



# Analysis of Growth and Performance of Micro, Small and Medium Enterprises in India

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## Article Info

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## ABSTRACT

MSMEs are known as Micro, Small, Medium enterprises. Besides developed countries these MSMEs are playing a key role in developing and under-developed countries as a major contribution towards country's GDP. Here a descriptive study has been conducted to analyse the growth and performance of Micro, Small and Medium enterprises in India. The objective of this paper is to identify the growth pattern, budget allocation (BE, RE, AE)<sup>1</sup>, employment generation and its contribution towards country's GDP. To assess these factors various statistical tools such as Compound annual growth rate, simple percentages and trend analysis were utilized. Thus study identifies that MSMEs registration has recorded a total of 79,84,801 businesses in India of which nearly 95 per-cent comes under micro enterprises. The statistics reported by the Ministry of Micro, Small and Medium Enterprises 2021-22, revealed that out of 633.88 lakh estimated numbers of MSME, 324.88 lakh (51.25 per cent) MSMEs are in rural areas and 309 lakhs (48.75 per cent) in the urban areas of India. Proposed increase in capital expenditure to Rs 7,50,246 crore, a 24.5% increase over the revised estimates of 2021-2022. Also revealed that out of 9.525 crores estimated number of employments, the contribution of enterprises are as follows 7.8 crores (82.15%) by micro enterprises, 1.16 crores (12.22%) by small enterprises and 5.35 crores (3.17%) by medium enterprises. Govt. of India have been taken certain initiatives like Udyam, My MSME, Direct transfer benefits in the M/oMSME, Digital payments, MSME Samadhaan and grievance monitoring policies to strengthen financial and technological improvements in MSME sector. Hence, it can be inferred that there is a need of frequent update/improvement in the previous policies and practices, so that there is a possibility of growth in MSMEs sector.

**Key words:** Micro, Small, Medium, GDP, MSME, Growth and Employment

<sup>1</sup>BE- Budgeted Expenditure, RE- Revised expenditure, AE- Actual expenditure.

## 1. INTRODUCTION

The MSME (Micro, Small, and Medium Enterprises) sector of the Indian economy has grown as a lively and active industry. MSMEs not only serve an important role in creating large numbers of jobs at a cheaper cost of capital than major enterprises, but they also aid in the industrialization of rural and backward regions, decreasing regional imbalances and ensuring a fairer distribution of national revenue and wealth. Besides developed countries these MSMEs are also playing a key role in developing and under-developed countries as a major contribution towards GDP. Here a descriptive study has been conducted to analyse the growth and performance of Micro, Small and Medium enterprises in India. The objective of this paper is to identify the growth pattern, budget allocation (BE, RE, AE), employment generation and its contribution towards countries GDP. To assess these factors various statistical tools such as CAGR, simple percentages and trend analysis were used. Study identifies that MSMEs registration has recorded a total of 79,84,801 businesses in India of which nearly 95 per cent comes under micro enterprises. The statistics reported by the Ministry of Micro, Small and Medium Enterprises 2021-22, revealed that out of 633.88 lakh estimated numbers of MSME, 324.88 lakh (51.25 per cent) MSMEs are in rural areas and 309 lakhs (48.75 per cent) in the urban areas of India. Proposed increase in capital expenditure to Rs 7,50,246 crore, a 24.5% increase over the revised estimates of 2021-2022. Also revealed that out of 9.525 crores estimated number of employments, the contribution of enterprises are as follows 7.8 crores (82.15%) by micro enterprises, 1.16 crores (12.22%) by small enterprises and 5.35 crores (3.17%) by medium enterprises. Govt. of India have been taken certain initiatives like Udyam, My MSME, Direct transfer benefits in the M/oMSME, Digital payments, MSME Samadhaan and grievance monitoring to strengthen financial and technological improvements in MSME sector. MSMEs serve as auxiliary units to big enterprises, and this sector makes a significant contribution to the country's socioeconomic growth. In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified as below:

1. a Micro enterprise, where the investment in plant and machinery or equipment does not exceed one crore rupees and turnover does not exceed five crore rupees;
2. a Small enterprise, where the investment in plant and machinery or equipment does not exceed ten crore rupees and turnover does not exceed fifty crore rupees; and
3. a Medium enterprise, where the investment in plant and machinery or equipment does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees.

