

THE MSME SECTOR'S CONTRIBUTION TO THE INDIAN ECONOMY: A STUDY WITH PARTICULAR REFERENCE TO UTTAR PRADESH

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ABSTRACT

Over the past fifty years, the Sector of Micro, Small and Medium sized businesses has grown to be one of the most vital and dynamic parts of the economy. It makes a substantial contribution to the economic and social advancement of the nation by encouraging entrepreneurship and creating a significant number of job possibilities at a relatively low capital cost, second only to agriculture. The MSMEs are expanding their sphere of influence across economic sectors and generating a wide range of goods and services to satisfy domestic and international market demands. The dream of making Uttar Pradesh 'Uttam Pradesh' seems to be coming true. Despite the global pandemic corona, the development journey of the state is moving forward continuously. Perhaps this is the reason that today Uttar Pradesh has left behind all the states in terms of providing employment in the country. The state is thought to have 89.99 lakh MSMEs, according to statistics from the 2015- 2016 National Sample Survey. West Bengal is next 88.67 lakh, while Tamilnadu is third with 49.98 lakh. This study emphasis the importance of the MSME Sector to the Indian Economy and demonstrates how crucial it is for Uttar Pradesh to support entrepreneurship in the state through supporting the MSME Sector.

Keywords: MSME, Entrepreneurship, Indian Economy, International Market Demands, Global Pandemic.

Introduction

Achievement is achieved only by doing enterprise, nothing happens by just thinking. If we change the meaning of this verse a little according to today's time, then we would say that it is only through the enterprise of MSMEs that self- reliant India campaign will be achieved and India will be empowered. The speed of the Indian economy today has the entire world in awe, and a significant portion of this speed can be attributed to the MSMEs sector. Because of this, the MSMEs sector accounts for a sizable portion of India's exports today, therefore the definition of MSMEs; Maximum support to Micro, Small and Medium Enterprises. One of the main reasons why starting a business is now a comfortable choice for families in our rural towns and villages is how simple it is to obtain loans. Every Indian can now start their own business thanks in large part to the Mudra Yojana. The Micro, Small and Medium Enterprise is a crucial pillar of the Indian economy because it significantly boosts economic growth and accounts for 45% of manufacturing production due to its extensive network. Over 110 million jobs, or 22-23% of all employment in India, are provided by MSMEs. After Agriculture, it comes in second place.

With 75 districts divided into 18 divisions and Lucknow as its capital, Uttar Pradesh is the largest state in the Union. Around 17% of India's 200 million people, or the greatest portion of the population, live in Uttar Pradesh, which has the largest population in the nation. The state's economy, which ranks third in India in terms of Gross Domestic Product, contributes 8% of that country's overall GDP. The state's GDP increased by 9.50% year between 2015-16 and 2020-21, reaching INR 17.91 trillion in that year. According to the 2017 U.P. unorganized survey, there are more than 160,000 Micro, Small and Medium sized businesses in UP, 93% of which are owned and operated by a single household. The businesses employed

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1.3 million employees in total, on average 8 individuals each. There are 6.7 million businesses in the U.P. that collectively employ 13.75 million people. According to data, the districts of Gautam Buddha Nagar, Agra, Meerut, Allahabad, Ghaziabad, Hardoi and Kanpur rank highest in a variety of important metrics like the number of businesses and workforce. Contrarily, clusters like Varanasi and Aligarh have a distinctive industrial heritage that can have a disproportionately large impact on output and employment and must be supported with well targeted interventions. With its enormous consumer base, quickly expanding physical infrastructure, ample supply of personnel, and reform – oriented proactive administration, U.P. which comprises 14.20% (or roughly 90 lakh) of MSMEs in the nation, is emerging as the nation's next economic frontier. Businesses in the state have many options to establish a global presence thanks to the policy framework and business climate.

Classification of Categories

As per new classification criteria of **Manufacturing and Services** units notified on **26.06.2020**, an enterprise shall be classified as a micro, small and medium enterprise on the basis of the following criteria, namely-

- A **micro enterprise**, where the **investment** in plant and machinery or equipment does not exceed **one crore** and **turnover** does not exceed **five crore rupees**.
- 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**.
- 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 aforementioned data makes it clear that the MSMEs sector, which is home to numerous traditional clusters including agriculture, leather, handloom and handicrafts serve as the foundation of Uttar Pradesh's manufacturing industry. There are around 6.33 crore cases in the nation, according to the statistics from the National Sample Survey. 93% MSMEs occupy a unique position in the Indian Economy due to their contribution to rural development and the rural economy. The relevance of MSMEs in terms of economic, social and cultural factors. India's strength is enabling the nation advance towards the fourth industrial revaluation, as we have seen. Maintaining India's distinct status in the globalized world depends on MSMEs. They keep India protected from shocks to the global economy by maintaining domestic capacity and demand.

