



## Micro, small and medium enterprises (MSMEs) of Jharkhand: The engine for the growth of rural development of Jharkhand

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### Abstract

The micro, small and medium enterprises (MSMED) act was notified in 2006 to address different issues affecting MSMEs inter-alia the coverage and investment ceiling of the sector. The MSMED Act seeks to facilitate the development of these enterprises in the MSME sector who have been able to survive, have realized the value of collaboration, strategic alliance, outsourcing, the flexible production system and have a global mindset. This paper examine the role of MSMEs sector.

**Keywords:** MSME, NSS, finance, market, challenges

### Introduction

Since independence, the small scale industry in India has been a major contributor to the country's Gross Domestic product (GDP). This traditional sector in India is considered to have huge growth prospects with its wide range of products. With 40 percent share in the total industrial output and 35 percent share in exports, the small scale industrial sector in India is acting as an engine of growth in the new millennium. India is expected to emerge as one of the leading economies in the world over the next decade and MSME segment is likely to play a significant role in the emergence of the Indian economy. The development of this segment is extremely crucial to meet the national imperatives of financial inclusion and generation of significant levels of employment in urban and rural areas across the country. Further, it can nurture and support development of new age entrepreneurs who have the potential to create globally competitive business from India. Many developed and developing economies have demonstrated that MSME segment constitutes the backbone for maintaining growth rates as well as employment generation rate and provides stability during economic downturns. It is therefore very crucial that as India embarks on a new wave economy, it adopts the MSME opportunity framework that will provide the necessary impetus to seize the opportunities created by

- Emergence of domestic demand
- Increase in spending in infrastructure and defense sectors
- Increase in FDI in existing and emerging business in India with the make in India initiative.

Double digit growth expected in numerous business sectors. National Sample Survey (NSS) 73<sup>rd</sup> round says that during 2015-2016 MSME sector had created around 11.10 crore jobs. The new wave MSME should enable to development of a business eco system that enable and continuously support business that are growing to delivers the right product, the right quality, the right solution and the right service at a competitive price, both in domestic and international markets. The 'Digital India' revolution also provides a great opportunity to promote MSME

participation in the information, communication and Telecommunication sector in line with government vision. It is equally important that the MSME segment develops in all areas of Agriculture, Manufacturing and Services sectors because each of these sectors will continue to be very relevant to the overall GDP growth as well as employment generation. The MSME sector can act as a catalyst to bring about socio-economic transformation.

The Micro, Small and Medium Enterprises Development (MSMED) Act was notified in 2006 to address different issues affecting MSMEs inter-alia the coverage and investment ceiling of the sector. The MSMED Act seeks to facilitate the development of these enterprises as also enhance their competitiveness. The MSMED Act has the following key provisions-

- Establishment of a National Board for MICRO, Small and Medium Enterprises headed by the ministry of MSME. The role of the Board is to examine the factors affecting the promotion and development of MSMEs review the policies and programmes of the central Government and make recommendations in regard to facilitating the promotion and development and enhancing their competitiveness.
- It provides the first-ever legal framework for recognition of the concept of "enterprise" which comprises both manufacturing and service entities. It defines medium enterprises for the first time and seeks to integrate the three tiers of these enterprises namely, micro, small and medium.

### Definition of Micro, Small and Medium Enterprises

In accordance with the provision of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified as below:

**Table 1:** Manufacturing Sector

Enterprise Category	Investment in Plant and Machinery
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 crores rupees

**Table 2: Service Sector**

Enterprise Category	Investment in Equipment
Micro Enterprises	Does not exceed ten lakh rupees
Small Enterprises	More than ten lakh rupees but does not exceed two crores rupees
Medium Enterprises	More than two crore rupees but does not exceed five crore rupees

The Micro, Small and Medium Enterprises (MSMEs) have been contributing significantly to the expansion of

entrepreneurial endeavors through business innovations. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets. As per the data available with Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation, the contribution of MSME Sector in country’s Gross Value Added (GVA) and Gross Domestic Product (GDP), at current prices for the last five years is as follows:

