

ROLE OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) IN THE ECONOMIC DEVELOPMENT OF INDIA: A STUDY

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ABSTRACT

The Micro, Small and Medium Enterprises (MSMEs) of India play a very vital role in the manufacturing output, entrepreneurship promotion, employment generation, export, wealth distribution and economic development of our country. MSMEs create more opportunity for employment after agricultural sectors. It provides employment nearly 110.99 million people. Out 110.99 million people, 49.78 million are from Rural and 61.21 million are from urban areas. On the other hand, about 36.04 million people are from the manufacturing sector, 38.72 million from Trade and 36.23million are from the other service sector. As far as employment is concerned, 84.47 million people are male and 26.49million people are female. The labor-intensive MSME sector is more popular in India than Capital-intensive big Enterprise due to the huge population and shortage of capital formation. The MSME sector also runs a significant role in the development of the Indian economy with a massive network around 63.39million enterprises. The sector provides about 45% of industrial output, more than 40% of exports, over 28% of the GDP, while generating employment about 111 million people. This study reveals the role of MSMEs in the economic development of India from 2006-07 and onwards.

Keywords: MSME, Employment, Economic, GDP, Capital Formation.

Introduction

The Micro, Small and Medium Enterprises (MSME) sector has developed as a highly and dynamic sector of the Indian economy. MSMEs not only play an important role in providing large employment opportunities at comparatively lower cost of capital intensive than large industries but also help within the industrialization of rural & backward areas that reducing regional imbalances, assuring more equitable distribution of value and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country. The Micro, Small and Medium Enterprises Development (MSMED) Act was notified in 2006 to deal with policy issues affecting MSMEs because of the coverage and the investment ceiling of the world. The Act seeks to facilitate the event of those enterprises as also enhance their competitiveness. It provides the first-ever legal framework for the recognition of the concept of "enterprise" which comprises both manufacturing and repair entities. It defines medium enterprises for the primary time and seeks to integrate the three tiers of those enterprises, namely, micro, small and medium. The Act also provides for a statutory consultative mechanism at the national level with a balanced representation of all sections of stakeholders, particularly the three classes of enterprises and with a wide range of advisory functions. Establishment of specific funds for the promotion, development and enhancing the competitiveness of those enterprises. Notification of schemes or programs for this purpose of progressive credit policies and practices has been preferred for the procurements to products and services of the micro and little enterprises. Indian Micro, Small and Medium Enterprises (MSMEs) contributes significantly to the country's manufacturing output, employment generation, entrepreneurship promotion, export, wealth distribution as well as economic development. The MSMEs are the largest employment providers after

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agriculture and providing employment to nearly 110.99 million people. Out of 110.99 million people, 49.78 million are from rural and 61.21 million are from urban areas. On the other hand, 36.04 million people are from the manufacturing sector, 38.72 million from Trade and 36.23 million are from the other service sector. As far as employment is concerned, 84.47 million people are male and 26.49 million people are female. The labor-intensive MSME sector is more popular in India than capital-intensive big Enterprise due to the large population and lack of capital formation. This study reveals the role of MSMEs in India from 2006-07 and onwards.

Needs of the Study

Micro, small and medium enterprises (MSMEs) have recognized as the engine of economic growth and promoting equitable development. In this position, the researcher tried to attempt a study of the contribution made by micro, small and medium enterprises for the Indian economic growth and development.

Objectives

- To analyze the distribution and growth of MSMEs among the states in India.
- To study the status of employment through MSMEs all over the states of India.
- To recognize the contribution of MSMEs in Indian GDP and Export.
- To identify the number of enterprises and employment have done by the MSMEs over the years.

Hypothesis

- No such economic development was happening by the MSMEs in the employment and GDP growth.

Methodology

Secondary data have been collected from different Journals, Books, and Periodicals etc. And also consulted the following Reports:

- MSME's Annual Reports have been accessed from the year 2011-2012 to 2020-2021.
- NSS 73rd Round report has been consulted.
- RBI Reports have also been accessed.

