



# AN ANALYSIS OF THE GROWTH OF MICRO SMALL AND MEDIUM ENTERPRISES IN INDIA

**Dr. Diwakar Buddha**

Head, Assistant Professor, Commerce

**Dr. Deepika (Corresponding Author)**

Assistant Professor, Commerce

## **ABSTRACT**

The MSME segment contributes considerably in the social and economic development of the country. MSME foster entrepreneurship and generate large employment opportunities comparatively at lower capital cost. The key objective of this study is to measure the present proportions of MSMEs in India with the help of different parameters such as activity wise, gender wise and social groups wise. Study further wanted to reveal the estimated employment through the MSME sector area wise and activity wise. Secondary data has been collected for the study and simple percentage method is used for the analysis. It has found out by the analysis that maximum share (36%) deals with trade related activities in India and for manufacturing sector it is shown as 186.56 lakhs in rural areas and it is the maximum number of enterprises under this sector and 173.86 lakhs in urban areas.

## **KEY WORDS**

MSMEs, India, Employment, Rural, Urban, Manufacturing, Service, Trade, Ministry of MSME.

## **INTRODUCTION**

Over the last five decades, Micro, small and medium enterprises (MSME) sector has emerged as a highly vibrant sector of the Indian economy. This particular segment is also important for overall industrial development of a country. Ministry of MSME visualize a progressive industrial MSME sector by promoting growth and development of the sector, including Khadi, Village and Coir industries, with the help of concerned departments/ministry or state government. A number of statutory and non-statutory bodies work under the aegis of the ministry of micro, small and medium enterprises.

1. Khadi and village industries commission (KVIC)
2. Coir board
3. National small industries corporation (NSIC)

4. National institute for micro, small and medium enterprises(NIMSME)
5. Mahatma Gandhi institute for rural industrialization (MGIRI)

Ministry of small scale industries and the ministry of agro and rural industries were merged to ministry of ministry of micro, small and medium enterprises (M/o MSME) on 9 may 2007. The ministry of MSME runs numerous plans and schemes aimed at financial assistance, technology support and up gradation of infrastructure, development of skills, enhancing competitiveness, training programmes and assistant of market. Further, ministry is committed towards an agenda of inclusive growth and development and also has taken so many initiatives and measures to ensure that demographically as well as geographically weaker section benefit from its work. Ministry of MSME is also committed towards the progressive use of Official Language (HINDI) in all the attached offices under the ministry of MSME.

The micro, small medium enterprises development (MSMED) act was notified in 2006 to address different issues affecting MSMEs. The minister of MSME had established the National Board for Micro, Small and Medium Enterprises and this board has been formed mainly to ascertain the factors and issues affecting the growth and development of MSME sector. This board is mainly performing the activities of reviewing the policies and programmes performed to promoting the MSMEs and boosting their level of competitiveness. This board done the work to provide the legal recognition to the concept of “Enterprise” as per this concept enterprise includes both the sectors production as well as service activities. It has been defined the medium enterprises for the first time by this board and it has made the composition of three words of Micro, Small and Medium enterprises.

It has given the power to the Central government to enhance the level of competitiveness of MSMEs and to formulate the policies and programme and issues legal rules and regulation to improve its efficiency in comparison to other industries.

#### **Definition of Micro, Small and Medium enterprises (MSMEs)**

MSMED Act 2006 defined Micro, Small and Medium enterprises (MSMEs) on the basis of its amount of investment in plant and machinery or equipment and also the amount of turnover and categorized into three parts as Micro, Small and Medium enterprises as follows:

- 1) For micro enterprise, the amount of investment in plant and machinery or equipment doesn't exceed rupees 1 crore and for turnover doesn't exceed rupees 5 crore;
- 2) For small enterprise, the amount of investment in plant and machinery or equipment doesn't exceed rupees 10 crore and for turnover doesn't exceed rupees 50 crore;
- 3) For medium enterprise, the amount of investment in plant and machinery or equipment doesn't exceed rupees 50 crore and for turnover doesn't exceed rupees 250 crore;

But now a day this classification has become outdated and for this the new classification has been added with effect from 01-07-2020. The amount of investment in plant, machinery and equipment and in turnover is very less and this classification in different categories is not right which is given as per MSMED Act, 2006. As the economy has found so many positive changes so there is a great need of revision of definition is required and this revision has

been done under a scheme named as Atam Nirbhar Bharat on 13-05-2020. After revision of definitions it become easy for doing business and be a realistic approach as per present time.

