

# MSME SECTOR: THE BEDROCK OF INDIAN MANUFACTURING

## IN THE INDIAN BUSINESS LANDSCAPE, MSMEs HOLD IMMENSE SIGNIFICANCE AS KEY DRIVERS OF GROWTH, EMPLOYMENT, AND INNOVATION

The Micro, Small and Medium Enterprises (MSME) sector, with more than 63 million enterprises, has emerged as a highly vibrant and dynamic sector of the Indian economy, fostering entrepreneurship, and generating self-employment opportunities at comparatively lower capital cost, next only to agriculture.

The MSME sector comprises nearly 63 million enterprises, which contribute 30 per cent to India's GDP, 45 per cent to manufacturing, 40 per cent to exports, and provides employment to over 113 million people, as per government data.

The Micro sector enterprises account for more than 99 per cent of the total estimated number of MSMEs. The Small sector with 3.31 lakh and the Medium sector with 0.05 lakh estimated MSMEs account for 0.52 per cent and 0.01 per cent of total estimated MSMEs, respectively. Out of 63 million estimated numbers of MSMEs, about 32 million or more than half MSMEs are in the rural areas, and nearly 31 million MSMEs or 49 per cent are in the urban areas.

India is home to approximately 63 million MSMEs, with the number of registered MSMEs reaching 8.016 million units as of March 31, 2022. The top five Indian states in terms of MSME registrations are Maharashtra with 26.89 million registered units, followed by Tamil Nadu (12.22 million registered units), Gujarat (10.95 million), Rajasthan (10.83 million), and Karnataka (8.43 million). Service enterprises accounted for the majority (64 percent) of registered Indian MSMEs, while manufacturing enterprises made up 36 percent.

The manufacturing output in India is significantly supported by MSMEs, contributing 45 percent to the sector. Among the diverse industries within the manufacturing sector, three sectors have experienced notable growth. The food products sector holds a share of 11.53 percent, followed closely by textiles at 11.45 percent, and fabricated metal products at 7.65 percent in terms of the total number of manufacturing enterprises. In the services sector, MSMEs have also made substantial contributions. The education sector stands out with a share of 33 percent, indicating

a significant presence of MSMEs in this field. Retail trade follows closely behind – with 18 percent. Additionally, the healthcare sector has also seen notable growth, accounting for 10 percent of the services sector.

### Major MSME clusters in India:

These clusters have emerged as prominent hubs for MSME growth and development, offering a conducive environment for businesses to thrive:

● **Maharashtra:** Maharashtra is home to several MSME clusters, including Mumbai, Pune, Nashik, Aurangabad, and Nagpur. Renowned for their wide-ranging industries, these clusters operate in manufacturing, IT services, textiles, and engineering.

● **Andhra Pradesh:** Andhra Pradesh has significant MSME clusters in cities like Visakhapatnam, Vijayawada, Guntur, and Tirupati. These clusters are active in the textiles, food processing, leather, and engineering industries.

● **Gujarat:** Gujarat is renowned for its vibrant MSME clusters, particularly in cities like Ahmedabad, Vadodara, Surat, and Rajkot. These clusters are prominent in the textiles, chemicals, engineering, and pharmaceuticals industries.

● **Tamil Nadu:** Tamil Nadu boasts thriving MSME clusters in Chennai, Coimbatore, Tirupur, Madurai, and Trichy. These clusters excel in the textiles, automotive components, electronics, and IT service industries.

● **West Bengal:** West Bengal houses significant MSME clusters in Kolkata, Howrah, Durgapur, and Siliguri. These clusters are active in the textiles, jute, leather goods, and engineering industries.

● **Uttar Pradesh:** Uttar Pradesh has emerging MSME clusters in cities like Noida, Kanpur, Lucknow, and Varanasi. These clusters operate in the textiles, leather goods, agro-based industries, and food processing industries.

● **Kerala:** Kerala is known for its MSME clusters in cities like Kochi, Thiruvananthapuram, Kozhikode, and Thrissur. These clusters specialize in tourism, spices, handlooms,



and handicrafts.

### Sectoral opportunities in MSMEs:

● **Telecommunications:** The ever-evolving telecommunications industry presents avenues for MSMEs to contribute to the development of infrastructure, networking solutions, and innovative services.

● **Healthcare:** With the growing focus on healthcare, MSMEs can explore opportunities in medical devices, digital health solutions, healthcare IT, telemedicine, and pharmaceutical manufacturing.

● **Electronics:** The demand for consumer electronics, electronic components, IoT devices, and smart solutions creates a favorable landscape for MSMEs specializing in electronics.

● **Pharmaceuticals:** MSMEs can engage in pharmaceutical manufacturing, research and development, contract manufacturing, and supply chain solutions within the thriving pharmaceutical sector.

● **Tourism:** The tourism industry offers scope for MSMEs to provide unique experiences, hospitality services, travel technology solutions, and sustainable tourism initiatives.

● **Sustainability:** MSMEs can contribute to sustainability through eco-friendly products, renewable energy solutions, waste management, and

sustainable packaging.

● **Hyper automation:** MSMEs can leverage emerging technologies like artificial intelligence (AI), machine learning (ML), robotic process automation (RPA), and advanced analytics to provide automation solutions across industries, streamlining processes and enhancing efficiency.

● **Information technology (IT) and IT-enabled services (ITeS):** MSMEs spe-

cializing in software development, cybersecurity, IT consulting, cloud services, and digital marketing can thrive in the IT and ITeS industries.

● **Chemical:** Opportunities exist for MSMEs to engage in specialty chemicals, agrochemicals, pharmaceutical intermediates, and green chemistry solutions.

## MSME HAS EMERGED AS A HIGHLY VIBRANT AND DYNAMIC SECTOR OF THE INDIAN ECONOMY OVER THE LAST FIVE DECADES

● **Automotive:** MSMEs can participate in automotive component manufacturing, electric vehicle technology, aftermarket services, and connected vehicle solutions.

● **Renewables:** With the emphasis on clean energy, MSMEs can contribute to solar power, wind energy, energy storage, and energy management solutions.

● **Gems and jewelry:** The gems and jewelry industry offer avenues for MSMEs specializing in design, manufacturing, export, and retail of precious and semi-precious stones and jewelry.

● **Textile:** MSMEs can explore opportunities in textile manufacturing, apparel design, fashion technology, and sustainable textiles.

● **Food processing:** The food processing sector provides avenues for MSMEs in food packaging, processing equipment, agri-business, and value-added food products.

● **Drones-as-a-Service:** MSMEs can offer drone-based services for mapping, aerial surveys, surveillance, agriculture, and logistics.

● **Agriculture:** MSMEs can play a significant role in agricultural technology, precision farming, farm mechanization, agri-inputs, and supply chain management.

MSME has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. It contributes significantly to the economic and social development of the country by fostering entrepreneurship and generating large employment opportunities at comparatively lower capital cost, next only to agriculture.

MSMEs are complementary to large industries as ancillary units and this sector contributes significantly to the inclusive industrial development of the country. The MSMEs are widening their domain across sectors of the economy, producing a diverse range of products and services to meet demands of domestic as well as global markets.

MSMEs act as crucial ancillary units to large businesses, providing vital support and fostering synergistic collaborations. Their presence creates a dynamic marketplace that encourages collaboration, partnership, and innovation.

With favorable government initiatives and policies, they enjoy a conducive business environment that promotes investment, enhances competitiveness, and fuels their growth. Together, MSMEs and large enterprises form a powerful ecosystem that propels Indian businesses towards sustainable growth and prosperity.