

## **Performance of Micro, Small and Medium Enterprises (MSMEs) in India**

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### **Abstract**

In this study an attempt has been made to examine the performance of MSMEs in terms of employment and Gross value Added (GVA) in India during the period from 2011-12 to 2018-19. For this purpose necessary data required for the study have been collected from the official website of Ministry of Micro, Small and Medium Enterprises and Ministry of Statistics and programme implementation. During 2015-16 the MSMEs as a whole have provided 11.10 crore jobs. The result on activity-wise estimated employment shows that the Manufacturing has provided 360.41 lakh person employment, Non-captive Electricity Generation and Transmission has provided 0.08 lakh person employment, Trade service has provided 387.18 lakh person employment and Other services have provided 362.22 lakh persons employment. The result on enterprise-wise estimated employment shows that the Micro sector with 630.52 lakh estimated enterprises have provided employment to 1076.19 lakh persons. Small sector with 3.31 lakh and Medium sector with 0.05 lakh estimated MSMEs have provided employment to 31.95 lakh person and 1.75 lakh persons respectively. The contribution of MSMEs in the country's total Manufacturing GVO (Gross Value of Output) at current prices has remained stable at around 33 per cent, i.e. one-third during the period from 2014-15 to 2018-19. Similarly the contribution of MSMEs in the all India GDP (Gross Domestic Product) at current prices has also remained constant at around 30 per cent during this period.

**Key words:** MSMEs, Employment, and Gross Value Added.

The Micro, Small and Medium Enterprises 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 are complementary to large industries as ancillary units and this sector contributes significantly in the inclusive industrial development of the country. 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.

Ministry of Micro, Small & Medium Enterprises envisions a progressive MSME sector by promoting growth and development of the Sector, including Khadi, Village and Coir Industries, in cooperation with concerned Ministries/Departments, State Governments and other Stakeholders, through providing support to existing enterprises, adopting cutting edge technologies and encouraging creation of new enterprises. The Ministry of MSME runs various schemes aimed at financial assistance, technology

assistance and up-gradation, infrastructure development, skill development and training, enhancing competitiveness and market assistance of MSMEs. The Ministry is committed towards an agenda of inclusive development, and has taken various initiatives and measures to ensure that demographically as well as geographically weaker sections' benefits from its work. The primary responsibility of promotion and development of MSMEs is of the State Governments. However, the Government of India, supplements efforts of the State Governments through various initiatives. The role of the Ministry of MSME and its organisations is to assist the States in their efforts to encourage entrepreneurship, employment and livelihood opportunities and enhance the competitiveness of MSMEs in the changed economic scenario.

**Vinay kumar, (2017)** , in his study on “An analysis of growth of MSMEs in India and their contribution in employment and GDP of the country”, has attempted to examine the growth of MSMEs and their contribution to employment and Gross Domestic Product in India during the period from 2007-08 to 2011-12. This study shows that number of units of MSME have continuously shown the positive trend as it has increased from 1, 74,319 in 2007-08 to 2, 82,496 in 2011-12 by showing compound growth rate of 10.14 per cent per annum during this study period. 447.73 lakh enterprises have provided employment to about 1012.59 lakh people across India during 2011-12. The contribution of MSMEs to all India GDP has been 37.54 per cent during 2011-12. He has come to the conclusion that the MSME sector in India is growing at good pace & even is 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.

**Ujjal Bhuyan, (2016)**, in his study on “The performance of MSMEs in India”, has attempted to assess the performance of MSMEs in India during period from 2006-07 to 2012-13. He has find out that the estimated contribution of Micro, Small and Medium Enterprises sector, including service segment, to the country's GDP during 2012-13 was 37.54 per cent; while the total employment in the sector is 805.24 Lakh. The contribution of the sector to India's total export for the year 201415 was 44.70 per cent. He has come to the conclusion that there are problems of poverty and inequality especially in developing countries like India. To address these problems, we need a system of 'Inclusive Growth'. Growth cannot be inclusive unless and until the fruits of the growth is percolated to the bottom of pyramid. Specifically in a developing nation like India where inequality in distribution of wealth and income is significantly high,

sustained increase in per capita income cannot be translated automatically to sustained increase in standard of living. In order to alleviate the curse of poverty, inequity, unemployment and underemployment, adequate employment opportunities should be created for the poor mass which will facilitate them to meet their subsistence level of consumption demand. This can be only done by developing the MSMEs.

