

## ROLE OF MSMEs IN INDIAN ECONOMY

AMIT SHARMA

Research Scholar, Department of Commerce, Himachal Pradesh University, Summer-Hill, Shimla

### Abstract

India's MSMEs are a primary driver of the country's economic growth. Through export output, domestic production, modest investment needs, operational flexibility and technology-oriented firms, it contributes considerably to the growth of the Indian economy. Small enterprise is the second largest employer of human resources after agricultural activities. It serves as a stepping stone for aspiring entrepreneurs to develop their skills, as well as providing training to millions of entrepreneurs, motivating them to become creative entrepreneurs and contributing considerably to the country's economy. In this research paper, an effort is made to comprehend the growth and contribution of MSMEs in India, as well as the significance of MSMEs in creating employment opportunities in India. The different issues that these MSMEs confront in carrying out their activities are also covered in this study.

**Keywords:** MSMEs, Economic Growth, Employment, Indian Economy, Human Resources.

### INTRODUCTION

The MSMEs are producing a wide range of products and services to meet demands of domestic as well as global markets. On an average this sector has almost 36 million units that provide employment to about 80 million individuals. This sector through the production of 8000 products contributes 8 percent to GDP of the country. The schemes & various initiatives of Ministry of MSME & other organizations seeks to provide the following facilities: Adequate flow of credit from financial institutions, Support for technology up-gradation and modernization, Integrated infrastructural facilities, Modern testing facilities and quality certification, Access to modern management practices, Entrepreneurship development and skill up gradation through appropriate training facilities, Support for product development, design intervention and packaging, Welfare of artisans and workers, Assistance for better access to domestic and export markets, and Cluster-wise measures to promote capacity-building and empowerment of the units and their collectives. The various commissions, institutions, organizations & acts has been setup by the concerned Ministry to promote & develop the various industries at micro, small and medium levels. Some of the important institutional setups are as: Micro, Small and Medium Enterprises Development Act 2006, Khadi & Village Industries Commission, National Small Industries Corporation Ltd., Mahatma Gandhi Institute for Rural Industrialization, National Board for Micro, Small and Medium Enterprises, and

National Institute for Micro, Small and Medium Enterprises. All tiny, micro, cottages, small and medium ventures associated in a broad group known as Micro, Small and Medium Enterprises or MSMEs. After the ratification of MSMED Act, 2006, all these enterprises has been clearly defined as Micro, Small and Medium enterprises according to the investment limit in their plant & machinery.

## DEFINITION OF MSMES

### MSMEs Classification (Old), 2006 (Criteria: Investment in Plant and Machinery)

Classification	Manufacturing Enterprises	Service Enterprises
Micro	up to 25 lakh	up to 10 lakh
Small	above 25 lakh up to 5 crore	above 10 lakh up to 2 crore
Medium	above 5 crore up to 10 crore	above 2 crore up to 5 crore

### MSMEs Classification (New/Revised), 2020 (Criteria: Investment in Plant & Machinery and Annual Turnover)

Classification	Manufacturing & Service Enterprises
Micro	investment up to 1 crore and turnover up to 5 crore
Small	above 1 crore up to 10 crore and turnover above 5 crore up to 50 crore
Medium	above 10 crore up to 20 crore and turnover above 50 crore up to 100 crore

## REVIEW OF LITERATURE

It provides insights that are now either directly or indirectly linked to the current investigation. **Zinger et. al (2001)** identified various background variables like gender and education, financial resources, external assistance and training and management capability that influence early stage performance of micro enterprises. **Subrahmanya (2004)** highlighted the impact of globalization and domestic reforms on small scale industries sector by emphasizing that small industry had suffered in terms of growth of units, employment, output and exports. He also suggested that the focus must be turned to technology development and strengthening of financial infrastructure in order to make Indian small industry internationally competitive and contribute to national income and employment. **Ghatak (2010)** highlighted that status of Indian MSMEs is better than its counterpart in Bangladesh & Pakistan. About 36% of Pakistani SMEs have bank accounts where as about 46% Bangladeshi's SMEs

have Bank accounts. In comparison to them about 95% of Indian SMEs have their bank accounts. **Ali and Husain (2014)** described the growth of the MSMEs sector is a precondition for the growth of a developing economy like India as it comprises more than 50% of the manufacturing output of the economy. **Bhuyan (2016)** revealed MSMEs sector had an important contribution towards employment generation and rural industrialization, encouragement to entrepreneurial instinct and truncating regional disparities. **Hamid (2017)** studied about growth; challenges and issues related to MSMEs in J&K and found that these enterprises are facing different hurdles in overall expansion like poor infrastructure facilities, shortage of electricity, political instability and financial problems etc.

