov.in

### 1.2 Importance of MSME

The MSME sector is a very significant piece of India's legacy economic model and a part of the critical supply chain for products and services. This sector is well-thought-out as the job creator and plays a crucial role in providing large-scale employment and industrialization of rural and backward areas. As per the National Sample Survey (NSS) 73rd round, in 2015-2016, there were around 633.8 lakh unincorporated non-agriculture enterprises in the country which are dealing in different economic activities providing employment to 11.10 crore workers. In India, MSME was initially launched in 2006.

The further reputation of MSME in India has been labelled below:

► **MSME creates large-scale occupation:** Enterprises that are inclusive in this sector require low capital to start up new business. Moreover, it creates a vast opportunity for the unemployed people to avail. India crops about 1.2 million graduates per year out of which the total number of engineers are around 0.8 million. There is no economy so far that could provide that large number of fresher's in one year only. MSME is the advantage for the fresh talent in India.

► **Economic stability in terms of Growth and leverage Exports:** It is the most significant driver in India contributing to the tune of 8% to GDP. Considering the influence of MSME to manufacturing, exports, and employment, other sectors are also benefitting from it. Nowadays, MNCs are purchasing semi-finished, and



auxiliary products from small enterprises. It is obliging in making a connection between MSME and big corporations even after the implementation of the GST 40% MSME sector also applied GST Registration that plays an important role to upsurge the government profits by 11%.

• **Inspires Inclusive Growth:** The comprehensive growth is at the top of the agenda of Ministry for Medium, and small and Medium-sized enterprises for several years. On the other hand, poverty and deprivation are a deterrent to the development of India. Also, it includes marginalized sections of a society which is a key contest lying before the Ministry of MSME.

• **Inexpensive Labor and minimum overhead:** While in the large-scale organizations, one of the main challenge is to retain the human source through an effective human resource management professional manager. But, when it arises to MSME, the obligation of labor is less and it does not need an extremely skilled laborer. Therefore, the secondary expenses incurred by the proprietor is also low.

• **Simple Management Structure for Enterprises:** MSME can start with limited resources within the control of the owner. From this decision making gets easy and efficient. On the dissimilar, a large corporation requires a specialist for every departmental functioning as it has a complex organizational structure. Whereas a small inventiveness does not need to hire an external specialist for its administration. The owner can manage himself. Hence, it could run single-handedly.

### 1.3 Micro, Small and Medium-sized enterprises in India

Indian economy is predictable to register a steady development during the upcoming years. The manufacturing industry holds an important key position in the Indian economy. It contributes in a meaningful manner to the Indian GDP and offers employment opportunities for the countrymen (Archana, 2018). The number of India's MSMEs is the largest in the world after China. MSMEs provides a wide range of services and is engaged in manufacturing over 6,000 products of different types. The definition of who meet the requirements as an MSME in India has reformed based on venture and revenue. The new definition proclaimed on May 13, 2020, will apply to both industrial and amenities MSMEs in India. According to Archana (2018), manufacturing enterprises are called in India all corporations engaged in the manufacturing "or production of goods relating to any industry specified in the first schedule to the Industries (Development and Regulation Act of 1951), or employing plant and equipment in the process of value addition to the final product having a distinct name or character or use. The industrial enterprise is defined in terms of investment in plant and machinery." On the other hand, services companies in India are defined as firms engaged in "providing or rendering services defined in equipment investment" (Archana, 2018). India's dominant sector is the service sector, which employs approximately 50 million workers. In contrast, the manufacturing sector could only pull off half that number. "Most of the employment comes from unregistered enterprises, with hesitations and avoidance of the difficult registration process quite evident. The saying "small things make the largest impact" holds true for MSMEs in India, where small enterprises had a fixed asset value of over two trillion Indian rupees. With more infrastructural input and cut down registration process, and receiving benefits from the government, MSMEs in the country are destined to go a long way" (Statista Research Department, 2020). According to India Briefing (2020), the new definition expands the types of firms that can now avail themselves of MSME status and enjoy linked benefits. The following are the sorts of businesses:

- Micro sized firms: Companies with investment up to US\$ 132,521 and an income up to US\$662,715.
- Small -Sized firms: Companies with investment up to US\$1.3million and an income up to US\$6.62 millions.
- Middle sized firms: Companies with investment up to US\$ 2.6 million and income up to US \$13.24 million.

