



Efficacy of MSMEs in Andhra Pradesh

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Abstract: *The Andhra Pradesh MSME Policy 2015-20 is aimed at “establishing state-of the art infrastructure, advancing inclusivity, fostering innovation and creating employment opportunities across different skill sets. The MSME sector in AP manufactures a variety of products. There is a high concentration of micro and small units in the food sector, mineral and building materials sector, drugs and pharmaceuticals, fabricated materials, trading and service sector. The industrial development in Andhra Pradesh has been witnessing a downward trend and declined from 7.7 per cent during 2011-12 to 0.73 per cent during 2012-13. The registered manufacturing sector recorded a steep decline in its growth rate from 9 per cent to a negative growth of 4.2 per cent. SMEs face challenges as the customers demand a 90-day credit, whereas their suppliers provides credit for 30 days. Hence, the cost of working capital is very high. The incentives provided to the industries should be given directly reducing the procedural delays.*

Key words: *economic growth, innovation, economic progress*

Introduction

A significant feature of the Indian economy since independence is the rapid growth of small industry sector. Gandhi laid emphasis on the fact that India lived in villages and that only through their salvation India could regain her glory and prosperity and cottage and small industries is land mark and strong instrument to rapid economic growth. The government of India, in its industrial policy resolutions and in the new economic policy, a special thrust has been giving in favor of small units. These efforts cause to great impact on this sector in various dimensions. In this context, the present study is concentrated to evaluate the growth and development of small scale sector in India as well as in the State of Andhra Pradesh.

There is growing evidence all over the world that Micro, Small and Medium Enterprises (MSMEs) play a significant role in the national economic development of any country. They

provide majority of new jobs and produce much of the creativity and innovation that fuels economic progress. The extra growth over the past several years throughout the industrialized countries has been due to the growth of MSMEs. In India, the Ministry of Micro, Small and Medium Enterprises (MSME) is implementing the promotional schemes for the development of micro, small and medium enterprises. The schemes and programmes generally focus on capacity building in states and regions, nevertheless, there are a few schemes and programmes, which are individual beneficiary oriented.

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also



help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country¹. Several changes have occurred in the global economy since the 1990s². India's economic policies are in the process of being restructured, through the second-generation reforms, to adjust to these emerging challenges. The main emphasis of future policy will be to continue to promote the growth of the SME sector through focused interventions. The small sector has so far been insulated to a large extent from pressures of competition both domestically and internationally. The future of small and medium enterprises is of major policy concern at the present time, given their strategic importance in terms of resource-efficiency, capacity for employment-generation, reducing regional imbalances, raising exports, and fostering technological innovation and entrepreneurial skills.

Efficacy of MSMEs in Andhra Pradesh

Until June 2, 2014 as the appointed date for the bifurcate state in to the united Andhra Pradesh (Telangana and Seemandhra) was the largest state in the southern peninsular region, with an area of 2,75,100 sq kms and a coast line of 974 kms. Based on the physical features, the State is divided into three regions - Eastern hills, the coastal plains and peninsular plateau. Godavari, Krishna, Pennar and Vamsadhara are the major rivers flowing through the state. The state has 23 (twenty three) districts, with

9 districts in the coastal area, 10 districts in the Telangana area, and 4 districts in the Rayalseema region. Even though the state was dived into two states as Andhra Pradesh and Telanga in 2014, data for MSME has not shown separately by the State governments of the both state. The study was confined to undivided state of Andhra Pradesh and the period is also confined to 2014.

Among the strategies to be pursued for accelerating growth of SMEs, a few prominent ones are presented in this section. Cluster development, export potential, and promoting complementary between small, and medium and large units can be the directions for fostering speedy growth. Another dimension is focusing on emerging and high value added product lines to create wealth. A few emerging areas indicated for the State are: drugs, pharmaceuticals, information technology (IT and IT enabled services and business process outsourcing - BPO), bio-technology, nanotechnology, leather, textiles, garments, electronic hardware and telecommunication equipment, agro and food processing, and mineral-based product lines, gems and jewellery, apparel parks, etc. Cluster approach for modernisation, and overall planning for a group of enterprises in product lines which have the potential for development is being practised in many locations in the State, on the pattern being followed in other parts of the country.

The Andhra Pradesh MSME Policy 2015-20: The Andhra Pradesh MSME Policy 2015-20 is aimed at "establishing state-of-the-art infrastructure, advancing inclusivity, fostering innovation and creating employment opportunities across different skill sets. The MSME sector in AP manufactures a variety of



products. There is a high concentration of micro and small units in the food sector, mineral and building materials sector, drugs and pharmaceuticals, fabricated materials, trading and service sector. GoAP will create a fund of Rs. 100 Cr in FY 2015-16 to support the revival of MSMEs across the State. The fund should be specifically utilized to achieve the goals of speedy revival, additional employment generation, enhance market linkages and discipline the management of MSMEs to create a robust Eco-system.

