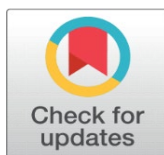


ROLE OF MSME ACT DEVELOPMENT ACT 2006 IN INDUSTRIALIZATION GROWTH IN CHHATTISGARH STATE. (WITH SPECIAL REFERENCE TO RAIPUR DIVISION)

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ABSTRACT

The Micro, Small and Medium Enterprises Development Act, 2006 by the Government of India is an effort that focuses on the development of industries because only through these industries (micro, small and medium) can the country move from developing to developed status. The present study examines the major forces of economic transformation in the state of Chhattisgarh as well as any kind of current and future potential obstacles. The Micro, Small and Medium Enterprises (MSME) Act 2006 expresses many possibilities for both the future and global scenario of Chhattisgarh's economy. Through the present research, an attempt has been made to explain the impact of the Micro, Small and Medium Enterprises Development Act 2006 on the industrial development of Chhattisgarh state.

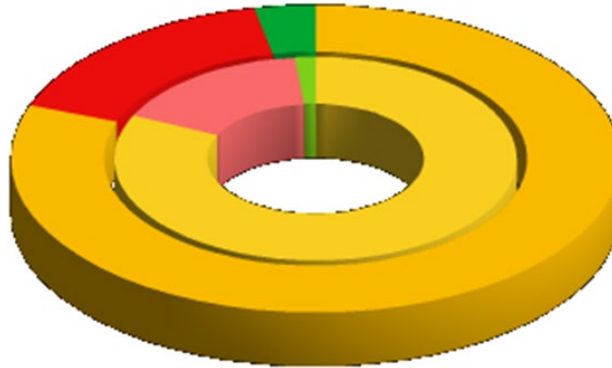
Keywords: MSME DEVELOPMENT ACT 2006., Industrial Policy, Industry, Sustainable, Growth

1. INTRODUCTION

Chhattisgarh is a diverse state full of natural resources. But along with agriculture, there is a favourable environment for industries as well. Chhattisgarh was a part of Madhya Pradesh in the past. In the year 2001, Chhattisgarh state came into its own existence after being separated from Madhya Pradesh. At present, Chhattisgarh has 33 districts and five divisions. Chhattisgarh contributes 8% to the gross domestic product of the Indian economy. The contribution of the industry sector in this has been 7.83%. Due to natural wealth and favorable environment, it is suitable for setting up industries. There is a great possibility of operating industries in Chhattisgarh state, especially in Raipur division. With the implementation of the Micro, Small and Medium Enterprises Development Act by the Government of India, there has been a rapid increase in the construction of micro and small industries in this division. Various types of micro, small and medium enterprises are being operated in the state. The state development rate has been positively affected by the operation of these industries. For any country to develop completely, it is necessary that all the states and districts in the country should be properly developed and this development can be done only by encouraging micro and small scale industries in the country.

Classification & Definition of MSME According to the MSME Development Act 2006 in India, micro, small and medium industries are classified on the basis of investment of plant and machinery in these industries. During the global pandemic, the Government of India redefined MSME to increase the economic progress of the country. According to the new definition, the classification of MSME will be decide on the basis of the criteria of investment in the industry and total sales (turnover).

Manufacturing service sector	Investment		Total sale	
Micro	Up to 1 Crore		Up to 10 Crore	
Small	Up to 10 Crore		Up to 50 Crore	
Medium	Up to 50 Crore		Up to 250 Crore	



It is clear from the above table that the new definition of MSMEs combines manufacturing and service sectors and allows them to avail the same benefits. The new definition has expanded the investment and turnover Criteria for MSMEs. Micro industries include those industries whose investment is up to Rs. 1 crore and turnover is up to Rs. 10 crore. Industries with investment up to 10 crore and turnover of up to 50 crores falls under the category of small industries. The investment and turnover limits of medium class industries are higher than small industries. Industries with investment of Rs. 50 crore and turnover of Rs. 250 crore fall under the category of medium industries.

