



# ***MSME AND INDIAN ECONOMY WITH SPECIAL REFERENCE TO ITS CONTRIBUTION TO GREEN JOBS***

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## **ABSTRACT**

MSME sector plays a vital role and can become a growth engine of an Indian economy in the coming years. Today there are more than 9 crore MSMEs in the country employing over 110 million people across industries. It contributes around 33% to India's GDP. 8.59 lakh women led MSMEs got registered on the Udyam Portal in FY22. It accounts for 48% of India's total exports. Though India has a competitive advantage in exporting low skilled goods but its share in global export is only 7.6%. In India about 20.37% of the MSME industry is made up of women led businesses and most of the female owned MSMEs are concentrated in South India. MSMEs contributed 270.59 lakh green jobs in the year 2022-23. The share of Village and Khadi industry employment in Green Jobs is the highest. MSMEs contribution to Green Jobs as a percentage of total employment remained stable between 4% to 5%.

## **MSME AND INDIAN ECONOMY WITH SPECIAL REFERENCE TO ITS CONTRIBUTION TO GREEN JOBS**

In India important steps have been taken to mechanize agriculture, industry and service sector. But lack of job creation due to the huge demography has been a major failure of the Indian economy. To keep the economy in a decentralized structure immense support was extended to cottage industries and household enterprises. These enterprises are today known as MSMEs which have become the backbone of the Indian economy. MSME are a highly dynamic Indian economy sector which produce and manufacture a variety of products for both domestic as well as international markets and help to promote the growth and development of khadi, village and coir industries.

They are a heterogeneous group in terms of size and structure of units, products and services offered, their scales of production and the use of technology with a considerable number of them falling in the organized sector. The labour intensity of MSME sector is much higher compared to large enterprises.

MSMEs play a cataclysmal role in generating employment opportunities at relatively low capital costs, supports industrialization, accelerates the growth of Indian economy, ensures financial inclusion by tapering regional imbalances.

Due to their forward backward linkages with other sectors MSME sector play a vital role in the success of Make in India initiative. In coming years, it can become a growth engine. Today the MSME sector is undergoing a remarkable transformation, as the Indian women in order to make their mark is overcoming entrepreneurial challenges.

India has an estimated 633.88 lakh unincorporated non-agricultural MSMEs, of which 31% are engaged in manufacturing and 36% are in trading activities. About 51.25% of MSMEs are in rural areas while the remaining 48.75 percent are situated in urban areas. Of the total number of MSMEs, the micro sector accounts for more than 99%.

Today there are more than 9 crore MSMEs in the country, employing over 110 million people across industries and regions in the country contributing towards creation of wealth at the grassroot level.

#### ESTIMATED NUMBERS OF MSMEs In INDIA (2021-22)

SECTOR	ESTIMATED NO. OF ENTERPRISES in(LAKHS)	SHARE
MANUFACTURING	196.65	31%
TRADE	230.35	36%
SERVICES	206.85	33%
	633.88 Lakh	100%

SOURCE: <https://msme.gov.in>

It contributes around 33% to India's GDP and is predicted to contribute worth US\$ 1 trillion to India's total export by 2028. 8.59 lakh women led MSMEs got registered on the Udyam Portal in FY 22, which is 17% of the total MSME registration. Approximately 63.4 million MSMEs contribute 6.11 percent of the manufacturing GDP and 24.63% of services GDP in India. With respect to entrepreneurship development in semi urban and rural areas the MSME has contributed immensely. With 72% payment done through the digital mode, Indian MSMEs are rapidly adapting digital payments, hence the growth prospects of this sector are very strong.

MSMEs accounts for approximately 48% of India's total exports, but the sector continues to lack in terms of institutional support and avenues for upskilling, which will assist them in their growth journeys. They lack access to formal credit. Only 16% of MSMEs get access to loans from banks while the rest has to rely on informal sector.

