

## **Growth of Micro, Small and Medium Enterprises in Manipur**

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**ABSTRACT:** *Economic development and industrial development is considered as synonym and entrepreneurs play a major role in industrial development. Micro, Small and Medium Enterprises (MSMEs) extend to the necessary support and compliment to the beneficial effects of industrialization. Entrepreneurship is an important segment of economic growth and micro, small and medium enterprises play a key role in the industrialization of a state. It will also leads to economic development creating vast employment opportunities, redistribution of economic power and income, raising the standard of living for the people and also leads to reduction of regional imbalances, disparities in income, wealth and consumption etc. Manipur has got many areas of strength and opportunities that can raise the state into a developed state with the help of entrepreneurship and micro, small and medium enterprises are an important segment of the economy contributing substantially in the form of production, employment and exports. Numbers of registered industrial units fluctuates each year and this paper attempt to study the level of growth of these enterprises in the state. This paper also attempts to highlight the strength and weaknesses with the overview growth of micro, small and medium enterprises in Manipur.*

**Key Words:** *Entrepreneurship, micro, small and medium enterprises, entrepreneur memorandum*

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### **I. INTRODUCTION**

Micro, Small and Medium Enterprises (MSMEs) is an integral part of the Indian industrial sector. The distinctive feature of Micro, Small and Medium Enterprises are less capital investment and high labor absorption which has created unprecedented importance to this sector. As per the Development Commissioner of Micro, Small and Medium Enterprises (2006), the sector has the credit of being the second highest in employment, which stands next to agricultural sector. The nature of the businesses in this sector plays an important role to alleviate poverty and propel sustainable growth and equitable distribution of income in India. The MSMEs play an important role in efficiently allocating the enormous labor supply and scarce capital by implementing labor intensive production processes. MSME triggers private ownership, boosts entrepreneurial skills and their flexibility in responding quickly to changing market demand and supply conditions.

The importance of micro, small and medium enterprises is well understood by national economies. World over half to two- thirds of all businesses are MSMEs and in many regions this proportion is much higher. MSMEs are capable of creating jobs with least amount of capital and in dispersed locations which makes it attractive to policy makers. However they remain as a heterogeneous group, in different organizational structures ranging from proprietorship to corporate, engages in factories to service organizations activities and with different definition in different countries and in some countries they differ from industry to industry. The heterogeneous nature and small size needs adequate support from organized intermediaries. These intermediaries exist in every country in different forms. MSMEs development agencies such as Small Business Administration (SBA) of the US, Small Business Service (SBS) of United Kingdom and SIDO (Small Industries Development Organization) in India are the intermediaries set up by the Government (Chandra, 2004).

Economic as well as social sectors of a country are very much dependent on Micro, Small and Medium enterprises. The role played by MSMEs is crucial for the development and growth of any economy and the importance of this sector is well-recognized all over the world owing to its significant contribution in fulfilling various socio-economic objectives, such as employment generation, contribution to national output and exports, fostering new entrepreneurship and to provide depth to the industrial base of the economy. It can also help achieve a more equitable distribution of the benefits of economic growth and thereby help alleviate some of the problems associated with uneven income distribution. Once considered to be remnants of traditional sectors, MSMEs, and their development, have now become the focus of initiatives aimed at creating growth and employment in developing countries.

Micro, Small and medium size enterprises have a dominant role in economic development as well as industrial development of a country. Economic and social sectors of a country are very much dependent on MSMEs. Their contribution towards large-scale employment creation, investment, development of indigenous skill and technology, encouragement of entrepreneurship and innovativeness, increasing exports, and creating an

industrial base at different scales is worthwhile. MSMEs worldwide have been benefited from the combined interactions of forces of product mix, locational factors and market advantages.

## **II. MICRO, SMALL AND MEDIUM ENTERPRISES: DEFINED**

Across the world, the MSMEs are defined on the basis of two criteria: volume of turnover and number of persons employed in a particular organization. According to the standard EU definition, “If the total number of employees happens to be fewer than 50 for an organization, it falls within the category of ‘small’, and those with strength less than 250 but more than 50 identified as ‘medium’ scale industries”. In the US, there is no standard definition of small business enterprises; the definition is largely industry specific. The central government in India by the Industries (Development & Regulation) Act 1951 defines in the case of the enterprises engaged in the manufacture or production of goods as a micro enterprise, where the investment in plant and machinery does not exceed Rupees 25 lakhs; a small enterprise, where the investment in plant and machinery is more than Rupees 25 lakhs but does not exceed Rupees 5 crore; or a medium enterprise, where the investment in plant and machinery is more than Rupees 5 crore but does not exceed Rupees 10 crore ; in the case of the enterprises engaged in providing or rendering of services, as a micro enterprise, where the investment in equipment does not exceed Rupees 10 lakh; a small enterprise, where the investment in equipment is more than Rupees 10 lakh but does not exceed Rupees 2 crore; or a medium enterprise, where the investment in equipment is more than Rupees 2 crore but does not exceed Rupees 5 crore. The Ministry of Small Scale Industries and Agro and Rural Industries was first created on 14th October 1999 and, on 6th September 2001, further bifurcated into two separate ministries, namely, the Ministry of Small Scale Industries and the Ministry of Agro and Rural Industries. Subsequent to enactment of “Micro, Small and Medium Enterprises Development Act, 2006” by the Parliament, the President under Notification dated 9th May, 2007 has amended the Government of India (Allocation of Business) Rules, 1961. Pursuant to this amendment, Ministry of Agro and Rural Industries and Ministry of Small Scale Industries were merged into a single Ministry, namely, “Ministry of Micro, Small and Medium Enterprises.”