Review of Literature

A Lot of literatures are available in the area of MSMEs and related aspect of its components. Brief review of literature is discussed below:

Syal, S. (2015) reported the labour intensity of the MSME sector was much higher than the big enterprises. The study revealed that MSME played a vital part in the overall betterment of the country. It was identified that MSME had played a vital role in Indian Economy. It had shown huge growth, outstanding performance and effective steps that had been initiated by the Government for the improvement of the MSMEs.

Srinivas .K.T. (2013) explained that nationwide MSMEs had been acknowledged as the engine of economic acceleration and for promoting unbiased progress. It was also reflected the role of MSMEs in comprehensive growth of Indian economy

Meha, M. C. (2013) discussed that MSME had a contribution in GDP and GNP of India. It acts as a breeding ground for industrialists to grow from small to big. MSME sector is increasing enormously in India. He reported that India had nearly 12 million MSMEs which was almost 50% of industrial output and 42% of India's total export. He concluded that if the Government and Financial Institution would take proper steps for MSME, the economic growth rate of India would be 8-10% for the next decades.

Srivastava, S. (2020) argued that the MSME) sector had developed as a vigorous sector of the Indian economy and a vital part of economic development. It had produced the second largest employment prospects. He had pointed out the second largest employment prospects of MSME that would generate more than 40% of exports, over 28% of GDP and would create opportunity of employment around 111 eleven million people. The MSME sector had contributed in a substantial way to the enlargement of the Indian economy. He argued that Gujarat was known as a land of industrialists and the impact of MSME sector could not be overlooked while enumerating the main problem of employment creation. This study had emphasized the impact of the MSME segment in Indian economy and had made clear the significance of Gujarat as a state in developing economies through MSME sector.

Shelly. R., Sharma. T & Bawa. S.S. (2020) enumerated that The Micro, Small and Medium Enterprises (MSME) were vital for the economic growth of any nation and played a crucial part, specifically for emerging countries as they would control economic movement, produce employment and subsidize poverty fall. After agriculture, this segment was the 2nd largest owner in India. The Indian MSME sector had developed as energetic and greatly vital sector of the economy. MSME had not only performed major role in creating huge employment by spending less capital as related to big industries but also had benefited industrialization rural parts. The crucial purposes of the paper were to search the progress in the volume of MSME units, GDP contribution, employment and exports of Indian MSME sector.

Saluja. D. (2012) analyzed that there was an increasing and worldwide recognition that the Micro, Small and Medium Enterprises played a catalytic role in the growth process of the best economy. This position got returned in the form of their growing number and increasing proportion in the whole product manufacturing, distributes, manpower employment, technical improvements and advancement of business skills. This paper tried to look at the moving meaning of the Micro, Small and Medium Enterprise and the role these enterprises are performing at the growth level of our economy. The importance of the Micro, Small a Medium enterprises (MSME) for its role in the Indian economy development was a matter of document and needs no further explanation. The opportunity that the MSMEs occurred to create more industrial growth and development in rural and urban areas.

Gade. S. (2018) explored that India's Micro, Small and Medium Enterprises (MSMEs) sector had performed as a vivacious and dynamic part of the economy. It had been recognized as a substance in upholding growth and development. MSMEs were playing a crucial role in generating a huge volume of employment at a miserable cost of capital in comparison to huge industries, helping in establishing of industries in economically regressive regions. The MSME's had increasingly enumerated outstanding progress in affinity to the entire industrial segment. This paper had attempted to study the role of the MSMEs sector in the country's growth and the areas required to strengthen the MSMEs sector to its uninterrupted contribution to India' progress. It was observed from the study that MSMEs could be again a hope for the economic development of Indian near past. The MSMEs were arranging more employment per unit of its production.

Das. P. (2017) explained that Micro, Small and Medium Enterprises found to be the pillar of an economy in sustaining a significant growth rate and in making employment opportunities. This sector had been regarded as the lamp of economic growth and social progress in many advanced and developing countries. The role of MSMEs in the Indian economy in terms of employment generation, having regional disparities, promote equitable economic development and increasing export potential of the country had been quite remarkable. Notwithstanding some infrastructural insufficiencies and tasks like a flow of formal credit and insufficient market connections, this sector had enumerated amazing success with favour to growth in numbers, huge of investment, the scale of production and ample contribution to national GDP. The study had attempted to emphasize on the massive growth probable and opportunities accessible in India for improvement of the MSME sector, to recognize important problems and challenges and offer propositions to address the same.

