An Empirical Assessment of Growth and Performance of MSMEs in India with Special Reference to Odisha

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Abstract: Micro, Small and Medium Enterprises (MSMEs) are regarded as the primary engine as well as the back bone for economic growth and development of a developing country like India. The importance of MSMEs is attributable to their high employment potentialities, the requirement of low capital and technology, use of traditional or inherited skills, use of local resources, promotion of entrepreneurial skills, mobilization of resources, and exportability of products. MSMEs play a crucial role by providing economic justice through equitable distribution of income and wealth in a region and in turn reduce regional disparity in the country in general and in state in particular. MSMEs occupy a very important position in the Indian economy due to their major contribution in terms of output, exports, and employment which helps to solve a number of macroeconomic problems in the state of Odisha as well as in India. This paper examines and compares the growth and performance of MSMEs throughout the length and breadth of the state Odisha and India. This study also focuses on the sector-wise composition of MSMEs in the state of Odisha and also analyses the extent of bank credit flow to these sectors. Statistical devices like average annual growth rate (AAGR), arithmetic mean (AM), coefficient of variation (CV) and coefficient of correlation are used to analyse the secondary data collected from various authenticable sources as per the requirement of objectives of the study.

Key Words: MSMEs, Growth, Performance and Credit flow
JELCode: L_{26} & G_{21}

I.INTRODUCTION

MSME is an engine of economic growth for a developing country like India. These sectors create employment and reduce income inequalities in the country. MSME sectors have worldwide recognition as a solution for major macroeconomic problems in developing countries. It plays an important role in the Indian economy with respect to its contribution to Indian economy. As per Annual Report (2020-21) of the Ministry of MSME, Government of India, the share of MSMEs in the country's GDP is around 30.27 percent (2018-19) and the contribution of manufacturing MSMEs in the country's total manufacturing GVO (Gross Value of Output) is 33 percent in 2018-19. MSMEs also contribute 48.1 percent of the total exports from India as per the Annual Report (2018-19) of Ministry of MSME, Government of India. MSME sectors have been creating 1109.89 lakh jobs across the country out of which 844.68 lakh (76 percent) are male employees and 264.92 lakh (24 percent) are females as per (National Sample Survey) NSS 73rd round (2015-16). MSMEs are broadly classified into two sectors, i.e. manufacturing and services. The units engaged in manufacturing or producing and providing or rendering of services have been defined as micro, small & medium under MSMED Act 2006 on basis of the original investment in plant & machinery and equipment as under;

Enterprises	Manufacturing Sector	Service Sector
Micro Enterprises	Up to Rs. 25 lakhs	Up to Rs. 10 lakhs
Small Enterprises	Above Rs. 25 lakhs & up to Rs.5 Crores	Above Rs. 10 lakhs & up to Rs. 3 crores
Medium Enterprises	Above Rs. 5 Crores and up to Rs. 10 Crores.	Above Rs. 2 crores & up to Rs. 5 crores

As per the notification of Ministry of MSMEs, dated 1st June 2020, Government of India notifies the following criteria for classification of micro, small and medium enterprises with effect from 1st July 2020;

Composite Criteria: Investment in Plant & Machinery/Equipment and Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing Enterprises and Enterprises rendering Services	Investment in Plant and Machinery or Equipment: Not more than Rs.1 crores and Annual Turnover ; not more than Rs. 5 crores	Investment in Plant and Machinery or Equipment: Not more than Rs.10 crores and Annual Turnover ; not more than Rs. 50 crores	Investment in Plant and Machinery or Equipment: Not more than Rs.50 crores and Annual Turnover ; not more than Rs. 250 crores

MSME sector is the second largest employment provider in our country after agricultural sector. In spite of their contribution, MSMEs in India face several challenges. Financial problems are a measure problem among that. This sector face high cost of credit and are unable to identify their key competitive strengths to maintain product standards and quality. The availability of timely adequate finance and its accessibility are the major problems faced by MSMEs in developing economies like India. The Asian Development Bank (2014) has pointed out that barriers to accessing finance by SMEs in India from formal institutions include the requirement for collateral or a guarantee, inflexible policies, high rates of lending, complicated procedures, and entrepreneurs lack of financial knowledge of applicable schemes. A big push investment in MSMEs is needed as a measure in the long run which will help to reduce regional imbalances and social inequality throughout the length and breadth of the country (Mallick, Nayak, Khatei, Hanhaga, & Swain, 2020). The Reserve Bank of India includes micro and small enterprises in the list of priority lending sectors. Banks have also been advised to achieve a year-on-year growth of 20 percent in credit to micro and small enterprises and an annual growth of 10 percent in the number of micro enterprise accounts. This paper attempts to examine the progress and performance of MSMEs in the state Odisha as well as in India. It also studies the sector wise growth of MSMEs and provision of finance for these sectors by commercial banks in Odisha.