After implementation of this revised definition a new and composite classification for manufacturing and service sector was enacted from 26 June, 2020. And now the distinction between manufacturing and service sector has been erased. And for turnover also the new criterion has been set in which only investment in plant and machinery has been considered. This new criterion is enacted with the hope of adding lots of benefits to this industry. The amount of export is not considered under its turnover even under any category as Micro, Small and Medium. All these changes have been added in order to enhance the position of employment in this sector and giving more relief to the exporting industries and also to make the ease of doing business under this category more easy.

For promoting the role and activities of the MSME's the prime responsibility is performed by the state government and Central government also assist the state government to enhance the performance of the MSME's by implementing the various programmes. The state government also gets assisted by its evolutionary ministry i.e. Ministry of MSMEs by encouraging spirit of entrepreneurship, employment condition, and opportunities of livelihood to enhance the competitiveness in this volatile scenario.

### **OBJECTIVES OF THE STUDY: -**

The key objective of this study is to measure the present proportions of MSMEs in India with the help of different parameters. Keeping this in view, the following specific objectives have been taken for the study.

- 1) To ascertain the activity wise numbers of MSMEs in India.
  - I. To identify the distribution of enterprises activity wise in India.
  - II. To identify the distribution of enterprises category wise in India.
  - III. To identify the percentage distribution of enterprises in rural and urban areas of India.
  - IV. To identify the distribution of enterprises by social group of owner.
- 2) To find out the estimated employment through the MSME sector area wise and activity wise.

### **RESEARCH METHODOLOGY: -**

This study is completely based on secondary data. The data have been collected from the annual report of Ministry of MSME, 2022-23. In this study both sectors, manufacturing and service have been taken. Data has been analyzed with the appropriate statistical tools i.e. simple percentage and for effective understanding and presentation of data; tables, pie charts and graphical presentation have been used to represent the significant data findings.

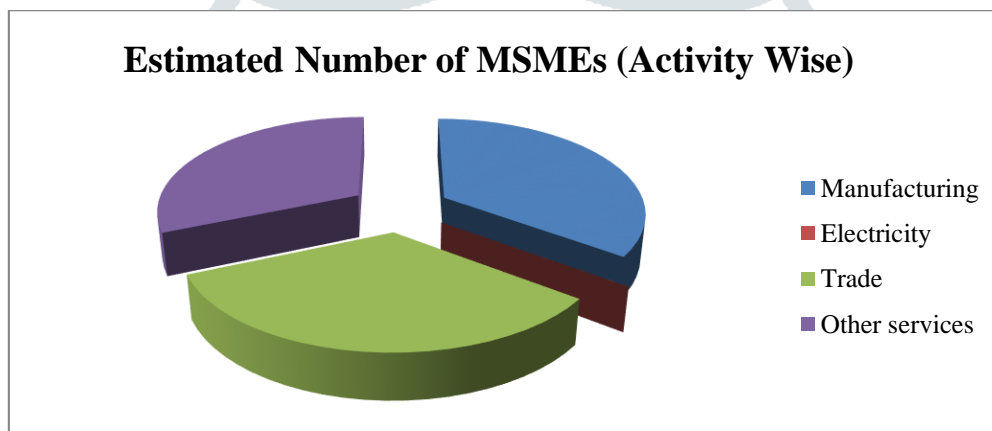
**ANALYSIS OF DATA**

Present numbers of MEMEs in India (Activity wise, area wise, gender wise, social groups wise).