Growth of MSMEs in Andhra Pradesh

Year-wise Growth of Registered MSMEs in Andhra Pradesh is presented in

Table 1: Year-wise Growth of Registered MSMEs in Andhra Pradesh

| S.No | Year | MSME Units | |
|------|-------------|------------|-------|
| | | Number | Index |
| 1 | 2001-02 | 1612 | 100 |
| 2 | 2002-03 | 1641 | 102 |
| 3 | 2003-04 | 1573 | 98 |
| 4 | 2004-05 | 1632 | 101 |
| 5 | 2005-06 | 1267 | 79 |
| 6 | 2006-07 | 2440 | 151 |
| 7 | 2007-08 | 4209 | 261 |
| 8 | 2008-09 | 4599 | 285 |
| 9 | 2009-10 | 5101 | 316 |
| 10 | 2010-11 | 8507 | 528 |
| 11 | 2011-12 | 8464 | 525 |
| 12 | 2012-13 (e) | 8564 | 531 |
| 13 | 2013-14(e) | 8599 | 533 |
| | Mean | 4477.54 | |
| | SD | 3075.97 | |
| | CV (%) | 68.70 | |
| | AGR | 14.33 | |

Source: Commissionerate of Industries, Andhra Pradesh, Hyderabad

Market value fixed investment of MSMEs in Andhra Pradesh

table.1. It is clear from the table that the annual growth of working enterprises was recorded by 14.33 per cent as more than the national level growth rate 13.33 per cent and the index value is increased more than five folds to 533 which is also more than the national level(464 per cent). During the period of 2006-07 to 2013-14, the number of MSMEs has been gradually increased from 1612 to 8599. The mean value of growth of MSMEs was 4477.54 per year. It is further observed that the variation in growth of MSMEs was more than 69 per cent. It shows a fluctuation in growth of MSMEs in the state of Andhra Pradesh.

Table 2 enumerates the Performance of investment of MSMEs in Andhra Pradesh during the 2001-02 to 2013-14.



The market value of fixed assets was Rs. 261 Crores in 2001-02 and increased to Rs. 5881 crore in 2013-14. The growth in index value was increased to 1908 per cent is recorded by an increasing trend during 2001-02 to 2013-14. The mean investment was Rs. 2458.23 crore per

year. It is further observed that the coefficient of variation in growth of investment was 91.67 per cent (more than the national level). It shows high fluctuation in growth of fixed assets of MSMEs in Andhra Pradesh.

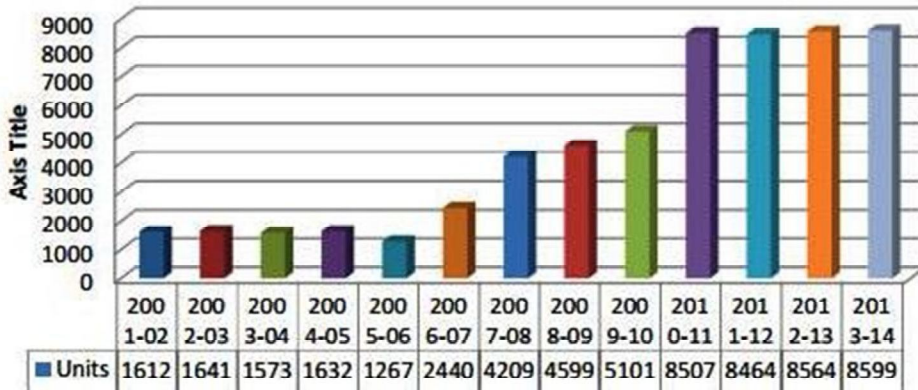
Table2: Growth of investment of MSMEs in Andhra Pradesh

| S.No | Year | Investment (Rs.Cr) | |
|------|-------------|--------------------|-------|
| | | Rs.Cr | Index |
| 1 | 2001-02 | 261 | 100 |
| 2 | 2002-03 | 235 | 90 |
| 3 | 2003-04 | 204 | 78 |
| 4 | 2004-05 | 266 | 102 |
| 5 | 2005-06 | 245 | 94 |
| 6 | 2006-07 | 886 | 339 |
| 7 | 2007-08 | 2161 | 828 |
| 8 | 2008-09 | 2628 | 1007 |
| 9 | 2009-10 | 4423 | 1695 |
| 10 | 2010-11 | 4905 | 1879 |
| 11 | 2011-12 | 4881 | 1870 |
| 12 | 2012-13 (e) | 4981 | 1908 |
| 13 | 2013-14(e) | 5881 | Index |
| | Mean | 2458.23 | |
| | SD | 2253.55 | |
| | CV (%) | 91.67 | |
| | AGR | 28.30 | |