### 1.4 MSMEs- Bihar Perspective:

Micro, Small and Medium Enterprises in Bihar offer a heterogeneous and varied nature of fabric in terms of the size and structure of the units, variety of products and services, scale of production and application of technology. They contribute to the socio-economic development of the State quite significantly. The MSMEs in Bihar constitute about 92% of the total number of industries and produce about 4700 value added products.

Micro, Small and Medium Enterprises have substantially contributed to the economic development of our state. The MSME sector in Bihar occupies the second position next alone to agriculture in terms of employment generation. This sector accounts for about 95% of the industrial units, 65% of manufacturing output. MSMEs have greater opportunities to grow as ancillary industries to unleash higher industrial growth. MSMEs being less capital intensive and more employment friendly have easier access to raw materials, subsidies and other incentives under cluster programs. The state has huge growth potential to create and enhance the capacity of enterprises both in the manufacturing and service sector by using the available resources. There are huge opportunities for the MSMEs to grow as ancillary industries to unleash greater industrial growth. Development of the sector is therefore



extremely important as it holds the key to inclusive growth and plays a pivotal role in holistic development of the state.

MSMEs in Bihar consistently feed the domestic and the international value chain as manufacturers, suppliers, distributors, retailers, contractors and service provider by accounting for a substantial segment of our industrial units. Availability of adequate financial resources, a supportive policy framework to address the areas like entrepreneurship development, a competent pool of human resources, application of latest technology and new innovations, adequate international market linkages and bilateral trade agreements etc. would make the Indian MSME sector globally competitive to address the emerging challenges and help ensure their sustainability. The roadmap for MSME development should include a target for increase in the share of their contribution in the state economy, a substantial increase in generation of employment avenues up to 50%, an enhancement in MSME contribution in the key public and private industry sector by meeting the growing domestic demand, indigenization and important substitution and growth in foreign exports. The development of MSME will result in growth of state per capita income as well as more employment opportunities.

### **1.5 Performance of the MSME Sector in India Pre-Liberalization and Post Liberalisation Period**

#### **Pre-liberalisation period**

- During the post-Independence era, small firms were anticipated to play an important role in the development process, especially in absorbing surplus labor and achieving an equitable income distribution. This is the conventional role assigned to small industries.
- At the beginning of the industrial development process, springiness in production and the ability to offer differentiated products allow smaller firms to grow rapidly.
- Later, large-scale companies come to dictate the size distribution, making up a greater share of output, employment, and value-added because of scale economies, managerial efficiency, better access to finance and infrastructure, and a favorable tariff structure.

#### **Post-Liberalization period**

- The development rate of MSME, on an average, has declined significantly in terms of units and even employment but has improved marginally in terms of output and exports, in the post-liberalization era compared to the pre-liberalization era.
- This could be probably due to – (a) With the threat of competition, new MSME units would not have come up as significantly in the liberalization period as compared to the pre-liberalization era (b) The new MSME components that came up after liberalization may have been much more capital intensive than those that have come up in the past – with some magnitudes of the existing MSME units having modernized themselves to rely less on labour and also to take advantage of developments in the global market (c) Unable to face the struggle some MSMEs exited the market, thereby affecting MSME employment and output initially.
- However, though it seems that the MSME growth enactment (in terms of employment, output, and exports) might have suffered initially but it has been able to recover impressively subsequently in the decade of 2000s.
- The share of the registered MSMEs in India's GDP more than doubled during this period and its share in total organized sector employment increased to 34% during the same period. Although the share of registered MSME exports declined sharply initially, it bounced back to 12% in 2006-07.
- The healthier economic health of registered MSME sector is reflected in another parameter i.e. industrial illness. Infection in the registered MSME sector has declined both absolutely and relatively. This may be the outcome of enhancements in management deficiencies, insufficient financial control, research and development, obsolete technology, inadequate demand, shortage of raw materials, infrastructure bottlenecks, etc.

