

ANALYSIS ON EXPORT PERFORMANCE: MSMEs IN INDIA

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Abstract: The present paper is based on the objective to study on performance of export in MSME sector in India. An attempt to explore the export growth of MSMEs in India and various constraints with the sector to overcome them for a superior export performance and make the MSMEs export more sustainable and competitive in global market. The export of every country is considered to be a major backbone for the growth of its country. The Indian government is serious about the trading methods and looking for new opportunities in international market. The MSMEs in India plays a major role in export and competes in international market as it is reflected by its increased share percentage in this sector but still to reduce the current account deficit, India needs an improved export performance as the strength of exports has a large role in determining the current account deficit.

Keywords- MSME, export, constraints, share percentage, deficit etc.

I. INTRODUCTION AND OVERVIEW

No country is self adequate to produce all the goods and render all the services that it calls for, which leads to the trade among nations and acts as an engine for economic magnification as exports are imperative to earn foreign exchanges and availability of wider market while facilitating the nation by providing the goods and services not available within the country itself. The role of micro, small and medium enterprises in the economic and social development of the country is well recognized. The MSME entrepreneurs are backbone of economy and based on their creativity and innovation. The MSME sector has emerged as a highly vivid and dynamic sector of the Indian economy over the last five decades. MSMEs are correspondent to medium and large industries as ancillary units and this sector contributes significantly in the comprehensive industrial development of the country. The MSMEs contributing significantly to the expansion of entrepreneurial endeavors through business innovations. The MSMEs have been expanding their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets. The sector's contribution to the national GDP is eight percent. It contributes about 6.11 percent of the manufacturing GDP, 24.63 percent of the services, and 33.4 percent of India's manufacturing output. It's contribution to exports stand at 40 percent. The budgetary allocation to MSME for the year 2018-19 was Rs. 3,790 crores for credit support, capital, and interest subsidy and innovations.

The significance of the sector is evident from the government's numerous initiatives to boost its growth making MSMEs more robust, competitive, and resilient in the national as well as in the global scenarios. Export plays an important role in Indian economy, influencing the level of economic growth, employment and the balance of payments. Exports are a component of aggregate demand. Rising exports will help to increase aggregate demand and cause higher economic growth. Export is indispensable for the growth of economy as it leads to the earning of valuable foreign revenue which helps in the economic growth of the country. There are approximately 21 sectors with approximately 7,500 commodities produced by the MSMEs and exported to 192 countries. The MSMEs contribute in the production and in the ancillary activities of almost every commodity produced in the country. The increase in the share has been impressive from the preceding year (Financial Year 2018) when MSME exports contributed 7.5 per cent to total exports. The share for Financial Year 2016 and Financial Year 2017 stood at 5.9 per cent (\$130.7 billion) and 4.8 per cent (\$137 billion) respectively. National Council for MSME is focused on steering the MSME sector forward by being a bridge between policymakers and entrepreneurs.

The industry body has been rooting for building up Indian quality standards with global practices, digital transformation of the MSME sector and enhanced skill development to help this segment come on par with global counterparts. Export Promotion from the MSMEs has been accorded a high priority in the India's export promotion