The new classification has come into effect from 1st July, 2020. The earlier criteria of classification of MSMEs under MSMED Act, 2006 were based on investment in plant and machinery / equipment. It was different for manufacturing and service units. It was also very low in terms of financial limits. Since then, the economy has undergone significant changes. A revision in MSME criteria of classification was announced under Aatma-Nirbhar Bharat package on 13th May, 2020. This has been done in order to be realistic with time and to establish an objective system of classification and to provide ease of doing business.

As a result, a new composite classification for manufacturing and service units has been notified on 26.06.2020, to facilitate the present and prospective entrepreneurs. Now, there will be no difference between manufacturing and service sectors. Also, a new criterion of turnover has been added in the previous criterion of classification based only on investment in plant and machinery.

## 2. REVIEW OF THE LITERATURE:

**Srinivas, K. T.(2023)**, in his paper entitled Role of micro, small and medium enterprises in inclusive growth concluded that the MSMEs has been termed as the engine for the growth of the Country. In the last few years, there has been tremendous change in the national & State level for consolidating this sector. Poor infrastructure & lack of marketing linkages are the key reasons for the poor growth of the MSMEs in India. The support provided by the state as well as Central Govt. is not adequate for the upliftment of the MSMEs in India. Therefore, the entrepreneurs in India & Govt. should take some initiatives for further-development of these MSMEs in India.



**Dr.Sarika (2020),** This research paper focuses on the contribution of MSME sector in Indian economy and makes clear the importance of Gujarat as a state in fostering entrepreneurship through MSME sector. The industrial sector of the state comprises of over eight hundred giant industries and six hundred three thousand Micro, Small and Medium Enterprises (MSME) which give employment to three million eight hundred fifty-one thousand people of the country.

**Subrahmanya Bala (2011),** has analyzed the effect of globalization on export potential of Small-scale enterprises and have concluded that this impact was high in protection period but has shown the increasing trend in Liberalization period too but it seems to be stagnant growth. Therefore the govt. should continue the policy of enhancing the competitiveness of these SSIs through the infusion of technology, finance & marketing support.

**Ghatak, Shambhu (2010),** in this paper titled "Micro, small and medium enterprises (MSMEs) in India: an appraisal highlighted that status of Indian MSMEs is better than its counterpart in Bangladesh & Pakistan. About 36% of Pakistani SMEs have bank accounts whereas about 46% Bangladeshi's SMEs have Bank accounts. In comparison to them about 95% of Indian SMEs have their bank accounts. He further stated that Indian Govt. should accelerate its initiatives to provide further support to these Small-scale industries.

#### **OBJECTIVES:**

- To present an overview of MSME in India
- To assess exports of products and services by MSMEs in India

- To analyse the growth and performance of MSMEs in India

#### **Research Methodology:**

**Methodology of Research:** The study is a descriptive in nature, it's prepared based on the secondary data, i.e., data is collected using various sources.

**Sources of Data:** Since the study is based on the secondary data, for collecting information various sources such as official web sites, reports and newspapers, articles and other online sources were utilized.

**Statistical Tools:** To analyze the collected data various statistical tools such as Percentages, Compound annual growth rate were used.

**Statistical software:** For the analysis of data various software such as SPSS and Ms-excel has been used.

**Period of the Study:** The study is limited to ten years of the period. i.e., starting from 2012-2013 to 2021-2022.

**Scope of the Study:** Since the data is collected from the official websites, the study only covers up-to the data which is available on such official web sites. The data has been presented in the form of table and interpretations have been made in light of the objectives.

#### **3. DATA-ANALYSIS & INTERPRETATIONS:**

The table 1 it's observed that, there is a continues increment in Budgeted expenditure (B.E) from the year 2012-13 to 2022-23, except in the year 2015-16, it shows that there is a negative expenditure percentage of -21.22% (amount of RS.706.cr), that of previous year expenditure. i.e., 2014-15.

