



An Analytical Study on Growth and Performance of Micro, Small and Medium Enterprises (MSME) Sector in India

Dr. Gorkshnath Kacharu Sanap¹ & Mr. Sunil Rajaram Thokle²

¹Professor & Head of Department of Economics

Shikshan Prasarak Sansthas, Sangamner

Nagarpalika Arts, D. J. Malpani Commerce and B. N. Sarada Science College, Sangamner

²Assistant professor in Economics, J. S. M. College, Alibag- Raigad.

Corresponding Author: Dr. Gorkshnath Kacharu Sanap

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Introduction:

The Micro, Small & Medium Enterprises (MSME) has been contributing significantly to the expansion of entrepreneurial endeavors through business innovations. MSMEs contributed 30.1% to India's GDP in 2022-23 and MSMEs contributed 45.73% to India's exports in 2023-24, and 45.79% up to May 2024. MSMEs represent 90% of businesses, generate 60 to 70% of employment. The MSME 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 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 economy and social development of the country by fostering entrepreneurship and generating 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.

MSMEs face a number of problems, such as inadequate and timely

banking finance, skilled manpower, limited capital and knowledge, non-availability of suitable technology, low production capacity, ineffective marketing strategy, identification of new markets, constraints on modernization & expansions, non-availability of highly skilled labourers at affordable costs etc.

For solve this above problems The Ministry of MSME was launched many programs and schemes for MSME sectors. The Udyam registration portal was launched on 1st July, 2020 by government of India.

Objectives of the Study:

- 1) To study of Definition of MSME sector in India.
- 2) To Study of on Growth and Performance of Micro, Small and Medium Enterprises (MSME) sector in India.
- 3) To Study of problems of MSME sector in India.
- 4) Findings and Suggestions.

Definition of MSME Sector:

Definition of Micro, Small and Medium enterprises::In accordance with the MSMED Act, MSME are classified as: **(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.

Growth and Performance of Micro, Small and Medium Enterprises (MSME) Sector in India.

1. Estimated Number of MSME Sector in India:

Estimated Number of MSME (Activity Wise): Estimated Number of Enterprises (in lakh)

Activity Category	Total in Lakh	Share (%)
Manufacturing	196.65	31
Electricity	0.03	0
Trade	230.35	36
Other services	206.85	33
All	633.88	100

Source: Annual report -2023-24, Government of India, Ministry of Micro, Small and Medium Enterprises.pp-23-24

The period 2015-16, there were 633.88 lakh unincorporated non-agriculture MSME in the country engaged in different 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.

2. Distribution of Enterprises Category Wise:

The MSME sector has Distribution of Enterprises Category Wise:

Sector	Micro	Small	Medium	Total	Share (%)
Rural	324.09	0.78	0.01	324.88	51
Urban	306.43	2.53	0.04	309.00	49
All	630.52	3.31	0.05	633.88	100

Source: Annual report -2023-24, Government of India, Ministry of Micro, Small and Medium Enterprises.pp-25.

Micro sector with 630.52 lakh estimated enterprises accounts for more than 99% of total estimated number of MSME. Small sector with 3.31 lakh and Medium sector with 0.05 lakh estimated MSME accounted for 0.52% and 0.01% of

total estimated MSME, There was dominance of male in ownership of proprietary MSME. Thus, for proprietary MSME as a whole, male owned 79.63% of enterprises as compared to 20.37% owned by female.

3. Distribution of Enterprises by Social Group of Owner in Rural and Urban Areas:

Percentage Distribution of enterprises by social group of owner in rural and urban Areas

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 -2023-24, Government of India, Ministry of Micro, Small and Medium Enterprises.pp-26.

The representation of SC and ST owners in MSME sector was low at 12.45% and 4.10% respectively. OBC owners 49.72% and Others 32.95 % etc. in medium industry SC is 0% and ST

owner is 1% and OBC 23.85 and others owners is 70.85% in small industry others owned 62.82 % and OBC owned 29.64 and SC/ST have owned 7% .

4. Employment in the MSME Sector: Estimated Employment in the MSME Sector (Activity Wise):

Activity Category	Total in Lakh	Share (%)
Manufacturing	360.41	32
Electricity	0.07	0
Trade	387.18	35
Other services	362.22	33
All	1109.89	100

Source: National Sample Survey (NSS) 73rd Report, 2015-16.

As per the National Sample Survey (NSS) 73rd round conducted during the period 2015-16, MSME sector created 11.10 crore jobs (360.41 lakh in

Manufacturing, 0.07 lakh in Non-Captive Electricity Generation and Transmission, 387.18 lakh in Trade and 362.82 lakh in Other Services) in across the country.

