

Assessing Growth of MSME and Bank Credit in Its Assistance

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Abstract: MSME contribute to economic development in various ways such as employment opportunities sustainable development to the economy and providing goods and services at affordable cost. This study has been secondary data and the time period of the study has been taken from 2007-2016. Purpose of the study is to assessing growth of MSME in employment generation, working enterprises, market value of fixed assets and banks credit to MSMEs. The study shows the average growth of working enterprise, employment and market value of fixed assets is 440.6, 996.06 and 1166149 respectively. It is suggested that GOI should enable financial institutions to lend more credit at less rate of interest for the sustainability of MSME sector and for a country to grow and government should actively promote business enterprises to create more and more employment.

Keywords: - MSME, Enterprises, Employment, Bank credit.

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I. Introduction

Micro, small and medium enterprises form the backbone of the Indian manufacturing sector and become engine of economic growth in India. MSMEs constitute over 90 percent of total enterprises in generating the highest rates of employment growth and an account for a major share of industrial production and exports. In India too, MSME play a key role for providing employment and livelihood opportunities, contribute of India's GDP and exports. According to provisions of MSMED (Micro, small and medium enterprises development) act, 2006, MSME sector are classified into two categories: - a) Manufacturing b) Services. In manufacturing sector, the enterprises engaged in the production or manufacturer of goods pertaining to any industry specified in the first schedule to the industries (Development and Regulation Act, 1951). Manufacturing enterprises is defined in terms of investment in plant and machinery. In service sector, the enterprises engaged in providing or rendering of services and are define in terms of investment in equipment. Following table shows investment of plant, machinery and equipments in MSME sector.

Table 1. Classification of Firms

Enterprises	Investment in Plant and Machinery (Manufacturing)	Investment in Equipment (Services)
Micro	Upto ₹ 25 Lakh	Upto ₹ 10 Lakh
Small	Above ₹ 25 Lakh and Upto ₹ 5 Crore	Above ₹ 10 Lakh and Upto ₹ 2 Crore
Medium	Above ₹ 5 Crore and Upto ₹ 10 Crore	Above ₹ 2 Crore and Upto ₹ 5 Crore

Source: Annual Reports of MSME 2016, GOI.

II. Review of Related Literature

Garg and walia (2012) analyzed the growth and contribution of MSME sector in post reform India. This was secondary study and collected the data from time period 2001 to 2011. This study highlights that there is significant growth of MSMEs have been taken place over a period of times and this sector is of a major donor to GDP, employment and exports in Indian economy. This study suggest that to face the competition and to be economically viable, MSME sector needs to improve its productivity and quality, reduce cost and innovate.

Appasaba et. al (2013) examined the role of MSME in economic development and capital structure of MSME industrial units. This primary study collected data from 50 respondents units from the Shimogga, Karnatka. The study revealed that MSME facing problems related to technology, finance, employee, innovation problem etc.

Dangi and Ritika (2014) analyzed the growth of MSME and problems faced by women entrepreneurs in India. This was secondary study and time period of the study were 2001-2012. Main findings of the study were that women entrepreneurs faced problems like male dominated society, inadequate financial resources and working capital, lack of managerial skills, low mobility, lack of education, inability to take risks and sufficient

arrangement for marketing and sales. Moreover, government has taken many initiatives for the growth of women entrepreneurs. Government also announced the EDPs for the first generation of women entrepreneurs.

Dey (2014) analyzed the growth of employment, promotion of exports of MSME and its future prospects. This was secondary study and time period of the study were 2001-2012. This study revealed that the major players of MSME sector were Textile and garments, food processing, agriculture inputs, bio-engineering, sports goods, electronics etc. Moreover, challenges faced by the MSME sector were high cost of credit, collateral requirements, lack of access to global markets, lack of skilled manpower etc. to improve the productivity, competitiveness and capacity building of MSMEs the government of India adopted a cluster based approach.