**TABLE 1: BUDGET ALLOCATION OF MSMEs FROM YEAR 2012 TO 2023**

(Figures in RS crores)

YEARS	BE	% inc/dec	RE	% inc/dec	AE	% inc/dec
2012-13	2835	-	2541.95	-	2229.52	-
2013-14	2977	5.008818342	2600	2.28367985	2277.01	2.130055
2014-15	3327	11.75680215	2500	-3.84615385	2389.9	4.957817
2015-16	2621	-21.2203186	2621	4.84	2621	9.669861
2016-17	3173	21.06066387	3172	21.0225105	3172.15	21.02823
2017-18	6481.96	104.2849039	6471.86	104.030895	6453.55	103.444
2018-18	6552.61	1.089948102	6552.61	1.24770931	6513.13	0.923213
2019-20	7011.29	6.999958795	7011.29	6.9999588	6717.64	3.139965
2020-21	7572.2	8.000096986	5664.22	-19.2128695	5647.5	-15.9303
2021-22	15699.7	107.3327435	15699.7	177.17232	15160.5	168.4455

(Source: Ministry of Micro Small and Medium enterprises)

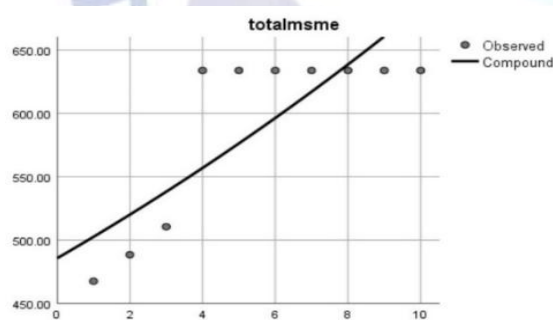
While in Revised expenditure (R.E) it shows there is a continues increase in the expenditure except in the following two years that's 2014-15 & 2020-21, where it shows there is a less expenditure of -3.84% & -19.21%, that of preceding previous year. Besides the above table shows that there is a continues increment in the actual expenditure (A.E) from the year 2012-13 to 2022-23. But except in the year 2020-21 & 2022-23 it shows there is a less amount of actual expenditure of -15.93% & -27.69% that of preceding previous year expenditure that's 2019-20 & 2021-22.

From the below table 2it's observed that the total annual growth rate of MSMEs during 2012-13 to 2015-16 there is a tremendous growth rate of 123.31% (after 2015-16 survey has been not conducted yet), and there is a positive annual compound growth rate of 3.5%. Beside the table shows there is a positive growth rate in employment generation by MSME sector in the year 2012-13 to 2014-15, but it also shows there is a negative employment growth rate in the year 2015-16. (after which no survey has been conducted yet).

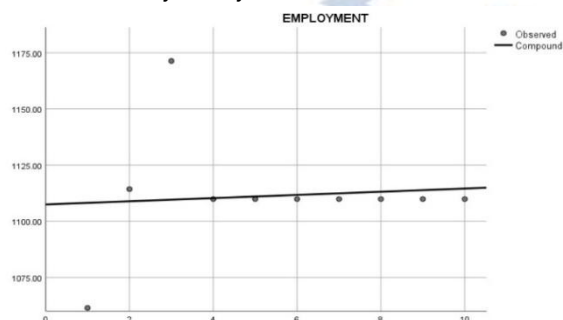
TABLE 2: TOTAL MSME UNITS & NUMBER OF EMPLOYMENT (figures in lakhs)

YEAR	TOAL MSME*	ANNUALGROWTH RATE(%)	TOTAL EMPLOYMENT	ANNUALGROWTH RATE(%)
2012-13	467.54	0	1061.4	0
2013-14	488.46	20.92	1114.29	4.983041266
2014-15	510.57	22.11	1171.32	5.118057238
2015-16	633.88	123.31	1109.89	-5.244510467
2016-17	633.88	0	1109.89	0
2017-18	633.88	0	1109.89	0
2018-18	633.88	0	1109.89	0
2019-20	633.88	0	1109.89	0
2020-21	633.88	0	1109.89	0
2021-22	633.88	0	1109.89	0
CAGR%		3.50%		0.10%

(Source: Secondary data analysis)



MAP1: TOTAL NUMBER OF EMPLOYMENT  
(Ox- axis->nu.of years, oy axis-> total nu.ofmsmes)



MAP2: TOTAL NUMBER OF MSMEs  
(Ox- axis->nu.of years, oy axis-> total employment)

From the above map-1 it's observed that the growth line of year wise increase in the total number of MSMEs is straight upwards from left to right, It shows the numbers of firms under this particular sector are growing rapidly and during study we come across few points that most of these firms are operating in the rural areas and the fall under micro enterprises segment.

