



Growth and Trends in MSMEs –Sector

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ABSTRACT

The Micro, Small and medium enterprises of India is an important driving factor for the growth of Indian Economy. These MSMEs not only provide the employment opportunities but helps in the process of industrialization in rural areas simultaneously reducing the unequal income distribution among the residents. The MSMEs contribute significantly in the development of Indian economy through export production, domestic production, low investment requirements, operational flexibility, technology oriented enterprises etc. In India, after agriculture, small business is the second largest employer of human resources. MSMEs constitute more than 80 percent of the total number of industrial enterprises and support industrial development, 40 per cent of industrial output, 80 per cent of employment in the industrial sector, 45 per cent of value added by the manufacturing sector and 40 per cent of total exports. In this paper an attempt is made to know the growth and contribution made by Micro, Small and Medium Enterprises in India and to understand the role of MSMEs in providing employment opportunities in India. The various problems faced by these MSMEs in executing their operations have also been discussed in this paper.

Key words: MSMEs, Employment, Growth, Challenges of MSMEs.

1. INTRODUCTION

The 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. It contributes significantly in the economic and social development of the country by fostering entrepreneurship and generating largest employment opportunities at comparatively lower capital cost, next only to agriculture. MSMEs are complementary to large industries as ancillary units and this sector contributes significantly in the inclusive industrial development of the country. 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% to GDP of the country. The schemes & various initiatives of Ministry of MSMEs & other organisations seeks to provide the following facilities: Adequate flow of credit from financial institutions/banks, 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, organisations & 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 (MSMED) Act 2006, Khadi & Village Industries Commission (KVIC), Coir Board, National Small Industries Corporation (NSIC) Ltd., Mahatma Gandhi Institute for Rural Industrialisation (MGIRI), National Board for Micro, Small and Medium Enterprises (NB MSME), and National Institute for Micro, Small and Medium Enterprises.

Definition of MSMEs In accordance with the provision of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 the Micro Small and Medium Enterprises are classified in two classes:

A) Manufacturing Enterprises – Investment in Plant and Machinery

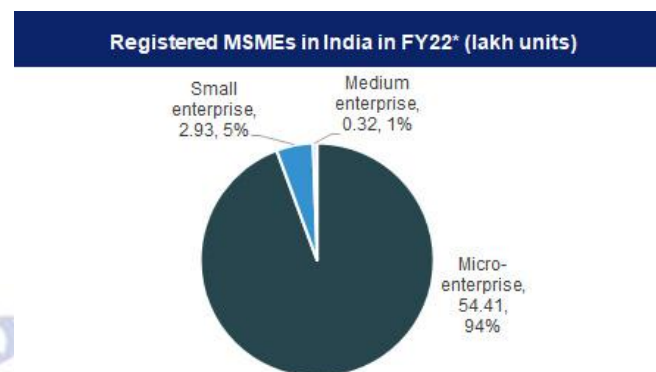
B) Service enterprises- Investment in Equipment.

The number of MSMEs in India increased by a CAGR of 18.5% from 2019 to 2020

The enterprises are further categorized based on investment in equipment and annual turnover.

Criteria	Manufacturing		Service	
	Turnover	Investment	Turnover	Investment
Micro	Rs. 5 crore (US\$ 0.6 million)	Less than Rs. 25 lakh (US\$ 0.03 million)	Rs. 5 crore (US\$ 0.6 million)	Less than Rs. 10 lakh (US\$ 0.01 million)
Small	Rs. 50 crore (US\$ 6.8 million)	More than Rs. 25 lakh (US\$ 0.03 million) but less than Rs. 5 crore (US\$ 0.6 million)	Rs. 50 crore (US\$ 6.8 million)	More than Rs. 10 lakh (US\$ 0.01 million) but less than Rs. 2 crore (US\$ 0.3 million)
Medium	Rs. 250 crore (US\$ 34 million)	More than Rs. 5 crore (US\$ 0.6 million), but less than Rs. 10 crore (US\$ 1.4 million)	Rs. 250 crore (US\$ 34 million)	More than Rs. 2 crore (US\$ 0.3 million) but does not exceed Rs. 5 crore (US\$ 0.6 million)