Bhuyan. U. (2016) discussed that the MSME sector was considered to be the rocket of progress of an economy. The proposed contribution of the Micro, Small and Medium Enterprises (MSME) sector, together with the service sector, to the country's GDP during 2012-13 was 37.54 per cent; whereas the total employment in the sector is 805.24 Lakh. The role of the sector to India's overall export for the year 2014-15 was 44.70 per cent. Besides, the problems of poverty and disparity were deep-rooted, particularly in emerging countries like India. To address these difficulties, he added that we need a scheme of 'Inclusive Growth'. Progress could not be encompassed unless and until the fruits of the progress was percolated to the end of the pyramid. He concluded that an emerging nation like India, where discrimination in the supply of wealth and income were significantly insufficient, a sustained rise in per capita income could not be growth automatically to persistent increase in the standard of living without the effectiveness of the MSMEs.

Vibhuti. S. G., & Barki. G.S. (2016) had reported that a country's development would depend on the two segments like manufacturing and service sector. The manufacturing sector had played an indispensable role in the expansion of the strong economy of the country. He argued that the evident capacity of Micro, Small and Medium Enterprises (MSMEs) about the world for motivating economic growth and expansion at regional, national and worldwide levels could not be overstated. As India geared up to review the high growth track, the MSME sector assumes an essential role in driving the

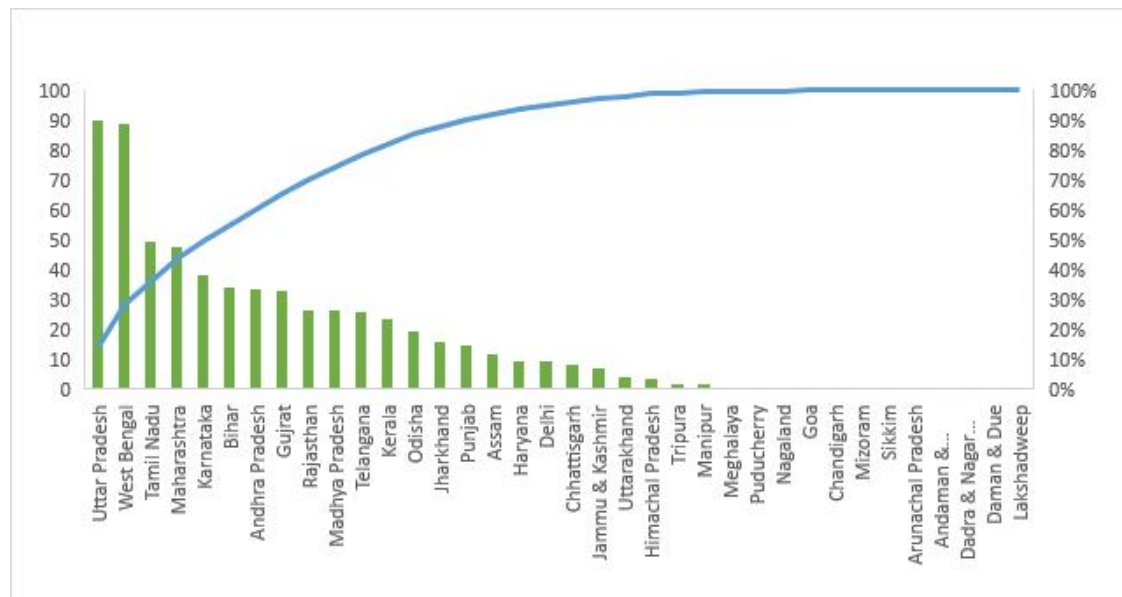
development engine. The MSME sector in India continued to demonstrate significant flexibility in the face of trilling global and internal economic circumstances. The MSMEs sustained the annual progress rate over the last few years. The government of India had begun to make in India concept. The present paper had been concentrated on the part of MSMEs in the Indian economic growth.