**Table 3: Contribution of MSMEs in country’s Economy at current price**

Year	MSME GVA	Growth (%)	Total GVA	Share of MSME in GVA (%)	Total GDP	Share of MSME in GDP (in %)
2011-12	2583263	-	8106946	31.86	8736329	29.57
2012-13	2977623	15.27	9202692	32.36	9944013	29.94
2013-14	3343009	12.27	10363153	32.26	11233522	29.76
2014-15	3658196	9.43	11481794	31.86	12445128	29.39
2015-16	3936788	7.62	12458642	31.6	13682035	28.77

(Figures in Rs. Crores adjusted for FISM at current prices)

In India in the post liberalized era, the entrepreneurs in the MSME sector who have been able to survive, have realized the value of collaboration, strategic alliance, outsourcing, and flexible production system and have a global mindset. Increasing the efficiency of the MSME sector depends on strengthening the following three pillars:

- Innovation
- Technology
- Finance

**Entrepreneurs preparing for the global market need to focus on the following:**

- Global mindset.
- Lean Manufacturing
- Complementing large industries
- Alternate Finance
- Prepare for non-tariff barriers
- Explore options of Co-operation, fair trade, IPR and FDI.

**The winning formula for enhancing competitiveness combines**

- Elimination of waste
- Enhancement of Technology
- Use of Quality and Productivity tools
- Total Employee Involvement
- Flow of information to all enterprise stakeholders
- Use of ICT

**Challenges Faced by MSMEs**

MSMEs are very important in the economic growth of India but this sector is not getting sufficient support from the concerned government Departments, banks, financial institutions and corporate. This proves hurdle in the growth path of MSMEs.

MSMEs faces a number of problems:

- Absence of adequate and timely banking finance.
- Low production capacity.
- High cost of credit.
- Ineffective marketing strategy.
- Lack of access to global markets.
- Limited capital and knowledge, non-availability of suitable technology.

- Lack of skilled man power for manufacturing, services, marketing etc.
- Constraints on modernization of expansion.
- Problems of storage, designing, packing and product display.
- In adequate infrastructure facilities, including power, water, roads.

**Review of Literature**

1. Role of Micro, Small and Medium enterprises in inclusive growth concluded that the MSMEs have been termed as the engine for the growth of the country. In the last few years, there has been tremendous change in the national and state level for the poor growth of MSMEs in India and Govt. should take some initiatives for further development of these MSMEs in India. (Srinivas, K.T 2013).
2. The effect of globalization on export potential of small scale enterprises and have concluded that this impact was high in protection period but has shown the increasing trend in Liberalization period too but it seems to be stagnant growth. Therefore the govt., should continue the policy of enhancing the competitiveness of these SSIs through the Inflation of technology, finance and marketing support. (Subrahmanya Bala 2011).
3. “Grooming SMEs in Boomong Asean”, points the needed for support and extension services in accelerating SME growth such support and extension service include market intelligence,marketing services,modernization,technology up gradation,quality testing etc. It is also suggested that the available institutional network in India have to be provided with support and extension services.(Azad 2010)
4. A study on socio Economic background of Entrepreneurs in Small Scale Industries”, points out that the awareness is to be created among the scheduled caste and schedule tribe entrepreneurs by providing finance to start a business. It further suggests that the aim of banking policy should be to uplift the under privileged class of the society in rural India from subsistence existence to surplus existence. (Tagapathi Rao).

5. Annual report of MSMEs 2012-2013, gives the overall view of MSMEs with respect to its performance and growth in production, employment, export, number of industries, detail view of various schemes and of various departments of MSMEs.
6. Final Report of Fourth ALL India Census of MSMEs, gives a sound, accurate and comprehensive database of MSMEs for sound policy formation.
7. Garg, Ishu and Walia, Suraj. (2012) confirms that the significant growth of MSMEs have been taken place over a period of time and this sector is the major donor to gross domestic product(GDP), employment and exports in Indian economy using the OLS (Organizational Leadership and Supervision) technique.

