

## MSMEs OF TAMILNADU: THE JOURNEY FAR & BEYOND

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### ABSTRACT

Globally, Micro Small and Medium Enterprises (MSMEs) play a vital role in the economic development of a nation. MSMEs are the nursery where small existing businesses have the potential to become world beaters tomorrow. 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. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country.

### Keywords:

### INTRODUCTION

MSME- is the pillar of economic growth in many developed and developing countries in the world. Often rightly termed as “the engine of growth” for India. The MSME Sector has emerged as a vibrant and dynamic sector producing a vast range of products starting from basic agro products to high precision engineering tools and equipment. MSMEs generate large scale employment. In India, capital is scarce and labor abundant. MSMEs are thought to have lower capital-output and capital-labour ratios than large-scale industries, and therefore, better serve growth and employment objectives.

MSME Promote growth and development of khadi, village and coir industries so as to create new enterprises and more employment opportunities. The long term goal of the ministry is to enhance manufacturing base in the country by improving performance of MSMEs through skill and entrepreneurship development.

The estimated contribution of MSME manufacturing sector to GDP, during 2012-13, is 7.04%. However, taking into account the contribution of MSME services sector, which is estimated at 30.50% during 2012-13, the share of MSME sector in GDP of the country, during 2012-13, is 37.54%. The contribution of MSME to other sectors has been immensely instrumental. It is the biggest employer after agriculture sector, despite the fact that agriculture sector's contribution to GDP is less than MSME. While it contributes about 45% to manufacturing sector, and perhaps 40% to Exports, it forms the highest share of Employment sector in India, contributing around 69% to it.

### MSME Definition in India:

In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes:

### MANUFACTURING SECTOR:

Enterprises	Investment in plant & 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 crore rupees

### SERVICE SECTOR:

Enterprises	Investment in equipment
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 rupees

### MSMEs IN TAMILNADU:

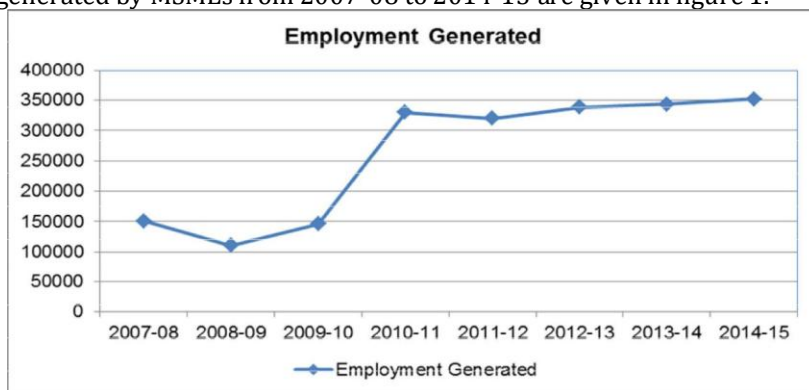
*Tamil Nadu has been ranked on top in attracting investment proposals filed by the micro, small and medium enterprises industry body Assocham has said.*

MSMEs produce a wide variety of products in almost all sectors. The prominent among them are the textile, electronic products, engineering products, auto ancillaries, leather products, chemicals, plastics, garments, jewellery etc. Tamil Nadu has implemented an online system for filing EM-II through the website [www.msmeonline.tn.gov.in](http://www.msmeonline.tn.gov.in). Since the introduction of this system around 5.80 lakh entrepreneurs have filed EM Acknowledgement Part-II, providing employment opportunities to about 33.26 lakh persons with total investment of Rs.74662.27 crore.

The Micro, Small and Medium Enterprises Sector plays a vital role in the economic development of the country. This sector contributes about 45% of the Industrial Production, 40% of exports and it forms part of about 95% of the total industrial units in the country. There are **12.94 Lakh registered number of units** in the State, providing an employment opportunities to about 80.81 Lakh persons. Further, this sector is a major employment provider next to Agriculture.

