

State Wise Comparison of Micro, Small and Medium Enterprises in India From 2006-07 to 2014-15



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Abstract

Central Government plans various policies, programmes and schemes through its various coordinating bodies such as MSME-DO, NSIC, KVIC, COIR Board, and MSME-Development Institutions for the growth and development of MSME's. These policies, programmes and schemes have been implemented by the states. Although MSME sector contribution is around 8% to the country's GDP, some states contribution is more than national average and some states contribution is below the national average. This paper attempts to analyze and compare the growth of MSME enterprises of various states in India. Comparison among states will be based on working enterprises, employment, EM filed, GVA and GVA per working enterprises, net worth, MSME density, export, and investment in fixed assets, investment in plant and machinery.

Keywords: Growth, GVA, State Wise Comparison, Micro Small and Medium Enterprises, MSME.

Introduction

Micro, Small and Medium enterprises (MSME) constitute the dominant form of business organization worldwide. MSME has been determined as engine of economic growth and job generation. The share of India's MSME in GDP is around 8%. MSME has been outperforming IIP and GDP growth rates in the recent past. Taiwan, Italy, Brazil, Argentina and Canada contribute 60% to 80% in the GDP. Some other nations also contribute more than 50% in their GDP. The MSME has played a very important role in the socio-economic development of the country from the last five decades. MSME sector contributes 45% of the manufacturing output and around 40% of the total exports of the Country. Fourth All India Census of MSME is the first census conducted post implementation of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. As per the Fourth All India Census of MSME there were about 361.76 lakh (both registered sector and unregistered sector) enterprises providing employment to about 805.24 lakh persons. It produces nearly 6000 products. Out of the total enterprises, 28 % were in manufacturing sector and 72 % are in service sector.

Objectives of Study

1. To compare state-wise performance of MSME
2. To find out differences in state-wise performance of MSME
3. To find out state-wise growth of MSME

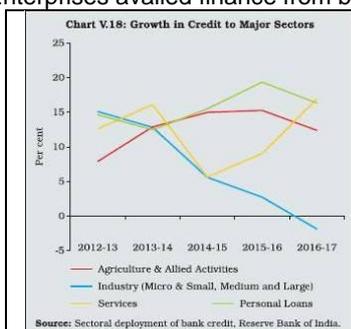
Review of Literature

The contribution of the MSME sector to India's GDP currently stands at 8 per cent for 2011-12, and is growing at a rate higher than the projected GDP growth rate. As per KPMG report (2015), the contribution of MSME segment to the GDP in some of the global economies is in the 25-60 per cent range. MSME in India has the potential to increase the share of contribution to GDP from the current 8 per cent to about 15 per cent by the year 2020¹. Contribution of Taiwan MSMEs to GDP is 85% and Italy MSMEs contributes 68% to the GDP. The contribution of Indian MSMEs to the GDP is only 8%. 85% of all companies in the USA in 2006 were small firms. Small and Medium Enterprises (SMEs) employed half of the US workers and made an impressive contribution of 50% of the GDP. China had more than 4.3 million registered SMEs in 2009 that comprised 99% of the nation's registered businesses. Chinese SMEs contribute about 60% to the nation's GDP². China SMEs provide 85 per cent of the employment and has 60 per cent share in assets³. In India, 95 % of the MSME's come from unregistered Sector and only 5% registered under the MSME Act 2006.

Harsh Agarwal (2010) in his study emphasis upon major hurdle for this sector is credit availability. It is estimated that the unorganized sector comprises 95% of the total industrial units, employing more than 65 million people. Yet only 8% of the total bank credit finds its way into this sector. Though credit to MSMEs fall under the category of priority sector lending, but with the expansion of the priority sector lending to accommodate fast growing areas such as home loans, education loan, the percentage share of credit to MSMEs is falling. According to the Third All-India Census (2001–02), only 14.2% of the registered and 3.09% of the unregistered Micro, Small and Medium Enterprises availed finance from banks⁴.

