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Performance of MSME Sector in Uttar Pradesh

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Abstract

The increasing share of MSMEs sector in all India, GDP from 29.34% in 2015-16 to 30.27% in 2018-19¹, gives clear indication of its significance in Indian Economy. Beyond traditional merchandise and pattern of production in recent past, a diverse range of production and innovative ventures immersed as MSME enterprises. This sector has not only contributed to the country's GVA but also provided jobs to the skilled/unskilled labours. The performance of MSME sector indicates that visions of 'Self-Reliance' are not lag behind, in a populous country like India.

Micro Small and Medium Enterprises (Amendment) Bill, 2018 redefines the classification of annual turnover and investment in MSMEs. While the revamped MSME criterion (implemented on June 2020) has merged the manufacturing and service sector; this inclusive provision shall be proved as a land mark in the growth of MSME sector in India. An overview of the MSME Act 2006, Bill passed in year 2018 and Notification of June 2020 has been observed by the researcher in this paper. Uttar Pradesh is the most populous state of India and MSME sector offers plausible opportunities of job, the researcher shall look into the status of employment in Uttar Pradesh in relation to MSMEs. The basic aim of this study is to understand the variations in the definition of MSME Act 2006 and to observe the growth performance of MSMEs sector in India and Uttar Pradesh during year 2015-16 to year 2019-20.

Key Words: Micro Small, Medium Enterprises Sector, Growth, Performance

Introduction –

The Micro, Small & Medium Enterprises (MSMEs) have been contributing significantly to the Indian economy. The MSMEs in India are playing a crucial role by providing large employment opportunities at comparatively lower capital cost than large industries. The start ups MSMEs have instilled a ray of hope to the rural and backward areas of India, by reducing regional imbalances, assuring more equitable distribution of national income and wealth. Growth of any nation depends on mobilization of idle work force and capital; the development of MSME sector has channelized the unemployed labour and capital both in India.

The concept of MSMEs got popular after the enforcement of MSME act in year 2006. Later, some major changes came into existence in alternate years i.e. 2018 and 2020. A micro enterprise is an enterprise where investment in plant and machinery does not exceed to Rs. 25 lakhs; A small enterprise is an enterprise where the investment in plant and machinery is more than Rs. 25 lakhs but does not exceed to Rs. 5 crores; A medium enterprise is an enterprise where the investment in plant and machinery is more than Rs.5 crore but should not exceed to Rs.10 crores. The notification of year 2020 has merged the manufacturing and services sector; some fiscal recommendations are also therein the said notification.

In recent years, the MSMEs sector has shown a higher growth rate as compared to India's overall industrial sector. The growth rate of the MSMEs sector was registered 13% on an average. The MSMEs sector employed nearly 114 million people in India. The workforce participation rate in, MSME sector is the second largest after agriculture sector in India.

MSME industries constitute an important segment of the economy of Uttar Pradesh in terms of employment generation and as a source of foreign. The MSME sector accounts almost 60% of the total industrial output in Uttar Pradesh. State of Uttar Pradesh had the largest number of estimated MSMEs with a share of 14.20% of MSMEs in the country.

India is one of the largest democratic economies of the world. Employment is the major issue in the country. Agriculture and allied industries provide employment to most workforce but MSMEs also take second position in terms of employment. The MSMEs includes both the participation of men as well as women. Due to its nature of labour intensiveness it leads to decline of regional inequality, gender discrimination and

economic inequality as well but it also reduces the gap of employment generation. It will give rise to inclusive development.

Review of Literature

U.B. Singh and N.K. Mishra (august 2013) shows in their research paper that MSMEs are very important to involvement of workforce and reduced economical imbalance not only country level but also within state.

MS Jyoti Sharma and MS Guneet Gill (2016) in this paper an attempt has been made to see the contribution of MSMEs to the Indian economy. In the contribution of MSMEs, the focus has been on GDP manufacturing output and production.

U.B. Singh (2019) Clearfield by his researches that growth of MSMEs in terms of units and volume solves the problem of workforce as well economic growth of country and state.

S. Tripathy and T. Bisoyi (2021) worked and analyses by their survey conducted on MSMEs by the All-India Manufacturers Organization confirmed that the self-employed MSME units, predominantly 35% of MSMEs sector.

D.K. Nema, P. Suryanvanshi and T.L. Verma (2021) this article focuses on over changing the definition of MSMEs, in this article the definition changing tool is highlighted.

