



# Role of Telangana in Development of MSMEs

T.Ramesh

Assistant Professor, Aristotle PG College, Email Id: rameshyadavthotakuri@gmail.com

## To Cite this Article

T.Ramesh. MSMEs Sector in India: Growth and Future Prospects. International Journal for Modern Trends in Science and Technology 2023, 9(05), pp. 287-291. <https://doi.org/10.46501/IJMTST0905047>

## Article Info

Received: 06 April 2023; Accepted: 05 May 2023; Published: 14 May 2023.

## ABSTRACT

*Micro, Small and Medium Enterprises (MSMEs) are playing a vital role in taking our country towards complete globalization. MSMEs are the back bone of our economy and are also acting as energy boosters for growth and development of our nation. Despite of the fact stated above, the MSMEs are facing tough competition from Large Scale Industries (LSIs), Multi National Companies (MNCs), and other businesses producing cheap products as substitutes.*

## 1. INTRODUCTION

Micro, small and medium enterprises (MSME) sector has been recognised as an engine of growth all over the world. The sector is characterised by low investment requirement, operational flexibility, location wise mobility, and import substitution.

In India traditional small scale industries have been in focus since Independence. The medium enterprises are recent entrants, and part of government's policy focus lately. The small scale segment is a manifestation of India's socio-economic development model and has met with the country's long-term expectations in terms of contribution to GDP, industrial base, employment and exports. This segment forms a major part of India's industrial base.

Recognising the importance of Micro and Small Enterprises (MSEs) in the industrial development of the country, the Government has initiated a range of programmes in diverse areas, viz. financing, technology, innovation, market information, technical training and developmental assistance. These initiatives are important in facilitating the growth of the MSEs.

In India, the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 is the first single comprehensive legislation covering all the three segments. In accordance with the Act, these enterprises are classified in two:- (i) manufacturing enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the Industries (Development and regulation) Act, 1951. These are defined in terms of investment in plant and machinery; (ii) service enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.

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 does not 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.

Definition of MSMEs		
Enterprise(Both	Investment in Plant and	Turnover
Manufacturing and Services)	Machinery or Equipment	
Micro	Not exceeding Rs. 1 crore	Not exceeding Rs. 5 crore
Small	Not exceeding Rs. 10 crore	Not exceeding Rs. 50 crore
Medium	Not exceeding Rs. 50 crore	Not exceeding Rs. 250 crore

## OBJECTIVE OF THE STUDY

From the above stated facts, it has been found that the following objectives are imperative:

1. To study the Role of Telangana in the development of MSMEs.

Quarter/Category	Q2 2020-21	Q3 2020-21	Q4 2020-21	Q1 2021-22	Q2 2021-22	Q3 2021-22	Q4 2021-22	Total
Micro	6,27,956	8,78,758	11,45,258	8,22,347	12,95,727	12,98,257	15,58,751	76,27,054
Small	38512	62286	80013	40771	51788	40659	39214	3,53,243
Medium	8227	7789	8588	3336	3632	2404	1922	35898
Total	6,74,695	9,48,833	12,33,859	8,66,454	13,51,147	13,41,320	15,99,887	80,16,195

## About Telangana State

.It is estimated that Telangana is home to about 2.6 million MSMEs, out of which 56% are in rural areas and 44% in urban areas. As many as 19,954 registered MSME units have commenced their operations since the formation of the state, with an investment of about Rs. 31,023 crores.

It has an area of 1,12,077 sqkms and it is the 12th largest State in terms of both area and the area and the size of the population in the country.

## METHODOLOGY

1.Sources of Data: (a) Secondary Data: The present study is based on the information derived from secondary sources such as MSME Telangana State Annual Reports (2021-22), Ministry of MSME, Government of India – Reports, Journals, Articles, research papers, website, etc.,

## SCOPE OF THE STUDY

The study is confined to the role played by Telangana in the development of MSME. The present study has been focused on growth of MSMEs in Telangana Region since its formation. Since our country attained independence, the MSMEs are emerged as highly vibrant and dynamic sector of our country. The most significant advantage associated with MSMEs is, lower capital cost, reducing regional imbalances, less requirement of infrastructure, not dependent on banks for heavy loans, acting as an ancillary to many large scale industries and enormously contributing to the socio-economic development of our country.