#### OBJECTIVES OF THE STUDY

The objective behind this article is to study the role of MSME which is considered as the backbone of the Indian economy. MSMEs contribution to Indian export, its role in creating employment and rural development is the key focus of the present study. Enlistment of MSME in the stock market and FDI inflows in MSME are some of the issues taken care in this paper. The core study of this paper is to focus on green jobs generated by the MSMEs. The paper is the result of the analysis of secondary data that was gathered from various sources- various articles, reports of RBI, Ministry of MSME, CSO, Ministry of statistics and program implementation and other Government sources. The study is done in terms of simple percentages, the annual compound growth is also calculated to study growth and the formula

used is  $r = (x_n/x_0)^{1/n} - 1$

Where r=rate of growth

$x_n$ =final year figures

$x_0$ =base year figure

n=number of years

#### MSME CONTRIBUTION TO INDIAN ECONOMY

Around 33% of the country's total GDP is contributed by the MSME sector. Between 2011-12 to 2019-20 the contribution of MSME to Indian economy at current price remained stable within 28-30%. In 2020 -21 its contribution was 27.2% and in the year 2021-22 it was recorded at 29.2%. Hence there is a decrease in the contribution of MSME to the country's GDP in recent years. It creates wealth at a grass root level as it consists generally neglected and small-scale entrepreneurs like women, marginal entrepreneurs, local artisans etc. Hence this sectors importance cannot be overemphasized in India's economic growth.

#### CONTRIBUTION OF MSMEs TO INDIAN ECONOMY AT CURRENT PRICES (2017-18)

YEAR	IN (%)
2011-12	30
2012-13	30.4
2013-14	30.2
2014-15	29.7
2015-16	29.2
2016-17	28.9
2017-18	28
2018-19	30
2019-20	30.5
2020-21	27.2
2021-22	29.2
2022-23	30

SOURCE: CSO, MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION

### **MSME AND INDIAN EXPORT**

The key sectors responsible for India's conversion from an agricultural economy to industrialized economy is MSME. They are owned by underprivileged groups which help to improve the entrepreneurial skill and economic empowerment. Percentage share of export of MSME related products in all India export declined from 49.75% in financial year 2020 to 49.35% in financial year 2021, to 45.03% in the year 2022. It gained momentum in the year 2024 and registered a share of 45.73% in all India export. SME plays a major role in global competition in various products.

#### **SHARE OF MSME IN OVERALL EXPORT (%)**

YEAR	SHARE OF MSME IN OVERALL EXPORT (%)
2012-13	40.10%
2013-14	42.40%
2014-15	44.80%
2015-16	49.90%
2016-17	53.60%
2017-18	56.51%
2019-20	49.77%
2020-21	49.35%
2021-22	45.03%
2022-23	42.67%

Source-directorate general of commercial intelligence and statistics

The MSME export value was about 147.39 billion in the year 2017-18 and it grew to 157.69 billion in the year 2018-19. Due to Corona pandemic, there was a minor fall in the export value because many businesses were closed which affected MSME hugely. In the FY 2022 the value of MSME exports increased to \$190 billion from \$143.9 billion in FY21 and \$154.8 billion in FY20.

Though India has a competitive advantage in exporting low skilled exports such as apparel, textiles, leather and footwear but it has consistently underperformed in this area with a global export share of only 7.6%.

### **GLOBAL MARKET AND INDIA'S CONTRIBUTION IN EXPORTS OF PRODUCTS CATEGORY SUITABLE FOR EXPORTS**

PRODUCT CATEGORY	INDIA'S SHARE in (\$billions)	GLOBAL EXPORTS (in\$ billions)
Herbal Supplements and Ayurveda Products	1.1	13.2
Wood Products	2.3	152.9
Handicrafts	1.1	109.3
Leather Products	1.4	28.9
Handloom Textiles	1.6	13.8
Jewellery	0.2	8.2
TOTAL	7.6	326.2

Textiles, garments, different types of shoes, rice and Castrol oil are among the major products exported by the Indian MSME sector. In the FY22 top export destinations for Indian MSMEs were the US (US \$54.7 billion), UAE (US\$ 13.4 billion), HONG KONG (US\$9.93 billion), UK (US\$7.54 billion), Germany (US\$7.19 billion), China (US\$5.16 billion), Belgium (US\$4.73 billion).

## MSME AND JOB CREATION

In India MSMEs are contributors to the overall economy and it also serves as engines of employment generations, provide employment to a large number of people, especially in rural and semi urban areas and thereby play a crucial role in the development of the country. With 63 million enterprises MSME ranks second only to agriculture in terms of employment generation. These enterprises contribute 30% of the GDP and employ around 110 million people. The micro sector recruits 10.76 crore persons which accounts for over 97% of the employment share. The total number of persons employed in MSMEs registered between July 1, 2020 and August 1, 2023 amounted to 12,36,15681. Food products industry ranks first as it generates 13.1% employment followed closely by textiles at 11.45%.Non-metallic mineral products provides 12.2% and metal products generated 10.2% jobs.