OBJECTIVE-

1. To study the structural change in the concept of MSME Sector is the main objective of this paper.
2. The researcher shall also look into the state-wise distribution of estimated MSMEs .
3. To study the status of MSME sector in Uttar Pradesh is also an objective of the study.
4. To observe the gender-wise registration under Micro, Small and Medium Scale Enterprises in Uttar Pradesh is one of the objectives of the study.
5. To observe the Total Employment in MSME Sector in Uttar Pradesh is one of the objectives of the paper.

Methodology

The article is analytical in nature. The data in relation to this has been collected primarily from secondary sources, including the published sources such as the annual report of Ministry of MSMEs, data by Central Statistics Office, Ministry of Statistics and Program Implementation, RBI and Press Information Bureau (PIB)/Directorate General of Commercial Intelligence and Statistics (DGCIS), data released by CIBIL, Report of Regional Development Bank, the press release of the various news agency, SIDBI annual reports and Government report of MSME of Uttar Pradesh. This paper is used quantitative methods and analysed results on percentage basis. The year of the study is 2015-16 to 2019-20.

Criterion of MSMEs as per Micro, Small and Medium Enterprises

(ACT 2006,Bill 2018,1 June 2020):

According to the MSME Act 2006, MSMEs are divided into different categories i.e. Micro, Small and Medium on the basis of investment; though the Bill passed in year 2018 has classified MSMEs on the basis of annual turnover. The notification of June 1, 2020 merged the Manufacturing and Service Sector and restructured the capital investment accordingly (Table-1).

TABLE No. 1
Criterion of MSMEs as per Micro, Small and Medium Enterprises
(ACT 2006, Bill 2018,1 June 2020).

Act 2006		1June 2020		Bill 2018	1June 2020
Type Of Enterprises	Investment in Plant and Machinery (Manufacturing Sector)	Investment in Equipment's (Service Sector)	Investment in Plant and Machinery/Equipment's (Manufacturing/Service Sector)	New Classification: Annual Turnover	Turnover of Manufacturing/ Service Sector
Micro	Up to Rs. 25 lakhs	Up to Rs. 10 lakhs	MicroUp to Rs. 1 crore	5 Crore	Up to Rs. 5 crores
Small	Up to 25 lakhs to Rs. 5 crores	Up to Rs. 10 lakhs to 2 crores	Up to Rs. 10 crores	5 Crore to 75 Crore	Up to Rs. 50 crores
Medium	Up to Rs. 5 crores to 10 crores	Up to Rs. 2 crores to Rs. 5 crores	Up to Rs. 50 crores	75 Crore to 250 Crore	Up to Rs. 250 crores

Source- MSMEs Act 2006 / Bill 2018/ New notification of MSMEs 1 June 2020 by GOI.

Implications of change in the criterion of MSMEs:

Government of India wanted to boost the economy and the level of employment, so the MSMEs bill was presented in parliament in 2018 and came into force. The major MSMEs sector reforms announced with this bill are mentioned in the table 1 some major points are as followed:

In view of the growth of MSMEs, the amount of turnover was increased in the MSME-Bill 2018 so that micro enterprises could be brought into the category of small enterprises and small enterprises could also invest greater amount such as 5Cr-75 Cr. In this continuation, the MSME notification -June 1, 2020, also talked about the amount of investment and turnover of micro to medium enterprises. Redefining of MSMEs may result in structural changes of many enterprises; the Ministry of MSME runs various schemes to facilitate free flow of credit to MSMEs. To endorse the modern technology support there are many provisions like: entrepreneurship and skill development, cluster-wise measures to promote capacity-building and empowerment of MSME units.

State-wise Distribution of estimated MSMEs: According to the Annual Report issued by 'Ministry of MSME 2021-22' the state of Uttar Pradesh had a largest number of estimated MSMEs with a share of 1.20% of MSMEs in the country. Top 10 states accounted for share of 74.05% of the total estimated number of MSMEs in the country. Table no. 2 represents the distribution of estimated enterprises in top ten states.

As it can be observed by taking a glare of the Statement No:2 about 74% MSMEs belong to only 10 states of India and Uttar Pradesh is holding the top rank amongst them. Out of total all the States and UTs Uttar Pradesh have 14% of the MSMEs in there while Madhya Pradesh has secured lowest position in the Top States list of -State-wise Distribution of estimated MSMEs.

