

Contribution of MSME in Indian Economy: A Study for the Last Five Years of this Millenium (2019-2024)

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Abstract

The Micro, Small and Medium Enterprises (MSME) sector has played a vital role in Indian Economy as a highly vibrant and dynamic sector after the independence. It contributes significant changes in the economy and social development of the country by fostering entrepreneurship and generating large employment opportunities at comparatively lower capital cost, next to agriculture. MSME are alternatively to large industries as ancillary units and these sectors are highly challenging in the industrial development of the country. The MSME are expanding their domain across the country by producing diverse range of products and services to meet demands of domestic as well as international markets. This paper analysed on employment and contribution in GDP of MSME sector in Indian economy over the last five years.

KEY WORDS: MSME, Employment, industrial Development, International Market, GDP

INTRODUCTION

Ministry of Micro, Small & Medium Enterprises in India play a pivotal role by promoting growth and development of the Sector, including Khadi, Village and Coir Industries, in cooperation with Governments and other stakeholders. They provide support to existing enterprises, adopting cutting edge technologies and encouraging creation of new enterprises. A number of statutory and non-statutory bodies work under the ministry of MSME. These sectors include the Khadi and Village Industries Commission (KVIC) and the Coir Board, National Small Industries Corporation (NSIC), National Institute for Micro, Small and Medium Enterprises (NIMSME) and Mahatma Gandhi Institute for Rural Industrialisation (MGIRI). This paper analyse the contribution of MSME sector in Indian economy on its labour employment, income contribution in GDP and portfolios in overall industries during the last five years i.e. from 2019-2024 and its trends in portfolios.

OBJECTIVE OF THE STUDY

- Analysis of Empirical data on labour employment in MSME sectors in India of last five years i.e. from 2019-2024.
- To show contribution of income in Indian Gross Domestic Product (GDP) for last 5 years (2019-2024).
- Determining the Share of portfolios of MSME in the contest of Indian overall industries in state wise.

SOURCES OF DATA COLLECTION

The empirical study is purely on the basis of secondary data collected from the various sources i.e. national and international journals, books, annual report of MSME sectors published by the government and academic websites.

RESEARCH METHODOLOGY

Importance of MSME has been recognized in recent years in both created and creating nations for its critical contribution in satisfying different socioeconomic destinations, for example, higher development of employment, yield, promotion of exports and cultivating entrepreneurship. They assume a critical job in the industrial development of any nation. The MSME part is an important mainstay of the Indian economy as it contributes incredibly to the development of the Indian economy. These segments even accept more noteworthy importance now as the nation moves towards a quicker and comprehensive development motivation. Also, it is the MSME segment that can help understand the objective of the proposed National Manufacturing Policy of raising the portion of the manufacturing area in GDP from 16% at present to 25% before the • nish of 2022. The present paper is an attempt to center the present status of the performance of MSMEs in India and prospects. It is presumed that this area contributes fundamentally to manufacturing yield, employment, exports of the nation. Kumar, Vinay (2017) has analyzed that the Micro, Small and medium enterprises of India is an important driving variable for the development of Indian Economy. These MSMEs provide employment opportunities as well as aides in the process of industrialization in rustic zones, at the same time decreasing the inconsistent pay distribution among the residents. The MSMEs contribute fundamentally in the development of the Indian economy through export production, household production, low investment requirements, operational adaptability and innovation oriented enterprises and so forth. SMEs are complimentary to huge industries working in the economy and contribute essentially to the development of the nation. On a normal, this part has very nearly 36 million units that employ around 80 million people. This division, through the production of 6000 products, contributes 8% to the GDP of the nation. It comprises the 45% portion of the absolute manufacturing yield and 40% of the all-out exports of the nation. Along these lines, this paper has attempted to comprehend the job of MSMEs in providing employment opportunities and push towards the comprehensive development of the nation. Malali et al. (2015) have examined that the MSMEs are today open to the elements of more noteworthy opportunities for spreading out and diversi • cation over all the segments. The Indian market is mounting quickly and the Indian industry is making extraordinary progress in a blend of Industries like Manufacturing, Pharmaceuticals, Retail, IT, Agro and all other Service segments. MSME are • nding expanding opportunities to improve their business exercises in foundation areas. Miniaturized scale, Small and medium enterprises (MSMEs) becoming the spine of the Indian economy. The segment is before shifted dif • culties and doesn't ready to get the fundamental hold up from the Government Departments, Banks, Financial Institutions and Corporate, which are going to jump; however, it is to be the stepping stool on the development way of the MSMEs. Research Methodology The present study entitled 'a study on competitive performance and progress of Micro, Small and Medium Enterprises (MSMEs) in India' is a study with descriptive nature. The data collected for the study were through secondary sources like previous related studies, of • cial releases of Ministry of