strategy. The small industries due to their distinctive strengths of low capital investment, high employment generation, maximal capacity utilization, flexibleness in operation, etc. are highly contributive for rapid industrialization and maximum export generation. Under these circumstances, there is a need to set strategic leverage, motion strategies and policy measures which accelerate growth of exports in several different sectors as well as in newer markets. With a view to rendering assistance to MSME in the field of exploring market potential, export promotion, participation in international trade fair exhibition and various schemes are being implemented by Government of India. Every Policy formulated for achieving growth in exports have a number of incentives to small scale exporters so as to maximize export earnings. These include efforts taken under National Manufacturing Competitiveness Programme, Make in India initiatives, Ease of Doing Business, improvement in infrastructure and logistics, improved availability of credit, awareness programs and workshops, Merchandise Exports from India Scheme (MEIS), Interest Equalization Scheme on Pre and Post Shipment Rupee Export Credit and Niryat Bandhu Scheme etc. The Government of India has implemented the Niryat Bandhu Scheme with an objective to get access to the new and potential exporters including exporters from Micro, Small & Medium Enterprises (MSMEs) and mentor them by conducting counseling sessions, orientation programmes, individual facilitation, etc., on various aspects of foreign trade to make able to do business in international trade. According to the Foreign Trade Policy of India (FTP 2015-20), Government has widened the scope and raised the reward incentives under MEIS (Merchandise Exports from India Scheme) and SEIS (Service Exports from India Scheme) by 2%. It seeks to promote export of notified goods produced in India. MEIS is a major export promotion scheme of Government of India. Rewards under MEIS are payable as a percentage (2, 3 or 5%) of realized Free on Board (FOB) value of covered exports, by way of the MEIS duty credit scrip. The units comes under SEZs can also take benefit of MEIS. The Government of India also provides double weightage to exports of MSMEs for grant of one star export house status under the Status holder recognition scheme of the foreign trade policy 2015-20. Status holders are export business leaders who have excelled in international trade and successfully contributed to countries foreign trade. Status holders are expected to contribute towards India's exports and also provide guidance to new entrepreneurs. The Government launched interest equalization scheme on pre and post shipment. As per this scheme, rebate of interest provided on pre and post shipment export credit like packing credit. The interest is deducted and a rebate up to 5% initially given on subsequent basis on eligibility and norms. This scheme is aimed at providing affordable credit to exporters to make them able to be more competitive in the international market. Under the Zero Defect Zero Effect (ZED) model, which is launched by the government, the SMEs and exporters are eligible to get rebates and concessions. This initiative was taken so that the exports are made in adherence to particular standards and are certified. Thus, do not get rejected and returned back to India. As per the Credit Guarantee Scheme, banks and financial institutions can extend to each borrowing unit a loan capacity of INR 200 Lakhs. Government of India introduced the platform of Trade Receivable Discounting System (TReDS) to finance the Trade Receivables. For SMEs financial assistance is very important as the funds are limited. This shall ease their monetary crisis. To boost exports, enhance the trader's liquidity situation and scout the new global markets, the government hiked the interest subsidy of 3% to 5% for MSMEs on receiving credits at pre and post-shipment. The government got created an online portal called Government e-Marketplace (GeM) for their procurement of common use items through one place. Some of the other popular export promotion schemes that have helped MSMEs to grow and make their place in different parts of the world are Credit Linked Capital Subsidy Scheme for Technology Up gradation (CLCSS), Financial Assistance on International Participation, Stand up India Scheme, Women Entrepreneurship, and Incubation Grievance Monitoring System etc. It is the right time when Indian MSMEs should reap the advantages of such schemes and earn recognition worldwide.

As internationalization is one of the main aim for MSME exporters in order to attain or gain more benefit from global market because liberalization in trade policies provides free integration and linkage between different countries. The growth of global integration and trade activities has enhanced the importance of export between companies and countries. The measurement of export performance plays a crucial role in decision making and policy framing for companies. Export performance of MSMEs is greatly affected by internal and external environment and characteristics of manager or entrepreneur. Most of the MSMEs are not ready to face the rigorous competition in International market and normally reluctant to adopt new and up graded technologies therefore it creates difficulties while competing with other countries. Firm's productivity and demand for the product are also important factors which could affect the export decision. Location of the firm also plays crucial role in export decision and thereby performance of the firm. As infrastructure, transportation cost, availability of resources plays a crucial role in export decisions and affects on export growth of the company. Economical, Technological, Political and Socio-Cultural factors also affects on export performance of MSMEs. Government assistance in the form of financial and non financial support like credit assistance, tax exemption or reduction, import duty exemption,

managerial and technical assistance, technical support etc. and to mentor them by conducting counseling sessions, individual facilitation, orientations programmes, etc. to make them able to do business in international trade.

II. OBJECTIVE AND METHODOLOGY

To evaluate the contribution of MSME in India

To highlight various government schemes for MSME export promotion

To study the various factors influence on performance of MSME export growth

The research study on the research paper – To study export performance of MSME sector in India is of descriptive in nature and based on secondary data includes journals, periodicals, annual reports, various government departments' websites, Report of All India Census, Wikipedia, and Economic Survey of India etc.