Table No.2**State-wise Distribution of estimated MSMEs**

Sl.No	State/UT	Estimated Number of MSMEs	
		Number (in Lakh)	Share (in %)
1	Uttar Pradesh	89.99	14
2	West Bengal	88.67	14
3	Tamil Nadu	49.48	8
4	Maharashtra	47.78	8
5	Karnataka	38.34	6
6	Bihar	34.46	5
7	Andhra Pradesh	33.87	5
8	Gujarat	33.16	5
9	Rajasthan	26.87	4
10	Madhya Pradesh	26.74	4
11	Total of above ten States	469.36	74
12	Other State/UT	164.52	24
13	All	633.88	100

Source: Annual Report: Ministry of MSME year 2021-22

Status of MSME sector in Uttar Pradesh:

Uttar Pradesh is a leading state in the MSME sector, the development of Uttar Pradesh determines the development of India. More work forces in Uttar Pradesh and a greater number of MSMEs encourage creation of more jobs. Uttar Pradesh contributes 14% overall GDP of India. India is moving at a rapid pace on the path of development. It is possible to develop the whole of India through MSMEs. The continuous growth of each of the MSME units and their continuous increase in scale based on their performance is a symbol of MSMEs development.

TABLE No-3
Status of MSME sector in Uttar Pradesh
During Year 2015-16 to 2019-20

Year	Micro	Small	Medium	Total
2015-16	41383	3519	131	45033
2016-17	381408	18858	761	401027
2017-18	108650	9417	460	118527
2018-19	110378	12867	654	123899
2019-20	104341	12786	572	117699
Total	746160	57447	2578	806185

Source: Registration of Micro, Small and Medium Enterprises (MSMEs) in India (Udyog Aadhaar Memorandum)

Table -3 shows in year 2015-16 the total no. MSMEs were 45033 units which increased in year 2019-20 by 806185 units in Uttar Pradesh. The composition is as follows: Micro units 746160, Small units 57447 and Medium 2578. Micro scale units developed rapidly as compare to Small scale units and Medium scale units.

TABLE No- 4
Percentage Status of MSME sector in Uttar Pradesh
During Year 2015-16 to 2019-20

Year	Micro	Small	Medium	Total Percentage
2015-16	91.89	7.81	0.29	100
2016-17	95.10	4.70	0.20	100
2017-18	91.67	7.95	0.39	100
2018-19	89.09	10.39	0.52	100
2019-20	88.65	10.86	0.48	100
Total Percentage	92.58	7.10	0.32	100

Source: Registration of Micro, Small and Medium Enterprises (MSMEs) in India (Udyog Aadhaar Memorandum)

Table 4 represents the percentage wise distribution of MSMEs in Uttar Pradesh. Micro scale has highest in MSMEs and medium scale is less than one percent of total MSMEs year by year. Table 3 is based on the table 2 to which is given percentage of MSMEs by year 2015-16 to 2019-20. There is averagely Micro scale 92%, Small scale 7% and Medium scale 0.5% units during year 2015-16 to year 2019-20.

TABLE No-5
Total Employment in MSME Sector in Uttar Pradesh
During Year 2015-16 to 2019-20

Year / Category	Micro	Small	Medium	Total
2015-16	192024	74215	14583	280822
2016-17	1288421	398995	89777	1777193
2017-18	442386	198375	51507	692268
2018-19	484271	235929	59219	779419
2019-20	463119	219997	42218	725334
Total	2870221	1127511	257304	4255036

Source: Registration of Micro, Small and Medium Enterprises (MSMEs) in India (Udyog Aadhaar Memorandum)

TABLE No-6
Percentage of Employment in MSME Sector in Uttar Pradesh
During Year 2015-16 to 2019-20

Year / Category	Micro	Small	Medium	Total
2015-16	68.37	26.44	5.19	100
2016-17	72.50	22.45	5.05	100
2017-18	63.90	28.66	7.44	100
2018-19	62.13	30.27	7.60	100
2019-20	63.85	30.33	5.82	100
Total Percentage	66.15	27.63	6.22	100

Source: Registration of Micro, Small and Medium Enterprises (MSMEs) in India (Udyog Aadhaar Memorandum)

Table 5&6 represents the composition of workforce participation and its percentage in MSMEs under all three categories in Uttar Pradesh. The total workforce involvement in all the three categories was 280822(68.37%) persons in year 2015 -16 it increased to 4255036 (63.85%) persons in year 2019-20. Over the years the percentage of workforce participation remained highest under Micro enterprises i.e. 68.37 % in 2015-16 to 63.85 % in year 2019-20, though a slight decline may be notice in overall percentage. The workforce participation under small scale enterprises was , 74215 (26.44%)in year 2015-16 that increased to 1127811(27.23%).As it may be noticed that in the year 2015-16 the total work force participation under Medium scale enterprises was 14583 (5.19%) that increased to 257304 (6.22%) in year 2019-20. It may be noticed that the employment generation under MSME sector has shown a promising avenues in a populous state like Uttar Pradesh.