2. RESEARCH REVIEWS

- 1) Sonia, Kansal (2009) This study analyzes the impact of globalization on the development of small scale industries in the MSME sector in India. For this, the researcher has used secondary data. The researcher has found from a comparative analysis of the period before and after globalization that globalization has had a serious impact on the development of the small scale sector. MSME has a high potential for planned investment and employment generation. They play an important role in the expansion of various industries in rural areas.
- 2) R. Vaidyanathan (2014) The present research paper focuses on the difficulties of organized economic institutions in the country, which also includes MSME, the loan distribution system and the need for social security for the self-employed.
- 3) R. Vettriselvan et.al (2014) found in their article that there is informality and flexibility in human resource management activities in the MSME sector. In the present research paper, the researcher described formalization as an essential element to increase the work directions of the employees of the MSME sector.
- 4) Priya & D.Gupta said that many studies have been done on this subject which are influenced by internal and external environmental factors of MSME. All these studies are limited to development tourism. In the presented research paper, the researchers suggested to develop a conceptual framework to study the development of MSME influenced by various environmental factors.

3. RESEARCH OBJECTIVE

- 1) The current research work is to analyse the impact of MSME Development Act 2006 on micro, small and medium industries under Raipur division of Chhattisgarh state.
- 2) To study the development of micro, small and medium industries in Raipur division of Chhattisgarh and the possible challenges in them.

Hypothesis In this research the null hypothesis has been tested.

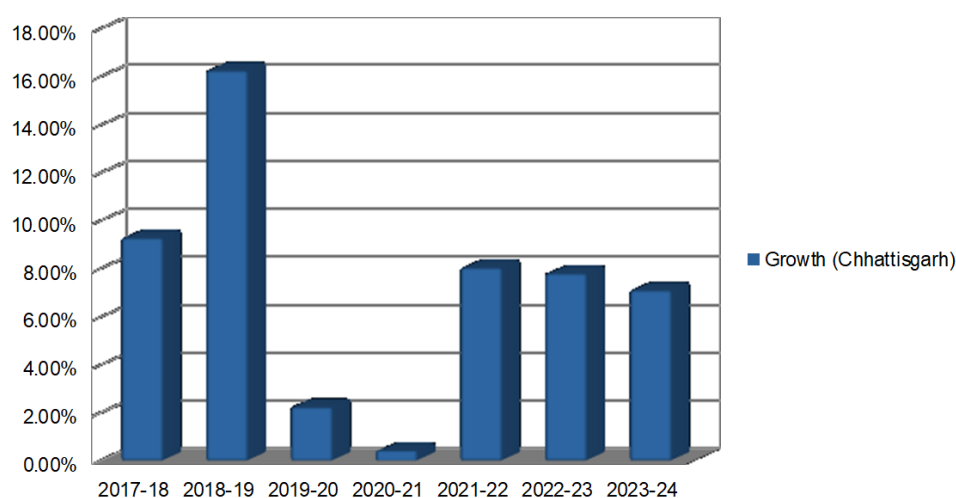
There is not a significant connection of MSME and Growth of Industrialization in Chhattisgarh State.

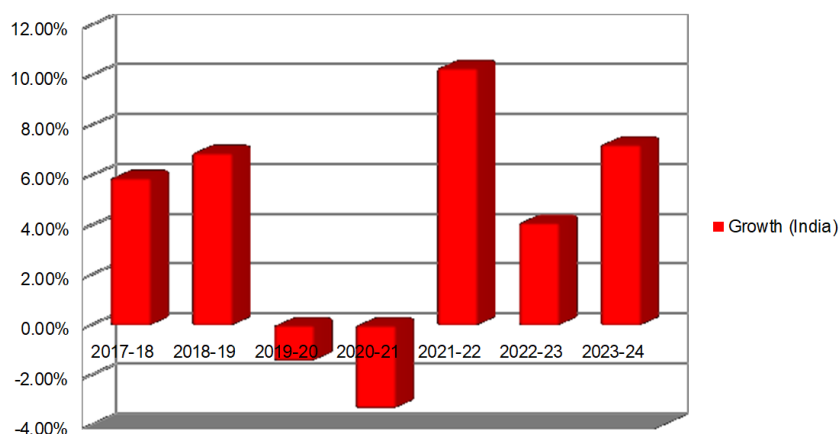
Research Methodology: The presented research study is of analytical and quantitative nature. For this research, primary data has been collected from the industries under Raipur division of Chhattisgarh state. For primary data, 200 samples have been collected from the industries of districts (Raipur, Mahasamund, Baloda Bazar, Gariaband, Dhamtari) under Raipur division. Chi-Square Testing has been used to test the hypothesis formulated for this research study. Mathematical and statistical tools have been used to measure the results of hypothesis tests. Primary and secondary relations have been used for this research paper. Secondary data for this research has been collected from government records and various published government journals. Questionnaire has been used in the collection of primary data.

