

**STUDY OF SMALL & MEDIUM ENTERPRISES
WITH SPECIAL REFERENCE TO BEED
DISTRICT OF MAHARASHTRA**

A BRIEF REPORT

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Chapter No. 7

Conclusions and suggestions

Conclusions

On the basis of the data collected and analyzed following are the conclusions of the study-

Role of SMEs in Industrial Development

- i. To identify SMEs as to promote their growth, it was necessary to define SMEs. Government prescribed the definition of small and medium enterprises under the head Micro, Small and Medium Enterprises (MEMES). The major criterion used to define SMES in India is investment ceiling in fixed assets. The definition is revised by Govt. frequently to suit to the need as time.
- ii. Before enactment of MSMED Act 2006 this sector was known as Small Scale Industrial sector (SSI) comprising as tiny units, small units, Khadi and village industries, ancillary industries and other traditional industries. After enactment of MSMED Act the sector is known as MSME sector. Investment ceilings for MSMEs in manufacturing and service sector are separate. Government covered all business entities registered and unregistered (except large scale industries) under the said act.
- iii. Government introduced two new terms in this sector under the MSMED Act. They are 'Enterprise' and 'Medium'. According to act all business entities are known as enterprises. A middle point of investment ceiling between small and big was introduced by act which is entitled as 'Medium' enterprises.
- iv. The review of definitions of SMEs in Asia and other countries reveals that most of the countries use number of employees as the basic criteria to define the SMES.
- v. The role of SMES in economic development of the country is well established, and well understood by the policy markers. It is significant and

vital for employment generation, mobilization of entrepreneurial skill, regional balanced development and use of local resources.

- vi. SMEs work as nursery of entrepreneurship development. They also work to reduce social inequalities and work as the instruments for inclusive growth. As there is a free entry to all in the world of small enterprises, they help to economic development of most vulnerable and most marginalized groups of society viz. women, STs and SCs. This sector seeks to empower people to break the cycle of poverty and deprivation.
- vii. Further SMEs can play a positive role in establishment of piece in the border areas like Jammu & Kashmir and North East States. The weapons in the hands of the youth can be replaced by equipments and tools. The diverted youth can be brought in main stream.
- viii. Prior to enactment of the MSMED act 2006, the small enterprises were fragmented across various ministries and departments of Government of India for the purpose of development schemes and concessions. In order to correct discrepancies Micro, Small and Medium Enterprises Act was introduced in June 2006. The act suggested to merge all schemes and department and to establish one ministry for all enterprises called as ministry of Micro, Small & Medium Enterprises. The objectives behind act were to enable SMEs to enhance their competitive strength to face the challenges of globalization and to achieve the faster growth.
- ix. Large number of steps were taken by Government prior to 1991. New policy for the sector was announced in 1991, to face the challenges of globalization. Comprehensive policy package for the sector was announced in 2000, special package was announced for Jammu & Kashmir and for North East states of the country.
- x. To strengthen the data base of SME sector SSI/SME censuses were periodically conducted by government. The data collected through censuses is used in the process of planning and monitoring the policies regarding the sector. The latest SME census was conducted in 2007 of which results were published in 2012.
- xi. Several committees, study groups, setup to look in to the issues regarding SSI/SME sector, have made important recommendations for the development of this sector. Some important committees were P.R.Nayak

Committee (1991), Abid Hussian Committee (1995), S.P. Gupta Committee (1999), Ganguly Committee (2004), K.C. Chakrabarty Committee (2007 and Prime Minister task force (2009).

Growth of SMEs

- i. Growth and development of SMEs is significant for various reasons in addition to for employment generation. SMEs are the measures for social peace and justice and are the tools of balanced development.
- ii. The growth of SMEs in India for the period of ten years i.e. from 2001-02 to 2010-11 seems steady. It may be experienced that the growth in more in the period form 2007-08 to 2010-11. It may be becomes of enactment of MSMED act 2006. More and rigorous efforts were made during this period for the growth of SMEs. The growth rate is constant for the study period and is between 4% to 4.5%.
- iii. State wise growth of SMEs in India shows disparities among states. SMEs are growing in some states continuously where as in other states they are not growing. Some leading states in terms of number of SMEs are Uttar Pradesh, Tamil Nadu, West Bengal and Maharashtra. The North East States and Border states like Jammu and Kashmir show low growth in terms of number of MSMEs.
- iv. There are various features of MSMEs. The entire world of SMEs is divided in to these features. These features show various aspects of SMEs. The analysis of features may be called as structural distribution of SMEs in India. The share of micro enterprises in SMEs is about 91%. Major SMEs are located in urban area. More than 86% of the enterprises are run by male entrepreneurs and major units are manufacturing enterprises. Among all SMEs propriety concerns are 90%. More than 81% of the enterprises are owned by Hindu entrepreneurs. The SMEs owned by entrepreneurs from socially backward classes are 57% with a major share of OBC entrepreneurs as 36%.
- v. The enactment of MSMED act in 2006 gave push to the growth of SMEs in the country. Various initiatives were taken by government for the growth of