III. REVIEW OF LITERATURE

Dr. Suhail Mohommad Ghose (2014) in his research paper 'Export competitiveness of India: The role of MSMEs to play!' suggested that comparative study between the Indian and Chinese (or any other successful emerging nation) can be done in the context of MSMEs export performance in the different performing areas and problems of foreign MSMEs and make a comparative with Indian MSME exporters, which can be of great significance to increase the competitiveness of exporting MSMEs.

Dr. B.S.Khurud (2015) in his research paper 'Export Performance of MSME sector in the post liberalization era' suggested that sincere and dedicated efforts are also needed to improve the quality of exportable goods, because there is an immense scope for increasing exports of quality products in the global market and also pointed out that new emerging markets like EU, UAE, African countries and CIS countries have a lot of potential for absorbing more MSME export. Hence the efforts should be made to tap these markets.

Yot Amornkitvikai, Charles Harvie, Teerawat Charoenrat (2012) conducted study on 'Factors affecting the export participation and performance of Thai manufacturing Small and medium sized enterprises (SMEs)' and found that there exist a number of firm-specific factors which are significantly and positively related with a firm's export decision and its export performance, such as (i) firm size, (ii) firm age, (iii) labour productivity, (iv) government assistance, (v) foreign investment (ownership), (vi) municipal location, and (v) skilled labour.

B. Gururaj , M. Satishkumar, and M.K. Aravinda Kumar (2016) in their research paper 'Analysis of factors affecting the performance of exports in India' indicated that, To build the resilience of the economy to trade shocks and improve competitiveness of exports, it would be useful for the Government to consider mitigating strategies

Surbhi Goyal (2016) in her research paper 'A Study on comparison of Export Trends of India over a Decade' highlighted the past performance of export and requirement to reform export policy in her opinion as, In 2000-01 India was mainly dependent on US for the exports with share of 20.96% but over a period of time this share has been reduced to 12.45% and the country is shifting to the countries like China, Singapore, Saudi Arabia which validates the Look East policy of the government of India. Exporters should take the advantage of "Make in India" scheme started by prime minister of India. Research and development needs to be emphasized upon.

Apoorva Gupta, Ila Patnaik and Ajay Shah (2018) in their research paper 'Exporting and firm performance: Evidence from India' have made conclusion that Do firms learn by exporting, learn to export, or do more productive firms self select themselves into exporting? This is an important question which shapes our understanding of trade theory, and influences policy questions ranging from microeconomic interventions to support firms that export, to exchange rate undervaluation for economic growth.

Jaya Prakash Pradhan & Keshab Das in their research project article 'Exports by Indian Manufacturing SMEs: Regional Patterns and Determinants', SME exports are found to be further positively influenced by a set of state-specific factors like the presence of port facilities, availability of credit, proximity to foreign firms and technological specialization of state manufacturing sector. In view of the positive role of port facilities in SME exports, a careful look at SMEs access to port facilities may be required. Coastal states can focus on developing and strengthening port facilities while non-coastal states should plan good quality roads linking their principal manufacturing sites to port facilities in nearby states. Enhancing the credit facility for SMEs may also help states to realize a greater export contribution from this sector.

Dr. Surat Singh & Dalbir Singh (2017) in their research paper, 'Small scale industries and economic growth: Empirical evidence from India during post economic reform era' revealed that exports have a significant role in explaining variations in Gross Output and not a vice-versa in India.

Ranajit Chakrabarty & Smwarajit lahiri Chakravarty (2012) in their research paper, ‘An econometric study of Indian export and import of black gold (oil)’ concluded that there should be a continuous effort to improve our exports so that in the long run, the trade deficit can be checked.

