

**THE PERFORMANCE OF MICRO SMALL AND MEDIUM
ENTERPRISES IN INDIA**

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Abstract

MSMEs have been playing an important role in the overall economic development of a country like India, where millions of people are underemployed or even unemployed. This sector solves many problems, viz. poverty and unemployment, through providing immediate and large-scale employment with lower investments and proves to be the second largest manpower employer after agriculture. Micro-small and medium enterprises (MSMEs) play an essential role in the economic development of the country. It contributed to employment as well as the economic growth of the country. The present study shows the performance of the MSMEs in the state of Uttarakhand in terms of investment and employment. The secondary data has been used in the study. The study found that MSMEs play a significant role in the state's economic development, and the correlation between investment and employment was positive during the study period.

Keywords: *Economic Development, Unemployment, Investment, MSMEs*

1. INTRODUCTION

In India, the Micro, Small, and Medium Enterprises (MSME) sector has become a very active and growing part of the economy in the last 20 years. It contributes significantly to the country's economic and social development by fostering entrepreneurship and generating large employment opportunities at comparatively lower capital costs, next only to agriculture. MSMEs are complementary to large industries as ancillary units, and this sector contributes significantly to the country's inclusive industrial development. MSMEs are expanding their domain across sectors of the economy, producing a diverse range of products and services to meet domestic and global market demands. Small and medium businesses (SMEs) are considered to be one of the most important drivers of economic growth in most countries throughout the world (Nadaf and Kadakol, 2017)

According to the ministry of statistics and PI, the share of MSME Gross Value Added (GVA) in all of India's Gross Domestic Product at current prices (2011-12) for the year 2018-19 and 2019-20 were 30.5% and 30.0% respectively.

The MSME sector is an important sector of the Indian economy. As per the information received from Central Statistics Office, Ministry of Statistics and PI, the share of MSME Gross Value Added (GVA) in All India Gross Domestic Product at current prices (2011-12) for the year 2018-19 and 2019-20 were 30.5% and 30.0% respectively. The share of the MSME manufacturing in All India manufacturing gross value output during the year 2018-19 and 2019-20 were 36.9% and 36.9%, respectively. Further, as per the information received from the Directorate General of Commercial Intelligence and Statistics, the share of export of specified MSME-related products to All India exports during 2019-20 and 2020-21 was 49.8% and 49.5%, respectively.

As per the 73rd Round of NSS Report on Unincorporated Non-Agricultural Enterprises' (July 2015- June 2016) conducted by the Ministry of Statistics and PI, the estimated number

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of workers in the MSME sector was 11.10 crore. Under the Prime Minister's Employment Generation Programme (PMEGP), the estimated employment generated (number of persons) in micro enterprises during the year 2020-21 and 2021-22 (as on 01.07.2021) are 5.95 lakh and 1.19 lakh, respectively.

The central government and Reserve Bank of India have launched several schemes to help MSMEs entrepreneurs. A few notable schemes are MSME Samadhaan, Udyog Aadhaar, MUDRA, ZED scheme, Make in India, and Start-up India. The state government of Uttarakhand has also launched the MSMEs Policy 2015 to boost industrial development in the state.

Uttarakhand had also made several initiatives to promote industrial growth. SIIDCUL, formed by the state government in 2002, built seven separate industrial integrated parks and supported world-class facilities for industrial growth. The state have lot of potential for the development of industries.

Table 1 Definition of MSMEs

Revised Classification (Applicable w.e.f 1st July 2020)			
Composite Criteria: Investment in Plant and Machinery or Equipment and Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing and Services	Investment up to Rs. 1 crore and Annual Turnover up to Rs. 5 crores	Investment up to Rs. 10 crore and Annual Turnover up to Rs. 50 crores	Investment up to Rs. 50 crore and Annual Turnover up to Rs. 250 crores

Sources: msme.gov.in

2. LITTERATURE STUDY

Kumar, B., and Gajakosh, A. R. (2021) investigated in their study found that Uttarakhand provides the necessary infrastructure for MSMEs entrepreneurship and smooth operations in the state. The government is funding for training and other placements. In addition to implementation in the MSME sector centers, but much remains to be done. Common This area requires monitoring so that appropriate processing of information can be done so that MSMEs align. This issue also needs to be investigated, as research in the field is lacking. National development project. COVID-19 has had a significant impact on the employment of MSMEs at the state and national levels, but its impact is so strong that to save the place. If more effort is made for the area, it will certainly benefit the country as a whole in terms of growth and development."

Objectives:

- **To study the performance of MSMEs in Uttarakhand.**
- **To study the contribution of MSMEs to the Economic Development of Uttarakhand.**

3. RESEARCH METHODOLOGY

Descriptive research design used in the study. The secondary data from 2001-2022 used in the study was collected from the Directorate of Industries in Dehradun, Uttarakhand. Time series analysis has been predicted from the Microsoft word and Excel data used in the present study. Regression analysis has been used in the study to find a significant result.