Analysis: In the presented research study, the contribution of the industry sector in Chhattisgarh's gross state domestic product in the past years has been analyzed through a table.

Percentage growth in Industrial sector (At constant prices).

Year	Growth (Chhattisgarh)	Growth (India)
2017-18	9.31%	5.9%
2018-19	16.29%	6.9%
2019-20	2.27%	-1.4%
2020-21	0.44%	-3.3%
2021-22	8.07%	10.3%
2022-23	7.83%	4.11%
2023-24	7.13%	7.23%





From the selection of the above data, it is known that the industry sector of Chhattisgarh grew at the rate of 9.31% in (2017-18), which increased to 16.39% in the next year (2018-19). The percentage of growth of the industry sector in the year (2019-20) and (2020-21) was much less than the rate. In the year (2021-22), a jump in the growth rate of this sector was seen. In the year (2022-23) and (2023-24), the industry sector in the state grew by 7.83% and 7.13% respectively, which is comparatively less.

Analysis Indicator							
1	Nature of industry	120 (Micro)	75 (Small)	5 (Medium)	---	---	200
2	Factors influenced you to start a business or enterprise by entrepreneurs	100 (Family business)	95 (Desire to our business)	5 (To provide job opportunity to others)	---	---	200
3	Source of raw material for the products of industry	110 (within district)	70 (other district)	20 (within state)	---	---	200
4	Marketing related services through govt.	80 (Very good)	40 (Good)	30 (Satisfied)	25 (Poor)	25 (Very poor)	200
5	Financial service through MSME Act or Govt.	90 (Very good)	25 (Good)	25 (Satisfied)	10 (Poor)	50 (Very poor)	200
6	MSME Schemes related information circulation	85 (Positive)	100 (Negative)	15 (Can't say)	---	---	200
7	Rating of MSME Act by entrepreneur	26 (Very good)	64 (Good)	72 (Satisfied)	34 (Poor)	04 (Very poor)	200
8	MSME is needed for growth of Industrialization in Chhattisgarh state.	96 (Strongly Agreed)	80 (Agreed)	13 (Dis-agreed)	11 (Strongly disagreed)	---	200

- Interviews were conducted from Raipur division of Chhattisgarh state. Out of the respondents, 120 are micro enterprises, 75 are small enterprises and about 5 are medium enterprises.
- Out of 200 respondents, 100 entrepreneurs are involved in business due to their family business. 95 entrepreneurs are involved in business due to the desire to do their own business. At the same time, 5 entrepreneurs have started their business/enterprise with the desire to provide employment opportunities to others through their business.
- Out of the respondents, 110 entrepreneurs are dependent within the district for the source of raw material for the products of their enterprise. At the same time, 70 entrepreneurs are dependent on other districts and 20 entrepreneurs are dependent within the state for the source of raw material for their enterprise.
- 80% entrepreneurs highly appreciated the marketing related services provided by the government, 40% appreciated it and 30% entrepreneurs were satisfied while the remaining respondents were disappointed.
- 90% of the industries highly appreciated the financial services provided by the government, 25% only appreciated and 25% entrepreneurs were satisfied while the remaining respondents were dissatisfied.