II.REVIEW OF LITERATURE

(Bhavani, 2002) focuses on the ongoing changes in the business environment and the analysis of their implications for small-scale units. It looks at possible ways of improving the competitive strength and commercial viability of small-scale units in the changing context. **(Yadav, 2012)** has undertaken on various issues relating to MSME finance from banks taking the published statistics, to examine the reasons why banks shy away to lend to the sector and what are possible remedies to improve credit-off take to the sector by banks. **(World Bank, 2013)** has an assessment of the Micro, Small and Medium Enterprise sector finance in India. The study also evaluates the consequent gap in the financing needs of Micro, Small and Medium Enterprises. It explores potential interventions to address the lack of access to formal finance for Micro, Small and Medium Enterprises. **(Munda & Swain, 2014)** have focused on that the importance, contribution and development potential of micro, small and medium enterprises in the state of Odisha as well as in India and also examined the role of commercial and financial support in the development process of this sector. **(Kannan & Sudalaimuthu, 2014)** attempt to recalling official definition of MSMEs in India, under pinning their economic significance, government initiatives, problems and financing issues and the trends in bank financing MSMEs in India. It examined that access to finance, infrastructure, marketing, training and education, and regulatory burden as some of the major problems faced by MSMEs. This study concludes by emphasizing the need of funding to MSMEs. **(Agwu & Emeti, 2014)** discuss the issues and challenges of SMEs in Nigeria through survey of 120 SMEs and find out that lack of social infrastructure, lack of access to finance, deficiency of managerial skills and multiple taxes are the major issue in the growth of SMEs. They suggest that government should provide guarantee of long term loan to SMEs, make provision of tax reliefs and incentives and facilitate formation of funding agencies for SMEs. **(Lohith, Srinivasan, S, & Shrisha, 2017)** studied that MSMEs are facing many hurdles and as a result, the expected high growth has become a nightmare. The hurdles can be listed as financial constraint, lack of marketing, lack of quality, lack of innovation etc. This paper has identified innovation as one of the main construct which might have considerable impact on the performance of MSMEs of Indian origin. **(Parthajeet Das 2017)** has viewed that micro small medium enterprises strengthen the backbone of an Indian economy. Despite various challenges this sector, it has achieved a remarkable progress by increasing its contribution to GDP. **(Nayak, Khatei, & Khatei, 2019)** opined that the existence of inequality in entrepreneurship of MSME sector is a major problem of bringing socio-economic equality in the country. In case of Odisha, MSMEs entrepreneurial activities are featured with gender disparity, rural-urban inequalities, and uneven participation of different social categories as well as inter district disparity; more particularly it is found in hinterland of the state. Entrepreneurial activities and its development in MSMEs sector requires the involvement of various sections of the society, utilization of available resources, motivation, creating awareness, adequate and timely availability of credit.

III.OBJECTIVES OF THE STUDY

The important objectives of this study are;
- To examine the growth and performance of MSMEs in Odisha and India.
- To study the product wise distribution of MSMEs in the state of Odisha.
- To analyse the extent of bank credit flow to MSME sectors in Odisha.

IV.SOURCES OF DATA AND METHODOLOGY

The study is based on secondary data covering twenty-six years from 1990-91 to 2015-2016. Statistical devices like average annual growth rate (AAGR), arithmetic mean (AM), coefficient of variation (CV), ANOVA (analysis of variance) and coefficient of correlation have been used to analyse the secondary data collected from various annual reports of Ministry of MSMEs, economic survey of Odisha and India, Reserve Bank of India (RBI) bulletin, books, seminars and committee reports.

The Formula for the Average Annual Growth Rate (AAGR) is;

$$AAGR = (AGR_1 + AGR_2 + ... + AGR_n)/N$$

Where: AGR_1 = Annual growth rate over period 1

AGR_2 = Annual growth rate over period 2

AGR_n = Annual growth rate over period n

N = Total number of periods

Formula to calculate the Coefficient of Variation (CV):

$$CV = (\sigma/\mu) \times 100$$

Where: σ = Standard deviation

μ = Arithmetic mean

Coefficient of Correlation has been calculated by following formula;

$$r_{xy} = \frac{\Sigma(xi - \bar{x})(yi - \bar{y})}{\sqrt{\Sigma(xi - \bar{x})^2 \Sigma(yi - \bar{y})^2}}$$

r_{xy} = Correlation coefficient

x_i = Values of the x-variable

$\bar{x}$ = Arithmetic mean of the x - variable

y_i = Values of the y – variable

$\bar{y}$ = Arithmetic mean of the y - variable

i = (1, 2, 3.................n)

V.ANALYSIS AND FINDINGS

A. *Growth and Performance of MSME Units in India*

Table 1: Growth of MSME Units in India from the year 1990-91 to 2015-16

Year	Total MSMEs Units (in lakh)	AGR of MSMEs	Fixed Investment (Rs. Crores)	AGR of Investment	Employment (lakh persons)	AGR of Employment
1990-91	67.87		93555		158.34	
1991-92	70.63	4.07	100351	7.26	165.99	4.83
1992-93	73.51	4.08	109623	9.23	174.84	5.33
1993-94	76.49	4.05	115795	5.63	182.64	4.46
1994-95	79.6	4.07	123790	6.90	191.4	4.80
1995-96	82.84	4.07	125750	1.58	197.93	3.41
1996-97	86.21	4.07	130560	3.82	205.16	3.65
1997-98	89.71	4.06	133242	2.05	213.16	3.90
1998-99	93.36	4.07	135482	1.68	220.55	3.47
1999-00	97.15	4.06	139982	3.32	229.1	3.88
2000-01	101.1	4.07	146845	4.90	239.09	4.36
2001-02	105.21	4.07	154349	5.11	249.09	4.18
2002-03	109.49	4.07	162317	5.16	260.13	4.43
2003-04	113.95	4.07	170219	4.86	271.36	4.32

