

“An analysis of Growth of MSME’s in India and Their contribution in Employment and GDP of the Country.”

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Abstract: *If we see the Indian Economy, MSME’s (Micro Small and Medium Enterprise’s) have been one of important driving factor over the years. MSME’s provide many employment opportunities and also play a vital role in industrialization in rural areas which on the other hand also reduces the unequal income distribution among the residents. How MSME’s contribute in the development of Indian Economy? There are various factors such as Export Production, Domestic Production, Low Investment Requirements, Operational Flexibility, Technology Oriented Enterprises, etc. They also act as complimentary to the large industries which are operating in the economy and contribute significantly in the overall development of the country. On an account MSME’s has almost 36 million units that provide employment to nearly 80 million individuals. Product wise it produces 6000 products which contributes nearly 8% to the GDP of the country. It has 45% portion of total manufacturing output and 40% of the total exports of the country. So this paper is an attempt to study and understand the role of MSME’s in providing employment opportunities and push towards the inclusive development of the country. Also various problems and challenges faced by the MSME’s are also discussed in this paper. Data for the study has been collected and picked from various secondary sources such as magazines, various reports, newspapers and few government websites.*

Key Words: MSME’S, Employment, GDP, Inclusive Growth, Economic Development.

1. INTRODUCTION:

One of the important driving factors for the growth of economy is Medium Small and Micro Enterprise’s (MSME’s). MSME’s are very helpful in reducing the unbalanced income distribution among the people by providing employment opportunities and industrialization of these areas. MSME’s contribute in the development of Indian Economy by Export production, Operational Flexibility, Technology Oriented Enterprises, Domestic Production, etc. SME’s contribute enormously to the Socio-Economic development of the country by complementing large industries operating in the economy. The sector has almost 36 million units that provide employment to about 80 million individuals. The sector contributes 8% to the GDP of the country through production of 6000 products. The Ministry of Medium Small and Micro Enterprises is responsible for the development and promotion of MSME’s by designing Policies, Schemes & Projects. The Ministry of MSME’s is the monitoring body for the successful implementation of these Schemes & Policies. Primarily the State Government has the responsibility of promotion and development of MSME’s by the joint efforts of the Central Government. Even though the State Government are responsible for the Growth and Development of the MSME’s, the Central Government also come up with Collaboration to assist the State Government through number of initiatives. Following facilities are provided by the State Government with the Ministry of MSME’S: 1) Adequate flow of Credit from Financial institutions and Banks. 2) Support of technology up gradation and Modernization. 3) Integrated Infrastructural Facilities. 4) Modern testing facilities and quality certification. 5) Access to modern management practices. 6) Entrepreneurship development and skill up gradation through appropriate training facilities. 7) Support for product development. 8) Design intervention and packaging. 9) Welfare of Artisans and Workers. 10) Assistance for better access to domestic and export markets. 11) Cluster wise measures to promote capacity building and empowerment of the units and their collectives. The Ministry of MSME’s have setup various Commission, Institution, Organization and Acts to promote & develop Medium, Small and Micro Enterprise’s at different 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 Industrialization (MGIRI), National Board for Micro, Small & Medium Enterprise’s (NB MSME) and National Institute for Medium, Small and Micro Enterprise’s (NI MSME).

2. LITERATURE REVIEW:

1) **Ghatak Sambhu (2010):** in his paper titled as “Micro Small and Medium Enterprises (MSME’s) in India: an appraisal highlighted that the status of MSME’s in India is better than its counterparts in Bangladesh & Pakistan. About

95% of Indian MSME’s have bank accounts in comparison to which only 46% MSME’s in Bangladesh and only 36% MSME’s in Pakistan have their bank accounts. He further stated that Indian Government should accelerate its initiatives to provide further support to these small industries.

2) **Subrahmanya Bala (2011):** has analyzed the effect of globalization on export potential of small scale enterprise’s and have concluded that this impact was high in protection period but has shown the increasing trend in Liberalization period too but it seems to be stagnant growth. Therefore, the Govt. should continue the policy of enhancing the competitiveness of this SSI’s (Small Scale Industries’) through infusion of Finance, Technology and Marketing Support at different levels.

3) **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 up-liftment of the MSMEs in India. Therefore the entrepreneurs in India & Govt. should take some initiatives for further-development of these MSMEs in India.

3. Objectives of Study:

- 1) To study the current Status & Growth of MSME’s in India
- 2) To study the employment opportunities provided by the MSME’s and their impact of establishment in India.
- 3) To Study the various Challenges & Problems faced by the MSME’s in India.

4. ANALYSIS:

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. 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 Transmission⁴, 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 shows the distribution of MSMEs activity wise.

Table 1: Estimated Number of MSME’s (Activity-wise)

Activity Category	Estimated Number of Enterprises (in lakh)			Share (%)
	Rural	Urban	Total	
(1)	(2)	(3)	(4)	(5)
Manufacturing	114.14	82.50	196.35	31
Trade	108.71	121.64	230.35	36
Other Services	102.00	104.85	206.85	33
Electricity	0.03	0.01	0.03	0
All	324.88	309	633.88	100

Source: Annual Report 2018-19 GOI Ministry of MSME

It is seen that 31% MSMEs were found to be engaged in manufacturing activities, while 36% were in Trade and 33% in Other Services. Again out of 633.88 estimated numbers of MSMEs, 324.88 lakh MSMEs (51.25%) were in rural area and 309 lakh MSMEs (48.75%) were in the urban areas as is evident from Figure.

