



Performance of Micro, Small and Medium Enterprises (MSMEs) - A Comparative Analysis of Top 10 States.

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Abstract:

The Micro, Small and Medium Enterprises (MSMES) have always been considered as growth engine of the Indian economy. MSMES are well known for its lower investment and technology requirement. After agriculture, this sector holds second position in generating employment opportunities in Indian economy. The Micro, Small & Medium Enterprises (MSMEs) have been contributing significantly to the expansion of entrepreneurial endeavors 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 more employment opportunities at comparatively lower capital cost than large industries.

Keywords: Micro, Small, Medium, Industries, MSME

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 not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth.

MSMEs serve as auxiliary units to large companies and make a substantial contribution to the country's inclusive industrial growth. 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 markets.

Definition of Micro, Small and Medium enterprises:

In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified as below:

- 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;

- 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
- 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.

In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified as below:

Composite Criteria: Investment in Plant & Machinery/equipment and Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing Enterprises	Investment in Plant and Machinery or Equipment:	Investment in Plant and Machinery or Equipment:	Investment in Plant and Machinery or Equipment:
Enterprises rendering Services	Not more than Rs.1 crore and Annual Turnover ; not more than Rs. 5 crore	Not more than Rs.10 crore and Annual Turnover ; not more than Rs. 50 crore	Not more than Rs.50 crore and Annual Turnover ; not more than Rs. 250 crore

Review of Literature:

- **Bargal et al. (2009)** examined the causal relationship among the three variables GDP, SSI output and SSI exports and also have compared the performance parameters of SSIs in the pre and post liberalization era. The study found that the annual average growth rate of different parameters of SSIs have declined in the period of nineties vis-à-vis the pre-reform years. There is an absence of any lead-lag causal relationship between exports and production in small-scale sector and GDP of Indian economy.
- **Dixit and Pandey (2011)** applied co-integration analysis to examine the causal relationship between SMEs output, exports, employment, the number of SMEs and their fixed investment and India's GDP, total exports and employment (public and private) for the period 1973-74 to 2006- 07. Their study revealed the positive causality between SMEs output and India's GDP.
- **Singh et al. (2012)** analyzed the performance of Small scale industry in India and focused on policy changes which have opened new opportunities for this sector. Their study concluded that SSI sector has made good progress in terms of number of SSI units, production & employment levels. The study recommended the emergence of technology development and strengthening of financial infrastructure to boost SSI and to achieve growth target.
- **Venkatesh and Muthiah (2012)** found that the role of small & medium enterprises (SMEs) in the industrial sector is growing rapidly and they have become a thrust area for future growth. They emphasized that nurturing SME sector is essential for the economic well-being of the nation. The above literature highlights the various aspects viz. Performance, growth & problems of MSMEs in Indian economy and induces for continued research in this field.
- **Kankipati et al (2017)** has observed that the entrepreneurship generally speaking refers to the overall course of action undertaken by an owner in starting and managing his enterprise for profit. 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. Over last 5 decades MSME sector emerged as extremely effervescent and vigorous segment of Indian economy. There is continuous growth in MSME employment and MSME providing more employment opportunities over last 7 years.

Objectives:

- To know the Share of Gross Value Added (GVA) of MSME in all India GDP.
- To evaluate the performance of MSMEs with regards to Distribution of Enterprise by social status.
- To study the comparative distribution of top ten states.

Methodology:

The study is based on secondary data. A survey and observation by the selected literatures in the published reports. The annual reports of the MSMEs from 2014-15 to 2021-22 are considered for the analysis. The various websites of Micro, Small and Medium Industries and Government of India etc. are also considered for analysis.

Analysis and findings:

In the present study to analyze the performance of MSMEs percentage were calculated and the contribution towards the GDP and also comparative statements were prepared for top ten states.