### **Methodology**

In this study an attempt has been made to examine the performance of MSMEs in terms of employment and Gross value Added (GVA) in India during the period from 2011-12 to 2018-19. For this purpose necessary secondary data required for the study have been collected from the official website of Ministry of Micro, Small and Medium Enterprises and Ministry of Statistics and programme implementation, Government of India. In this study Simple percentage analysis has been used to analyse the share of MSMEs in GVO of total Manufacturing and in all India GDP

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

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:

I) 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;

II) 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

III) 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 new classification has come into effect from 1st July, 2020. The earlier criterion of classification of MSMEs under MSMED Act, 2006 was based on investment in plant and machinery / equipment. It was different for manufacturing and services units. It was also very low in terms of financial limits. Since then, the economy has undergone significant changes. A revision in MSME criteria of classification was announced in the Aatmnirbhar Bharat package on 13th May, 2020. This has been done in order to be realistic with time and to establish an objective system of classification and to provide ease of doing business.

As a result, a new composite criteria of classification for manufacturing and service units has been notified on 26.06.2020, with guidelines regarding composite criteria to facilitate the present and prospective entrepreneurs. Now, there will be no difference between manufacturing and service sectors. Also, a new criterion of turnover has been added in the previous criteria of classification based only on investment in plant and machinery. The new criteria are expected to bring about many benefits that will aid

MSMEs to grow in size. It has also been decided that the turnover with respect to exports will not be counted in the limits of turnover for any category of MSME units whether micro, small or medium. This is yet another step towards ease of doing business. This will help in attracting investments and creating more jobs in the MSME sector. The change in criteria of classifying the MSMEs is set to offer major relief to the exporters. With this change in criteria of classification of MSMEs the Government has also done away with the difference between manufacturing and services.

### MSMEs in India

While historically, the small scale industries were related to the small man and his own resources, after Independence there has been a rapid growth of the small enterprises sector due to a number of reasons. Thus, over the years the small enterprises sector registered continuous growth in the number of units, production, employment and exports. 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 (196.64 lakh in Manufacturing, 0.04 lakh in Non-captive Electricity Generation and Transmission<sup>1</sup>, 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. 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-1)

**Table-1: Estimated number of MSMEs (Activity-wise) during 2015-16  
(Number in lakh)**

Activity Category	Rural	Urban	All
Manufacturing	114.14	82.50	196.64 (31.02)
Electricity*	0.03	0.01	0.04 (00.01)
Trade	108.71	121.64	230.35 (36.34)
Other Services	102.00	104.85	206.85 (32.63)
<b>Total Number</b>	<b>324.88</b>	<b>309.00</b>	<b>633.88 (100.00)</b>

Source: Annual report 2020-21, Ministry of Micro, Small and Medium Enterprises,

Government of India

Note: \* Non-captive generation and transmission

Figures in the parenthesis indicates percentage to total

Enterprise-wise estimated number of MSMEs has been presented in the table-2. 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 accounted 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: Estimated number of MSMEs (Enterprise-wise) during 2015-16**  
(Number in lakh)

Sector	Rural	Urban	All
Micro	324.09	306.43	630.52 (99.47)
Small	0.78	2.53	3.31 (0.52)
Medium	0.01	0.04	0.05 (0.01)
<b>Total Number</b>	<b>324.88</b>	<b>309.00</b>	<b>633.88 (100.00)</b>

**Source:** Annual report 2020-21, Ministry of Micro, Small and Medium Enterprises,  
Government of India

**Note:** Figure in the parenthesis indicates percentage to total

### Employment in MSMEs

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 during the period 2015-16, MSME sector has created 11.10 crores jobs (360.41 lakh in Manufacturing, 0.08 lakh in Non-captive Electricity Generation and Transmission, 387.18 lakh in Trade and 362.82 lakh in Other services). Out of 11.10 crores man days employment 4.98 crores person of employment has been generated in the rural areas and remaining 6.12 crores person of total employment has been generated in the urban areas (Table-3).

**Table-3: Estimated employment in MSMEs (Activity-wise) during 2015-16**  
(Employment in lakh Man days)

Activity Category	Rural	Urban	All
Manufacturing	186.55	173.86	360.41 (32.47)

Electricity*	0.06	0.02	0.08 (0.01)
Trade	160.64	226.54	387.18 ( 34.88)
Other services	150.53	211.69	362.22 (32.64)
<b>Total employment</b>	<b>497.78</b>	<b>612.11</b>	<b>1109.89</b> <b>(100.00)</b>

**Source:** Annual report 2020-21, Ministry of Micro, Small and Medium Enterprises, Government of India

**Note:** \* Non-captive generation and transmission  
Figure in the parenthesis indicates percentage to total

Enterprise wise estimated employment generation in MSME has been presented in the table-4. Micro sector with 630.52 lakh estimated enterprises have provided employment to 1076.19 lakh persons that in turn accounts for around 97% of total employment in the sector. Small sector with 3.31 lakh and Medium sector with 0.05 lakh estimated MSMEs provided employment to 31.95 lakh (2.88%) and 1.75 lakh (0.16%) persons of total employment in MSME sector, respectively.