Sarita Khandaka and Rajendra Dobhal (2012) in their study of “Distribution and Efficiency of MSME’s in India”, finds that MSME of Chandigarh is most efficient followed by Goa, Andaman and Nicobar Islands and Nagaland. These states and UT’s are small in size but contribute to the GDP of the country very efficiently⁵.

Joaquim fernandes (2013) in his article explains Goa registered a 48.11% industrial growth in 2012-13 as compared to 2011-12 as a total 617 MSME enterprises were registered with the directorate of Industries, trade and commerce for setting up new projects in the state⁶.



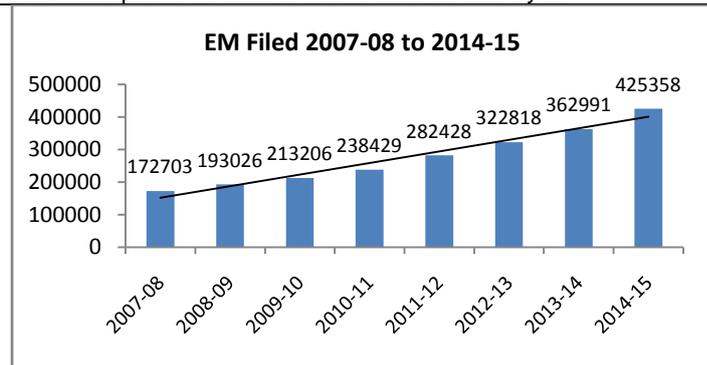
As per sector wise credit distribution report on **trends and progress of banking⁷ in India 2016-17**, there is reduction in credit outflow to the industrial sector from 2012-13 to 2016-17. Fin Tech lending companies and market based lending could provide an alternative source of finance and fill the large funding gap faced by small businesses. The availability of large digital databases on potential borrowers, mobile density, e-commerce and usage of smart-phone based services is likely to reduce the cost of assessing creditworthiness of SMEs. Large borrowers who have an exposure of Rs. 50 million or more accounted for about 86.5 per cent of all NPAs, while their share in total advances was 56 per cent by end-March 2017.

Research Design

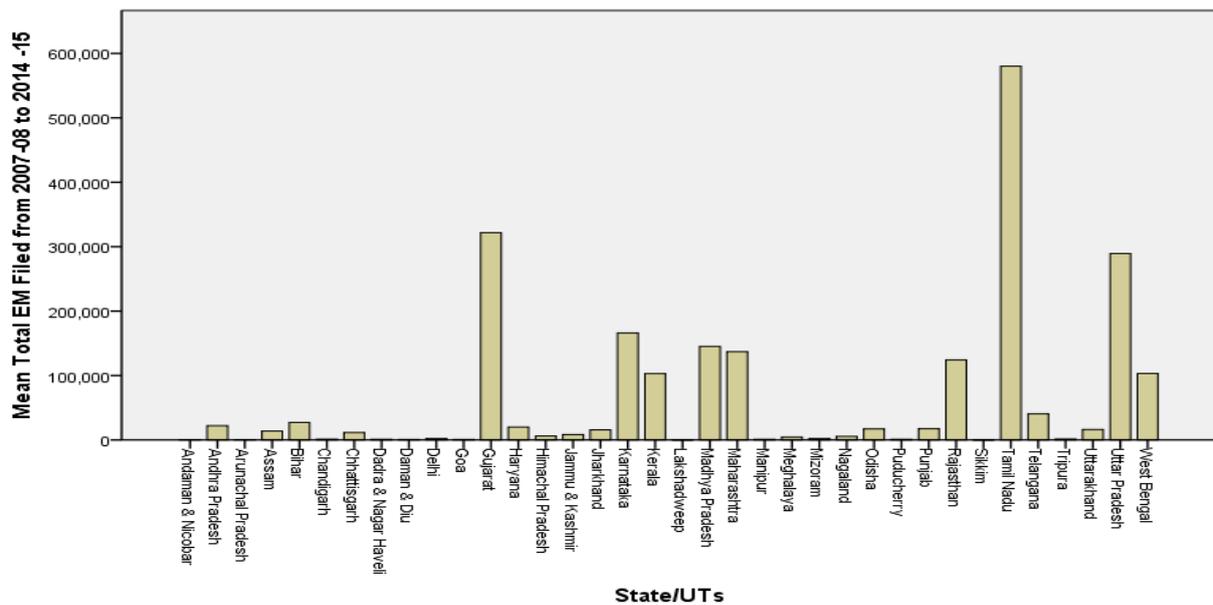
Central Government designs various schemes and polices for the growth and development of Micro, Small and Medium Enterprises in India. These policies have been implemented by the states for the growth of MSME’s. Some states are larger in size whereas other states are smaller in size. Some States are growing faster than national average and some states performance is slow. Secondary data is collected from MSME and government websites. Only registered sector MSME data has been taken for analysis. This paper attempts to analyze the growth of MSME enterprises of various states in India and try to