## **III. CONTRIBUTION OF MSMEs**

The contribution of individual MSMEs are small but collectively they have emerged as a dominant player in the national economies. The unprecedented importance of Micro, Small and Medium Enterprises in India is due to the maximum number of units and its employment opportunities. This sector plays a significant role in the development and employment to minorities, backward class people and also to women. Annual report of Ministry of MSME (2010-11) show that, in terms of value, the sector accounts for about 45 per cent of the manufacturing output and 40 per cent of the total exports of the country. The sector is estimated to employ about 59 million people in over 26 million units throughout the country. There are over 6000 products ranging from traditional to high-tech items, which are being manufactured by the Micro, Small and Medium enterprises in India. The benefits of the MSMEs have created a special status and importance in the Five-Year Plans right from its inception. In recent years, the MSME sector has consistent higher growth rate compared to the overall industrial sector.

**Table 1:** No. of EM-II filled by types of enterprises during 2007-08 to 2011-12 in India

YEAR	MICRO	SMALL	MEDIUM	TOTAL
*2007-08	153110	16730	467	172703
*2008-09	170262	18792	702	193026
*2009-10	185180	23870	1409	213206
*2010-11	205112	29125	1263	238429
*2011-12	242606	34192	2939	282496
2012-2013	275867	41502	5449	322818
2013-2014	296526	59127	7338	362991
2014-2015	346206	70933	8219	425358
**2015-2016	115540	14582	571	217854

Source: Annual report of M/O MSME 2015-16

\*Provisional, Haryana awaited

\*\*Information as on 30<sup>th</sup> September, 2015

In this globalized environment, the government of India has felt that, there is a need to enhance the global competitiveness of the MSMEs by simplifying systems and procedures, easy access to capital and taking the MSMEs in the global value chain by increasing their productivity. To promote and develop the MSMEs, the government has implemented several schemes/programmes to cater to the needs of the sector. The attractiveness of MSMEs can be summed up as, MSMEs 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 labor 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 MSMEs has attracted from national and regional policy (Laghu Udyog Bharti).

**Objective**

1. To study the overview growth of MSMEs in the country.
2. To analyze the growth of micro, small and medium enterprises in Manipur state.
3. To study the contribution and weaknesses of MSMEs in Manipur and to analyze the performance of MSMEs in Manipur.

**Research Methodology**

The present study is descriptive in nature and it is purely based on secondary data. The data are collected from various published sources and websites such as economic surveys, annual reports, journals and books.

**IV. GROWTH AND DEVELOPMENT OF MICRO, SMALL AND MEDIUM ENTERPRISES IN MANIPUR**

Micro, Small and Medium Enterprises (MSMEs) are growing faster than large enterprises in Manipur. They are recognized as one of the leading groups of economic activities globally and pose massive impacts on social issues and also supply to a large enterprises. So far there are a numbers of MSMEs registered under District Industries Centre and Directorate of Commerce and Industries. Table-2 reveals the growth rate of number of MSMEs in the state of Manipur from 54 units in 2007-08 to 180 units by 2013-14. This tremendous growth is seen due to continuous promotional measures introduced and implemented by both the central and state government towards the development of MSMEs. Investment value and the production of MSMEs grows rapidly over the years and it have also generates employment for many people across the state. In 2007-08 it provides employment for 573 persons and by 2013-14 it provides 2152 employment to people thus generating income for them.

**Table 2:** No. of EM-II filled in investment, production value and employment in Manipur

YEAR	No. of EM-II filed	Production value (RS. in lakhs)	Investment (Rs.in lakhs)	Employment
2007-08	54	686.98	203.40	573
2008-09	137	2840.00	106585.50	1035
2009-10	81	7289.95	1397.07	1012
2010-11	122	2814.57	959.40	1327
2011-12	122	9071.65	1492.11	1546
2012-13	181	5492.72	1224.57	1815
2013-14	180	6405.16	1754.43	2152
<b>TOTAL</b>	<b>877</b>	<b>34601.03</b>	<b>113616.50</b>	<b>9460</b>

Source: Directorate of Commerce & Industries, Manipur 2013

Table 3 below reveals the growth of various types of enterprises between 2007-08 and 2012-13 in which it is being seen that out of MSMEs there is a tremendous increase in the number of micro enterprises comparing to small and medium enterprises. This is mainly cause by the fact that the investment value in plant and machinery and equipment is lower than any other enterprises. In general, there is an increasing trend in the status of MSMEs units in Manipur but medium enterprises remains static for all this years.