**TABLE-1 Estimated Number of MSMEs (Activity Wise)**

Activity	Estimated Numbers of Enterprises (In lakhs)			Share
	Rural	Urban	Total	
Manufacturing	114.14	82.50	196.65	31
Electricity	0.03	0.01	0.03	0
Trade	108.71	121.64	230.35	36
Other services	102.00	104.85	206.85	33
<b>All</b>	<b>324.88</b>	<b>309.00</b>	<b>633.88</b>	<b>100</b>

Source: Annual Report 2022-23, Ministry of MSME, Govt. of India



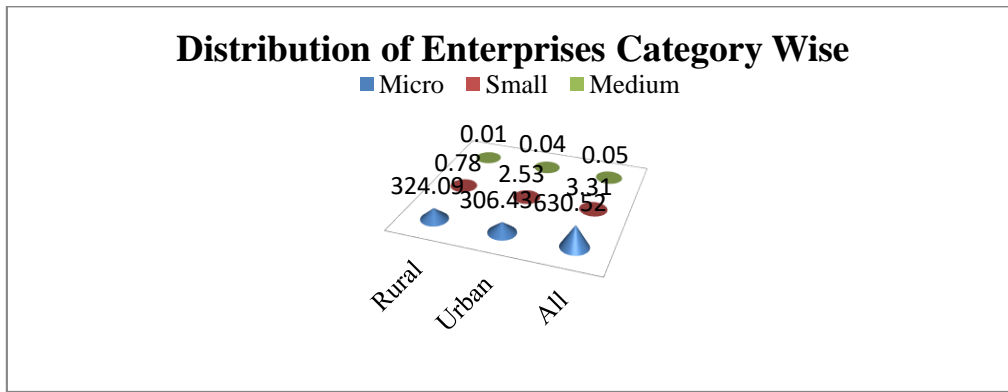
Source: Annual Report 2022-23, Ministry of MSME, Govt. of India

**Interpretation:** It has been exhibited from the Table-1 that estimated no. of MSME enterprises are divided among different activities i.e. manufacturing (31%), Electricity (0%), Trade (36%) and other services (33%) performed in rural and urban areas. It has found out that maximum share (36%) deals with trade related activities, 33% in other services except all the other activities mentioned above, 31% in manufacturing activities and least or null share goes to electricity related activities among the total 633.88 lakhs MSME's.

**TABLE-2 Distribution of Enterprises Category Wise**

Sector	Micro	Small	Medium	Total	Share
<b>Rural</b>	324.09	0.78	0.01	324.88	51
<b>Urban</b>	306.43	2.53	0.04	309.00	49
<b>All</b>	<b>630.52</b>	<b>3.31</b>	<b>0.05</b>	<b>633.88</b>	<b>100</b>

Source: Annual Report 2022-23, Ministry of MSME, Govt. of India



Source: Annual Report 2022-23, Ministry of MSME, Govt. of India.

**Interpretation:** Table -2 states about the category of distribution of Enterprises in Micro, Small and medium Enterprises. Maximum enterprises from the total 633.88 enterprises are of micro then small and least under medium enterprises. The maximum share i.e. 51% of distribution of all micro, small and medium enterprises are in rural and remaining 49% in urban areas.

