

Role and Performance(s) of MSMEs in Indian Economy

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ABSTRACT

The MSME sector has emerged as a highly vibrant and dynamic sector in the Indian economy. It contributes significantly in the economic and social development of the country. MSMEs are complementary to large industries as supportive units and it contributes significantly in the inclusive development of the country. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet the demands of domestic as well as global market. An overview and performance of MSME Sector in the country is provided in this article in terms of role of MSMEs in Indian economy ; key results of NSS survey on MSMEs. A Comparative analysis of MSMEs in the top of 10 states ; and the Registration of new MSMEs.

Keywords : Role, Performance, MSME, Indian Economy

I. INTRODUCTION

The Micro, Small & Medium Enterprises (MSMEs) have been contributing significantly to the expansion of entrepreneurial endeavours 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.

II. KEY RESULTS OF NSS 73RD ROUND SURVEY (2015-16) ON MICRO, SMALL AND MEDIUM ENTERPRISES

Estimated number of MSMEs in 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. 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

nonagriculture MSMEs in the country engaged in different economic activities (196.65 lakh in Manufacturing, 0.03 lakh in Non-captive Electricity Generation and Transmission¹, 230.35 lakh in Trade and 206.85 lakh in Other Services) excluding those MSMEs registered under (a) Sections 2m(i) and 2m(ii) of the Factories Act, 1948, (b) Companies Act, 1956 and (c) construction activities falling under Section F of National Industrial Classification (NIC) 2008.

Table 1: Distribution of MSMEs activity wise.
Statement No. 2.1: Estimated Number of MSMEs (Activity Wise)

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

*Non-captive electricity generation and transmission

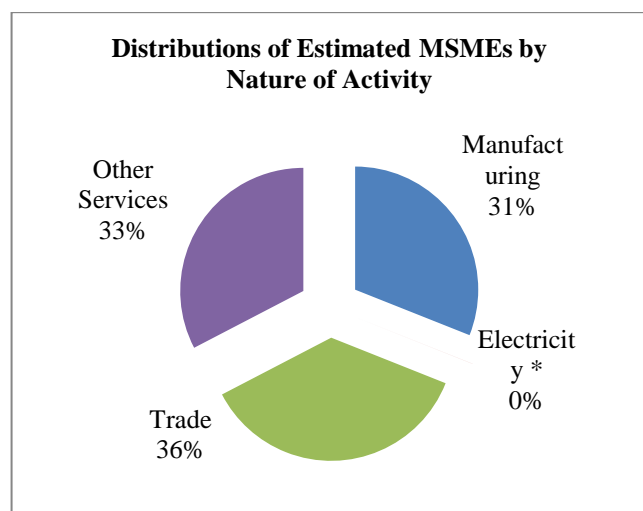


Figure 1: Distributions of Estimated MSMEs by Nature of Activity

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. Statement No. 2.2 and figure 2.2 shows the distribution of enterprises in rural and urban Areas.

Table 2: Distribution of Enterprises Category Wise

Sector	Micro	Small	Medium	Total	Share
Rural	324.09	0.78	0.01	324.88	51
Urban	306	2.53	0.04	309.00	49
All	630.52	3.31	0.05	633.88	100

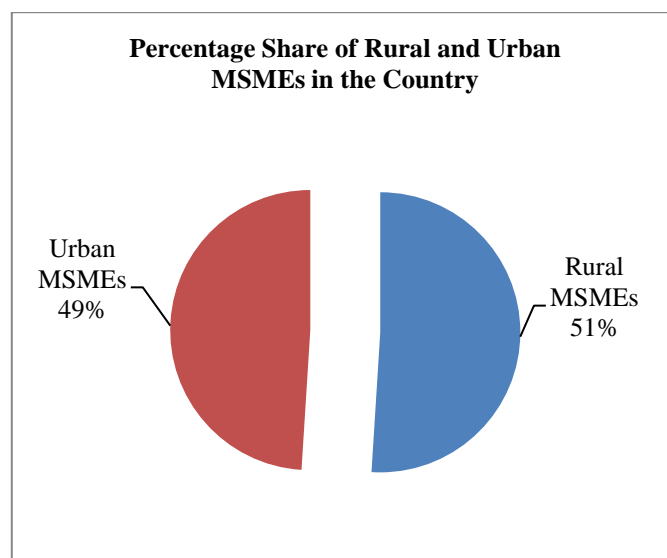


Figure 2: Percentage Share of Rural and Urban MSMEs in the Country

Type of Ownership of Enterprises

Male/ Female Ownership

Out of 633.88 MSMEs, there were 608.41 lakh (95.98%) MSMEs were proprietary concerns. There was dominance of male in ownership of 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

compared to rural areas (81.58% as compared to 77.76%).