2004-05	118.59	4.07	178699	4.98	282.57	4.13
2005-06	123.42	4.07	188113	5.29	294.91	4.37
2006-07	361.76	193.11	868543.79	361.72	805.23	173.04
2007-08	377.36	4.31	920459.84	5.97	842	4.57
2008-09	393.7	4.33	977114.72	6.15	880.84	4.61
2009-10	410.8	4.34	1038546.08	6.28	921.79	4.65
2010-11	428.73	4.36	1105934.09	6.48	965.15	4.70
2011-12	447.64	4.41	1183332	6.99	1011.69	4.82
2012-13	467.54	4.45	1269338.02	7.27	1061.4	4.91
2013-14	488.46	4.47	1363700.54	7.43	1114.29	4.98
2014-15	510.57	4.53	1471912.94	7.94	1171.32	5.12
2015-16	553.65	8.44	1363700.32	-7.35	805.24	-31.25
Arithmetic Mean	228.052		529663.628		504.431	
SD	178.512		520670.566		375.191	
CV	78.277		98.302		74.379	

Source: Annual Report of MSME, GoI, 2018
Note: The data up to year 2005-06 is related to Small Scale Industry and it is complied with MSMEs.

Table 1 reveals the growth and performance of the MSME sectors in India and observes the impact of the MSMED Act-2006, which includes the SSI (small scale industries) data up to 2005-06. In 2006-07 the number of MSMEs was 361.76 lakh which increased to 553.65 lakh in 2015-16. The number of MSMEs in each year since 1990-91 to 2005-06 is less than the average number (228.052lakh) of MSMEs in 26 years from 1990-91 to 2015-16. The total investment was Rs.868543.79 crores in 2006-2007. The total capital employed in the MSME sectors was Rs.93555 crores in 1990-1991 and it increased to Rs. 188113 crores during 2005-06, but the growth rate of investment was decreased from 7.26 percent (1991-92) to 5.29percent in 2005-06. But from 2007-08 onwards the growth rate of investment in MSME sectors on fixed assets has been increased steadily up to 2014-15. The effect of the MSMED Act-2006 and the investor's confidence in the steps taken by the policymakers was clearly being reflected in the growth of investment which is consistent. It is also observed that investment in MSME sectors from the year 1990-91 to 2005-06 in each year was less than the Rs.529663.628 crores (average investment of 26 years).

The number of employments generated by the MSME sector was 158.34lakh in 1990-91 which has increased to 294.91lakh in 2005-06. During this period the annual growth of employment was varied between the range of 3.41percent (1995-96) and 5.33 percent (1992-93). On the other hand employment in MSMEs was 805.23 lakh in 2006-07 with an annual average growth rate of 173.04 percent and it increased to 1171.32 lakh in the year 2014-15. Further, it is observed that during 2015-16, the annual growth rate of employment was reversed (-31.25 percent). The CV of MSME set up, investment, and employment from 1990-91 to 2016-17 is 78.277, 98.302 and 74.379 respectively which reveals that there is the presence of higher variability during the period.

Table 2: Result of One Way ANOVA of MSMEs Units between 1996-97 to 2005-06 and 2006-07 to 2015-16 in India

ANOVA: Single Factor						
SUMMARY						
Groups	*Count*	*Sum*	*Average*	*Variance*		
MSMEs Units (in lakh) 1996-97 to 2005-06	10	1038.19	103.819	156.6126		
MSMEs Units (in lakh) 2006-07 to 2015-16	10	4440.21	444.021	3785.3962		
ANOVA						
Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	578687	1	578687.004	293.60005	1.3644	4.4138
Within Groups	35478.08	18	1971.0044			
Total	614165.1	19				

Source: Author's Calculation as per data in table 1.
It is examined from table 2 that the F-value is more than the F-critical value for the alpha level selected (0.05). Therefore, the null hypothesis is rejected. It describes that numbers of MSMEs in between two time periods (1996-97 to 2005-06 and 2006-07 to 2015-16) have significantly different means. To know the effect size measure for one-way

ANOVA, Eta squared is calculated. It is used to know how much proportion of the variability exists between the two samples due to the between group difference. It is calculated as;

$$\text{(Eta squared) } \eta2 = SS_{\text{Between}} / SS_{\text{Total}}$$
$$\eta2 = 578687 / 614165.1 = 0.942234 = 0.94$$

The value of 0.94 indicates that 0.94 percent of the variance is accounted for between the numbers of MSMEs in between two time periods (1996-97 to 2005-06 and 2006-07 to 2015-16) in India. It depicts that there is an extent of more variability in growth of MSME units from 1996-97 to 2015-16 which includes two sub-periods of 1996-97 to 2005-06 and 2006-07 to 2015-16.

