



CONTRIBUTIONS OF RURAL AND URBAN ENTREPRENEURS IN DEVELOPMENT OF MSME SECTOR IN INDIA



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ABSTRACT

The economic progress of a country primarily depends upon the development of industries, may be large or small. In a country like India, where capital is in scarce and improvement is not evenly spread, growth of MSME sector is vital in order to achieve a balanced economic growth. The strength of MSME enterprises in India lies in their wide spread dispersal in rural, semi –urban and urban areas, fostering entrepreneurial base, shorter gestation period. So the performance of the MSME sector has a direct impact on the augmentation of the overall economy of the country. No doubt, In a developing country like India, the role and significance of small-scale industries is very noteworthy towards, employment generation, rural development poverty eradication , increasing output and creating regional balance in promotion and growth of various development activities and the same time for the development of any type of industries role of entrepreneurs is paramount. In the light of the above issues and developments the paper tries to throw light upon how far dichotomy of Indian economy could able to contribute to the growth of the MSAM sector

KEY WORDS: Micro, Small, Medium Enterprises, Rural, Urban, Distribution, Contribution.

INTRODUCTION

The economic progress of a country primarily depends upon the development of industries, may be large or small. In a country like India, where capital is in scarce and improvement is not evenly spread, growth of MSME sector is vital in order to achieve a balanced economic growth. The strength of MSM enterprises in India lies in their wide spread dispersal in rural, semi –urban and urban areas, fostering entrepreneurial base, shorter gestation period. So the performance of the MSME sector has a direct impact on the augmentation of the overall economy of the country. In fact, they contribute significantly in the national economies the world over and are considered to be the engine of growth in most of the developed and industrialized countries also.

As per the MSMED Act, 2006, the field of small scale industries in India widened and called Micro, Small and Medium enterprise .The investment limits for defining “small” have been raised and the sector encompasses medium enterprise and service sector also. According to the Micro, Small and Medium Enterprises (MSME) Development Act of 2006, (India) a micro enterprise is where the investment in plant and machinery does not exceed twenty five lakh rupees. A medium enterprise is where the investment in plant and machinery is more than five crore rupees but does not exceed ten crore rupees. A small enterprise is where the investment in plant and machinery is more than twenty five lakh rupees but does not exceed five crore rupees. In the case of the enterprises engaged in providing or rendering of services,

as (a) a micro enterprise is where the investment in equipment does not exceed ten lakh rupees. (b) a small enterprise is where the investment in equipment is more than ten lakh rupees but not does exceed two crore rupees. (c) a medium enterprise is where the investment in equipment is more than two crore rupees but does not exceed five crore rupees

No doubt, In a developing country like India, the role and importance of small-scale industries is very significant towards poverty eradication, employment generation, rural development and creating regional balance in promotion and growth of various development activities (Shivani Misra, 2012) and the same time for the development of any type of industries role of entrepreneurs is paramount. In the light of the above issues and developments the paper tries to throw light upon how far dichotomy of Indian economy could able to contribute to the growth of the MSAM sector.

OBJECTIVES

1. To know the role of rural and urban entrepreneurs in the progress of micro, small and medium enterprises in India.
2. To know where more employment is created in MSME sector.

3. To know where more investment is made and gross product more in MSME sector.

METHODOLOGY

The study is based on the secondary data, considered only registered units. And simple statistical tools like percentage, averages, tables and grapes are used.

