

## Growth and performance of micro, small and medium enterprises in India

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Received : 12.03.2012; Accepted : 28.07.2012

### ABSTRACT

Worldwide, the micro, small and medium enterprises (MSME's) have been accepted as the engine of the economic growth and for promoting equitable development. The MSME's constitute over 90 per cent of the total enterprises in most of the economies and are credited with generating the highest rate of employment growth and account for a major share of industrial production and exports. In India, it is estimated 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 persons in over 26 million units throughout the country. Further, this sector has consistently registered a higher growth rate than the rest of the industrial sector. There are over 6000 products ranging from traditional to high-tech items, which are being manufactured by the MSMEs in India. A robust and vibrant MSME sector can gain benefits of new opportunities of liberalization and market reforms, provided appropriate enabling policies are put in place and measures for capacity building in public private mode are also initiated. In this environment of rapid technological changes, the segment can achieve higher sustained growth by enhancing its technological capabilities, improving its product and services quality to global standards and seeking ways of innovation.

**KEY WORDS :** MSMEs, Economic growth, Employment

**How to cite this paper :** Sachinkumar, T.N. (2012). Growth and performance of micro, small and medium enterprises in India. *Internat. J. Com. & Bus. Manage.*, 5(2): 280-283.

The small scale sector has played a very important role in the socio-economic development of the country during the past 50 years. It has significantly contributed to the overall growth in terms of the gross domestic product (GDP), employment generation and exports. The performance of the small scale sector, therefore, has a direct impact on the growth of the overall economy (Khanka, 2003).

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share of industrial production and exports. In India too, the MSME sector has been contributing significantly to the manufacturing output, employment and exports. According to the Ministry of Industry and Commerce the definition of the MSME's based of the number of employees, capital investment and annual turnover is as given in Table 1.

### Overview of the MSME sector:

The micro, small and medium enterprises (MSME) sector contributes significantly to the manufacturing output, employment and exports of the country. It is estimated 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 persons in over 26 million units throughout the country. Further, this sector has consistently registered a higher growth rate than the rest of the industrial sector. There are over 6000 products ranging from traditional to high-tech items, which

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