

## **Assessing The Contribution of Micro, Small and Medium Enterprise in Economic Development: With Special Reference to Selected Measures**

**By**

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### **Abstract**

The main objective of the study is to estimate the performance and contribution of micro, small, and medium enterprises to the economy. Secondary data has been collected for the analysis to find results. The data has been presented in the form of tables and charts and qualitatively analyzed. The outcome of the analysis established that the MSME sector helps as a catalyst for the constant distribution of growth and prosperity in the nation. In the present study, economic development is analyzed through employment growth, export promotion, and standard of living. Gross domestic product (GDP) has been regarded as a determinant of living standards. The percentage method has been used to analyze the results of the study.

**Key-words:** Gross domestic product, Micro, Small and Medium enterprises, Economic development.

### **Introduction**

Over the last five decades, the Micro, Small, and Medium Enterprises sector has emerged as India's most vibrant and effective sector economy. The contribution of the MSME sector is not only in employment generation but also in the industrialization of backward and rural areas. MSMEs are helpful in reducing regional imbalances and encouraging a more equitable allocation of national income. This sector also helps in the socio-economic development of the nation. The MSME sector accounts for 80 percent of the total number of industries. The development and growth of this sector have been stable and notable over the previous decades. Data show that the number of micro, small, and medium enterprises has increased from around 1.1 crore in 2001–02 to 4.1 crore enterprises in 2009–2010 and furthermore to 4.48 crore units in 2014–2015. The MSME sector has also contributed around 8 percent of the country's GDP, 45 percent of manufactured output, and 40 percent of exports. Previously, micro, small, and medium enterprises (MSMEs), registered with the concerned government agencies, were defined in terms of investment in plant and machinery, as mentioned in the below table:

<b>Old definition (Based on Investment)</b>		
	Manufacturing	Service
<b>Micro</b>	25 lakh	10 lakh
<b>Small</b>	5 crore	2 crore
<b>Medium</b>	10 crore	5 crore

*Source- author*

According to the revised definition of MSMEs (1<sup>st</sup> july,2020) the criteria has been based on the investment and turnover, mentioned below table:

<b>New definition (Manufacturing &amp; Service)</b>		
	Investment	Turnover
<b>Micro</b>	1 crore	5 crore
<b>Small</b>	10 crore	50 crore
<b>Medium</b>	50 crore	250 crore

*Source- author*

Economic growth of a country is closely related with the growth of its industrial sector. Industrial sector is contained of micro, small, medium and enterprises. While large enterprises help in the overall economic growth of a country. Where the micro, small and medium enterprises have contributed in growth of employment, industrial production and exports. Small size industries have the edge of low cost of capital, low cost technology, labour intensiveness and short maturation period(Singh, Rana & Singhal 2009).The significant contribution of the MSME sector have been seen in the standard of living of the people.

## **Review Of Literature**

**Rajeevan, Sulphay, & Rajsekar (2015)**, the viewed that the importance of Micro, Small and Medium enterprises in job creation of India. They found that MSME sector has generate job opportunity approx 60 million people through 26 million enterprises. They have also disclosed that the unregistered sector create more than 80 percent of the employment. This research is an analytical and descriptive in nature. This research is an analytical and descriptive in nature. This study is mainly based on secondary data. The study reveals that there is a need of giving priority to unregistered sector in future plans and policies for the growth of MSMEs.

**Gade (2018)**, has analyses the contribution of MSMEs sector in India's development. The present study has reveals that the MSMEs are giving uniform growth to the society and can be a big mode to make use of the natural resources of India. This study has also examined that MSME sector has creating big amount of job opportunities at low capital investment in comparison to large scale industries. The study has also shows that the MSMEs are very helpful to eliminate regional variation. Secondary data has been used in this particular research.

**Gherghina, Botezatu, Hosszu and Simionescu (2020)**, said that micro, small and medium enterprises are significant for local economic growth beside this it have many funding problems. The aim of the present study is to investigate the impact of innovation and investment on sectional economic development by turnover of active enterprises of roman. The research has been done over the period 2009-17. They have used the quantitative method and linear regression used as a statistical tool in the research paper. They have also discussed favourable impact of the number of micro, small and medium enterprises on national economic

development. This research also shows the findings of the research are very helpful to the managers and policymaker for encourage and support MSME through their strategies.