Table 3: Percentage Distribution of Enterprises in Rural and Urban Areas. ((Male/ Female Ownership) Category wise)

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

Table 4: Percentage Distribution of Enterprises Owned by Male/ Female Entrepreneurs wise

Sector	Male	Female	All
Micro	79.56	20.44	100
Small	94.74	5.26	100
Medium	97.33	2.67	100
All	79.63	20.37	100

Ownership of Enterprises Social Category Wise

The socially backward groups owned almost 66.27% of MSMEs. Bulk of that was owned by OBCs (49.72%). The representation of SC and ST owners in MSME sector was low at 12.45% and 4.10% respectively. In rural areas, almost 73.67% of MSMEs were owned by socially backward groups, of which 51.59% belonged to the OBCs. In urban areas, almost 58.68% belonged to the socially backward groups, of which 47.80% belonged to the OBCs.

Table 5 : Percentage Distribution of Enterprises by Social Group of Owner in Rural and Urban Areas.

Sector	SC	ST	OBC	Others	Not known	All
Rural	15.37	6.70	51.59	25.62	0.72	100
Urban	9.45	1.43	47.80	40.46	0.86	100
All	12.45	4.10	49.72	32.95	0.79	100

Percentage Distribution of enterprises in Rural/ Urban areas (Social Category wise)

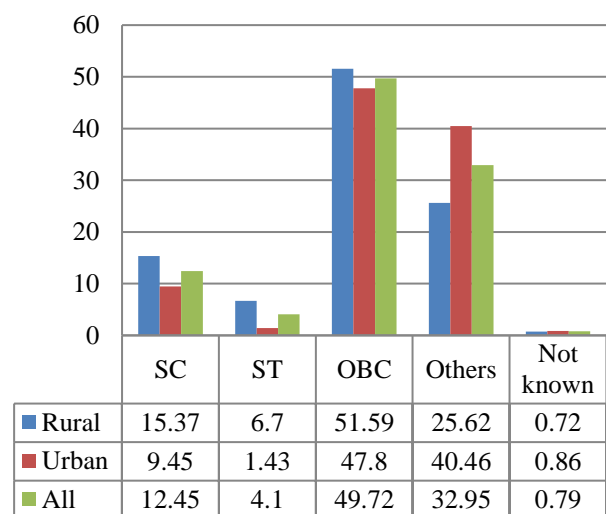


Figure 3: Percentage Distribution of enterprises in Rural/ Urban areas (Social Category wise)

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

Table 6: Percentage Distribution of Enterprises Social Category Wise

Sector	SC	ST	OBC	Other s	Not know n	All
Micro	12.48	4.11	49.83	32.79	0.79	100
Small	5.50	1.65	29.64	62.82	0.39	100
Mediu m	0.00	1.09	23.85	70.80	4.27	100
All	12.45	4.10	49.72	32.95	0.79	100

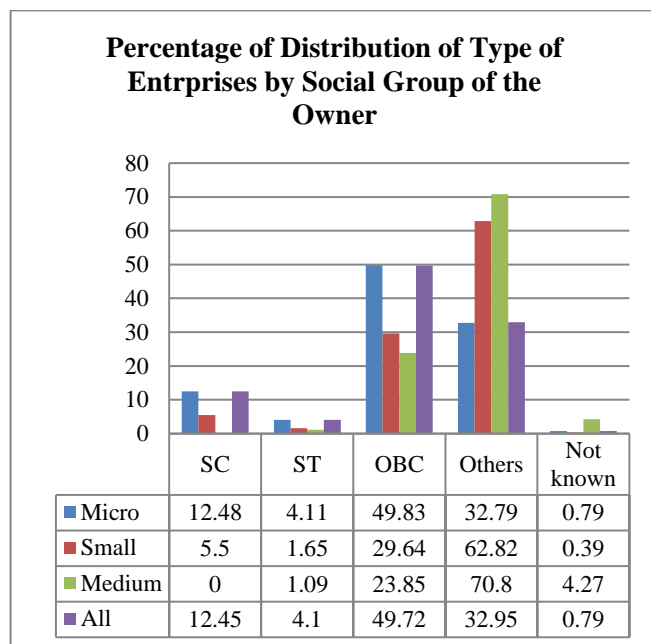


Figure 4: Percentage Distribution of Type of Enterprises by Social Group of the Owner and Category