### OBJECTIVES OF THE STUDY

- To study the current status and growth of MSMEs in India.

### RESEARCH METHODOLOGY

The study is primarily based on secondary data which has been collected from various secondary sources such as journals, magazines, annual reports, department of MSMEs & various other published and unpublished reports. The data has been presented in tabular form and interpretations have been made in light of the objective of the study cited above.

### ANALYSIS AND INTERPRETATION OF DATA

The research problem explored is discussed as below: It includes the analysis of MSMEs GVA (Gross Value Added), share of MSMEs in GDP, activity wise number of MSMEs in India, location wise composition of Indian MSMEs, composition of enterprises by male and female owners and activity wise employment in Indian MSMEs.

**Table-1: Role of MSMEs in India's Economy at Current or Existing Price**  
(Figures in Rs. Crore)

Years	MSMEs GVA	Growth (in %)	Total GVA	Share of MSMEs in GVA (in %)	Total GDP	Share of MSMEs in GDP (in %)
2011-12	2622574	-	8106946	32.35	8736329	30.00
2012-13	3020528	15.17	9202692	32.82	9944013	30.40
2013-14	3389922	12.23	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	15253714	28.90
2017-18	5086493	15.45	15513122	32.79	17098304	29.75
2018-19	5741765	12.88	17139962	33.5	18971237	30.27

**Source:** Central Statistics Office, Ministry of Statistics.

Table-1 describes that in the given eight years the GVA growth rate of MSMEs was maximum in year 2017-18 i.e. 15.45 percent and in the year 2012-13 MSMEs share was also the maximum in total GVA i.e. 32.82 percent. On the other side in the same year or year 2012-13 contribution of MSMEs in GDP was also maximum i.e. 30.40 percent. Table further explains that the GVA growth rate of MSMEs was obtained minimum in the year 2015-16 i.e. 8.65 percent and for year 2016-17 MSMEs involvement was minimum in total GVA i.e. 31.83 percent. Subsequently, in year 2016-17 the portion of MSMEs in GDP was found minimum i.e. 28.90 percent of total GDP.

**Table-2: Nature of Activity wise Number of MSMEs in India**

Nature of Activity	Estimated Number of Enterprises (in lakh)			Share (%)
	Rural	Urban	Total	
Manufacturing	114.14	82.50	196.65	31
Trade	108.71	121.64	230.35	36
Other Services	102.00	104.85	206.85	33
Electricity	0.03	0.01	0.03	0
<b>All</b>	<b>324.88</b>	<b>309.00</b>	<b>633.88</b>	<b>100</b>

**Source:** Government of India, Ministry of Micro, Small and Medium Enterprises,

Table-2 illustrates that there are 633.88 lakhs non-agriculture Micro, Small and Medium Enterprises are presently working in India and they engaged in diverse economic activities, out of which maximum numbers of enterprises i.e. 230.35 lakhs are working in trading sector, 206.85 lakhs are working in other services sector, 196.65 lakh are working in manufacturing sector and minimum enterprises i.e. 0.03 lakh are working in electricity sector.

**Table-3: Enterprise's Location and Category wise Composition of Enterprises (Figures in Lakh)**

Location of Enterprise	Micro	Small	Medium	Total	Share (%)
Rural	324.09	0.78	0.01	324.88	51.25
Urban	306.43	2.53	0.04	309.00	48.75
<b>All</b>	<b>630.52</b>	<b>3.31</b>	<b>0.05</b>	<b>633.88</b>	<b>100</b>

**Source:** Government of India, Ministry of Micro, Small and Medium Enterprises.

It is publicized from the table-3 that the micro sector with 630.52 lakh enterprises accounts 99.469 percent of total number of MSMEs. On the other side, small sector with 3.31 lakh and medium sector with 0.05 lakh MSMEs accounts for 0.52 percent and 0.00788 percent of total MSMEs, respectively. Table further explicates that, out of 633.88 lakh MSMEs 324.88 lakh or 51.25 percent are working in rural regions and 309 lakh MSMEs or 48.75 percent are working in the urban regions. Figure 4.2 portrays the composition of MSMEs according to rural and urban regions.