THE PERFORMANCE OF MICRO SMALL AND MEDIUM ENTERPRISES IN INDIA

4. RESULT AND DISCUSSION

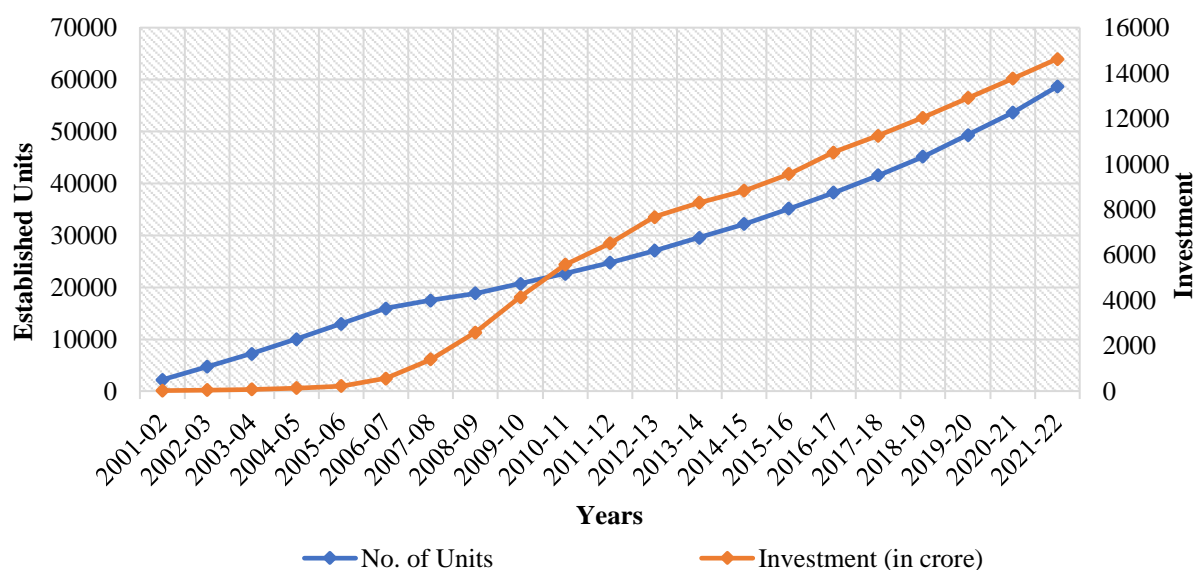
Table 2 Current Prominence of MSMEs in Uttarakhand from 2001-2022

Year	No. of Established Units	YoY Growth	Investment (In crore)	YoY Growth	Employment (In no.)	YoY Growth
2001-02	2183	-	22.16	-	4864	-
2002-03	2544	17%	23.33	5%	5287	9%
2003-04	2470	-3%	31.71	36%	5735	8%
2004-05	2815	14%	57.98	83%	6868	20%
2005-06	2955	5%	90.89	57%	9031	31%
2006-07	2989	1%	329.49	263%	12058	34%
2007-08	1500	-50%	844.2	156%	16032	33%
2008-09	1346	-10%	1191.65	41%	18195	13%
2009-10	1871	39%	1556.88	31%	23865	31%
2010-11	1973	5%	1424.8	-8%	19673	-18%
2011-12	2121	8%	931.78	-35%	15162	-23%
2012-13	2291	8%	1167.77	25%	18389	21%
2013-14	2469	8%	622.75	-47%	12842	-30%
2014-15	2669	8%	533.5	-14%	12034	-6%
2015-16	2929	10%	734.89	38%	17471	45%
2016-17	3080	5%	949.96	29%	22065	26%
2017-18	3339	8%	728.93	-23%	19547	-11%
2018-19	3640	9%	793.51	9%	18811	-4%
2019-20	4153	14%	873.16	10%	25510	36%
2020-21	4269	3%	846.33	-3%	22157	-13%
2021-22	5073	19%	871.5	3%	35990	62%
Total	58679		14627.17		341586	

Sources: Directorate of Industries, Dehradun, Uttarakhand,
YoY= Year on Year Growth

Uttarakhand became a separate state after splitting from Uttar Pradesh in November 2000. It has enacted several industrial policies to aid in the growth of the state's industries. Micro Small and medium enterprises (MSMEs) are critical to Uttarakhand's economic growth. Table 2 shows the establishment of no. of units in MSMEs, their investment in the state, and the employment generated by the industries. After the formation of the new states, many investors like Mahindra and Mahindra, Tata, and Nestle showed their interest in investing in the state. From 2001 to 2022, 58679 units were established in the state, with a total investment of 14627.17 crores and 341586 new jobs created.