Vasu and Jayachandra (2014) analyzed the growth of MSME and contribution of MSMEs to the growth of the GDPs and problems faced by MSMEs. This was secondary study and time period of the study was 2005-2012. The study revealed that the MSME play a significant role in contribution to the development of Indian economy in terms of employment generation, production and GDP etc. Moreover, problems of MSMEs in India were ruthless competition, declining exports of total exports, lack of suitable technology, absence of adequate and timing affordable bank credit etc.

Katyal and Xaviour (2015) examined the current status of HR operation in MSME and contributing of MSMEs in economic development of the country. This was secondary study and data were collected through annual reports of MSMEs. Main findings of the study were that main problems of small enterprises related to HR practices were motivating employees, attracting talent, retaining key employees as small enterprises lack resources to advertise for position etc. Moreover, MSME contributes much to the industrial growth of the country. This sector more than 90 percent industrial growth in India and it has been increasing impressively for last many years.

Harikrishnan (2016) examined the motivational factors of the entrepreneurs, contribution of MSME sector to the economic development of the country. This was primary and secondary data and for study purpose data were collected through 500 women entrepreneur. Main findings of the study were that there is no relationship between assistance for successful running the unit and training undertaken before entering into the manufacturing line and there is no relationship between unit situated in a backward area and training undertaken before entering into the manufacturing line. This study suggest that all women entrepreneurs must be giving training at free of cost by the state government in different areas like finance, marketing, Management, Human Resources and the commercial banks must open more avenues of finance to the entrepreneur.

Das (2017) analyzed the functional scenario of MSME, growth and opportunities for the development of MSME sector. This was secondary study and time period of the study were 2006-2015. This study revealed that problems faced by MSME were poor and inadequate infrastructural facilities, lack of skilled human resources, lack of access to new technology etc. This study suggest that for enhancing sale of products, regular trade exhibition should be conducted for creation of a larger platform for better marketing facilities and industrial friendly policies should be initiative by the government of promoting infrastructural support facilities and for easy availability of finance by schedule banks.

III. Need of the Study

MSME is the pillar of the economic growth in developed and developing countries in world. MSME is the biggest employer after agriculture sector. Despite the fact that Micro, small and medium enterprises contribute to GDP is more than agriculture sector. MSME played a prominent role in socially and economically development. This study is focus on the assessing growth of MSME in employment, enterprise and market value of fixed asset. This study also analyzed bank credit to MSME sector. Above literature showed that MSME faced a problem like unavailability of adequate and timely credit. Bank is major source of finance. So this study is also examined the bank credit of all scheduled commercial banks.

IV. Objectives of the study

1. To analyze growth of MSME in terms of employment, enterprises and Fixed Assets.
2. To assess the bank credit to assist the MSME.

V. Research Methodology

The study is based on secondary data. The data has been collected from various annual reports of MSME, Journals and Websites etc. The time period of the study has been taken from 2007-2016. The achieve the desired objectives the data related to total working enterprise, employment, market value of fixed asset and

bank credit to MSME etc. has been collected and analyzed. Data is analyzed with the help of Average and CAGR (Compound Annual Growth Rate).

Table 2:- Status of filing Entrepreneurs Memorandum Part-II

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	242539	34225	2949	282428
2012-13	275867	41502	5449	322818
2013-14	296526	59127	7338	362991
2014-15	346206	70933	8219	425358
2015-16	115540	14582	571	217854
Average	221149	34320	3151	269868
CAGR	-3.07%	-1.51%	2.25%	2.61%

Source: Various Annual Reports of MSME, GOI.

As per the provisions of the MSME Act 2006, all MSMEs are required to fill Entrepreneurs Memorandum (part-1) at DICs (District Industries Center). After commencement of the project, the entrepreneur is requiring to fill the EM (Entrepreneurs Memorandum Part-II). Table 2 reveals the category wise status of filing of EM-II. The average growth of MSME is 221149, 34320 and 3151 respectively with overall average growth rate of 269868. The maximum growth was witnessed by medium scale enterprises i.e. 2.25 percent whereas Micro and small enterprises shows decreasing trend i.e. -3.07 percent and -1.51 percent.