ANALYSIS

1. Distribution of Working Enterprises by Sector:-

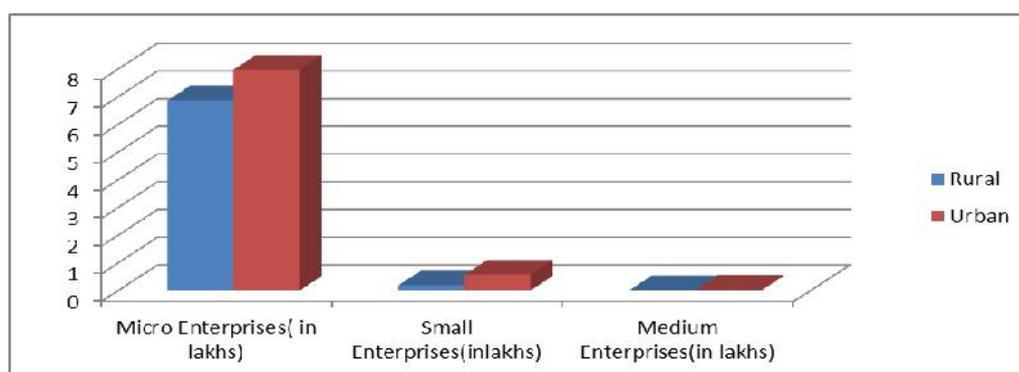
Entrepreneurs are pillars of any type of industry may be small or large and one can decide the progress of an area on the bases of number of enthusiastic, ambitious and active entrepreneurs' availability. Thus Indian MSME sector is not the exception to that .As per the data available 45.20 % of working enterprises located in rural India and 54.80% in Urban area. Thus, working enterprises are more in urban India. In the sector wise also the same nature is observed, among micro industries 6.87 lakhs enterprises are in rural area and 7.98 lakhs in urban area, regarding small industries it is 0.19 lakhs in rural and 0.57lakhs in urban and in respect of medium industries same condition prevailed (Table No.1). The same thing is depicted in Graph No.1.

Table No. 1: Distribution of Working Enterprises by Sector (In Lakhs)

| | Micro | Small | Medium | Total | % |
|--------------|-------|-------|--------|-------|-------|
| Rural | 6.87 | 0.19 | 0.01 | 7.07 | 45.20 |
| Urban | 7.98 | 0.57 | 0.02 | 8.57 | 54.80 |
| All | 14.85 | 0.76 | 0.03 | 15.64 | 100 |

Source: Fourth All India Census of Micro, Small & Medium Enterprises- 2006-2007, Registered sector.

Graph No.1: Distribution of Working Enterprises By Sector (In Lakhs)



2. Distribution of Enterprises by Type of organization:-

Usually, in the MSME one can find more proprietary type of ownership because operational area and scale of production is small, it is true here also. But our concern here is to know exactly what type of organization are more in rural and urban areas. When it

comes to rural MSME more proprietary type of ownership is observed (92.40%) comparatively it is less in urban area (88.16%). In the total ownerships, partnerships, pvt.company, pub.ltd company and others types more in urban area then rural area.(Table no.2). However, co-operative type of ownership is more in rural area only.

Table No.2: Percentage Distribution of Enterprises by Type of organization

| | Proprietary | Partnership | Pvt. company | Pub.ltd company | Cooperatives | others |
|--------------|-------------|-------------|--------------|-----------------|--------------|--------|
| Rural | 92.40 | 2.82 | 1.89 | 0.43 | 0.38 | 2.08 |
| Urban | 88.16 | 4.99 | 3.51 | 0.62 | 0.24 | 2.48 |
| All | 90.08 | 4.01 | 2.78 | 0.54 | 0.30 | 2.30 |

Source: Fourth All India Census of Micro, Small & Medium Enterprises- 2006-2007, Registered sector.