Numbers of Established Units and Investment in MSMEs



Sources: Directorate of Industries, Dehradun, Uttarakhand

Figure 1 Trend of Growth in Number of Established Units and Investment During 2001-2022

The establishment of the MSMEs units in the state of Uttarakhand has increased year on year. During the study period, there are a total of 58679 units established in the state so far with an investment of 14627.17 crores in the state. Figure 1 shows that in the initial years, MSMEs units showed an increasing trend, while investment was lower, from 2010-11 this scenario was changed and investment overtake no. of established units. This was happened due to pragmatic industrial policy of 2008 (Special integrated industrial incentive policy-2008) and 2011(Special integrated industrial incentive policy amended 2011).

Table 3 Regression Analysis of Number of Units of Firms and Investment

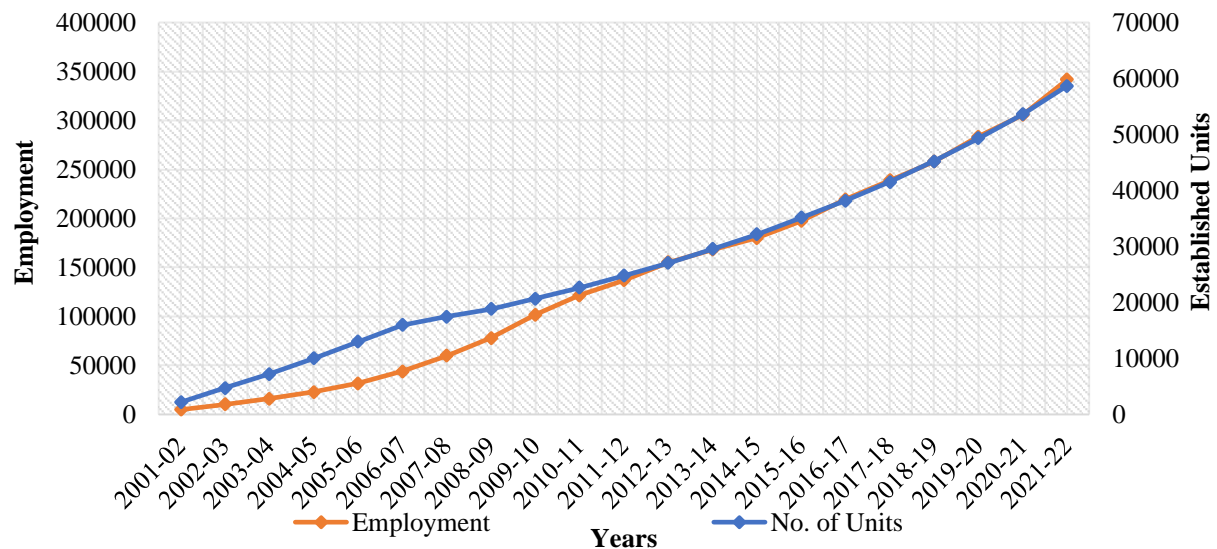
			ANOVA		
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	5.05E+09	5.05E+09	368.6794	6.67E-14
Residual	19	2.6E+08	13700425		
Total	20	5.31E+09			

Sources: Computed by researcher

The table provides information about the significance and explanatory power of the regression model. The statistically significant F-value and the large amount of variation explained by the regression model suggest that the increase number of industries have a significant impact on the investment. the significance level for the F-value is 6.67E-14, which is a very small value and indicates that the regression model is statistically significant.

THE PERFORMANCE OF MICRO SMALL AND MEDIUM ENTERPRISES IN INDIA

Numbers of Units and Employment Generated by MSMEs



Sources: Directorate of Industries, Dehradun, Uttarakhand

Figure 2 Trend of Growth in Number of Established Units and Employment During 2001-2022

Employment opportunities are one among the important variables of economic growth of a country. Now a days, India facing the problem of unemployment, while MSMEs have the potential to absorb this unemployment. The state of Uttarakhand also faced the problem of unemployment and no economy can economically sustain unless and until it provides lively hood to its local people. Traditionally the MSME are labour intensive and alleviating unemployment problems to a great extent. A significant ($p < 0.05$) increase was recorded in the number of employments from 2001 to 2022 Figure 2 However, an abrupt increase was observed in established units, which might be attributable to central government packages and the establishment of SIIDCUL and industrial policy 2003 by the state government. This initiative attracted huge investment from all over India and hence increased linearly afterward. Furthermore, a slight decline in employment was observed in recent years (2020-22), possibly due to the pandemic.