MSME, RBI and other reliable website resources. Progressive Prospects of MSMEs in India The nation's open-door approach of globalization has brought exceptional competition for the MSMEs both in the local and abroad market and has made basic for the Indian MSMEs to beat the dif • culties and improve themselves to support and contend all around by lower costs, improved quality, embracing different creative practices and up-gradation of innovation. The government needs to identify the push regions like innovation, human asset development, account, advertising, and Shanlax International Journal of Management sha n l a x #SINCE1990 entrepreneurship development where the segment slacks when contrasted and its international rivals and make the MSMEs serious with the worldwide players and get by in the competition. Finance Finance is one of the basic contributions to the promotion and development of a smaller scale and little enterprises. Presently around 4 million records are worked by MSMEs in India as the vast majority of the exporters of the area don't have a clue how to plan and present a credit application. Once in a while, they have insurance satisfactory to banks as protection from an advance. Government institutions like SIDBI should work right now to promote miniaturized scale funds by which they can continue in the market. The government ought to likewise concentrate on promoting the developing wellsprings of money like essential and secondary security advertise, venture capital, private value, outside business borrowings, considering services, and so on, particularly for the MSME division Subramanian et al. (2018) has examined the importance of MSME has been recognized in recent years in both created and creating nations for its critical contribution in satisfying different socioeconomic destinations, for example, higher development of employment, yield, promotion of exports and cultivating entrepreneurship. They assume a critical job in the industrial development of any nation. The MSME part is an important mainstay of the Indian economy as it contributes incredibly to the development of the Indian economy. These segments even accept more noteworthy importance now as the nation moves towards a quicker and comprehensive development motivation. Also, it is the MSME segment that can help understand the objective of the proposed National Manufacturing Policy of raising the portion of the manufacturing area in GDP from 16% at present to 25% before the • nish of 2022. The present paper is an attempt to center the present status of the performance of MSMEs in India and prospects. It is presumed that this area contributes fundamentally to manufacturing yield, employment, exports of the nation. Kumar, Vinay (2017) has analyzed that the Micro, Small and medium enterprises of India is an important driving variable for the development of Indian Economy. These MSMEs provide employment opportunities as well as aides in the process of industrialization in rustic zones, at the same time decreasing the inconsistent pay distribution among the residents. The MSMEs contribute fundamentally in the development of the Indian economy through export production, household production, low investment requirements, operational adaptability and innovation oriented enterprises and so forth. SMEs are complimentary to huge industries working in the economy and contribute essentially to the development of the nation. On a normal, this part has very nearly 36 million units that employ around 80 million people. This division, through the production of 6000 products, contributes 8% to the GDP of the nation. It comprises the 45% portion of the absolute manufacturing yield and 40% of the all-out exports of the nation. Along these lines, this paper has attempted to comprehend the job of MSMEs in providing employment opportunities and push towards the comprehensive development of the nation. Malali et al. (2015) have examined that the MSMEs are today open to the elements of more noteworthy opportunities for spreading out and diversi • cation over all the segments. The Indian market is mounting quickly and the Indian industry is making extraordinary progress in a blend of Industries like Manufacturing, Pharmaceuticals, Retail, IT, Agro and all other Service segments. MSME are • nding expanding opportunities to improve their business exercises in foundation areas. Miniaturized scale, Small and medium enterprises (MSMEs) becoming the spine of the Indian economy. The segment is before shifted dif • culties and doesn't ready to get the fundamental hold up from the Government Departments, Banks, Financial Institutions and Corporate, which are going to jump; however, it is to be the stepping stool on the development way of the MSMEs. Research Methodology The present study entitled 'a study on competitive performance and progress of Micro, Small and Medium Enterprises (MSMEs) in India' is a study with descriptive

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RESEARCH METHODOLOGY

The paper is divided into two parts. First part is analyzed by empirical analysis and other part is based on analysis of secondary data through tables, charts and diagrams.

