
Role of Micro, Small and Medium Enterprises (MSME's) In Creation of Employment-A Study on Post Telengana Government

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ABSTRACT

Micro, Small and Medium Enterprises (MSME's) have been widely accepted as being vital to the Indian economy given their role in employment creation and their ability to foster entrepreneurship. The manufacturing and service enterprises are categorized into Micro, small and medium enterprises based on investment criteria. The Micro, Small, and Medium Enterprises (MSME) is playing a key role in the economic and social development of the State and is providing direct employment opportunities to 64,604 people and with a vast network of around 5,787 units. Its contribution in terms of indirect employment, providing inputs/ raw material for other sectors and export earnings, is immense. While the Telengana government is enacting laws for industrial project approvals and self-certification to create a facilitating and enabling environment for investment, the MSME sector suffers from high levels of morbidity and mortality. The Government's vision for the MSME sector in the state is to make it the most competitive sector in the country and for it to emerge as a significant strength in attracting major investments into the state. The present study analyses the role of MSME in developing the economy by taking into account the employment opportunities and the threats and crisis of MSME. The information presented in various articles which forms the secondary source of information.

Key Words – MSME Sector, Telengana, Investments in MSME, mortality

INTRODUCTION

Undivided Andhra Pradesh (AP) was the fourth largest state in India in area and fifth in population. It was ranked third in absolute size of gross domestic product (GDP) and 11th in the country on per capita income. Decades of struggle against discrimination, suppression of opportunities and rights has led to the formation of Telengana. The Government of India declares 2nd June, 2014 as the Telengana Formation Day. Telengana is the 29th state of the Union of India with Hyderabad as its capital. Both states will share the capital for 10 years.

MSME Sector in Telengana

The Micro, Small, and Medium Enterprises (MSME) is playing a key role in the economic and social development of the State and is providing direct employment opportunities to 64,604 people and with a vast network of around 5,787 units. Its contribution in terms of indirect employment, providing inputs/ raw material for other sectors and export earnings, is immense.

As per the Micro, Small and Medium Enterprises Development Act, 2006, manufacturing and service enterprises are categorized into Micro, small and medium enterprises based on investment criteria as shown below

Table 1.1: Definition of MSME

Enterprises	Manufacturing Sector (investment in plant and machinery)	Services Sector (investment in equipment)
Micro	Less than Rs. 25 lakh	Less than Rs. 10 lakh rupees
Small	More than Rs. 25 lakh rupees but less than Rs. 5 crore	More than 10 lakh rupees but less than Rs. 2 crore
Medium	More than 5 crore rupees but less than Rs. 10 crore	More than 2 crore rupees but less than Rs. 5 crore

Out of 5,787 MSME units in 2014-15, around 61 percent constitute micro enterprises, 39 percent small enterprises and mere 0.4 percent medium enterprises. However, it is noted that in terms of employment and investment, small enterprises occupies significant share in total MSME.

Growth of MSME sector in Bangaru Telangana

Economic Census is a complete enumeration of all establishments/units located within the geographical boundaries of the State. All units engaged in production or distribution of goods and services other than those for own consumption were counted. As per the provisional results, (The Hans India (2017)) there are 20.86 lakh establishments in the State, which are engaged in different economic activities other than crop production, plantation, public administration, defense and compulsory social security services. Out of which, 11.81 lakh establishments (56.62%) are in rural areas and 9.05 lakh establishments (43.38%) are in the urban areas. Growth in establishments is 77.82% in the State as against 41.73% all-India, while growth in employment in the State is 37.78% as against 34.35% of All India.

A total number of persons employed in all the establishments is about 56.12 lakh, (2017) of which, 23.50 lakh persons (41.87%) are employed in rural areas and 32.62 lakh persons (58.13%) are employed in the urban areas. There are about 0.46 lakh handicraft/ handloom establishments, accounting 2.21% of the total number of establishments and Warangal district (19.10%) stands first in terms of a number of handicraft/handloom establishments in the State.

