

A Comparative Study of Micro, Small, and Medium Enterprises (MSMEs) of Top Ten States in India.

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Abstract- Over the past 50 years, the Micro, Small, and Medium Enterprises (MSME) sector has grown to be a very active and dynamic area of the Indian economy. The Micro, Small & Medium Enterprises (MSMEs) have been contributing a significant portion of the entrepreneurial endeavors through the business innovations. Micro, Small, and Medium Enterprises (MSME) sector has grown to be a very active and dynamic area of the Indian economy. By developing entrepreneurial and creating provides employment opportunities at a relatively low capital cost, second only to agriculture, it significantly contributes to the economic and social development of the nation. MSMEs also play a significant role in creating large number of employments at a lower cost of capital than major enterprises. MSMEs support large businesses as auxiliary units, and this industry significantly contributes to the socioeconomic development of the nation. The present study is based on the distribution of the MSMEs enterprises according to Activity based, Employment type, and gender based. It also studies the Comparative Distribution of Top 10 States in percentage. Majority of the MSMEs are established in rural areas. MSMEs are supporting the large industries. Due to lack of infrastructure, Quality, withdrawal of subsidy and unskilled workforce leads to a great competition from large industries.

I. INTRODUCTION

Over the past 50 years, the Micro, Small, and Medium Enterprises (MSME) sector has grown to be a very active and dynamic area of the Indian economy. By developing entrepreneurial and creating provides employment opportunities at a relatively low capital cost, second only to agriculture, it significantly contributes to the economic and social development of the nation. MSMEs serve as auxiliary units to large industries and make a substantial contribution to the

country's inclusive industrial growth. In order to achieve its vision of a progressive MSME sector, the Ministry of Micro, Small & Medium Enterprises works with relevant Ministries/Departments, State Governments, and other stakeholders to support enterprises, adopt cutting-edge technology, and promote the development of new businesses.

MSMEs play a vital role in industrializing rural and underdeveloped regions, reducing regional imbalances, and ensuring a more equitable distribution of national income and wealth. MSMEs also play a significant role in creating large number of employment at a lower cost of capital than major enterprises. MSMEs support large businesses as auxiliary units, and this industry significantly contributes to the socioeconomic development of the nation.

Definition of Micro, Small and Medium enterprises:

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:

- 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;
- 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
- 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.

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:

Central Government, hereby notifies the following criteria for classification of micro, small and medium enterprises,

- 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;
- 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;
- 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.

This notification shall come into effect from 01.07.2020

II. REVIEW OF LITERATURE

- Bargal et al. (2009) examined the causal relationship among the three variables GDP, SSI output and SSI exports and also have compared the performance parameters of SSIs in the pre and post liberalization era. The study found that the annual average growth rate of different parameters of SSIs have declined in the period of nineties vis-à-vis the pre-reform years. There is an absence of any lead-lag causal relationship between exports and production in small-scale sector and GDP of Indian economy.
- Dixit and Pandey (2011) applied co-integration analysis to examine the causal relationship between SMEs output, exports, employment, the number of SMEs and their fixed investment and India's GDP, total exports and employment (public and private) for the period 1973-74 to 2006- 07. Their study revealed the positive causality between SMEs output and India's GDP.
- Singh et al. (2012) analyzed the performance of Small scale industry in India and focused on policy changes which have opened new opportunities for this sector. Their study concluded that SSI sector has made good progress in terms of number of SSI units, production & employment levels. The study recommended the emergence of technology development and strengthening of financial infrastructure to boost SSI and to achieve growth target.
- Venkatesh and Muthiah (2012) found that the role of small & medium enterprises (SMEs) in the industrial sector is growing rapidly and they have become a thrust area for future growth. They emphasized that nurturing SME sector is essential for the economic well-being of the nation. The above literature highlights the various aspects viz. Performance, growth & problems of MSMEs in Indian economy and induces for continued research in this field.
- Kankipati et al (2017) has observed that the entrepreneurship generally speaking refers to the overall course of action undertaken by an owner in starting and managing his enterprise for profit. 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. Over last 5 decades MSME sector emerged as extremely effervescent and vigorous segment of Indian economy. There is continuous growth in MSME employment and MSME providing more employment opportunities over last 7 years.
- Ujjal Bhuyan (2016) has analysed that the Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary

units and this sector contributes enormously to the socio-economic development of the country.