**Srivastva (2020)**, has discussed the contribution of micro, small and medium enterprises in India's development and explain the significance of Gujrat as a state in promoting entrepreneurship through MSME sector. The present study is descriptive in nature. The secondary data has been used for the objective of analysis and conclusion. She had focused on the importance of MSME sector of Gujrat which is contributing significantly to export enhancement, innovation, employment growth and inclusive development of the state's economy. Also she had present the MSME sector share in national GDP is about 29 percent and is estimated 50 percent by 2024.

**Patil and Chavan (2020)**, in their research paper revealed that exports have a great importance in economic development of India. The present research is based on the performance of export in micro, small and medium enterprises in India. They have makes an effort to explain the export growth of MSME segment in India. They have also attempt to recognize many restriction with MSME sector and resolve them for best export growth and promote MSMEs for their sustainable export on global level. The present study is based on the secondary data and descriptive in nature. The analysis of this research paper has revealed that the exporting segment of micro, small and medium enterprises played a very important role in economic development of a country.

**Janjurne (2018)**, explained that MSME sector has the potential to improve socio-economic condition of the state as well as country such as- economic growth and employment, opportunities for entrepreneurship, output and encouragement exports. The present study is based on the secondary data and exploratory in nature. She analyzed that MSME sector has accounts approx 45 percent in the industrial output, 40 percent in the export of the country and 42 percent in employment. This research emphasized that Indian government has taken many initiatives to make MSME sector more dynamic and significant player in growth of the economy.

**Barki and Vibhuti (2017)**, have discussed the importance of MSMEs in economic development. They have also discussed the micro, small and medium enterprises allocated more employment opportunities, promote of industrialization in rural areas, low rate of capital requirement, best use of local resources and traditional skilled manpower and make easy mobilization of resources and increase exportability of the products. The present study is based on the secondary data. Researchers have used the mean, standard deviation, standard error and t-test for the analysis of data. They have concludes in their research that growth of MSME sector is evaluative to our nation's economic development.

**D. Mahajan(2019)**, identifies the role of MSME sector in economic growth of India. He has also explained that the present status of Mudra loans in the state of Maharastra. He found that there is a need of the government support to MSME sector for the better performance. The study is based on secondary data and nature of research is descriptive. Both quantitative and qualitative data has been used in this research paper. He examined that Pradhan Manti Mudra Yojna has been more benefitted for the enhancement of the MSME sector in Maharashtra.

## **Objectives Of the Study**

1. To access the contribution of MSMEs to employment growth.
2. To access the contribution of MSMEs to export promotion.

3. To access the contribution of MSMEs to uplifting the living standards.

## Research Methodology

The nature of present study is descriptive. In order to perform analysis and draw a conclusion, the researcher used secondary data. The present research is supported by secondary data. To recognize the current situation of the MSME sector, a number of reports from authentic sources have been analyzed. Secondary data has been obtained from a number of published sources. The main data source for the current study is the annual report (2019-20) of MSME published by the Government of India. In this study, data has been analyzed in the form of percentages.

## Significance Of the Msmes In Indian Economy

MSMEs play a major role in the Indian economy as they create jobs without much interference from the government. SMEs promote growth in both urban and rural areas. Generally, MSMEs contribute to the Indian economy in the following ways: by creating jobs, reducing the poverty rate, eliminating the income gap between urban and rural areas, promoting regional development, raising exports, boosting production, etc.

## Significance In Growth Of Employment

*Estimated employment in the MSME sector (Activity wise)*

Category of Activity	Employment (in lakh)			Share (%)
	Rural	Urban	Total	
(A)	(B)	(C)	(D)	(E)
<b>Manufacturing</b>	186.56	173.86	360.41	32
<b>Electricity*</b>	0.06	0.02	0.07	-
<b>Trade</b>	160.64	226.54	387.18	35
<b>Other services</b>	150.53	211.69	362.22	33
<b>All</b>	<b>497.78</b>	<b>612.10</b>	<b>1109.89</b>	<b>100</b>

*\*Non-captive electricity generation and transmission*

*Source –MSME annual report 2019-20*

According to National Sample Survey (NSS ) 73<sup>rd</sup> round organized the period 2015-16, micro, small and medium enterprises has been generating 11.10 crore employment (360.41 in manufacturing sector, 0.07 lakh in non-captive electricity generation and transmission, 387.18 in trade and 362.22 in other services) in the rural and urban areas over the nation.

