

Role Of MSME'S in Growth and Development of Manufacturing Sector: A Study on MSME'S in Telangana State

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Abstract:

The manufacturing sector in India creating more employment opportunities for semi-skilled and unskilled workers particularly in rural areas. The growth of MSME (Micro Small and Medium Enterprises) sector in recent years resulted in more employment opportunities particularly manufacturing sector and contributed a significant role in development of country economy. The present paper analyses the role and development of MSME's in Telangana state the paper also analyses the different factors contributed in growth of MSME's and their contribution in growth of state economy.

Introduction

MSMEs are micro, small and medium enterprises that focus on service or manufacturing, processing, production and preservation of goods. The former Ministries of Small Scale Industries and Agro and Rural Industries were consolidated into the Ministry of Micro, Small and Medium Enterprises (MSME) on May 9th, 2007, as a result of a change in the Government of India (Allocation of Business) Rules, 1961. MSME is also a source, which is contributing to Indian GDP, and the objective of nation is to increase its contribution to 50% in the coming future. MSMEs are acting as strength to the economy as they are employing lakhs of skilled and semi-skilled individuals. Before 2018, MSMEs are classified based on the investment but after change in regulations they were categorised based on annual turnover the new conditions are micro enterprises when annual turnover is up to Rs. 5 crores, small enterprises when turnover is between Rs. 5 crores and less than Rs. 75 crores and medium enterprises of turnover between Rs. 75 crores and less than Rs. 250 crores. The central government and RBI has launched many schemes to support MSMEs like MSME Samadhaan, MSME Sambandh, Udyog Aadhaar, MUDRA, ZED Scheme, Make in India, Stand up India.

In the newly formed Telangana state for the fast growth of industries the government has come up with various industrial policies to support the growth of industries like T-IDEA-, TS – iPASS, T-PRIDE-Incentives, Pavala Vaddi and Power cost, Telangana Electrical Vehicle (EV) and Energy Storage Solutions

(ESS) Policy, 2020-2030, Telangana Textile and Apparel Policy (T-Tap), 2017- 18Telangana Innovation Policy 2016. Telangana State Food Processing Policy, 2021, Telangana State Logistics Guidelines 2021-2026, Telangana State E-waste Management Policy 2017, Electronics Policy, 2016 etc. MSME is supporting for the entrepreneurial accomplishments through business innovations and they were producing different products and offering various services to meet the local and global market demands. MSME is trying to reduce regional imbalances through encouraging industrialisation of both rural and urban areas where employment opportunities were growing. According to the good governance, report given by Department of Administrative Reforms and public Grievance government of India for the year 2020-21 declared Telangana as ranked in first position by Industry and Commerce ministry. Industrial Sector is contributing around 24% to state GDP providing employment opportunities about 17.8% overall state population.

Factors Influencing the Establishment and Operating the MSME's

In India the establishment and successful operation of MSME's is influenced by the different political, environmental, sociological and legal factors, the below are the few important factors identified as key factors to establish and operating the MSME's in Telangana state.

Infrastructure: For the support of MSME the state has, a land of 1.50 lakh acres for this TSIIC is ready to respond to the needs of new up comings and the state was focusing on establishment of four dry ports for logistics. Industrial Parks like Textiles in Warangal, IKEA Furniture Park, Plastics Park, Food Park at Buggapadu, Sattupalli, Aero park, NIMZ are all in the making.

Financial Assistance: After the state formation, banks have reported about 8,000 MSE have fallen sick by august 2016 of which banks reported 90% found no more and then 2% were potentially viable and retrieved. Understanding the issues faced by the banks state government has set up Telangana Industrial Health Clinic Ltd a NBFC as associate of TSIDC supported by appropriate Revival and Restructuring Policy for sick units.

Marketing Assistance: Ministry of MSME is providing marketing support to manufacturing sectors under Marketing Assistance Scheme through National Small Industries Corporation (NSIC). NSIC & KVIC are the government agencies for providing marketing assistance to MSME units. The supports schemes are Organizing International Technology Exhibitions in Foreign Countries by NSIC and participation in International Exhibitions/Trade Fairs.

Production: MSMEs are manufacturing about one-third of total India's output and they employ more than 11 crore people and the objective is to increase its number by 15 crores in near futures. It is also supporting in providing training in product development and quality improvement by using local resources, support in advancement of production process through modern machines and equipment's.

Employment potentiality: MSMEs has become one of the sources for self-employment and developed in providing employment opportunities to others in rural areas of country. Where it is improving socio-economic status of people, which is leading to the growth of rural economy and was trying to eradicate or reduce poverty in country.

Technological: MSMEs use technology to reduce cost and helps in automating back offices, such as record keeping; accounting etc. Tech firms enable SMEs to plan and manage logistics and develop cross-departmental processes while enhancing collaboration, execution, and profitability using cutting-edge technology and subject expertise.