MSMEs have also made substantial contribution in the services sector. The education sector with a share of 33% indicates a significant presence of MSMEs.Followed by retail trade share of 18% and health care accounting for 10% of the services sector.

Over the years, the number of MSMEs units, their investment output, employment and export has increased manifold. In the year 1973-74, 39.40 lakh people were engaged in MSME.In the year 2002-03, it generated employment for 260.21 lakh people which increased to 294.91 lakh in the year 2005-06.In the year 2009-10this sector generated 921.79 lakh jobs which increased to 1171.32 lakh in the year 2014- 15.During the year 2016-17,2017-18,2018-19,2019-20,2020-21 and 2021-22 employment generated in micro enterprises are 4.08 lakh,3.87 lakh,5.87 lakh5.33 lakh,5.95 lakh and 2.90 lakh respectively.MSME is surely on its way to become the largest employment provider in the country.

## MSME AND FDI

Indian investors get excellent viability and income from MSMEs and liquidity is the most important for the country's economy. Foreign investment is encouraged by the Government of India to develop micro, small and medium enterprises which are vital for strengthening the national economy.FDI provides the much-needed stable funding and technological knowhow which can make the operations of the company more cost effective and enhances profitability. Despite the Ukraine conflict and Covid pandemic, FY22 saw its highest ever annual FDI inflow of \$83.57 billion compared to \$ 81.97 billion in FY21 and \$74.39 billion in FY20.

## MSME AND STOCK MARKET

Significant role as Engine of Growth is played by Micro, Small and Medium Enterprises. While MSMEs are not directly listed on the stock market there are various initiatives and benefits that encourage MSMEs to enlist them in the stock market. As they suffer from severe shortage of working capital and liquidity for day-to-dayoperations, they get an opportunity to raise capital from a broader investor base i.e. Institutional investors, retail investors and even foreign investors by enlisting on stock market. In India IPO platform provides a streamlined and cost-effective ways for SMEs to list on stock exchanges and access capital from public. BSE SME platform was set up in March 2012 by BSE to enable SMEs to raise equity capital for growth and expansion of their business.BSE SME index has approved 20 SMEs listing so far. Now more investors are attracted to MSMEs sector.26% gain has been recorded in the best BSE SME IPO stocks.

109 SME IPOs witnessed a major increase in 2022, which raised a total of Rs1874 crore in comparisons to 59 IPOs in 2021 which collected Rs 746 crore. In 2023, 33 out of 49 SME IPOs stock traded above the offer price. Till date BSE SME has increased to 435 companies with a market cap of Rs66,415 crore and total money raised was Rs 4982.71 crore.

MSMEs are also encouraged to market their products on the e-commerce site, through Government e-Marketplace (GeM) owned and run by the Government.

## MSME AND RURAL DEVELOPMENT

MSMEs play a critical role in the development of rural India by eradicating of poverty, generating employment and contributing towards economic growth. About 324.9 lakh enterprises i.e., 52.3% of total MSMEs are in rural areas. Initial training is provided by the MSMEs to enable the local workforce to undertake specific jobs. Through the arts, the creativity of artisans gets exposure in the national and global markets. Many MSMEs in the rural sector are engaged in exports and generate foreign exchange. Small scale industries play an enormous role in the development of rural India, as it provides the rural population an opportunity for better earnings which translates the quality of life.MSME's in rural sectors is aligned with the Central Governments mission of Self-Reliant India as they source raw materials and workforce locally. The MSME industry helps to lift people out of poverty and thereby improves their standard of living.

## WOMEN AND MSME

In advancing the economic growth of the country women entrepreneurs play a significant role by bringing innovative products and services. In India about 20.37% of the MSME industry is made up of women led businesses. Business owned by women are between 13.5 and 15.7 million and hire between 22 and 27 million individuals i.e., 23.3% of the labour population. Female employees in MSMEs is distributed more in rural areas (13.75 million) as compared to the urban area (12.74 million).3.09% of the industrial output is contributed by women. In order to develop women's ability to become entrepreneur MSMEs are great platform to combat gender inequality. The number of women led MSMEs has jumped from 2.15 lakh to 1.23 crore but they account for only 20% of India's 63 million MSME's.The number of women led MSMEs fell by around 25% due to Covid pandemic but they played a key role during the pandemic by mass producing essential equipment like masks, PPE kits and sanitizers. In FY22, the number of women led SMEs witnessed a 75% spurt to 8.59 lakh units from 4.9 lakh units in FY21.