The district-wise analysis reveals that the Hyderabad district stands first with 16.97% of total establishments, and Adilabad district with 5.29% has the lowest number of Establishments in the State.

Review of Literature

The Government of Telangana expects Industrial Growth to be a cornerstone in pursuit of its vision. While the large industries are expected to bring in major investments and significantly contribute to industrial output, Micro, Small, Medium Enterprises (MSME) sector is the prominent avenue for employment in the state. Therefore, the Government intends to focus significantly on the MSME sector in the state and strengthen it to be nationally and globally competitive. Broadly, the Government's vision for the MSME sector in the state is to make it the most competitive sector in the country and for it to emerge as a significant strength in attracting major investments into the state. Further, the Government intends to constantly improve the existing

ecosystem wherein the MSMEs successfully graduate in size to large enterprises in progressively faster durations.

Mali (1998) observed that small and medium enterprises (SMEs) and micro enterprises have to face increasing competition in the present scenario of globalization, they have to specifically improve themselves in the fields of management, marketing, product diversification, infrastructural development, technological up gradation. Moreover, new small and medium enterprises may have to move from slow growth area to the high growth area and they have to form strategic alliance with entrepreneurs of neighboring countries. Data bank on industries to guide the prospective entrepreneurs including investors from abroad is also needed.

Bala Subrahmanya (2004) highlighted the impact of globalization and domestic reforms on small-scale industries sector. The study stated that small industry had suffered in terms of growth of units, employment, output and exports. The Researcher highlighted that the policy changes had also thrown open new opportunities and markets for the small-scale industries sector. He suggested that the focus must be turned to technology development and strengthening of financial infrastructure in order to make Indian small industry internationally competitive and contribute to national income and employment.

Bargal et al. (2009) examined the causal relationship among the three variables GDP, SSI output and SSI exports and also have compared the performance parameters of SSIs in the pre and post liberalization era. The study found that the annual average growth rate of different parameters of SSIs have declined in the period of nineties vis-à-vis the pre-reform years. There is an absence of any lead lag causal relationship between exports and production in small-scale sector and GDP of Indian economy.

Dixit and Pandey (2011) applied co-integration analysis to examine the causal relationship between SMEs output, exports, employment, number of SMEs and their fixed investment and India's GDP, total exports and employment (public and private) for the period 1973-74 to 2006-07. Their study revealed the positive causality between SMEs output and India's GDP. Singh et al. (2012) analyzed the performance of Small scale industry in India and focused on policy changes which have opened new opportunities for this sector. Their study concluded that SSI sector has made good progress in terms of number of SSI units, production & employment levels. The study recommended the emergence of technology development and strengthening of financial infrastructure to boost SSI and to achieve growth target.

Venkatesh and Muthiah (2012) found that the role of small & medium enterprises (SMEs) in the industrial sector is growing rapidly and they have become a thrust area for future growth. They emphasized that nurturing SME sector is essential for the economic well-being of the nation. The above literature highlights the various aspects viz. performance, growth & problems of MSMEs in Indian economy and induces for continuous research in this field

Need for Study

After a series of struggles that led to the formation of new Telengana, there is a need to study the opportunities and challenges that the people of Telengana can look up to in general and in particularly relating to MSME, as it plays a key role in economic and social development of the state. A number of promises were made for the formation of Telengana and now the people of Telengana are anxiously waiting for the promises to be fulfilled.

While the Telengana government is enacting laws for industrial project approvals and self-certification to create a facilitating and enabling environment for investment, the MSME sector suffers from high levels of morbidity and mortality. The present government need not be blamed for the entire problem. The new State certainly inherits the legacy of the past and the overall structural problems in the sector found across the country.

Objectives of the Study

-) To study the employment opportunities and challenges of MSME in Telengana
-) To know the threats and crisis in MSME sector post Telengana formation.