- 6) Out of the total respondents included in the survey, 85 strongly agreed that the micro, small and medium enterprises disseminate every scheme announced by the government on time while 100 respondents had a negative attitude towards it.
- 7) 26 entrepreneurs highly appreciated the MSME Development Act, 64 entrepreneurs appreciated it and 72 entrepreneurs are satisfied with this Act. At the same time, 34 entrepreneurs are satisfied with this Act. At the same time, 34 entrepreneurs had a disappointing attitude towards this Act.
- 8) Out of 200 respondents, 96 entrepreneurs strongly agreed that MSME is needed for the development of industrialization in Chhattisgarh state. At the same time, 80 entrepreneurs agreed. At the same time, 13 and 11 entrepreneurs disagreed and strongly disagreed respectively.

Application of Statistical tool: Chi-Square test is applied to test the hypothesis formed for this study, hypothesis form the questionnaire have been taken to apply the test upon.

MSME is needed for growth of Industrialization in Chhattisgarh State			
Strongly Agreed	Agreed	Disagreed	Strongly Disagreed
96	80	13	11

From the above table we can form the hypothesis as:-

H0 - There is not a significant connection of MSME and growth of industrialization in Chhattisgarh State.

H1 - There is a significant connection of MSME and growth of industrialization in Chhattisgarh State

Application of Chi-Square test:

The calculated value of $\chi^2 = 118.12$. The degrees of freedom given in the above table is 3. The Chi-Square distribution table value of χ^2 for 3 degrees of freedom at 95% confidence level is 7.81. Here the calculated value is greater than the table value therefore H0 will fall under rejection region. Therefore use reject H0 and accept H1. Thus we can conclude that there is a significant connection of MSME and growth of industrialization in Chhattisgarh State.

Challenges: Despite the enormous potential of industrial development in Chhattisgarh, the state will have to face many challenges to develop as an industrial hub.

Infrastructure: Most of the industrial areas are located in rural areas. Infrastructure is a must for their efficient operation. Often, there is a lack of infrastructure in these areas. Inadequate power supply, bad roads, transport chaos, water supply are the main reasons for this.

Unskilled labour force: Small-scale industries employ informal and unskilled workers, as a result of which they are unable to adopt any new technology. Using outdated technology for a long period hinders the development possibilities of these industries.

Lack of financial resources: Most of the micro and small industries in the state still raise funds through informal means. Formal means are rarely used for accessing finance for industries. The main reasons for this are complex loan application process and lack of technical features. Due to non-availability of capital at the right time, it becomes difficult for industries to procure raw material, pay employees, market the product.

Lack of standardized policies: Chhattisgarh state lacks coherent policies for micro and small industries. As a result, there has been a decline in micro and small industries. Due to complexity in rules, at present, tasks like obtaining permit for industrial construction, contract making, tax payment hinder the progress of these industrie

4. SUGGESTION

The state can become a leader in development work by proper implementation of plans and strategies made for economic development. This is possible only when world-class industrial infrastructure, favorable environment,

technological innovation and capital management for institutions and entrepreneurs for skill upgradation required for industries of the state is done at the ground level. In the coming time, the new, i.e., sixth industrial policy (2024-2029) of the state will have to be formulated in such a way that it indicates the economic development and bright future of the state. The new industrial policy will have to be committed to the development of the developing and underdeveloped and backward areas of the state so that balanced development of the particular area can be ensured. There are unlimited opportunities available for setting up industries in the state of Chhattisgarh. Successful and long-term results can be achieved by taking advantage of these opportunities.

5. CONCLUSION

It is known from the presented research study that the MSME Development Act, 2006 and the state's industrial policy cannot be ignored in the continuous development of micro, small and medium industries. Sustainable development of industries in the state has been seen due to the implementation of the MSME Act. To develop Chhattisgarh state industrially, participation of both the government and the public is necessary. This is possible only when the state takes action with continuous commitment to improve the outlook of the economy, new changes and the pursuit of excellence. The success of this outlook should not be only the achievement of numerical targets but should increase the sustainable and inclusive development of all sections of the society. The state is situated at that mode of economic transformation from where to complete the journey from developing to developed economy, such a destiny will have to be created where economic prosperity and social welfare can together create industrial development.

CONFLICT OF INTERESTS

None.

ACKNOWLEDGMENTS

None.

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