Table No 1: Share of Gross Value Added (GVA) of MSME in all India GDP

Year	MSME GVA	Growth (%)	Total GVA	Share of MSME in GVA (%)	Total GDP	Share of MSME in GDP (%)
2014-15	3658196	-	11504279	31.8	12467959	29.34
2015-16	4059660	10.97	12574499	32.28	13771874	29.48
2016-17	4502129	10.9	13965200	32.24	15391669	29.25
2017-18	5086493	12.98	15513122	32.79	17098304	29.75
2018-19	5741765	12.88	17139962	33.5	18971237	30.27

Source: Annual Reports 2021-22

From the table no 1, it is clear that the contribution towards GDP is increasing year by year and the total GVA was 10.97% in the year 2015-16, it increased to 12.88% in the year 2018-19. The total share of MSME in GVA (%) in the year 2014-15 is 31.8% and it is increased in the year 2015-16 at 32.28% and in the year 2018-19 the share of MSME in GVA was 33.5%. The contribution towards GDP was increasing from 2014-15 to 2018-19. In the year 2014-5 the GDP share of MSMEs was 29.34% were as in the year 2018-19 the percentage of share of MSME was increased to 30.27%.

Table no 2: Percentage Distribution of Enterprise by Social Groups

Percentage Distribution of Enterprise by Social Groups						
Sector	SC	ST	OBC	Others	Not Known	Total
Rural	15.37	6.7	51.59	25.62	0.72	100
Urban	9.45	1.43	47.8	40.46	0.86	100
Total	12.45	4.1	49.72	32.95	0.79	100

Source: Annual Reports 2021-22

From the table no 2, the percentage distribution of enterprise by social groups are given in the table. According to Sector wise and category wise of the social groups are segregated. Under Rural Category, SC Category represents 15.37%, ST Category represents 6.7%, OBC Category represents 51.59%, Others Category represents 25.62%, and Not Known Category represents only 0.72%. Under Urban Category, SC Category represents 9.45%, ST Category represents 1.43%, OBC Category represents 47.8%, Others Category represents 40.46%, and Not Known Category represents only 0.86%. The total percentage of rural and urban sectors are SC 12.45%, ST 4.1%, OBC 49.72%, others 32.95%, Not Known 0.79%.

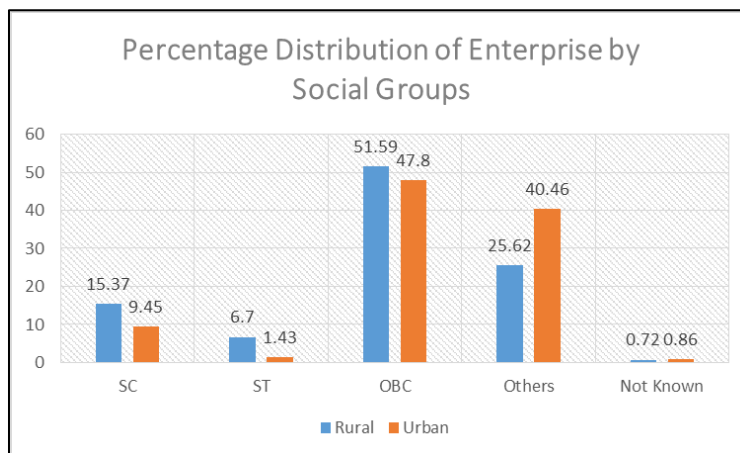


Figure no 1: Percentage Distribution of Enterprise by Social Groups

Table No: 3 Gender based Distribution of Enterprise of MSMEs

<i>Gender Based Distribution of Enterprise in Rural and Urban Areas. (in Lakhs)</i>			
<i>Sector</i>	<i>Male</i>	<i>Female</i>	<i>Total</i>
<i>Rural</i>	77.76	22.24	100
<i>Urban</i>	81.58	18.42	100
<i>Total</i>	79.63	20.37	100

Source: Annual Reports 2021-22

From the table no 3, the table shows the distribution of enterprise of MSMEs based on Gender according to the sectors. Under Rural Category the Male represents 77.76 (in Lakhs) and Female represents 22.24 (in Lakhs). Under Urban Category 81.58 (in Lakhs) represents Male and 18.42 (in Lakhs) represents Female. Total Male under both categories are 79.63 (in Lakhs), and total Female under both categories are 20.37 (in Lakhs).