**TABLE: 3 Percentage Distribution of Enterprises in rural and urban areas. ((Male/ Female ownership) category wise)**

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

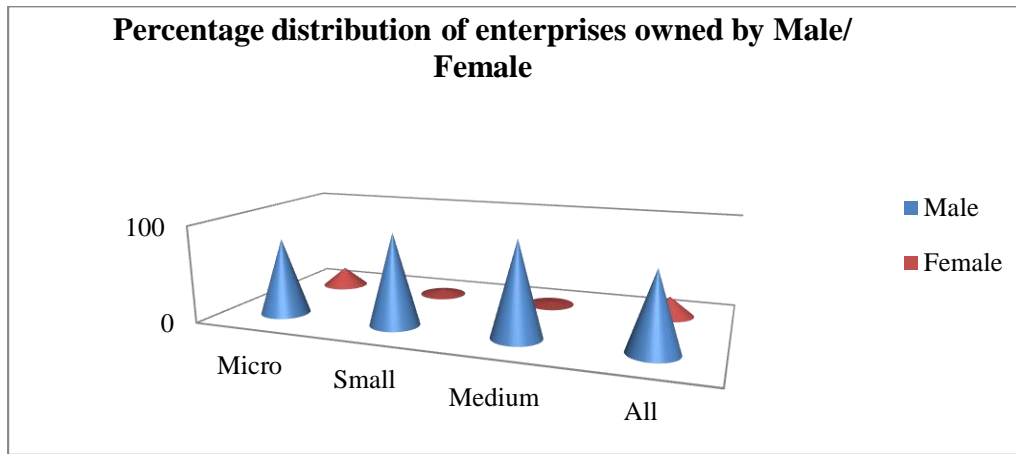
Source: Annual Report 2022-23, Ministry of MSME, Govt. of India

**TABLE: 4 Percentage distributions of enterprises owned by Male/ Female entrepreneurs wise**

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 2022-23, Ministry of MSME, Govt. of India

**Interpretation:** The table 3 & 4 exhibited that the share of male is high both in rural as well as in urban areas. The maximum percentage of share is in small enterprises under male category and under female enterprises percentage of Micro enterprises is higher.



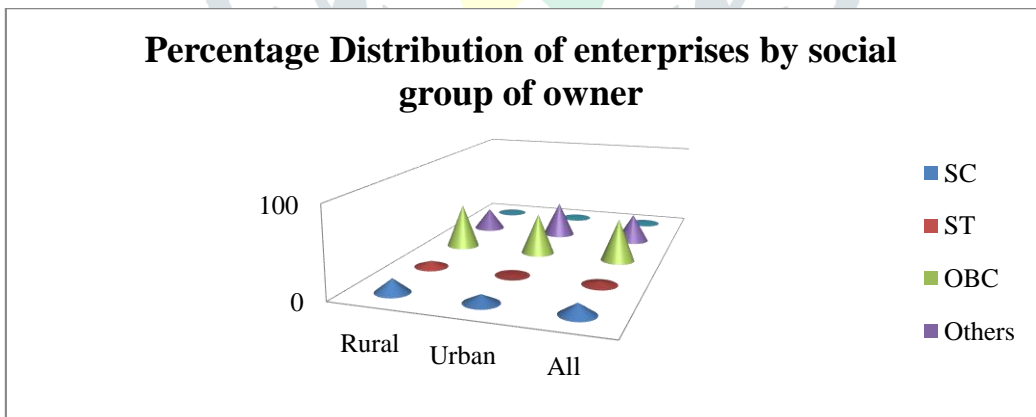
Source: Annual Report 2022-23, Ministry of MSME, Govt. of India

**TABLE: 5 Percentage Distributions of enterprises by social group of owner in Rural and Urban Areas in India.**

Sector	SC	ST	OBC	Others	Not known	All
Rural	15.37	6.70	51.59	25.62	0.72	100
Urban	9.45	1.43	47.80	40.46	0.86	100
All	12.45	4.10	49.72	32.95	0.79	100

Source: Annual Report 2022-23, Ministry of MSME, Govt. of India

**Interpretation:** Table no. 5 shows the data related to the percentage of enterprises owner belongs to SC, ST, OBC, others and not known categories in both rural and urban areas. The maximum percentage i.e. 51.59% and 47.80% of owners belongs to rural and urban areas respectively. The least percentage belongs to the category of owners which is not known.