**Statement of the Problem**

An analysis of growth of MSME in East Singhbhum district of Jharkhand.

Or, MSME: The Engines of growth with special reference to East Singhbhum district of Jharkhand.

**Research Problem**

The Jharkhand State which comprises of 24 districts was created by carving out the southern parts of erstwhile Bihar. This 28<sup>th</sup> state of the union came into existence on 15<sup>th</sup> November 2000. From administrative point of view Ranchi is state capital. Jharkhand has 5 Divisions, Palamu, North

Chotanagpur Division, South Chotanagpur Division, Kolhan Division and Santhal Pargana division comprising of all the 24 districts of the state.

Jharkhand is endowed with vast natural resources specially the vast variety of mineral resources like uranium, Mica, Bauxite, Granite, Magnetite, Dolomite, Fire clay, Quartz, Feldspar, Coal (32% of India), Iron, Copper (25% of India) etc. Jharkhand is the leading producer of mineral wealth in the country. The total value of mineral production is amounted to over Rs.3000 crores. Jharkhand is NO.1 producer in Iron ore, Mica, KAINITE and Uranium, NO.3 in coal production after Odisha and Chhattisgarh. Forest and wood lands occupy more than 29% of the state that is amongst the highest in India.

Purbi Singhbhum district is situated at the southeast corner of Jharkhand. It has been formed after isolating nine block from old Singhbhum on 16<sup>th</sup> January 1990. From the industrial growth and mining quarrying point of view this district has leading position in Jharkhand. Before independence the entire area of Purbi Singhbhum district was part of old Madhuban district and old Dhalbhum estate. After independence it has been merged with greater Singhbhum. About 53% of the total area of district is covered by residual mountains and hills consisting of granite, gneiss, schist. It is a part of Chhotanagpur plateau. The district is rich in minerals and these are found abundantly.

**Table 4: Industrial Scenario of Singhbhum (East)**

Sl. No.	Head	Units	Particulars
1	Registered Industrial Unit	NO.	2637
2	Total Industrial Unit	NO.	2637
3	Registered Medium & Large Unit	NO.	95
4	Estimated Avg. No. of daily worker employment in small scale industries	NO.	14500
5	Employment in Large and Medium Enterprises	NO.	8500
6	No. of Industrial area	NO.	1
7	Turnover of Small scale Industries	IN LACS	4200
8	Turnover of Medium & Large Scale Industries	IN LACS	6355

Industry at a glance

**Table 5: Year wise trend of units Registered in east singhbhum**

Year	No. of Registered units	Employment	Investment (lakh Rs.)
1	2000-01	196	802
2	2001-02	198	717
3	2002-03	225	666
4	2003-04	203	633
5	2004-05	224	853
6	2005-06	225	591
7	2005-06	217	278
8	2006-07	33	305
9	2007-08	41	566
10	2008-09	48	573
11	2009-10	6	59
12	2010-11	23	378
13	2011-12	377	1828
14	2012-13	289	1671
15	2013-14	300	2088
16	2014-15	32	210
	Total	2637	12218

Source: Central statistics office (CSO), Ministry of Statistics & Programme Implementation

The present effort is to study about the problem and challenges faced by MSMEs in East Singhbhum. So that the a clear picture of MSMEs activities in rural and urban areas is drawn, which may work as road map of economic

development in east singhbhum and can help estimate how far we have come and how much is to be done for the development of Micro, Small and Medium Enterprises.

### Limitation of the Study

The data will have collected only for east singhbhum district of Jharkhand. The Enterprises have selected randomly. The Enterprises selected both registered and unregistered. As per the data collected there are many problem faced by these units, but in the proposed research work only three major problems (Finance, Marketing, Technology) are emphasized.