Scope of Study

The study takes into consideration the Micro Small and Medium Enterprises sector and opportunities provided by this sector in the development of the state. The study focuses on the impact of Telengana formation on the sector. For the purpose of studying the employment opportunities and threats faced by this sectors, accurate information regarding the initiative taken and policies framed by the Telengana government are taken into consideration from 2014 onwards

Methodology

The study is based on accurate information. The study takes into consideration the secondary information which has been obtained from articles. Critical evaluation of publicly available data is made to draw any conclusion.

Status of MSME in Telengana

The State of Telengana as analyzed by the Yes bank and CII report has several inherent advantages for Telengana to emerge as a manufacturing hub. These include location and connectivity, demographic advantage, relatively cheaper labor costs, existing industrial base, presence of institutions of excellence etc.

Telengana, besides being centrally located in geographical sense, is surrounded by States with high domestic demand for finished goods. Fairly high degree of road, rail and air connectivity to the state of Telengana allows for flawless transport of raw materials and finished goods. The introduction of GST, feels the industry bodies, would greatly benefit the State due to creation of a unified national market.

Employment opportunities in MSME

As per 2011 Census, Telengana has higher labour force participation rate of 66.8 per cent which is far greater than the national rate of 52.9 per cent.

The availability of surplus work force in the State is yet another advantage for the State to expand its manufacturing activity. According to 2011 Census, Telengana labour force participation was 66.8 percent which is more than the national rate of 52.9 percent.

This indicates the availability of surplus of work force needed for the growth of manufacturing sector in Telengana. The strong industrial base of the State provides the fertile ground for the growth of MSME sector in particular and manufacturing in general. The State already has strong base in several sectors including pharmaceuticals, electronics and electrical, defense and aerospace engineering, information and communication technology and biotechnology, textiles, automobiles etc.

There are so many opportunities from the global investors like the Outer Ring Road Shamshabad International Airport, the export-oriented software industry, pharma, biotech, precision tool industries with nearly 70 percent of the micro, small and medium enterprises. Various harnessing crop technologies opportunities exist for reducing the yield gaps in crops like jowar, maize, red gram, black gram, Bengal gram, cotton, turmeric in Mahbubnagar, Nalgonda, Rangareddy, and Medak. Nizamabad has advantage in paddy, red gram crops; Khammam has advantage in maize; and Warangal in cotton. There is a high potential for investment in inland fisheries in the State, as there is productivity gap in tank and reservoir fishery. There is also a need to realize the high growth potential of aquaculture sector while giving priorities to welfare programmes for those involved in reservoir and back- water fisheries.

Despite all such advantages, higher levels of mortality of companies and businesses are a matter of great concern and policy introspection. Improvement in the work culture and significant enhancement of skills is of vital importance for sustainability of manufacturing sector. More focus is needed on labor absorbing manufacturing. Focus on labor-intensive sector that can provide employment opportunities and achieving higher rates of growth in manufacturing sectors must be the mutually exclusive goals. The State of Telengana

was fought on the demand for providing jobs for the local youth. Any deceleration in this regard would be anti-thesis of the new State.

Opportunities & Challenges to the MSME in Telengana: There is a rapid industrial growth the government of Telengana which has enacted the various industrial policies which provides the wide range of benefits to the promotion of Industrial establishment.

Among the various industrial policies TS- iPASS is providing the immense encouragement to the Global market for the establishments.

Some of recent industrial Acts, Schemes and its summary. Industrial policy framework – Entrepreneurship Development (PRABHAKAR PUDARI 2016)

) TS- I PASS Act,2014 – Industrial Project Approval

) T-IDEA Scheme,2014 – Industrial Development & Self Certification Scheme

) T-PRIDE Scheme,2014 – Program for Rapid Incubation of Dalit Entrepreneur Incentive

) Scheme special fund for addressing incipient sickness, among others.& Entrepreneur Advancement

MSMEs & Economic Growth Assured Power Supply

Improved Infrastructure

Boost to Start Ups through stable policy regime

Hassle-free Inspections – Under active consideration

Finance is still an issue – Banks move at snail speed for manufacturing enterprises

Opportunities flow from Strengths and they always exist Entrepreneurs seize them Growth creates more opportunities

Industrial eco system nurtures them Right Policies promote them

Advantages of MSME

Innovation and enterprise are the driving engines of growth in the modern economy. This requires an overhaul of industrial and skill eco system. The region has terrible experience with the industrial hubs like Patancheru. Industrial development in this area has made the lives of people toxic.