- Subramanian et al (2019) has pointed that the importance of MSME has been recognized in recent years in both developed and developing countries for its significant contribution in gratifying various socio-economic objectives such as higher growth of employment, output, promotion of exports and fostering entrepreneurship. They play a crucial role in the industrial development of any country. The MSME sector is an important pillar of Indian economy as it contributes greatly to growth of Indian economy. This sector even assumes greater importance now as the country moves towards a faster and inclusive growth agenda.
- Paramasivan C & Mari Selvam P (2013) has explained the contribution of micro, small and medium enterprises (MSME) sector to manufacturing output, employment and exports of the country is quite significant. According to estimates, in terms of value, the sector accounts for about 45 per cent of the manufacturing output and 40 percent of the total exports of India. The MSME sector employs about 42 million persons in over 13 million units throughout the country. There are more than 6000 products, ranging from traditional to high-tech items, which are being manufactured by the Indian MSMEs.

Objectives:

- To evaluate the performance of MSMEs with regards to Employment Opportunities.
- To study the Comparative Distribution of MSMEs of Top Ten States.

Methodology:

The study is based on secondary data. A survey and observation by the selected literatures in the published reports. The annual reports of the MSMEs from 2015-16 to 2021-22 are considered for the analysis. The various websites of Micro, Small and Medium Industries and Government of India etc. are also considered for analysis.

Analysis and findings:

In the present study to analyze the performance of MSMEs percentage were calculated based on the employment factor according to rural and urban areas. Comparative statements were prepared for top ten states.

Table No: 1 Activity based Estimated No. of MSMEs on Employment

<i>Activity based Estimated No. of MSMEs on Employment</i>				
<i>Activity Category</i>	<i>Estimated No. of Enterprises (in Lakhs)</i>			
	Rural	Urban	Total	%
<i>Manufacturing</i>	186.56	173.86	360.41	32
<i>Electricity</i>	0.06	0.02	0.07	0
<i>Trade</i>	160.64	226.54	387.18	35
<i>Other Services</i>	150.53	211.69	362.22	33
<i>All</i>	497.78	612.1	1109.89	100

Source: Annual Reports 2021-22

From the Table No 5, table represents the Activity based Estimated No. of MSMEs on Employment. There are four activity categories; Manufacturing, Electricity, Trade and Other Services with a total of Rural 497.78 (in Lakhs) and Urban 612.1 (in Lakhs) are at 1109.89(in Lakhs).

Manufacturing category at Rural are 186.56 (in Lakhs) and Urban at 173.86 (in Lakhs) with a total of manufacturing 360.41 (in Lakhs) which contributes 32%.

Electricity category at Rural are 0.06 (in Lakhs) and Urban at 0.02 (in Lakhs) with a total of manufacturing 0.07 (in Lakhs) which contributes 0%.

Trade category at rural are 160.64 (in Lakhs) and Urban at 226.54 (in Lakhs) with a total of manufacturing 387.18 (in Lakhs) which contributes 35%.

Other Services category at Rural are 150.53 (in Lakhs) and Urban at 211.69 (in Lakhs) with a total of manufacturing 362.22 (in Lakhs) which contributes 33%.