## **II. REVIEW OF LITERATURE**

Hitendra et.al (2009) study performance analysis of SSI period of pre and post liberalization have identified that the annual average growth rate of different parameters of small scale industries have declined in the age of nineties and productive of employment also declined. They also create that the emergence of the new technology like information technology, services brought lot of changes in SSI. The study concluded that if present growth sustained by these emerging sector then small scale enterprises would be a major contribution to the growth of Indian in their economy.

Grimsholm & Poblete, (2010) conducted a detailed qualitative study of external and internal factors hampering the growth of Small and Medium Enterprises in Thailand. It replicated quite generalized results applicable to most of the south Asian countries making low cost, low value added and labour intensive products. Significant factors hampering growth according to the study are lack of access to finance, competition, barriers to trade, management competence, lack of skilled labour, low investment in R&D and new technology.



**Subrahmanya (2011)** has proved through his study that there is a positive impact of globalisation on the exports of the small and medium enterprises. The study hinted that the share of exports of SSIs has increased in the pre-globalisation period, but remained unchanged or little volatile during the post-globalisation period. It is evident as the correlation coefficient of exports of SSIs, between post-globalisation and pre-globalisation period, is higher in the former comparatively with the latter. He accredited the change to the radical change in the composition of SSI export items from traditional to non-traditional and upward trend in its contribution to total exports through exchange houses, export houses and delegating relation with large enterprises.

**Gugloth and Kumar (2012)** Performance of MSMEs before and after liberalization. The study also analysed the impact of globalization on the performance of MSMEs and made a comparative analysis of the growth outline of key parameters between pre and post globalization period. It took an age from 1999 to 2010 for the analysis. It also concentrated on the on-going changes in the business atmosphere. The study found that the small scale sector has grown rapidly over the years. It also create that the period of liberalization and the development of MSMEs sector constituted an important segment of our economy.

### III. METHODOLOGY

This study majorly focused on micro, small and medium enterprises located in industrial areas of Bihar state.. Various manufacturers, service providers, start-ups from the agro based, cotton textiles, Leather based, metal based, repair and services etc, were interviewed as a part of the study.

#### Objectives of the study

1. To study the growth of MSME sector in pre and post liberlisation period.
2. To identify the important the influencing factors of MSME units in the study area.

#### Sampling technique:

Simple random method was adopted from probability sampling method to select the sample.

**Method of Data collection:** Both primary and secondary data was collected for the study. Secondary data was poised from specific reports, articles and other internet sources. Key data was collected by personally interviewing people or sending them questionnaires.

Sample size: Sample size taken up for the study is 75 MSME enterprises.

### IV. MICRO SMALL MEDIUM ENTERPRISES: PRE AND POST GLOBALIZATION ERA

#### 1.6. Number of MSMEs units in pre and post globalization period

The advent of globalisation during the 1990s has made a phenomenal change on the canvas of the Indian industrial sector in general and MSMEs in particular. To capture the impact of globalisation on MSMEs, it is quite normal to make a comparison of growth rates of different variables between the pre-globalisation and post-globalisation periods. In this section, the growth and trend of MSMEs in terms of the number of units, production, employment and exports in India during the pre- and post-globalisation eras is discussed.

