



Growth and Performance Analysis of the Micro, Small and Medium Enterprises (MSMES) Sector in India

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ABSTRACT

The Micro, Small & Medium Enterprises (MSMEs) sector is a critical component of every economy, especially in developing countries like India, where its role is pivotal in ensuring equitable, inclusive, and employment-generative economic growth. This sector contributes significantly to the socio-economic development of the Indian economy, leveraging its inherent advantages such as low capital requirements, high employment generation, decentralization of industrial activity, utilization of domestic resources, and the broadening of the entrepreneurial base. MSMEs have played a remarkable role in fostering industrial growth and development in India. This study aims to analyze and evaluate the growth and performance of the MSME sector in India. It delves into the current status of the MSME sector and the challenges it faces. The study employs secondary data analysis to examine the MSME sector and its performance in India. The findings indicate that the MSMEs sector has made substantial contributions to the growth and development of the Indian economy. Additionally, the study reveals an upward trend in employment and the number of MSME units during the study period. The performance of MSMEs in recent years has been commendable. However, the sector also encounters various challenges. The MSMEs sector is rapidly expanding and has become a focal point for future development in both rural and urban areas, signifying its importance in the economic landscape of India.

Keywords: MSMEs, Employment, Manufacturing sector, Economic development, Compound Annual Growth Rate (CAGR).

INTRODUCTION:

The Micro, Small, and Medium Enterprises (MSME) sector has indeed emerged as a dynamic and vital component of the Indian economy in recent years. Its contributions extend significantly to both economic and social progress within the country. This sector plays a pivotal role in fostering entrepreneurship and providing substantial employment opportunities at a relatively lower capital cost. MSMEs also act as complementary entities to larger industries, serving as ancillary units, and thus play a substantial part in promoting inclusive industrial growth within the economy. These enterprises have diversified their presence across various sectors of the economy, manufacturing a wide array of products and services that cater to both national and international markets.

Furthermore, MSMEs are instrumental in driving entrepreneurial development through innovative business practices. They are key contributors to employment generation, particularly when compared to larger industries, and they facilitate the industrialization of rural and backward regions, thereby reducing regional disparities and ensuring a more equitable distribution of national wealth and income. In the context of developing nations, MSMEs assume a critical role by significantly contributing to employment generation, regional development, diversification of products and services, and making a substantial contribution to the Gross Domestic Product (GDP). By fostering the growth of MSMEs, an economy can achieve a more balanced and comprehensive development.

Given the multifaceted benefits offered by the MSME sector, it is imperative for the government to continue taking proactive measures to enhance its scope and development. Nurturing and supporting MSMEs can lead to more robust economic growth, increased employment opportunities, and a more equitable distribution of wealth and income, ultimately benefiting the overall development of the country.

LITERATURE REVIEW

In Muthiah's 2012 study, it was observed that the role of small and medium enterprises (SMEs) within an economy's industrial sector is rapidly expanding, positioning the sector as a focal point for future growth. The study emphasized the critical importance of promoting the SME sector for the overall economic well-being of the country.

Dr. Neeru Garg's 2014 research highlighted the challenges faced by MSMEs in India, such as intense competition from larger industries, infrastructural deficiencies, withdrawal of subsidies, issues related to total quality management, and anti-dumping policies. Moreover, the study indicated that

globalization has heightened competitiveness among Indian MSMEs to some extent, but they still face challenges in effectively competing with global companies.

Mrs. Ashu Katyal, in 2015, underscored that MSMEs are the lifeblood of the Indian industry, particularly in a developing nation like India, where their contribution is invaluable and pivotal. Furthermore, she emphasized that MSMEs not only play a significant role in job creation but also encourage individuals with lower skill levels to initiate entrepreneurial ventures in rural areas.

Vinay Kumar's 2017 observations indicated that the MSME sector in India is progressing at a commendable pace and is creating substantial employment opportunities for the masses. Additionally, it was noted that both the manufacturing and service sectors of MSMEs make substantial contributions to the country's total GDP. The Indian government has also taken several measures to facilitate and accelerate the growth of MSMEs.