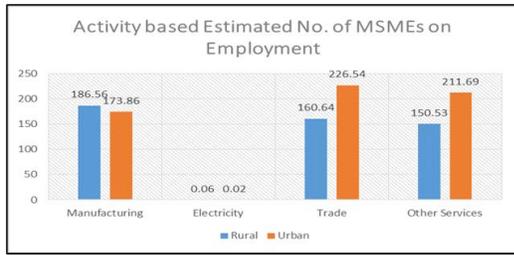


Figure 1: Activity based Estimated No. of MSMEs on Employment

Table No: 2 Distribution of Employment by Type of Enterprises

Sector	Micro	Small	Medium	Total	%
Rural	489.3	7.88	0.6	497.78	45
Urban	586.88	24.06	1.16	612.1	55
Total	1076.19	31.95	1.75	1109.89	100

Source: Annual Reports 2021-22

Table No 6, the table shows the distribution of Employment by Type of Enterprise in rural and urban areas. There are three sectors represents the data in Micro, Small and Medium levels. Major contribution is from urban area and least from rural. The comparison of all the three sectors medium level contributes 0.6 (in Lakhs) under rural category and 1.16 (in Lakhs) is from urban category. Next leading is from Small category with 7.88 (in Lakhs) from rural and 24.06 (in Lakhs) from urban. The major contribution from all the three sectors are Micro sector, which contributes 1076.19 (in Lakhs) rural and 31.95 (in Lakhs) urban. The rural area contribute about 45% and urban area contributes about 55%.

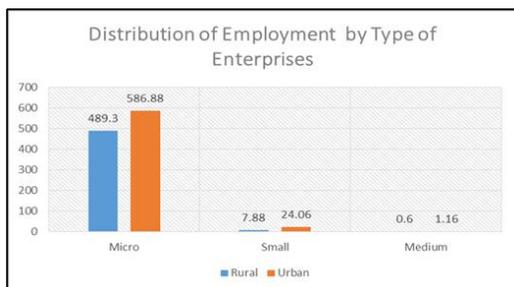


Figure 2: Distribution of Employment by Type of Enterprises

Table No: 3 Gender Distribution of Workers.

Sector	Female	Male	Total	%
Rural	137.5	360.15	497.78	45
Urban	127.42	484.54	612.1	55
Total	264.92	844.68	1109.89	100
%	24	76	100	

Source: Annual Reports 2021-22

From the table no 7, the table shows the distribution of enterprise of MSMEs based on Gender distribution of workers. Under Rural Category the Male represents 137.5 (in Lakhs) and Female represents 360.15 (in Lakhs). Under Urban Category 127.42 (in Lakhs) represents Male and 484.54 (in Lakhs) represents Female. Total Male under both categories are 844.68 (in Lakhs), which contribute about 76% and total Female under both categories are 264.92 (in Lakhs), which contributes about 24%. The total contribution of rural area are at 45% and urban area at 55%.

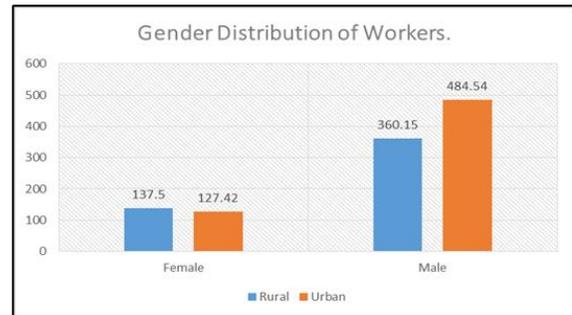


Figure No 3: Gender Distribution of Workers.

Table No: 4 Comparative Distribution of Top Ten States.

S. No	State/UT	NSS 73rd Round*		Fourth All India Census of MSMEs &Fifth Economic Census **	
		Number (in Lakhs)	%	Number (in Lakhs)	%
1	Uttar Pradesh	89.99	14	44.03	12

2	West Bengal	88.67	14	34.64	10
3	Tamil Nadu	49.48	8	33.13	9
4	Maharashtra	47.78	8	30.63	8
5	Karnataka	38.34	6	20.19	6
6	Bihar	34.46	5	14.7	4
7	Andhra Pradesh***	33.87	5	25.96	7
8	Gujarat	33.16	5	21.78	6
9	Rajasthan	26.87	4	16.64	5
10	Madhya Pradesh	26.74	4	19.33	5
11	Total	469.4	74	261.04	72
12	Other States/UT's	164.5	26	100.72	28
13	Total	633.9	100	361.76	100

