

# Benefits of MSME Sector in Indian Economy with special reference to Ernakulum District

Bincy Baby\*, Minnu Meria Joy

Department of Commerce, St. Peter's College, Kolenchery, Ernakulam Dist, Kerala, India

## ABSTRACT

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The micro small and medium enterprises have been accepted as the engine of economic growth and driving force for promoting equitable development. With its celerity and dynamism the sector has shown admirable innovativeness and adaptability to survive latest economic downturn and showing future growth opportunities. MSME promotes inclusive growth by providing employment opportunities to village areas. Obviously, these enterprises are a recourse for the unskilled, less educated and less trained workers from poverty by getting wages and it helps to increase the standard of living especially to people belonging to weaker sections of the society. This paper is to focus on benefits of MSME in village area. It is concluded that this sector significantly contributes in employment, income to society and government, GDP, skill and development among people, exports and manufacturing output.

Keywords : Benefits, Micro, Small, Medium Enterprises, ANOVA

## I. INTRODUCTION

Micro Small and Medium enterprises emerged as a dynamic and vibrant sector of economy and are regarded as "Backbone of Industrial Development". MSMEs are considered as driving force for economic growth and promoting equitable development all over the world. The labour intensity of MSME is much higher than in larger enterprises thus plays a vital role in Industrial outputs, exports and employment generation in low cost capital. In India contribution of MSME in overall Industrial economy is highly remarkable. The rapid growth of MSME is evident from the remarkable progress in various Industries like manufacturing, Food processing, textile garments,

Agro and service sector by Indian entrepreneurs. MSMEs also function as ancillary units to larger industry thus contributes enormously to social economic development in country. This sector not only serves urban market but also helps in industrialization of backward areas thus reducing regional imbalances and equitable distribution of national income and wealth. By contributing 11 crore job opportunities in India and contributing almost 29 percent to GDP we can undoubtedly say MSMEs are the heart of Indian Economy.

## II. SIGNIFICANCE OF THE STUDY

MSMEs are one of the most lively, dynamic and a delicate part in Indian economy. According to the

report from government, MSMEs are the growth accelerators of the Indian economy, contributing about 29% of the country's gross domestic product (GDP). In terms of exports, they are an integral part of the supply chain and contribute about 40% of the overall exports (20-Aug-2020). This sector not only contributes economic development but also in the social development of the country. The economic depression created new challenges for MSMEs to sustain in the highly competitive atmosphere. The present Covid- 19 is another challenge to MSME which retards the effective growth of MSME. Despite of these, MSME sector will definitely flourish in the near future. It will be helpful to generate employment opportunities and also the economic development of our nation.

### III.SCOPE OF THE STUDY

In fact MSME brings a majority of business in India's national economy; the area of the study is limited to the MSME segment operating in KunnathunaduTaluk, Ernakulam District. The study focuses on the benefits of MSME sector in the Indian Economy at KunnathunaduTaluk, Ernakulam District.

### OBJECTIVE

The main objective of the study is to understand the benefits of Micro, small and medium enterprises in KunnathunaduThaluku, Ernakulam District.

## IV.RESEARCH METHODOLOGY

### Sources of data

#### a. Primary data

The primary data was collected through questionnaire from the adopters of MSME.

#### b. Secondary data

The secondary data is made with consideration of various journals, books, study report and website.

### Sample Design

For the purpose of the study 55 questionnaires were collected from the respondents. Convenient random sampling method is administered in the study. The selection criteria were based upon the data availability, convenience to access and level of participation. This study is mainly based on scientifically developed closed ended questionnaire.

### Tools for the study

- Descriptive analysis
- ANOVA

### Hypothesis

H<sub>0</sub>: There is no significant relationship between educational qualification and benefits of MSME.

## V. LIMITATION OF THE STUDY

Forwant of time and getting the detailed analysis, the study has been confined in Kunnathunadu Thaluku, however adequate care has been exercised to collect unbiased data.

## Analysis and Interpretations

**Table 1.** Demographic factors of the Respondents

Characteristics	Frequency	Percentage
Age		
Below 30 Years	11	20
30-40	22	40
40-50	19	34
Above 50 Years	3	6
Gender		
Male	50	90
Female	5	10
Educational Qualification		
Up to 10 <sup>th</sup>	6	10
Pre Degree/ 12 <sup>th</sup>	19	35
Degree	24	45
PG/ Professional	6	10
Income Level		
Up to Rs.50000	19	35
Rs.50001- Rs.100001	21	38
Rs.100001- Rs.150001	12	22
Above Rs. 150000	3	5

Source : primary data

**Table 2.** Descriptive statistics for the Benefits of MSME

Benefits	Class	N	Mean	SD
Reduction of poverty and unemployment	Up to10 <sup>th</sup>	6	4.17	.408
	Pre Degree/12 <sup>th</sup>	19	4.11	.459
	Degree	24	4.21	.658
	PG/Professional	6	4.50	.558
Boosting economic growth and development	Up to 10 <sup>th</sup>	6	3.83	.753
	Pre Degree/12 <sup>th</sup>	19	3.95	.524
	Degree	24	4.08	.654

