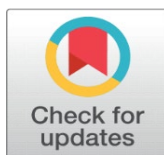


GROWTH OF MSME IN UTTAR PRADESH AND INDIA: OUTLINING THE TRENDS IN GROWTH AND EMPLOYMENT GENERATION

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ABSTRACT

Micro, Small and Medium enterprises (MSME) hold a central position in India's economic advancement, supporting entrepreneurs, creating wealth, and promoting socio-economic development at the grassroots level. This study thoroughly explores the historical evolution and growth patterns of MSMEs in Uttar Pradesh and India. It meticulously analyses their growth and effect on employment generation using comprehensive secondary data from 1955 to 2016. By drawing information from diverse sources such as census records and economic surveys, it sheds light on how this sector has evolved and contributed to the workforce dynamics across different periods.

Keywords: MSME, Uttar Pradesh, India, Employment

1. INTRODUCTION

The MSME sector has undergone a transformative journey spanning seven decades, now standing as a pivotal force within the Indian economy. Its significance lies in its unique ability to generate substantial employment opportunities with relatively lower capital input, thus encouraging the industrialization of rural and underprivileged regions. Additionally, it acts as a supportive entity for large industries and makes substantial contributions to the nation's socio-economic progress. The term MSME which we used is quite recent. Previously, it was known as Small Scale industry (SSI) which was an amalgamation of village and small industries at the time of Independence. The sector further comprises of seven sub-sectors: Handicrafts, Handlooms, Khadi and Village Industries, Coir, Sericulture, along with Power Looms and residual Small-Scale Industries, the latter referred to as 'modern' while the former five are termed the 'traditional' sector (MoSPI). Owing to its growing need and importance the Government of India, announced **30th August** as "**National Small Industry Day**" in 2001. Later on, the United nations also marked **27th June** as "**International MSME Day**" in year 2017 (UN Report, 2017).

The Small-Scale Industries (SSI) sector has witnessed remarkable progress in various aspects. The Indian SSI sector, initially a blend of diverse village and small industries pre-1938, underwent administrative restructuring. The Government of India established the Ministry of Small-Scale Industries and Agro and Rural Industries in 1999, which was later split into separate ministries in 2001. Finally in the year 2007, the Government of India amalgamated these ministries into the Ministry of Micro, Small, and Medium Enterprises in 2007. This evolution reflects the sector's journey from its diverse historical roots to a more unified administrative framework, aiming at comprehensive MSME development (Sathish and Rajamohan, 2018). However, the evolution of SSI definitions in India, changed almost twelve times from 1951 to 2006, in contrasts with the EU's consistent definition since 2003. These discrepancies and alterations in the definition pose challenges in comparing SSI status and development internationally and over the period (Barot, 2014). It has experienced substantial growth in the number of operational units, displaying a consistent trend of expansion. Employment opportunities within the SSI sector have seen a notable increase, surpassing the combined employment numbers in both public and private industrial sectors. As of November 2023, the registered MSME count surpassed 3 crore, providing employment to more than 15 crore individuals (Udyam registration Portal).

Additionally, there's been significant growth in production volume, showcasing the sector's capability to manufacture a diverse range of products. Moreover, the sector has exhibited considerable advancement in exports in the post-liberalization period contributing significantly to the nation's export volume and highlighting its global competitiveness (Singh, 2009). The number of enterprises, employment, investment in fixed assets and gross output of MSME in India showed an increasing trend from year 2001-2014. However, the overall growth of industrial sector and the growth of MSMEs sector from year 2001 to 2016 showed moderate to high growth rate during its initial period. Despite the tremendous growth in past years, the sector still faced some challenges in the form of inadequate credit facility, poor infrastructure, global competition, improper marketing channels and lack of advanced technology (Zanjurne, 2018). However, the trends in the growth of MSMEs and its contribution in the employment generation in the Uttar Pradesh state is largely understudied and thus this paper try to examine the historical growth patterns and employment trends of the MSME sector in Uttar Pradesh and India.

2. METHODOLOGY

The article primarily relies on secondary data sources, including publications such as the Ministry of MSMEs annual report, data from the NSSO, Central Statistics Office under the Ministry of Statistics and Program Implementation (MoSPI), information from the Reserve Bank of India (RBI), reports from the Press Information Bureau (PIB) and press releases from various news agencies and government reports on MSMEs in Uttar Pradesh. The research employs quantitative methods and examine data in terms of percentage and graphs. The study period spans from year 1955 to NSS 73rd Round 2015-16.