Table 1: Major MSME Clusters in Uttar Pradesh

Product	MSME Clusters
Ceramic	Bulandshaher
Brass & Art ware, Metal ware	Moradabad
Carpet	Bhadohi, Varanasi, Mirzapur, Shahjahanpur
Chikan	Lucknow and nearby districts
Pottery	Khurja, Nizamabad
Woodcarving	Saharanpur
Locks, Building Hardware, Artmetal	Aligarh
Silk and Brocade, Benarsi saree	Varanasi
Leather	Kanpur Unnao, Agra
Powerloom, handloom	Jhansi, Mau
Zari, embroidery	Lucknow, Farukhabad, Bareilly, Unnao
Art Jewellery	Meerut, Kanpur, Varanasi, Ghaziabad
Scissor	Meerut
Glass	Firozabad
IT/ITeS	Noida

Source: MSME annual reports 2021-2022

Literature Review

Sharma, Jyoti (2016) in his work, "**An Emerging Pillar of Indian Economy**" investigate the contribution of MSME towards the growth of Indian Economy as well as the present scenario in the country. In this study various data of 4th All India Census of MSME was collected. After presenting various statistics, an opportunity to connect with another sector related to MSME sector was presented as a conclusion. Thus, we can say on the basis of this study that it is essential to care of MSME sector to facilitate it to take care of the Indian Economy.

Das, K. Dipak (2021) in his research, “**Role of Micro, Small and Medium Enterprises (MSME) in Economic Development of India**” investigate that it is not only an employment generating sector but also helps in the development of rural and backward areas of the Nation. The MSME scenario of 2021 has been presented in this study and the percentage of rural and urban MSME has been shows. Along with this, how much Gross Value Added (GVA) was contributed by the MSMEs of that time in India's GDP.

Shelly, et.al. (2020) in his study, “**Role of Micro, Small and Medium Enterprises in Indian Economy**” shows that in order to examine the relationship between the expansion of the MSME sector and the achievement of the Sustainable Development Goals (SDG) 2030, as well as to highlight the MSME sector's issue, it is necessary to look at the number of units, GDP contribution, employment and exports of the Indian MSME sector.

Aim of the Study

The main aim of this study is to investigate the contribution of MSME Sector to the Economy of Uttar Pradesh in Particular, along with some emphasis on the role of MSME Sector for Indian Economy in general, with the help of UP MSMEs Policy, 2017.

Research Methodology

The present study is descriptive in nature. The secondary data have been used in this study, which is mostly drawn from the Micro, Small and Medium Enterprises Businesses' annual reports, forms the foundation of the study. In keeping with the goals of the study, the data is also gathered from a variety of articles and journals.

Discussions

With a total size of 240928 square km, or 7.3% of all of India, Uttar Pradesh is the fourth- largest state in terms of land mass. According to the 2011 census, the state had 19.98 crore people, or 16.65% of all the people in India, making it the most populous state in the nation. Uttar Pradesh is the third-largest state in the nation with a Gross State Domestic Product (GSDP) of Rs. 11,45,234 crores, or 8.4% of the country's total GDP.

The state economy is significantly impacted by micro, small and medium-sized businesses (MSMEs). From the perspectives of capital investment, production and employment, the industry is immensely significant. The number of MSMEs in Uttar Pradesh is the highest in the nation (about 46 Lakh, 8%) and this industry is the second-largest employer in the nation after the agriculture industry. Among the state's exports, this industry plays a significant role. In terms of handicrafts, processed foods, engineering items, carpets, ready-to-wear clothing and leather goods, Uttar Pradesh has been at the top of the list. 4.37% of all exports in the country come from the state. The state government has implemented a number of initiatives in this area due to its key role in fostering self-employment, entrepreneurship and the creation of job prospects.

The importance of Micro Small and Medium Enterprises (MSMEs) in boosting the Indian economy's expansion cannot be overstated. They contribute significantly to industrialization and the formalization of the economy, in addition to creating employment prospectus at relatively cheap capital costs. They are also essential for attaining financial inclusion by reducing regional inequalities. MSME are deservedly hailed as the motor of the Indian economy because they contribute more than 30% of the GDP. Additionally, they constitute a crucial component in the supply chain and are responsible for 50% of exports. By 2024, the Indian government hopes to have a \$5 trillion economy and as part of that effort, MSME exports and output will each contribute 50% of that total respectively. In reality the government has prioritized MSME promotion as part of NITI Aayog's strategy for New India @75, with a special emphasis on reducing credit shortages and encouraging business to adopt industry 4.0 practices that boost productivity.