Data Analysis

Table 1: State wise Distribution of Number of MSMEs & Proprietary of MSMEs by Male and Female

State/UT	No. of MSMEs (in Lakhs)	% Share of States in No of MSME	Rank of No. 'S of MSME	Male (in Lakhs)	% Share of States in No of Male owner's MSME	Rank of Male's share	Female (in Lakhs)	% Share of States in No of Female owner's MSME	Rank of female's share
Jammu & Kashmir	7.09	1.119	20	6.241	0.012883	20	0.757	0.006194	20
Himachal Pradesh	3.92	0.618	22	3.295	0.006802	22	0.503	0.004116	22
Punjab	14.65	2.311	15	11.838	0.024436	15	2.442	0.01998	13
Chandigarh	0.56	0.088	29	0.443	0.000914	29	0.0556	0.000455	31
Uttarakhand	4.17	0.658	21	3.8	0.007844	21	0.209	0.00171	26
Haryana	9.7	1.530	17	8.316	0.017166	17	0.983	0.008043	15
Delhi	9.36	1.477	18	8.272	0.017075	18	0.867	0.007094	17
Rajasthan	26.87	4.239	9	22.611	0.046673	9	0.38	0.003109	23
Uttar Pradesh	89.99	14.197	1	80.109	0.16536	1	8.627	0.070586	5
Bihar	34.46	5.436	6	32.396	0.066872	5	1.983	0.016225	14
Sikkim	0.26	0.041	31	0.2088	0.000431	30	0.0503	0.000412	32
Arunachal Pradesh	0.23	0.036	32	0.162	0.000334	32	0.063	0.000515	30
Nagaland	0.91	0.144	27	0.657	0.001356	26	0.209	0.00171	26
Manipur	1.8	0.284	24	0.863	0.001781	24	0.866	0.007086	19
Mizoram	0.35	0.055	30	0.204	0.000421	31	0.166	0.001358	29
Tripura	2.11	0.333	23	1.792	0.003699	23	0.2904	0.002376	24
Meghalaya	1.12	0.177	25	0.722	0.00149	25	0.695	0.005686	21
Assam	12.14	1.915	16	11.28	0.023284	16	0.867	0.007094	17
West Bengal	88.67	13.988	2	55.83	0.115244	2	29.01	0.237358	1
Jharkhand	15.88	2.505	14	12.509	0.025821	14	3.404	0.027851	11
Odisha	19.84	3.130	13	15.674	0.032354	12	2.955	0.024178	12
Chhattisgarh	8.48	1.338	19	7.27	0.015007	19	0.91	0.007446	16
Madhya Pradesh	26.74	4.218	10	22.753	0.046967	8	3.704	0.030306	10
Gujrat	33.16	5.231	8	23.759	0.049043	7	8.266	0.067632	7
Daman & Due	0.08	0.013	35	0.059	0.000122	35	0.016	0.000131	35
Dadra & Nagar Haveli	0.16	0.025	34	0.128	0.000264	34	0.026	0.000213	34
Maharashtra	47.78	7.538	4	37.97	0.078377	3	8.112	0.066372	8
Andhra Pradesh	33.87	5.343	7	21.603	0.044593	10	8.38	0.068565	6
Karnataka	38.34	6.048	5	26.83	0.055382	6	9.36	0.076583	4
Goa	0.7	0.110	28	0.56	0.001156	28	0.198	0.00162	28
Lakshadweep	0.02	0.003	36	0.013	2.68E-05	36	0.0058	4.75E-05	36
Kerala	23.79	3.753	12	16.47	0.033997	11	4.95	0.040501	9
Tamil Nadu	49.48	7.806	3	34.42	0.07105	4	12.85	0.105138	2
Puducherry	0.96	0.151	26	0.653	0.001348	27	0.29	0.002373	25
Andaman & Nicobar	0.19	0.030	33	0.15	0.00031	33	0.0502	0.000411	33
Telangana	26.05	4.110	11	14.59	0.030117	13	9.72	0.079529	3

