

SME GROWTH IN MUMBAI AND ECONOMIC IMPACT ON MAHARASHTRA

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ABSTRACT

Small and Medium Enterprises (SMEs) serve as the backbone of Maharashtra's economy, significantly impacting the state's growth and development. This paper explores the flourishing SME landscape in Mumbai, the financial capital of India. It delves into the various sectors these enterprises operate in, encompassing manufacturing, agriculture, services, and handicrafts. The analysis examines the economic contributions of SME growth in Mumbai on Maharashtra as a whole. This includes aspects like employment generation, boosting exports, and fostering overall economic expansion. Additionally, the paper highlights the role of the Maharashtra government in supporting SMEs through various policies and schemes, offering financial assistance, training programs, and marketing initiatives. Finally, the paper discusses the well-developed infrastructure in Maharashtra, including industrial parks and dedicated MSME clusters, that create a favorable environment for these businesses to flourish. By examining SME growth in Mumbai and its economic ramifications on Maharashtra, this paper sheds light on the significance of this sector in propelling the state's economic development.

Keyword: - SME Growth, Mumbai, Maharashtra, Economic Impact, Government Support.

1. Introduction

India's economic powerhouse, Maharashtra, thrives in part due to the dynamism of its Small and Medium Enterprises (SMEs). Particularly, Mumbai, Maharashtra's financial capital, serves as a breeding ground for these enterprises. This paper delves into the phenomenal growth of SMEs in Mumbai and analyzes the far-reaching economic impact this has on the entire state. SMEs in Maharashtra boast a diverse presence, encompassing a wide range of sectors. From the bedrock of manufacturing to the burgeoning service industry, and from the fertile fields of agriculture to the artistic realm of handicrafts, these enterprises contribute significantly to the state's economic tapestry. This paper sheds light on the specific sectors where Mumbai's SME growth flourishes and how this translates to Maharashtra's economic well-being. The economic impact of flourishing SMEs in Mumbai extends far beyond the city limits. This paper explores how this growth fuels employment generation across Maharashtra. It further investigates how a thriving SME sector in Mumbai bolsters the state's export potential, making Maharashtra a significant contributor to India's economic standing on the global stage. Ultimately, the paper analyzes how SME growth in Mumbai fosters overall economic expansion in Maharashtra, propelling the state's development trajectory. Recognizing the crucial role of SMEs, the Maharashtra government has actively implemented various policies and schemes to nurture their growth. This paper examines the specific government initiatives that provide financial assistance, training programs, and marketing support to empower Mumbai's SMEs. Additionally, the paper explores the role of well-developed infrastructure in Maharashtra, including industrial parks and dedicated MSME clusters, in creating a conducive environment for these businesses to flourish. By comprehensively examining the phenomenal growth of SMEs in Mumbai and its cascading economic impact on Maharashtra, this paper aims to illuminate the significance of this sector as a driving force for the state's economic prosperity.

2. Methodology

The study on SME growth in Mumbai and its economic impact on Maharashtra relies on secondary data obtained from various sources. This data includes annual reports published by the Ministry of Micro, Small & Medium Enterprises (MSME), census data, and government reports. The research focuses on the period from 1972 to 2014 and examines

the correlation between investment and employment growth in the MSME sector. The raw data is presented through graphs created using Excel and Origin software. Additionally, data related to MSME units, exports, and GDP shares are analyzed to understand the sector's contributions to the national GDP. The study also looks at data concerning production, sales, employment in Khadi and Village industries, and entrepreneurial memorandum to assess any growth or change in the rural economy and population brought about by MSMEs.

3. Result & Discussion

MSME – A Correlative study of investment, Units, and Employment

The growth of Small and Medium Enterprises (SMEs) in Mumbai has had a significant economic impact on Maharashtra. For sustainable capital accumulation in any economy, investing in sectors with promising growth potential is crucial. The implementation of various government policies has led to a notable increase in domestic production within the MSME (Micro, Small, and Medium Enterprises) sector. Data from 1972 to 2004 shows a substantial rise in investment, number of units, and employment within the MSME manufacturing sector. In Table 1 Investment increased steadily from 10546.8 lacs in the first census to 6899548.6 lacs in the fourth census. This consistent growth trend in MSME sector investments indicates a positive trajectory for the sector.

Table 1(Total investment, No. of Units and employment from 1972-2007 in the MSME sector)

CensusPeriod	Investment	No.of Units	Employment
1 st Census(1972-1973)	10546.8	1.40	16.53
2 nd Census (1987-1988)	92960.3	5.82	36.66
3 rd Census(2001-2002)	1543487	105.21	249.33
4 th Census (2006-2007)	6899548.6	361.76	805.24

The growth of the MSME sector, including its various influencing factors, notably accelerated after trade liberalization and globalization. This is evident in the sharp increase in investment starting from the third census onwards, along with a significant rise in the number of MSME establishments and employment figures, particularly since the early 2000s. The number of MSME establishments increased from 1.4 lacs in the first census to 361.76 lacs in the fourth census, showcasing substantial growth in the sector. Similarly, employment in the MSME sector rose from 16.53 lacs in the first census to 805.24 lacs in the fourth census, indicating a substantial increase in job creation within the sector.