Table 3: Growth Rates of Real GDP and Index of Industrial Production in India from 2000-01 to 2015-16

Year	Real GDP (in per cent)	Total Industry (in per cent)	Manufacturing (in per cent)	MSMEs Production (in per cent)
2000-01	4.4	5.0	5.3	8.2
2001-02	5.8	2.7	2.9	6.1
2002-03	3.8	5.7	6.0	8.7
2003-04	8.5	7.0	7.4	9.6
2004-05	7.5	8.4	9.2	10.9
2005-06	9.5	8.0	8.9	12.3
2006-07	9.6	12.9	15.0	12.6
2007-08	9.3	15.5	18.4	13.0
2008-09	6.7	2.5	2.5	13.1
2009-10	8.6	5.3	4.8	13.7
2010-11	9.3	8.2	8.9	13.6
2011-12	6.2	2.9	3.0	18.5
2012-13	5.6	1.1	1.3	14.0
2013-14	6.6	-0.1	-0.8	12.0
2014-15	7.2	2.8	2.3	17
2015-16	7.6	2.4	2.0	NA

Sources: (1) Union Ministry of Finance, Economic Division (2016), Economic Survey 2015-16 and earlier issues from 2000-01, New Delhi, (2) Reserve Bank of India (2016), Annual Report 2015-16, Mumbai.

Figure 1: Growth Rates of Real GDP and Index of Industrial Production from 2000-01 to 2015-16
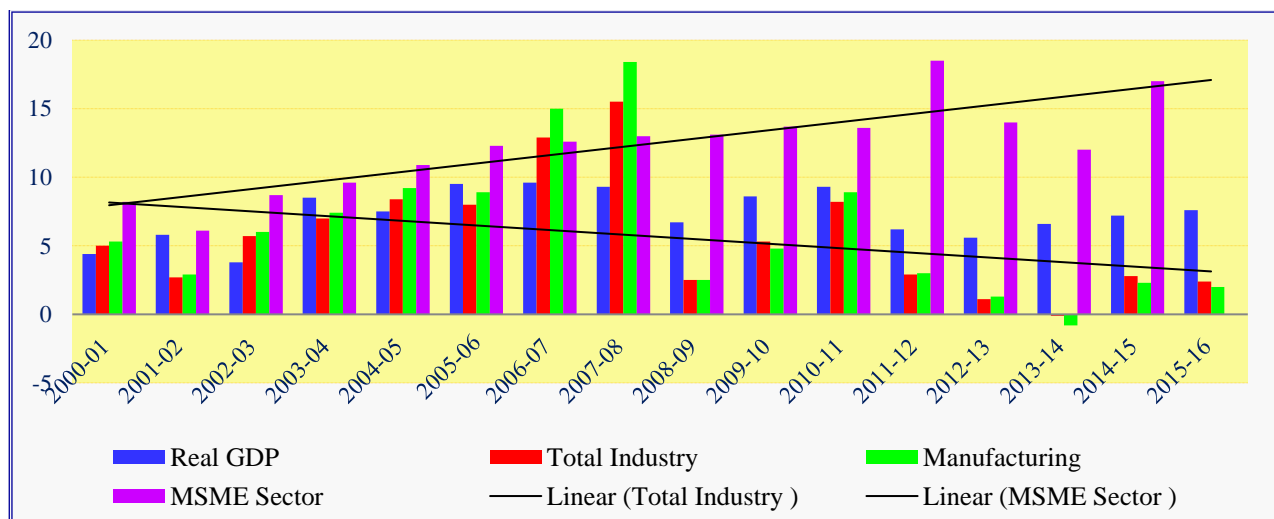
Source: As per table 3

The table 3 depicts that the growth of the real GDP (Gross Domestic Product) is 8.5 per cent which has been recorded in 2003-04, it may be noticed that the high growth rate of 8.5 per cent in 2003-04 is over the low growth figure of 3.8 percent in the previous year (2002-03). During 2004-05, 2005-06, and 2006-07, growth rate was 7.5, 9.5, and 9.6 percent, respectively, over the high growth rate of 8.5 per cent of 2003-04 and in year 2007-08, it is experienced as 9.3

percent. Despite the global slowdown and the dismal performance of the manufacturing sector, Indian economy has recorded 6.7 per cent growth of GDP in 2008-09. In the next two years, 2009-10 and 2010-11, the growth rate recorded as 8.6 percent, and 9.3 percent, respectively which is an indication of the gradual process of recovery. The growth rate of real GDP decreased to 6.2 percent (2011-12) and to 5.6 percent in year 2012-13. In the next three years, it showed improvement to 6.6 percent in 2013-14, 7.2 percent in 2014-15, and 7.6 percent in 2015-16. The five years from 2003-04 to 2007-08 have recorded the highest growth rate followed by 2009-10 and 2010-11.

The production growth rate of MSME sectors has been moving upwards steadily, which is higher than that of industry as a whole and manufacturing production up to 2005-06 and from 2008-09 to 2014-15 the growth rate is steady though there were ups and downs for few years. Growth rate during 2000-01 to 2003-04 recorded from 8.2 percent to 9.6 percent; thereafter it has increased to 10.9 percent and above from year 2004-05. It shows that micro, small and medium enterprises (MSMEs) have a significant role to play achieving the goal of inclusive growth and balanced regional development. On the other hand industrial production as a whole declined from 15.5 percent in 2007-08 to 2.4 percent in 2015-16 and in the same period total manufacturing sector production also declined from 18.4 percent to 2.0 percent.