5. State-Wise Distribution of Enterprises:

State-wise Distribution of enterprises:

SR.NO	State/UT	Estimate Number of MSME in Lakh	Share (in %)
1	Uttar Pradesh	89.99	14
2	West Bengal	88.67	14
3	Tamil Nadu	49.48	8
4	Maharashtra	47.78	8
5	Karnataka	38.34	6
6	Bihar	34.36	5
7	Andhra Pradesh	33.87	5
8	Gujrat	33.16	5
9	Rajasthan	26.87	4
10	Madhya pradesh	26.74	4
11	Total of above ten States	469.36	74
12	Other State/UTs	164.52	26
13	All	633.88	100

Source: Annual report -2023-24, Government of India, Ministry of Micro, Small and Medium Enterprises.pp-29.

State of Uttar Pradesh had the largest number of estimated MSME with a share of 14.20% of MSME in the country. Top 10 States accounted for a share of 74.05% of the total estimated number of MSME in the country. Statement No. 2.10 and Figure 2.8 show the distribution of estimated enterprises in top ten States.

6. Budgetary Outlay: The central government proposed budget outlay every year for MSME sector.

Budgetary outlay

Financial Year	Budget expenditure (Rs. in crore)	Actual Expenditure (Rs. in crore)
2019-20	7011.29	6717.53
2020-21	7572.20	5647.50
2021-22	15699.65	15160.47
2022-23	21422.00	23583.90
2023-24	22137.95	22094.25

Source: Annual report -2023-24, Government of India, Ministry of Micro, Small and Medium Enterprises.pp-6.

Government has taken a landmark step to double the Budget allocation for the Ministry in the FY 2021-22. Central government has increased budget and

actual expenditure for MSME sector in 7011.29 cr in 2019-20 and 22137.95 in 2023-24.

7. Welfare And Subsidy Schemes Of Governments Of India: All welfare and subsidy schemes of Governments of India.

SR. No.	Name of the Scheme	Total No. of beneficiaries (2023-24)	Total Expenditure (Rs. crore) (2023-24)
1	ATI Scheme (Training Component)	7290	9.89
2	MMDA Grant to Khadi Artisans	149045	113.16
3	Prime Minister's Employment Generation Programme (PMEGP)	89118	3093.88
4	Entrepreneurship and Skill Development Programme (ESDP) I	347041	62.84
5	International Co-operation(IC) Schemes	567	19.17
6	PM Vishwakarma Scheme	847256	55.66

Source: Annual report -2023-24, Government of India, Ministry of Micro, Small and Medium Enterprises. Pp-8

All welfare and subsidy schemes of Governments of India have been brought under Direct Benefit Transfer (DBT) with the aim of improving delivery system the

table showing the main DBT schemes of the Ministry with the benefit type, number of beneficiaries and total funds transferred or expenditure incurred.

Problems of MSME Sector in India:

SMEs face a number of problems, such as inadequate and timely banking finance, skilled manpower, limited capital and knowledge, non-availability of suitable technology, low production capacity, ineffective marketing strategy, identification of new markets, constraints on modernization & expansions, non-availability of highly skilled labourers at affordable costs and follow-up with the various Government agencies to resolve problems, etc.

1) Financial & Regulatory Issues:

Access to finance is a significant hurdle for MSMEs, with only 16% receiving timely finance. This forces them to rely on their own resources, hindering their growth prospects. Even larger firms struggle to access cheaper credit from formal banks. MSMEs face challenges with tax compliance and labour law changes, which have proven costly. Despite attempts to make the sector more competitive, compliance with regulations and tax registration remains difficult, leading to low capital and business closures. MSMEs in India are required to comply with various regulations and laws related to labour, environment, taxation and corporate governance. However, compliance with these regulations can be time-consuming and expensive, especially for smaller enterprises with limited resources.

The complexity of regulatory compliance can also prevent new enterprises from entering the market. The lack of awareness and understanding of these regulations can expose MSMEs to legal and financial risks.

2) Infrastructure: India's infrastructure is crucial for the MSME sector, especially in the outsourcing industry. However,

inadequate infrastructure affects their efficiency and ability to compete globally, limiting their growth potential.

3) Low Productivity & Lack Of Innovation:

MSMEs may lack high productivity but offer value through cost efficiency and providing goods at lower prices. However, their small-scale production and low margins put them at a disadvantage compared to larger firms. Indian MSMEs often rely on outdated technologies and lack entrepreneurs who embrace new tools and technologies. This hampers their productivity and competitiveness, especially when compared to larger firms in sectors like e-commerce and call centers.

4) Technical Changes:

MSMEs have faced significant technical changes over time, impacting their growth potential. Changes in land ownership rights have led to mismanagement and reduced productivity, highlighting the need for adaptability.