Source: Commissionerate of Industries, Andhra Pradesh, Hyderabad



MSMEs in AP



Number of units assisted margin money subsidy in Andhra Pradesh

Table 3 presents the number of units assisted under PMEGP in 2011-2013 in the state of Andhra Pradesh. It is found that the number of units were benefited under the PMEGP was gradually declined from 2743 to 1344 during in 2010-11 to 2012-13. The share of the state to the national level is recorded by 5.59 %, 3.03 % and 3.24 %

during the said period. The annual growth rate was recorded by minus level (-5.37 per cent) and means value is 48568.67.

It is found from the table that there is an unequal assistance is found during the study. The coefficient of variation shows the level of variation and it is recorded by 14.06 per cent (CV). Meanwhile the study shows an improper distribution of assistance.

Table 3: Number of units assisted under PMEGP in Andhra Pradesh

| S.No | Year | India | | Andhra Pradesh | | Percentage to India |
|------|---------|----------|-------|----------------|-------|---------------------|
| | | Number | Index | Number | Index | |
| 1 | 2010-11 | 49064 | 100 | 2743 | 100 | 5.59 |
| 2 | 2011-12 | 55135 | 112 | 1672 | 61 | 3.03 |
| 3 | 2012-13 | 41507 | 85 | 1344 | 49 | 3.24 |
| | Mean | 48568.67 | | 1919.67 | | |
| | SD | 6827.49 | | 731.64 | | |
| | CV (%) | 14.06 | | 38.11 | | |
| | AGR | -5.37 | | -0.21 | | |

Source: Commissionerate of Industries, Andhra Pradesh, Hyderabad



MSMEs and Employment generation

Table 4 depict the employment generation in MSMEs in Andhra Pradesh.

Table 5. Year-wise Growth of Employment generation MSMEs in Andhra Pradesh

| S.No | Year | Employment | |
|------|-------------|------------|-------|
| | | Number | Index |
| 1 | 2001-02 | 19211 | 100 |
| 2 | 2002-03 | 24293 | 126 |
| 3 | 2003-04 | 21949 | 114 |
| 4 | 2004-05 | 24076 | 125 |
| 5 | 2005-06 | 15832 | 82 |
| 6 | 2006-07 | 36019 | 187 |
| 7 | 2007-08 | 79258 | 413 |
| 8 | 2008-09 | 85211 | 444 |
| 9 | 2009-10 | 64844 | 338 |
| 10 | 2010-11 | 104620 | 545 |
| 11 | 2011-12 | 120435 | 627 |
| 12 | 2012-13 (e) | 130435 | 679 |
| 13 | 2013-14(e) | 130635 | 680 |
| | Mean | 65909.08 | |
| | SD | 45067.34 | |
| | CV (%) | 68.38 | |
| | AGR | 16.70 | |

Source: Commissionerate of Industries, Andhra Pradesh, Hyderabad

The table reveals that the annual average employment generation growth during 2001-02 to 2013-14 was 16.70 per cent. Further, it is clear from the table that the

index value is increased more than six folds as from 100 to 680 during 2001-02 to 2013-14. However, in aggregate, during the period of 2006-07 to 2013-14,



the number of employees has been increased from 36019 to 130635. The mean employment in MSMEs was 65909.08. Meanwhile, the variation in employment generation was more than 68 per cent. It shows a high level of fluctuations in generation of employment

Conclusion

The industrial development in Andhra Pradesh has been witnessing a downward trend and declined from 7.7 per cent during 2011-12 to 0.73 per cent during 2012-13. The registered manufacturing sector recorded a steep decline in its growth rate from 9 per cent to a negative growth of 4.2 per cent. Even the unregistered manufacturing sector recorded negative growth rate during the year 2012-13 making the combined manufacturing sector growth rate negative. Severe power crisis faced by the industrial sector for more than 20 months coupled with high input costs, inflation, high interest rates, delay in implementation of projects and the global economic slowdown are the primary causes for the marginal performance of the industrial sector. The steep fall in rupee value too added to the woes. Quoting RBI reports, he said the total number of sick units in Andhra Pradesh at the end of June 2013 quarter was 19,481 with an outstanding credit of Rs 1256.56 crore as against 12,982 sick units with outstanding amount of Rs 833.16 crore as of March 2013 – 50 per cent increase in number of sick units in a span of 90 days. SMEs face challenges as the customers demand a 90-day credit, whereas their suppliers provides credit for 30 days. Hence, the cost of working capital is very high. The incentives provided to the industries should be given directly reducing the procedural delays.

References

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