**Table 1.3: Number of working units of MSMEs during the Pre and Post Globalization period**

Pre globalization Period			Post globalisation period		
Year	No. of Units (Millions)	Of increase to previous year	Year	No. of units in lakhs	% Of increase to previous year
1973-74	0.42	-	1990-91	6.79	-
1974-75	0.50	19.05	1991-92	7.06	3.98
1975-76	0.55	10.00	1992-93	7.35	4.11
1976-77	0.59	7.27	1993-94	7.65	4.08
1977-78	0.67	13.56	1994-95	7.96	4.05
1978-79	0.73	8.96	1995-96	8.28	4.02
1979-80	0.81	10.96	1996-97	8.62	4.11
1980-81	0.87	7.41	1997-98	8.97	4.06
1981-82	0.96	10.34	1998-99	9.34	4.12
1982-83	1.06	10.42	1999-00	9.72	4.07
1983-84	1.16	9.43	2000-01	10.11	4.01
1984-85	1.24	6.90	2001-02	10.52	4.06

1985-86	1.35	8.87	2002-03	10.95	4.09
1986-87	1.46	8.15	2003-04	11.40	4.11
1987-88	1.58	8.22	2004-05	11.86	4.04
1988-89	1.71	8.23	2005-06	12.34.	4.05
1989-90	1.82	6.43	AAGR		<b>4.06</b>
<b>AAGR</b>	-	<b>9.64</b>	<b>CAGR</b>	<b>4.06</b>	
<b>CAGR</b>	<b>9.60</b>	-			

Source: Ministry of MSME, Government of India.

**Note: AAGR- Average Annual Growth Rate, CAGR: Compound Yearly Growth Rate.**

The working units of MSMEs during 1973-1991 pre globalisation period are depicted in Table 1.3. Millions In 1973-74 While they The number of working units in SSI (Now it is called MSMES) 0.42 Millions in 1973-74, while they increased up to 1.82 million by the end of the financial year. The average Annual growth rate was 9.64 per cent in terms of the number of working units increased during the pre globalization period. It is found that, the number of units during the pre-globalisation period, there was a continued growth but fluctuate could be noticed in terms of percentage change to the previous year.

In the performance of MSME in terms of working units during the post globalization period, but before the MSME act 2006. The number of working units during 1990-91 were 6.79 million where as it has 12.34 million in 2005-2006. With the Average Annual Growth Rate of 4.06 Percent. The Compound Annual Growth Rate was at 4.06 during the study period. There is a continued growth interns of units during the study period.

In the study period, the number of MSMEs units increasing but the average and yearly growth rate was higher in pre liberalization period than post liberalization period.

The following table 1.4 provides the information for production of MSMEs units in pre and post globalisation period.

**Table 1.4: Production of MSMEs During the Pre and Post Globalization period**

Pre globalization Period			Post globalisation period		
Year	Production(Current prices)	% of increase to previous year	Year	Production(current prices)	% of increase to previous year
1973-74	7200	--	1990-91	78,802	-
1974-75	9200	27.78	1991-92	80,615	2.30
1975-76	11000	19.57	1992-93	84,413	4.71
1976-77	12,400	12.73	1993-94	98,796	17.04
1977-78	14,300	15.32	1994-95	122,154	23.64
1978-79	15,800	10.49	1995-96	147,712	20.92
1979-80	21,600	36.71	1996-97	167,805	13.60
1980-81	28,100	30.09	1997-98	187,212	11.57
1981-82	32,600	16.01	1998-99	210,454	12.41
1982-83	35,000	7.36	1999-00	233,760	11.07
1983-84	41,600	18.86	2000-01	268,197	14.73
1984-85	50,500	21.39	2001-02	282,270	5.25
1985-86	61,200	21.19	2002-03	314,850	11.54
1986-87	72,300	18.14	2003-04	364,547	15.78
1987-88	87,300	20.75	2004-05	429,796	17.90
1988-89	106,400	21.88	2005-06	497,842	15.83
1989-90	132,300	24.34	-	-	-
<b>AAGR</b>	-	<b>20.16 %</b>	<b>AAGR</b>	-	<b>13.22 %</b>
<b>CAGR</b>	<b>19.95 %</b>	-	<b>CAGR</b>	<b>13.08 %</b>	

Source: Ministry of MSME, Government of India.