find out the causes of differences in the performance of states. Area in square kilometer and variables per working enterprises has been used for making comparative performance of states. Comparison among states will be based on working enterprises, employment, EM filed, GVA, GVA/working enterprises, net worth, MSME density, export, and investment in fixed assets, investment in plant and machinery. Findings of the study are in the form of bar charts, histograms and scattered plots using excel and SPSS.

Findings



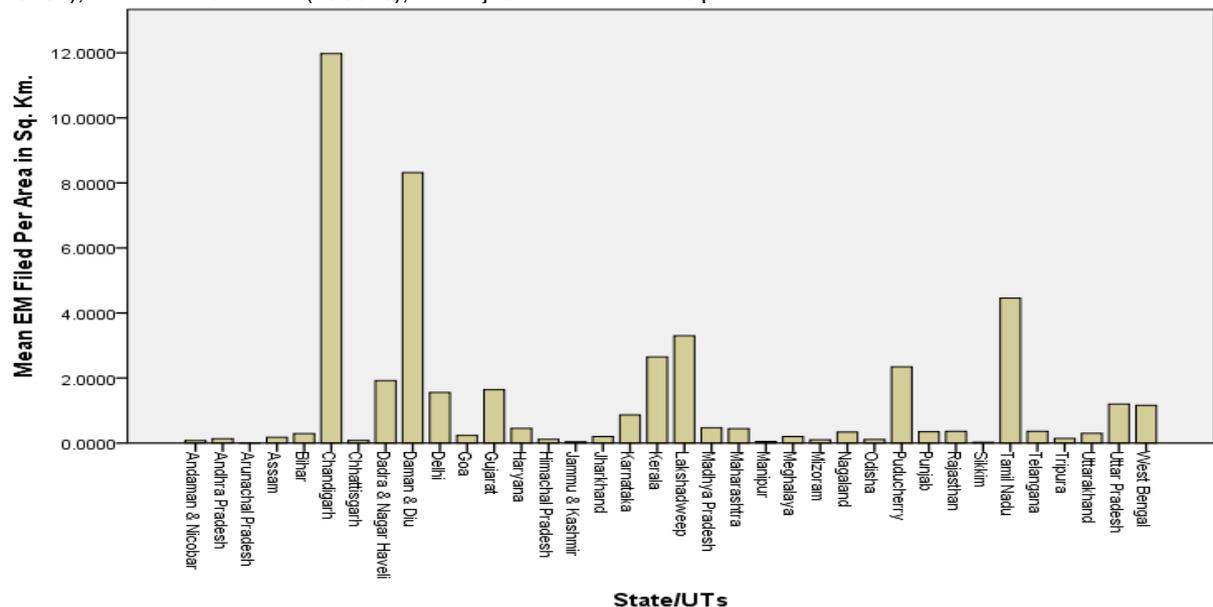
Ministry of statistics and program implementation (MOSPI) does not separately compile state wise contribution of MSME in GSDP. As per 4th All India Census of MSME 2006-07 there were **1563974** registered MSME units in India. From 2007-08 to 2014-15 the total EM filed by all states were **2210959**. This shows around 150 % growth and 41 % increase in Entrepreneurship Memorandum filed in 8 years, after Micro, Small and Medium Enterprises Development (MSMED) Act 2006 came into existence.



