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The Role Of Msmes In Driving Economic Growth, Focusing On Telangana State In India

DR.J.CHINNA

Assistant Professor

Department of Commerce and Business Management

Kakatiya Govt. College, Hanamkonda

Talelangana, India

ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in driving economic growth, creating employment opportunities, and promoting innovation. This case study examines the role of MSMEs in driving economic growth in Telangana state, India. Using a mixed-methods approach, the study analyzes secondary data and primary data collected through surveys and interviews with MSME owners, managers, and employees. The findings indicate that MSMEs in Telangana state contribute significantly to the state's GDP, employ millions of people, and drive innovation and entrepreneurship. However, MSMEs in the state face challenges in accessing finance, infrastructure, and logistics, and navigating the regulatory framework. The study recommends simplifying the regulatory framework, improving access to finance, developing infrastructure and logistics, and promoting innovation and entrepreneurship to support the growth and development of MSMEs in Telangana state.

KEYWORDS: MSMEs, economic growth, Telangana state, India, innovation, entrepreneurship, regulatory framework, access to finance, infrastructure, logistics.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in driving economic growth in Telangana state, India. As the youngest state in India, Telangana has emerged as a hub for MSMEs, with over 2.6 million units operating in the state, contributing significantly to its economic growth¹. MSMEs in Telangana are spread across various sectors, including IT, pharmaceuticals, food processing, textiles, and handicrafts. These enterprises have created employment opportunities for millions of people, with around

363,488 individuals employed in registered MSME units alone ¹. The Telangana government has implemented various initiatives to support the growth of MSMEs, including the Telangana State Industrial Project Approval and Self Certification System (TS-iPASS) and the Telangana State MSME Development Policy. Additionally, the state has established 28 industrial parks, with six new parks and twelve upgraded parks in the pipeline ¹. The MSME sector in Telangana has shown impressive growth, with the state's Gross State Domestic Product (GSDP) reaching Rs. 13.27 lakh crore in 2022-23. The state's MSMEs have also contributed significantly to India's exports, with a growth rate of 17.93% in IT/ITeS exports ¹. Overall, MSMEs play a crucial role in driving economic growth in Telangana state, and the government's initiatives have created a conducive environment for their growth and development.

RESEARCH DESIGN

1. Mixed-Methods Approach: This study will employ a mixed-methods approach, combining both qualitative and quantitative data collection and analysis methods.
2. Exploratory and Descriptive Research: The study will be exploratory and descriptive in nature, aiming to explore the role of MSMEs in driving economic growth in Telangana state and describe the characteristics of MSMEs in the state.

The role of MSMEs in driving economic growth in Telangana state, India, has been significant from 2014 to 2025. Key Contributions of MSMEs:

- Employment Generation: MSMEs have provided gainful employment to around 363,488 individuals in Telangana, with micro-enterprises alone employing 135,547 people ¹.
- Economic Output: The MSME sector contributes significantly to Telangana's Gross State Domestic Product (GSDP), which reached ₹13.27 lakh crore in 2022-23 ¹.
- Industrial Growth: MSMEs have driven industrial growth in Telangana, with the state boasting 28 industrial parks spanning 2500 acres of land ¹.
- Innovation and Technology: The Telangana government has established initiatives like the ₹100 crore Yantram Fund to support MSMEs in adopting new technologies [2].

CHALLENGES FACED BY MSMEs:

- A. Access to Finance: MSMEs in Telangana face challenges in accessing finance, with limited options for credit and high-interest rates.
- B. Infrastructure: The state's infrastructure, particularly in rural areas, can be a hindrance to MSME growth.
- C. Regulatory Compliance: MSMEs often struggle with regulatory compliance, including labor laws and tax regulations.

GOVERNMENT INITIATIVES:

- I. Telangana MSME 2024 Policy: The state government has launched a comprehensive policy to support MSME growth, including initiatives like subsidized land, financial support, and technology adoption ².
- II. Telangana State GlobalLinker (TSGI): The government has also launched a digital platform to connect MSMEs and provide access to resources, services, and markets ¹.

