



Promotional measures and performance of Micro Small and medium Enterprises in Andhra Pradesh

Lt. M. Kondala Rao, HOD, Assistant Professor, Dept., of Commerce AMAL College, Anakapalli.

Abstract: An attempt is made in this paper to present the performance of MSMEs in India, in the State of Andhra Pradesh. In the state of Andhra Pradesh, various policies and programmes are implementing. Department of Industries, 1960, Single Window Act, Micro, Small and Medium Enterprises Development Act 2006, Export Promotion Industrial Parks (EPIPs), Software Technology Parks (STPs), and Special Economic Zones (SEZs) in AP, Industries investment promotion policy 2010-2015 etc. were introduced in this regard. 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). As one of the progressive districts of AP, East Godavari district has also occupied a significant place in promotion of MSMEs. The annual growth of working enterprises was recorded by 3.77 per cent and the index value is increased to 2889 which is also more than the state level.

Key words: policies and programmes, MSMEs, manufacturing

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.

Performance of MSMEs of India

The impact of policies and programmes can be attained with help of the growth of MSME. To make an in-depth study of the growth of MSMEs in India, a study pattern has been selected where in the financial year 2006-07 has been taken as

the middle year because it is the year when MSME Act came into effect. However, data has been presented from 2001-02 to 2013-14. The number of MSMEs and its growth during 2001-02 to 2013-14 is presented in table 1.

It is clear from the table that the annual growth of working enterprises was recorded by 13.33 and the index value is increased more than four folds as from 100 to 464. During the period of 2006-07 to 2013-14, the number of MSMEs has been gradually increased from 344 lakh to 488.46 lakhs. The average annual growth rate was recorded by 13.33 per cent. But the growth in index value is progressively raised from 100 to 135 as shown index value. The mean value of growth of MSMEs was 302.05 per year. It is further observed that the variation in growth of MSMEs was more than 50 per cent. It shows a fluctuation in growth of MSMEs in India.



Table 1:
Growth in number of MSMEs in India

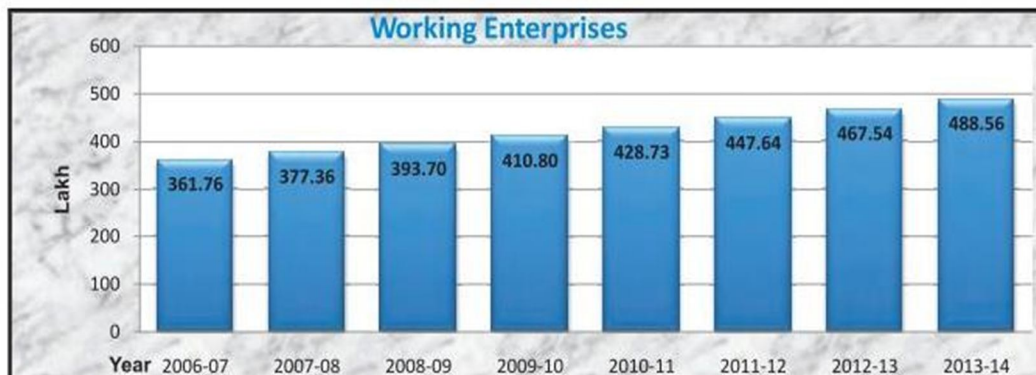
Sl. No.	Year	Total Working Enterprises (in Lakh)	Growth index
			SSI + MSME
1	2001-02	105.2	100
2	2002-03	109.5	104
3	2003-04	114.0	108
4	2004-05	118.6	113
5	2005-06	123.4	117
6	2006-07	361.76	344
7	2007-08	377.36	359
8	2008-09	393.70	374
9	2009-10	410.80	390
10	2010-11	428.73	408
11	2011-12	447.64	426
12	2012-13	447.54	425
13	2013-14	488.46	464
	Mean	302.05	
	SD	157.95	
	CV (%)	52.20	
	CGR	13.33	

Share of Manufacturing Output of MSME in GDP: Table 2 shows that the share of MSME sector in the country's manufacturing output and GDP has sharply declined over the years. The contribution of micro, small & medium enterprises (MSMEs) to the total manufacturing output and gross domestic product (GDP) in 2006-07 stood at 42.02 per cent and declined to 37.33 per cent respectively in 2012-13.