TABLE 3: CAGR OF TOTAL NUMBER OF MSMEs TOTAL EMPLOYMENT

Particular	B	t	sig.
CASE SEQUENCE	1.035 <sup>a</sup>	115.191	0
	1.001 <sup>b</sup>	368.417	0

(SOURCE: Spss data analysis) a-total MSMEs; b- Total employment

Besides from map-2 it's observed that the employment generation by the MSME sector is slightly horizontal to X-axis, which indicates that there are not enough employment opportunities from this sector.

From the table 3 analysis we can conclude that there is a significant growth rate in the total number of MSMEs and at which t-value is 115.191&sig. value is 0.000, which is less than the 0.05. andat which it has a compound annual growth rate of 3.5%, i.e.,  $(1.035*100-100 = 3.5\%)$ . there is a significant growth rate in total numbers of employment generated by the MSME sector at which the t -value is 364.417& a sig. level of 0.000, which is less than 0.05 and it indicates a compound annual growth rate of 0.1%, i.e.,  $(1.001*100-100 = 0.1\%)$ , it shows that though there is a growth rate in employment generation but it's not that highly significant enough.

**TABLE 4: SHARE OF EXPORTS BY MSME IN TOTAL EXPORTS OF INDIA**

YEAR	TOTAL EXPORTS	EXPORTS BY MSME	Annual growth rate %	SHARE OF MSME EXPORTS (%)
2012-13	300400	127992	-	43
2013-14	314415	133313	4.157291	42
2014-15	310352	138896	4.187889	45
2015-16	262291	130768	-5.85186	50
2016-17	275852	137068	4.817692	50
2017-18	303376	147390	7.530569	49
2018-19	330080	158760	7.714228	48
2020-21	291810	143990	-9.303351	49.35
2021-22	421800	189810	31.82165	44.5
2022-23	630200	302496	59.36779	48
CAGR of exports by MSMEs			8.98%	

(Source: MSMEs annual reports) #- Expected values

From the table 4 values we can observe that the total exports of India increasing continuously year after year as well the contribution of MSMEs also increasing significantly. Though there is a significant growth rate in MSMEs over the given years, but in the following years of 2015-16 & 2020-21 it shows a negative growth rate of -5.85% & -9.303% when compared to preceding previous years 2014-15 & 2018-19. the values represents that when compared to 2012-13 with 2022-23 it shows a positive

growth rate of 136.33% in the exports share of MSMEs in the total India's exports. Along with this it has a positive compound annual growth rate of 8.98%.

In the following years of 2015-16 & 2016-17 it represents there is a highest rate of export share by these MSME sector i.e., 50%. Where as in the year 2013-14 it shows a lowest rate of share i.e., 42%.

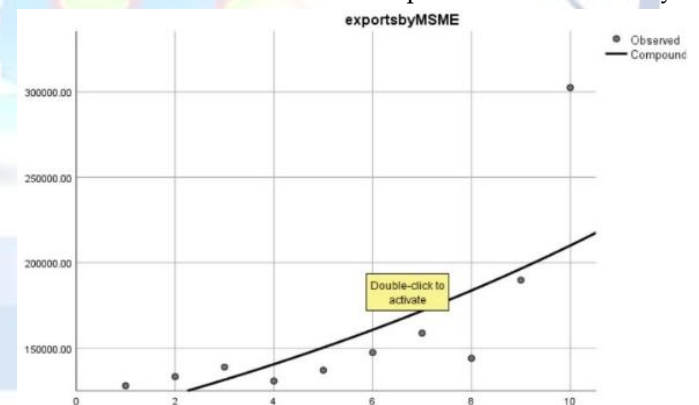
Besides these the values also shows that during covid-19 pandemic also these MSMEs performed a lot better than the other sectors and contributed around 49.35% share in the total exports of India.

**Table 5: Compound annual growth rate of Exports share of MSMEsMap:3 MSME exports**

Particular	B	t	sig.
CASE SEQUENCE	1.089	52.213	0.000

(Source: MSMEs annual reports)

From the above table 5 Spss analysis we can conclude that there is a significant share of this MSMEs exports in the country's exports at a t-value of 52.213, significant value of 0.000 and compound annual growth rate of 8.9%  $(1.089*100-100)$ . Besides map also shows an upward curve from left to right, which indicates there is a positive growth rate in exports share of these MSMEsector in the overall exports of the country.