Jeeban Jyoti, in 2018, asserted that the MSME sector, as a whole, acts as the engine driving economic growth in India. The study revealed an increasing trend in employment, the number of units, and the market value of assets within this sector. Furthermore, it indicated a consistent growth pattern in employment and the number of MSME units during the study period. While MSMEs have exhibited strong performance in recent years, the sector continues to grapple with various challenges.

In summary, these studies collectively highlight the burgeoning role of SMEs and MSMEs in India's industrial and economic landscape. While they have shown impressive growth and contribution, they also face significant obstacles that warrant attention and support for continued prosperity and development.

RESEARCH METHODOLOGY

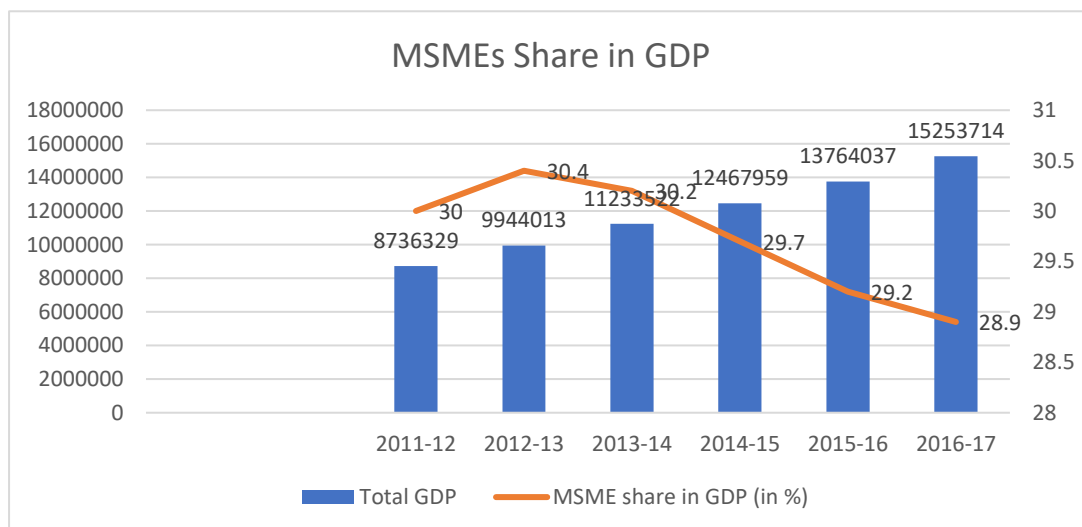
The current study employs an analytical research approach, utilizing existing facts and information sourced from various secondary data outlets. The research relies predominantly on secondary data collected from diverse sources, including the Annual Reports of the Micro, Small & Medium Enterprises (MSMEs), Economic Survey Reports, and publications from the Ministry of Commerce. The study encompasses a six-year timeframe, spanning from 2011-12 to 2016-17, during which relevant data have been meticulously gathered, subjected to thorough editing, classification, and comprehensive analysis. The analytical research method adopted in this study allows for a systematic evaluation of the available information, enabling a comprehensive assessment of the subject matter.

Objectives:

1. To measure the contribution of MSMEs sector in Indian economy.
2. To analyze the growth and performance of MSME in Indian economy
3. To give suggestions to policy makers for improve in performance of MSMEs.

Result and Discussion

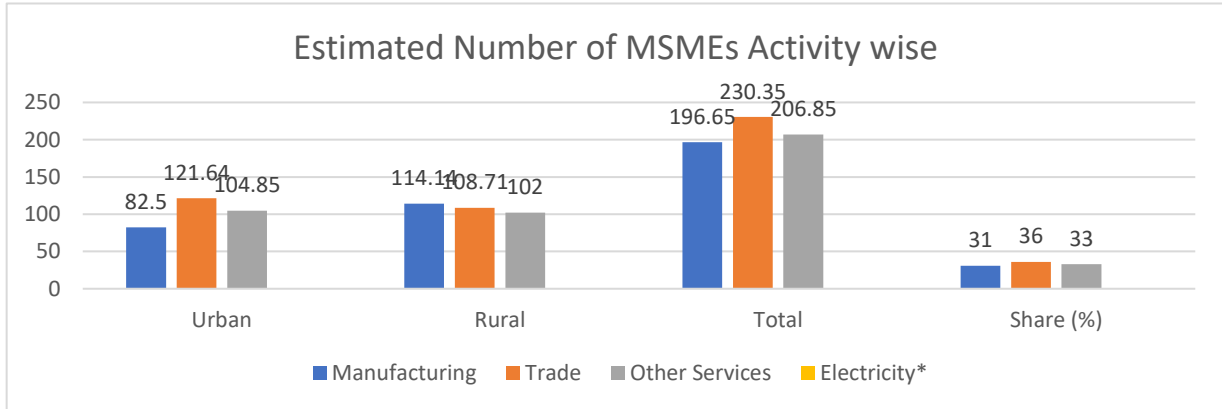
1. Contribution of MSMEs in Country's Economy