B.   *Growth and Performance of MSMEs in Odisha*

Table 4: Growth of MSME Units in Odisha from the Year 1990-91 to 2015-16

Year	No. of MSMEs	Investment (Rs. in lakh)	AGR of Investment	Employment	AGR of Employment	By the end Of the year (Cumulative nos.)	Growth rate
1990-91	2249	6099.87		15657		38094	6.3
1991-92	2233	5203.38	-14.70	15545	-0.72	40327	5.9
1992-93	2117	5499.96	5.70	13344	-14.16	42444	5.4
1993-94	2311	5620.64	2.19	13807	3.47	44755	5.4
1994-95	2327	6808.15	21.13	13096	-5.15	47082	5.2
1995-96	2507	7481.9	9.90	13019	-0.59	49589	5.3
1996-97	3098	10452.52	39.70	15629	20.05	52687	6.2
1997-98	3186	13408.7	28.28	16716	6.96	55873	6
1998-99	3184	19006.26	41.75	16776	0.36	59057	5.6
1999-00	3473	16293.82	-14.27	18608	10.92	62530	5.3
2000-01	3676	15317.7	-5.99	18115	-2.65	66206	5.9
2001-02	3919	16522.32	7.86	16582	-8.46	70125	5.9
2002-03	4008	15514.19	-6.10	16302	-1.69	74133	5.7
2003-04	4431	17013.12	9.66	20547	26.04	78564	5.6
2004-05	4511	24558.95	44.35	21898	6.58	83075	5.4
2005-06	4786	27044.34	10.12	25142	14.81	87861	5.7
2006-07	4556	27113.5	0.26	20839	-17.11	92417	5.1
2007-08	4710	29551.18	8.99	23301	11.81	97127	5.1
2008-09	4806	22792.21	-22.87	20996	-9.89	101933	4.9
2009-10	4907	29233.69	28.26	23195	10.47	106840	4.81
2010-11	5016	39502.13	35.13	24451	5.41	111856	4.69
2011-12	5505	50073.01	26.76	30387	24.28	117361	4.92
2012-13	5931	43290.75	-13.54	27104	-10.80	123292	5.05
2013-14	7009	66941	54.63	32136	18.57	130301	5.68
2014-15	29866	226724	238.69	107011	232.99	160167	22.92
2015-16	53920	297964	31.42	166731	55.81	214087	33.66

Average	6855.46	40193.51	22.69	28728.23	15.09		7.22
SD	10933.69	67854.19		33339.26			
CV	159.49	168.82		116.05			
CORREL	0.979	Between Investment & MSME Units					
CORREL	0.991	Between Investment & Employment					
CORREL	0.996	Between Nos. of MSMEs & Employment					

Source: Annual Report of MSME Department, GoO (Government of Odisha), 2018

Table 4 describes that there is extent of high degree of correlation in between investment and number of MSMEs (0.979), investment and employment (0.991) and number of MSMEs and employment (0.996). It describes that there is strong positive relationship between among these variables. Further it is examined that the year wise growth rate of number of MSMEs, investment and employment is not uniformly occurred in Odisha economy. The growth rate of MSME units in Odisha is more than the growth rate of MSME units in India in between year 1990-91 to 2015-16. But more inconsistency is found in the annual growth rate of MSME units in Odisha as compared to India as a whole. So far as investment in the fixed asset is concerned, the negative growth rate is experienced by the Odisha economy during the year 1991-92, 1999-2000, 1999-00, and 2012-13. Though employment in MSMEs has been increased from 15657 (1990-91) to 166731 (2015-16), there is existence of negative growth rate in employment during the year 1992-93, 1994-95, 1995-96, 2000-01, 2001-2002, 2002-2003, 2006-07, 2008-09 and 2012-13. Moreover, it is observed that the growth rate, investment in fixed assets, and employment generation in the MSME sectors are not smooth and steady in the Odisha economy.

Table 5: Result of One Way ANOVA of MSMEs Units between 1996-97 to 2005-06 and 2006-07 to 2015-16 in Odisha

ANOVA: Single Factor						
SUMMARY						
Groups	*Count*	*Sum*	*Average*	*Variance*		
MSMEs Units (in lakh) 1996-97 to 2005-06	10	38272	3827.2	366385.0667		
MSMEs Units (in lakh) 2006-07 to 2015-16	10	126226	12622.6	270658854.7		
ANOVA						
Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	386795305.8	1	386795305.8	2.85431206	0.1083	4.4138
Within Groups	2439227158	18	135512619.9			
Total	2826022464	19				

Source: Author's Calculation as per data in table 4.

It is examined from table 5 that the F-value is less than the F-critical value for the alpha level selected (0.05). Therefore, the null hypothesis is accepted. It describes that numbers of MSMEs in between two time periods (1996-97 to 2005-06 and 2006-07 to 2015-16) have no significantly different means. To examine the effect size measure for one-way ANOVA, Eta squared is calculated. It is used to find the existence of the variability proportion between the two samples due to the between group difference. It is calculated as;

$$\text{(Eta squared) } \eta 2 = SS_{\text{Between}} / SS_{\text{Total}}$$
$$\eta 2 = 386795305.8 / 2826022464 = 0.136869155 = 0.14$$

The value of 0.14 indicates that 0.14 percent of the variance is accounted for between the numbers of MSMEs in two time periods (1996-97 to 2005-06 and 2006-07 to 2015-16) in Odisha. It is observed that there is low variability in

growth of MSME units from 1996-97 to 2015-16 which includes two sub-periods of 1996-97 to 2005-06 and 2006-07 to 2015-16.