Performance of MSMEs in the State of Andhra Pradesh

SMEs in Andhra Pradesh –policy initiatives : 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 divided 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. The industrial sector has gained in strength slowly but surely in many ways over the last decade or so. This has become possible due to proactive role of the State, viz., effective policy implementation including single window clearance and incentives, establishing world class infrastructure and most important, making available power at the cheapest industrial tariff, thereby releasing entrepreneurial energies in private as well as public sector

Figure 1: Growth in number of MSMEs in India



Projected data for the years 2007-08 to 2013-14

Table 2: Share of Manufacturing output of MSME to the GDP

Year	Gross Value of Output of MSME Manufacturing Sector (₹ in crore)	Share of MSME sector in total GDP (%)			Share of MSME output in total Manufacturing Output (%)
		Manu- facturing Sector MSME	Services Sector MSME	Total	
2006-07	1198818	7.73	27.40	35.13	42.02
2007-08	1322777	7.81	27.60	35.41	41.98
2008-09	1375589	7.52	28.60	36.12	40.79
2009-10	1488352	7.45	28.60	36.05	39.63
2010-11	1653622	7.39	29.30	36.69	38.50
2011-12	1788584	7.27	30.70	37.97	37.47
2012-13	1809976	7.04	30.50	37.54	37.33

Source: Fourth All India Census of MSME 2006-07, National Accounts Statistics (2014), CSO, MOSPI and Annual Survey of Industries, CSO MOSPI

Department of Industries, 1960

The Department of Industries was established in 1960 with the objective establishing Cottage and Small Scale Industries, Industrial Co-operatives and extending credit to artisans. Block-level training-cum-production centers, Rural Artisan Complexes and Guilds were

established for giving necessary training to the artisans in rural areas. The Department was transformed into a technical and promotional agency for providing necessary assistance and service for establishment of industries. The Department has implemented several self-employment schemes promoted by State and Central



governments for educated unemployed youth. The Department has rendered its services to other government agencies, like DRDA, Youth Services, STEP Societies, SC/ST/BC/Minorities/Women's Finance Corporation, etc., by providing necessary technical guidance. The Department is now entrusted with the task of attracting investments (domestic as well as foreign) by preparing suitable policies for various sectors of the industry, to explore the availability of resources, to provide conducive industrial environment, to increase in labour intensive industries and to improve the exports by providing market inputs to exporters. The Department is concentrating on development of key sectors like pharmaceuticals, biotechnology, food processing, agro-based, chemicals, leather, textiles, precision components, aero-space engineering, electronics, semi-conductors, automobile and auto-components to accelerate the industrial growth in the State. It is achieved by creating sector-specific industrial infrastructure such as biotech parks, textile parks, leather parks, auto parks, fabcity and hardware parks.

District Industries Centers:

District Industries Centers were established in 1978 to serve as the nodal agency in the districts to assist the entrepreneurs for establishment of the Industries. The District Industries Centers are entrusted with the responsibility of providing all approvals/clearances needed for setting up an industry under single window. The District Industries Centers are implementing agencies of MSMED Act and issue Entrepreneur Memorandum (EM) for Micro, Small and Medium

Enterprises (MSME) besides maintaining effective liaison with various financial institutions in arranging required credit facilities. The District Industries Centers maintain all the data pertaining to the industrial development of the district.

Single Window Act:

Government has enacted "Industrial Single Window Clearance Act" in 2002 for speedy processing and issue of various approvals/ clearances/ permissions required for setting-up of industrial undertakings and also to create an investment friendly environment in the State. Statutory time limits have been prescribed for various departments and concept of deemed approvals have been introduced under this Act. Since the beginning of the Single Window Act, 70,302 clearances were issued under single window in respect of 40,129 units (Micro, Small, and Medium and Large units) with a proposed investment of Rs.2, 32, 958 crore and an employment potential of Rs.9, 40, 869 as on 30-09-2009. The District Industries Centers (DICs) have been delegated the powers to process the proposals up to Rs.5.00 crore investment in plant and machinery in District Single Window Clearance Committee (DSWCC).

Micro, Small and Medium Enterprises Development Act 2006

The Micro, Small and Medium Enterprises Development Act 2006, provides for constitution of Micro and Small Enterprises Facilitation Council by State Governments in their State for redressal and recovery of amount due to delayed payments. APMSE Facilitation Council, a quasijudicial body, provides impetus towards facilitating the payments to MSEs from their buyers



¹. The MSME sector in Andhra Pradesh manufactures a variety of products with a high concentration of Micro and Small units belonging in the Sectors of food, mineral and building materials, drugs and pharmaceuticals, fabricated materials, trading and service sector. Andhra Pradesh has identified development of MSMEs as a catalyst for job creation and balanced regional development.