The manufacturing output, employment, and exports of the nation are all significantly impacted by the MSME sector. The National Small Industry Corporation Limited (NSIC), Khadi and Village Industry Corporation (KVIC), Coir Board, National Entrepreneurship Develop Industries (NDEP), Mahatma Gandhi Institute for Rural Industrialization (MGIRI) and National Board for MSMEs are among the organizations that the Ministry of MSME uses to carry out its policy formulation and implementation duties.

If we talk about the Khadi and Village Industries Corporation (KVIC) of India and Uttar Pradesh in the field of Indian economy, a large number of jobs were created between 2017 and 2021, which is shown by this table:

Table 2: Employment Comparison between India and Uttar Pradesh

Year	India (in Lakh)	Uttar Pradesh
2017-2018	4.65	24791
2018-2019	4.96	16863
2019-2020	4.97	6863
2020-2021	4.97	14322

Source: MSME annual reports

Setting all these goals, some other schemes were provisioned and the following beneficial steps were taken by the Government of Uttar Pradesh for scheduled caste, scheduled tribes and women entrepreneurs

It will be put into practice the **Vishwakarma Shram Samman Yojana**. Local craftsmen and traditional business owners will have access to this program's substantial money grant option while obtaining bank loans for the growth of traditional industries.

A programme called **Mukhyamantri Yuva Swarozgar Yojana** will be launched for the state's educated unemployed young in order to support their establishment of businesses in the industrial and service sectors. The beneficiary of this programme will receive a grant for margin money as well as an interest grant and their initiatives will be coordinated with the Pradhanmantri Mudra Yojana or Standup India programmes.

A special provision of 21% and 2% for scheduled castes and scheduled tribes respectively and 20% for women would be stipulated under the **Mukhyamantri Yuva Swarozgar Yojana**.

By integrating the **Mukhyamantri Swarozgar Yojana** with the Government of India Standup scheme, at least one SC/ST or female entrepreneur would receive aid in establishing a Micro, Small and Medium Scale Industry in every bank branch region.

The initiative calls for the establishment of six MSME parks throughout the state, the development of massive leather clusters in Kanpur Nagar and an increase in the amount of credit distributed to the MSME sector to Rs. 5 lakh Crore in collaboration with banks. This will open the door for the creation of five crore jobs. In this context, it is important to note that Uttar Pradesh has seen a 41% increase in its export value over the past five years, from Rs. 88967 Crore in 2017–2018 to Rs. 125903.76 crore in 2021–2022. (Up to January 2022)

If we talk about the MSMEs of Uttar Pradesh account for a major in India's total exports, it is because the maximum number of MSMEs are located in Uttar Pradesh among ten states of India which are as follows:

Table 3: Comparative Distribution of MSME in Top Ten States

Sl. No.	State/UT	NSS 73rd round*		Fourth All India Census of MSME and Fifth Economic Census**	
		Number (in lakh)	Share (%)	Number (in lakh)	Share (%)
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.	Gujrat	33.16	5	21.78	6
9.	Rajasthan	26.87	4	16.64	5
10.	Madhya Pradesh	26.74	4	19.33	5
	Total of above Ten States	469.4	74	261.04	72
	Other State/UT	164.5	26	100.72	28
	All	633.9	100	361.76	100

*NSS 73rd Round, 2015-16, ** Fourth All India Census of MSME, 2006-07 (Unregistered sector) and Fifth Economic Census, ***Including Telangana in Fourth All India Census of MSME

Entrepreneur is that part of the economy of any country or region, which affects the economy of that region, MSME sector is also such a sector for our country or state. If proper development of this sector is done through the means and policies of government, then the state's economy and immense possibilities of export and employment generation also develop along with it. The Government of Uttar Pradesh has made a provision for the Uttar Pradesh MSME Policy. At present, the MSME sector is prominent in every state of India, but the highest number is found in Uttar Pradesh only. About 6500 products are manufactured in the MSME sector. This sector is huge in terms of products.

This sector is such that most of the products can be manufactured locally and thus there is a huge scope for developing the technology for the products to be manufactured locally. There is also a huge requirement for training the people which even the Government was not able to do it till now. Under this current policy, the Uttar Pradesh Government has prepared the policy keeping all these things in the vision.

Conclusion

From the forgoing discussions, we may say that the Indian economy's development engine is the Micro, Small and Medium – sized firms. Due to their significant contribution to GDP, industrial output and exports, they have become a vital and active part of the economy. Under this study, Uttar Pradesh MSME Policy 2017 has been explained, under which maximum assistance has been provided by the Government to the enterprises of Uttar Pradesh, so that they can make a significant contribution to the economy of India.

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