



ROLE OF MSMEs IN PROPELLING INCLUSIVE GROWTH OF INDIA

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Introduction

The size and the vibrancy of the Micro, Small, and Medium Enterprises (MSME) determine the economic health of a nation. They are especially important to developing ones since they control economic activity, create jobs, and so considerably determine the wellness of people. In India, this industry employs the second greatest number of people after agriculture. About 6.3 crore units with around 11 crore people in employment, encompassing 30 percent in nominal GDP in 2016-17, that is the vastness of MSME, says the RBI Governor while referring from the 73rd round of National Sample Survey (NSS)¹.

A significant part of the MSME operates in the unregulated arena of the economy. The NSS, 73rd Round classifies them as 'Unincorporated Non-Agricultural Enterprises (excluding Construction)'. This category employed about 40,88,400 workers during 2006-07, while the ASI report for the same period puts the number of workers in employment in the formal registered industries at 78,80,536, which is greater by almost 419%. Not inconsequently, the share of MSME GVA was 29.10% of the All India GDP in 2021-22, having recovered from the Covid induced low of 27.2% in the FY 2020-21.² Its share of exports in All India Export rose to 45.56% by the month of September 2023, while it was 43.59% in the FY 2022-23³.

MSME – At the Core of Economic Development

¹ <https://www.rbi.org.in/commonman/Upload/English/Speeches/PDFs/MSME06032020.PDF>

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<https://sansad.in/getFile/annex/263/AS17.pdf?source=pqars#:~:text=The%20share%20of%20MSME%20GVA,29.1%25%20in%202021%2D22.>

³ <https://pib.gov.in/PressReleaseframePage.aspx?PRID=1946375> & <https://pib.gov.in/PressReleaseframePage.aspx?PRID=1985020>

The contribution of the MSME far exceeds its economic brief. By empowering the most marginalized and vulnerable sections of the populations, this sector serves as a tool for inclusive growth. These units help generate economic growth, create an equitable and reasonable social structure by promoting gender and economic equity, viable nonfarm employment ecosystem and an embedded local development. By nature, they require less capital to setup and run, and substantially, they become harbingers of inclusivity by promoting wider participation in the nation's economic life. They also promote spatial harmony, reducing the rural-urban divide. As per the NSS report, about 51.3% of MSMEs in India are based in rural areas, where they offer jobs to roughly 45% of the country's workforce.

The MSME sector is defined by diverse enterprise composition, varied sizes and scope, rural-urban dynamics, operational patterns, ownership orientations, employment potential, etc. With 104.50 lakh manufacturing enterprises, 12.31 lakh repair and maintenance enterprises, and 81.93 lakh service enterprises⁴, the MSME sector signifies the adaptability and resilience of India's entrepreneurial spirit.

Operationally, majority of enterprises, 186.24 lakh or 93.71%, function perennially, while 6.42 lakh and 4.23 lakh enterprises run on a seasonal and casual basis⁵. This is in keeping with the scope of enterprises to operate and employ under varied circumstances that are peppered with factors such as traditions, customs and seasonal opportunities of operations, and others. What really makes this industry special is its ability to absorb a vast section of the employable skilled and semiskilled people. It is noteworthy to mention that the average employment per enterprise as per the All India Census of MSME has increased from 2.05 persons in the 3rd Census (2001-02) to 2.06 persons in the 4th Census (2006-07).

This sector has usually seen upward growth. Compared to the results obtained from the NSS 67th Round (July 2010–June 2011) survey, the number of unincorporated non-agricultural enterprises (excluding construction) until the NSS 73rd Round has grown annually by 2 percent, with a total increase of 9.9 percent during the period in between. This was facilitated by the higher growth rate in the number of Establishments (13.2%) than in that of the OAE which grew at the rate of 9.3 percent⁶. The higher growth rate of establishments signifies greater confidence of entrepreneurs in the MSME ecosystem to invest, particularly in the manufacturing sector that constitutes 31% of the enterprises.

The Ministry of MSMEs and the state governments are making sustained efforts to promote the MSME sector. In order to factor in the inclusivity concerns, the government had instituted the National Scheduled Caste and Scheduled Tribe Hub (NSSH) Scheme which was evaluated in 2020 through M/s NITCON Limited⁷. The

⁴ <https://dcmsme.gov.in/publications/FRFUnregisteredSector.pdf>

⁵ MSME Unregistered Survey - final report of fourth all india census of msme unregistered sector 2006-07

⁶ Economic Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding Construction) in India.

