



An overview performance of MSMEs compare to GDP, employment and exports: A study on India economy context

Chhattu Kamila¹, Brajaballav Pal²

¹ Research Scholar, Department of Commerce, Vidyasagar University, West Bengal, India.

² Professor, Department of Commerce, Vidyasagar University, West Bengal, India

Abstract

MSMEs are the robust pillar of the economy, they engage with manufacturing and services sectors, create employment at the low cost of capital, also it help with GDP and export expansion. The objective of the study is what determines the role and performance of these sectors in the Indian economy, for the study we have taken the last four years (2019-20 to 2023-24) secondary data, sources from MSMEs annual reports and PIB reports, which are registration growth of the MSMEs, its employment capacity and MSMEs to GDP and exports. Used simple averages, percentages and bar charts to interpret the results. The results say that the role of the MSME sectors is significant in the economy, where the contribution of MSME to GDP, employment and export are positive trends over the years which is a good sign for the Indian economy, it helps India to present leading position of business status and connectivity on front of the global market in near future.

Keywords: MSMEs, GDP, employment, export

Introduction

One of the most stable and growing sectors of the Indian economy is the Micro, Small, and Medium Enterprises (MSME) sector. It is growing throughout the economy and offering a wide range of goods and services to both domestic and foreign clients in accordance with their needs. It contributes greatly to the industrialization of rural and undeveloped areas, and they do it at a capital cost that is much lower than that of huge corporations. MSMEs are also important in providing jobs. The notion that MSMEs offer great employment prospects to both men and women is widely acknowledged. Consequently, it reduces disparities and ensures a fairer allocation of income and assets throughout India. MSMEs worked in the Indian services sector and contributed to exporting, employment creation, industrial production, and foreign exchange earnings. Approximately 45% of the nation's manufacturing output, 8% of its GDP, over 6500 distinct goods, and over 40% of its exports were produced by MSMEs.

Review of Literature

Mayya (2021) attempted to investigate how policies and programs from the government impact India's small-scale industries' performance. He came to the conclusion that small businesses had a positively large potential for employment and exports. The paper of Charkha and Shah (2021) ^[2] is focused on the strengths, weaknesses, threats and opportunities of small sector businesses in India. He conclusion that government initiatives and subsidies contribute significantly to both regional development and the sustainable expansion of SSI. A study conducted by Ramesha (2021) growth and working of MSMEs in India. Examining MSMEs' role in the Indian economy is the paper's goal. Using secondary data from several MSME annual reports, he came to the conclusion that MSMEs are a sector with the potential for sustained growth in the Indian economy, one that has a favorable impact on exports, employment, low investment, and other areas. Bagale (2016) ^[4] conducted a study on Indian MSMEs sectors. The

findings of the study stated that the MSMEs are important an theme for economic growth point of view in the world as well as domestically. E-commerce will play a growing role in the growth of new MSMEs and help to strengthen their financial stability. Das (2017) ^[5] carried out a study on the problems, prospects, and difficulties faced by MSMEs in India. Using both secondary and primary data, he discovered that MSMEs have contributed to "made in India" projects and can aid in the creation of jobs in rural areas through improved industrialization. Santra (2017) ^[6] did a study on Darjeeling Hill's MSMEs' problems and future opportunities. Darjeeling's MSMEs are not anticipated to increase at a rate comparable to West Bengal's MSMEs as a whole. In his opinion, other districts had a more favorable atmosphere than the Darjeeling district. Because of this, a special SSI development policy for Darjeeling must be established by the state government. Kanrar (2013) ^[7] has conducted research on how different institutional financing policies affect MSMEs' growth in West Bengal. The distribution and sanctioning of loans to backward and non-behind districts are also explained by the study. The financial assistance and disbursement of the non-backwards district in West Bengal were determined to be in a better situation than that of the backward district. Uma (2013) ^[8] studied the socioeconomic growth of India. This paper discussed SSI's function in the Indian economy. Every year has seen an improvement in SSI output and employment, which is directly reflected in the Indian economy. Srinivas (2013) ^[9] conducted his research on the growth of MSMEs. This study demonstrates how MSMEs boost domestic output and lower the unemployment rate, which benefits India's GDP. However, poor infrastructure, improper financing, and a lack of market accessibility are the main problems that have hindered the growth of MSMEs. Saluja (2013) ^[10] conducted study on MSMEs' challenges and their contribution to India's economic development. He came to the conclusion that MSMEs play a big part in the Indian economy. Through incentives and policies, the government has aided in the expansion of MSMEs. Gupta (2009) ^[11]

have Presented the research on the small-scale industrial sectors in Punjab. In order to demonstrate the relationship between the variables—number of units, direct employment, fixed investment, and production—this article underwent testing. The findings showed that employment and unit counts have increased more slowly than investment and output.