Table 2: Distribution of MSME’s Category wise

Sector	Micro	Small	Medium	Total	Share (%)
Rural	324.09	0.78	0.01	324.88	51
Urban	306.43	2.53	0.04	309.00	49
All	630.52	3.31	0.05	633.88	100

Source: Annual report 2018-19 GOI Ministry of MSME

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. Out of 633.88 estimated numbers of MSMEs, 324.88 lakh MSMEs (51.25%) are in rural area and 309 lakh MSMEs (48.75%) are in the urban areas. Table 2 shows the distribution of enterprises in rural and urban Areas. State-wise estimated number of MSMEs is also enclosed as Table-1.

Type of Ownership of Enterprises

Table 3: Percentage distribution of Enterprises in Rural and Urban

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

Source: Annual Report 2018-19 GOI Ministry of MSME

Table 4: Percentage distribution of Enterprises by Male/Female Owners

Category	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

Source: Annual Report 2018-19 GOI Ministry of MSME

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%). Further male dominance in ownership has been more pronounced for Small and Medium enterprises with 95% or more enterprises being owned by them, as compared to Micro enterprises where 80% were owned by males.

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, 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 shows the distribution of MSMEs activity wise.

Table 5: Estimated Employment in MSME Sector (Broad Activity Category Wise)

Broad 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	612.10	1109.89	100

Source: Annual Report 2018-19 GOI Ministry of MSME

Table 6: Distribution of Employment in Rural and Urban Areas (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

Source: Annual Report 2018-19 GOI Ministry of MSME

Out of 1109.89 lakh employees in MSME sector, 844.68 (76%) are male employees and remaining 264.92 lakh (24%) are females. The Table 6 and 7 shows the Sectorial distribution of workers in Male and Female category

Table 7: Sectorial distribution of workers in Male and Female Category (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

Source: Annual Report 2018-19 GOI Ministry of MSME

Contribution to GDP: 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. As per the data available with Central Statistics Office (CSO), Ministry of Statistics & Programme Implementation, the contribution of MSME Sector in country’s Gross Value Added (GVA) and Gross Domestic Product (GDP), at current prices for the last five years is as below:

Table 8: Contribution of MSME’s in Country’s GDP

(Figures in Rs. Crores adjusted for FISIM at Current Prices)						
Year	MSME GVA	Growth (%)	Total GVA	Share of MSME’s in GVA (%)	Total GDP	Share of MSME in GDP (%)
2011-12	2622574	-	8106946	32.35	8736329	30.00
2012-13	3020528	15.17	9202692	32.82	9944013	30.40
2013-14	3389922	12.23	10363153	32.71	11233522	30.20
2014-15	3704956	9.29	11504279	32.21	12467959	29.70
2015-16	4025595	8.65	12566646	32.03	13764037	29.20
2016-17	4405753	9.44	13841591	31.83	15253714	28.90

Source: Annual Report 2018-19 GOI Ministry of MSME

1) Gross Value Added (GVA): It may be noted that estimates of GVA had been prepared at factor cost in the earlier series (base year 2004-05), while these are being prepared at basic prices in the new series (2011-12). GVA estimated by production approach: (GVA = Output – Material Inputs) and GVA estimated by income approach: (GVA = Compensation of Employees + Operating Surplus + CFC)

2) Gross Domestic Product (GDP): GDP is derived by adding taxes on products, net of subsidies on products, to GVA at basic prices.

3) FISIM: In the previous base, the FISIM component of the output of financial intermediaries was based on the difference between total property receipts (dividend+ interest+ net profit on sale of investments) and total interest payments by the banking sector. In the present base, the FISIM has been computed only on loans and deposits, using the Reference Rate (RR) approach, as recommended in the SNA 2008. In short, it is (LR-RR)* average stock of loans + (RR-DR) * average stock of deposits. The RR = harmonic mean of lending rate and deposit rate for the banking sector. Moreover, FISIM, under the present method, does not include interest receipts on investments and debt securities, interest paid on borrowings and debt securities and net profit on sale of investments (POSI). These components have been considered as property income, which come directly under the gross savings of the financial corporations. Exclusion of receipts like POSI from the FISIM computation has also reduced the GVA of the banking sector.

6. RESULT:

Problems Faced by MSME: This includes : Lack of technical support, Lack of training initiatives for the entrepreneurs, Difficulty in getting the financial support, Inadequate infrastructure support, Lack of expertise in marketing of the products, Absence & non-affordability of advanced technology, Severe competition from the national & International Players, Absence of target markets for the products produced, Inadequate support from the banking system for credit facility, Scarcity of skilled labour, and Inadequate information etc.

7. CONCLUSION:

The MSME sector in India is growing at good pace & even 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 this 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.

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