

The Significance of Micro and Small on the Canvas of UAM Registered MSME

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Abstract: The MSME sector is one of the significant contributors to the Indian economy in terms of GDP and employment. The MSMED Act 2006 gave a definite direction to the sector. Another significant development for this sector was by way of introducing Udyog Aadhaar Memorandum (UAM) from 2015. It was a path-breaking step to promote ease-of-doing-business for MSMEs. Since the introduction of UAM, a unique dynamic real-time data is being maintained by the Ministry of MSME, GoI. Taking a clue from the same, analysis was done to comprehend the various aspects of MSMEs in the country. It was seen that as on 12th May, 2020, there were about 94 lakh MSME registered with UAM, in which 5.20 crore people were employed, these had financial investments to the tune of Rs. 12.73 crore. Micro enterprises constituted a majority in terms of - number of enterprises (88 percent) and personnel employed (62 percent) in the Indian MSME canvas. Albeit the maximum employment and investment per Unit was seen in Medium sized enterprises. Male proprietorship accounted for almost four times that of the female proprietors. There was an extremely low proportion of ST and SC ownership of MSMEs. The Services segment of MSME not only provided significantly more (64.7 percent) employment than the manufacturing segment (35.3 percent), it also attracted more investments (65.8 percent) than the Manufacturing segment (34.2 percent). Of total enterprises, 93.8 percent of enterprises were with less than Rs. 25 lakh of investments; and only 6.2 percent more than Rs. 25 lakh of investments. It is ironical to note that the – government policies, financial support packages, institutional credit, research, etc., have all been manifestly focused on large entrepreneurs. It is cardinal to appreciate that ‘one fits all’ treatment for MSMEs cannot work. Time has come to give the small aspiring entrepreneurs sufficient succour and support to enable them to proactively contribute in India’s growth aspirations. There is an exigent need to have more deep systematic reforms for the Micro and Small entrepreneurs in the nation.

Keywords: MSME.

1. Udyog Aadhaar Memorandum

The Micro Small and Medium Enterprises (MSME) in India has emerged as a highly promising sector in terms of employment generation and contribution to the Indian economy. The Government of India has now decided to adopt new criteria based upon the investments and turnover by replacing the investment-based definition of MSMEs. It has also been decided that demarcation between the Manufacturing and Services segments should be abolished.

The Public Procurement Policy for Central Ministries / Departments/and Central Public Sector Enterprises (CPSEs) mandates that annually at least 25 percent of the total procurement to be done by the Ministry/Department should be procured from MSEs, including 4 percent from MSEs owned by SC/ST and 3 percent from MSEs owned by Women entrepreneurs. To further strengthen the procurement mechanism, the Government has also launched the GeM (Government e-Marketing) portal.

Udyog Aadhaar Memorandum (UAM), was brought into force from September 2015. UAM is a path-breaking step to promote ease-of-doing-business for MSMEs in India as the UAM replaces the filing of Entrepreneurs’ Memorandum (EM part-I & II). The entrepreneurs in the MSME sector just need to file online, a simple one-page form for UAM on <http://udyogaadhaar.gov.in> to instantly get a unique Udyog Aadhaar Number (UAN). The information sought is on a self-certification basis, and no supporting documents are required at the time of the online filing of UAM. More than 94 lakh units have so far been registered under UAM till 15th May, 2020. Thus, UAM is a unique dynamic database having considerable information about MSME growth in the country.

This research is based upon the unique government database (udyogaadhaar.gov.in) of MSME registered under UAM.

2. Employment and Investments in MSME

As on 12th May, 2020, there were about 94 lakh MSME registered with UAM, in which 5.20 crore people were employed, these enterprises had financial investments to the tune of Rs. 12.73 crore.

Amongst the different classifications of the enterprises under MSME, the Micro enterprises constituted the majority in terms of - number of enterprises (88 percent) and personnel employed (62 percent). Thus, in the Indian MSME sector, it could be inferred that Micro and Small enterprises employ 92 percent of the total workforce. However, the employment and investment per Unit, was seen most pronounced in Medium-sized enterprise. Thus, drawing to a corollary that Medium sized enterprises are comparatively very capital and manpower intensive. Small enterprises attracted more than half of the total investments made in UAM registered MSMEs. In the MSME

Table 1
 Employment and Investment in MSME (2019-20) (in %)