**Table 3:** No. of EM-II filled by types of enterprises during 2007-08 to 2011-12 in Manipur

YEAR	MICRO	SMALL	MEDIUM	TOTAL
2007-08	53	1	-	54
2008-09	131	5	1	138
2009-10	76	4	1	81
2010-11	117	5	-	122
2011-12	111	10	1	122
2012-13	174	7	-	181
2013-14	168	11	1	178
<b>TOTAL</b>	<b>830</b>	<b>43</b>	<b>4</b>	<b>877</b>

Source: Directorate of Commerce & Industries Manipur, 2013

The production value and employment it generated alone is a source of revenue and development for the state.

## **V. FACTORS AFFECTING MSMEs**

MSMEs face several problems such as, lack of availability of adequate and timely credit, high cost of credit, lack of collateral requirements, limited access to equity capital, problems in supply to government departments and agencies, procurement of raw materials at a competitive price, issues of storage, designing, packaging and product display, lack of access to global markets, inadequate infrastructure facilities like power, water and roads, low technology and lack of access to modern technology, problems of skilled labor for manufacturing, services and marketing, multiplicity of labor laws and complicated procedures, absence of a suitable mechanism which enables the quick revival of sick enterprises and measures to close down the unviable entities and issues relating to direct and indirect taxation and their procedures (Report of Prime Minister's Task Force, 2010). MSMEs lack export competitiveness due to product reservation, regulatory policies at the entry and exit stages, and lack of sufficient finance at affordable interest rates, rigid labor markets and infrastructure issues like power tariff and lack of export infrastructure (Das, 2007).

## **VI. STRENGTH AND WEAKNESSES OF MSMEs**

### **Strength**

Major strength of Micro, Small Medium Enterprises observed are flexibility, owner management, inexpensive labor, less overhead and favorable capital- output ratio.

- Flexibility

Micro, Small and Medium Enterprises can easily absorb new innovation and adapt new method. The cost of changing the existing system is also relatively less.

- Owner management

In Micro, Small and Medium Enterprises owner management is a possibility, which ensures quick decision making. This ensures speed and reduces redtapism.

- Inexpensive labor and less over head

The main reason for sickness of large scale industry is its labor problem and escalating wage bill. MSMEs strength is its cheap labor and less overhead.

- Favorable capital- output ratio

Micro, Small and medium enterprises are labor intensive. Through proper utilization of resources MSMEs can keep low level of capital investment per unit of output.

### **Weaknesses**

Some of the weaknesses face by MSMEs are as below

- Lack of quality consciousness

It is the major weakness of the small industries. Micro, Small and Medium Enterprises (MSMEs) pay less attention to total quality programme and hence importance is less felt leading to quality problem. Main reason is underutilization capacity which leads to reduction in level of productivity in Micro, Small and Medium Enterprises sector.

- Lack of Financial Strength

The micro, small and medium enterprises face financial constraint which is a brand image and hence mobilizing capital through other sources is challenges since an enterprise depend largely on banking finance. They don't have corporate image.

- Lack of trained workers

There is a problem when it comes to trained staffs and workers, Getting and continuing with trained workers and satisfying them is difficult.

- Lack of Industrial Work Culture

Labors give more weightage to their personal work and don't maintain regularity, discipline in reporting on time. Many small and medium enterprises are sick and some are closing down. The main reason is lack of quality and increasing competition. It is necessary for micro, small and medium enterprises to face new challenges by adopting best strategies hence the MSMEs should take immediate step to create quality awareness, and adoption of continuous improvement techniques.

## **VII. CHALLENGES FOR MSMEs**

The MSMEs in India, which constitute more than 90% of the total number of industrial enterprises, form the backbone of industrial development. But most of the MSMEs have limited regional geographic presence or limited customer base with majority of them supplying to a few customers. This not only limits their ability in negotiations and bargaining but also hampers their growth perspective based on the conditions experienced by their limited customers. Various reasons for their downfall and challenges which are also the weaknesses MSMEs faces are:

- Lack of financial resources which can affect investment in new products or process.

- Owner not delegating, and trying to control every aspect of the business – can impede employees, motivation, teamwork and involvement.
- Improper and inadequate systems and procedures can affect efficiency and will result in dissatisfaction from employees.
- Lack of skills and knowledge which can affect staff development and training.
- Difficulty in accessing technology and maintaining competitiveness

### **VIII. CONCLUSION**

MSMEs play an important role in India's economic development by the way of reducing inequalities in income, regional disparities, export potential, employment etc. MSMEs need to have a more educated work force, and provide formal structured training to their workers. They have to adopt greater automation and quality control in production, and improve on the human resource management and compensation practices that emphasize job stability and skill acquisition. It must be ensured that with the numbers of units increasing each year so will production increase. It must provide self-employment and generate income for many people as well. Under the changing economic scenario the MSMEs have both the opportunities and challenges before them. The support given by the national and the state governments to the MSMEs is not adequate enough to solve their problems. However for the sector to fully utilize its potential, it is essential that the entrepreneurs along with the government support take necessary steps for further development. It is quite evident that, nurturing this sector is essential for the economic well-being of the nation. Continued empowerment of MSMEs will enable small and medium enterprises to attain high and sustainable growth in the long-run.

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