	PG/Professional	6	4.17	.753
Maximum opportunities for both self employment and wage	Up to 10 <sup>th</sup>	6	3.67	.516
	Pre Degree/12 <sup>th</sup>	19	3.89	.737
	Degree	24	4.00	.658
	PG/Professional	6	3.83	.548
Improvement in per capita income	Up to 10 <sup>th</sup>	6	3.83	.408
	Pre Degree/12 <sup>th</sup>	19	3.95	.405
	Degree	24	4.00	.590
	PG/Professional	6	3.83	.753
Improved standard of living	Up to 10 <sup>th</sup>	6	4.00	.894
	Pre Degree/12 <sup>th</sup>	19	4.16	.688
	Degree	24	4.25	.737
	PG/Professional	6	4.67	.816
Balanced regional development	Up to 10 <sup>th</sup>	6	3.60	.837
	Pre Degree/12 <sup>th</sup>	19	3.89	.737
	Degree	24	3.71	.908
	PG/Professional	6	4.33	.516
Reduction of social evils like poverty, atmosphere pollution, growth of slums, ignorance of inhabitants	Up to 10 <sup>th</sup>	6	3.17	1.169
	Pre Degree/12 <sup>th</sup>	19	2.84	1.015
	Degree	24	3.54	1.225
	PG/Professional	6	3.50	1.220
Proper utilization of local resources	Up to 10 <sup>th</sup>	6	3.67	.516
	Pre Degree/12 <sup>th</sup>	19	3.74	.733
	Degree	24	3.71	.550
	PG/Professional	6	3.73	.753

Source: Primary data. N-Number of respondents, SD-Standard Deviation

It is clear from the table that aspects of benefits of adoption of MSME in rural area have no relationship between education qualifications. Reduction of poverty and unemployment through adoption in MSME has the highest mean value in post graduation and reduction of social evils (like poverty, atmospheric pollution, growth of slums, and

ignorance of inhabitants) has the highest SD value up to 10<sup>th</sup> standard.

#### **Benefits of adoption of MSME in Rural Area**

**Hypothesis:** There is no significant relationship between educational qualification and the benefits of adoption of MSME.

#### **ANOVA**

**Education qualification and the benefits of adoption of MSME in Rural Area**

**Table 3**

<b>Benefits of MSME</b>	<b>Source of variance</b>	<b>Sum of squares</b>	<b>DF</b>	<b>Mean</b>	<b>F</b>	<b>Sig</b>
Reduction of poverty and unemployment	BG	0.719	3	0.240	0.760	0.522
	WG	16.081	51	0.315		
Boosting economic growth and development	BG	0.534	3	0.178	0.444	0.722
	WG	20.447	51	0.401		
Maximum opportunities for both self employment and wage	BG	0.801	3	0.267	0.603	0.616
	WG	22.581	51	0.443		
Improvement in per capita income	BG	0.222	3	0.074	0.259	0.855
	WG	14.614	51	0.287		
Improved standard of living	BG	1.568	3	0.523	0.940	0.428
	WG	28.360	51	0.556		
Balanced regional development	BG	2.601	3	0.867	1.317	0.279
	WG	33.581	51	0.658		
Reduction of social evils like poverty, atmosphere pollution, growth of slums,	BG	5.618	3	1.873	1.277	0.292
	WG	74.818	51	1.467		

ignorance of inhabitants						
Proper utilization of local resources	BG	0.100	3	0.033	0.082	0.970
	WG	20.809	51	0.408		

### VII. Suggestions

#### Source : primary data

Indicates significant at 5 per cent level ( $P < 0.05$ ) Note: BG-Between Groups, WG-Within Groups, DF-Degrees of Freedom.

The mean difference in the adoption of MSME among the respondents is examined using one way ANOVA. As shown in the table that, every aspect are not significant at all levels, Therefore, the null hypothesis is accepted in all cases.

### VI. Findings

- Maximum number of (40%) of the respondents belongs to the age group of 40-50 years. Almost all of the respondents (90%) belong to the male category. Maximum (38%) of respondents belong to the income group of Rs. 50001-10000 and Maximum number of (45%) of the respondents belong to the education level up to degree.
- ANOVA revealed that all the factors such as Reduction of poverty and unemployment, Boosting economic growth and development, Maximum opportunities for both self employment and wage, Improvement in per capita income and standard of living, balanced regional development, Reduction of social evils like poverty, atmosphere pollution, growth of slums, ignorance of inhabitants and proper utilization of resources have no significant relationship between educational qualification and the benefit of adoption of MSME in rural area.

The study offers following suggestions for adoption MSME based on the findings and observation.

1. There is only mitigating incentives from the government. If subsidies will be provided at high levels by the government can attract more entrepreneurs in this sector at the same time it will help to increase the per capita income of nation.
2. Lack of support from the government. During the pandemic or depression of period of economy, the Government should bring liberal rules and regulations for waiving the tax, registration or license fee, etc. in favor of it for increasing the standard of living of people in the society.
3. Banking institutions should constitute policies for moratorium for long years to protect the MSME and create the opportunities for employment and wage to the society.
4. For the reduction of social evils like poverty, atmosphere pollution, growth of slums, Ignorance of inhabitants, Central and State Government could take policies for ease functioning.
5. Banking institutions and large scale Companies should allow collateral free loan to MSME.

### VIII. Conclusion

To conclude MSME can be said as the “accelerator of growth” for developing economies. MSME plays a vital role in Industrial development of a country. Even though the contribution made by

MSME sector is quite evident they have untapped growth potential which is unexplored. This study is focused on the benefits of adoption of MSME in Ernakulum District. It deliberates the significance of MSME in the economic development of our nation. MSME contributes the spreading of entrepreneurship culture through business innovations. They promotes inclusive growth by providing employment opportunities to village areas and thus plays a vital role in reducing regional imbalances and increasing the standard of living especially to people belonging to weaker sections of the society. In this changing scenario MSMEs have both challenges and opportunities before them. Government should frame policies and take timely actions to enhance the competitiveness of enterprise so that they can reach next level of growth to compete in global market and thus can contribute more to the economic development of our country.

## IX. REFERENCES

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