		Micro	Small	Medium	Total
1	Total MSMEs	88	11	0.43	100
2	Total Employment	62	32	6	100
3	Total Investment	28	52	19	100
4	Investment in Rs. lakh per Unit	4.35	62.52	615.52	13.58
5	Employment per Unit	3.87	15.71	80.36	5.55
6	Male Proprietors	68.33	9.79	0.38	78.50
7	Female Proprietors	19.47	1.98	0.05	21.50

Table 2
 Category wise MSME distribution (in %)

		General	SC	ST	OBC	Total
1	Manufacturing Enterprises	60.8	8.1	2.7	28.5	100
2	Service Enterprises	57.1	9.9	3.3	29.8	100
3	Total Enterprises	58.5	9.2	3.0	29.3	100

Table 3
 Employment Range (2019-20) (in %)

	Employment Range	Manufacturing	Services	Total
1	from 1 to 2	13.5	38.2	51.7
2	from 3 to 5	11.8	17.4	29.2
3	from 6 to 10	6.4	5.9	12.3
4	from 11 to 20	2.4	2.1	4.5
5	from 21 to 50	0.9	0.7	1.6
6	from 51 to 100	0.2	0.2	0.4
7	More than 100	0.1	0.2	0.3
	Total	35.3	64.7	100.0

Table 4
 Enterprises on Investment Amount Range (in %)

S. No.	Investment Range	Manufacturing	Services	Total
1	Up to 1 Lakh	7.5	18.4	25.9
2	More than 1 lakh & less than equal to 5 lakh	13.7	30.0	43.7
3	More than 5 lakh & less than equal to 10 lakh	5.2	9.2	14.4
4	More than 10 lakh & less than equal to 25 lakh	4.5	5.3	9.9
5	More than 25 lakh & less than equal to 1 Crore	2.5	2.3	4.8
6	More than 1 Crore & less than equal to 5 Crore	0.7	0.5	1.2
7	More than 5 Crore & less than equal to 10 Crore	0.2	0.0	0.2
	Total	34.2	65.8	100

sector, Male proprietorship accounted for almost four times the number of female proprietors. Within the overall female owners, Micro enterprises seemed to their best choice.

3. Category Wise MSME Distribution

The ownership of the MSME does not seem to be in proportion to the prevailing caste wise population in the nation. There could be due to a plethora of reasons. Nonetheless, the low proportion of ST and SC in the MSME business calls for a paradigm shift in the related policies and initiatives to encourage the excluded strata of the society to be active partners in the 'Make in India' campaign. Amongst Manufacturing and Services segments, the General category ownership was seen more in the Manufacturing segment, while that for SC, ST, and OBC, it was the Services segment.

4. Classification of Enterprises on Employment Range

The Services segment (64.7 percent) of MSME provided significantly more employment than the manufacturing segment (35.3 percent). It was pertinent to note that more than

half of the total employment in the MSME sector belongs to the Units having employees in a range of 1 to 2. There were only 2.3 percent of total Units with more than 21 employees. Hence, there was a cardinal need to comprehend the situation and usher in appropriate interventions to address the challenges. On the contrary, the government's focus, by default, has been more on Units with relatively larger employees, because it is easier for these intense manpower Units to make their voices heard. These relatively bigger units (in terms of staff) also have better access to various industry organizations like – CII, FCCI, ASSOCHAM, etc. Hence, there is an urgent need for - intensive awareness efforts, better access to the organizational networks, more research, creation of platforms for dialogue, mentorship, etc. for Micro and Small entrepreneurs.

5. Classification of Enterprises on Investment Range

Of the total investments made in UAM registered MSMEs in India, the Services segment attracted more investments (65.8 percent) than the Manufacturing Sector (34.2 percent). Furthermore, it was interesting to see that the investment slab of Rs. 1 to Rs. 5 lakh had the maximum share of enterprises

both in the Manufacturing and Services segments. It was critical to note that numerically there were 93.8 percent of total enterprises with less than Rs. 25 lakh of investments each, and only 6.2 percent enterprises with more than Rs. 25 lakh of investments each.

6. Conclusion

The data clearly spells out that the bulk of the enterprises, both in terms of – number, employment and investments lie at the bottom of the pyramid, i.e., micro and small. These enterprises have their peculiar problems and challenges. Hence, they need case-specific treatment. In order to re-boot the Indian economy and give thrust to ‘Make in India’ efforts, it becomes mandatory for the government and the financial institutions to

first comprehend their constraints and then design specific policy interventions. Care has to be taken that ‘one fits all’ treatment for the entire canvas of MSMEs will not work. More specific policy and financial interventions must be conceived.

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