SMEs after the enactment of the MSMED Act. The data of SMEs in India was scientifically collected which helped to understand the strength and weaknesses of the field. The submission of Entrepreneurs memorandum – II (EM-II) came in vogue from 2006. The EM-II was to be submitted to DICs in the country. The EM-II indicates the commencement of business of SMEs. The data of EM-II collected by DICs in the country shows that there is a constant growth in number of SMEs in terms of EM-II. The growth rate of SMEs under EM-II is about 10%

- vi. State wise distribution of SMEs, show that the growth of SMEs in the states is not even. Some states are showing growth continuously and some are continuously lagging behind since a long period. The development of SMEs is required in North East states and in Jammu & Kashmir. But unfortunately they are not growing in these states. Special package is announced for the growth of SMEs in North East and in Jammu and Kashmir but it seems that there is no response to the package announced by Government.

Investment, Production, Employment and Exports of SMEs

- i. The investment in fixed assets in SMEs shows the constant increase throughout the study period. The total investment and year wise investment also show growing trend. The percent increase in investment over previous year shows increasing trend. But from the year 2006-07 i.e. from implementation of MSMED act the data shows more increase.
- ii. The production of SMEs in India shows overall growing trend, with decrease in some years. As from the year 2006-07, manufacturing enterprises are included in data sets of MSMEs, the production was expected more. But it do not show proportionate increase. The percent growth rates over previous year are also show the trend of increase and decrease.
- iii. Contribution of SME sector in total industrial production and in GDP in India is substantial and steady. This sector contributes 40% to industrial production and 7% to GDP on an average. In seems that expected role by the sector in industrial development is played effectively. It is significant to

understand that more share of SMEs in production and GDP promote more sustainable development and equitable distribution of income in society.

- iv. Products that are manufactured by SME sector are more than 6000. To promote the growth of MSMEs, some products are reserved from the sector by government. A wide range of products and services are provided by SME sector. In include traditional items as well as high-tech items. 90% of the SMEs are proprietary concerns, they are working under financial limitations and hence their products are also of small in nature and quantity.
- v. SMEs play an important role in employment. They provide employment as well as self employment. The employment provided by the sector is constantly growing during the study period. The increase in employment is at 4% every year. It is experienced that after the enactment of MSMED act in 2006 the employment in the sector increased more.
- vi. The data shows that the exports are increasing year to year but the growth is not constant. There are variations in total exports as a result the growth percentage shows ups and downs. This reveals that the sector is not working effectively in exports. The role of government in export promotion is vital. The non steady growth in exports shows that government is not making effective role in this regard.
- vii. The state wise trends of various aspects of SMEs like investment, production, employment and exports show that some few states are leading in SME sector since a long period. The other states are backward in terms of growth of SMEs. The border areas like Jammu & Kashmir and Himachal Pradesh and North East states are sensitive states where SME can make a role to establish social piece. A special package of incentives is also announced by government to these states but has no much effect on the growth of SMEs.

Beed district scenario of SMEs

- i. In view of location and geographical area it can be said that Beed District is disadvantaged District. There are no minerals, no forests, and no big mother industries which may promote the growth of SMEs in the district. Because

of low rain fall and no big irrigation projects, the district is always identified as draught prone district.

- ii. The district is lagging behind in transportation facilities as the railtrack, (only 48 kms), national highways (only about 50 kms) and state highways are very less.
- iii. In view of administration the district is a big unit contains two sub divisions and eleven tehsil blocks. It is old demand to divide the district and to make Ambajogai as saperate district.
- iv. The overall industrial scenario of the district seems to be not satisfactory. There are very few, small, medium and big industrial units to promote the employment and economic development of the district.
- v. The growth of SMEs in the district seems very slow. Only 763 new units are established during the period of Ten years. It seems that there is a very less response to the government initiatives for SME development. The enactment of MSME Development Act in 2006 have shown very less effect on the growth of SMEs. The growth percentage do not show increasing trend.
- vi. Regarding employment generation by SME sector in the district it can be said that the sector have not served the purpose. The year wise increase in employment on an average is 865 persons with an average growth rate over previous year as 5.32%. The objective of SMEs is to create employment and self employment but it seems that the objective is not much obtained. During the period from 2006-07 to 2010-11, more new SMEs are established but employment is not increased in proportion. This may be because of various problems faced by SMEs in the district. The problems affect the production, marketing and other activities and ultimately result into decrease in employment. When SMEs can't work with full capacity they are unable to employ more persons and hence the employment by SMEs may decrease.
- vii. The data of investment in fixed assets of SMEs in the district shows that the investment is low and fluctuating every year. Instead of growing trend it shows decreasing trend. It seems that the entrepreneurs are discouraged to invest in the SMEs because of several problems.
- viii. Very few SMEs are engaged in manufacturing. Manufacturing activity is carried out by SMEs located in manufacturing clusters specially developed for MSMEs.