Table 3:- MSMEs Performance: Working Enterprises, Employment and Market value of Fixed Asset

Year	Number of working Enterprise (in Lakh)	Employment (in Lakh)	Market Value of Fixed Asset (in Crore)
2007-08	377.36	842	920459.84
2008-09	393.7	880.84	977114.72
2009-10	410.8	921.79	1038546.08
2010-11	428.73	965.15	1105934.09
2011-12	447.64	1011.69	1182757.64
2012-13	467.54	1061.40	1268763.67
2013-14	488.46	1114.29	1363700.54
2014-15	510.57	1171.32	1471912.94
Average	440.6	996.06	1166149
CAGR	3.85%	4.21%	6.04%

Source: Various Annual Reports of MSME, GOI.

Table 3 highlights the performance of working enterprises, employment and market value of fixed assets of MSME. It is clear from table 3 that number of working enterprises, employment and market value of fixed asset shows an increasing trend over the eight years. Average growth of working enterprises, employment and fixed asset is 440.6, 996.06, 1166149 respectively. CAGR of enterprises and employment is 3.85 percent and 4.21 percent respectively whereas value of fixed asset witnessed a growth of 6.04 per cent approx.

Table 4:- Bank Credit to MSME in India (in Crores)

Year	Public Sector Banks	Private Sector Banks	Foreign Banks	All Scheduled Commercial Banks
2007-08	151137	46912	15489	213538
2008-09	191408	46656	18063	256127
2009-10	278398	64534	21069	364001
2010-11	376625	87857	21535	486017
2011-12	396343	110514	21760	528617
2012-13	502459	154732	30020	687211
2013-14	620139	200840	29491	850469
2014-15	701571	232171	30837	964578
Average	402260	118027	23533	543820
CAGR	21.15%	22.12%	8.98%	20.74%

Source: Various Annual Reports of MSME, GOI.

Table 4 shows the status of bank credit to MSMEs. During 2015 the total credit by banks to MSMEs stood at Rs. 964578 Crores growing at a CAGR of 20.74 percent during 2006-2015. The average bank credit of public sector, private sector and foreign banks representing 402260, 118027 and 23533. Among bank categories public and private sector banks have registered impressive growth of 21.15 percent and 22.12 percent.

VI. Findings and Suggestions

1. It has been found that EM-II (Entrepreneur Memorandum-II) of micro and small enterprises shows decreasing trends i.e. -3.07 percent -1.51 percent respectively. It may be the reason of unavailability of adequate and timely credit and high cost of credit. GOI should enable financial institutions to lend more credit at less rate of interest for the sustainability of MSME sector.
2. MSME forms the backbone of the Indian economy. This sector has been creating employment opportunities for the fresh graduates and unskilled persons. Government should provide more and more MSMEs registration benefit through better regulations. The study found that the average growth of employment is 996.06 at CAGR of 4.21 percent from 2006-15. Government should conduct EDP (Entrepreneurship Development Programme), seminars, workshops etc. for first generation entrepreneurs through perspective entrepreneurs to generate more employment throughout the country.
3. The study found that average growth of working enterprises is 440.6 at CAGR of 3.85 percent. For a country to grow government should actively promote business enterprises to create more and more employment.
4. Study found that the average growth of public sector, private sector and foreign banks is 402260, 118027 and 23533 respectively at a CAGR of 21.15 percent, 22.12 percent and 8.98 percent respectively. From all sector public and private sector registered impressive growth. Financing to MSME has always been the priority area for the policy makers in the country. RBI should make credit policies and enables banks to provide more credit to the MSME sector for the development of the country.

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