3. RESULTS

Definition of Small-Scale Industry

As per the report of National Planning Committee (1938), the small industries were defined as

“A Small Scale or Cottage Industry may be defined to be an enterprise or series of operations carried on by a workman skilled in the craft on his own responsibility, the finished product of which he markets himself. He works in his own home with his own tools and materials and provides his own labour or at most the labour of such members of his family as are able to assist. These workers work mostly by hand labour and personal skill, with little or no aid from modern power driven machinery and in accordance with traditional technique. Such supplementary energy as is provided by an animal power may add to the economy and efficiency of the industry. He works, finally, for a market in the immediate neighbourhood that is to say in response to known demand with reference to quality as well as quantity” (Sathish and Rajamohan 2018).

Following Independence, there were a series of modifications to the Definition of Small-Scale Industries that were developed over time. These modifications could be seen from 1955 onwards.

Table 1: Changes in condition of Small-Scale Industries (SSI)

Year	Assets Condition (investment/ turnover)
1955	Up to Rs. 5 lakh in Fixed assets, Employment less than 50/100 workers with/without power.
1960	Up to Rs. 5 lakh in Fixed assets, the employment Condition dropped.
1966	Up to Rs. 7.5 lakh in Plant and Machinery
1975	Up to Rs. 10 lakh in Plant and machinery
1980	Up to Rs. 20 lakh in Plant and machinery
1985	Up to Rs. 35 lakh in Plant and machinery
1991	Up to Rs. 60 lakh in Plant and machinery
1997	Up to Rs. 3 crore in Plant and machinery
1999	Up to Rs. 1 crore in Plant and machinery
2006	2006 Act (Investment) Micro: Up to Rs. 25 lakhs (Manufacturing) / Up to Rs. 10 lakhs (Services) Small: Rs. 25 lakhs to 5 crore (Manufacturing) / Rs. 10 lakhs to Rs. 2 crore (Services) Medium: Rs. 5 crore to Rs. 10 crore (Manufacturing) / Rs. 2 crore to Rs. 5 crore (Services)
2015	2015 Bill (Investment) Micro: Up to Rs. 50 lakhs (Manufacturing) / Up to Rs. 20 lakhs (Services) Small: Rs. 50 lakhs to Rs. 10 crore (Manufacturing) / Rs. 20 lakhs to Rs. 5 crore (Services) Medium: Rs. 10 crore to Rs. 30 crore (Manufacturing) / Rs. 5 crore to Rs. 15 crore (Services)
2018	2018 Bill (Turnover, Both Manufacturing and Servicing) Micro: Up to Rs. 5 crore Small: Rs. 5 crore to Rs. 75 crore Medium: Rs. 75 crore to Rs. 250 crore
2020	2020 Bill (Turnover/investment, Both Manufacturing and Servicing) Micro- investments up to Rs. 1 crore or turnovers up to Rs. 5 crore Small investment limits up to Rs. 10 crore or turnovers of up to Rs. 50 crore Medium- investment up to Rs. 50 crore or turnovers of up to Rs. 250 crore

Source: Ministry of MSME, PIB report 2015 and 2018

In the year 1955, the classification of SSIs was based on the fixed assets and employment, any enterprise with up to 5 lakh fixed asset or 50 / 100 employees with / without power was classified as SSIs. However, the condition of employee engaged in enterprises was dropped in 1960. Later, in the year 1966, the investment limits changed from fixed assets to plant and machinery and rose to 7.5 lakhs. The investment limit in plant and machinery keep on increasing in subsequent amendments by the year 1999, it rose to 1 crore investment in plant and machinery. In a fast-growing economy like ours, helping small businesses grow into medium-sized ones is important. To make this happen smoothly, the Government created a special law called the **Micro, Small and Medium Enterprises Development Act in 2006**. The Act categorizes businesses as micro, small, or medium based on their investment in machinery for manufacturing, and their investment in equipment for service-oriented enterprises.

Further in year 2015 Amendment Bill sought increased investment limits for manufacturing and services MSMEs but was withdrawn in July 2018. Subsequently, the 2018 Amendment Bill proposed using annual turnover as the classification criteria, eliminating the manufacturing-services distinction, and granting the government power to revise turnover limits. However, this bill lapsed with the dissolution of the 16th Lok Sabha (Surya and Vaishnav, 2020).

As of July 2020, the latest amendment in MSME limits has removed the distinction between manufacturing and service enterprises. The revised classification now relies on investment and turnover limits. Micro-enterprises encompass those with investments up to Rs. 1 crore or turnovers up to Rs. 5 crore. Small enterprises are defined by investment limits of up to Rs. 10 crore or turnovers of up to Rs. 50 crore. Medium-sized enterprises fall within the investment range of up to Rs. 50 crore or turnovers of up to Rs. 250 crore (Ministry of MSME, 2020).