The data reveals that the MSME sector consistently maintained a substantial share in the total GDP over the years under consideration. Starting from 30% in 2011-12, the share remained above 29% throughout the period, signifying the sector's resilience and stability in the Indian economy. While there

are slight fluctuations in the MSME share, it's noteworthy that these variations remained within a narrow range, ranging from a high of 30.4% in 2012-13 to a low of 28.9% in 2016-17. This stability in MSME contribution indicates the sector's ability to hold its ground even in the face of economic shifts. The data also reflects a steady increase in the total GDP of India over the years. The GDP more than doubled from 2011-12 to 2016-17, indicating overall economic growth during this period.

2. Estimated Number of MSMEs (Activity wise)



Manufacturing: Manufacturing activities appear to be more dominant in urban areas, accounting for 82.5 units compared to 114.14 units in rural areas. However, when considering the total, manufacturing contributes significantly to the overall economy with a total of 196.65 units.

Trade: Trade activities, on the other hand, are more evenly distributed between urban and rural areas, with 121.64 units in urban and 108.71 units in rural regions. This category plays a substantial role in the economy, contributing a total of 230.35 units.

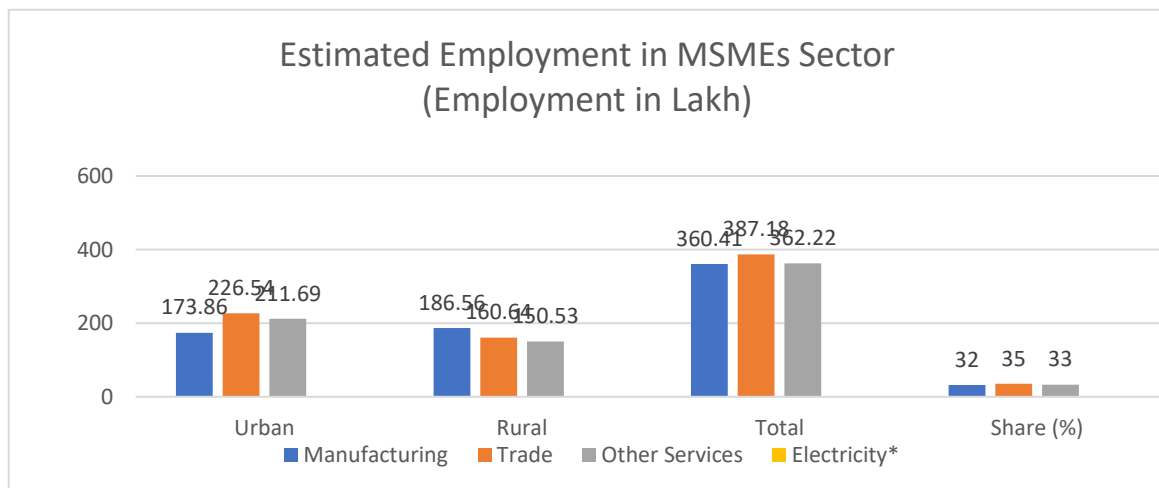
Other Services: Other services show a similar distribution pattern, with urban areas accounting for 104.85 units and rural areas for 102 units. The total contribution of other services amounts to 206.85 units.

Sectoral Distribution:

Trade Dominance: Trade emerges as the dominant sector in the overall economy, contributing the highest share at 36%. This reflects the significance of trade-related activities in both urban and rural areas.