(ox-axis->no.of years; oy-axis-> exports)

**Table 6: SHARE OF GROSS VALUE ADDED OF MSMEs IN ALL INDIA GDP**

YEAR	MSME GVA	GROWTH%	TOTAL GVA	SHARE OF MSME IN GVA	TOTAL GDP	SHARE OF MSME IN GDP (IN %)
2012-13	3020528	15.17	9202692	32.82	9944013	30.4
2013-14	3389922	12.23	10363153	32.71	11233522	30.2
2014-15	3704956	9.29	11504279	32.21	12467959	29.7
2015-16	4025595	8.65	12566646	32.03	13764037	29.2
2016-17	4405753	9.44	13841591	31.83	15253714	28.9



2017-18	5086493	12.98	15513122	32.79	17098304	29.75
2018-19	5741765	12.88	171239962	33.5	18971237	30.27
2019-20	5741765	0	171239962	0		
2021-22	5741765	0	171239962	0		
2022-23	5741765	0	171239962	0	-	

Source: Annual reports of MSMEs enterprises

From the abovetable 6 it's observed that there is a high annual growth rate in the MSME sectors year 2012-13,i.e., 15.7% followed by 2017-18 & 2018-19 with an annual percentage share of 12.98% & 12.88%, but it also represents a lowest annual growth rate of 9.28% & 8.65% in the following years of 2014-15 & 2015-16. Also, it shows that there is a high rate of gross annual value by these MSME sector in the year 2018-19,i.e, 33.5% and a lowest contribution rate of 31.83% in the year of 2016-17. While it also shows there is a high rate of GDP contribution by MSME sector in the year 2012-13,i.e., 30.4% and has lowest share of contribution in the year 2016-17,i.e., 28.9%.(After 2018-19 no survey has been conducted yet for the calculation of contribution of MSMEs towards countries GDP & GVA, so for the purpose of analysis we undertake the static values).

#### 4. FINDINGS & CONCLUSIONS:

1. Study identifies that MSMEs registration has recorded a total of 79,84,801 businesses in India of which nearly 95 per cent comes under micro enterprises. The statistics reported by the Ministry of Micro, Small and Medium Enterprises 2021-22, revealed that out of 633.88 lakh estimated numbers of MSME, 324.88 lakh (51.25 per cent) MSMEs are in rural areas and 309 lakhs (48.75 per cent) in the urban areas of India.
2. Govt. of India have been taken certain initiatives like Udyam, My MSME, Direct transfer benefits in the M/oMSME, Digital payments, MSME Samadhaan and grievance monitoring to strengthen financial and technological improvements in MSME sector.
3. As a result, a new composite classification for manufacturing and service units has been notified on 26.06.2020, to facilitate the present and prospective entrepreneurs. Now, there will be no difference between manufacturing and service sectors. Also, a new criterion of turnover has been added in the previous criterion of classification based only on investment in plant and machinery.

4. Proposed increase in capital expenditure to Rs 7,50,246 crore, a 24.5% increase over the revised estimates of 2021-2022. Also revealed that out of 9.525 crores estimated number of employments, the contribution of enterprises are as follows 7.8 crores (82.15%) by micro enterprises, 1.16 crores (12.22%) by small enterprises and 5.35 crores (3.17%) by medium enterprises.

5. Govt. of India have been taken certain initiatives like Udyam, My MSME, Direct transfer benefits in the M/oMSME, Digital payments, MSME Samadhaan and grievance monitoring to strengthen financial and technological improvements in MSME sector.

6. Budgeted expenditure (BE), Revised expenditure (RE) and Actual expenditure (AE) share is increasing continuously from year to year (2012-13 to 2021-22) and data also shows the share of actual expenditure (AE) has been increased drastically up to 168.45% than it's preceding previous year, i.e., 2020-21.

7. Compound annual growth rate of total number of MSMEs has an annual growth rate of 3.5% and for employment generation its growing annually with a percentage of 0.1% annually. Which represents that the number of firms are increasing rate is more it some where fail to generate ample level of employment opportunities.

8. Results shows that exports share of MSME has a compound annual growth rate of 8.98%, which indicates there is a significant share of the MSME sector in the India's total exports.

9. During the study it also identified few problems and perspectives such as lack of proper planning and technical support to the MSME sector, lack of availability of sufficient funds, due to global pressures and increasing competitions in the local market they are facing sustainable problems continuously.

#### Conflict of interest statement

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

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