There is huge difference in state wise EM filing⁸. Tamil Nadu is the top most state in EM II filing with 580169 in this period. Other top most states in EM II filing are Gujarat (321000), Uttar Pradesh (289,360), Karnataka (166267), Madhya Pradesh (145167), Maharashtra (136876), Rajasthan

(124280), West Bengal (103276) and Kerala (102868).

Total number of EM filing in these states is more than 100000. This shows large number of working enterprises registered in these states during this period.



MSME density is calculated by dividing total of EM filed during the period 2007-08 to 2014-15 by the area in square kilometer. As per MSME Density, Chandigarh is the top most state. The score of Chandigarh is at 11.97 which is highest among all states and also above the national average of 1.29 Other top most states/UT as per MSME density is Daman & Diu (8.31), Tamil Nadu (4.46), Lakshadweep (3.3), Kerala (2.64) and Pondicherry

(2.32). Total number of EM filed by Tamil Nadu, Gujarat, Uttar Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan, West Bengal and Kerala are higher than other states of India. When comparison drawn on the basis of MSME density or working enterprises per area in square kilometer, Chandigarh, Daman and Diu, Tamil Nadu, Lakshadweep, Kerala and Puducherry are on the top list. This shows that these states are performing better than other states.

	<p>Total number of registered enterprises as per 4th All India census of MSME is 1563974. Top most states in working enterprises are Gujarat (229830), Tamil Nadu (233881), Uttar Pradesh (187742), Kerala (150188) and Karnataka (136186). 60% of registered MSME units come under these 5 states.</p> <p>Results are more accurate when variables per working enterprises is calculated such as employment/working enterprises, P&M/working enterprises, F.A./working enterprises, net worth/working enterprises, export/working enterprises, and GVA/working enterprises.</p>
	<p>Top 5 states in employment generation are Tamil Nadu (1426056), Gujarat (1244981), Maharashtra (1088791), Karnataka (789358) and Uttar Pradesh (754908). Employment generation by these 5 states jointly is 57% of total employment generated by all registered MSME enterprises.</p> <p>Employment/working enterprises of Daman and Diu is highest followed by Tripura, Delhi, Dadra & Nagar Haveli and Puducherry.</p>
	<p>Capital amount invested in plant and machinery of Gujarat is Highest. States which are bigger in size also have low capital investment in plant and machinery. Investment in plant and machinery of Gujarat is 42,099 cores where as all other states fall below 12500 crore.</p> <p>Investment in plant and machinery per working enterprises of Daman and Diu is highest followed by Puducherry, Gujarat, Goa and Maharashtra.</p>
	<p>Market value of fixed assets of Gujarat is 151868 crore whereas other states investment in fixed assets is less than 55000 crore. Market value of fixed assets of Gujarat is highest in comparison to other states. High capital investment in plant and machinery and high market value of fixed assets shows high level production and manufacturing in Gujarat as compare to other states of India.</p> <p>Market value of fixed assets/working enterprises Daman & Diu is highest followed by Arunachal Pradesh, Goa, Puducherry and Gujarat.</p>