*In rural and urban areas distribution of employment ( Numbers in lakh)*

Sector	Micro	Small	Medium	Total	Share (%)
<b>Rural</b>	489.30	7.88	0.60	497.78	<b>45</b>
<b>Urban</b>	586.88	24.06	1.16	612.10	<b>55</b>
<b>All</b>	<b>1076.19</b>	<b>31.95</b>	<b>1.75</b>	<b>1109.89</b>	<b>100</b>

*Source- MSME annual Report 2019-20*

Above table shows that micro enterprises provided employment to 1076.19 lakh individuals that in take accounts for approx 97 percent of overall employment in the sector. Small and Medium size enterprises generated employment to 31.95 lakh (2.88%) and 1.75 lakh (0.16%) individuals of overall employment of MSME sector.

*Between male and female distribution of employment*

Sector	Female	Male	Total	Share (%)
Rural	137.50	360.15	497.78	45
Urban	127.42	484.54	612.10	55
<b>Total</b>	<b>264.92</b>	<b>844.68</b>	<b>1109.89</b>	<b>100</b>
<b>Share (%)</b>	<b>24</b>	<b>76</b>	<b>100</b>	

Source –MSME Annual Report 2019-20

Above table’s classification shows that 1109.89 lakh individuals has been employed in MSME sector of which 844.68 (76%) are male employees and remaining 264.92 lakh (24%) are female employees.

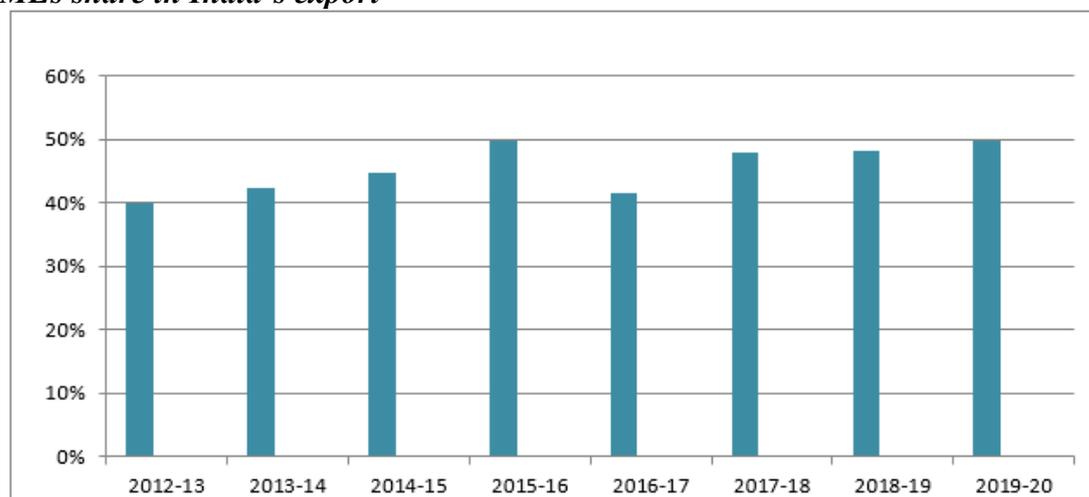
**Significance In Export’s Growth**

*MSMEs share in India’s export*

Year	Percentage (%) share in export
2012-13	40
2013-14	42.42
2014-15	44.76
2015-16	49.86
2016-17	41.50 approx
2017-18	48.00 approx
2018-19	48.10
2019-20	49.75

Source – [www.smetimes.in](http://www.smetimes.in)