Manufacturing and Other Services: Manufacturing and other services sectors contribute nearly equally to the economy, with shares of 31% and 33%, respectively. Manufacturing, despite having a lower share, plays a pivotal role in terms of absolute units.

3. Estimated Employment in MSME Sector



The provided data offers valuable insights into employment distribution by Micro, Small & Medium Enterprises (MSMEs) across different sectors, differentiating between urban and rural areas. Additionally, it presents the total employment figures and the corresponding shares as percentages, shedding light on the employment landscape within the MSME sector.

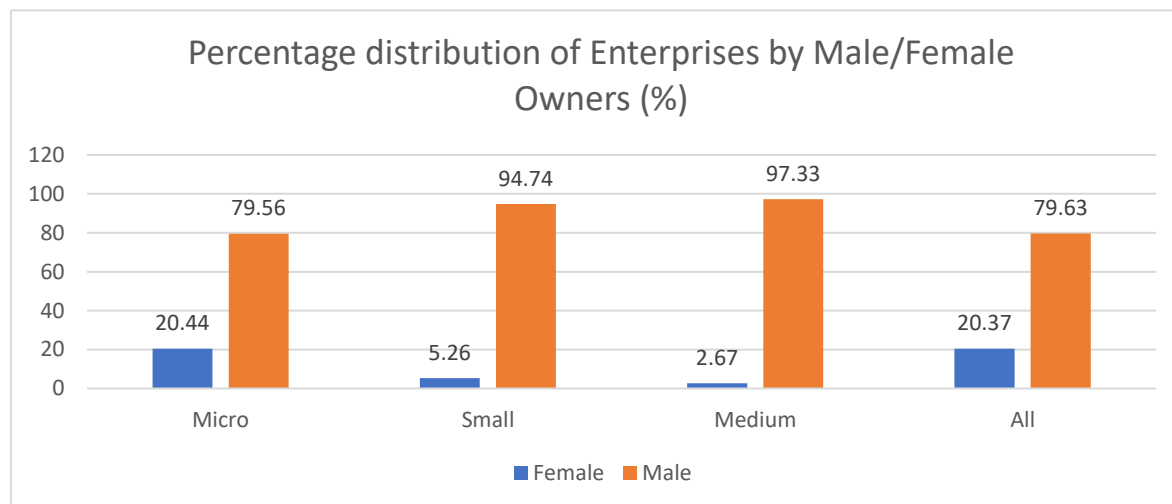
Employment by Activity Category:

Manufacturing: The data shows that the manufacturing sector contributes significantly to employment in both urban and rural areas. Urban regions provide 173.86 lakhs of employment, while rural areas offer employment of 186.56 laks. In total, the manufacturing sector accounts for 360.41 lakhs employment, making up 32% of the overall employment within MSMEs.

Trade: Employment in the trade sector is also substantial, with urban areas contributing 226.54 lakhs and rural areas providing 160.64 lakhs employment. The total employment generated by trade activities is 387.18 lakhs, constituting 35% of the total employment in the MSME sector.

Other Services: The other services sector offers 211.69 lakhs of employment in urban regions and 150.53 lakhs in rural areas. This sector contributes 362.22 lakhs of total employment, making up 33% of the overall employment.

4. Percentage Distribution of Enterprises by Male/ Female Owners:



Conclusion:

In recent decades, India's Micro, Small & Medium Enterprises (MSMEs) sector has witnessed robust expansion. The MSME sector is rapidly evolving into a pivotal force, poised to play a central role in the future growth of the nation's economy. This sector offers substantial advantages, including its noteworthy contributions to India's GDP, job creation, and the nurturing of entrepreneurial talent.

One distinctive characteristic of the MSME sector is its high labor intensity, surpassing that of larger enterprises. Furthermore, the capital requirements for establishing MSMEs are significantly lower when compared to their larger counterparts. MSMEs operate in tandem with larger industries as ancillary units, fostering synergy and contributing substantially to the comprehensive development of the industrial landscape.

The MSME sector holds immense potential as a catalyst for driving economic growth. To unlock this potential, it is imperative for governments to address impediments and cultivate a conducive and supportive environment for its sustained growth. By doing so, governments can pave the way for an economy that thrives and prospers through the dynamic contributions of the MSME sector.

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