



Performance of MSME Sector in India

Dr. M. P. Dhere

Asst. Professor, Dept. of Commerce
M.S.S's Ankushrao Tope College,
Jalna (MS)

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 large 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 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 Micro, Small and Medium Enterprises Development (MSMED) Act was notified in 2006 to address different issues affecting MSMEs, inter alia, the coverage and investment ceiling of the sector. The MSMED Act seeks to facilitate the development of these enterprises as also enhance their competitiveness. The MSMED Act has the following key provisions: - Establishment of a National Board for Micro, Small and Medium Enterprises headed by the Minister for MSME. The role of the Board is to examine the factors affecting the promotion and development of MSMEs, review the policies and programmes of the Central Government and make recommendations in regard to facilitating the promotion and development and enhancing their competitiveness. It provides the legal framework for recognition of the concept of "enterprise" which comprises both manufacturing and service entities. It defines medium enterprises for the first time and seeks to integrate the three tiers of these enterprises, namely, Micro, Small and Medium.

Definition of Micro, Small and Medium enterprises:

It is important to know how size is defined in our country, with reference to MSME establishments. Several parameters can be used to measure the size of business units. These include the number of persons employed in business, capital invested in business, turnover of business, etc.

The definition used by the Government of India to describe MSME is based on the investment in plant and machinery and turnover. The revised definition of MSMEs through a notification issued by Ministry of Micro, Small and Medium Enterprises on 26th June 2020 are classified as below:



Enterprise (Both Manufacturing & Services)	Investment in plant and machinery or equipment	Turnover
Micro	Not exceeding Rs. 1 Crore	Not exceeding Rs. 5 Crore
Small	Not exceeding Rs. 10 Crore	Not exceeding Rs. 50 Crore
Medium	Not exceeding Rs. 50 Crore	Not exceeding Rs. 250 Crore

- (i) 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.
- (ii) 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
- (iii) 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 & fifty crore rupees.

Objectives of the Study:

The present research paper focused on the following objectives:

1. To know the status of MSMEs in India
2. To study the Employment through the MSMEs in India

Research Methodology:

The present study based on extensive study of secondary data collected from various reports prepared by national and international agencies. The information is collected from various authentic websites. Some articles, journals and e-contents relating to the MSMEs.

MSMEs in India:

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, reducing regional imbalances, assuring more equitable distribution of national income and wealth.

Table 1
Activity wise Estimated Number of MSMEs

Activity	Estimated Number of Enterprises (In Lakh)			Percentage to Total
	Rural	Urban	Total	
Manufacturing	114.14	82.5	196.64	31.02
Electricity	0.03	0.01	0.04	0.01
Trade	108.71	121.64	230.35	36.34
Other Services	102	104.85	206.85	32.63
Total	324.88	309	633.88	100

Source: Annual Report 2020-21, Ministry of MSMEs, Govt. of India.

Table 1 shows that activity wise estimated number of MSMEs in India, there were 633.88 lakh unincorporated non-agriculture MSMEs in the country engaged in different economic activities. Out of the total MSMEs, 196.64 (31.02%) Lakh engaged in Manufacturing, only 0.04 (0.01%) Lakh engaged in electricity, 230.35 (36.34%) lakh engaged in Trade and 206.85 (32.63%) lakh engaged in other Services. It is also seen that as compare to urban area, most of the MSMEs are from rural area.

Table 2
Category wise Distribution of Enterprises



Sector	Micro	Small	Medium	Total	Percentage to Total
Rural	324.09	0.78	0.01	324.88	51.25
Urban	306.43	2.53	0.04	309.00	48.75
All	630.52	3.31	0.05	633.88	100

Source: Annual Report 2020-21, Ministry of MSMEs, Govt. of India.

The table 2 indicates the category wise distribution of MSMEs. out of the total enterprises, 630.52 lakh estimated enterprises are from Micro sector, followed by 3.31 lakh from Small sector & 0.05 lakh from Medium sector. Out of the total estimated number of MSMEs 324.88 lakh MSMEs (51.25%) are in rural area and 309 lakh MSMEs (48.75%) are in the urban area.

Table 3
State wise Distribution of Estimated Number of MSMEs

Sl. No.	State/UT	Estimated Number of Enterprises (Number in lakh)				Percentage to Total
		Micro	Small	Medium	MSME	
1	Andhra Pradesh	33.74	0.13	0	33.87	5.34
2	Arunachal Pradesh	0.22	0	0	0.23	0.04
3	Assam	12.1	0.04	0	12.14	1.92
4	Bihar	34.41	0.04	0	34.46	5.44
5	Chhattisgarh	8.45	0.03	0	8.48	1.34
6	Delhi	9.25	0.11	0	9.36	1.48
7	Goa	0.7	0	0	0.7	0.11
8	Gujarat	32.67	0.5	0	33.16	5.23
9	Haryana	9.53	0.17	0	9.7	1.53
10	Himachal Pradesh	3.86	0.06	0	3.92	0.62
11	Jammu & Kashmir	7.06	0.03	0	7.09	1.12
12	Jharkhand	15.78	0.1	0	15.88	2.51
13	Karnataka	38.25	0.09	0	38.34	6.05
14	Kerala	23.58	0.21	0	23.79	3.75
15	Madhya Pradesh	26.42	0.31	0.01	26.74	4.22
16	Maharashtra	47.6	0.17	0	47.78	7.54
17	Manipur	1.8	0	0	1.8	0.28
18	Meghalaya	1.12	0	0	1.12	0.18
19	Mizoram	0.35	0	0	0.35	0.06
20	Nagaland	0.91	0	0	0.91	0.14
21	Odisha	19.8	0.04	0	19.84	3.13
22	Punjab	14.56	0.09	0	14.65	2.31
23	Rajasthan	26.66	0.2	0.01	26.87	4.24
24	Sikkim	0.26	0	0	0.26	0.04
25	Tamil Nadu	49.27	0.21	0	49.48	7.81
26	Telangana	25.94	0.1	0.01	26.05	4.11
27	Tripura	2.1	0.01	0	2.11	0.33
28	Uttar Pradesh	89.64	0.36	0	89.99	14.20
29	Uttarakhand	4.14	0.02	0	4.17	0.66
30	West Bengal	88.41	0.26	0.01	88.67	13.99
31	A & N Islands	0.19	0	0	0.19	0.03