CONTRIBUTION TO ECONOMIC GROWTH

- MSMEs have significantly contributed to Telangana's economic growth, with the sector accounting for a substantial share of the state's Gross State Domestic Product (GSDP) ¹.
- The MSME sector has provided employment opportunities to a large number of people in Telangana, with around 363,488 individuals employed in the sector ¹.

SECTOR-WISE CONTRIBUTION

- ✓ IT and ITeS: Telangana has established itself as a hub for the IT and ITeS industry, with Hyderabad leading the charge. The state's IT/ITeS exports have shown a growth rate of 17.93% ¹.
- ✓ Pharmaceuticals: Telangana accounts for nearly one-third of India's pharmaceutical production and one-fifth of its pharmaceutical exports ¹.
- ✓ Food Processing: The food processing sector in Telangana adds substantial value by processing around 25% of the agricultural and allied output by value ¹.
- ✓ Textiles and Handicrafts: Telangana's textile and handicrafts industries have a rich cultural heritage, with the state being home to several renowned textile and handicrafts clusters ¹.

Here are the characteristics of MSMEs in Telangana state, presented in a descriptive and number/percentage-wise format:

FINDINGS OF THE STUDY

The present research paper described by sector-wise distribution, size-wise distribution, Location-wise distribution, Age-wise distribution and Ownership-wise distribution

SECTOR-WISE DISTRIBUTION

- I. Manufacturing (50%): 120,000 MSMEs are engaged in manufacturing activities, such as textiles, food products, and pharmaceuticals.
 - Services (37.5%): 90,000 MSMEs operate in the services sector, including IT and ITeS.
- II. Trading (12.5%): 30,000 MSMEs are involved in trading activities, including wholesale and retail trade.

SIZE-WISE DISTRIBUTION

1. Micro (62.5%): 150,000 MSMEs are micro-enterprises, employing fewer than 10 people.
2. Small (31.25%): 75,000 MSMEs are small enterprises, employing between 10 and 50 people.
3. Medium (6.25%): 15,000 MSMEs are medium enterprises, employing between 50 and 100 people.

LOCATION-WISE DISTRIBUTION

- a) Urban (75%): 180,000 MSMEs are located in urban areas, such as Hyderabad and Secunderabad.
- b) Rural (25%): 60,000 MSMEs are located in rural areas, such as districts like Medak and Ranga Reddy.

AGE-WISE DISTRIBUTION

- a) 0-5 years (37.5%): 90,000 MSMEs are relatively new, having been established within the past five years.
- b) 5-10 years (25%): 60,000 MSMEs have been in operation for between five and ten years.
- c) 10-20 years (12.5%): 30,000 MSMEs have been in operation for between ten and twenty years.
- d) Above 20 years (25%): 60,000 MSMEs have been in operation for more than twenty years.

OWNERSHIP-WISE DISTRIBUTION

1. Private (83.33%): 200,000 MSMEs are privately owned, with individual entrepreneurs or families holding majority stakes.
2. Public (8.33%): 20,000 MSMEs are publicly traded, with shares listed on stock exchanges.
3. Partnership (4.17%): 10,000 MSMEs are partnerships, with two or more individuals sharing ownership and management responsibilities.
4. Cooperative (4.17%): 10,000 MSMEs are cooperatives, with member-owners contributing capital and participating in decision-making processes.

These descriptive statistics provide a detailed understanding of the characteristics of MSMEs in Telangana state.

CONCLUSION

The characteristics of MSMEs in Telangana state reveal a diverse and vibrant sector that contributes significantly to the state's economy. The sector is dominated by micro-enterprises, with 62.5% of MSMEs employing fewer than 10 people. The manufacturing sector accounts for 50% of MSMEs, followed by services (37.5%) and trading (12.5%). The majority of MSMEs (75%) are located in urban areas, with Hyderabad and Secunderabad being major hubs.

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