5) Competition & Skills:

MSMEs face fierce competition from larger firms, exacerbated by the rise of e-commerce and globalization. While competition is not new, MSMEs struggle to withstand the pressure in areas such as agriculture, garments, and tourism. MSMEs lag behind in terms of skills compared to their counterparts in other countries. Dependence on informal workers with limited technical skills hampers productivity and forces smaller firms into low-skilled jobs, hindering long-term growth.

6) Lack of Professionalism:

Many Indian MSMEs lack professionalism, making them vulnerable to corruption and abuse of power. This significantly impacts their business productivity and overall growth.

7) Lack of Standardized Policies: India lacks consistent MSME policies, resulting in inconsistent development and entrepreneurship promotion programs. While progress has been made in Delhi, nationwide efforts are necessary for Indian firms to compete globally.

8) Skilled Manpower: One of the key challenges faced by MSMEs in India is the availability of skilled manpower. While this problem is universal, despite a large workforce in India, it is particularly acute in the case of MSMEs. Many MSMEs struggle to find skilled workers who can operate and maintain their machinery, manage their finances, and handle their marketing and sales activities. Moreover, the lack of skilled manpower makes it difficult for MSMEs to adopt new technologies and innovate, which is crucial for their long-term growth and competitiveness.

9) The lack of Technology: The lack of technology adoption can limit the ability of MSMEs to innovate, optimize their operations, and scale their business. Sometimes, MSMEs often face challenges in accessing technology due to the high cost of investment, lack of awareness, and limited technical expertise.

10) Lack of Market Access: While the country has a large domestic market, accessing it can be challenging, especially for smaller and newer enterprises. MSMEs often struggle to penetrate existing supply chains and distribution networks dominated by larger enterprises. Accessing international markets is also not easy for MSMEs. This is due to a lack of information, resources, and technical expertise. Export procedures can also be complex and time-consuming, adding to the difficulties faced by MSMEs.

11) Ineffective Marketing and Advertising: To reach out to new customers SMBs need to market and advertise their products. This becomes a battle of resources. It is nearly impossible to compete with brands that can get celebrity endorsers and put-up giant billboards.

12) Disorganized Book-Keeping: Most forms of administration like bookkeeping and payroll management are time-consuming and complicated. However, they are also necessary. It isn't a surprise to note that this is often listed among the challenges faced by small and medium businesses. Not only can poor quality administration work hamper cash flow, but it could also put your business at risk of being fined for non-compliance with state regulations.

Findings:

There are some findings in the study.

- 1) There are 633.88 lakh non-agriculture MSME in the country.
- 2) 51 percent MSME in Rural region and 49 percent in urban region.
- 3) Micro sector with 630.52 lakh estimated enterprises accounts for more than 99% of total estimated number of MSME.
- 4) SC and ST owners in MSME sector was low at 12.45% and 4.10% respectively. OBC owners 49.72% and others 32.95 %.
- 5) In medium industry SC is 0% and ST owner is 1% and OBC 23.85 and others owners is 70.85% .
- 6) MSME sector created 11.10 crore jobs.
- 7) State of Uttar Pradesh had the largest number of estimated MSME with a share of 14.20%.
- 8) Maharashtra has 77.8 lakh MSME is 8 percent.

- 9) Central government has increased budget and actual expenditure for MSME sector in 7011.29 cr in 2019-20 and 22137.95 in 2023-24.
- 10) Prime Minister's Employment Generation Programme (PMEGP) is highest expenditure 3093.88 cr for MSME.
- 11) Finding MSME sector problems are inadequate and timely banking finance, skilled manpower, limited capital and knowledge, non-availability of suitable technology, low production capacity, ineffective marketing strategy, identification of new markets, constraints on modernization & expansions,
- 3) To address regulatory framework challenge, the government has launched several initiatives such as the Ease of Doing Business campaign, aimed at simplifying and streamlining the regulatory framework for businesses. The government has also introduced online portals and single-window clearance systems to reduce the time and cost involved in regulatory compliance.
- 4) Take the help of professional service providers such as lawyers, accountants and consultants to navigate the complex regulatory landscape. Additionally, adopting good governance practices, maintaining proper documentation, and conducting regular audits can help business ensure compliance and mitigate legal and financial risks. Participating in industry associations and networks can help to stay informed about regulatory changes and the best practices in company's sector.

Suggestions:

There are suggestions for MSME sector reforms.

- 1) To address this challenge, the government has launched several initiatives such as the Technology Upgradation Fund Scheme and the Credit Linked Capital Subsidy Scheme. These schemes are aimed at providing financial and technical support to MSMEs for upgrading their technology.
- 2) Collaboration with academic institutions, research organisations and technology providers to access new technology and technical expertise. Adopting digital technologies such as cloud computing, e-commerce and social media marketing can help enhance reach, visibility and customer engagement. Training programs and capacity-building initiatives can help develop the necessary skills and knowledge to adopt new technologies and improve company competitiveness.

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