Objective of the Study

1. To know the contribution of MSMEs on Indian economy.
2. Discuss the problems and treat of MSMEs in India.

Methodology

Our research is based on secondary data gathered from published annual reports of Micro, Small and Medium

Enterprises (MSMEs), Press Information Bureau (Govt of India) reports, and articles. We have utilized four years of data (2020-2021 to 2023-2024) to estimate the number of MSMEs registrations, the employment growth of MSMEs, the contribution of MSMEs to GDP, and their contribution to Indian exports. To interpret the results, we have employed simple average, percentage, and line chart methods.

Analysis of Growth and Performance of MSMEs

1. Estimated Number of MSMEs (Activity Wise).
2. Distribution of Enterprises Category Wise.
3. Registration growth under UDYAM.
4. Employment growth of MSMEs under UDYAM.
5. Contribution of MSMEs in GDP
6. Contribution of MSMEs in overall exports of India.

Table 1: Estimated Number of MSMEs (Activity Wise)

Activity Category	Rural	Urban	Total	Share (%)
	Manufacturing	114.14	82.50	
Electricity	0.03	0.01	0.03	0
Trade	108.71	121.64	230.35	36
Other Services	102.00	104.85	206.85	33
All	324.88	309.00	633.88	100

Sources: MSME annual reports

Table 2: 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

Sources: MSME annual reports

Tables 1 & 2 shows the estimated number of MSMEs (activity-wise) and their distribution in category-wise, where 36% share in trade activity, 33 % and 31% share in other services, and manufacturing activity respectively. There is a very low working activity in the field of electricity enterprises. No difference has been found in the rural and urban distribution number of MSME enterprises (51% share in rural areas and 49% share in urban areas), which proved that overall MSME working efficiency and disbursement.

Table 3: Registration growth under UDYAM

Years	Registered units	Y to Y growth
2019-20	28,47,544	-
2020-21	51,47,993	80.79%
2021-22	85,82,179	66.71%
2022-23	1,50,27,865	75.11%

Sources: MSME annual reports

Table 3 presents the registration growth of MSMEs last four years. This data employed 2019-20 to 2022-23 financial years, clearly shows that positive trend of registration growth but the 2021-22 slide showdown improved next year immediately with 75.11%, but it does not touch the 2020-21 growth percentage.

Table 4: Employment growth of MSMEs under UDYAM

Years	Employed person	Y to Y growth
2020-21	2,75,10,401	-
2021-22	3,53,65,229	28.55%
2022-23	4,52,75,820	28.02%
2023-24	1,54,64,211	-65.84%

Sources: MSME annual & PIB reports

Table 4 presents the employment growth of the MSMEs from 2020-21 to 2023-24, The first three years' growth was increased consistency by nearly 28.5%, but in 2023-24 employment growth was down 65.84%, which may be many causes of the global recession which indirectly affected, high interest, inefficient loan disbursement, both central and state govt lack of support, unfavorable policy and schemes or many others.

Table 5: Contribution of MSMEs in GDP

Years	Share of MSMEs gross added value in GDP of India
2019-20	30.48%
2020-21	27.24%
2021-22	29.15%
2022-23	43.59%
2023-24	45.56%

Sources: MSME annual & PIB reports

Table 6: Contribution of MSMEs in overall exports of India

Years	% of share of MSMEs in overall export of India
2019-20	49.77%
2020-21	49.35%
2021-22	45.03%
2022-23	43.59%
2023-24	45.56%

Sources: MSME annual & PIB reports

Tables 5 and 6 illustrate the significant contribution of MSMEs to the GDP and exports in India. This contribution is crucial from an economic perspective as it helps to reduce unemployment, improve business connectivity, reduce social and economic imbalance, and strengthen the currency. If MSMEs continue to thrive, it will create a sustainable economic growth journey for India. Table 5 shows that the MSMEs' contribution to GDP in 2020-21 decreased due to the COVID-19 pandemic. However, it

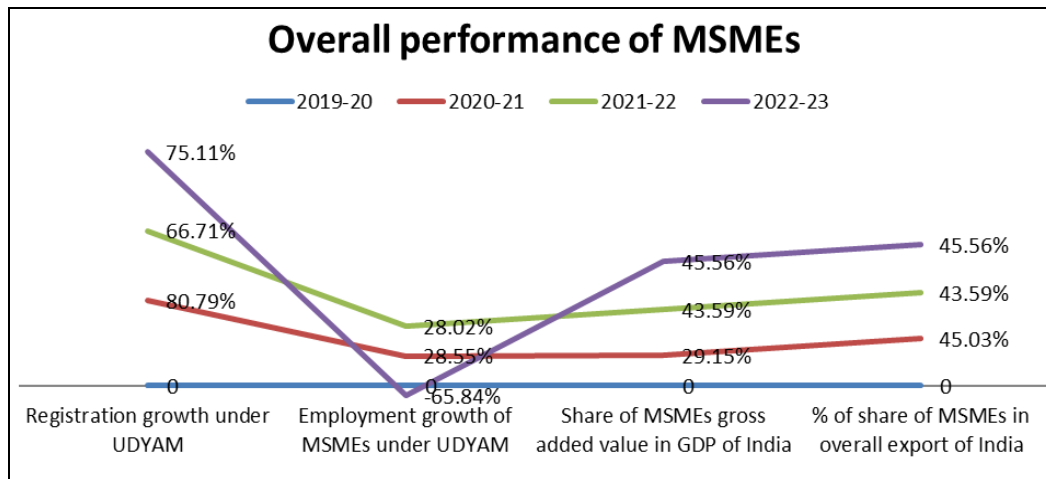
quickly recovered, and the growth percentage increased positively. Table 6 displays the contribution of MSMEs to India's total exports. The data highlights that MSMEs

contributed around 45 to 49% to the growth of exports, indicating the potential, effectiveness, and productivity of Indian MSMEs.