## Registrations of MSME

As per the reports of Ministry of MSME, Government of India, 2021-22, total of 80,16,195 enterprises were registered on Udyam Portal during the period 01.07.2020 to 31.03.2022 out of which 95.1%, 4.4% and 0.4% have been classified as micro, small and medium enterprises, respectively. Quarterly registration of MSMEs till 31.03.2022 is given below:

## Industries in Telangana - w.r.t. MSMEs in Telangana State

The State of Telangana is home for several industries both major and small scale like Agro-Processing, Textiles, Leather, Automobiles, Apparels, Engineering, Horticulture, Poultry, Farming, Bio-Technology, Defence Equipment, etc.,

Despite of its growth over 10% since last five years, MSME sector is facing challenges and problems from large scale industries, multi-national companies and other units producing substitutes. The performance of MSMEs is compared with the large scale units and the



preference is given to the products and services produced by the large scale industries when compared to small scale sector.

Category	No.Of Units	Investment Value (in INR Cr)	Employment Generated
Micro	13,546	5,099	1,35,547
Small	5,830	15,946	1,65,242
Medium	578	9,978	62,699
TOTAL	19,954	31,023	3,63,488

Though the Telangana State has taken birth in the year 2014, it has laid down a new industrial policy which helps the State economy to improve on par with the States which are well established. The following are some of the Industrial Policies of Telangana Government.

### Emerging Opportunities for MSME Sector in Telangana



Telangana Government has created efficient policy instruments around TSIPASS, T-PRIDE, T-IDEA, RICH, and TASK, TIHCL as part of the MSME ecosystem. MSMEs in the state today do not face power outages, voltage fluctuations. They do not suffer scarcity of industrial water. Tolerance to pollution is going down albeit slowly but surely. Disruptive Digital technologies, particularly Artificial intelligence and Man Machine Learning are changing the ways even small enterprises are moving. Large enterprises are also beelining to the Industrial Parks and Clusters like never before and with no precedence. Credit institutions, however, are yet to match these efforts.

Risk profile of the MSME sector indicates the copability and capability of the financial sector. Business Risks surrounding the industry, markets, operational efficiency, Management risks and financial risks impact credit quality, and infringe on stand-alone credit risks. Low NPAs in the sector should drive the financial

institutions for proactive interventions and not wait for things to happen.

MUDRA-enabled Banks show more performance in the MSE sector but lending lags for manufacturing MSEs. Textile Mudra has extended the threshold to Rs.20lakhs at the extreme and this also provides great opportunity for Banks and NBFCs to lend for manufacturing MSEs since the State is set to emerge as a major operator in the sector both in domestic and foreign markets.

Enhanced CGTMSE threshold to Rs.2cr is again an opportunity for the banks to move to trust and cash flow based lending from the balance sheet and ratio-based template lending platforms.

The other day I noticed as many as 60 youth both men and women at Cherlapally in the shoes of their parents or grandparents. The aspirations for most of them are moving from legacy and archaic systems to newer ways of doing things; catching up with emerging technologies; setting up new systems and moving to global markets as well.

Banks should view such enterprises differently and wherever such change has been occurring, human assets should be valued and embedded into their risk profiles. This should enable better credit scoring and higher volume of credit to meet the challenges.

Going forward Industrial Clusters should provide lenders a risk mitigation platform and for borrowers, scope for moving to value chain from supply chain management. But such clusters should have interdependence between large enterprises and MSMEs in a seamless manner crossholding the risks. All shall be on ERP platforms enabling easy data-based monitoring. Location of these clusters is indicated in the table below.

#### Industrial Clusters

SN	Location	Type of cluster
<b>Phase I</b>		
1	Ibrahimpattam , Rangareddy	Fiber Glass cluster
2	Duddada, Medak	General Engg – Electronics & Electrical Park
<b>Phase II</b>		
3	Madaram – RR Dist	Agri & Food processing, Fiber Glass cluster / Composite Material cluster Defense cluster
4	Jedcharla , Mahaboobnagar	Leather Design cluster

5	Buggapadu and Sattupalli, Khammam	Leather Design cluster
6	Madikonda, Warangal	Jewellery Manufacturing
7	Manthani, Karimnagar	Agri Implements cluster
<b>Phase III</b>		
8	Nalgonda	Furniture City
9	Armoor, Nizamabad Dist	Spice / Agro products, Seed processing
10	Buchinalli – Medak Dist	Auto ancillary cluster

### Skill Development

According to recent report of a study commissioned by the Planning Department,, Adilabad, Gadwal, Rajanna Siricilla, Siddipet, and Warangal districts require skill adaptation, promotion and skill building in textile technologies (handlooms, power looms, technical textiles, fabrics, apparel and readymade garments. All other districts in Telangana except Wanaparty district require skills related to food processing machining, chemicals, heat treatment as well. Wanaparty district require skill sets related to solar technology. TASK should also encompass providing for industry association interface and incubation centres located in at least four key districts – Warangal, Nizamabad, Adilabad (around IIT) and scaling up the VTIs, ITI and polytechnics both in regard to technologies and faculty.