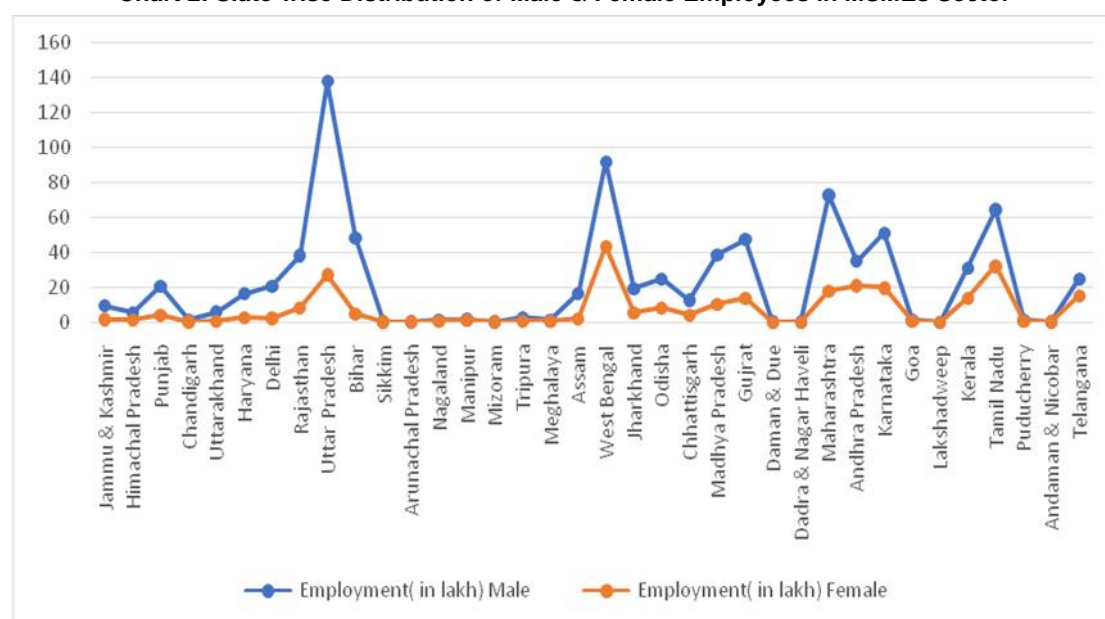
Source: MSME Annual Report 2020-2021

Chart 1: State wise Distribution of Number of MSMEs at a Glance**Table 2: State-Wise Distribution of No. of Employees in MSMEs (As per NSS 73rd Round)**

State/UT	Employment (in lakh) Male	% Share of States in No of Male	Rank of Male	Employment (in lakh) Female	% Share of States in No of Female	Rank of Female	Combined Rank of Male & Female
Jammu & Kashmir	9.37	0.01109	20	1.5	0.00566	20	40
Himachal Pradesh	5.29	0.00626	22	1.13	0.00427	22	44
Punjab	20.55	0.02433	15	4.24	0.016	15	30
Chandigarh	1.17	0.00139	29	0.12	0.00045	31	60
Uttarakhand	5.91	0.007	21	0.69	0.0026	24	45
Haryana	16.27	0.01926	18	2.78	0.01049	17	35
Delhi	20.59	0.02438	14	2.41	0.0091	18	32
Rajasthan	38.31	0.04536	9	8.01	0.03023	12	21
Uttar Pradesh	137.92	0.16329	1	27.27	0.10293	3	4
Bihar	48.26	0.05714	6	4.79	0.01808	14	20
Sikkim	0.31	0.00037	31	0.14	0.00053	30	61
Arunachal Pradesh	0.29	0.00034	32	0.11	0.00042	32	64
Nagaland	1.18	0.0014	28	0.59	0.00223	25	53
Manipur	1.52	0.0018	24	1.4	0.00528	21	45
Mizoram	0.34	0.0004	30	0.28	0.00106	29	59
Tripura	2.51	0.00297	23	0.44	0.00166	27	50
Meghalaya	1.19	0.00141	27	0.72	0.00272	23	50
Assam	16.37	0.01938	17	1.78	0.00672	19	36
West Bengal	91.95	0.10887	2	43.51	0.16423	1	3
Jharkhand	19.34	0.0229	16	5.57	0.02102	13	29
Odisha	24.87	0.02945	13	8.37	0.03159	11	24

