

A Survey on the Growth and Development of MSME in Tamil Nadu

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Abstract

Micro Small and Medium Enterprise (MSME) provides a vital contribution towards financial expansion and advancement in the development of the economy. This system provides an environment for nurturing various innovative ideas and creativity. This in turn paves the way to create jobs and uplift the socio-status of the livelihood, and subsequently regarded as the world's economic foundation. Micro, Small, and Medium Enterprises (MSMEs) assist industries as supplementary units, making a significant contribution to the country's total growth in industry. These industries produce, manufacture, and deal with various products and commodities. When compared with the year 2022, there is a 29% increase in the commercial sector as well as a 20% increase in the overall supply sector in lakhs, which leads to an increase of 12% in crores for MSME growth throughout India in 2023. This research work puts forth the several implications of MSME in the development of MSME in Tamil Nadu

Keywords: MSME, Production, Supply, Manufacture, Industrial Growth

1. Introduction

The Micro, Small, and Medium Enterprises (MSME) is a ministry in the Indian government [1]. It is India's top executive body in charge of developing and enforcing rules, regulations, and laws governing micro, small, and medium-sized business enterprises. Currently, Sh Narayan Tatu Rane is the Minister for Micro, Small, and Medium Enterprises. MSMEs assist to minimize unemployment and boost growth in the economy. Furthermore, entrepreneurship promotes innovation and the establishment of new sectors and financial markets, resulting in additional employment and economic growth [13].

The Ministry of Small-Scale Industries and Agro-Rural Industries was established by the government in October in 1999. In September 2001, the ministry was divided into two departments: Ministry of Small-Scale Industries and the Ministry of Agriculture and Rural Development. The President of India revised the Constitution of India (Allocation of Business) Rules, 1961, through an announcement issued on May 9, 2007. The ministry was entrusted with promoting micro and small firms. The ministry controlled the Small Industries Development organization, in addition to the National Small Industries Corporation Limited, a public sector entity. The Small Business Development Organization was founded in 1954. The department offers testing, tooling, and entrepreneurial development training, as well as project and products profile preparation. Services offered include technical and management consulting, export assistance, and pollution and energy assessments [14]. MSME classification is based on the investment in plant and machinery or equipment and turnover. The Table 1 shows the new classification of MSME as on July 2020.

Table 1. The New Classification of MSME wef July 1 2020

Types of Enterprise	Investment in Plant and Machinery/Equipment	Turnover
Micro	Does not exceed Rs.1 crore	Does not exceed Rs.5 crore
Small	Does not exceed Rs.10 crore	Does not exceed Rs.50 crore
Medium	Does not exceed Rs.50 crore	Does not exceed Rs.250 crore

Under the Micro, Small, and Medium Enterprises Development Act of 2006, the Government of India formed the National Board for Micro, Small, and Medium Enterprises (NBMSME) to investigate the variables influencing MSME promotion and advancement. This board also examines current regulations and makes suggestions to government officials for the expansion of the MSME sector [15]. Figure 1 depicts the general expectations of MSME in 2024, as anticipated by executives on the Business Standard webpage.

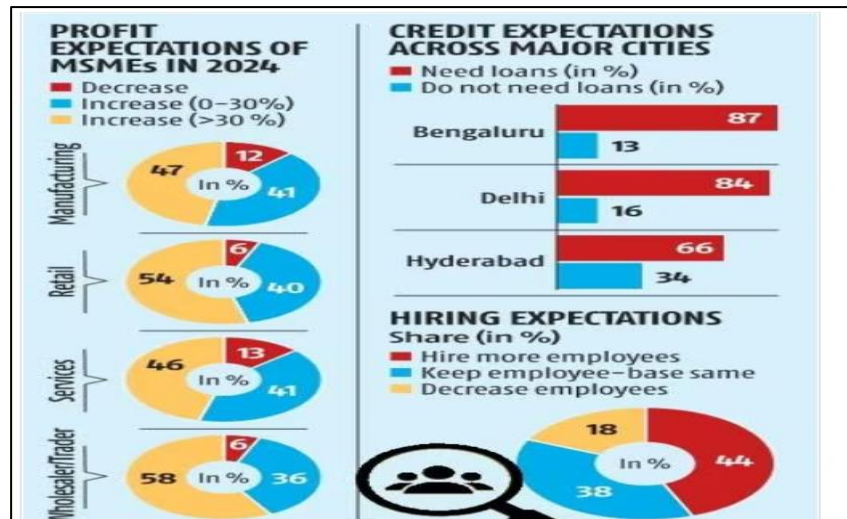


Figure 1. Overall Expectations of MSME in 2024 by “Business Standard” [12]

The article discusses the development and expansion of MSME in Tamil Nadu during the year 2023. The statistics are acquired through research on many websites, blogs, papers, and research projects. The study aims to identify the growth of MSMEs, different developmental schemes for MSMEs and the vision of the MSME for the state of Tamil Nadu.