## C. *Product Wise Distribution of MSME Units in Odisha*

Table 6: Product Wise Composition of MSME Units in Odisha

Product wise MSMEs	No. Of Units Set up By the end of 2015	No. Of Units Set up By the end of 2016-17	No. Of Units Set up By the end of 2018-19
Food and Allied	28551(17.83)	35246(12.96)	38,172 (11.9)
Chemical & Allied	3131(1.95)	3854(1.42)	4,210 (1.3)
Electrical & Electronics	1287(0.80)	1945(0.72)	2,123 (0.7)
Engineering & Metal Based	14559 (9.09)	16603(6.11)	17,451 (5.4)
Forest & Wood Based	8574 (5.35)	13124(4.83)	15,284 (4.7)
Glass & Ceramics	9516 (5.94)	10326(3.80)	10,810 (3.4)
Livestock & Leather	478 (0.30)	619(0.23)	694 (0.2)
Paper & Paper Product	3299 (2.06)	3940(1.45)	4,138 (1.3)
Rubber & Plastics	1888 (1.18)	2066(0.76)	2,155 (0.7)
Textiles	10584 (6.61)	15109(5.56)	16,910 (5.3)
Misc. Manufacturing	8276 (5.17)	16450(6.05)	20,864 (6.5)
Repairing & Servicing	70024 (43.72)	152588(56.13)	1,89,217 (58.8)
TOTAL	**160167(100%)**	**271870(100%)**	**322028(100%)**

Note: Figures in parentheses describes percentage to total
Source: Annual Report of MSMEs, GoI (Government of India), 2014-15, 2016-17 and 2017-18

Figure 2: Sector Wise Composition of MSME Units in Odisha in 2015 and 2018-19
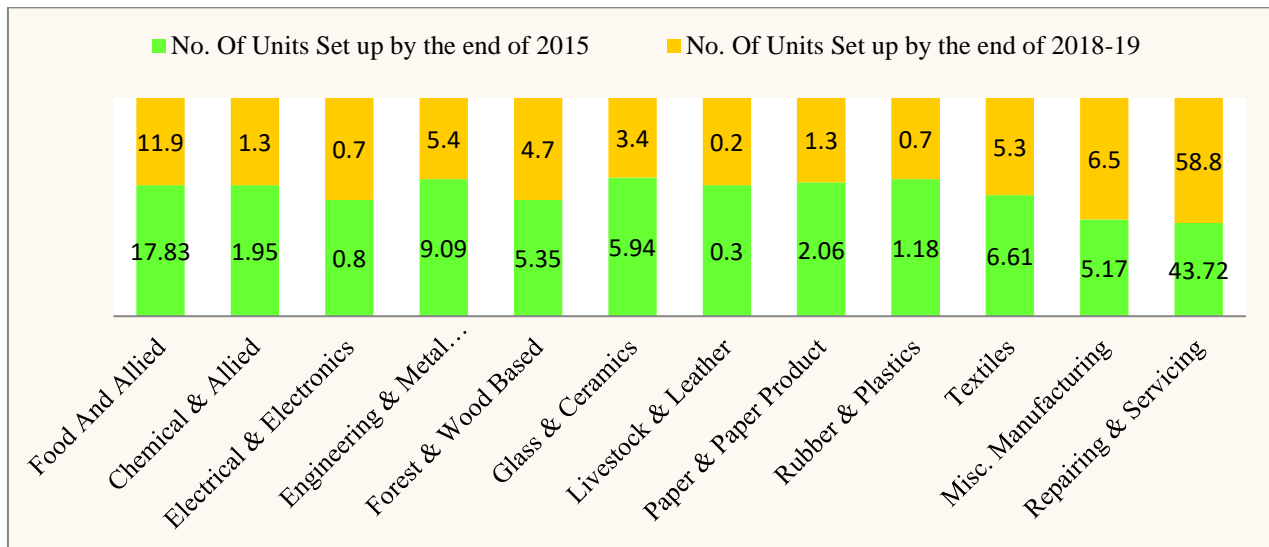

Source: As per table 6.

Repairing and servicing sectors consisted of 43.72 percent MSME units followed by food and allied sectors (17.83percent) by the end of 2015 in Odisha (table 6) and the lowest numbers of MSME units (0.3percent) were engaged in livestock and leather production. But by the end of 2018-19, the number of MSME units in food and allied production has decreased to 11.93 percent and in the case of the repairing and service sector; the number of MSME units has increased to 58.8 percent. Engineering and metal-based production occupy the third-highest number of MSME units in years 2015 and 2016-17, but in the year 2018-19, this sector is placed in the fourth position. On the other hand, there is no improvement in livestock and leather MSME units for the year 2016-17 and 2018-19. Therefore it is observed that the MSME sectors have not been developed in other production areas except repairing & servicing and food & allied activities in Odisha.