*NSS 73rd Round, 2015-16,

** Fourth All India Census of MSME, 2006-07 (Unregistered sector) and Fifth Economic Census,

***Including Telangana in Fourth All India Census of MSME.

Source: Annual Reports 2021-22

From the table represents the comparative distribution of Top ten States. The table gives the percentage of the contribution according to National Sample Survey NSS 73rd round and Fifth Economic Census, and Telangana in Fourth All India Census of MSME.

According to National Sample Survey NSS 73rd round the highest percentage is from the state of Uttar Pradesh and West Bengal with 14%, next followed by Tamil Nadu and Maharashtra with 8%, followed by Karnataka 6%, and Bihar and Andhra Pradesh, Gujarat are at 5%, least percentage of contribution is from Rajasthan and Madhya Pradesh at 4% and most of the contributions is from other states and UTs with 26%. According to Fourth All India Census of MSME, 2006-07 (Unregistered sector) and Fifth Economic Census, Including Telangana in Fourth All India Census of MSME the highest percentage is from the state of Uttar Pradesh 12%, followed by West Bengal with 10%, next followed by Tamil Nadu 9% and Maharashtra with 8%, followed by Karnataka 6%, and Bihar 4% and Andhra Pradesh 7%, Gujarat are at 6%,

least percentage of contribution is from Rajasthan and Madhya Pradesh at 5% and most of the contributions is from Other states and UTs with 28%. The total contribution of top ten states from National Sample Survey NSS 73rd round are 74% and the remaining 26% from other states and UTs.

The total contribution of top ten states from According to Fourth All India Census of MSME, 2006-07 (Unregistered sector) and Fifth Economic Census, Including Telangana in Fourth All India Census of MSME are 72% and the remaining 28% from other states and UTs.

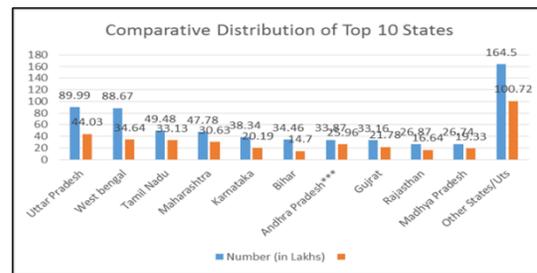


Figure No 5: The Comparative Distribution of Top 10 States in lakhs

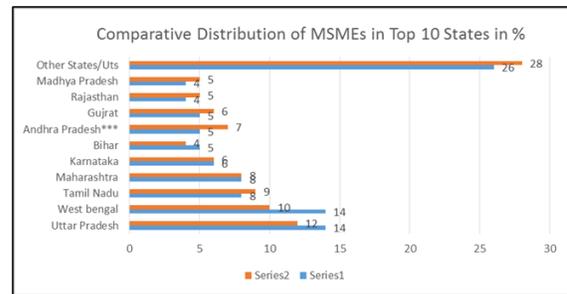


Figure No 6: The Comparative Distribution of Top 10 States in percentage

CONCLUSION

The Government took the initiative to develop and improve the quality and productivity of the MSMEs contribution towards GDP. The Rural area category was more when compared to urban regarding Trade and other Activities. In comparison of the ownership based on gender under rural and urban categories, urban area male influences more on MSME activity. The distribution of enterprises owned by male and female, majority of the male category running the medium scale industries. MSMEs plays a major role in

the development of the economy. The MSME provides a greater employment opportunity with lower cost. Majority of the MSMEs are established in rural areas. MSMEs are supporting the large industries. Due to lack of infrastructure, Quality, withdrawal of subsidy and unskilled workforce leads to a great competition from large industries. The MSMEs should concentrate more on Technology for the advancement and promotional strategies to compete worldwide.

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