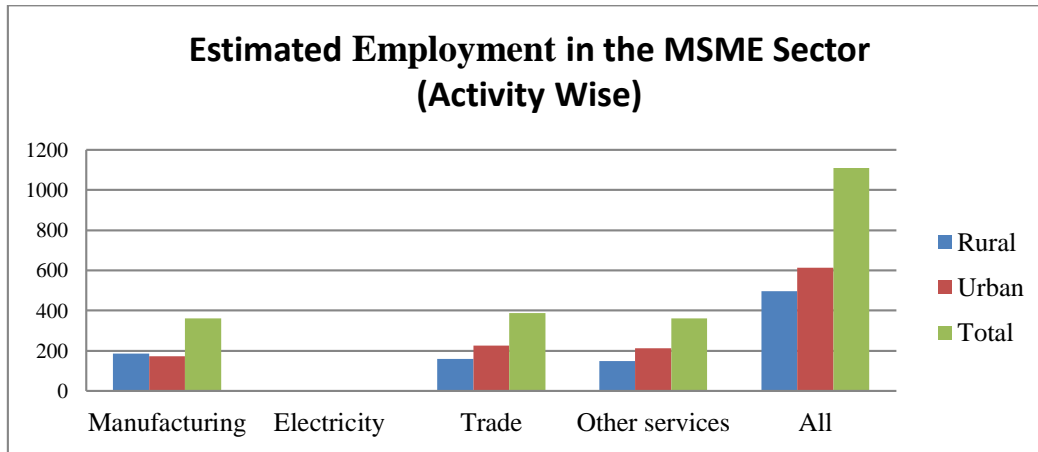
Source: Annual Report 2022-23, Ministry of MSME, Govt. of India

**TABLE -6 Estimated Employments in the MSME Sector (Activity Wise)**

Activity	Estimated numbers of enterprises (In lakhs)			Share
	Rural	Urban	Total	
Manufacturing	186.56	173.86	360.41	32
Electricity	0.06	0.02	0.07	0

<b>Trade</b>	160.64	226.54	387.18	35
<b>Other services</b>	150.53	211.69	362.22	33
<b>All</b>	497.78	612.10	1109.89	100

Source: Annual Report 2022-23, Ministry of MSME, Govt. of India



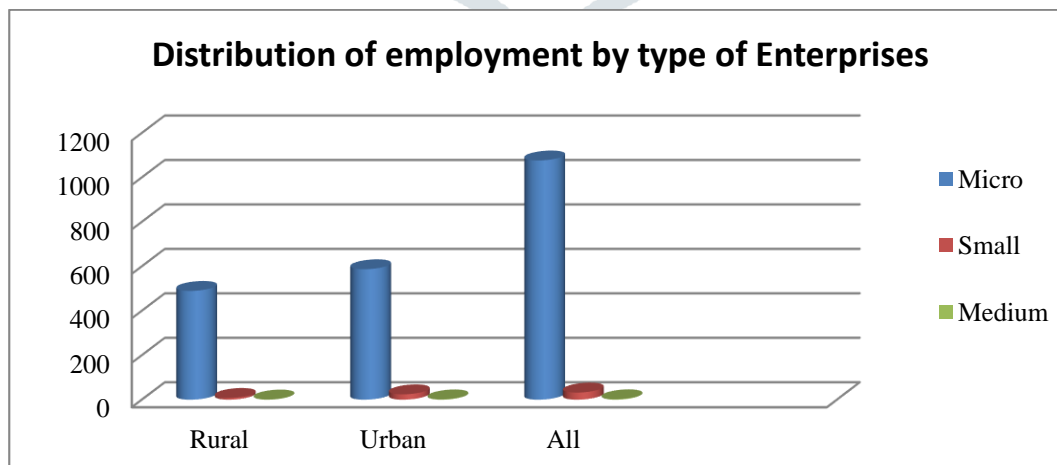
Source: Annual Report 2022-23, Ministry of MSME, Govt. of India

**Interpretation:** Table 6 states about the number of enterprises come under MSME sector on the basis of different activities such as manufacturing, electricity, trade and other services. For manufacturing sector it is shown as 186.56 lakhs in rural areas and it is the maximum number of enterprises under this sector and 173.86 lakhs in urban areas.