Chhattisgarh	12.79	0.01514	19	4.07	0.01536	16	35
Madhya Pradesh	38.61	0.04571	8	10.13	0.03824	10	18
Gujrat	47.44	0.05617	7	13.71	0.05175	9	16
Daman & Due	0.12	0.00014	35	0.02	0.00008	35	70
Dadra & Nagar Haveli	0.29	0.00034	32	0.07	0.00026	34	66
Maharashtra	72.77	0.08616	3	17.97	0.06783	6	9
Andhra Pradesh	34.98	0.04142	10	21.01	0.0793	4	14
Karnataka	51.11	0.06051	5	19.73	0.07447	5	10
Goa	1.2	0.00142	26	0.41	0.00155	28	54
Lakshadweep	0.02	0.00002	36	0.01	0.00004	36	72
Kerala	30.86	0.03654	11	13.77	0.05198	8	19
Tamil Nadu	64.45	0.07631	4	32.27	0.12181	2	6
Puducherry	1.27	0.0015	25	0.57	0.00215	26	51
Andaman & Nicobar	0.29	0.00034	32	0.1	0.00038	33	65
Telangana	24.91	0.02949	12	15.24	0.05752	7	19

Source: MSME Annual Report 2020-2021

Chart 2: Slate-wise Distribution of Male & Female Employees in MSMEs Sector**Table 3: Contribution of MSME Sector in Gross Domestic Product (GDP)**

Year	All India GDP (Rs. In Crores)	GDP by MSME Sector (Rs. In Crores)	Share of GDP (in %) of MSME Sector in All India GDP
2011-12	87,36,329	26,20,898.70	30
2012-13	99,44,013	30,22,979.95	30.4
2013-14	1,12,33,522	33,92,523.64	30.2
2014-15	1,24,67,959	36,58,099.17	29.34
2015-16	1,37,71,874	40,59,948.45	29.48
2016-17	1,53,91,669	45,02,063.18	29.25
2017-18	1,70,98,304	50,86,745.44	29.75
2018-19	1,89,71,237	57,45,593.43	30.27

