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IMPACT ON MICRO SMALL AND MEDIUM ENTERPRISES DEVELOPMENT HELPS TO TAMIL NADU ELECTRICITY SECTOR

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Abstract

Micro, Small and Medium Enterprises constitute the backbone of an economy in maintaining an appreciable growth rate and in generating employment opportunities. This sector has been regarded as engine of economic growth and social development in many developed and developing countries. Contribution of MSMEs to the Indian economy in terms of employment generation; containing regional disparities, fostering equitable economic growth and enhancing export potential of the country have been quite phenomenal. Despite some infrastructural deficiencies and challenges like flow of institutional credit and inadequate market linkages, this sector has registered remarkable success with regard to increase in number, quantum of investment, scale of production and overall contribution to national GDP. The study makes an attempt to focus on the huge growth potential land opportunities available in India for development of MSME sector, to identify important issues and challenges and offer suggestions to address the same.

Keywords: *Micro, small & medium enterprises (MSME); growth potential; Challenges; market linkages;*

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Introduction

The Micro, Small and Medium Enterprises (MSME) sector is the engine of growth in India and contributes substantially to employment generation, scaling up of manufacturing capabilities, balanced regional development and socio-economic empowerment. It is the biggest employer after agriculture in the Country. World over, MSMEs are the main vehicles for job creation. As per the Annual Report (2018-19) of the Ministry of MSME, Government of India, the share of MSMEs in the Country's GDP is around 28.9%. MSMEs also tribute 48.1% of the total exports from India. After the enactment of the Micro, Small and Medium Enterprises Development Act, 2006, small scale industries have been classified as Micro, Small and Medium Enterprises. The Government of India has recently notified new criteria for classifying the enterprises and has also introduced by registration instead of all the earlier registration procedures. The enterprise is classified as a Micro, Small or Medium Enterprise based on the following composite criteria.

Review of Literature

Srinivas. K. T (2013) has studied the performance of micro, small & Medium enterprises, and their contribution in India's economic growth and concluded that micro, small & medium enterprises play a significant role in inclusive growth of Indian economy.

SubrahmanyaBala (2011) "has probed the impact of globalization on the exports potentials of the small enterprises. The study shows that share of small scale industries export in total export has increased in protection period but remained more or less stagnant during the liberalization period. However, the

correlation co-efficient in liberalization period is higher than that of protection period suggesting that the relationship between the total export and small scale industries export has become stronger in liberalization period. This may be due to the drastic change in composition of small scale industries export items from traditional to non-traditional and growth in its contribution to total export through trading houses, export houses and subcontracting relation with large enterprises. Thus, the current policy of increasing competitiveness through infusion of improved technology, finance, and marketing techniques should be emphasized."

Export - Import Bank of India 2012; Strategic Development of MSMEs: Comparison of Policy Framework and Institutional Support Systems in India and Select Countries

3. Objectives of the Study

- To study the growth of employment in the SSIs/MSMEs Sector of Tamil Nadu.
- To make a comparison of the growth of employment in the SSIs/MSMEs sector in Tamil Nadu.

Data Analysis and Discussion

The employment generated by the micro, small & medium enterprises date were given in detail by the Ministry of Statistics and Programme Implementation, on the basis of the data on Gross Domestic Product published by Central Statistical Office. After the enactment of the Micro, Small and Medium Enterprises Development Act, 2006, small scale industries have been classified as Micro, Small and Medium Enterprises .The Government of India has recently notified new criteria for classifying the enterprises and has also introduced Udyam

Registration instead of all the earlier registration procedures. An enterprise is classified as a Micro, Small or Medium Enterprise based on the following

Table: 1 and chart: 1

Types of enterprises	Investment in plants and Machinery not exceeding	Turnover not exceeding
Micro	RS .1crore	RS. 5crore
Macro	RS .10crore	RS. 50crore
Medium	RS .50crore	RS .250crore

Table: 2: Chart:2

Employment Generated by Micro, Small & Medium Enterprises in Tamil Nadu

Year	Employment Generated (No of persons)
2011-2012	28963
2012-2013	32723
2013-2014	29496
2014-2015	36190
2015-2016	38421