An Ordinance to support the State of Tamil Nadu, in its aspiration of being one of the most preferred investment destination in the country, by ensuring adequate information availability to the investors thereby enabling them to take informed decisions and to ensure single point receipt of applications for securing clearances that are required to establish or expand an enterprise and for clearances required during normal course of business including renewals in a time-bound manner and to provide for effective grievance redressal mechanism and fine in case of failure of Competent Authorities to act within a time limit and for matters connected therewith or incidental thereto.

The employment generated by MSMEs from 2007-08 to 2014-15 are given in figure 1.



### Contribution of MSMEs in GDP :

GDP is considered as the very significant single economic parameter to measure the pattern of economic development and growth of a spatial unit. It's the revenues earned by respective state government from its different sector like primary, secondary and tertiary sectors. Henceforth an increase in GDP obviously signs of economic growth of any area. GDP is the reflection of economic development of a state and well being of its people and it also gives an idea of regional disparities over space. Role of MSME in Indian economy is enormous. With decentralized economy, contribution of micro, small and medium enterprises is increasing year by year. MSMEs contribution to total gross domestic products shows an increasing trend. Both the manufacturing and service sectors of MSME show increasing contribution to total GDP.

The role of Micro, Small and Medium enterprises (MSMEs) in the economic and social development of the country is well established. As per the Report of the Working Group on Micro, Small and Medium Enterprises (MSMEs) Growth for 12th Five Year Plan (2012-2017), the sector accounts for 45% of the manufacturing output and 40% of total exports of the country. As per the Fourth All India Census of MSME, 2006, there are over 36 million MSMEs in India contributing 42% to India's manufacturing output, 40% to India's exports, and approximately 8% to India's GDP. Further, nearly 32% of the enterprises are engaged in manufacturing activities, while the remaining 68% are engaged in services. Over 6,000 products ranging from traditional to high-tech items are being manufactured by the MSMEs in the country. The labour to capital ratio in MSMEs and the overall growth in the sector is much higher than in the large industries. The geographic distribution of the MSMEs is also more even.

### Registered and unregistered sector :

There are two types of sectors running under MSMEs. One is Registered and the other one is Unregistered. Enterprises that registered with District Industries Centre (by filling up Entrepreneur Memorandum II) in the state/ UTs, Khadi and Village Industries Board as on 31-03-2007 and factories under the coverage of section 2m (i) and 2m (ii) of the factories Act, 1948 used for annual survey of industries (Muthu, 2015) are included in Registered MSMEs. Again all enterprises covering both in manufacturing and providing/

rendering services but not registered with District Industries Centre (that means no case of filling up EM-II) on or before 31-03-2007 are considered as Unregistered MSMEs.

There are 12.94 Lakh registered number of units in the State, providing an employment opportunities to about 80.81 Lakh persons. Since 2007-08 around 7.22 Lakh Entrepreneurs have filed EM Acknowledgement Part-II, providing Employment opportunities to about 41.41 Lakh persons with total investments Rs.1,09,074.17 Crore. Consequent to the introduction of UDYOG AADHAAR MEMORANDUM (UAM) by the Ministry of MSME, Tamil Nadu has started the UAM implementation w.e.f. 21.1.2016. District-wise number of Units registered with UAM in Tamil Nadu for Micro, small and Medium category as on 25.5.2017 is given in the Table below :