2. MSME Statistics Across India

In the Indian economy, 96% of industrial units belong to small businesses. Small businesses contribute to 40% of the country's total industrial output and 42% of overall Indian exports. It provides various chances in both urban and rural parts of the country. The Indian economy is typically experiencing layoffs, and small businesses have contributed to improving job opportunities for individuals. MSMEs produced 120 million employments in each industry in India. Table 2 illustrates the overall possibilities for employment in the different industries [16].

Table 2. The Job Opportunities in Each Industry [16]

Sector	Job Opportunities (in lakhs)
Trade	387.18
Manufacturing	360.41
Other services	362.82

3. Literature Survey

Rashmi Khanna et. al [2] discuss the aims to examine the present state of micro, small, and medium firms in the nation. The outcomes of MSMEs following deregulation, as well as their prospects for the future have been thoroughly investigated. Researchers identified main issues encountered by MSMEs in India. The article discusses government policy measures and plans aimed at promoting MSMEs in India. This research was undertaken with two major goals, which is to investigate the efficiency of MSMEs in India and their expansion potential; To learn about the different difficulties and obstacles encountered by MSMEs in India.

Soni Rathi et. al [3] explained the research study analyzed the yearly report of MSMEs (2020-2021) using MS-Excel and showed the results in columns and data visualizations. MSME contributes significantly to the expansion and growth of the Indian economy, creating opportunities for employment in both urban and rural areas. The study identifies the proportion of main industries in the MSME sector and estimates the total number of employees and MSMEs. The article also addresses limitations and offers future suggestions. From earlier studies, this research article focused on three primary objectives: determining the importance of MSME to the nation's economy; figuring out the proportion of major industries in MSME sectors; Finding out the anticipated number of MSME; ascertaining the anticipated active employees in MSME throughout 2014-2021.

This research work [4] aims to identify the characteristics impacting the adoption of ICT among owners or managers of Micro, Small, and Medium Enterprises (MSME) in India. The theories were developed based on the Technology Acceptance Framework and the Unified Theory of Acceptance and Utilization of Technology to identify variables impacting ICT adoption behavior. The suggested model was evaluated using a structural equation modelling technique. The findings show that perceived utility and social impact emerged as the most important elements affecting ICT adoption decisions. The report additionally addressed the challenges that MSMEs face while embracing ICT. The obstacles identified were divided into three distinct groups: resources/infrastructure, human resources, and technology environment. The results of this research can assist governments, MSME owners, and the ICT industry.

This report [5] evaluates the MSME sector's position in North East India, including present employment status, targeted operations, and development and distribution. The research employed many approaches to attain its aims. Additional information was analyzed to explore the importance of the MSME sector in North East India. The MSMEs sector drives

growth in the Indian economy including North Eastern states. The analysis shows an increase in the total amount of parts, job opportunities, and asset value on the market. There is a substantial correlation between total industrial units and employment rates. MSME is a key source of urban and rural growth, with substantial policy consequences.

Deshraj Son et. al [6] discusses technology upgrade strategies designed for the MSME sector. It aims to reduce obstacles in micro, small, and medium firms and technology. The researcher examines the impact of technology on increasing output in MSME. This report examines the influence of technology on the MSME sector through a comprehensive literature analysis. The study examines whether technology has positively or negatively impacted the MSME sector, yet it remains underutilized in its development. The research aims to upgrade technology and promote creative schemes for the MSME sector. It also identifies primary obstacles to technological development in the Indian MSME industry.

This survey [7] explores the problems and possibilities for MSME in Tirupur, a major textile center in South India. The report highlights restrictions encountered by MSMEs, such as access to funding, competitiveness, and adoption of technology. The article discusses the potential for these firms, including government efforts, market development, and technical improvements. This report highlights difficulties and possibilities for policy-makers, business advisors, and MSME entrepreneurs in Tirupur. The present research sheds light on the unique context of MSMEs in Tirupur, offering helpful information for policymakers, stakeholders in the industry, and MSMEs to address challenges and capitalize on potential for growth.