Performance of MSME in Uttar Pradesh and India in terms of its number of Units and Employment

The table-2 and figure-1 depict an upward trend in MSME registrations in the Uttar Pradesh and India. In the first Census (1972-73), Uttar Pradesh recorded 0.13 lakh units, while India had 1.4 lakh units. The state contributed to about 9% of the country's small-scale industries. These figures surged to 0.53 lakh and 5.82 lakh units respectively, in the state and the country in the second census (1987-88). i.e. the number of units increased with 20.5% and 7.9% annualize rate during these two economic censuses. The NSS 73rd round (2015-16), showcasing substantial growth in MSMEs and their increasing contribution to the Indian Economy. The number of MSMEs units rose to 89.99 and 633.8 in the state and country respectively in the NSS 73rd round, and the highest annualized growth rate in the MSME units was recorded between second and third economic censuses. Further, the growth of MSME was higher in the Uttar Pradesh state compared to that in the country during with round of economic censuses and NSS 73rd round. Moreover, Uttar Pradesh's share of India's total registered units rose from 9.3% to 14.2%, peaking at 16.2% during the third census.

Table 2: Total Number of MSME Units and Employment in Uttar Pradesh and India

Time Period	Uttar Pradesh		India		% Share of U.P. in India	
	No. of Units (in lakh)	No. of persons employed (in lakh)	No. of Units (in lakh)	No. of persons employed (in lakh)	No. of units	Employment
First Census (1972-73)	0.13	1.60	1.40	16.53	9.3%	9.7%
Second Census (1987-88)	0.53 (20.5)	3.49 (7.9)	5.82 (21.0)	36.66 (8.1)	9.1%	9.5%
Third Census (2001-02)	17.08 (223.0)	40.02 (74.8)	105.21 (122.0)	249.33 (41.4)	16.2%	16.1%
Fourth Census (2006-07)	44.03 (31.6)	92.36 (26.2)	361.76 (48.8)	805.24 (44.6)	12.2%	11.5%
NSS 73rd round (2015-16)	89.99 (11.6)	165.26 (8.8)	633.88 (8.4)	1109.89 (4.2)	14.2%	14.9%

Source: Handbook of Statistics on Indian States (2022-23), Reserve Bank of India.

Values in parenthesis are annual growth rates.

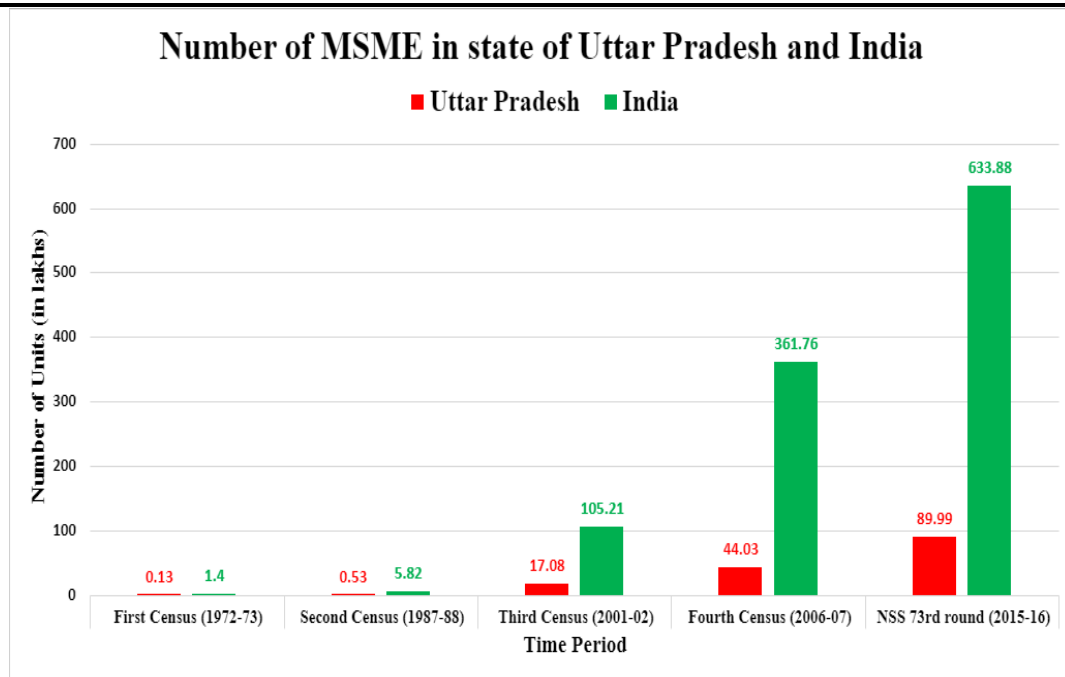


Figure 1: Numbers of MSME units in Uttar Pradesh and India (in Lakhs)

