

# Growth of Micro, Small and Medium Enterprises (MSMEs) in India and its Role in Indian Economy

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## Abstract

Through business innovations, Micro, Small, and Medium Enterprises (MSMEs) have made major contributions to the expansion of entrepreneurial endeavors. MSMEs are expanding their sphere of influence across the economy, generating a diversified range of products and services to fulfil the needs of both domestic and international markets. MSMEs are contributing to the national production, employment & exports and, economic development of the country. The present paper aimed to determine the growth of MSMEs in India and its role in Indian economy. The data of present research paper was collected by exhaustive literature survey through electronic database at Web of Science, MSME online site, Annual reports of GOI, PubMed, Scopus, Science direct etc. According to statistics from the Central Statistics Office (CSO), M/o Statistics & Programme Implementation. With 630.52 lakh estimated MSMEs companies in India, the micro sector accounts for more than 99 percent of all MSMEs. The small sector, with 3.31 lakh (accounts 0.52%) estimated MSMEs, and the medium sector, with 0.05 lakh (accounts 0.01%) estimated MSMEs, respectively, of total estimated MSMEs. 324.88 lakh MSMEs (51.25 percent) are in rural areas, whereas 309 lakh MSMEs (48.75 percent) are in urban areas, according to the estimated number of MSMEs. The contribution of the MSME sector to the country's Gross Value Added (GVA) has grown from 10.97 % in FY 2015-2016 to 12.88 in FY 2018-2019 respectively. Further the share of MSMEs in all India GDP was 29.34% in FY 2014-2015, and in year FY 2018-2019 it has grown to 30.27%. MSMEs are expanding their sphere of influence across the economy, generating a diversified range of products and services to fulfil the needs of both domestic and international markets.

**Keywords:** MSME, Growth of MSMEs, Indian Economy, Market of MSMEs.

## Introduction

The Indian government has made significant efforts to promote industrial development after its independence in 1947. In 1961, the Indian President revised the laws governing the country. In accordance with the notification, the Ministries of Agriculture, Rural Development, and Small Scale Industries were combined to become the Ministry of Micro, Small, and Medium Enterprises (MSMEs). After the agriculture industry, this sector employs the most people, particularly in rural areas, and they

outnumber the larger businesses in our nation. MSMEs are contributing significantly to the development of the country by creating jobs, fostering the growth of business skills, and frequently serving as an incubator for new ventures (CII, 2013). Both the federal and state governments acknowledge the importance of this sector, which generates a significant portion of the nation's income and is the largest contributor to employment and GDP.

Over the past 50 years, MSME sector has grown to be a very active and dynamic area of the Indian economy (Gade, 2018). MSMEs are widely regarded as an important tool for advancing equitable development as well as an engine of economic progress (Dhar, 2014). By encouraging entrepreneurship and creating major employment opportunities at a relatively cheap capital cost, it is the second largest contributor to the economic and social development of the nation after agriculture (Vinay, 2017). The MSME sector has been given particular attention due to its contribution to guaranteeing income equality, creating jobs, reducing poverty, and fostering a balanced economic development in the nation (Singh and Paliwal, 2018). MSMEs serve as auxiliary units to large companies and make a substantial contribution to the country's inclusive industrial growth (Patel, 2017). 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 (Ghatak, 2010).

The MSME sector has fill the void of employment crisis in India and across world (Srinivas, 2013). Almost this sector has spread almost in every part of the country. This sector is producing a number of products which are used in our day to day life. The Indian MSMEs produce almost 6,000 different items, and they constitute a significant part of the country's GDP. The industry produces a variety of important export-oriented goods for our country, including textiles, gems and jewellery, agricultural products, engineering goods, chemicals, and petroleum products, among many other goods. Keeping in view the role and the output of MSME sector, the present study is conducted to through light on the role of MSMEs on the Indian economy.

### **Research Methodology**

The present work aims to determine the role of Micro, Small, and Medium Enterprises (MSMEs) on the economy of India. The study is descriptive in nature, which uses different sources to describe the subject of study. The quantitative data for determining the effect of the MSMEs on the Indian economy were collected from different secondary sources. Reviewing the available literature, including policy documents, research papers, MSME online site, District Industrial Centre (DIC) Annual reports of GOI, MSMEs Ministry website, Statistical reports and other reports in the relevant field were assessed to draw out the conclusions of the study.

### **Results**

The Micro, Small, and Medium Enterprises (MSMEs) in India are playing a crucial role by generation of employment and establishment of industries in rural and backward areas, reducing regional imbalances, and ensuring a more equitable distribution of national income and wealth. They also provide significant employment opportunities at comparatively lower capital costs than large industries. According to the National Sample Survey (NSS) 73rd round, which was carried out by the National Sample Survey Office, Ministry of Statistics & Programme Implementation, during the years 2015–16, there were 633.88 lakh MSMEs (Table-1) that were non-agricultural and were not incorporated that were involved

in a variety of economic activities (196.65 lakh in Manufacturing, 0.03 lakh in Non-captive Electricity Generation and Transmission, 230.35 lakh in Trade and 206.85 lakh in Other Services).