Remarking An Analisation

	<p>Maharashtra is the top most state with Net Worth of 88691 crore followed by Uttar Pradesh on the mean line of scattered plot with 50514 crore. These 2 states are higher in exports as compare to other states.</p> <p>Daman & Diu is the top most states in net worth/ working enterprises followed by Delhi, Nagaland, Goa and Puducherry.</p>
	<p>Maharashtra is on the top most state with GVA of 39939 crore. Maharashtra, Gujarat, Tamil Nadu and Uttar Pradesh are higher in terms of Gross Value Addition (GVA). These 4 states are above the Mean GVA as compare to other states of India. GVA of these 4 states is 45% of total GVA of all states of India.</p> <p>Daman and Diu is the top most state in GVA/working enterprise followed by Delhi, Puducherry, Dadra & Nagar Haveli and Goa.</p>
	<p>Uttar Pradesh is the top most state in exports of (14342 crore) followed by Tamil Nadu (10048 crore). All other states are below the mean export line and showing fewer amounts of exports as compare to Uttar Pradesh and Tamil Nadu.</p> <p>Export per working enterprises of Daman & Diu is highest followed by Delhi, Goa, Puducherry and Haryana.</p>
	<p>Gross value addition (GVA) per area in square kilometer of Daman and Diu is highest at 283.49 followed by Delhi (176.46) and Puducherry (100.18). The national average of GVA per area in sq. km is 37.98. This indicates that these states generates more GVA as compare to other states of India. The total Gross value addition of Maharashtra, Gujarat, Tamil Nadu and Uttar Pradesh are better and contributes 45 % of total GVA of all states. But when we compare on the basis of MSME density Daman and Diu, Delhi and Puducherry are top performing states in Gross value addition.</p>

Source: - www.data.gov.in⁹, State Wise Distribution of Principal Characteristics (Fourth All India Census of MSME 2006-07: Registered Sector)

Conclusion

States in India are different in geographical and natural resources. Some are near to ports and other has good connectivity to road or rail. Some are dependent on agriculture whereas other dependent on industries. In spite of these differences, better infrastructure, good electricity supply and efficient implementation of MSME policies by the states will create more jobs and contributes to the GSDP of the states/UT. Most of world economies MSME's contribute 60% to 80% to the GDP. If India wants to provide job opportunities and reduce unemployment rate, government, regulatory bodies and banks should work together and monitor effective implementation of policies and schemes framed for development of MSME's. Most of literature reviews find finance is the major problem of MSME's. As per 4th All India Census of MSME nearly 60% of working enterprises came from Gujarat, Tamil Nadu, Uttar Pradesh, Kerala and Karnataka. 57% of total employment of MSME's is from Tamil Nadu, Gujarat, Maharashtra, Karnataka and Uttar Pradesh. In GVA, top most states are Maharashtra, Gujarat, Tamil Nadu and Uttar Pradesh. Gujarat is highest in investment in P/M and fixed assets. Uttar Pradesh is highest in exports. In total number, bigger states are performing better than smaller states and UT's. When comparison is drawn on the basis of MSME density and variables per working enterprises some smaller states/UT are performing better than bigger states/UT. As per 4th All India Census of MSME, GVA/working enterprises of Daman and Diu is 283.49 is highest followed by Delhi 176.45 & Puducherry 100.17 and is much higher than national average of 16.39. As per MSME density, total working enterprises registered from 2007-08 to 2014-15 in Chandigarh is highest at 11.03 followed by Daman & Diu 8.31 and is also higher than national average of 1.29. Total number of working enterprises, employment generation and GVA of bigger states are higher whereas as per MSME density & variables per working enterprises smaller states/UT performing better than bigger states and UT's. States/UT recording high contribution to GVA or GSDP can be used as a model for slow moving states/UT.

Suggestions

1. Higher contribution in GVA and GSDP states policies should be adopted by slow moving states.
2. Better and efficient management in policy implementations.

3. Compilation of state wise contribution of MSME in GSDP by Directorate of Economics and statistics.
4. Government agencies, regulatory bodies and financing agencies work together for the growth of MSME.
5. Effective implementation of tools used in MSME funding requirement such as factoring, bill discounting.
6. Subsidies to venture capital funding and angel funding agencies.
7. Easy availability of startup and working capital loans to MSME's.
8. Priority lending to MSME's should be increased.
9. Availability of loan without collaterals and reduction in loan processing time.
10. Adequate electricity supply and good infrastructure leads to better performance of MSME.
11. Quota of MSME in loan disbursement should be increased.

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