#### Enterprises with Udyog Aadhaar Number in Tamil Nadu as on 25.5.2017 (3.30 PM)

Sl No.	District Name	Micro	Small	Medium	TOTAL
1	ARIYALUR	409	60	1	470
2	CHENNAI	51511	7947	229	59687
3	COIMBATORE	33481	5369	115	38965
4	CUDDALORE	3198	363	8	3569
5	DHARMAPURI	3111	307	8	3426
6	DINDIGUL	4580	634	28	5242
7	ERODE	16048	1806	37	17891
8	KANCHIPURAM	22307	2908	80	25295
9	KANYAKUMARI	5529	1006	24	6559
10	KARUR	3296	590	5	3891
11	KRISHNAGIRI	5765	1320	42	7127
12	MADURAI	18216	1920	32	20168
13	NAGAPATTINAM	1375	295	3	1673
14	NAMAKKAL	7120	1585	22	8727
15	NILGIRISH	770	81	1	852
16	PERAMBALUR	515	110	0	625
17	PUDUKKOTTAI	2387	395	9	2791
18	RAMANATHAPURAM	1148	252	3	1403
19	SALEM	21853	1645	31	23529
20	SIVAGANGA	1676	263	8	1947
21	THANJAVUR	3099	493	8	3600
22	THENI	2870	279	2	3151
23	THIRUVALLUR	17220	2874	62	20156
24	THIRUVARUR	1082	210	6	1298
25	THOOTHUKUDI	4388	978	19	5385
26	TIRUCHIRAPALLI	5324	939	19	6282
27	TIRUNELVELI	6084	927	21	7032
28	TIRUPPUR	31463	3857	75	35395
29	TIRUVANNAMALAI	2926	345	8	3279
30	VELLORE	6826	1163	27	8016
31	VILLUPURAM	3335	534	30	3899
32	VIRUDHUNAGAR	7246	786	15	8047
<b>Total :</b>		<b>296,158</b>	<b>42,241</b>	<b>978</b>	<b>339,377</b>

#### ORGANISATIONAL STRUCTURE

This Institute is headed by Shri G. Shanmuganathan, Additional Industrial Adviser, who is also a Member of Board of Director of various Task Force Committees viz., Tamil Nadu Small Industries Development Corporation (TANSIDCO) State Level Bankers Committee (SLBC), State Level Inter Institutional Committee (SLIIC) of RBI, State Level Advisory Board (SLAB), Unemployed Youth Employment Generation Programme (UYEGP), Prime Minister Employment Generation Programme (PMEGP), New Entrepreneur Entrepreneurship Development Scheme (NEEDS) etc. The Additional Industrial Adviser is supported by 7

Deputy Directors, 4 Gr.I Assistant Directors, 13 Gr.II Assistant Directors, 3 Investigators all in various disciplines including Electrical, Electronics, Mechanical, Chemical, Food, Glass & Ceramics, Leather, Metallurgy, Hosiery, Statistics, Economics etc. along with nearly 40 Ministerial/Secretarial Staff members. Total Allocation of Fund for the year 2016-17 to this office for office expenses, salary etc. vis-à-vis Expenditure stands at Rs.8,30,73,422 and Rs.7,86,86,852 respectively

### **ROLE OF MSME-DI, CHENNAI**

MSME-DI, Chennai is one of the field outfit of Office of Development Commissioner, Ministry of Micro, Small and Medium Enterprises (DC-MSME) established in the year 1954, for the State of Tamil Nadu and UT of Puducherry, with the following mandate:

**For Aspiring entrepreneurs :** Identify, motivate, train, handhold and providementoring services.

**For Existing entrepreneurs :** To provide techno-economic consultancy And facilitation service.

**Skill Development:** To impart need based skill training through Skill Development Programmes (SDP)

In order to fulfill the mandate and to encourage entrepreneurship, employment and livelihood opportunities for aspiring and existing entrepreneurs across the State, this Institute is offering a wide spectrum of value added services as given below:

- 1) One day Industrial Motivation Campaign (IMC)
- 2) 2 weeks Entrepreneur Development programme (EDP)
- 3) 6 weeks Entrepreneur Skill Development Programme (ESDP)
- 4) Skill Development Programmes (SDP)
- 5) Vendor Development Programmes (National & State level)
- 6) Technical consultancy
- 7) Preparation of Project Reports
- 8) Marketing Assistance and Technology Up gradation ( MATU) Scheme
- 9) Seminars/Workshop on various subjects
- 10) Cluster Development
- 11) Awareness programmes on Public Procurement Policy
- 12) Export Promotion/Guidance
- 13) Industrial Potential Survey Reports
- 14) ISO and ZED Certification consultancy and reimbursement
- 15) Free guidance for Udyog Aadhaar Memorandum (UAM)