**Note: AAGR- Average Yearly Growth Rate, CAGR: Compound Annual Growth Rate.**

The above table depicted that the AAGR of production in the pre liberlisation period from 1973-74 to 1989-90 was 20.26. But in post liberlisation it was 13.22. In the pre-liberlisation period, the yearly growth rate was decreasing and increasing in the initial year 1974-1975 to 1978-1979 (ie., 27.78% to 10.49%). It was increasing

1979-1980 to 1980-1981 (36.71 to 24.34%) after that it has shown increasing trend except 1986-1987 (18.14). It could be concluded that in the pre-liberalisation period the highest growth rate in the year 1979-80 (36.71%) and the lowest growth rate is in the year 1982-83 (7.36%). The compound annual growth rate is 19.95%.

In the post liberalisation period, the production is year-to-year increasing and decreasing trend, the least growth rate was 2.30 per cent in 1991-1992, while the highest was 23.64 per cent in 1994-1995.

In the post globalisation period, the production of MSMEs in 1990-1991 was ₹78,802 (2.30 Per cent) but it was 2005-2006 reached up to ₹497,842 crore (15.83 Percent) with 13.22 per cent of the AAGR and 13.08 per cent of CAGR. The production of MSMEs the average annual growth rate and compound annual growth is higher than the post liberalisation period.

The employment generation of MSMEs during 1973-1990 pre-globalisation period are depicted in Table 1.5.

**Table 1.5: Employment of MSME During the pre and post globalization period**

Pre globalization Period			Post globalisation period		
Year	Employment in Lakhs	% Of increase to previous year	Year	Employment in lakhs	% Of increase to previous year
1973-74	3.97	-	1990-91	15.83	-
1974-75	4.04	1.76	1991-92	16.6	4.86
1975-76	4.59	13.61	1992-93	17.48	5.30
1976-77	4.98	8.50	1993-94	18.26	4.46
1977-78	5.40	8.43	1994-95	19.14	4.82
1978-79	6.38	18.15	1995-96	19.79	3.40
1979-80	6.70	5.02	1996-97	20.59	4.04
1980-81	7.10	5.97	1997-98	21.32	3.55
1981-82	7.50	5.63	1998-99	22.06	3.47
1982-83	7.90	5.33	1999-00	22.91	3.85
1983-84	8.42	6.58	2000-01	24.09	5.15
1984-85	9.00	6.89	2001-02	24.93	3.49
1985-86	9.60	6.67	2002-03	26.02	4.37
1986-87	10.14	5.63	2003-04	27.14	4.30
1987-88	10.70	5.52	2004-05	28.26	4.13
1988-89	11.30	5.61	2005-06	29.49	4.35
1989-90	11.96	5.84	-	-	-
<b>AAGR</b>	-	<b>7.20</b>	<b>AAGR</b>	-	<b>4.24</b>
<b>CAGR</b>	<b>7.14</b>	-	<b>CAGR</b>	<b>4.23</b>	-

Source: Ministry of MSME, Government of India.

Note: AAGR- Average Yearly Growth Rate, CAGR: Compound Annual Growth Rate.

The above table depicted the employment generation of MSMEs, during 1973-74 to 1989-90 pre and post-liberalisation period. The employment generation of MSMEs during 1973-1991 pre globalisation period are 3.97 lakhs in SSI (Now it is called MSMEs), while they increased upto 11.96 lakhs by the end of the financial year. The highest employability had been created by MSMEs during 1978-1979, while the least was in 1974-1975 with an AAGR of 18.15 per cent and 1.76 per cent, respectively. The average Annual growth rate was 7.20 percent and compound annual growth rate was 7.14 in terms of the employment of units increased during the pre-globalization period. It is found that, the number of units during the pre-globalisation period, there was a continued growth but fluctuate could be noticed in terms of percentage change to the previous year.