2. MARKET SIZE



The BSE SME (small and medium enterprises) platform is expected to witness >60 SMEs to enter the market in one year (2021-22) to bring up equity funds for meeting their business requirements. The initial public offering (IPO) route witnessed 16 SMEs enter the market; they raised Rs. 100 crore (US\$ 13.74 million) in 2020. In June 2021, Bombay Stock Exchange (BSE) announced that it has collaborated with Electronics and Computer Software Export Promotion Council (ESC) to build awareness among small businesses and start-ups about advantages of listing.

MSMEs are being encouraged to market their products on the e-commerce site, especially through Government e-Marketplace (GeM), owned and run by the government, wherefrom Ministries and PSUs (public sector undertakings) source their procurement.

As of November 2022, the GeM portal has served 12.28 million orders worth Rs. 334,933 crores (US\$ 40.97 billion) from 5.44 million registered sellers and service providers for 62,247 buyer organisations.

As per data from the Ministry of Micro, Small & Medium Enterprises, as of November 25, 2022, the Udyam Registration portal registered 12,201,448 MSMEs, replacing the former process of filing for a Udyog Aadhaar Memorandum (UAM). Registered micro-enterprises stood at 11,735,117 (96.17%), followed by small enterprises at 426,864 (3.49%) and mid-sized enterprises at 39,467 (0.32%).

Domestic business requires a strong financial stimulus with concessional working capital loans to ensure adequate liquidity is maintained in business operations from the government and financial institutes.

Indian Micro, Small and Medium Enterprises (MSMEs) are rapidly adopting digital payments over cash, with 72% payments done through the digital mode compared with 28% cash transactions. Rise in digital adoption presents prospects for further growth in the sector.

3. LITERATURE REVIEW

Ghatak, Shambhu (2010) in his 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 where as 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.

Srinivas, K. T. (2013) 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.

4. STATUTORY BODIES

MSME Ministry has four statutory bodies namely, Khadi and Village Industries Commission (KVIC) who is responsible for promoting and developing khadi and village industries for providing employment opportunities in rural areas, thereby strengthening the rural economy, Coir Board in charge of promoting overall development of the coir industry and improving living conditions of workers in this industry, National Small Industries Corporation Limited (NSIC) responsible for promoting, aiding and fostering growth of micro and small enterprises in the country, generally on commercial basis, National Institute for Micro, Small and Medium Enterprises, (NI-MSME) in-charge of enterprise promotion and entrepreneurship development, enabling enterprise creation, performing diagnostic development studies for policy formulation, etc. and lastly, Mahatma Gandhi Institute for Rural Industrialisation (MGIRI) responsible for accelerating rural industrialisation for sustainable village economy, attract professionals and experts to Gram Swaraj, empower traditional artisans, encourage innovation

through pilot study/field trials and R&D for alternative technology using local resources. New online system of MSME/Udyam Registration launched by the Union MSME Ministry, w.e.f. July 01, 2020, successfully registered >1.1 million MSMEs until November 2020. In June 2021, the Ministry of Micro, Small and Medium Enterprises extended the validity of Udyog Aadhaar Memorandum from March 31, 2021, to December 31, 2021.

5. GOVERNMENT POLICIES

The Government of India has designed various policies for the growth of MSMEs in the country.

- As on July 8, 2022 the number of loans sanctioned under the Pradhan Mantri MUDRA Yojana (PMMY) scheme was 10.03 million and the amount disbursed was Rs. 73,199.89 crore (US\$ 9.15 billion).
- In the Union Budget of 2022-23 MSMEs sector was allocated an Emergency Credit Line Guarantee Scheme (ECLGS) of Rs. 50,000 crore (US\$ 6.55 billion).
- On March 30 2022, the Indian government allocated Rs. 6,062.45 crore (US\$ 808 million) for the scheme Raising and Accelerating MSME Performance (RAMP). The programme aims to improve market and credit access, strengthen institutions and governance at the centre and state levels, improve centre-state connections and partnerships, resolve late payment difficulties, and green MSMEs.
- In November 2021, the Indian government launched the Special Credit Linked Capital Subsidy Scheme (SCLCSS) for the services sector. This scheme will help enterprises in the services sector meet various technology requirements.
- In November 2021, the Ministry of Micro, Small and Medium Enterprises launched SAMBHAV, a national-level awareness programme to push economic growth by promoting entrepreneurship and domestic manufacturing.