### **FUNCTIONS:**

- Facilitation and credit flow to MSMEs
- Improving competitiveness of MSMEs
- Improve manufacturing base through upgradation of technology
- Promotion of MSMEs through cluster bases approach
- Marketing support to MSMEs
- Skill development and entrepreneurship development training
- Creation of new Micro Enterprises through Prime Minister's Employment Generation Program (PMEGP)
- Growth and development of Khadi and Village Industries (KVI) sector
- Growth and development of Coir Industry

### **Generation of employment opportunities in MSME**

- UNEMPLOYED YOUTH EMPLOYMENT GENERATION PROGRAMME (UYEGP)
- NEW ENTREPRENEUR-CUM-ENTERPRISE DEVELOPMENT SCHEME (NEEDS)
- PRIME MINISTERS' EMPLOYMENT GENERATION PROGRAMME (PMEGP)
- MICRO AND SMALL ENTERPRISES FACILITATION COUNCILS (MSEFC)
- MUDRA SCHEME
- STAND-UP INDIA SCHEME
- THE CREDIT GUARANTEE FUND SCHEME FOR MICRO AND SMALL ENTERPRISES (CGS)

**FINDINGS BASED ON HINDU REPORT**

“The sector faces operational problems due to its size and nature of business, and is, therefore, relatively more susceptible to various shocks to the economy. MSMEs largely operate in the informal sector and comprise a large number of micro enterprises and daily wage earners,” –RBI Report

According to a government policy note tabled by the MSME department in assembly, total number of registered micro, small and medium industrial units in Tamil Nadu had dipped by a significant 18.45%, employees down by over 5 lakh: Report in 2017-18 from the previous year. Four factors that have led to MSMEs wind up their operations include 2015 floods, Cyclone Vardah, demonetization and GST.

In absolute numbers, as many as 2,67,310 MSMEs were registered in 2016-17; this figure fell to 2,17,981 during 2017-18. This data is contrary to the claims that the industrial climate in Tamil Nadu has improved. In fact, close to 50,000 micro, small and medium enterprises (MSMEs) have shut shop in the state in just one year due to host of factors.

On one hand, 49,329 industrial units wound up operations in one year while on the other, the number of workers employed in MSMEs has fallen by over 5 lakh during the same period.

In 2016-17, the number stood at 18,97,619, but in 2017-18, it dwindled to 13,78,544.

Service sector MSMEs face four major problems as they seek to survive and succeed.

**1. Lack of sustainable work****2. Lack of Capital****3. Absence of Affordable and Accountable Marketing Channels****4. Excessive Regulation for Starting, Running and Closing a Business****CONCLUSION:**

Micro, Small and Medium-sized Enterprises (MSME) are one among the most important sectors, forming the backbone of the Indian economy. This sector has been instrumental in the growth of the nation, leveraging exports, creating huge employment opportunities for the unskilled, fresh graduates, and the underemployed, also extending the opportunities to banks for giving more credit to enterprises in this sector. The government should take utmost care of this sector in terms of providing more and more MSME Registration benefits through better regulations, Government simply, and enabling financial institutions to lend more credit at less interest rate for sustainability of this sector. The State government has been doing a lot of work but it is time they think of competitors who are luring companies from here.

The following ideas to be implemented for the success of MSMEs

**1. Availability of Uncollateralized Credit:** Create or sponsor multiple streams of credit funding for legitimate MSMEs as most service MSMEs do not have hard assets against which to secure credit.

**2. Free or Subsidized Education and Training in Business Management:** Publicly funded colleges and universities must be set-up to create free or subsidized curricula for MSMEs to gain business knowledge and related skills.

**3. Simpler Business Registration and Insolvency Regulations:** Make it easier to form new businesses and to suspend operations or restructure with adequate insolvency protection as is the norm in most countries.

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