Amruta Somshekhar et. al [8] paper reviews the government's plans for the MSME sector as well as explore how they might contribute to the country's growth. The goal of this assessment is to identify several concerns. Learn about the challenges encountered by MSMEs in India, government programs for the sector, and how MSMEs and start-ups contribute to national growth. This research highlights how government policies and the MSME sector contribute to a more evolved society. MSMEs in India account for 8% for GDP, employing around 45% for industrial output and 40% for total exports. The main advantages are increased company possibilities at a cheap capital expenditure. Government programs support the MSME sector, promoting national development and creating job possibilities.

Neba Bhalla et. al [9] research explores how GST affects the commercial growth of Indian MSMEs. Statistics were acquired via 404 MSMEs that were registered using a

standardized survey. GST has a beneficial overall influence on corporate performance, according to partial least squares modeling results. The pathway approach shows that GST-related factors such as tax system changes, innovation transitions, and increased tax awareness improve business performance, operational efficiency, and profitability, and minimize financial blockages. The study explored how MSMEs' size, revenue, and shape affect their compliance with GST performances. Policymakers and emerging nations might benefit from concentrating on reforming tax aspects that improve the performance of MSMEs and contribute to future economic growth.

The research [10] highlights the importance of management strategy in enhancing the scalability of MSMEs by setting appropriate objectives. The study's methodology took into account the primary information, which included 120 replies. This study aims to assess the efficiency of management methods for scalability and their influence on MSMEs. The objectives for investigating the influence of management techniques in the scalability of MSMEs were developed based on the study questions and hypotheses. They're meant to determine the efficacy of management techniques for MSMEs' scalability and to investigate the influence of management approaches on MSMEs' scalability.

This report [11] examines the growth of the economy through several initiatives, including ECLGS, the Startup India initiative of SAMRIDH, the Seed Fund, and Atmanibhar Bharat's impact on SMEs and MSMEs. The article emphasized the significance of ONDC, OCEN, and NDEA in improving productivity, fintech, and E-Commerce. These institutions also offer job possibilities and contribute to the country's economic growth. The investigation depends on secondary information from the Ministry of MSMEs' annual report, newspaper articles, news, websites, and published data. Conceptual and empirical studies were evaluated. This research aims to examine how government programmes and digital platforms might enhance MSMEs for long-term growth, global trends, and societal changes.

4. Overall Development in Tamil Nadu

In accordance to the India Brand Equity Foundation, in the year August 20, 2023, the state of Maharashtra has the most Udyam registrations having 32.76 lakh units, followed by Tamil Nadu, Uttar Pradesh, Gujarat, and Rajasthan.

Figure 2 depicts state-specific Udyam registrations, which boost work opportunities for those who are currently unemployed. Figure 2 reveals that Tamil Nadu and Karnataka are among the top ten states in South India that have registered for MSME.

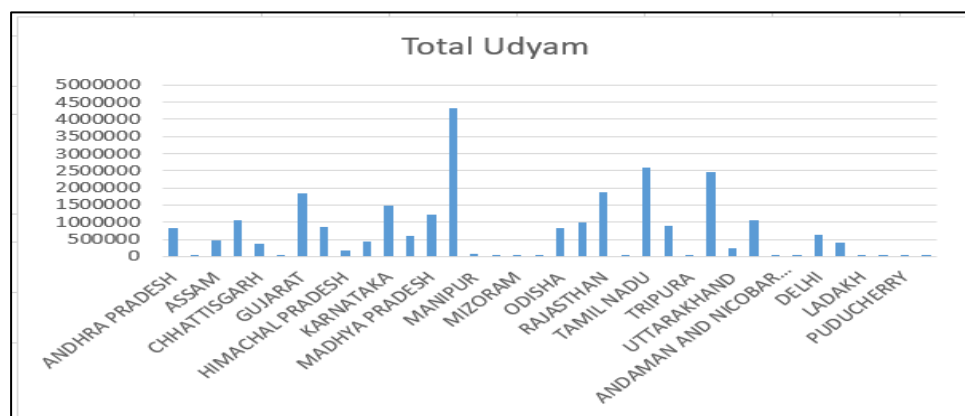


Figure 2. Overall Udyam Registrations [MSME] Across in India

MSMEs in Tamil Nadu are mostly focused on the coir, automobiles, food production, fabric, sneakers, and leather businesses. The industry of manufacturing accounts for more than 40% of the state's GDP. Other key industries where MSMEs are popular include medical care, IT and ITES (information technology), leather and textile production, auto elements, electronics, and biotech. The state's overall exports now rank third in the country, totaling close to USD 46.46 billion. Tamil Nadu provides good opportunities for enterprises to develop themselves. Other than that, the client base prefers native commodities such as fruits and vegetables, dairy products, herbs or spices, and poultry.