### D.   *Credit Flow to MSME Sectors in Odisha*

Though commercial banks are playing a major role in financing MSMEs in Odisha, the major concern is that the MSME sectors have remained inaccessible to easy loan finance, lack of adequate and timely availability of bank credit.
Figure-3: Credit Flow to MSME Sectors by Public and Private Sector Banks in Odisha from 2008 to 2013
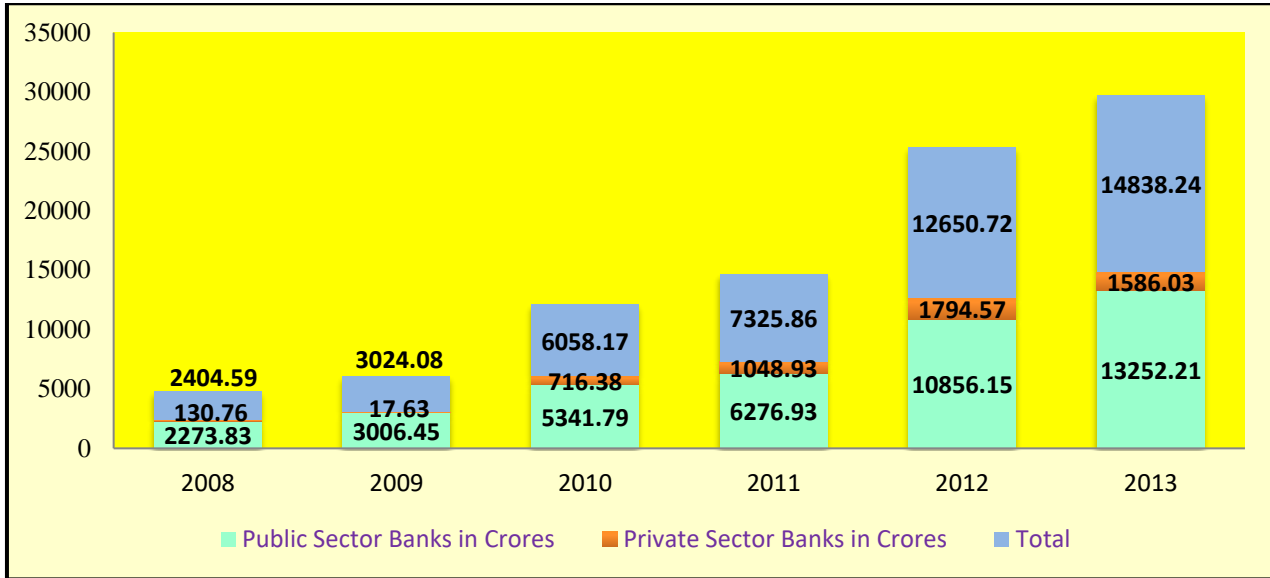
Source: Economic Survey 2017-18, GoO (Government of Odisha)

It is observed from figure 3 that public sector banks play a dominant role in providing credit facilities to the MSME sector as compared to private sector banks in Odisha during the years 2008 to 2013. The credit flow by public sector banks has been increased about six times from 2273.83 crores (2008) to 13252.21 crores (2013). On the other hand, the credit flow of private commercial banks has been increased about twelve times from 130.76 crores (2008) to 1586.03 crores (2013) except in the year 2009 in which a sharp decline in credit flow to 17.63 crores to MSME sectors is found. But the total credit flow of private banks is much lower than public sector banks in Odisha.

Figure 4: Total Advances to MSME Sectors in Odisha during 2016 and 2017 (in crores)
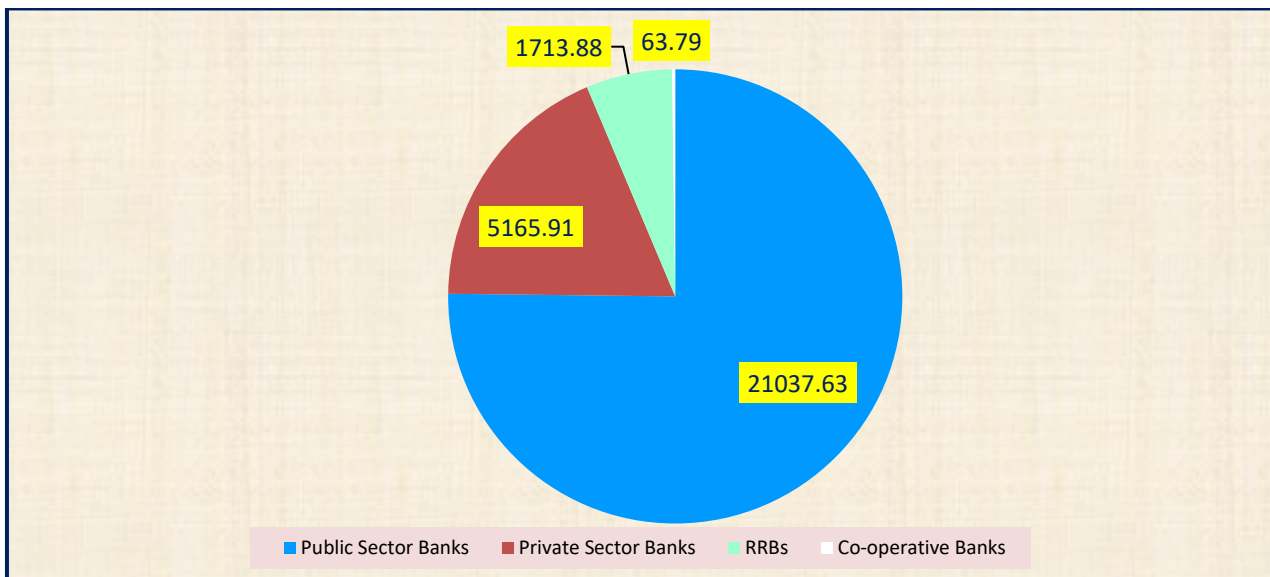
Source: Economic Survey 2017-18, GoO (Government of Odisha)

During 2016 and 2017 the MSME sectors have availed loans Rs. 21037.63 crores from public sector commercial banks, Rs. 5165.91 crores, from private sector banks, Rs. 1713.88 crores from RRBs and Rs. 63.79 crores from co-operative banks in Odisha (figure 4). Moreover, public sector banks still provide a major portion of finance to MSME sectors as compared to private sector banks, RRBs, and Co-operative banks in Odisha.