TABLE No-7
Gender-wise Registration in Micro Scale Enterprises in Uttar Pradesh
During Year 2015-16 to 2019-20

Year	Male	Female	Total	Male (%)	Female (%)	Total (%)
2015-16	621	86	707	87.84	12.16	100
2016-17	12865	3710	16575	77.62	22.38	100
2017-18	87277	21373	108650	80.33	19.67	100
2018-19	91116	19262	110378	82.55	17.45	100
2019-20	85459	18882	104341	81.90	19.10	100

Source: Registration of Micro, Small and Medium Enterprises (MSMEs) in India (Udyog Aadhaar Memorandum)

TABLE No-8
Gender-wise Registration in Small Scale Enterprises in Uttar Pradesh
During Year 2015-16to 2019-20

Year	Male	Female	Total	Male (%)	Female (%)	Total (%)
2015-16	301	43	344	87.50	12.50	100
2016-17	2075	281	2354	88.15	11.85	100
2017-18	8066	1351	9417	85.65	14.35	100
2018-19	11113	1754	12867	86.37	13.63	100
2019-20	10856	1930	12786	84.90	15.09	100

Source: Registration of Micro, Small and Medium Enterprises (MSMEs) in India (Udyog Aadhaar Memorandum)

TABLE No-9
Gender-wise Registration in Medium Scale Enterprises in Uttar Pradesh
During Year 2015-16to 2019-20

Year	Male	Female	Total	Male (%)	Female (%)	Total (%)
2015-16	25	02	27	92.59	07.41	100
2016-17	111	5	116	95.69	04.10	100
2017-18	430	30	460	93.47	06.53	100
2018-19	605	49	654	92.50	07.50	100
2019-20	517	55	572	90.39	9.61	100

Source: Registration of Micro, Small and Medium Enterprises (MSMEs) in India (Udyog Aadhaar Memorandum)

Statement 7, 8 & 9 shows the composition of male and female registration in Micro, Small & Medium scale enterprises in number and also in percentage.

Table 7 shows male and female registration in micro scale enterprises (in number & %) on yearly basis the % of male registration is higher than female.

Although the registration of male worker is higher yet over the year the female registration has witnessed increase in numbers

Table 8 represents the gender based registration in Small scale with percentage analysis. The male registration in small scale enterprises was approximately 87.50% in year 2015-16 that decreased to 81.90% in year 2019-20, this suggests that an increase in percentage of registration of female workers in small scale enterprises.

Table 9 represents the gender based registration in Medium scale with percentage analysis. The female registration in medium scale enterprises was approximately 07.41 in

year 2015-16 that increased to 9.61% in year 2019-20, this suggests that the percentage of registration of male workers in medium scale enterprises has been decreased to 2.20%.

Findings, Conclusion & Suggestions:-

The study leads to construe that the increasing significance of MSMEs is not only contributing to the overall GDP of India to 30.27% but also provides large opportunity of employment.

Uttar Pradesh is one of the top ranking states in the state-wise distribution of estimated MSMEs, around 89.99 lakh MSMEs were there in the state with a share of 14% in the said list issued by the Ministry of MSME (Annual report-2021-22) .

The male-female registration in Micro, Small & Medium enterprises has witnessed a hike in numbers but so far the medium enterprises have lowest registration of females during year 2015-16 to 2019-20 in Uttar Pradesh.

Micro scale enterprises have registered approximately 19.10% female workers and it is highest amongst Micro, Small & Medium enterprises in Uttar Pradesh.

“The MSMEs contribute significantly to employment generation, exports and inclusive development. According to National Statistical Office, the share of MSME sector in the country’s total GOP during 2018-19 has been 30.3%.”

The researcher would like to put forth the suggestion that the registration of female workers in MSMEs sector may end to the equitable distribution of income and opportunities in Uttar Pradesh.

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