Employment

As per the National Sample Survey (NSS) 73rd round conducted during the period 2015-16, MSME sector has been creating 11.10 crore jobs (360.41 lakh in Manufacturing, 0.07 lakh in Non-captive Electricity Generation and Transmission, 387.18 lakh in Trade and 362.82 lakh in Other Services) in the rural and the urban areas across the country. Statement No. 2.7 and Figure 2.5 shows the distribution of MSMEs activity wise.

Table 7: Estimated Employment in the MSME Sector (Activity Wise)

Broad Activity Category	Employment (in lakh)			Share (%)
	Rural	Urban	Total	
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	499.78	612.10	1109.89	100

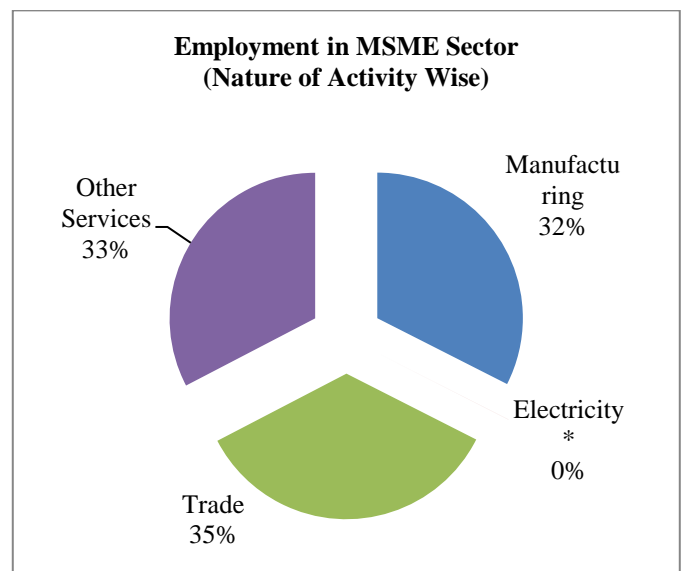


Figure5: Distribution of Employment in the MSME Sector Category wise

Micro sector with 630.52 lakh estimated enterprises provided employment to 1076.19 lakh persons that in turn accounts for around 97% of total employment in the sector. Small sector with 3.31 lakh and Medium sector with 0.05 lakh estimated MSMEs provided employment to 31.95 lakh (2.88%) and 1.75 lakh (0.16%) persons of total employment in MSME sector, respectively. Statement No. 2.8 and figure 2.6 shows the distribution of employment sector wise in Rural and Urban Areas. State-wise distribution of employment is given in AnnexureII.

Table 8: Distribution of Employment by Type of Enterprises in Rural and Urban Areas (Numbers in lakh)

Sector	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
All	1076.19	31.95	1.75	1109.89	100

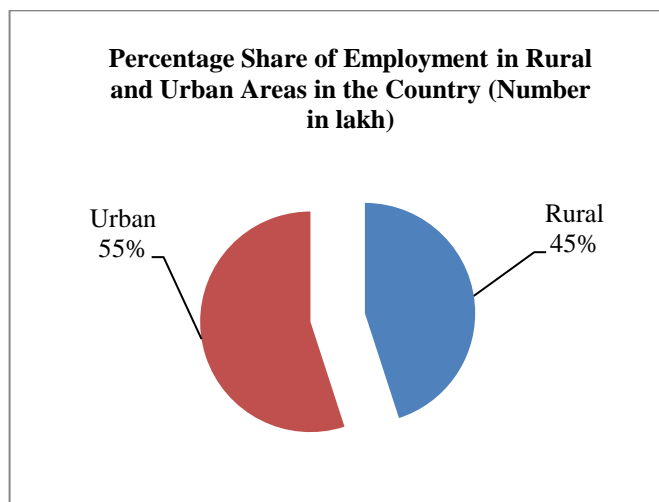


Figure 6: Percentage Share of Rural and Urban MSMEs in the Country

Out of 1109.89 lakh employees in MSME sector, 844.68 (76%) are male employees and remaining 264.92 lakh (24%) are females. The Statement No. 2.9 and Figure 2.7 show the sectoral distribution of workers in male and female category.