6. RECENT DEVELOPMENTS

Major Recent Developments in the MSMEs include:

- In June 2022, the central government announced a new initiative called "Promotion of MSMEs in North Eastern Region and Sikkim." The main purpose of this project was to stimulate MSMEs in the North East by establishing mini-technological centres, developing new and existing industrial estates, and promoting tourism.

- In November 2021, the Small Industries Development Bank of India (SIDBI) inked a pact with Google to pilot social impact lending with financial assistance up to Rs. 1 crore (US\$ 133,939.60) at subsidised interest rates to micro enterprises. To reinvigorate the Indian MSME sector, Google India Pvt. Ltd. GIPL, will bring a corpus of US\$ 15 million (~Rs. 110 crore) for micro enterprises as a crisis response related to COVID-19.
- In November 2021, digital freight forwarder Freightwalla, launched a shipment tracking service for MSME exporters and importers based on predictive analytics to help businesses tackle risks associated with shipment delays and improve supply chain efficiency.
- In November 2021, Cash invoice, a supply chain financing (SCF) platform, announced that it will aid MSMEs with over Rs. 10,000 crore (US\$ 1.33 billion) worth of financing in the year ahead, as it has risen Pre-Series A funding of US\$ 1 million from Accion Venture Lab.
- In October 2021, Sundaram Finance and the MSME Development Institute (Chennai), provided marketing assistance to MSMEs. Entrepreneurial and managerial development of MSMEs will be done through an incubator scheme, which will give innovators opportunities to develop and nurture ideas for the production of new products.
- In September 2021, Aerospace Engineers Private Limited, a Tamil Nadu-based MSME, secured a contract from Boeing to produce and supply critical aviation components.

7. OBJECTIVES OF THE STUDY

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

8. RESEARCH METHODOLOGY

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

9. ANALYSIS OF DATA

A. Growth and development of MSMEs

Table 1: Number of MSMEs (Activity Wise)

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.

Activity Category	Number of Enterprises (in Lakh)			Share %
	Rural	Urban	Total	
Manufacturing	114.14	82.5	196.65	31
Electricity*	0.03	121.64	23.35	36
Trade	108.71	104.85	206.385	33
Other Services	102	0.01	0.03	0
All	324.88	309	633.88	100

Source: Ministry of MSMEs annual report 2020-21

Interpretation

As per the National Sample Survey (NSS) 73rd round, conducted by National Sample Survey Office, Ministry of Statistics & Programme Implementation during the period 2015-16, there were 633.88 lakh unincorporated non- agriculture 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)

Table 2: Distribution of Enterprises Category Wise (numbers in Lakhs)

Area	Micro	Small	Medium	Total
Rural	324.09	0.78	0.01	324.88
Urban	306.43	2.53	0.04	309
All	630.52	3.31	0.05	633.88

Source: Ministry of MSMEs annual report 2020-21

The 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 accounts for 0.52 % and 0.01 % of total estimated MSMEs, respectively.

Table 3: Percentage Distribution of Enterprises in rural and urban areas (Male/ Female ownership category wise)

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

Source: Ministry of MSMEs annual report 2020-21

Interpretation

Out of 633.88 lakh MSMEs, 608.41 lakh (95.98%) MSMEs were proprietary enterprises. There has been overwhelming predominance of male owners in proprietary MSMEs. Thus, for proprietary MSMEs as a whole, male owned 79.63% of enterprises as compared to 20.37% owned by female. There was no significant deviation in this pattern in urban and rural areas, although the dominance of male owned enterprises was slightly more pronounced in urban areas as compared to rural areas (81.58% as compared to 77.76%).