Future of MSMEs rests on embracing digital technology. Declining growth in lending to the sector from commercial banks provided a great window of opportunity to the NBFCs. The latter are devising credit products based on GST data driven by the latest relaxations in thresholds and submission of returns and take very limited recourse to the credit rating agencies. CRAs have not been able to come up with a rating tool for new enterprises that the lenders can latch upon readily. Banks would do well to look at their lost loan book during the last five years. They should extend credit without cross-selling products like Insurance, MF etc., that led to shortage of working capital upfront.

Competitiveness of future MSMEs comes from knowledge-bases and global markets. Entrepreneur Development Centers in the DICs, NIMSME, and MSME-DI should work in collaboration to identify and train the entrepreneurs and develop shelf of projects

around the prospects within as short a time as possible. Lending institutions should tweak their products to cater to such situation providing environment for growth.

Indian MSEs' rate of vertical growth has not much to cheer as micro and small tended to remain in that status for decades. Product differentiation and price differentiation continue to be drawing less attention. Organization of their sales books needs willpower to move on disciplined accounting track. This would mean a change in the mindset of most of them. Digital training of both bank staff and MSEs needs tools for kicking learning appetite within optimal costs for such initiatives.

Banks should consider failure as integral to the development. Recognizing this, GoI in its Draft Industrial Policy awaiting Cabinet Committee approval recognised Industrial Health Clinic modelled on TIHCL as a key intervention. Revival of a viable enterprise enables dormant fixed assets to activity and sustains the employment in the sector.

Government is also committed to seeing the MSMEs in good health. 75 MSEs through TIHCL are set to join the recently turned around medium and large Rajarajeswari Spinning Mills, Sirpur Kagaz Mills, and the likes with special supports from the government.

Opportunity mapping indicated above unfolds large canvas for those who can take the risks and manage them well. Time and tide wait for no man. Banks and NBFCs would do well to seize the emerging opportunities in the sector.

**The major problems faced by our State MSMEs are as follows:**

1. Financial Assistance from Banks to the new entrepreneurs
2. Lack of awareness on feasible areas of business
3. Insufficient funds to carry out further activities in the business
4. Inefficient managerial skills and lack of technical knowledge by our young businessmen.
5. Not able to balance the factors of production to earn the expected profit or at least reach break-even.

**CONCLUSION:** The above provided information helps us to understand the role of Telangana in development of MSME and it plays a vital role to every nation's economy. Even MSME are providing so many benefits

(productivity, employment) to the society/economy its facing various challenges from the Corporate, MNCs etc.

### **Conflict of interest statement**

Authors declare that they do not have any conflict of interest.

### **REFERENCES**

- [1] <https://www.ibef.org/industry/msme>.
- [2] Government of India, MSME annual report 2022-23
- [3] Government of India, national Sample Survey (NSS) 73rd round 2015-16
- [4] Government of India, all India Census of MSME's 2006- 07
- [5] Subramanian, Sp Mathiraj & Balasundari, Mrs & Sarojadevi, R. (2018). Performance of MSME Units in India. Conference: Prospects of Micro, Small & Medium Enterprises (MSMEs) in Indian Scenario at: The American College, Madurai.
- [6] Ujjal Bhuyan (2016). A Study on the Performance of Micro, Small and Medium Enterprises (MSMEs) in India. Global Journal of Management and Business Research: A Administration and Management, 16(9), 33-36.
- [7] Kankipati, Ajay & Shaik, Meervali & Ramesh, & Shekar, (2017). Performance of MSMEs Sector in India. International journal of economics and management studies. 4(3), 11-15.
- [8] Paramasivan C & Mari Selvam P (2013). Progress and Performance of Micro, Small and Medium Enterprises in India. International Journal of Management and Development Studies, 2(4), 11-16.
- [9] Singh, R., Verma, O.P., and Anju m, B. (2012), 'Sma ll Scale Industry: An Engine of Gro wth', Zenith International Journal of Business Economics & Management Research, Vol.2 Issue 5.
- [10] Dr. Meeravali S., K.Ramesh, K. Ajay Kumar, G.Sekhar Babu, SSRG International Journal of Economics and Management Studies (SSRG-IJEMS) – volume 4 issue3 March 2017.
- [11] Srinivas K T (2013): International Journal of Engineering and Management Research.3 (4) August 2013 ISSN No.: 2250-0758.