**Table-4: Estimated employment in MSMEs (Enterprise-wise) during 2015-16**  
**(Employment in lakh Man days)**

<b>Sector</b>	<b>Rural</b>	<b>Urban</b>	<b>All</b>
Micro	489.30	586.89	1076.19 (96.96)
Small	7.88	24.07	31.95 (2.88)
Medium	0.60	1.15	1.75 (0.16)
<b>Total employment</b>	<b>497.78</b>	<b>612.11</b>	<b>1109.89</b> <b>(100.000)</b>

**Source:** Annual report 2020-21, Ministry of Micro, Small and Medium Enterprises, Government of India

**Note:** Figure in the parenthesis indicates percentage to total

### Performance of MSMEs in India

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 Output (GVO) of total manufacturing and Gross Domestic product (GDP) at current prices from 2014-15 to 2018-19 is given below. The contribution of MSMEs in the country's total Manufacturing GVO (Gross Value of Output) at current prices has remained constant at around 33 per cent, i.e. one-third during



the period from 2014-15 to 2018-19. Similarly the contribution of MSMEs in the all India GDP (Gross Domestic Product) at current prices has also remained constant at around 30 per cent during this period (Table-5).

**Table-5: Gross Value Added (GVA) of MSMEs in India during 2014-15 to 2018-19**  
(Figures in Rs. Crores adjusted for FISIM at current prices)

Year	All India GDP	GVO of Total Manufacturing	GVA of MSMEs	Share of MSMEs in all India GDP	Share of MSMEs in GVO of Manufacturing
2014-15	1,24,67,959	1,15,04,279	36,58,196	29.34	31.80
2015-16	1,37,71,874	1,25,74,499	40,59,660	29.48	32.28
2016-17	1,53,91,669	1,39,65,200	45,02,129	29.25	32.24
2017-18	1,70,98,304	1,55,13,122	50,86,493	29.75	32.79
2018-19	1,89,71,237	1,71,39,962	57,41,765	30.27	33.50

**Source:** Central statistics Office (CSO), Ministry of Statistics and Programme Implementation, Government of India

#### Note.

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 is derived by adding taxes on products, net of subsidies on products, to GVA at basic prices.
3. FISIM stands for Financial Intermediation Services Indirectly Measured. In the system of National Accounts, it is an estimate of the value of the services provided by financial intermediaries, such as banks, for which no explicit charges are made; instead these services are paid for as part of the margin between rates applied to savers and borrowers. The supposition is that savers would receive a lower interest and borrowers pay a higher interest rate if all financial services had explicit charges.
4. Gross Value Output (GVO): Manufacturing Output is defined to include the ex-factory value (i.e. exclusive of taxes, duties etc. on sale inclusive of subsidies etc. if any) of products and by-products manufactured during the accounting year, and the net value of semi-finished goods, work-in-progress, and also the receipts for industrial and non-industrial services rendered to others, value of semi-finished goods of last year sold in the current year, sale value of goods sold in the same condition at purchased and the value of electricity generated and sold

#### Conclusion

MSME contribute significantly to social and economic development objectives such as labour absorption, income distribution, rural development, poverty eradication, regional balance and promotion of entrepreneurship. In the sixty years of India's Independence the small-scale sector has acquired a prominent place in the socio- economic development of the country. Its performance in creditable, yet proper and innovative approach alludes. The sector needs many corrective steps to succeed in the 21st century. The key to success for MSMEs would lie in looking at the globe as a market and succeed out there. As a result of globalization and liberalization, coupled with WTO regime, Indian MSMEs have been passing through a transitional period. With the slowing down of economies of United States and European Union on the one hand, and the ever-increasing competition from Chinese economy, Indian economy is in

a situation where it has to take more measured steps. According to Mr. Jawahar Sircar, Additional Secretary and Development Commissioner, Ministry of Micro, Small and Medium Enterprises (MSMEs), the government has identified three thrust areas for increasing competitiveness in this respect: technology (including quality), skills development and finance.

A technologically vibrant and internationally competitive small industry should be encouraged to emerge, to make a sustainable contribution to national income, employment and exports. All the external support including policy assistance has a meaning only when individual units are motivated. Industry and government agencies can play a significant role in educating small units about the changes in the business environment and the necessity of going in for technological up gradation. To play a meaningful role, it is essential for both industry associations and government agencies to change their attitudes and to instill trust and confidence in the 'small' units. And some of them can even plan to graduate to 'medium' units.

### References

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