As compared to other industries, MSME sector has recorded a relatively higher rate of women participation in the workforce at 24%.According to CIEL HR analysis more than 20.37% of proprietary MSMEs are owned by women, whereas share of male owned MSMEs is 79.63%.

### TOP 10 STATES WITH HIGHEST % OF WOMEN OWNED MSMEs

STATE	%SHARE
WEST BENGAL	23.42%
TAMIL NADU	10.37%
TELENGANA	7.85%
KARNATAKA	7.56%

UTTARPRADESH	6.96%
ANDHRA PRADESH	6.76%
GUJRAT	6.67%
MAHARASHTRA	6.47%
KERALA	4.0%
RAJASTHAN	3.07%

SOURCE: MSME annual reports 2022-23

The above table indicates that most of the female owned MSMEs are concentrated in the South India. Thereby reflecting that geographically south provides women entrepreneur's healthy environment for growing and nurturing their business. With West Bengal at 23.4% followed by Tamil Nadu at 10.4% women owned MSMEs. Education, Manufacturing and financial and insurance activities employs largest number of women. But the source of finance for 79% of women led enterprise is their own capital. The contribution of employment generated by the women owned MSMEs to the Total Udyam registered units is 18.73% and the contribution of women owned MSMEs to the total turnover of Udyam registered MSMEs is 10.22%.

Female entrepreneur's contribution in the MSME sector has increased in the last few years.

#### % DISTRIBUTION OF MSMEs OWNED BY MALE AND FEMALE ENTREPRENEURS

CATEGORY	MALE	FEMALE	ALL
MICRO	79.56	20.44	100
SMALL	94.74	5.26	100
MEDIUM	97.33	2.67	100
ALL	79.63	20.37	100

SOURCE: MSME Annual REPORT 2022-23

The above table depicts the dominance of male entrepreneurs in the MSME sector, and with the increase in the size of the enterprises the share of women enterprises decreases.

#### GREEN JOBS AND MSMEs

The concept of green jobs which can be generated in all economies is of utmost importance in order to achieve sustainable development goals. It helps to enhance efficiency of raw materials and energy resources, minimizes greenhouse gas emissions, reduces pollution and wastes, restores eco system (ILO2016).

MSME which is the pillar of the next growth phase by focusing on Zero Defect and Zero Effect principle is expected to generate more than 1.5 million green jobs by 2030 in the recycling industry. They not only produce high quality products but also minimize their environmental footprint.

According to the Green Industry Outlook report by Team Lease Digital, India has the potential to double current employment of 18.52 million green jobs to 35 million by 2047 and the major contributors to the increasing growth of green industry is contractual workers.

In order to calculate green jobs generated in MSME sector-Khadi and Village Industry, Sericulture Industry and Coir Industry have been taken into consideration. As the concept of environmental protection has gained momentum at world level and the entire economy is finding ways to reduce the problem of rising pollution and the adverse impact of deforestation, all these industries mentioned are eco-friendly and labour intensive.

#### GREEN JOBS GENERATED BY MSME SECTOR IN INDIA DURING 2006-2022(in lakh)

YEAR	GREEN JOBS
2006-07	155.35
2007-08	166.94
2008-09	167.01
2009-10	183.53
2010-11	193.26
2011-12	201.72
2012-13	208.38
2013-14	216.02
2014-15	221.73
2015-16	227.54
2016-17	228.76
2017-18	233.7
2018-19	246.1
2019-20	254.37
2020-21	253.36
2021-22	260.88
2022-23	270.59

SOURCE-Various Annual Reports of Ministry of MSME

The above table indicates that though the concept of green jobs has gained immense importance in recent years but MSMEs sectors contribution in green job creation was estimated at 155.35 lakhs in the year 2006-07. Within 10 years i.e., in 2016-17 green jobs generated by the MSME increased to 228.76 lakhs. Green job creation increased to 254.37 lakhs in 2019-20. In the year

2020-21 I.e. the year of Covid 19, green job generated dropped slightly at 253.36 lakhs. In the year 2022-23 the contribution of MSME is estimated at 270.59 lakh green jobs.