Source: MSME's Annual Reports

Chart 3

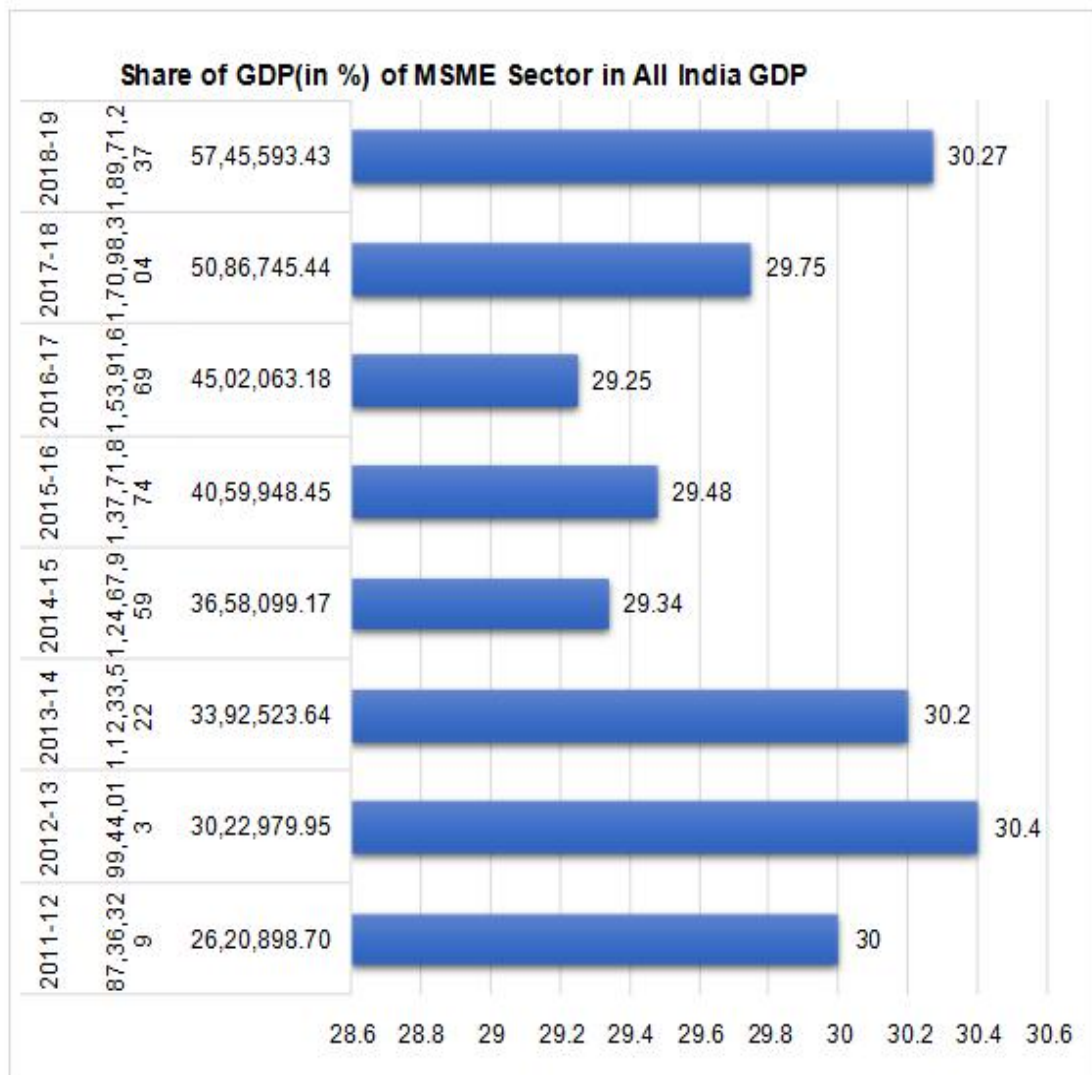


Table 4: Number of MSMEs and Employment Generated from 2006-07 to 2015-16

Year	No. of Enterprise (in Lakhs)	% Increase/Decrease over the Previous Year	Employment (in Lakhs)	% Increase/Decrease over the Previous Year
2006-07	361.76	-	805.23	-
2007-08	377.36	4.31	842	4.57
2008-09	393.7	4.33	880.84	4.61
2009-10	410.8	4.34	921.79	4.65
2010-11	428.73	4.36	965.15	4.70
2011-12	447.64	4.41	1011.69	4.82
2012-13	467.54	4.45	1061.4	4.91
2013-14	488.46	4.47	1114.29	4.98
2014-15	501.57	2.68	1171.32	5.12
2015-16	633.88	26.38	1109.89	-5.24

Source: MSME's Annual Reports

Chart 4: Number Enterprise & Employment generated by MSME from 2006-07 to 2015-16