FINDINGS AND ANALYSIS OF DATA

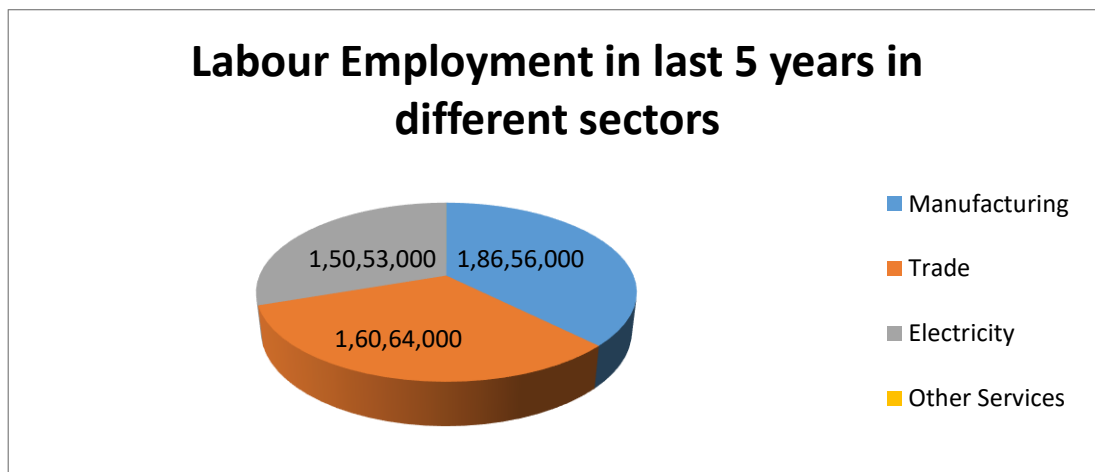
The Micro, Small & Medium Enterprises (MSME) has been contributing significantly to the expansion of entrepreneurial endeavours through business innovations. The MSME are widening their domain across sectors of the economy, producing diverse products and services to meet demands of national as well as global markets. The MSME in India are providing a large employment opportunity at comparatively lower capital cost than large industries. As per the data collected from National Sample Survey conducted during the period, MSME sector created 11,10,00,000 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 the rural and the urban areas over the country.

Employment in MSME sectors of last five years

Activity of Sectors	Rural	Urban	Total
Manufacturing	1,86,56,000	1,73,86,000	3,60,41,000
Trade	1,60,64,000	2,26,54,000	3,87,18,000
Electricity	1,50,53,000	2,11,69,000	3,62,22,000
Other Services	6000	2000	7000
All	4,97,78,6000	6,12,10,000	11,09,89,000

Source: Annual report, MSME, 2023-24

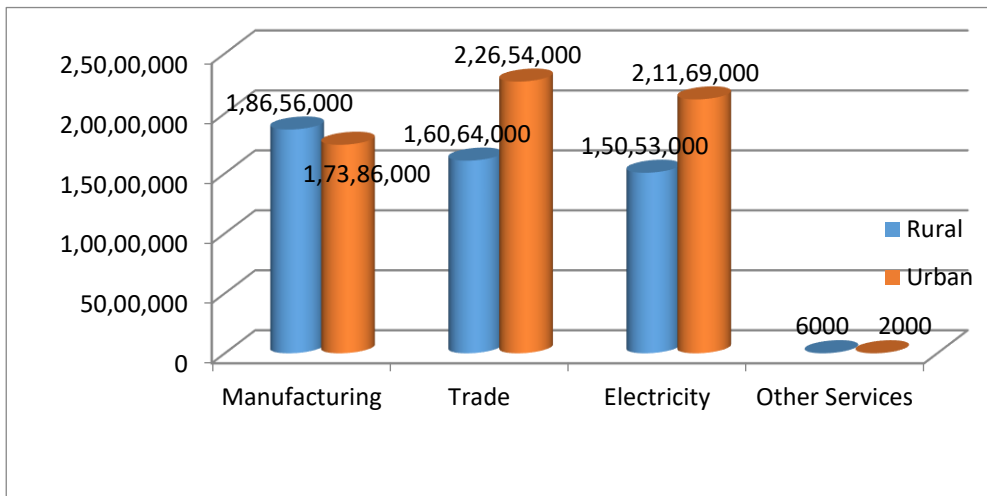
Chart-1



Source: self-generated

In the above table and chart it is depicted that labour employment in trade is highest, then manufacturing and electricity sector respectively. Employments in other services are low but not the negligible.