Table9: Distribution of workers by gender in rural & urban areas (Numbers in lakh)

Sector	Female	Male	Total	Share (%)
Rural	137.50	360.15	497.78	45
Urban	127.42	484.54	612.10	55
Total	264.92	844.68	1109.89	100
Share (%)	24	76	100	

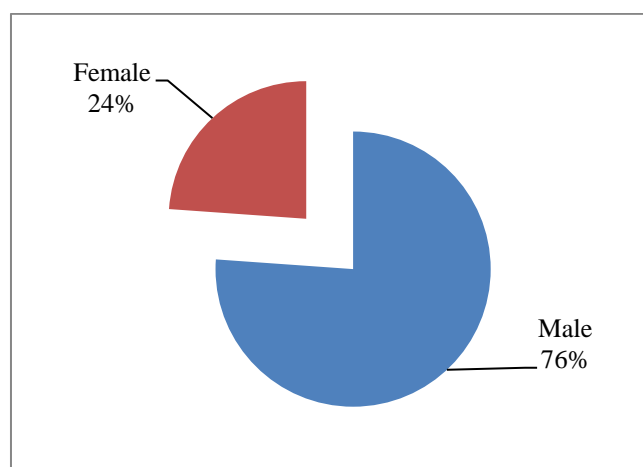


Figure 7: Distribution of Workers in Male and Female Category

State-wise Distribution of estimated MSMEs

State of Uttar Pradesh had the largest number of estimated MSMEs with a share of 14.20% of MSMEs in the country. Top 10 States accounted for a share of 74.05% of the total estimated number of MSMEs in the country. Statement No. 2.10 and Figure 2.8 show the distribution of estimated enterprises in top ten States.

Table 10: State-wise Distribution of Enterprises

Sl. No.	State	NSS 73 rd Round *	
		Number (in lakh)	Share (%)
1	Uttar Pradesh	89.99	14
2	West Bengal	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

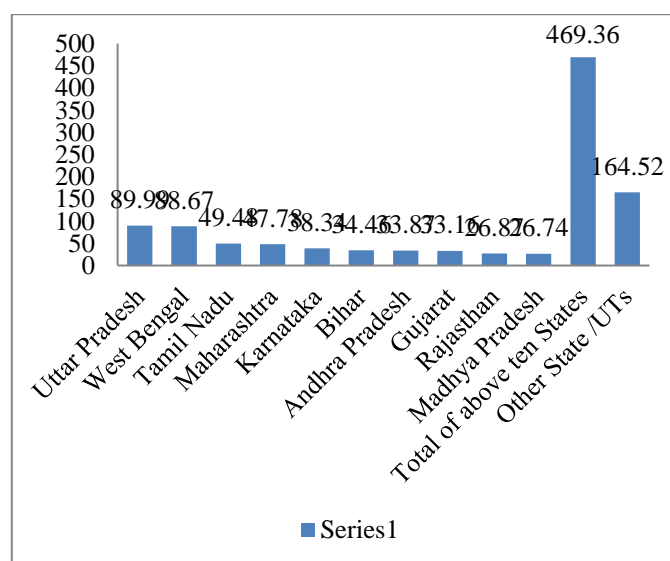


Figure8: Distribution of MSMEs in Top Ten States

III.COMPARATIVE ANALYSIS

The below Statement shows the comparative distribution of MSMEs in the top 10 States.

Table 11: Comparative Distribution of Top Ten States

S l. N o .	State	NSS 73 rd round*		Fourth All India Census of MSME and Fifth Economic Census **	
		numbe r (in lakh)	Shar e (%)	Numbe r in lakh	Shar e (%)
1	Uttar Pradesh	89.99	14	44.03	12
2	West Bengal	88.67	14	34.64	10
3	Tamil Nadu	49.48	8	33.13	9
4	Maharashtra	47.78	8	30.63	8
5	Karnataka	38.34	6	20.19	6
6	Bihar	34.46	5	14.70	4
7	Andhra Pradesh***	33.87	5	25.96	7
8	Gujarat	33.16	5	21.78	6
9	Rajasthan	26.87	4	16.64	5
10	Madhya Pradesh	26.74	4	19.33	5
11	Total of above ten States	469.36	74	261.04	72
12	Other State /UTs	164.52	26	100.72	28
13	All	633.88	100	361.76	100

