



# Growth and Performance of Micro, Small and Medium Enterprises in India- A Study

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## ABSTRACT

*Over the past 50 years, the Micro, Small, and Medium Enterprises (MSME) sector has grown to be a very active and dynamic area of the Indian economy. This sector has been contributing significantly to the expansion of entrepreneurial endeavors through business innovations. The MSMEs are widening 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 MSMEs in India are playing a crucial role by providing large employment opportunities at comparatively lower capital cost than large industries as well as through industrialization of rural & backward areas, inter alia, reducing regional imbalances, assuring more equitable distribution of national income and wealth. This research paper concentrates on the MSME's role and its performance in Indian Economy.*

**Keywords:** MSMEs, Employment Generation, Social Category.

## 1. INTRODUCTION

Over the past 50 years, the Micro, Small, and Medium Enterprises (MSME) sector has grown to be a very active and dynamic area of the Indian economy. By encouraging entrepreneurship and creating major employment opportunities at a relatively cheap capital cost, it is the second largest contributor to the economic and social development of the nation after agriculture. MSMEs serve as auxiliary units to large companies and make a substantial contribution to the country's inclusive industrial growth. The MSMEs are expanding their sphere of influence across economic sectors and generating a wide range of goods and services to satisfy domestic and international markets.

## 2. REVIEW OF LITERATURE

Subramanian et al (2019) has pointed that the importance of MSME has been recognized in recent years in both developed and developing countries for its significant contribution in gratifying various socio-economic objectives such as higher growth of employment, output, promotion of exports and fostering entrepreneurship. They play a crucial role in the industrial development of any country. The MSME sector is an important pillar of Indian economy as it contributes greatly to growth of Indian economy. This sector even assumes greater importance now as the country moves towards a faster and inclusive growth agenda

**Kankipati et al (2017)** has observed that the entrepreneurship generally speaking refers to the overall course of action undertaken by an owner in starting and managing his enterprise for profit. Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. Over last 5 decades MSME sector emerged as extremely effervescent and vigorous segment of Indian economy. There is continuous growth in MSME employment and MSME providing more employment opportunities over last 7 years.

**Ujjal Bhuyan (2016)** has analysed that the Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional

Imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country.

**Paramasivan C & Mari Selvam P (2013)** has explained the contribution of micro, small and medium enterprises (MSME) sector to manufacturing output, employment and exports of the country is quite significant. According to estimates, in terms of value, the sector accounts for about 45 per cent of the manufacturing output and 40 percent of the total exports of India. The MSME sector employs about 42 million persons in over 13 million units throughout the country. There are more than 6000 products, ranging from traditional to high-tech items, which are being manufactured by the Indian MSMEs

### OBJECTIVES OF THE STUDY

This research paper is aimed to discuss the following objectives:

- 1) To study the current status and growth of MSMEs in India.
- 2) To study the MSMEs employment generation in India.

### 3. METHODOLOGY

The study is based on secondary data. A survey and observation by selected literatures in published reports

and research sources. Several published reports are also consulted such as Annual report of MSME 2022-23 and websites of Ministry of Micro, Small and Medium Enterprises, Government of India etc.

### 4. ROLE OF MSMEs IN INDIAN ECONOMY

Through business innovations, the Micro, Small, and Medium Enterprises (MSMEs) have made a significant contribution to the growth of entrepreneurial ventures. The MSMEs in India are playing a crucial role by, among other things, industrializing rural and backward areas, reducing regional imbalances, and ensuring a more equitable distribution of national income and wealth. They also provide significant employment opportunities at comparatively lower capital costs than large industries.

In this study based on the secondary data sources including percentage method used to analyses the role and performance of MSME sectors.

#### Estimated Number of MSMEs in the Country

MSMEs in India are playing a crucial role by providing large employment opportunities at comparatively lower capital cost than large industries as well as through industrialization of rural & backward areas, inter alia, reducing regional imbalances, assuring more equitable distribution of national income and wealth. During the period 2015-16, there were 633.88 lakh unincorporated non-agricultural MSMEs in the country engaged in different economic activities (196.65 lakh in Manufacturing, 0.03 lakh in Non-captive Electricity Generation and Transmission, 230.35 lakh in Trade and 206.85 lakh in Other Services). The activity-wise distribution of MSMEs is presented in table-1.

**Table-1: Activity-wise Estimated Number of MSMEs**

Activity Category	Estimated Number of Enterprises (in lakh)			Share (%)
	Rural	Urban	Total	
1	2	3	4	5
Manufacturing	114.14	82.5	196.65	31
Electricity*	0.03	0.01	0.01	0
All	324.88	309	633.88	100

**Source:** <https://msme.gov.in>

Micro sector with 630.52 lakh estimated enterprises accounts for more than 99% of total estimated number of MSMEs. Small sector with 3.31 lakh and Medium sector with 0.05 lakh estimated MSMEs accounted for 0.52%

and 0.01% of total estimated MSMEs, respectively. Out of 633.88 estimated number of MSMEs, 324.88 lakh MSMEs (51.25%) are in rural area and 309 lakh MSMEs (48.75%) are in the urban areas. The category-wise distribution of enterprises in rural and urban Areas. Are presented in table-2.