**Table-4: Composition of Enterprises by Male and Female Owners (Figures in Percentage)**

Category	Male (in %)	Female (in %)	Share (in %)
Micro	79.56	20.44	100
Small	94.74	5.26	100
Medium	97.33	2.67	100
<b>All</b>	<b>79.63</b>	<b>20.37</b>	<b>100</b>

**Source:** Government of India, Ministry of Micro, Small and Medium Enterprises,

Male and female owner wise composition of MSMEs is presented in table 4. It enables to be viewed from the table that there is an overwhelming dominance of male owners in MSMEs. The majority of MSMEs or 79.63 percent MSMEs are possessed by males and only 20.37 percent of MSMEs are possessed by the females. Further male dominance in the ownership of Small and Medium enterprises is 94.74 percent and 97.33 percent which is more than Micro enterprises. Figure 4.3 presents the composition of enterprises according to male and female ownerships.

**Table-5: Nature of Activity wise Employment in MSMEs in India**

Nature of Activity	Employment (in lakh)			Share (%)
	Rural	Urban	Total	
Manufacturing	186.56	173.86	360.41	32
Trade	160.64	226.54	387.18	35
Other Services	150.53	211.69	362.22	33
Electricity	0.06	0.02	0.07	0
<b>All</b>	<b>497.78</b>	<b>612.10</b>	<b>1109.89</b>	<b>100</b>

**Source:** Government of India, Ministry of Micro, Small and Medium Enterprises,

Table-5 demonstrates that there are 1109.89 lakhs employees are presently working in India and they engaged in diverse economic activities, out of which maximum numbers of employees i.e. 387.18 lakhs are working in trading sector, 362.22 lakhs are employees working in other services sector, 360.41 lakh employees are working in manufacturing sector and minimum employees i.e. 0.07 lakh are working in electricity sector.

**Table-6: Enterprise's Location and Category wise Composition of Employment in MSMEs**

(Figures in Lakh)

Location of Enterprise	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
<b>All</b>	<b>1076.19</b>	<b>31.95</b>	<b>1.75</b>	<b>1109.89</b>	<b>100</b>

Source: Government of India, Ministry of Micro, Small and Medium Enterprises,

It is shown in the table-6 that the micro sector with 1076.19 lakh employees accounts 96.963 percent of total number of employment opportunities in MSMEs. On the other side, small sector provides 31.95 lakh employment opportunities and medium sector with 1.75 lakh employment opportunities in MSMEs respectively. Table further explicates that, percentage of rural Employment is 45 percent and urban employment is 55 percent. The rate of employment is higher in urban areas as compared to rural areas.

## FINDINGS

- It is revealed that the GVA growth rate of MSMEs was maximum in year 2017-18 i.e. 15.45 percent and in the year 2012-13 MSMEs share was also the maximum in total GVA i.e. 32.82 percent
- It is concluded that there were 633.88 lakhs non-agriculture Micro, Small and Medium Enterprises working in India and they were engaged in diverse economic activities, out of which maximum numbers of enterprises i.e. 230.35 lakhs or 36 percent were working in trading sector, 206.85 lakhs or 33 percent were working in services sector, 196.65 lakh or 31 percent were working in manufacturing sector.
- There was an overwhelming dominance of male owners in MSMEs. It was 79.56 percent in Micro enterprises, 94.74 percent in Small enterprises, and 97.33 percent in Medium enterprises.

- It is further explicated that, out of 633.88 lakh MSMEs 324.88 lakh or 51.25 percent were working in rural regions and 309 lakh MSMEs or 48.75 percent were working in the urban regions.
- Out of 1109.89 lakhs number of MSMEs, the medium enterprises are only 1.75 lakhs.

## CONCLUSION

The MSME sector in India is growing at excellent swiftness and providing employment opportunities to masses of the populace. The involvement of Manufacturing Sector as well as Service Sector of MSMEs is momentous to the total GDP of the Country. It is suggested that, the government has to implement integrated policy with efficient governance, promote skill development programmes to increase productivity and providing easily accessible credit through government sponsored agencies exclusively to Micro, Small and Medium Enterprises to increase productivity and contribution to economic growth in terms of number of enterprises, investment and employment.

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## WEBSITES

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