Figure 5: Credit Flow to Micro, Small and Medium Enterprises (MSMEs) from 01.04.2019 to 30.09.2019 in Odisha
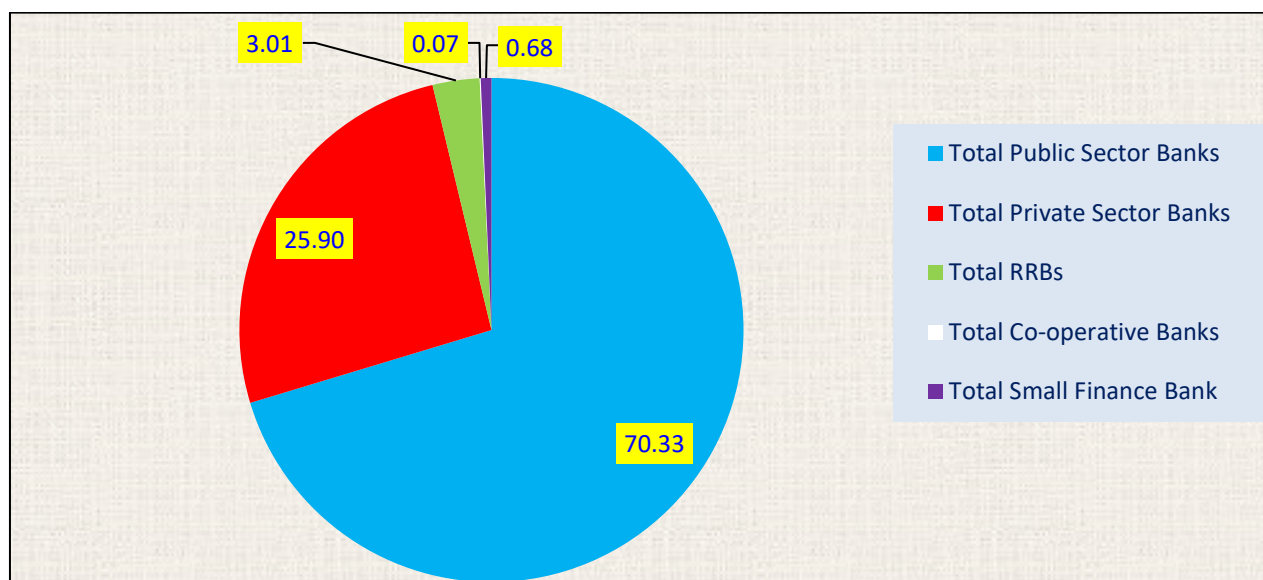
Source: State Level Bankers' Committee (SLBC), Odisha

It observed from figure 5 that public sector banks provide 70.33 percent of finance to MSME sectors whereas private sector banks advance 25.9 percent, RRBs 3.01 percent, co-operative banks 0.07 percent, and small finance banks 0.68 percent of total credit needs of MSME sectors in Odisha.

VI. SUMMARY AND CONCLUSION

It can be stated that the MSMEs have played a crucial role in the development of the Indian economy post-trade reforms in 1991 and the MSMED Act, 2006. The Government of India has taken various initiatives to make this sector more vibrant and significant in the development of the Indian economy. The growth rate of MSME production has been moving upward, which is higher than that of the industry as a whole and manufacturing production up to 2005-06, and from 2008-09 to 2014-15. The effect of the MSMED Act, 2006 and the investor's confidence in the steps taken by the policymakers was clearly being reflected in the growth of investment and in turn in employment. The commercial banks other than public sector banks do not provide adequate finance to MSME sectors in the context of Odisha. The MSMEs do not avail adequate, easy and timely credit from the banking sector. Other important problems concerning infrastructure, raw materials, technology, markets and labour are also faced by MSME sectors. The government should put more attention to remove these constraints for the better future of MSME sectors in India as well as in Odisha. The growth of MSME is non-uniform and there exists a significant gap in the growth of enterprises across different production sectors in Odisha. Steps to lower this gap must be taken for a balanced growth outlook. MSMED Act, 2006 was one of the important measures taken by the government to uplift the MSME units. Further, it is examined that the year-wise growth rate of the number of MSMEs, investment and employment is not uniformly occurred in the Odisha economy. The growth rate of MSME units in Odisha is more than that of India in the years 1990-91 to 2015-16. But less consistency is found in the annual growth rate of MSMEs in Odisha as compared to India as a whole. A favourable business environment is a need of the hour in order to reduce the disparity in growth rate and to maintain a sustained performance of MSME sector in Odisha as well as in India.

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