**Table-2: Category-wise Distribution of Enterprises**

Sector	Micro	Small	Medium	Total	Share (%)
Rural	324.09	0.78	0.01	324.88	51
Urban	306.43	2.53	0.04	309.00	49
All	630.52	3.31	0.05	633.88	100

Source: <https://msme.gov.in>

### Gender-wise Ownership Structure of MSMEs

608.41 lakh, or 95.98%, of the 633.88 MSMEs were proprietary firms. Males predominated in proprietary MSMEs ownership. As a result, males held 79.63% of proprietary MSMEs overall, compared to female ownership of 20.37% of businesses. In both urban and rural areas, there was no discernible divergence from this pattern, while the prevalence of male-owned businesses in urban areas was marginally higher than in rural areas (81.58% as opposed to 77.76%). The percentage distribution of businesses between rural and urban areas is presented in table-3.

**Table-3: Gender-wise Ownership Structure of MSMEs**

Sector	Male	Female	All
Rural	77.76	22.24	100
Urban	81.58	18.42	100
All	79.63	20.37	100

Source: <https://msme.gov.in>

### Social Category-wise Ownership Structure of MSMEs Business

The socially disadvantaged groups held around 66.27% of the MSMEs. The majority of that (497.20%) was owned by OBCs. Owners from SC and ST made up only 12.45% and 4.10%, respectively, of the MSME sector. Nearly 73.67% of MSMEs in rural areas were held by socially disadvantaged groups, of which 51.59% belonged to OBCs. Nearly 58.68% of people in urban areas belonged to socially disadvantaged groups, of which 47.80% were members of OBCs. Distribution of business by owner's social group in rural and urban areas in India is presented in table-4.

**Table-4: Distribution of Businesses by Owner's Social Group in Rural and Urban Areas**

Sector	SC	ST	OBC	Others	Not known	All
Rural	15.37	6.7	51.59	25.62	0.72	100
Urban	9.45	1.43	47.8	40.46	0.86	100
All	12.45	4.1	49.72	32.95	0.79	100.01

Source: <https://msme.gov.in>

The analysis of the businesses owned by socially disadvantaged groups in each of the three MSME sector segments reveals that the micro sector had 66.42% of businesses owned by such groups, whereas the small and medium sectors had 36.80% and 24.94%, respectively.

### Employment Opportunities

The MSME sector has been creating 11.10 crore jobs in both rural and urban areas of the nation (including 360.41 lakh jobs in manufacturing, 0.07 lakh jobs in non-captive electricity generation and transmission, 387.18 lakh jobs in trade, and 362.82 lakh jobs in other services). Activity-wise employment opportunities are presented in table-5.

**Table-5: Activity-wise Employment Opportunities**

Broad Activity Category	Employment (in lakh)			Share (%)
	Rural	Urban	Total	
1	2	3	4	5
Manufacturing	186.56	173.86	360.41	32
Electricity*	0.06	0.02	0.07	0
Trade	160.64	226.54	387.18	35
Other Services	150.53	211.69	362.22	33
All	497.78	612.10	1109.89	100

Source: <https://msme.gov.in>

With 630.52 million estimated businesses, the micro sector employed 1076.19 million people, or around 97% of the industry's entire workforce. Of the total number of people employed in the MSME sector, 31.95 lakh (2.88%) worked in the small sector, which employed 3.31 lakh people, and 1.75 lakh (0.16%) in the medium sector. The employment distribution by business type in rural and urban is presented in table-6.

**Table-6: Employment Distribution by Business Type in Rural and Urban Areas**

Sector	Micro	Small	Medium	All	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: <https://msme.gov.in>

844.68 (76%) of the 1109.89 lakh workers in the MSME sector are men, and 264.92 lakh (24%) are women.

### Distribution of MSMEs by State

With a share of 14.20% of all MSMEs in the nation, Uttar Pradesh has the highest number of MSMEs. 74.05% of the anticipated total numbers of MSMEs in the nation were located in the Top 10 States. The distribution of estimated enterprises in the top ten States is depicted in table-7.

**Table-7: Distribution of Businesses by States**

No.	States / UTs	Number (in lakh)	Share (%)
1	Uttar Pradesh	89.99	14
2	Uttar Pradesh	88.67	14
3	Tamil Nadu	49.48	8
4	Maharashtra	47.78	8
5	Karnataka	38.34	6
6	Bihar	34.46	5
7	Andhra Pradesh	33.87	5
8	Gujarat	33.16	5
9	Rajasthan	26.87	4
10	Madhya Pradesh	26.74	4
11	Total of above ten States	469.36	74
12	Other State/UTs	164.52	26
13	All	633.88	100

Source: <https://msme.gov.in>

### 4. CONCLUSION

The Government has taken measure to improve the productivity, over last 8 years the MSME contribution to GDP has not increased to acceptable level. The estimated number of trade activity in compare to urban and rural is more than urban area covered to high trade and other MSME activities. The gender base ownership

enterprises in rural and urban areas comparatively urban area male ownership highly influence the MSME activity. Distribution of enterprises owned by male and female entrepreneurs was running to medium scale industry in majority of male category. It is suggested that government has to adopt integrated policy, providing sound data with efficient governance, promote skill development to increase productivity and providing accessible credit through government sponsored agency exclusively to MSME is essential to increase productivity and contribution to economic growth

### Conflict of interest statement

Authors declare that they do not have any conflict of interest.

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