Table 7: Overall performance of MSMEs to the Indian economy

years	Registration growth under UDYAM	Employment growth of MSMEs under UDYAM	Share of MSMEs gross added value in GDP of India	% of share of MSMEs in overall export of India
2019-20	0	0	0	0
2020-21	80.79%	28.55%	29.15%	45.03%
2021-22	66.71%	28.02%	43.59%	43.59%
2022-23	75.11%	-65.84%	45.56%	45.56%

Calculated by researcher



Calculated by researcher

Chart 1: Overall Performance of MSMEs

Overall the table 7 & chart 1 indicates a mixed performance of MSMEs under the UDYAM scheme. While there were significant increases in registrations and their contribution to GDP and exports, there was a concerning decline in employment growth in the most recent year. This suggests the need for further analysis to understand the factors behind these trends and to implement targeted strategies to address any challenges faced by MSMEs.

Problems and Treat of MSMEs in India

- a. **Access to Finance:** Many MSMEs struggle to access affordable credit from formal financial institutions due to lack of collateral, high interest rates, and complex application procedures. Implement financial inclusion measures such as specialized MSME lending programs, collateral-free loans, interest rate subsidies, and simplified loan application processes. Encourage the development of alternative financing options like peer-to-peer lending platforms and venture capital funds dedicated to MSMEs.
- b. **Market Access and Globalization:** MSMEs often face barriers to entering domestic and international markets due to lack of information, infrastructure, and regulatory compliance. Facilitate market access by providing market intelligence services, supporting e-commerce platforms, enhancing logistics and transportation infrastructure, and simplifying export-import procedures. Negotiate trade agreements that benefit MSMEs and provide export promotion schemes and incentives for MSME exporters.

- c. **Technology Adoption and Innovation:** Limited technological capabilities and low innovation levels hinder MSMEs' competitiveness and productivity. Provide incentives for MSMEs to adopt technology and innovation through subsidies for technology acquisition, setting up technology parks, offering training programs, and facilitating collaboration with research institutions and larger companies. Create a supportive ecosystem for start-ups and innovation hubs to foster entrepreneurship and experimentation.
- d. **Regulatory Compliance Burden:** MSMEs struggle with complex and burdensome regulatory requirements, including registration, taxation, labor laws, environmental regulations, and compliance with quality standards. Simplify and rationalize regulatory frameworks by reducing paperwork, introducing online compliance portals, harmonizing state and central regulations, and providing assistance in understanding and implementing regulations. Offer training programs and consultancy services to help MSMEs comply with standards and regulations.
- e. **Skills and Capacity Building:** MSMEs often face skill shortages and lack the capacity to adapt to changing market demands, technological advancements, and business management practices. Enhance skill development initiatives by establishing vocational training centers, offering entrepreneurship education programs, conducting skill upgradation workshops, and fostering industry-academia collaborations. Provide

incentives for MSMEs to invest in employee training and development and support apprenticeship programs.

- f. Infrastructure Constraints:** Inadequate physical infrastructure, including power supply, transportation, and communication networks, constrains the growth and operations of MSMEs. Invest in the development of infrastructure projects targeting MSME clusters, improve connectivity through road and rail networks, expand access to reliable electricity and internet services, and develop industrial estates and parks with necessary amenities. Encourage public-private partnerships to finance infrastructure development projects.

Conclusion

The study has explored the overall impact of MSMEs on the Indian economy. We know that it is the robust theme of any economy, where including employment generation, and productivity, reduce social and economic disparity in the economy. We have taken the registration growth of the MSMEs, its contribution to GDP, employment capacity and export contribution last four years from 2023-2024 financial years. The results of the study state that registration growth, employment and contribution to GDP and export are positive trends, exception of employment generation in 2023-24 is negative with -65.84% and in 2020-21 MSMEs to GDP contribution result was not reasonable due to covid-19 pandemic. We can conclude that high registration in MSMEs indicates that the business policy, schemes, loan disbursement management, entrepreneurs' business mindset, and skills are going to upgrade, all are good signs for the Indian economy. MSMEs are the only sectors where employment can produce more and more at the low cost of capital, for that season both central and state governments should be looked at. GDP and export are core fundamental stands for any economy, they can boost any economy from an underdeveloped to a developing economy. Our study says that Indian MSME sectors already are playing a vital role in enhancing the GDP and exports. The government have to take steps of all existing threats and weaknesses in these sectors and will be solved immediately.

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