3. Distribution of Enterprises by Gender of owner:-

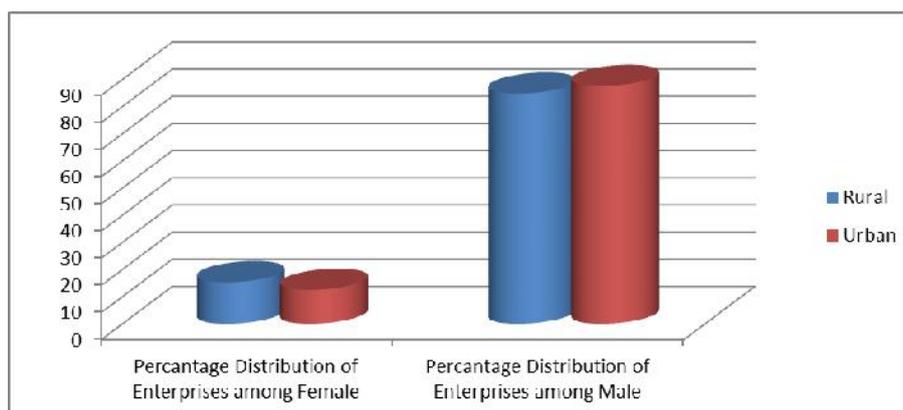
This is an effort to know gender wise attitude in running the MSME. In rural India more female members came out to run and be the owner of MSME (15.27%) in urban area it is only 12.45%. and reverse in case of male

members 87.55% in urban area and 84.75% in rural area. (Table. No.3) Thus, contribution of female member in the growth of MSAM sector in rural area is considerable compare to urban area. The same is explained in Graph no.2.

Table No.3: Percentage Distribution of Enterprises by Gender of owner.

| | Female | Male |
|--------------|--------|-------|
| Rural | 15.27 | 84.73 |
| Urban | 12.45 | 87.55 |
| All | 13.72 | 86.28 |

Source: Fourth All India Census of Micro, Small & Medium Enterprises- 2006-2007, Registered sector

Graph no.2: Percentage Distribution of Enterprises by Gender of owner.

4. Distribution of Enterprises by Social Group of Ownership:-

In the growth of the MSME of India we always find the contribution of all social groups. It is an attempt to know which social group is contributed more in urban and rural area MSAM development. SC, ST and OBCs are more in rural ownerships of MSAM units. (SC 10.20% in rural, 5.45% in urban, ST 4.02% in rural, 1.92% in urban, OBCs 43.67% in rural and 33.82% in urban area) (Table

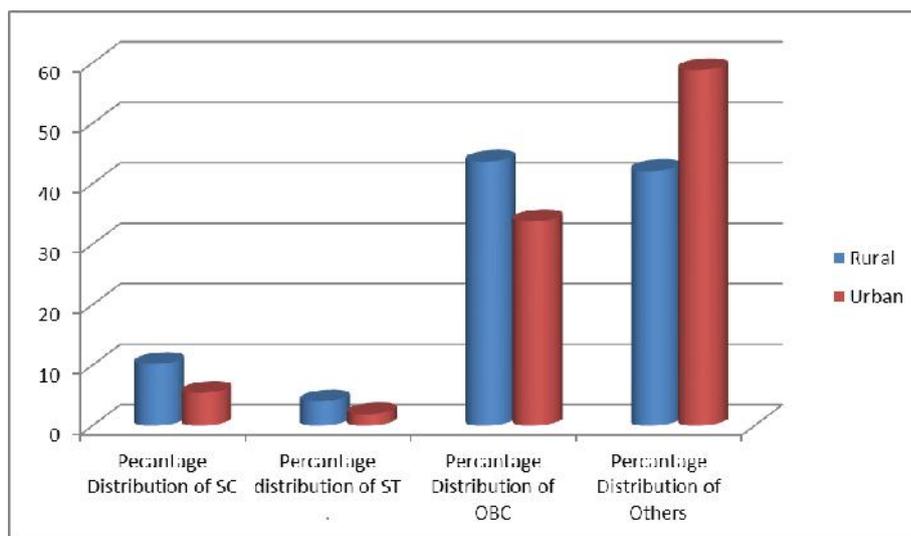
no.4) but in case of others, more ownerships came from the urban area rather than the rural (others 58.81% from Urban and 42.11% from rural). Same is explained in the graph no.3. Thus, for the further improvement of certain social groups it is better to give more weightage to rural area in the policy matters.