The total employment opportunities generated by MSMEs in 1990-1991 were 15.83 lakhs, whereas it reached up to 29.49 lakhs in the year 2005-2006. The AAGR is at 4.24 per cent, while the CAGR is at 4.23 per cent. The upward trend can be identified in the employment generation during the reference period. In the study period, the employment generation of MSMEs units increasing but the average and yearly growth rate was higher in pre-liberalisation period than post-liberalisation period.

The export of MSMEs during 1973-1990 pre- and post globalisation period are depicted in Table 1.6.

**Table 1.6: Exports of MSME During the pre and post globalization period**

Pre globalization Period	Post globalisation period
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Year	Exports(Rs million) in	% of increase to previous year	Year	Exports Rupees in crore)	% of increase to previous year
1973-74	400	--	1990-91	9664	-
1974-75	500	25.00	1991-92	13,883	43.66
1975-76	500	-	1992-93	17784	28.10
1976-77	800	60.00	1993-94	25307	42.30
1977-78	800	-	1994-95	29068	14.86
1978-79	1100	37.50	1995-96	36470	25.46
1979-80	1200	9.09	1996-97	39248	7.62
1980-81	1600	33.33	1997-98	44442	13.23
1981-82	2100	31.25	1998-99	48979	10.21
1982-83	2000	-4.76	1999-00	54200	10.66
1983-84	2200	10.00	2000-01	69797	28.78
1984-85	2500	13.64	2001-02	71244	2.07
1985-86	2800	12.00	2002-03	86013	20.73
1986-87	3600	28.57	2003-04	97644	13.52
1987-88	4400	22.22	2004-05	124417	27.42
1988-89	5500	25.00	2005-06	150242	20.76
1989-90	7600	38.18	AAGR	-	20.63
AAGR	-	21.31	CAGR	20.07	-
CAGR	20.20	-			

Source: Ministry of MSME, Government of India.

Note: AAGR- Average Yearly Growth Rate, CAGR: Composite Yearly Growth Rate.

With respect to exports in terms of value, it was 7600 million in 1989-90, where it was 400 million in 1973-74 with the AAGR Of 21.31 Per cent. There was a continued growth in terms of absolute value of exports from MSMEs. But substantial ups and down could be noticed during the pre-liberalisation period.

The total exports from MSMEs during the study period, was augmented from 9664 crores in 1990-91 to 150242 crores in 2005-06. The year to year increase of export during the pre-liberalization period was 20.63 per cent. Whereas the CAGR was 20.07 percent. It may be conclude that the MSMEs performed well is the trend shows a positive sign through the study period.

In the study period, the exports of MSMEs units increasing but the average and yearly growth rate was higher in preliberalisation period than post liberalisation period.

**Working Units of MSME during the post globalization period after MSME act 2006:**

The table 1.7 shows the working units of MSME during the post globalization period after the MSME act.

**Table 1.7: Working Units of MSME during the post globalization period after MSME act 2006**

Year	No of Units (Million)	% increase to previous year
2006-07	36.17	-
2007-08	37.74	4.34
2008-09	39.38	4.35
2009-10	41.05	4.24
2010-11	42.87	4.43
2011-12	44.77	4.43
2012-13	46.76	4.44
2013-14	48.85	4.47
2014-15	51.06	4.52
2015-16	53.37	4.52
2016-17	55.78	4.52
2017-18	63.39	13.64
AAGR	5.263	
CAGR		4.786-

Source: Ministry of MMSME, GOI.

Note: NA: Not Available





The above table shows that Working Units of MSME during the post globalization period after MSME act 2006. It indicates that In the year 2006-07 the number of MSMEs units is 36.17. It has continuously increasing from 2007 -08 to 2017-18 the average annual growth rate is 4.34 to 13.64. The compunt annual growth rate is 8.63. It is conclude that the number of MSME units showing the positive trend.

The working units of MSMEs in 2006–2007 were at 36.17 lakhs, while these reached up to 63.39 lakhs in 2017–2018. The AAGR and CAGR of working units for the reference period of the study was 5.23 per cent and 5.26 per cent, respectively. The year-to year increase in working units is almost constant throughout the reference period of the study bearing the year 2017–2018.

