

Underscoring contribution of MSME sector to economic growth of India

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The MSME industry plays a crucial role in the development of the Indian economy. Its contribution to the country's GDP is nearly a third of the country's GVA and it contributes nearly half of the country's exports. Moreover, the sector is a major employer, especially in the rural and less developed areas helping reduce regional imbalance. The sector also strengthens other industries by providing them raw materials and ancillary products. The MSME sector has always acted as a bulwark for the Indian economy, providing it resilience to ward off global economic shocks and to face adversities.

Minister of state for MSMEs (Micro, Small, and Medium Enterprises), Bhanu Pratap Singh Verma has recently informed the Rajya Sabha in a written reply that as per the latest information received from the Ministry of Statistics & Programme Implementation and the Directorate General of Commercial Intelligence and Statistics (DGCIS), the MSME sector in India has continued to demonstrate resilience and growth.

The Minister said, according to the data presented by the **Ministry of Statistics & Programme Implementation:**

1. The **share of MSME Gross Value Added (GVA) in India's Gross Domestic Product (GDP) has displayed a fluctuating trend over the last three years.** Thus, while in the fiscal year 2019-20, the share stood at 30.5%, it slightly declined to 27.2% in 2020-21 but rebounded to 29.2% in 2021-22.

2. The **share of MSME manufacturing output in the overall Indian manufacturing output** remained **relatively stable**, accounting for 36.6%, 36.9%, and 36.2% during the fiscal years 2019-20, 2020-21, and 2021-22, respectively.
3. The **share of MSME products in India's total exports** experienced a decline over the past three years. While in the fiscal year 2020-21, they constituted 49.4% of India's exports, the share decreased to 45.0% in 2021-22 and further to 43.6% in 2022-23.
4. **The MSME sector has been a significant source of employment in India.** As of August 2, 2023, the Udyam Registration Portal reported that the **total number of persons employed in MSMEs registered between July 1, 2020, and August 1, 2023, amounted to an impressive 12,36,15,681.**

Overall, the share of MSME manufacturing output in the overall Indian manufacturing output has remained relatively stable, the Minister stated.

A look at the Schemes & Programmes initiated by the Ministry of Micro, Small & Medium Enterprises

To foster the growth and development of the MSME sector, the **Ministry of Micro, Small and Medium Enterprises** has been implementing various schemes and programmes **encompassing a wide range of areas**, including:

1. Credit support;
2. New enterprise development;
3. Formalisation;
4. Technological assistance;
5. Infrastructure development;
6. Skill development and training; and,
7. Market assistance to MSMEs.

The **Schemes/Programmes initiated & implemented** by the Ministry inter alia include:

1. Prime Minister's Employment Generation Programme (PMEGP);
2. Credit Guarantee Scheme for Micro and Small enterprises (CGTMSE);
3. Micro and Small Enterprises-Cluster Development Programme (MSE-CDP);
4. Entrepreneurship Skill Development Programme (ESDP), and,
5. Procurement and Marketing Support scheme (PMS) and National SC/ST Hub (NSSH)

The government has recently taken several steps to provide support to the MSME sector to bolster its growth, including:

1. Rs. 5 lakh crore Emergency Credit Line Guarantee Scheme;
2. Rs. 50,000 crore equity infusion through the MSME Self-Reliant India Fund;
3. The inclusion of Retail and Wholesale trades as MSMEs.
4. An online portal **Champions**, a platform for resolution, redressal and remedies, a facility provided by the Ministry of Micro, Small and Medium Enterprises for ensuring a speedy, convenient, and effective redressal of MSMEs grievances,
5. Non-tax benefits for upward changes in MSME status; and,
6. The RAMP, (Raising and Accelerating MSME Performance Program)

The **launch of the Udyam Assist Platform (UAP) on January 11, 2023**, has been another significant measure taken by the government, which aims to bring **Informal Micro Enterprises (IMEs) under the formal ambit, enabling them to avail benefits under Priority Sector Lending (PSL).**

Epilogue

The MSME network in India is vast and covers around 630 lakh units manufacturing 8000+ products contributing about 45% to manufacturing output and about 40% to direct and indirect exports. The MSME sector is reportedly the second-largest employer in the country after agriculture.

The contribution of micro, small and medium enterprises to India's economic growth is well-documented. A report by consultancy **KPMG**, a multinational professional services network and **CII**, the Confederation of Indian Industry, states that:

1. The MSMEs account for nearly 30% of India's GDP and 45% of her exports;
2. Play a crucial role in socio-economic development;
3. Are providing employment to 110 million people;
4. Are playing a major role reducing inequalities;
5. Playing an important role in rectifying regional imbalances;
6. Providing low-cost raw material to support large industries and allied sectors; and,
7. Bridging the rural-urban divide.

Recognising the contribution and potential of MSMEs, the finance minister Nirmala Sitharaman has allocated in the Union budget, FY24 a record ₹22,138 crore for the MSME Ministry. The Budget announced many measures to boost the MSME sector such as,

1. Extending the ECLGS, **Emergency Credit line Guarantee scheme** till 31 March to overcome major losses suffered by the MSMEs in the manufacturing and other sectors during the Pandemic; and,
2. The RAMP, **Raising and Accelerating MSME performance Programme**, a World Bank-assisted central sector program to strengthen India's Micro Small and Medium Enterprises sector with an outlay of ₹6,000 crore.

According to experts, there is little doubt that the recently introduced budget provisions will have a significant positive impact on the MSME sector. Besides, as China + 1 sentiments gain traction, China + 1 being described as a business strategy to avoid investing only in China and diversify business into other countries, or to channel investments into manufacturing in other promising developing economies, MSMEs are well-positioned to expand their exports and operations. Assertion of the Minister of state for MSMEs as regards the resilience and growth demonstrated by the MSME sector & highly adaptable nature of the MSMEs therefore assumes significance.