- ix. The major SMEs are service enterprises. The services provided by these units are of regular and routine nature and not of special nature.
- x. There are no exports by SMEs in the district. The reasons may be lack of entrepreneurship, lack of innovation and lack of competitive quality. As production activity is very less there are no exports.
- xi. Maximum SMEs are working in services sector. Major units are in steel fabrication, repairs and maintenance and agro based services. Some important types of industries under SMEs are, cotton textile, wooden furniture and mineral based/clay bricks units. Regarding industry type wise investment, more investments is in agro based units, cotton textile units, steel fabrication & repairs and maintenance units. More employment is generated by agro based units and steel fabrication and repairs & maintenance units.
- xii. Four MIDC areas and two Co-operative industrial areas are functioning in the district. These are at Beed, Ashti, Patoda, Parli Vaijanath and Ambajogai. One industrial area at Majalgaon is under development and one is proposed at Georai. 103 plots are vacant out of 387 plots at MIDC and 99 plots are vacant out of 201 plots at cooperative industrial area. Out of 284 plots allotted in MIDC only 84 units are in production whereas the corresponding figures in cooperative industrial area are 102 and 40. It seems that development MIDC area or cooperative industrial area have not much effect on SME development in the district. Very few units are in production. More plots are few vacant. This reveals that industrial areas of the district are facing problems.
- xiii. MSME cluster development scheme (MSME-CDS) of Ministry MSMEs Government of India is implemented in the district. MSME-CDS is an initiative taken by government to promote the development of SMEs. SMEs working under same product line and manufacturing same product form a cluster and put group efforts to solve the problems. In district there are three manufacturing clusters of SMEs. Oil Mill Cluster of Beed, Textile cluster at Wadwani and Cotton Cluster at Beed. About 230 SMEs are covered under these clusters. About 80 units in oil mill cluster, 80 units in textile cluster and 70 units in cotton cluster are in functioning. Estimated employment of cluster is 4150 persons.

- xiv. It seems that the MSME-CDS is not working effectively as the SME units in the cluster are facing difficulties. The entrepreneurs in the clusters demand common facility centre (CFC). It was expected to prepare project for establishment of CFC and to avail the financial assistance from central government. But such initiatives are not taken in clusters. Activities like seminars, conferees, industrial visits, group discussions etc. were expected to understand the difficulties of SMEs in the cluster, but it seems that such activities are not undertaken. The central governments provide financial assistance for infrastructure development of MSMEs. The clusters of SMEs are expected to submit the proposals for the same. It seems that no such proposal are initiated through clusters.
- xv. The district has no favorable conditions for the development of SMEs. No minerals, very few forests, no big dams and very low rainfall are the geographical issues. Inadequate road and rail transport facilities and no big industrial units for the development of ancillary units are some other issues. Still there is a scope for the development of SMEs in some specific areas, identified for the development. More scope is in service sector where the SMEs can work. There is a scope to agro based SMEs also under manufacturing sector.
- xvi. Lack of entrepreneurship, innovation and new creation are the major issues regarding development of SMEs. The district is lagging behind in entrepreneurship development. More efforts are required in this regard.
- xvii. The SMEs in the district are always facing various problems. Some are general and common to all SMEs and other problems are of specific nature. Inadequate infrastructure, and natural resources, low rate of capital formation, lack of entrepreneurship, absence of big units (which are required for the development of ancillary units), and inadequate industrial area, inadequate finance, infant mortality, and competition of branded products are the general problems of SMEs in the district.
- xviii. Specific problems of SMEs are lack of proper guidance for product selection, problem of raw material supply, short supply of skilled workers, no brand name and no advertisement, problem of credit sales, inferior quality of products, low rate of repayment of loan, lack of entrepreneurship and managerial skills are some specific problems of SMEs in the district.