* NSS 73rd Round, 2015-16

** Fourth All India Census of MSME, 2006-07 (Unregistered Sector) and 5th Economic Census

*** Including Telangana in Fourth All India Census of MSME

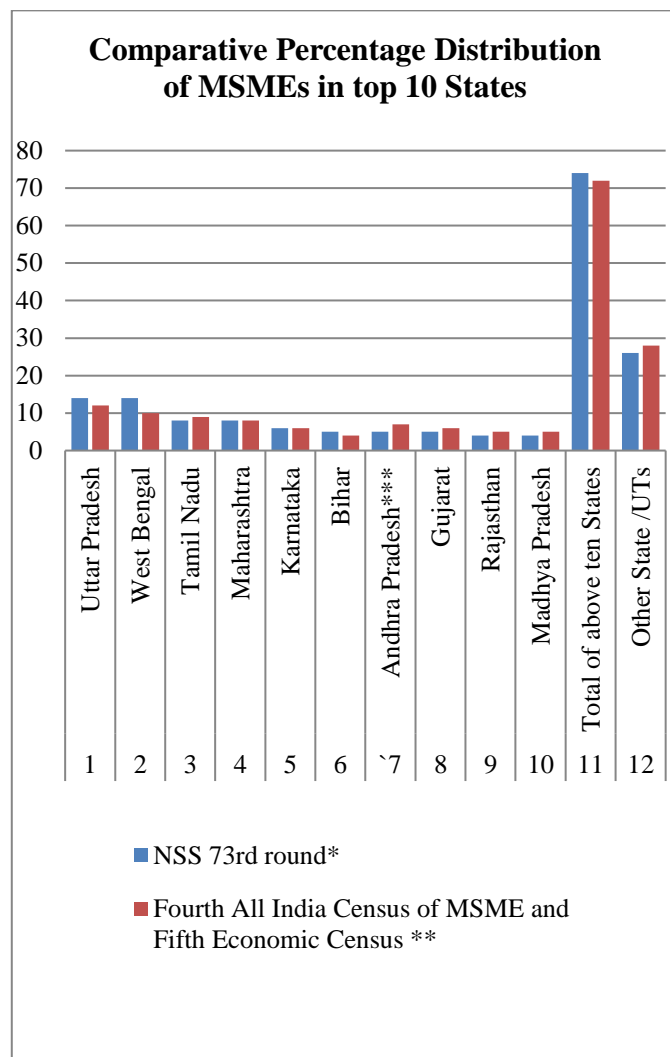


Figure 9: Comparative Percentage Distribution of MSMEs

IV. REGISTRATION OF NEW MSMEs

One of the critical indicators to assess the successful development of MSME Sector in an economy is the data on opening of new MSMEs; it depicts the conducive environment for opening and growth of such units in an economy as well as show the high morale of entrepreneurs in the macroeconomics of the economy. Before the MSMED Act, 2006, there was a system of registration by small scale industrial units to the DICs. Subsequently, as per the provisions of the MSMED Act, 2006, MSMEs used to file Entrepreneurs Memorandum (Part-I) at District Industries Centres (DICs) before starting an enterprise. After commencement of production, the entrepreneur

concerned used to file Entrepreneurs Memorandum (Part-II) / [EM-II].

Ministry has replaced the erstwhile process of filing of Udyog Aadhaar Memorandum, by 'Udyam' registration on a portal developed by this Ministry based on composite criteria of classification of MSMEs, notified vide Notification dated 26.06.2020. Now the existing and prospective entrepreneurs may file their 'Udyam' Registration online on portal: <https://udyamregistration.gov.in>.

An analysis of Udayam Registration provides a break-up of Manufacturing and Services MSMEs. It may be noted that MSMEs in Service Sector comprise a larger proportion of Udayam Registration as compared to those MSMEs in Manufacturing Sector.

V. CONCLUSION

The role of the Ministry of MSME and organizations is to assist the States in their efforts to encourage entrepreneurship, employment and livelihood opportunities and enhance the competitiveness of MSMEs in the changed economic scenario. Although it is the primary responsibility of the State Governments for the promotion and development of MSMEs, however, the Government of India, supplements the efforts of the State Governments through various initiatives. Along with it the Ministry designs policies, promotes/facilitates programmes / projects / schemes and monitors their implementation with a view to assist MSMEs and to help them to scale up. An overview and performance of MSME Sector in the country is provided in this article.

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