IV DISCUSSION

In this section the export performance has been reviewed. As per the data available with central statistics office (CSO), ministry of statistics & programme implementation, the contribution of MSME Sector in country’s gross value added (GVA) and Gross Domestic Product (GDP), at current prices for the last six years is as below:

(Figures in Rs. Crores)						
Year	MSME GVA	Growth (%)	Total GVA	Share of MSME in GVA (%)	Total GDP	Share of MSME in GDP (in %)
2011-12	2622574	-	8106946	32.35	8736329	30.00
2012-13	3020528	15.27	9202692	32.82	9944013	30.40
2013-14	3389922	12.27	10363153	32.71	11233522	30.20
2014-15	3704956	9.29	11504279	32.21	12467959	29.70
2015-16	4025595	8.65	12566646	32.03	13764037	29.20
2016-17	4405753	9.44	13841591	31.83	15273514	28.90

(Source: MSME Annual Report 2018-19 GOI)

Fig 1: Contribution of MSMEs in Countries economy at current price

As per the information received from Central Statistics Office, the share of MSMEs in Gross Domestic Product (GDP) at current prices has been 29.7%, 29.2% and 28.9%, during the financial year 2014-15, 2015-16 and 2016-17, respectively. Export share of Indian MSME during the year 2018-19 stood at 48.10 per cent as per the information from Directorate General of Commercial Intelligence and Statistics.

Distribution of Enterprises Category Wise (Numbers in lakh):-

Sector	Micro	Small	Medium	Total	Share %
Rural	489.30	7.88	0.60	497.78	45
Urban	586.88	24.06	1.16	612.10	55
All	1076.19	31.95	1.75	1109.89	100

(Source: MSME Annual Report 2018-19 GOI)

Fig 2: Sectoral distribution of employment in MSMEs

Micro sector with 630.52 lakh estimated enterprises provides employment to 1076.19 lakh persons, which accounts for around 97% of total employment in the sector. Small sector with 3.31 lakh and Medium sector with 0.05 lakh estimated MSMEs provides employment to 31.95 lakh (2.88%) and 1.75 lakh (0.16%) persons of total employment in MSME sector, respectively

Rank	Country	Value (US\$ billions)	Share of overall exports
1	United States	40.4	15.30 %
2	United Arab Emirates	30.3	11.50 %

3	Hong Kong	12.2	4.60 %
4	China	9.5	3.60 %
5	United Kingdom	8.9	3.40 %

(Source: Wikipedia – List of the largest trading partners of the India)

Fig 3: India’S Top Export Destinations

There has been an initiative from Government of India to improve the condition of exports to other countries. With this regard, the government has taken up a important steps for betterment of businesses in the export trade. The primary objective of these benefits is to simplify the whole export process and make it more flexible. As per the data, India’s share of overall export to USA is of 15.30%, UAE 11.50%, Hong Kong 4.60%, China 3.60%, and United Kingdom 3.40%, respectively.

. State	Export (Rs. Crore)	% Share
Uttar Pradesh	14342	21.12
Tamil Nadu	10049	14.80
Maharashtra	5484	8.08
Karnataka	5471	8.06
Rajasthan	4978	7.33
Gujrat	4962	7.31
Haryana	4834	7.12
Punjab	4701	6.92
Kerala	2279	3.36
West Bengal	2153	3.13
Total of above 10	59253	87.25
Others	8661	12.75
All India	67914	100

(Source: Final report fourth all India census of MSME 2006- 07: Registered Sector)

Fig. 4: Percentage Distribution of Top 10 exporting states

According to final report of fourth all India census of MSME 2006- 07 for registered Sector, The total value of exports from exporting enterprises was Rs. 67,914 crore. Uttar Pradesh accounted for the highest share of exports (i.e. 21.12%) followed by Tamilnadu (14.80%). Share of top ten exporting states, which accounted for 87% of total exports, is given in above table.

V. CONCLUSION

The analysis of above facts and figures reveals that exporting MSMEs play a significant role in the Indian economy. With the government’s help and public sector interference, MSMEs has the potential to take India to new heights. By providing the right quality of products with right quantity at right time and satisfying the end customers, it is expected that MSMEs may one day overtake strong competitor nations in their volume. A comparative study between the India and China (or any other strong competitor nation) can be done in the context of MSMEs export performance where the researchers can find the various performing areas and problems of foreign MSMEs and make a comparative analysis with Indian MSME exporters, which can be of great significance to enhance the competitiveness of exporting MSMEs. Export performance and competitiveness of Indian MSMEs can be improved and promoted by working on the key performance areas of the sector and overcoming the key challenges/barriers to them as the new economic reforms and policies have accelerated the degree of competitiveness so there is an urgent need to convert the threats in to opportunities.

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