### Need and Significance of the Study

- The significance of MSMEs is attributable to their caliber for employment generation, low capital and technology requirement. According to the estimates of the Ministry of MSME, Government of India, the sector generates around 100 million jobs through over 46 million units situated throughout the geographical expanse of the country.
- As per the Report of the working group on Micro, Small and Medium Enterprises
- (MSMEs) growth for 12<sup>th</sup> five year plan (2012-2017), the sector accounts for 45% of the manufacturing output and 40% of total exports of the country.
- The importance of the present study emphasized in the light of different problems that hamper the smooth functioning of the small scale sectors.
- The present study helps the policy makers in the formulation of certain policies in the light of changing conditions to resolve the problems of small and tiny sectors.
- It has already been mentioned that much is done both by the public and private agencies for promotion and smooth functioning of this sector.
- Besides the wide range of services provided by the sector, the sector engaged in the manufacturing of over 6,000 products ranging from traditional to hi-tech items.

### Objective of the Study

1. To study the growth and working of Micro, Small and Medium Enterprises in Jharkhand with special reference to east singhbhum.
2. To study the impact of establishment of MSMEs in East Singhbhum District of Jharkhand on the employment opportunities.
3. To analyze the weakness of MSMEs in East Singhbhum District of Jharkhand.
4. To analyze the financial problem of MSMEs and to suggest proper ways for financial strengthening of MSMEs of Jharkhand.
5. To suggest measures for the improvement of MSMEs in Jharkhand.
6. To suggest measures as regards to the various problems faced by MSMEs in Jharkhand.
7. To suggest ways of Promoting competitiveness and Productivity in the MSME space enabling environment for promotion and development of MSMEs.
8. To critically examine the opportunities of employment created by MSMEs
9. To ascertain the balanced Regional Development.
10. To summarize the study, draw conclusions and there after give suggestions for the effective working of the MSMEs in east singhbhum.

### Research Questions

1. What is the status of the growth and working of Micro, Small and Medium Enterprises in Jharkhand with special reference to East Singhbhum?
2. What are the weaknesses of working of MSMEs in East Singhbhum District of Jharkhand?
3. What are the financial problems of MSMEs and what may be the proper ways for financial strengthening of MSMEs of East Singhbhum District of Jharkhand?
4. What are the problems faced by MSMEs in East Singhbhum District of Jharkhand and how can these be overcome?
5. What is the effect of working of MSMEs on the balanced Regional Development?
6. What are the measures by which effective working of MSMEs in East Singhbhum can be ascertained?

### Hypothesis

1. There is no positive impact of establishment of MSMEs in East Singhbhum District of Jharkhand on the employment opportunities.
2. There is no correlation between establishment of MSMEs in East Singhbhum District of Jharkhand and the employment opportunities
3. The small scale industries in Jharkhand have been subjected to govt. apathy and neglect.
4. There is still a lack of awareness in access to finance and marketing, adoption of innovative technologies are the major challenges for the MSMEs to sustain in the present markets.
5. There is a lack of funding agencies. The existing funding agencies are not coming forth to meeting the timely needs of finance of MSMEs in east singhbhum district of Jharkhand.
6. The MSMEs sector as the 'engine of growth' will be vehicle of development of the Jharkhand in terms of creating employment opportunities.
7. The MSMEs in Jharkhand are meted out injustice to facing competition with large scale industries.
8. There is no correlation between Promoting competitiveness and productivity in the MSME space enabling environment for promotion and Development of MSMEs.

### Research Methodology

The proposed research project has to heavily utilize both the primary and secondary data. The primary data is to be collected through preparing a questionnaire which will be circulated to the workers and owners. Further the observation method have also been applied to go deep into the problem. The secondary data is to be collected from various secondary sources such as magazines, annual reports department of MSMEs and various other published reports.

### Data analysis and Interpretation

The collected data of MSMEs analyzed and interpreted by using frequency distribution, correlation coefficient statistical tool to know the status of MSME, Employment, Investments and gross output, contribution of MSMEs in total GDP in East Singhbhum district of Jharkhand.

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