Chart



Source: self-generated

In chart 2, it is clear that labour employment in MSME sectors in urban area is more than the rural area.

In India MSME sectors contribute almost 30% of total GDP of last 5 years from 2019-24.

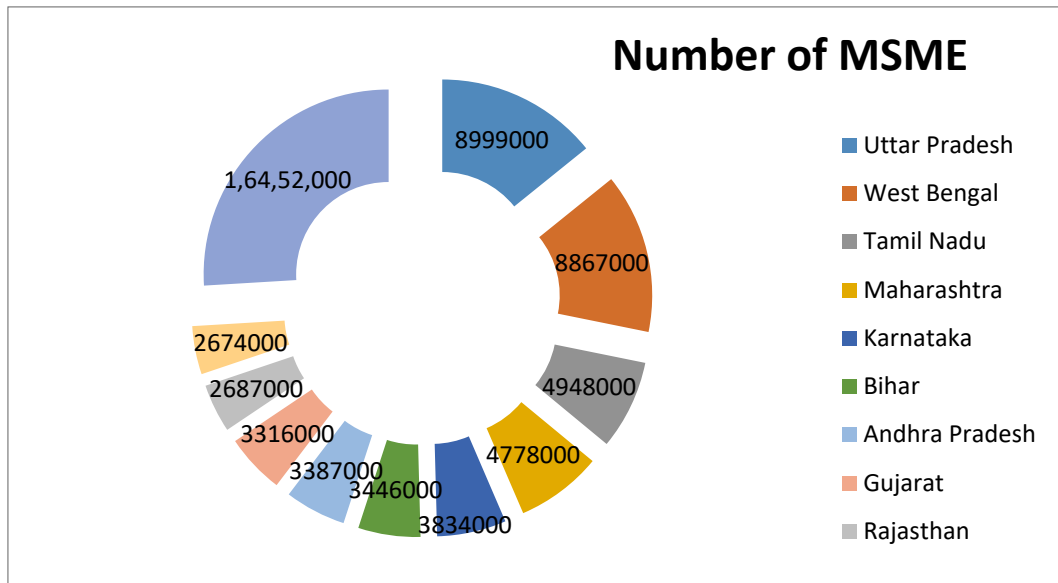
- **2019-20:** The share of MSME GVA in India's GDP was 30.5%.
- **2020-21:** This year the share slightly decreased by 3.2% i.e. reduced to 27.3% due to the COVID-19 pandemic.
- **2021-22:** The share increased to 29.6%.
- **2022-23:** The share further inclined by 0.5% and increased to 30.1%.

- **MSME Contribution to Exports:** MSMEs also play a crucial role in India's exports, contributing around 45% of the overall exports. .
- **Economic Growth:** The MSME sector is considered the backbone of India's economy, driving economic growth and sustainability.
- **Recent Data:** As of May 2024, MSMEs contributed 45.79% to India's overall exports.

State-wise Distribution of enterprise from 2019-2024

Sl.no	State	Number of MSME	Portfolio
1	Uttar Pradesh	8999000	14%
2	West Bengal	8867000	14%
3	Tamil Nadu	4948000	8%
4	Maharashtra	4778000	8%
5	Karnataka	3834000	6%
6	Bihar	3446000	5%
7	Andhra Pradesh	3387000	5%
8	Gujarat	3316000	5%
9	Rajasthan	2687000	4%
10	Madhya Pradesh	2674000	4%
11	Other states	1,64,52,000	26%
12	Total	6,33,88,000	100%

Source: Annual report, MSME, 2023-24



Source: auto generated

In the above tables and charts depict the picture of last 5 years that highest number of MSME sector has in Uttar Pradesh. West Bengal acquired the second position in MSME Sectors. Significantly, Uttar Pradesh and West Bengal have 14% of portfolio share each. Whereas, apart from the 8 states portfolio share of rest of the states are 26%.

CONCLUSIONS

From the above data it can be concluded that labour employment in trade is highest and above 11 crore people are engaged in MSME sector. On the basis of industrialization, Uttar Pradesh and West Bengal acquired the highest share of all states. MSME contribution to the Indian Economy is almost 30% on GDP and remains consistent of last five years i.e. from 2019 to 2024. It proves that almost one-third of our economic contribution coming from MSME sectors.

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