*MSMEs share in India’s export*



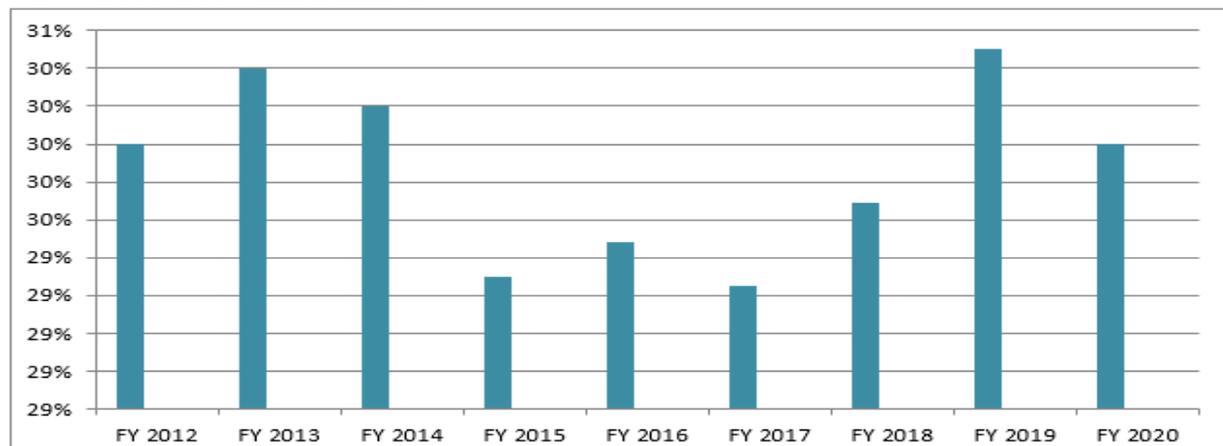
Source – [www.smetimes.in](http://www.smetimes.in)

The above table shows the percentage growth of MSMEs to the overall exports of country. It can be analysed that the percentage share of MSMEs in country’s export has been on superemacy. There was the 40 percent growth from the MSMEs in 2012-13, 42.42 percent in 2013-14, 44.76 percent in 2014-15, 49.86 percent in 2015-16, approx 41.50 percent in 2016-17, approx 48.00 percent in 2017-18, 48.10 percent in 2018-19 and 49.75 percent in 2019-20 financial years.

## Role In Improving Standard of Living

The MSME industry is crucial to the Indian economy. More than 10 crore people are employed by more than 6 crore enterprises across a variety of industries. In India, the MSME sector accounts for 40 percent of exports and 45 percent of industrial output. Considering the fact that 90 percent of MSMEs are unregistered, their annual contribution to India's GDP was around 28 percent, which resulted in an increase of 8 percent in GDP. MSMEs are well recognized for delivering great opportunities for both self-employment and wage work, as was stated earlier. MSMEs have been growing steadily over the period of the era, creating jobs for both urban and rural residents. About 49 percent of MSMEs are found in metropolitan areas, while 51 percent in rural areas make a significant contribution to the development of those areas, according to the 2017–18 MSME report. As a result, the standard of living for those who live in rural areas is significantly rising. However, compared to medium or large-scale sectors, MSMEs are able to offer more jobs per capital invested due to the fact that the majority of them conduct labor-intensive tasks with relatively low investment requirements. The GDP factor has been taken as an indicator of living standards in the study.

### *MSMEs share in India's total GDP*



### *Source –author*

Micro, Small and Medium enterprises are significantly contributing in the GDP of the country. The above figure shows that the share of the MSME sector is around 30 percent from 2012-2020 in the total GDP of the country.

## Limitation Of the Study

- The research has been done in an Indian context.
- GDP is taken as an indicator of living standards.
- Employment growth, export promotion and living of standards are considered variables of economic development.
- The percentages have been applied to analyze the study's findings.

## Conclusion

The MSME sector is the growth accelerator for the economy of India, contributing about 30 percent of India's gross domestic product (GDP). In respect to exports, MSMEs are an essential part of the supply chain and contribute around 40 percent of overall exports. The MSME sector has addressed major challenges in India's overall economy by reducing regional imbalances, promoting rural development, and employing locals. Conclusively, it can be said

that MSMEs have the potential to increase the income level of people while promoting the interests of consumers. Thus, it would not be wrong to say that the MSME sector has a lot of opportunities to play with in the domestic as well as export markets. The MSME sector accounts for between 40 and 50 percent of India's total exports, and it accounts for around 30 percent of the country's GDP. The micro, small, and medium enterprises sector is credited with around 40 percent of the overall employment in the nation. 55 percent live in cities, while 45 percent live in rural areas. Males have received 76 percent of these jobs, while females have received only 24 percent.

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