**TABLE -7 Statement No. 2.8: Distribution of employment by type of Enterprises in Rural and Urban Areas**

Sector	Micro	Small	Medium	Total	Share
<b>Rural</b>	489.30	7.88	0.60	497.78	45
<b>Urban</b>	586.88	24.06	1.16	612.10	55
<b>All</b>	1076.19	31.95	1.75	1109.89	100

Source: Annual Report 2022-23, Ministry of MSME, Govt. of India



Source: Annual Report 2022-23, Ministry of MSME, Govt. of India

**Interpretation:** Table 7 this table shows the distribution of employment in different enterprise both in rural and urban area. It is found from the table that the maximum enterprises i.e. 1076.19lakh in micro sector, 31.95 lakhs in small sector and least i.e. 1.75 lakhs in medium sectors. And the share of all the enterprises in rural area is 45% and in urban areas it is 55%.

## **MAJOR FINDINGS**

1. It has been exhibited that estimated no. of MSME enterprises are divided among different activities i.e. manufacturing (31%), Electricity (0%), Trade (36%) and other services (33%) performed in rural and urban areas.
2. It has found out that maximum share (36%) deals with trade related activities, 33% in other services except all the other activities mentioned above, 31% in manufacturing activities and least or null share goes to electricity related activities among the total 633.88 lakhs MSME's.
3. Study further states about the category of distribution of enterprises in micro, small and medium enterprises. Maximum enterprises from the total 633.88 enterprises are of micro then small and least under medium enterprises.
4. The maximum share i.e. 51% of distribution of all micro, small and medium enterprises are in rural and remaining 49% in urban areas.
5. The study exhibited that the share of male is high both in rural as well as in urban areas.
6. The maximum percentage of share is in small enterprises under male category and under female category there is maximum percentage of micro enterprises.
7. Study showed that the data related to the percentage of enterprises owner belongs to SC, ST, OBC, others and not known categories in both rural and urban areas.
8. The maximum percentage i.e. 51.59% and 47.80% of owners belongs to rural and urban areas respectively. The least percentage belongs to the category of owners which is not known.
9. Study states about the number of enterprises come under MSME sector on the basis of different activities such as manufacturing, electricity, trade and other services.
10. For manufacturing sector it is shown as 186.56 lakhs in rural areas and it is the maximum number of enterprises under this sector and 173.86 lakhs in urban areas.
11. Study revealed that the distribution of employment in different enterprise both in rural and urban area. It is found from the table that the maximum enterprises i.e. 1076.19 lakhs in micro sector, 31.95 lakhs in small sector and least i.e. 1.75 lakhs in medium sectors and the share of all the enterprises in rural area is 45% and in urban areas it is 55%.

## **DISCUSSION, CONCLUSION & SUGGESTIONS**

The MSME (Micro small and medium enterprises) segment has been contributing significantly to the expansion of entrepreneurial activities through new business plan and innovations. This particular segment widening it's domain



across different sectors of the economy, producing various ranges of products and services to meet domestic market as well global market demand also. In India, The MSMEs are playing very vital role providing large employment opportunities. There were 633.88 lakhs unincorporated nonagricultural MSMES in the country during 2015-16 engaged in different economic activities according to National Sample Survey (NSS) 73<sup>rd</sup> round conducted by National Sample Survey, Ministry of statistics & Programme Implementation. (NSS)'s 73<sup>rd</sup> round further revealed that MSME sector has been creating 11.10 crore jobs and out of this 11.10 crore, 360.41 lakhs in manufacturing and 0.07 lakhs in other services.

MSME's are doing quite well enough by playing a significant role by providing more employment opportunities by using more labor intensive technology and less of capital intensive technology in comparison to large scale industries. It also crucially performs more activities in the rural and the backward areas of India, which assist in reducing the regional imbalances and income inequalities among the remote areas or industrial strong areas of the country by providing equal opportunities of distributing the amount of national income and wealth among all of them. Government and other financial institutions should take necessary steps to make MEMS sector more n more efficient and growing so that these industries can perform better than before and could help in capital generation and employment creation as well.

### **REFERENCES**

Annual report 2022-23, Ministry of MSME, Govt. of India.

[www.msme.gov.in](http://www.msme.gov.in)

[www.nsic.co.in](http://www.nsic.co.in)

[www.dcmsme.gov.in](http://www.dcmsme.gov.in)