#### SECTORWISE % SHARE IN GREEN JOBS GENERATED BY MSME

YEAR	KHADI & VILLAGE IND.	SERICULTURE IND.	COIR IND.
2006-07	57.25	38.64	4.11
2007-08	59.46	36.66	3.88
2008-09	62.22	37.78	
2009-10	59.13	37.14	3.73
2010-11	58.89	37.51	3.6
2011-12	59.04	37.48	3.48
2012-13	59.87	36.73	3.4
2013-14	60.36	36.34	3.3
2014-15	60.55	36.22	3.23
2015-16	60.57	36.26	3.17
2016-17	59.62	37.2	3.18
2017-18	60.06	36.81	3.12
2018-19	59.73	37.29	2.98
2019-20	60.04	37.07	2.88
2020-21	62.78	34.46	2.76
2021-22	64.25	33.65	2.10
2022-23	63.32	34.07	2.60

SOURCE: Various Annual Reports of MSME

The above table revealed that the share of the Village and Khadi industry employment in Green Jobs is the highest. It remained almost stable since 2006-07 ranging between 57% to 64%. The interesting points to note is that Khadi and Village industry employment share maintained its contribution in Green jobs at 62.78% even during 2020-21 I.e. Covid 19. A proof that MSME especially Khadi and Village industry is really a backbone of the Indian economy.

The share of Sericulture industry in Green Jobs since 2006-07 remained stable between 33.65% to 38.64%. The shares of Coir industry is very minimal showing a declining trend. Its share was 4.11% in 2006-07 and it declined to half at 2.60% in the year 2022-23.

During the entire phase the share of village and Khadi industry is the highest followed by Sericulture industry and Coir industry.

#### GREEN JOBS IN MSME AS A % of TOTAL EMPLOYMENT

YEAR	GREEN JOBS as a % of TOTAL EMPLOYMENT
2014-15	4.70%
2015-16	4.84%
2016-17	5.54%
2017-18	4.92%
2018-19	5.04%
2019-20	4.75%
2020-21	4.48%
2021-22	4.52%
2022-23	4.53%

Green Jobs in MSME as a percentage of total employment generated in all sectors of the Indian economy between 2014-15 and 2022-23 remained stable between 4% to 5%. Its contributions was recorded the highest in 2016-17 at 5.54%. In the year 2022-23, green jobs as a percentage of total employment in Indian economy is 4.53.

#### GROWTH OF GREEN JOBS IN INDIAN MSME (2006-07 to 2022-23)

SECTORS	COMPOUND ANNUAL GROWTH RATE (CAGR) in %
KHADI & VILLAGE INDUSTRY	18.96
SERICULTURE INDUSTRY	2.56
COIR INDUSTRY	28.56
MSME	3.32

In the above table growth of green jobs in Indian MSME in 2006-07 to 2022-23 reveals a compound growth rate of 3.32%. In Coir industry (CAGR) of Green Jobs generation is estimated the highest at 28.56% followed by 18.96% in Khadi and Village industry and the lowest at 2.56% in Sericulture Industry. The table reveals that the growth of Green Jobs generation has increased in MSME sector and its sub sectors but at slow pace.

#### CONCLUSION

MSME sector play a vital role in the success of MAKE IN INDIA initiative. It contributes around 33% to India's GDP, employs over 110 million people across industries and regions, accounts for 48% of India's total exports. 8.59 lakh women led MSMEs got registered on the Udyam Portal in FY22, which is 17% of the total MSME registration. Though India has a competitive advantage in exporting low skilled goods but its global export share is only 7.6%. MSME's have made substantial

contribution in the service sector especially education. The contribution of women owned MSMEs to the employment generated by the Total Udyam registered units is 18.73% and female entrepreneur's contribution in the MSME sector has increased in the last four years. Most of the female owned MSMEs are concentrated in South India. MSMEs in rural sectors are aligned with the Central Government mission of Self-Reliant India. In 2022-23 the contribution of MSMEs is estimated at 270.59 lakh Green Jobs, and Green Jobs as a percentage of total employment in Indian economy is 4.53. The share of Village and Khadi industry employment in Green Jobs is the highest. Compound growth rate of Green Jobs in MSME is recorded at 3.32%.

The unorganized sector of our economy drives most of the e-waste. The need of the hour is a large MSME driven green workforce to bring the waste problem under control. To conclude, sustainability and social responsibility are critical for long term success of MSME.

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