Barriers to MSMEs: The major problems faced by MSMEs are people, financial, information, government policy, and infrastructure. For the development of MSMEs skilled labour is required, more than 85% of firms were lacking skilled workers where it became one of the biggest challenges to industries. Financial problems are availability of fund and cost of innovation is high where more than 87% of firms face the problem of less availability of funds. Lack proper information is also leading to poor performance of company where they do not have proper awareness regarding technology access for gathering right information related to markets.

Significance of Study

As MSME is employing about 12 crore people and became a second largest source after agriculture and it is contributing about 6.11% of GDP from manufacturing and 24.63% of GDP from service activities. The job opportunities are available for weaker section people in rural areas, which help in improving their socio-economic status, and it is also encouraging people coming up with ideas and aspires to be entrepreneur where it is increasing market competitiveness and leads to growth of economy. As many studies were available on role of MSME in growth and development of industries as time is passing there are many changes in the policies MSME sector.

Literature Review

Emil Joseph (2022), SMEs are the backbone of India's economy; due to effect of the pandemic COVID-19, almost all the sectors are in serious problems. SMEs are important sources in the globe, especially for the emerging countries. According to the World Bank, SMEs account for 90% of businesses and more than 50% of jobs. However, there is also a large diversity of SMEs due to different market conditions. According to the country's Ministry of Economy, SMEs represent more than 98% of the total number of companies operating in the country.

Sumanjeet Singh(2022), The paper shows the financial and non-financial revival measures such as firm revival, marketing training, customer relationship management (CRM), financial incentive and firm support,

extending worker social security and financial access and price control impact on MSMEs' lead to business sustainability and also perceived as future opportunity to the respondents.

Mr. Dipak Kumar Das (2021), Micro, Small, and Medium Enterprises (MSMEs) plays a vital role in the development of economy of a country. Their role is in terms of production, employment generation, contribution to exports and facilitating equitable distribution of income. MSMEs currently contribute to about 30% of India's GDP now. But, there is a need to carefully nurture and support this sector.

CA Rupasree Basu Mallik (2021) according to the paper it is concluded that as years were passing MSMEs are playing a significant role in Indian economy as employment opportunities are increasing and rural industrialisation is growing to support "Make the India". In the study Gujarat, Tamil Nadu, and Andhra Pradesh follow the state of Maharashtra among the poor states Rajasthan, Madhya Pradesh, Odisha, and Bihar, Assam. MSMEs contribute 30.74% in Indian GDP also creates 11 million job opportunities, in terms of value 45% of manufacturing output and 40% of total exports in 51million units and 37% if the workforce.

Dr. Ratan Suryavanshi (2020) according to the review it was observed that mostly MSME had less than 25 employees and regular training should be given to the employees working in the industries so that productivity increase and they have majorly focus on quality. It was also seen that many MSMEs were problems reliance finance, labour availability, marketing and technology relates issues and from the side of government they need to support MSME financially and also see that proper power supply was provided.

Objective of the study:

The present study focussed on following objectives to analyse the contribution of MSME's in economic development of Telangana State.

1. To study the role of MSME in growth and development of manufacturing sector in Telangana.
2. To analyse current growth of the MSME in Telangana & its contribution to the Telangana economy.
3. To find the barriers to establish/promote the MSME to Manufacturing sector in Telangana.

Data Analysis

It is estimated till the end of financial year 2021-22 the total number of MSME's established in India are approximately 63.388 million, and MSME sector emerged as the major driving factor of country's GDP growth and employs the 40% of India's workforce. It is known fact that the Telangana is the India's youngest state, since from its formation a significant growth is recorded in MSME's particularly in manufacturing sector. In Telangana approximately 2.6 million MSME's operating till data and out of these 56% are located in rural areas and remaining 44% located in urban areas. The below table illustrates the overall scenario of MSME's in Telangana State.

Table-1: MSME's in Telangana State

Category	No. Of Units	Investment Value (in Rs Crores)	Employment Generated
Micro	13,546	5,099	1,33,547
Small	5,830	15,946	1,65,242
Medium	578	9,978	62,699
Total	19,954	31,023	3,63,488

The table above demonstrates the overall scenario of MSME's sector in Telangana State, the total of micro units, small and medium units operating in Telangana are 13,546, 5,380 and 578, the total investments of MSME sector is 31,023 crores and the total employment generated by the MSME sector is 3,63,488 approximately.

Conclusion:

MSME not only plays an important role in providing large employment opportunities at lower capital costs than large industries, but also develops the industrialization of rural and backward areas to reduce regional imbalances. This sector is also supporting for socio- economic development but also observed various drawbacks in areas like lacking skills, financial, marketing, technological issues and has to come up with different policies to support manufacturing industries. The institution should hold regular meetings with entrepreneurs to raise awareness about the government of Telangana finance, infrastructure, technological and marketing schemes, which will help in MSME growth. Entrepreneurs should form a strong alliance to

deliver the message to the relevant stakeholders and raise awareness about the various policies implemented by both central and state government. The study raises awareness about the various types of assistance available to MSMEs, as well as information sources.

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