Table 4: Percentage Distribution of Enterprises by Social Group of Ownership

| | SC | ST | OBC | Others. |
|--------------|-------|------|-------|---------|
| Rural | 10.20 | 4.02 | 43.67 | 42.11 |
| Urban | 5.45 | 1.92 | 33.82 | 58.81 |
| All | 7.60 | 2.87 | 38.28 | 51.26 |

Source: Fourth All India Census of Micro, Small & Medium Enterprises- 2006-2007, Registered sector

Graph no.3: Percentage Distribution of Enterprises by Social Group of Ownership



5. Distribution of Employment in MSME:-

The MSME is considered as one of the most important sector to create more jobs. It is true in India also. Here our concern is where one can find more employments in Indian MSME in rural or urban area. India is called country of villages and majority populations still live in rural India and seasonal unemployment is also

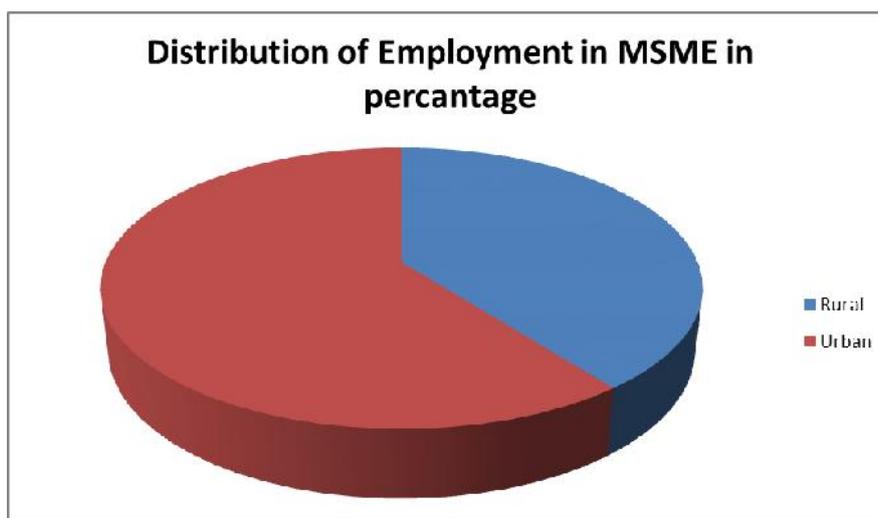
more in rural India but as per observation, employment to rural area in MSME is less compare to Urban area i.e. out of 93.09 lakhs 56.27 lakhs jobs to urban people and 36.82 lakhs (table No.5) to rural population. The same is depicted in graph no.4.Thus, extra concern is required to improve the job opportunity of rural population in MSME and increase the contribution of rural India to the MSME.

Table 5: Distribution of Employment in MSME.

| | Employment (In lakhs) | Percentage. |
|--------------|------------------------|-------------|
| Rural | 36.82 | 39.55 |
| Urban | 56.27 | 60.45 |
| All | 93.09 | 100 |

Source: Fourth All India Census of Micro, Small & Medium Enterprises- 2006-2007, Registered sector

Graph no.4: Distribution of Employment in MSME



6. Distribution of Enterprises by Employment and Average Employment per Enterprises by Area:-

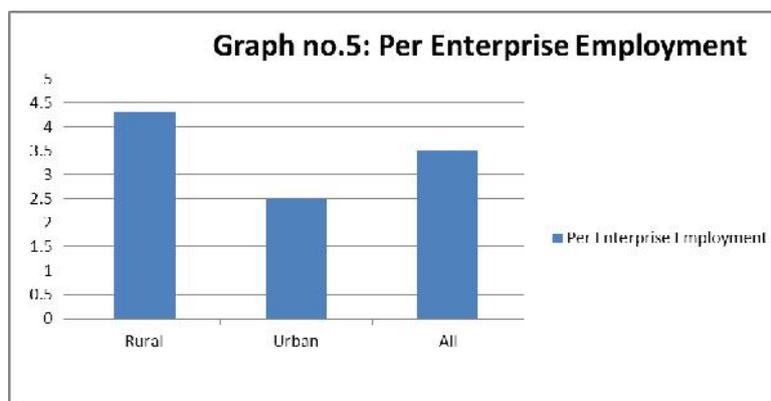
The following table illustrates the distribution of enterprises by employment and average employment per enterprises by area. Number of working enterprises, of course, less in rural area compare to urban area and employment is also less in rural area, thus, no doubt because of above two reasons average employment per