Sl. No.	State/UT	Estimated Number of Enterprises (Number in lakh)				Percentage to Total
		Micro	Small	Medium	MSME	
32	Chandigarh	0.56	0	0	0.56	0.09
	Dadra & Nagar					
33	Haveli	0.15	0.01	0	0.16	0.03
34	Daman & Diu	0.08	0	0	0.08	0.01
35	Lakshadweep	0.02	0	0	0.02	0.00
36	Puducherry	0.96	0	0	0.96	0.15
	Total	630.52	3.31	0.05	633.88	100.00

Source: Annual Report 2020-21, Ministry of MSMEs, Govt. of India.

Table 3 reveals the State wise Distribution of Estimated Number of MSMEs in India. Out of the total MSMEs (633.88 lakh), State of Uttar Pradesh had the largest number of estimated MSMEs with a share of 14.20 percent of MSMEs in the country. Followed by West Bengal (88.67 lakh), Tamil Nādu (49.48 Lakh), Maharashtra (47.78 lakh), Karnataka (38.34 lakh), Bihar (34.46 lakh), Andhra Pradesh (33.87 lakh) Gujrat (33.16 lakh) Rajasthan (26.87 lakh) Madhya Pradesh (26.74 lakh). It is also found that, out of the total states/UT's of Country, above Top 10 States accounted for a share of 74.05 percent of the total estimated number of MSMEs in the country.

Employment in the MSME Sector:

The Ministry of Micro, Small and Medium Enterprises (MSMEs) implements various schemes to increase employment opportunities of MSME sector in the country. These include PMEGP, Micro and Small Enterprises-Cluster Development Programme (MSE-CDP), Scheme of Fund for Regeneration of Traditional Industries (SFURTI), Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) and a Scheme for Promoting Innovation, Rural Industry & Entrepreneurship (ASPIRE).

Table 4
Estimated Employment in the MSME sector

Activity	Estimated Number of Enterprises (in Lakh)			Percentage to Total
	Rural	Urban	Total	
Manufacturing	186.56	173.86	360.42	32.47
Electricity	0.06	0.02	0.08	0.01
Trade	160.64	226.54	387.18	34.88
Other Services	150.53	211.69	362.22	32.64
Total	497.79	612.11	1109.9	100.00

Source: Annual Report 2020-21, Ministry of MSMEs, Govt. of India.

Table 4 indicates the Estimated Employment in the MSME in India. MSME sector has been creating 1109.9 lakh jobs in the rural and the urban areas across the country, out of them, 360.41 lakh jobs created in Manufacturing, 0.08 lakh in Non-captive Electricity Generation and Transmission, 387.18 lakh in Trade and 362.82 lakh in Other Services

Table 5
Distribution of Employment by type of Enterprises in Rural & Urban Areas

Sector	Micro	Small	Medium	Total	Share (%)
Rural	489.3	7.88	0.6	497.78	44.85
Urban	586.88	24.06	1.16	612.10	55.15
All	1076.19	31.95	1.75	1109.89	100

Source: Annual Report 2020-21, Ministry of MSMEs, Govt. of India.



Table 5 shows that Distribution of Employment by type of Enterprises in Rural & Urban Areas. Micro sector with 630.52 lakh estimated enterprises provided employment to 1076.19 lakh persons that in turn accounts for around 97 percent 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.

Conclusions:

Micro, Small and Medium Enterprises (MSME) contribute significantly to the development process and acts as a vital link in the industrialization in terms of production, employment and exports for economic prosperity by widening entrepreneurial base and use of local raw materials and indigenous skills. Out of the total enterprises (MSMEs), most of the enterprises are from Micro sector and very few enterprises from Small sector & Medium sector. And it is also seen that as compare to urban area, most of the MSMEs are from rural area. State of Uttar Pradesh had the largest number of estimated MSMEs with a share of 14.20 percent of total MSMEs in the country. In case of employment, Micro sector with 630.52 lakh estimated enterprises provided employment to 1076.19 lakh persons that in turn accounts for around 97 percent of total employment in the sector.

References:

1. Annual Report 2020-21, Ministry of MSMEs, Govt. of India.
2. The Gazette of India: Extraordinary, Ministry of Micro, Small and Medium Enterprises Notification, New Delhi, the 1st June, 2020.
3. Report of the Expert Committee on Micro, Small and Medium Enterprises, The U K Sinha Committee constitutes by RBI, June 2019.
4. Key Indicators of Unincorporated Non-Agricultural Enterprises (Excluding Construction) in India, NSS 73rd Round Survey , Ministry of Statistics and Programme Implementation, Gov. of India.
5. www.msme.gov.in
6. <https://dcmsme.gov.in>