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<https://pib.gov.in/PressReleaseframePage.aspx?PRID=2003867#:~:text=For%20continuation%20of%20National%20Scheduled,the%20impact%20of%20the%20scheme.>

study recommended the continuation of the scheme with an enhanced tenure to cover the complete entrepreneur development and enhancement life cycle. The report also highlighted areas for expanding the reach of the scheme, such as including the service sector under the Special Credit Linked Capital Subsidy Scheme (SCLCSS), implementing a medium-term social media strategy for effective outreach, constituting an NSSHO-level cell to assist SC/ST enterprises in government tender-related transactions, and providing assistance for participation in virtual exhibitions. To support SC/ST entrepreneurs, 15 National SC-ST Hub Offices (NSSHOs) have been established in various locations across India, including Ludhiana, Agra, Lucknow, Mumbai, Pune, Sindhudurg, Ranchi, Chennai, Bengaluru, Bhubaneswar, Guwahati, Kolkata, Surat, Hyderabad, and Jalaun.

Women in MSME

The NSS reports states that the female workers have been most active in the manufacturing sector (52.67%) followed by service sector enterprise (25.91%) and lastly, in the enterprises engaged in the trading sector (21.42%). Out of the estimated 11.13 crore workers, female workers constituted roughly 23.91% of total workers in unincorporated non-agricultural enterprises. A significant proportion of these workers are Own Account Enterprise (OAE) operators. Their capacity to alter the Indian economy has been acknowledged by various studies ad nauseam. What the NSS report highlights in clear terms is the burgeoning association of women with the non-traditional 'manufacturing' sector, defying gender typification.

The importance of supporting women led and managed MSMEs can never be overstated. The very fact that more than 80% of the female workers in some states like West Bengal, Telangana, Gujarat, Odisha, Jharkhand, Bihar and Chhattisgarh⁸ are women who work in the OAEs speaks volumes about their dexterity on one hand and the abysmal systemic support that they have garnered for themselves.

As per the sixth economic census, 34.3% of all women MSMEs were involved in agricultural activities and 65.7% in non-agricultural activities. Women-led MSMEs often prioritize stability over growth due to limited economic opportunities and caregiving responsibilities. The pandemic exacerbated these challenges, with 73% of women-run enterprises in India affected and 20% experiencing zero revenue⁹. Female entrepreneurs faced income declines, market access issues, and increased care responsibilities. Concentrated in vulnerable sectors, they require targeted support to overcome these obstacles and thrive post-pandemic.

In the supply side of policy and scheme-based support, there exist certain central programs that offer specific benefits tailored for women recipients. Initiatives like StandUp India, the Central Sector Integrated Scheme on

⁸ Economic Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding Construction) in India.

⁹ Decoding government support to women entrepreneurs in India, The anatomy of entrepreneurship support schemes, October, 2022

Agricultural Cooperation (CSISAC), the Prime Minister's Employment Generation Programme (PMEGP), and the Jan Shikshan Sansthan scheme include special provisions for women such as extra subsidies, reserved beneficiary slots, and allocated funds for their utilization. Only 7%, i.e. 31 state schemes have women only beneficiaries whereas, schemes that accommodate all genders but have special provisions for women constitutes about 7.6 percent of the state schemes.

MSME – Bridging Social Divide

The social composition of ownership of MSMEs shows a steady change in favour of the traditionally disadvantaged sections. There has been progressive growth in the enterprises managed/owned by the socially backward categories as per the ASI (second round) and Annual Report (2022-23) of the Ministry of MSME. The percentage increase for the Scheduled Caste from 1987-88 to 2022-23 is 5.53 and for the Scheduled Tribes and Female owners, it is 2.4 percent and 12.68 percent respectively, while the OBC community registers at 49.72 percent.

In addition to these, various opportunities have been opened for minority communities to support their entrepreneurial and livelihood bases through skill development, education, leadership, training support, entrepreneurship interventions, credit facilities and market linkages and enabling new opportunities to brand and sell produce in a wider market, created by industries like tourism and trade circuits in the country. Schemes like Nai Roshni, Nai Manzil, Seekho aur Kamao, USTTAD¹⁰, all focus on skilling and building livelihoods and boost entrepreneurial opportunities for minorities, particularly Minority women, with 30 to 33% targeted allocation of resources going to them. These schemes have now been amalgamated into a single scheme known as the Prime Minister-Virayat ka Samvardhan (PM Vikaas) w.e.f FY 2022-23.