GoAP aims to give fillip to the MSME sector to facilitate inclusive growth and development. The objectives are to provide eco-system to encourage MSMEs and attract new investments into the sector. 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 practiced in many locations in the State, on the pattern being followed in other parts of the country. This will also result in greater degree of dispersal of industries in smaller towns, apart from

growth centres which are reasonably well developed in earlier years. A few product lines in this category for cluster approach in the State are: cashew processing, mango jelly, fruit canning, biscuits and confectionery, marine foods, brass metal works, cast brass hardware, aluminium utensils, steel furniture, automobile industry, agricultural implements, ceiling fans, distribution transformers, wooden toys, steel rolling mills, wooden furniture, etc.

EPIPs, STPs, and SEZs for MSMEs in Andhra Pradesh

Among the programmes of infrastructure development initiated by the Union Government with focus on exports, Special Economic Zones (SEZs) is a recent phenomenon in the country, with its earlier programmes known as Export Processing Zones (EPZs) and Export Promotion Industrial Parks (EPIPs), and 100 per cent Export Oriented Units (EOUs). All infrastructure programmes implemented with export orientation are known as Export Promotion Industrial Parks. Programmes other than SEZs implemented in recent years are recalled first stating the position at the end of December 2011. This is followed by a detailed presentation of SEZs with district-wise and product group-wise break up at the end of July 2012. The presentation in respect of all these programmes is in greater detail for Andhra Pradesh with the All India position in the background².

Vision 2020 document: The Vision 2020 document for Andhra Pradesh³ envisages a growth rate of 10.3 per cent per annum gross state domestic product (GSDP), and a nine-fold increase in per capita income over a period of 25 years (1995-2020).



Industries investment promotion policy

2010-2015: The State considers industrial growth as a means to mitigate poverty and unemployment. Industrial development promotes higher capital formation; raises wage incomes to higher levels; and absorbs surplus workforce, bottled up in rural areas, to industry. To realize these benefits and hasten up the socio-economic changes, industrial development is accorded top priority by the State Government. The Andhra Pradesh "Industries Investment Promotion Policy, 2010-15 (IIPP 2010-15) is aimed at "advancing the cause of inclusivity, distributive justice, and creating employment opportunities across different skill sets". The strides made under IIPP 2005-10 during the past five years have been truly outstanding and the state had implemented an investment of Rs. 40,120 Crores providing employment to 4,57,900 people. Of which, Rs. 29,152 Crores pertains to Large Scale Sector and the remaining Rs. 10,968 Crores pertains to MSME's sector⁴.

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 at the State Level:

Year-wise Growth of Registered MSMEs in Andhra Pradesh is presented in table 3. 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 3: 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	8564	531
13	2013-14	8599	533
	Mean	4477.54	



	SD	3075.97	
	CV (%)	68.70	
	AGR	14.33	

Source: Commissionerate of Industries, AP, Hyderabad

Market value fixed investment of MSMEs in Andhra Pradesh

Table 4 enumerates the Performance of investment of MSMEs in Andhra Pradesh during the 2001-02 to 2013-14.

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	4981	1908
13	2013-14	5881	Index
	Mean	2458.23	
	SD	2253.55	
	CV (%)	91.67	
	AGR	28.30	

Source: Same as table 3

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. Table 4:

Growth of investment of MSMEs in Andhra Pradesh

MSMEs and Employment generation : Table 5 depict the employment generation in MSMEs in Andhra Pradesh. 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 contribution of micro, small & medium enterprises (MSMEs) to the total manufacturing output and gross domestic product (GDP) in 2006-07 stood at 42.02 per cent and declined to 37.33 per cent respectively in 2012-13. In case of the state of Andhra Pradesh, various policies and programmes also implemented. Department of Industries, 1960, Single Window Act, Micro, Small and Medium Enterprises Development Act 2006, Export Promotion Industrial Parks (EPIPs), Software Technology Parks (STPs), and Special Economic Zones (SEZs) in AP, Industries investment promotion policy 2010-2015 etc. were introduced in this regard. 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). As one of the progressive districts of AP, East Godavari

district has also occupied a significant place in promotion of MSMEs. The annual growth of working enterprises was recorded by 3.77 per cent and the index value is increased to 2889 which is also more than the state level.

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: Same as table 4

References

¹ Socio economic survey (2015-16), Govt. of Andhra Pradesh, P.93

² Annual Reports of 2011-12 of the Department of Electronics and Information Technology, Department of Commerce, Ministry of Food Processing

Industries, and Ministry of Textiles, Government of India, New Delhi

³ Government of Andhra Pradesh, Planning Department (2001), *Andhra Pradesh – Vision 2020*, Hyderabad

⁴ Govt. of Andhra Pradesh , IIPP -2010-2015, Cv3-i9(1)-a028ommissioner OF Industries. AP