Source: Ministry of Micro, Small & Medium Enterprises, Government of India, 2017. The employment generated by the micro, small & medium enterprises was given for the year 2011-2012 to 2015-2016. In the year 2011-2012 the

employment generated by the micro, small & medium enterprises was 28,963 persons, in the year of 2012-2013 the employment generated by the micro, small & medium enterprises was 32,723 persons, in the year 2013-2014 the employment generated by the micro, small & medium enterprises was 29,496 persons, in the year 2014-2015 the employment generated by the micro, small & medium enterprises was 36,190 persons and in the year 2015-2016 the employment generated by the micro, small & medium enterprises was 38,421. There is clear indication of increase in employment generation from 2011-2012 to 2012-2013 of 3,760 persons. In the year 2012-2013 to 2013-2014 there was a slight decrease in the employment generation of 3,227 persons. Further, there was a continuous increase of 6,694 persons in 2014-2015 and 2,231 persons in 2015-2016

Performance of MSME

The MSME sector contributes 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 70 million persons in over 30 million units throughout the country. There are over 6000 products ranging from traditional to high-tech items, which are being manufactured by the MSMEs in India. It is well known that the MSME sector provides the maximum opportunities for both self-employment and jobs after agriculture sector. MSMEs have performed well over the years. There were about 312 lakhs MSMEs in India during 2010-11 contributing to a production level of ` 1,095,758 crore, and providing employment to around 70 million persons. According to the Fourth All-India Census of Micro-Small and Medium Enterprises (reference period

2006-07), the size of the registered MSMEs was estimated to be 15.64 lakh units. This comprises of 67% of manufacturing enterprises and 33% of services enterprises. About 45% of the units were located in rural areas. Of the total working enterprises, the proportion of micro, small and medium enterprises were 94.94%, 4.89%, and 0.17%, respectively. About 90% of the registered enterprises in the MSME sector were proprietary concerns, about 4% were partnership firms, and about 3% were running as private companies and the balance were owned by public limited companies, cooperatives, trust etc. Share of women enterprises in total was around 14%.

MSMEs in Tamil Nadu

MSMEs produce a wide variety of products in almost all sectors. The prominent ones 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. 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 corer. 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 nearly 11.10 lakh registered MSMEs in Tamil Nadu as on 31.3.15 providing employment to 69.69 lakh persons with a total investment of about Rs.91,480 crore. Further, this sector is a

major employment provider next to Agriculture

Micro Small and Medium Enterprises Policy in Tamil Nadu

As per the National Sample Survey (NSS) 73rd round, conducted by the National Sample Survey Office, Ministry of Statistics & Programme Implementation and Government of India during the period 2015-16, Tamil Nadu has the third-largest number of MSMEs in the Country with a share of 8% and around five million enterprises. It also accounts for nearly 15.24% of India's micro-enterprises and has the highest number of non-farm units. Tamil Nadu enjoys a dominant position in the industrial sector as indicated by the Annual Survey of Industries (2017-18). Tamil Nadu has over 25 lakh persons engaged in the factory sector which is the highest one in the country. With 37,987 factories, the state accounts for the 4th highest no's of factories in the country. Tamil Nadu ranks 3rd in the amount of invested capital and in terms of total industrial output in the industrial sector. Around 23.60 lakh entrepreneurs have registered/filed the Small Scale Industries (SSI), Entrepreneur Memorandum (EM) Acknowledgement Part II/ Udyog Aadhaar Memorandum (UAM) providing employment opportunities to about 151.61 lakh persons with a total investment of Rs.2, 73,241.00 cores. MSMEs in the State produce over 6000 different products for both domestic and international markets. They provide a strong and reliable vendor base to large industries in the State. The majority of MSMEs in Tamil Nadu are concentrated in sectors such as food and beverages, textiles and apparel, printing, metal fabrication, machinery and equipment, leather, rubber and plastics, chemicals, wood and furniture etc. Manufacturing MSMEs are largely concentrated in Chennai, Coimbatore, Erode, Kanchipuram, Krishnagiri,

Madurai, Salem, Tiruppur, Virudhunagar and Vellore Districts. Service MSMEs are concentrated in Chennai, Coimbatore, Dindigul, Kanchipuram, Namakkal, Salem, Thoothukudi, Thiruvallur, Trichy and Vellore Districts.