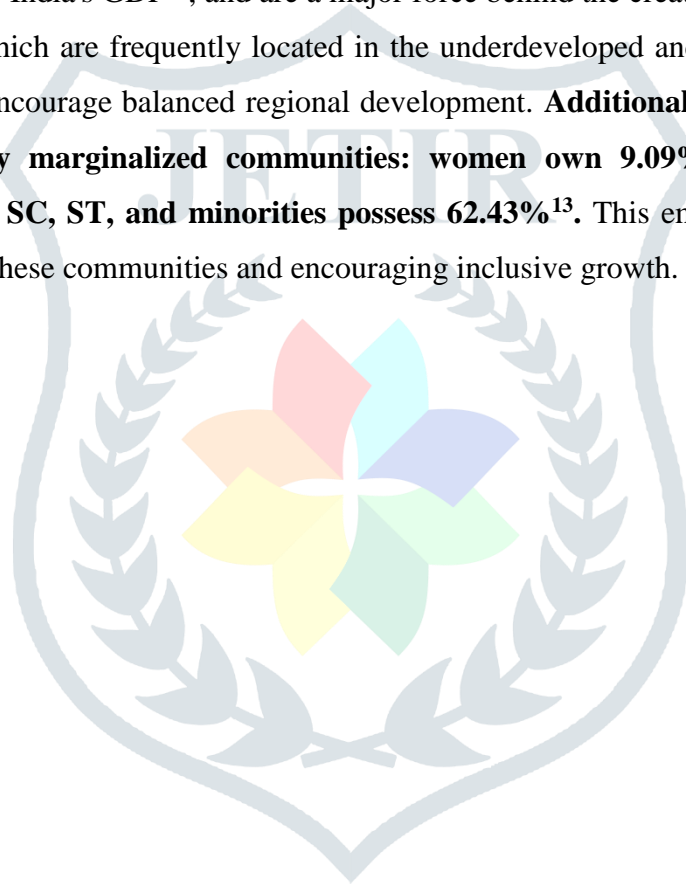
A sub-scheme of the National Rural Livelihood Mission (NRLM), Ministry of Rural Development, the Startup Village Entrepreneurship Programme (SVEP) high on the pedestal on which rests entrepreneurship of the poor people. It supports nonfarm based rural entrepreneurship by women members in its SHG network and their family members to access credit facilities, business skills and other domain knowledge necessary to host micro/nano scale enterprises. These enterprises by definition do not fall under the prescribed MSME template, neither in terms of the scale of operations nor in terms of investments made on them as their owners belong to extremely poor families with most of them being the first-generation entrepreneurs. Entrepreneurship Development Institute of India (EDII-Gandhinagar) was instrumental in birthing SVEP and has since been associated with the SVEP as the National Resource Organisation (NRO). It is currently implementing the programme in 82 blocks across 15 States. With an investment of 6 crore per block on an average, the total number of enterprises supported/created since 2016 stands at almost one lakh. About 66% of the entrepreneurs are women owned/managed enterprises. A credit line of 236.08 Crore from the Community Enterprise Fund

¹⁰ <https://pib.gov.in/PressReleaseFramePage.aspx?PRID=1947403>

has been allocated to support these entrepreneurs, with 21% allocated to Scheduled Tribes (ST), 20% to Scheduled Castes (SC), 40% to Other Backward Castes (OBC), and 4% going to Minority communities. SVEP has helped rural poor to salvage livelihoods in a more organic way, by strengthening the support mechanisms at the community itself and in doing so, it has successfully demonstrated strong bias to promote socio-economic empowerment of the poor.

Conclusion:

MSMEs are an important factor in India's inclusive economic growth. They employ over 11 crore people¹¹, contribute more than 30% of India's GDP¹², and are a major force behind the creation of jobs and wealth of the nation. These businesses, which are frequently located in the underdeveloped and rural areas, aid in bridging the rural-urban divide and encourage balanced regional development. **Additionally, a significant proportion of MSMEs are owned by marginalized communities: women own 9.09% of cases, while socially disadvantaged groups like SC, ST, and minorities possess 62.43%**¹³. This emphasizes how important the industry is in strengthening these communities and encouraging inclusive growth.



¹¹ <https://www.rbi.org.in/commonman/Upload/English/Speeches/PDFs/MSME06032020.PDF>

¹² <https://sansad.in/getFile/loksabhaquestions/annex/179/AU908.pdf?source=pqals>

¹³ MSME Unregistered Survey - final report of fourth all india census of msme unregistered sector 2006-07