The following table shows that value of production, of MSMEs during the post-globalisation period after enactment of MSMEs Act 2006 is portrayed in Table 1.8.

**Table 1.8: Production of MSME during the post globalization period after MSME act 2006**

Year	Production (current Prices)	% increase to Previous Year
2006-07	1,351,383	-
2007-08	1,435,179	6.20
2008-09	1,524, 235	6.21
2009-10	1,619,356	6.24
2010-11	1,721,553	6.31
2011-12	1,788,584	3.89
2012-13	1,809,976	1.20
2013-14	1,831,624	1.20
2014-15	1,853,531	1.20
2015-16	1,875,699	1.20
2016-17	1,898,133	1.20
2017-18	NA	NA
<b>AAGR</b>	-	<b>3.485</b>
<b>CAGR</b>	<b>3.45</b>	-

**Source: Ministry of SME, GOI.**

**Note: NA: Not Available**

The above table portrayed that Production of MSME during the post globalization period after MSME act 2006. In the post liberalisation period, year-to-year increase in terms of production. The total production of MSMEs in terms of current prices was at `1,351,383 crores, while it reached up to ` 1,898,133 crores in 2016–2017 with the AAGR of 3.485 per cent and CAGR of 3.45 per cent. It can be observed from the values of production of MSMEs that though there is an increase in absolute terms, the downward trend can be identified in terms of year-to-year increase.

The employment generation of MSMEs during the post-globalisation period after enactment of MSMEs Act 2006 is depicted in Table 1.9

**Table 1.9: Employment of MSME during the post globalization period after MSME act 2006**

Year	Employment	% increase to previous year
2006-07	80.52	-
2007-08	84.2	4.57
2008-09	88.08	4.61
2009-10	92.18	4.65
2010-11	96.52	4.71
2011-12	101.17	4.82
2012-13	106.15	4.92
2013-14	111.43	4.97
2014-15	117.13	5.12
2015-16	123.12	5.11
2016-17	129.42	5.12
2017-18	NA	-
<b>AAGR</b>	-	<b>4.86</b>

<b>CAGR</b>	4.859	-
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**Source: Ministry of MSME, GOI.**

**Note: NA: Not Available**

It could be observed from the Above table 80.52 lakhs of employment opportunities were generated by MSMEs in 2006–2007, where it has continuously increased up to 129.42 lakhs in 2016–2017. A constant year-to-year growth rate can be identified in the employment generation by MSMEs during the reference period of the study with to and fro changes.

The average annual growth rate is 4.86 percent while the compound annual growth rate is 4.859 per cent.

A constant year-to-year growth rate can be identified in the employment generation by MSMEs during the reference period of the study with to and fro changes. In terms of exports from MSMEs, there was a stable growth, as the value of exports increased constantly without any exception during the reference period of the study.

**Table 1.10: Exports of MSMEs during the post –globalisation period after MSMEs act 2006.**

Year	Export in crores	% increase to Previous Year
2006-07	182,538	-
2007-08	202,017	10.67
2008-09	214,387	6.12
2009-10	238752	11.36
2010-11	497,774	108.49
2011-12	670,707	34.74
2012-13	696,025	3.77
2013-14	798,946	14.79
2014-15	866,716	8.48
2015-16	866,912	0.02
2016-17	888,014	2.43
2017-18	959,215	8.02
<b>AAGR</b>	-	<b>18.99</b>
<b>CAGR</b>	<b>16.28</b>	-

**Source: Ministry of MSME, GOI.**

**Note: NA: Not Available**

The total exports from MSMEs during the study period, was augmented from 182538 crores in 2006-07 to 959215 crores in 2017-18. The year to year increase of export unit after the MSME act 2006 the post globalisation period was 18.98 per cent Whereas the CAGR was 16.28 per cent. It may be conclude that the MSMEs performed after the MSMEs act it has tremendously increased and also trend shows a positive sign through the study period.