B. Employment in MSME Sector

Table 4: Estimated Employment in MSME Sector (Broad Activity Category Wise)

Activity Category	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
All	497.78	612.1	1109.89	100

Interpretation

As per the National Sample Survey (NSS) 73rd round conducted during the period 2021- 22, MSME sector has been creating 11.10 crore jobs (360.41 lakh in Manufacturing, 387.18 lakh in Trade and 362.22 lakh in Other Services and 0.07 lakh in Non-captive Electricity Generation and Transmission) in the rural and the urban areas across the country.

Table 5: Distribution of Employment in Rural and Urban Areas (Number in lakh)

Area	Micro	Small	Medium	Total	Share %
Rural	489.3	7.88	0.6	497.78	45
Urban	586.88	24.06	1.16	612.1	55
All	1076.19	31.95	1.75	1109.89	100

Source: Ministry of MSMEs annual report 2020-21

Interpretation

Out of 1109.89 lakhs employees in MSMEs sector, 1076.19 are in micro sector, 31.95 from small sector and 1.75 are from medium sector. Percentage of rural Employment is 45% and urban employment is 55%. The rate of employment is higher in urban areas when compared to rural areas.

10. ACHIEVEMENTS IN THE SECTOR

The Ministry of MSME runs numerous schemes targeted at providing credit and financial assistances, skill development training, infrastructure development, marketing assistance, technological and quality up gradation and other services for MSMEs across the country

11. FINDINGS

1. Growth of MSMEs in rural areas i.e. 51% are more when compared to urban areas, 49%.
2. Growth of Medium enterprises i.e., 0.05 lakhs are very low when compared to Micro and Small enterprises i.e., 630.52 lakhs and 3.31 lakhs.
3. Male owned MSMEs i.e., 79.63% as compared to female owned MSMEs i.e., 20.37%.
4. Male owned enterprises are more in case of small and medium enterprises i.e., 95% and in case of micro enterprises their dominance is 80%.
5. Employment generation is more in Urban areas i.e., 55% when compared to rural areas i.e., 45%.
6. Male employees are 76% and female employees are only 24% in MSMEs sector.
7. Out of 1109.89 lakhs no. of MSMEs, the growth of medium enterprises are only 1.75 lakhs.

12. ROAD AHEAD

The Government of India has envisioned doubling the Indian economy to US\$ 5 trillion in five years. In order to achieve this goal, career opportunities for the young population have been generated and MSMEs have the potential to serve as a key employment generator. Therefore, the government has taken up promotion of MSMEs in order to create new jobs in the sector. Further, the government aims to enhance MSME's share in exports and its contribution to GDP.

In order to achieve these targets, the government should invest in providing more back-end services to improve performance of the MSME sector as it supplies goods and services to big industrial enterprises. Lack of technology-based production activities and low investment in R&D activities are bottlenecks hindering the sector to become competent. Globally available technology could be subsidised by the government so that the product quality of MSME players can be improved using the existing resources. This also requires the help of academic institutions in the form of

providing research and development (R&D) services for product innovation.

13. CONCLUSION

The MSME sector in India is growing at good pace & even is providing employment opportunities to masses of the people. The contribution of Manufacturing Sector as well as Service Sector of MSMEs is significant to the total GDP of the Country. The Govt. of India has taken number of initiatives & is in the process of gearing up the growth of Micro, Small & Medium Enterprises in the country. The Govt. of India is also making number of tie-ups & agreements with the NGOs, Governmental agencies as well as with the Universities for making it sure that proper implementation of Governmental policies for setting up of MSMEs is there & entrepreneurs are properly guided for starting their ventures. But still MSMEs are facing many challenges. The problem of unawareness towards technological advancement can be removed after running effective training and skill development programs. There should be low cost credit to the MSME'S. The foreign banks are not taking so much interest in sanctioning loan to the MSME sector. The outstanding bank credit is less than 50% of total fixed assets employed in MSME'S while the owners invest their own fund in working capital. The panel of experts must constitute to assess the status and the needs of the MSME'S. The future of MSME sector in India is bright and it will grow the economy.

Conflict of interest statement

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

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