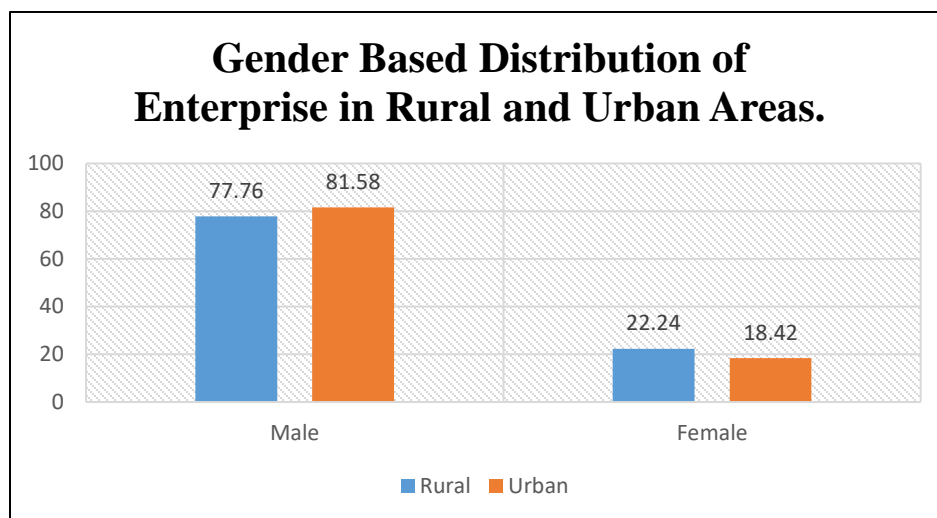


Table No 4: Comparative Distribution of top ten states

S.No	State/UT	NSS 73rd Round*		Fourth All India Census of MSMEs & Fifth Economic Census **	
		Number (in Lakhs)	%	Number (in Lakhs)	%
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	14.7	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	469.4	74	261.04	72
12	Other States/UTs	164.5	26	100.72	28
13	Total	633.9	100	361.76	100

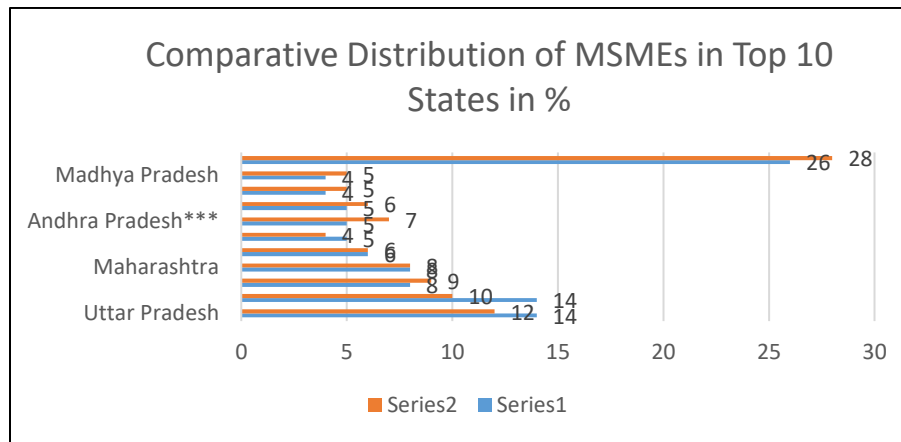
*NSS 73rd Round, 2015-16,

** Fourth All India Census of MSME, 2006-07 (Unregistered sector) and Fifth Economic Census,

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

Source: Annual Reports 2021-22

From the table no 3, the table reveals the percentage according to NSS 73rd Round and Fourth All India Census of MSMEs & Fifth Economic Census in percentage (%). The total contribution from Uttar Pradesh State is 28% which is highest among the top ten states. Followed by West Bengal with 24%, Tamil Nadu with 17%, Maharashtra with 16%, Karnataka with 12%, Bihar with 9%, Andhra Pradesh with 12%, Gujarat with 11%, Rajasthan with 9%, Madhya Pradesh with 9%, Other States/UT's with 54%.



Conclusion:

The Government took the initiative to develop and improve the quality and productivity of the MSMEs contribution towards GDP. In terms of trade and other activities, the rural region group outperformed the urban. In terms of ownership differences between rural and urban areas, men in urban areas have a greater impact on MSME activity. The total contribution from Uttar Pradesh State is 28% which is highest among the top ten states. The contribution towards GDP was increasing from 2014-15 to 2018-19. In the year 2014-5 the GDP share of MSMEs was 29.34% were as in the year 2018-19 the percentage of share of MSME was increased to 30.27%. The total percentage of rural and urban sectors are SC 12.45%, ST 4.1%, OBC 49.72%, others 32.95%, Not Known 0.79%.

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