Therefore, emphasis on green manufacturing is vital. Emphasis on less water-intensive industries is essential as the State has higher incidence of dry land agriculture which requires augmented irrigation support. Doing business at ease alone would not result in industrial revival and growth. A comprehensive menu of policy measures is essential to remake 'Make in Telengana.

Lending support to the initiative of the Micro, Small and Medium Enterprises Ministry to create a data bank of MSMEs in all the States, the Federation of Telengana and Andhra Pradesh Chambers of Commerce and Industry (FTAPCCI) inaugurated the MSME Development Institute Facilitation Centre at its premises in Red Hills on 15th November, 2016.

The MSME Ministry made it mandatory for every micro, small and medium enterprise to register itself in the MSME data bank for generating the data base. each enterprise needs to upload its profile, details of products it made, and the facilitation centre will help the members, who require help and it would also help the Union Government accurately assess the number of MSMEs, the sectors in which they are working and the products they make and understand their issues and requirements to make suitable amendments to the MSME policy's. The Department representatives would come to the FTAPCCI centre every Friday to help the entrepreneurs upload their details on the portal.

This would help MSME to know the category-wise entrepreneurs, such as SCs, STs and other classes and sector-wise units and help create polices to help them. Under the Centre's Public Procurement Policy, all

Central and Public Sector Undertakings would have to procure 20 per cent of material, products from the MSME sector. The data would be shared with the CPSUs at a later date. The MSME-DI is collaborating with the sister concerns like NSIC, KVIC and also nodal officers were appointed for every district to coordinate with District Industries Centre's and collect the data of MSMEs. There are over 1.56 lakh registered MSMEs in Andhra Pradesh and 1.13 lakh enterprises in Telengana and their profiles would have to be uploaded on the portal(www.msmedatabank) in Such a database would be helpful for the MSMEs to know the incentives and other facilities extended by the government and would help the government to understand the requirements of MSMEs.

Only micro, small and medium businesses can provide maximum jobs, entrepreneurs and products for India'

Micro, small and medium enterprises (MSME) account for over 37% of India's GDP and a major chunk of employment. In an effort to push this segment as an effect of growth, the government recently launched an online portal and mobile app for tracking data from business-related schemes and to monitor delayed payments to small businesses from public sector undertakings.

(Times of India 2015)

Telengana government to boost MSMEs

The Telengana State government is towards simplification of procedures to ensure that more MSMEs avail incentives like 'Financial opportunities for the MSME sector' organized by The Federation of Telengana and Andhra Pradesh Chambers of Commerce and Industry (FTAPCCI). that the state will also work towards providing land at reasonable rate and providing finance at the lowest interest rates to increase growth of MSMEs.(Times of India 2015) In spite of being the largest employer in the country, MSMEs have limited access to finance, which is why the cost of initial capital that MSMEs require to start their business needs to be reduced. The MSME sector creates 1.3 million jobs every year and produce more than 8,000 products for the Indian and international markets.

Crisis and Threats of MSME

Small industries in TS are crying foul over the land allotment policy of the state government. Applications filed by small industries have been kept pending for the past one year, while big industries are getting their permits within weeks.

The small industries have sought over 870 acres to set up their units and promised employment to 25,000 people. But there has been no response from the government so far.

The Medium, Small and Micro industries sector (MSMEs) is already in a deep crisis in TS, with thousands of units shutting shop over the last five years due to high power tariffs and power holidays.

Though the power situation has improved after formation of Telengana state in June 2014, there has been no initiative from the TS government to revive the sector, which plays a major role in providing employment to a large number of people.

The TS government launched TS-I PASS, the new single window online industrial approval policy last August. As part of this policy, industries are being given all approvals within two weeks.