**Table-1:** Category wise number of Micro, Small, and Medium Enterprises (MSMEs) in lakhs.

S.No	Category of MSME	Estimated No of MSMEs (in Lakh)			Share
		Rural	Urban	Total	
01	Manufacturing	114.14	82.50	<b>196.65</b>	31
02	Electricity	0.03	0.01	<b>0.03</b>	0
03	Trade	108.71	121.64	<b>230.35</b>	36
04	Other Services	102.00	104.85	<b>206.85</b>	33
05	All	324.88	309.00	<b>633.88</b>	100

*\*Source: CSO, GoI, 2021*

Through business innovations, the Micro, Small, and Medium Enterprises (MSMEs) have made a substantial contribution to the growth of entrepreneurial endeavours. 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. The contribution of the MSME sector to India's Gross Value Added (GVA) and Gross Domestic Product (GDP) at current prices from 2014–15 to 2018–19 is given in Table-2. Through business innovations, the Micro, Small, and Medium Enterprises (MSMEs) have made a substantial contribution to the growth of entrepreneurial endeavours. Additionally, from 2014–15 to 2018–19, the share of Manufacturing MSMEs in the nation's overall Manufacturing GVO (Gross Value of Output) at current prices stayed stable at about 33%, or one-third.

**Table-2:** Role of Micro, Small, and Medium Enterprises (MSMEs) in Gross Value Added (GVA) and GDP of India.

S.No	Year	Total MSME GVA	Total GVA	Share of MSME in GVA (%)	All India GDP	Share of MSME in GDP (%)
01	2017-15	3658196	11504279	<b>31.80</b>	12437959	<b>29.34</b>
02	2015-16	4059660	12574499	<b>32.28</b>	13771874	<b>29.48</b>
03	2016-17	4502129	13965200	<b>32.24</b>	15391669	<b>29.25</b>
04	2017-18	5086493	15513122	<b>32.79</b>	17098304	<b>29.75</b>
05	2018-19	5741765	17139962	<b>33.50</b>	18971237	<b>30.27</b>

*\*Source: CSO, GoI, 2021*

According to the 73rd round of the National Sample Survey (NSS), which was conducted between 2015 and 2016, the MSME sector has been creating 11.10 crore jobs (Table-3) in both rural and urban areas of the nation (including 360.41 lakh jobs in manufacturing, 0.07 lakh jobs in non-captive electricity generation and transmission, 387.18 lakh jobs in trade, and 362.82 lakh jobs in other services).

**Table-3:** Employment potential of Micro, Small, and Medium Enterprises (MSMEs) in lakhs.

S.No	Category of MSME	Employment (in Lakh)			Share (%)
		Rural	Urban	Total	
01	Manufacturing	186.56	173.86	<b>360.41</b>	32
02	Electricity	0.06	0.02	<b>0.07</b>	0
03	Trade	160.64	226.54	<b>387.18</b>	35
04	Other Services	150.53	211.69	<b>362.22</b>	33
05	All	497.78	612.10	<b>1109.89</b>	100

*\*Source: CSO, GoI, 2021*

With an estimated 630.52 million businesses, the micro sector employs 1076.19 lakh people, or almost 97 percent of the industrial entire employment potential (Table-4). A total of 31.95 lakh (2.88 percent) and 1.75 lakh (0.16 percent) people were employed by the small sector, which had 3.31 lakh estimated MSMEs, and the medium sector, which had 0.05 lakh. Table 4 displays the sector-specific employment distribution in rural and urban areas.

**Table-4: Employment distribution by MSMEs in rural and urban areas.**

S.No	Sector	Micro	Small	Medium	Total	Share (%)
01	Rural	489.3	7.88	0.6	497.78	<b>45</b>
02	Urban	586.88	24.06	1.16	612.1	<b>55</b>
03	All	<b>1076.19</b>	<b>31.95</b>	<b>1.75</b>	<b>1109.89</b>	<b>100</b>

*\*Source: CSO, GoI, 2021*

### Conclusion

Micro, Small, and Medium Enterprises (MSMEs) is playing a pivotal role in employment generation of rural and urban people on one side and on other side contributing the Gross Domestic Product (GDP) of India. The present study aims to determine the role of MSMEs in the economic growth of India. The study is based on the secondary data which has been obtained from different Government sources. The overall results of the present study depicts that MSMEs has a good contribution in the Gross Domestic Product (GDP) of Indian economy. From the industrial sector 97% of the economic contribution to the Indian economy comes from MSMEs. Through business innovations, the Micro, Small, and Medium Enterprises (MSMEs) have made a substantial contribution to the growth of entrepreneurial endeavours. From the results it was reported that MSMEs has created 11.10 crore jobs in rural and urban areas between 2015 to 2016, Which might have been increased to 15 crore in the present context. This sort of employment potential from MSMEs has increase per capita income of the individuals across the country, which ultimately reported a growth in the Indian economy. Prior policies in MSMEs sector in terms of financial assistance, subsidies, market channels, product packaging, etc will enhance the MSMEs

network and performance in the country. The better performance and high efficiency of MSMEs industries yields a better economy.

### Conflict of Interest

The authors declare that they do not have any conflict of interest with the submission of this manuscript.

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