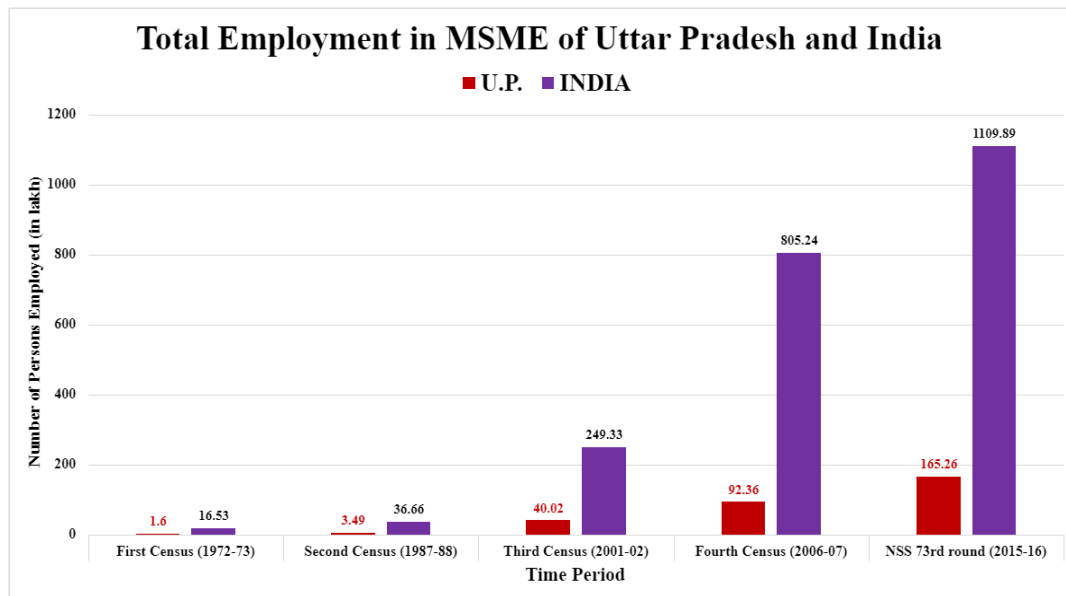


Figure 2: Total employment in MSMEs in Uttar Pradesh and India (in Lakhs)

The table-2 and figure-2 shows the increment in number of persons employed in the small scale industries/MSMEs from 1.60 lakh in first census (1972-73) to 165.26 lakh in the NSS 73rd round (2015-16) in the Uttar Pradesh state. Similarly, in the India the number of persons employed in SSI/MSME increased to 1109.89 lakh in the NSS 73rd round from 16.53 lakh in the First economic census. The annual growth rate between different censuses/NSS rounds was 7.9%, 74.8%, 26.2% and 8.8% in the state respectively compared to 8.1%, 41.4%, 44.6%, and 4.2% in the country as a whole. Thus, the annual growth rate in the employment generation was observed highest (74.8%) during the second and third economic censuses in the Uttar Pradesh state, whereas, it was 41.4% and 44.6% between the second and third economic censuses, and the third and fourth economic censuses respectively in the country. Overall, the share of Uttar Pradesh state in the employment generation in the MSMEs in the country increased from 9.7% in 1972-73 to 14.9% in 2015-16.

4. CONCLUSION

The analyses revealed that during the first economic census (1972-73) to NSS 73rd round (2015-16), the Uttar Pradesh state has experienced a remarkable surge in the establishment of the SSI/MSME units. Similarly, India also saw a significant expansion in the SSI/MSMEs units during this period. Though the comparison of the progress in the number of units established under the SSI/MSME sector is difficult because of changing definitions over the period, however, the growth of the units and persons employed in the MSME sectors in different economic censuses/NSS rounds provides a critical information. The growth rate of the expansion in the MSME units was higher in the state compared to that in the country as a whole. Moreover, the employment scenario within the MSME sector experienced a dramatic transformation in the Uttar Pradesh state and the country during this period. Moreover, the growth of persons employed in the MSME sector increased more rapidly in the Uttar Pradesh state compared to the country. During the third census in 2001-02, Uttar Pradesh witnessed a peak contribution of approximately 16% to India's MSME landscape, both in terms of the number of units and employment figures. However, the share of Uttar Pradesh MSME in total MSME units in the country reduced to 14% in the NSS 73rd round survey, but it still contributed to about 16% of manpower engaged in the MSME sector in the country. Overall, the Uttar Pradesh state has emerged as the frontrunner in both MSME registrations and employment generation, underlining its leadership and significant impact within the national MSME landscape.

CONFLICT OF INTERESTS

None.

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None.

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