The government has already approved industrial investments worth Rs 33,101 crore in six phases. These investments are from big companies in software development, solar power, pharmaceuticals, plastic pipes, granites and seed processing units.

However, applications submitted by small industries are pending. Nearly 1,500 applications were received from entrepreneurs to set up small industries during the last two months.

They proposed to invest Rs4,000crore and some had even offered to pay reasonable prices for land around Hyderabad. But the government kept these applications pending on the ground that there is limited availability of land on the city outskirts and big industries may require the land in future.

Representative of MSME's Federation has stated that they are not opposing the priority being given to big industries in allotment of land. But the government should strike a balance. Only big industries cannot provide employment to all. Small industries are required to complement them. Moreover, the small industries argue that they are not seeking land for free or at huge concessions and are willing to pay reasonable price fixed by the government.

While the Telengana government is enacting laws for industrial project approvals and self-certification to create a facilitating and enabling environment for investment, the MSME sector suffers from high levels of morbidity and mortality. The present government need not be blamed for the entire problem.

The new State certainly inherits the legacy of the past and the overall structural problems in the sector found across the country. But, a State that has relatively higher levels of skill deficit cannot afford the extent of mortality reported in the MSME sector. The MSME sector is a true story of 'Make in Telengana' as this sector is employment-intensive and contributes significantly to skill formation. The sector improves the overall productive capacity of the state's economy.

Industry department officials who scrutinized these applications found that it requires nearly 900 acres to approve small industries, besides another 700 acres for green belt, roads, common facilities and other infrastructure facilities. The government is searching for unutilized lands on the city outskirts for small industries since the existing land bank has been reserved for big industries.

Threats of MSME

The Chinese Import Threat

China is one country where there is a fear of tough competition from cheap products which is the evident in high growth of India's imports from china. There is an increasing imports and decreasing exports which is the main reason for India's trade deficit and it has gone up to 48474 million USD in 2014-15.

The government on its part has been imposing anti-dumping duties, permitted under the WTO, for restricting imports when such imports have been established as unfairly affecting the market for goods and services produced by Indian industries.

As per the data available with Directorate General of Anti Dumping and Allied Duties (DGAD), about 1/4th (25%) of all the cases initiated since 1994 are against China. Till June 2014, a total of 166 such cases of anti dumping duty have been initiated against China and duty has been imposed in 134 such cases.

With regards to taking any strict action, India seems to be bound by WTO framework. While India has initiated certain actions like mandating BIS certification for certain products & prohibiting import of mobiles without an IMEI number etc, a lot more needs to be done if this threat has to be countered. There has to be greater focus on export oriented sectors.

Suggestions

The availability of surplus of work force is needed for the growth of manufacturing sector in Telengana .Focus on labour-intensive sector can provide employment opportunities and help in achieving higher rates of growth in manufacturing sectors. The State of Telengana was fought on the demand for providing jobs for the local youth, hence the state should focus on improving the skills of the youth. Awareness should be created among the youth to focus on enhancing the skills for self employability rather than dependent employability. For this the main focus of the Telengana government should be to prioritize the entrepreneurial skill development among the youth by providing NIESET, MSME, MDI programmes to develop vocational skills. The MSME sector urgently needs infrastructural, technological and fiscal support. Despite clear guidelines from the Reserve Bank of India (RBI), the credit access to this sector is under severe stress. A clustered approach may be useful to overcome the infrastructure deficit. The contribution of this sector to exports is also significant. Despite its micro and small character, this sector has a major contribution to the economy and well-being of people. Therefore, special measures are required for its revival. Otherwise, the trend can make a significant dent into the image of '**Brand Telengana**'

Conclusion

The study takes into consideration the issues facing the Telengana government with respect to the MSME sector in particular. The MSME sector plays a crucial role in the development of the economy by providing direct employment opportunities and thus contributing to the social and economic development of the state. This sector is employment-intensive and contributes significantly to skill formation. The sector improves the overall productive capacity of the state's economy. The main purpose of this study is to '**Make Telengana a Brand Telengana**'.

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