enterprise by area also is less in rural India than urban India. (Table 6 and graph no.5) Therefore, there is urgent need to boost the confidence of rural people in MSME and increase the number of units, employment. So one can expect more contribution from rural India to the MSME.

Table 6: Distribution of Enterprises by Employment and Average Employment per Enterprises by Area.

| | No.of working Enterprises (In lakhs) | Employment (in Lakhs) | Per Enterprise Employment. |
|--------------|--------------------------------------|-----------------------|----------------------------|
| Rural | 7.07 | 36.82 | 5.20 |
| Urban | 8.57 | 56.27 | 6.57 |
| All | 15.64 | 93.09 | 5.95 |

Source: Fourth All India Census of Micro, Small & Medium Enterprises- 2006-2007, Registered sector



7. Employment Intensity by Area:-

Fixed investment is more in urban units but employment intensity is high in rural units.(Table .7)

therefore , definitely there is urgent need to give importance to rural MSME.

Table 7: Employment Intensity by Area

| | Employment (In Lakhs) | Fixed Investment (In crores) | Employment/ Fixed Investment. | Employment/orginal value of P&M |
|--------------|------------------------|-------------------------------|-------------------------------|---------------------------------|
| Rural | 36.82 | 133880 | 27.50 | 123.86 |
| Urban | 56.27 | 315258 | 17.85 | 74.74 |
| All | 93.09 | 449138 | 20.73 | 88.64 |

Source: Fourth All India Census of Micro, Small & Medium Enterprises- 2006-2007, Registered sector

8. Distribution of Fixed Investment in MSME:-

Regarding fixed investment is concerned MSAM sector estimated Rs.449138 crores of investment. In that Urban areas dominated in terms of share of fixed investment with Rs.315258 crores (70.20%) of the total

investment. Share of rural area is Rs.133880 (29.80%) Thus, need to give more priority to rural sector in fixed investment.

Table 8: Distribution of Fixed Investment in MSME

| | Fixed Investment (In crore) | Percentage. |
|--------------|------------------------------------|--------------------|
| Rural | 133880 | 29.80 |
| Urban | 315258 | 70.20 |
| All | 449138 | 100 |

Source: Fourth All India Census of Micro, Small & Medium Enterprises- 2006-2007, Registered sector

9. Distribution of Gross Output in MSAM sector:-

The share of the gross output is more from urban area i.e. Rs.464977 crores (65.72%) of total gross output Rs.707510 crores and the share of rural area is Rs.2425533 crores (34.28%) . The contribution to total

gross output, though not meager, from rural area, comparatively far more less. (table No.9.) Therefore, more attention and improvement is necessary in rural area.

Table 9: Distribution of Gross Output in MSME.

| | Gross Output (In Crores) | Percentage. |
|--------------|---------------------------------|--------------------|
| Rural | 242533 | 34.28 |
| Urban | 464977 | 65.72 |
| All | 707510 | 100 |

Source: Fourth All India Census of Micro, Small & Medium Enterprises- 2006-2007, Registered sector

CONCLUSION

In view of the above analysis, one can conclude, that the contribution in the growth of MSME of India, both rural and urban areas are very much important. However, in certain features urban sector is contributing more to the growth of MSME, it may be because of facilities, priority etc .therefore, if the policy gives even more importance to rural MSME it will grow more robust way and contribute more to the growth of Indian MSME.

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