5. Development Schemes in Tamil Nadu

To encourage investment in the MSME sector, the Tamil Nadu state government has made several efforts to increase the business handling efficiency and to create an investor-friendly environment. The state has provided numerous incentives to enterprises, including financial support and the development of infrastructure [17].

- **New Entrepreneur Cum Enterprise Development Scheme (NEEDS)** - This effort intends to train future generations for the many business prospects available in MSMEs. The initiative offers incentives, covering 25% of the entire project's expenses (up to 75 lakhs). MSMEs can also seek learning from a variety of institutes in industries and areas of expertise such as sericulture, cement-based material, farming, and so on. For this,

the candidate must have a college diploma or degree, ITI, or vocational education from a certified institute.

- **Unemployed Youth Employment Generation Programme (UYEGP)** - This project aims to give work possibilities for unemployed youngsters from the state's economically and socially underprivileged districts. The initiative also provides project cost subsidies, which cover 90% of the overall project. This proportion rises to 95% for candidates in certain categories. Applicants for this plan must have completed their eighth-grade schooling.
- **Pacts with TANSIDCO and TAICO Bank** - The Tamil Nadu government has made an exceptional attempt to improve the state's manufacturing facilities. It agreed on two agreements, or Memorandums of Understanding (MoUs), to carry out the loan system designed to strengthen the state's MSMEs. TANSIDCO (Tamil Nadu Small Industries Development Corporation) will carry out the THIC-powered Industrial Development Initiative Programme. TAICO Bank will offer credit and loans to various MSMEs to ensure seamless and ongoing company operations. These MoUs aim to provide a liquidity cushioning for diverse enterprises' everyday operations.
- **Capital Subsidy** - This initiative provides a 25% subsidy on the entire value of machinery and equipment. The subsidy might be up to 150 lakhs. MSMEs in scheduled categories such as women, people with disabilities, reserved castes and tribes, as well as transgender groups receive a 5% subsidy on the value of equipment and machinery (up to a maximum of 5 lakhs). There are 24 sectors that qualify for capital assistance and other incentives.
- **Prime Minister's Employment Generation Programme (PMEGP)** - To solve the country's unemployment challenges, the Central Government established PMEGP, a national-level program. Tamil Nadu has made effective use of this policy by offering funds to MSMEs to start their firms. People over the age of 18 are eligible for this program, to get a maximum financial aid restriction of 10 lakhs for the service industry and 25 lakhs for manufacturing. MSMEs receive 35% of the overall project expenses as a subsidy under this arrangement.
- **Tamil Nadu Small Industries Development Corporation (SIDCO) Initiative** - SIDCO performs an important role in executing development of infrastructure in Tamil

Nadu. By this initiative, 118 industrial centers have been built to support MSME growth. It enables companies to supply raw materials and offers assistance with marketing efforts.

- **Implementation of Single Window Portal** - The Tamil Nadu State Government has launched a site known as the Single Window site to assist MSMEs in quickly establishing their businesses. This online site allows any small firm to effortlessly get permits, clearances, and objection-free certificates from the relevant government authorities.

5.1 Vision of the Growth of MSME in Tamil Nadu

The State of Tamil Nadu government has established many targets for the MSME sector. The State Government's goals and objectives are: -

- The initial and greatest goal is to generate contributions from all areas. By the year 2031, the goal is to attract investment of ₹ 5 lakh crore.
- Aside from expenditures, job creation is a critical priority area.
- The Tamil Nadu government additionally seeks to improve the state's financial system to make authorized financial services more accessible.
- In terms of industries, it aims to build 15 mega clusters and 100 shared facility hubs, which will help to drive overall growth in the industry.
- There are particular departments set up to assist entrepreneurs in solving challenges, developing lucrative ventures, maintaining a stable credit system, and so on.

6. Conclusion

The MSME sector has boosted the economy in India and globally, promoting independence, equitable growth, and alleviating poverty through job opportunities for youngsters. It has also merited several women from households to become entrepreneurs. The Indian central government as well as state governments have implemented several relief measures for MSME units to boost hiring and exports which in turn will improve the GDP of the nation.

Tamil Nadu holds the third-biggest number of registered MSMEs in the country, accounting for 8% of the total, with more than five million firms. Tamil Nadu's MSMEs play an important role in driving the state's industrial development. All businesses, particularly MSMEs, have a high level of ease and comfort when carrying out business in the state. Subsidies for power, generators, interest, the payroll, and a variety of other initiatives and programs are available to help entrepreneurs to start businesses in the state of Tamil Nadu.

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