Impacts on Msme in Tamil Nadu State

Amid the pandemic, the micro, small and medium enterprises (MSMEs) in the State are under severe stress. Yet to recover from last year's lockdown impact, the MSME sector has faced dealt another major blow by this year's lockdown. The units received good orders and were trying to ramp up their production when the lockdown suddenly came into force and their units were closed. The uncertainty looming over reopening of the units has left the MSME sector worried about its future. Despite plagued by a plethora of issues like paucity of working capital, shortage of labourers (as migrant workers returned to their States) and rise in prices of raw materials, the MSME units were still managing the show and had high hopes of revival as the market was improving. But the lockdown shattered their plans. "The market was showing good sign of improvement and our hands were also full with orders. Majority of the units have taken loans to procure raw materials and have to finish orders on time. But unfortunately our factories have been shut. How can we repay our loans?" asks S Anburajan, president of TANSTIA (Tamil Nadu Small and Tiny Industries Association). It is the apex body of MSMEs in the State. He further highlighted that almost 70% of the MSMEs in the State are staring at closure due to the massive losses incurred during the lockdown. Anburajan claimed that a few units, which are into manufacturing of essential services, are unable to function properly as their employees are not allowed to commute in two-wheelers and for small units, it is not possible to arrange vehicles for their employees. The association has appealed to the State

government to allow e-passes for employees of such units. Besides, TANSTIA has also urged that soap and detergent manufacturers be considered as essential manufacturers as these products are used for hygiene purposes and units that are into manufacturing of essential services should be supported with working capital. "If timely and strong help is not provided to us by the Centre and State governments, then the sector may perish," said Anburajan.

Electricity Sector Helps to Micro Small and Medium Enterprises

MSME sector in the region has been hit hard by Tangedco's levy of 90% of the sanctioned demand or recorded demand, whichever is higher, for the lockdown relaxation period. "There is no rationale in this method of calculating power charges at the time when industries in MSME sector are fast turning sick due to mounting loans," said Rajappa Rajkumar, resident, Tiruchi District Tiny and Small Scale Industries' Association. "There has been no intervention by the State government on the issue. Industries in MSME sector, at this critical juncture, must be charged only for actual power consumption, The government has to honour its commitment to levy charges based on actual consumption to prevent MSMEs from shutting down operations," he contended. It is distressing to see banks issuing takeover notices of NPAs of industries that has turned sick and many units struggling to survive, Mr. Rajappa Rajkumar rued. Last year, Tamil Nadu Electricity Regulatory Commission (TNERC) issued an order directing Tangedco to collect 20% of the contracted demand or recorded demand, whichever was higher, as minimum demand charges from high tension consumers. In view of the epidemic, the industries were prevented from using electricity up to the sanctioned demand. Tangedco, it is learnt,

has plans to issue revised bills by applying Regulation 6(b) of the Supply Code. But it is only for the duration of total lockdown. “Industries that resumed operations at the time of lockdown relaxation have no choice but to pay charges to the tune of 90% of the sanctioned demand or recorded demand,” said R. Ilango, president, Tiruchi District Tiny and Small-Scale Industries' Association. Last month, the State government announced formation of an expert committee to formulate schemes for revival of MSMEs. The announcement made by Governor Banwarilal Purohit in his customary address to the State Assembly specifies that the expert committee would consist of industrialists, banking and financial experts, and government officials. Representatives of MSME sector in the region say they are still in the dark about the promised committee. “For any progress in this direction, representation to industrialists in the MSME sector in the expert committee is an absolute necessity, Problems to this sector have to be resolved decisively,” Mr.Rajappa Rajkumar said.

Conclusion

Micro, Small and Medium Enterprises constitute the backbone of an economy in maintaining an appreciable growth rate and in generating employment opportunities. This sector has been regarded as engine of economic growth and social development in many developed and developing countries .Contribution of MSMEs to the Indian economy in terms of employment generation, containing regional disparities, fostering equitable economic growth and enhancing export potential of the country has been quite phenomenal. Despite some infrastructural deficiencies and challenges like flow of institutional credit and inadequate market linkages, this sector has registered remarkable success with regard to increase in number, quantum of investment, scale of production and overall contribution to

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