Problems of SMEs

- i. SMEs are facing number of problems and weaknesses. Major enterprises are in unorganized sector. These enterprises are located on several locations of the country and spread over wide area. This sector is heterogeneous comprising of variety of products, markets and organization forms. These enterprises are driven by individual skill and creativity but problems of technology and equality.
- ii. Major units are small in size and they have very poor access to credit and equity. Banks do not have suitable financial products for them. In addition major units face problems of ID, Address Proof, incredibility and security against loan.
- iii. Due to unorganized nature of the sector, entrepreneurs and workers in the sector, face difficulties. Due to poor economic conditions of units, workers do not get fair remuneration. As workers are unorganized they have little bargaining power and hence exploited by owners. Small entrepreneurs are exploited by big business houses.
- iv. Because of small size and small financial strength, the units can't make aggressive marketing and hence can't face competition of branded products of big business houses.
- v. This sector faces problems of inadequate infrastructure, short supply of skilled workers, lack of managerial skills, absence of skill development programs and problems of sickness and rehabilitation.
- vi. SMEs are expected to play a special role in sensitive areas like north east states and Jammu and Kashmir. The fact is this that the growth of SMEs in these geographical areas is very slow. SMEs in these areas need special attention of government.

General Suggestions –

- i. Entrepreneurs education and training is necessary as to make them aware about government schemes. Hence training and education facility needed to be enhanced and to be extended up to block and tehsil level.

- ii. DIC scheme is required to be more effective. It showed work with adequate staff. It is required to work up to block and tahsil level.
- iii. To promote the growth of SMEs one window scheme should be implemented DIC should make effective role in this regard.
- iv. Adequate number of entrepreneurship development programmes should be arranged by DIC with partnership of educational institutes. They should be arranged at colleges and institutes where potential entrepreneurs are easily available. EDP should be the regular activity.
- v. Data collection under MSMED Act. should be accurate as to maintain perfect data base of the sector. The data plays significant role to understand the status of growth and to take further initiatives.
- vi. Considering the development of SME sector in some selected states. Initiatives are necessary for the development of the sector in other states, specially where there is a potential of development.
- vii. Special initiatives should be taken for the growth of SMEs in and North East states of the country.
- viii. To enhance the investment in SMEs, it is necessary to provide adequate finance. The procedures for getting finance are to be simplified.
- ix. The Production of SMEs is constantly increasing. The contribution of SMEs in Industrial production & in GDP is substantial. To maintain productivity of the sector, the raw material and marketing facility should be strengthened.
- x. SME sector is second largest sector after agriculture to provide employment. To create more employment opportunities it is necessary to promote SMEs. For this success rate of Entrepreneurship development programmes must be increased. EDP, are to be implemented on massive basis.
- xi. Export oriented SMEs should be given more incentives. They need the govt. help in completing export procedure. The export procedure should be simplified at the end of Indian govt.
- xii. Major SMEs are unorganized and so face more problems hence small entrepreneurs association are required to work effectively. The associations and organizations can play important role in development of SMEs
- xiii. To solve the problems of SMEs in Border States and north east states, a special cell may be established in the ministry of MSMEs. This cell will put extensive efforts for the growth of SMEs of these areas. Special package are

announced by govt. for this purpose. The special cell may monitor the implementation of packages given to these areas

Suggestions for SME Development in Beed district

- i. Beed district is identified as industrially back word district since long period. A special package is required for the industrial development of the district.
- ii. DIC of Beed is required to prepare a detailed plan for the SMEs development. It should be long term plan and should be implemented effectively DIC should lead in this regard.
- iii. Road and railway development in the district is an urgent need. Nagar, Beed-Parli Train Track will be helpful for the industrial development.
- iv. Establishment of Big units in Beed district is also an urgent need. The govt. should make a role this regard. The MP and MLAs of the district may motivate the big entrepreneurs to come to the district and to make investment.
- v. Ashti, Patoda, Kada, Shirur and Georai blocks are more backward in SMEs development. Special attention is required for the development of small enterprises in these blocks.
- vi. Very few SMEs in the district are in manufacturing activity. Major SMEs are in service sector. Efforts are required to promote SMEs in manufacturing sector.
- vii. Infrastructure facilities in existing MIDC areas are inadequate. There should be an improvement in the facilities. Non business activities in MIDC areas are to be prohibited.
- viii. The cluster activities need to be strengthened. The entrepreneurs in the cluster are required to take initiatives for establishment of common facility centre where ever required. The financial assistance facility is given to clusters for various projects which is to be availed by entrepreneurs.
- ix. Lack of entrepreneurship, innovation and new creation are the problems of industrial development of the district. The solution is entrepreneurship development programme and entrepreneurship Training. The EDPs are to be

conducted regularly at all blocks. They may be conducted at colleges and educational institutes.

- x. MIDC industrial areas should be developed in each block of the district. There are no industrial areas in six blocks where as it's a policy of govt. to establish MIDC industrial area at every block. The DIC should make a role in this regard.
- xi. The scientific study of the district should be made to identify the potential areas for SMEs development. The study may be helpful to understand raw material and human resource available in the district.
- xii. The Organizations of Entrepreneurs and Industries Association are expected to become more active for the industrial development of district. The associations may extend services for technical consultancy and project report. They are also expected to give feed back to government about the issues related to industrial development of the district.

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