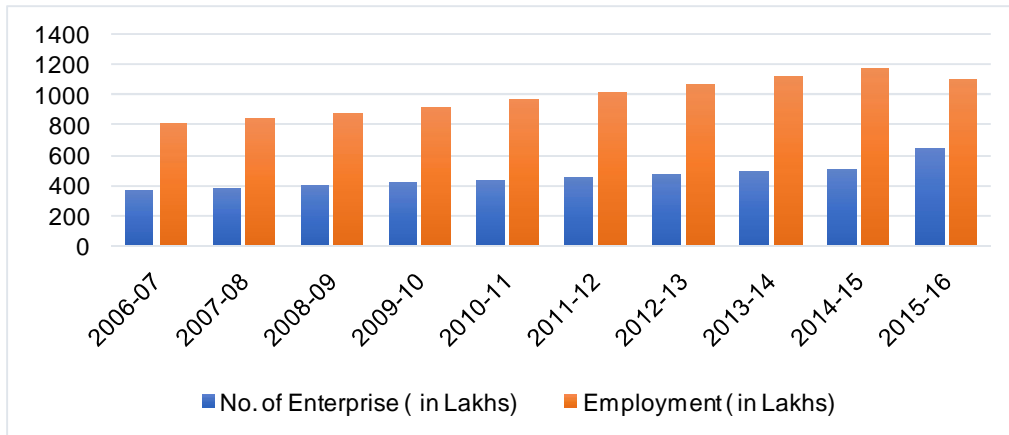
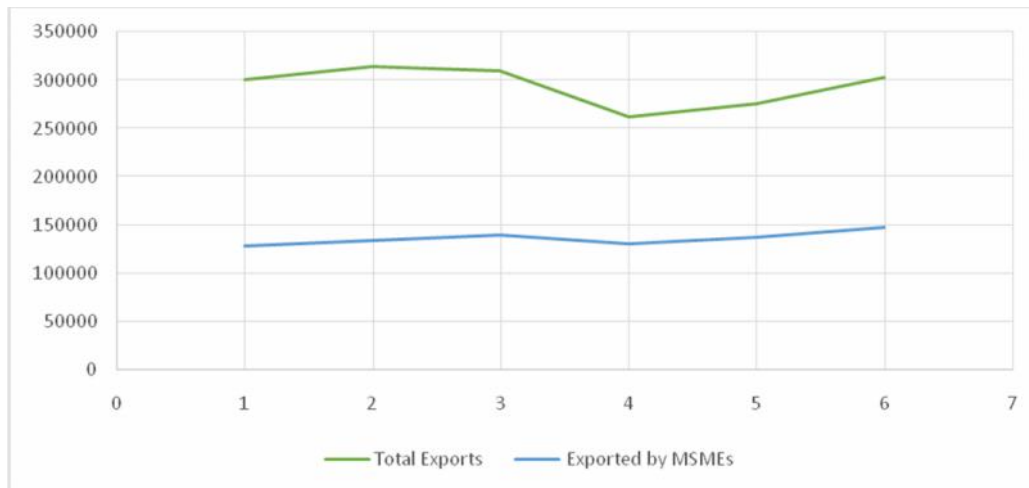


Table 5: Exported by MSME and its Share in Total Export (Amount in USD Million)

Year	Total Exports	Exported by MSMEs	Share of MSME Exports (in %)
2012-13	300400	127992	42.61
2013-14	314415	133313	42.40
2014-15	310352	138896	44.75
2015-16	262291	130768	49.86
2016-17	275852	137068	49.69
2017-18	303376	147390	48.58

Source: RBI's Annual Reports

Chart 5: Chart of Export by MSME in Total Export



Finding & Conclusion

According to our analysis, among the Indian States, Uttar Pradesh has obtained first and West Bengal has reached second position in terms of number and proprietary of Male in MSMEs. Tamil Nadu is lagging behind in comparison with the above two states for the aforesaid cases, but has also stood second in consideration of Female Proprietary of MSMEs.

As per NSS 73 Ed Round Report, it has been observed that Uttar Pradesh and West Bengal have been dominated occupying first and second position in the employment of Male counterpart in MSMEs followed by Maharashtra, Tamil Nadu and Karnataka. On the other hand, West Bengal has been dominated keeping its first position in the employment of female in MSMEs. Tamil Nadu and Uttar Pradesh have reached second and third position successively among the states in India.

GDP has also been reflected by 30% of the total GDP's of our country in a constant rate over the last eight years through the production of MSME Sector. In comparison with Micro, Small and Medium enterprises, Micro has dominated by its volume and numbers through creation of employment opportunities. The MSME has played a significant for the development of the Indian economy with a massive network of around 63.39 million enterprises. This sector has also contributed about 45% of industrial output, over 28% of GDP and employment opportunity about 111 million people.

Lastly it has been stated that increasing trend of growth of enterprise and enhancement of employment have noticed from the year 2006-07 to 2014-15. The MSME sector in India has arranged more than 40% of total exports producing its manufacturing goods and services. Further, it can be stated that the share of MSME exports has been enhanced from 43% in 2012-13 to 49% in 2017-18 over the years. Therefore, the MSMEs have generated employment opportunities and created more GDPs that leads to positive impact on Indian Economy through Economic Development.

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