**Factors Influencing to starts the MSME Units**

The factors are self-employed, experienced business, financial assistance, wide scope etc. These factors are inducing the MSME units to be located in industrial area. The data from the sample units regarding the factors influencing their MSME units are presented in Table 1.11

**Table 1.11: Factors influencing to starts the MSME sectors**

Factors	Most Influencing factor	More influencing factors	Moderate	Less Influencing	Non influencing	Mean Score	Rank
Self employed	31	19	9	10	6	56.8	I
Experienced business	19	16	13	17	10	48.4	IV
Financial Assistance	22	24	11	7	11	52.8	II
Wide scope	16	22	12	9	16	47.6	V
Less competition	19	27	10	8	11	50.0	III
Nearest town	13	21	15	14	12	46.8	VI

Source: primary data



The above table shows the mean score ranking of different responses by the MSME units.. The most important factors to influencing the start the MSME is Self-employed (Mean score is 56.8) and it scores first rank. Another factor is financial assistance and it scores second rank. And less completion is third. And the least rank goes to nearest town (46.8).

## V. FINDINGS OF THE STUDY

- The average Annual growth rate was 9.64 per cent in terms of the number of working units increased during the pre globalization period. It is found that, the number of units during the pre-globalisation period, there was a continued growth but fluctuate could be noticed in terms of percentage change to the previous year.
- The number of working units during 1990-91 were 6.79million where as it has 12.34 million in 2005-2006. With the Average Annual Growth Rate of 4.06 Percent. The Compound Annual Growth Rate was at 4.06 during the study period. There is a continued growth in terms of units during the study period.
- It could be concluded that in the pre-liberalisation period the highest growth rate in the year 1979-80, (36.71%) and the lowest growth rate is in the year 1982-83 (7.36%). The compound annual growth rate is 19.95%.
- In the post liberalisation period, the production is year-to-year increasing and decreasing trend, the least growth rate was 2.30 per cent in 1991-1992, while the highest was 23.64 per cent in 1994-1995.
- The production of MSMEs the average annual growth rate and compound annual growth is higher than the post-liberalisation period.
- The upward trend can be identified in the employment generation during the reference period. In the study period, the employment generation of MSMEs units increasing but the average and yearly growth rate was higher in pre-liberalisation period than post liberalisation period.
- The year to year increase of export during the pre-liberalization period was 20.63 per cent. Whereas the CAGR was 20.07 percent. It may be concluded that the MSMEs performed well as the trend shows a positive sign through the study period.
- After MSME ACT 2006, in the post globalisation era the AAGR and CAGR of working units for the reference period of the study was 5.23 per cent and 5.26 per cent, respectively.
- It can be observed from the values of production of MSMEs that though there is an increase in absolute terms, the downward trend can be identified in terms of year-to-year increase.
- The employment, average annual growth rate is 4.86 percent while the compound annual growth rate is 4.859 per cent.
- Export unit after the MSME act 2006 the post globalisation period was 18.98 per cent whereas the CAGR was 16.28 per cent. It may be concluded that the MSMEs performed after the MSMEs act it has tremendously increased and also trend shows a positive sign through the study period.
- The most important factors to influencing the start the MSME is Self-employed (Mean score is 56.8) and it scores first rank. Another factor is financial assistance and it scores second rank.

## VI. CONCLUSION

MSME have substantially contributed to the economic development of our country. The MSME sector occupies the second position next alone to agriculture in terms of employment generation in the study area. This sector accounts for about 95% of the industrial units, 65% of manufacturing output. MSMEs have greater openings to grow as ancillary industries to unleash higher industrial growth. MSMEs being less principal intensive and more employment friendly have easier access to raw materials, subsidies and other incentives under cluster programs. There are huge openings for the MSMEs to grow as ancillary industries to unleash greater industrial growth. Development of the sector is therefore extremely important as it holds the key to inclusive growth and plays a pivotal role in holistic development of the state and country also.

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