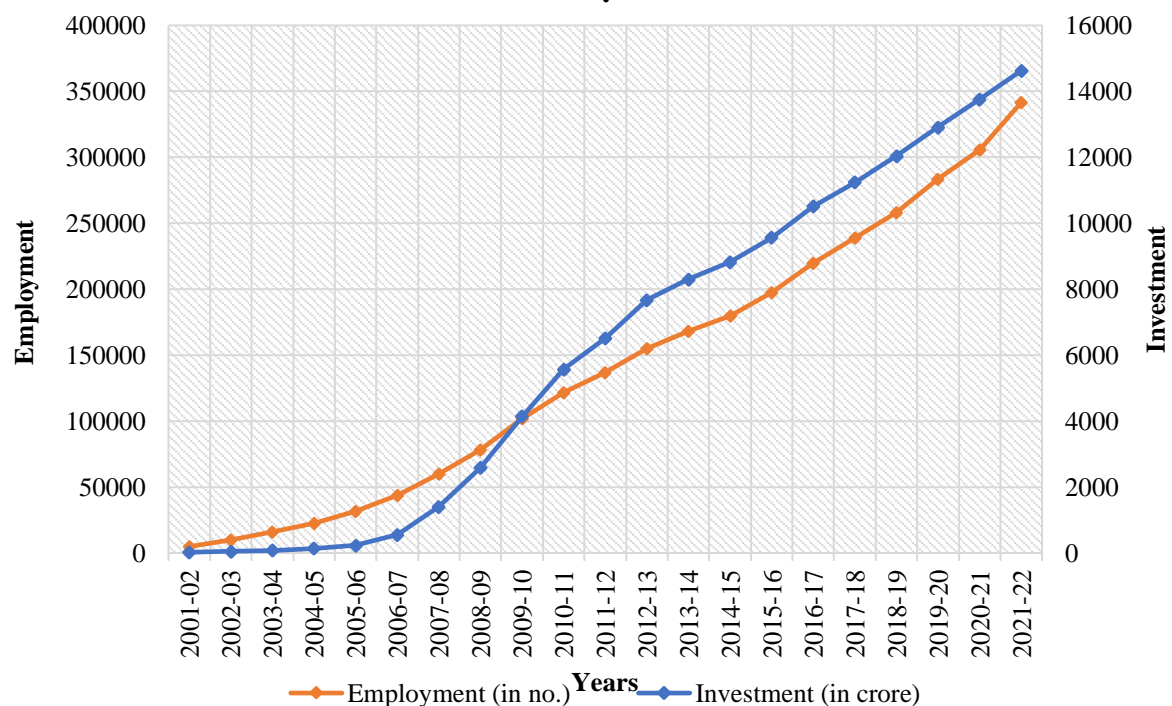
Table 4 Regression Analysis of Number of Units of Firms and Employment Contribution.

	ANOVA				
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	5240169266	5240169266	1398.300108	2.94289E-19
Residual	19	71203038.26	3747528.33		
Total	20	5311372305			

Sources: Computed by researcher

In this table, the significance level for the F-value is 2.94289E-19, which is a very small value and indicates that the regression model is statistically significant.

Investment and Employment in MSMEs



Sources: Directorate of Industries, Dehradun, Uttarakhand

Figure 3 Trend of Growth in Investment and Employment during 2001-2022

A typical poverty reduction strategy will often promote investment projects that are geared to achieve an agreed level of poverty reduction by increasing (or enhancing) returns to labour since investment is a key element for employment generation. Figure 3 shows the relationship between investment and employment. A significant ($p < 0.05$) increase was recorded in the number of employments from 2001 to 2022 Figure 3. However, an abrupt increase was observed in investment, which might be because of several tax concessions given by the state government in the industrial policies. Uttarakhand's state industrial policies gave many taxes concession to the investor to invest in Uttarakhand.

Table 5 Regression Analysis of Growth of Investment and Employment Contribution

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	5.27E+08	5.27E+08	1330.798	4.68E-19
Residual	19	7525298	396068.3		
Total	20	5.35E+08			

Sources: Computed by researcher

In this table, the significance level for the F-value is 4.67993E-19, which is a very small value and indicates that the regression model is statistically significant. It indicates that the regression model is statistically significant and that the investment have a significant impact on the employment.

5. CONCLUSION

MSMEs is the backbone of Indian economy and also plays a significant role in state economy of Uttarakhand. It contributed in employment as well as economic development of the state. The state of Uttarakhand developed a SIIDCUL and came up with many attractive industrial policies for the development of the industries in the state, so SIIDCUL have well maintained infrastructure in terms of better roads, education, and hospitals. The contribution of the micro small and medium enterprises (MSMEs) in the development of the state has been increasing throughout the study period and also contributed to employment. It is also found that a significant ($p < 0.05$) increase was recorded in the number of employments and investment from 2001 to 2022.

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