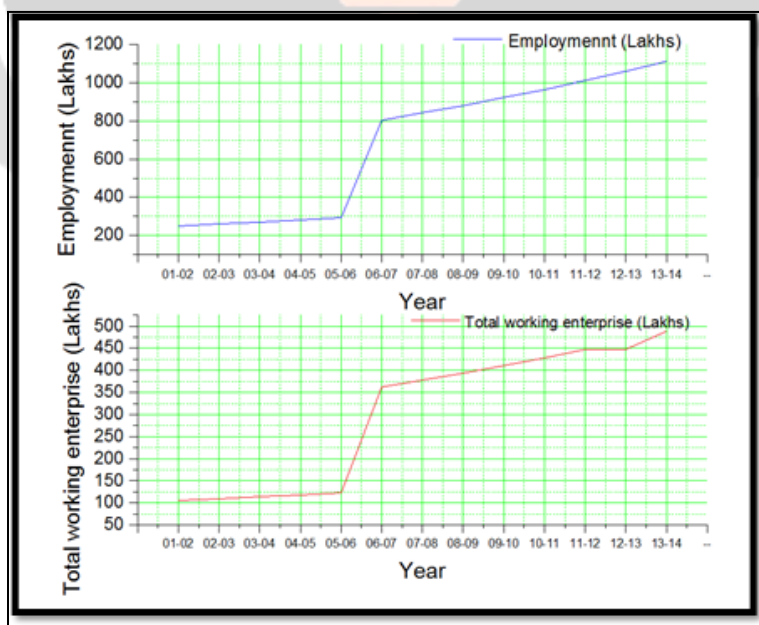


Fig 1:- (Growth in MSME units and employment from 2008 to 2014)

In figure 1, it can be observed that total number of working MSME establishments and employment shows a similar growth pattern from 2001 to 2012. Despite a slight slowdown in growth observed in 2012-2013, both the number of working MSME establishments and employment have shown a consistent growth pattern from 2013 onwards. This indicates the resilience and potential for continued growth in the MSME sector in Mumbai, which contributes significantly to the economic development of Maharashtra.

Furthermore, Table 2 illustrates the export performance of the manufacturing sector in India, highlighting the increasing contribution of MSMEs to the national exports from 2005 to 2008. The data shows a steady growth in the country's exports, with a notable share coming from the MSME sector. In 2005-2006, the total export value of the manufacturing sector was 456417.87 crores, out of which the MSME sector contributed 150242.62 crores. This contribution increased to 182537.85 crores in 2006-2007, when the total manufacturing sector exports reached 571779.27 crores. By 2007-2008, the total exports of the manufacturing sector further rose to 655863.52 crores, with MSMEs accounting for 202017.46 crores.

Table 2 (Export Performance of India in contrast with Export of MSME Sector)

CensusPeriod	ExportPerformance(Crores)	
	India	MSME
2005-2006	456417.87	150242.62
2006-2007	571779.27	182537.85
2007-2008	655863.52	202017.46

While the growth of MSME exports may not have been exponential, it has been consistent over the years, indicating a positive trend. A more comprehensive analysis with additional data on the country's overall exports and the specific contributions of the MSME sector would provide a more detailed understanding of the export dynamics and the role of MSMEs in shaping the economy of Maharashtra.

A. Correlation analysis of MSME parameters

To analyze the relationship between aggregate investment, the number of units, and employment growth in the MSME sector, a correlation analysis was conducted, as shown in Tables 3, 4, and 5. The data reveals a positive correlation between these factors, indicating their interdependence and impact on each other.

Table 3 indicates a positive correlation between investment and MSME units across all four censuses, with correlation coefficients ranging from 0.68 to 0.87. This suggests that as investment in the MSME sector increases, the number of MSME units also tends to increase.

Table 3 (Correlation between Investment and MSME units from 1972 - 2007)

Parameters	Census1	Census2	Census3	Census4
Investment	10546.8Lacs	92960.3Lacs	1543487Lacs	6899548.6Lacs
MSMEunits	1.40Lacs	5.82Lacs	105.21Lacs	361.76Lacs
Correlation	0.87	0.74	0.76	0.68

In Table 4, a strong positive correlation is observed between MSME units and employment, with correlation coefficients ranging from 0.84 to 0.98 across the censuses. This indicates that employment growth in the MSME sector is closely linked to the number of MSME establishments.

Table 4 (Correlation between MSME units and Employment from 1972 - 2007)

Parameters	Census1	Census2	Census3	Census4
MSMEunits	1.40	5.82	105.21	361.76
Employment	16.53	36.66	249.33	805.24
Correlation	0.95	0.84	0.98	0.98

Table 5 further reinforces this relationship by showing a strong positive correlation of 0.97 between MSME units and employment from 2008 to 2014. This consistent correlation over time strengthens the conclusion that employment opportunities in the MSME sector are indeed a function of the number of MSME establishments.

Table 5 (Correlation between MSME Units and Employment from 2008 – 2014)

Parameters	Timeperiod (2008–2014)
MSMEUnits	3926.59
Employment	8961.23
Correlation	0.97

The correlation analysis indicates a clear relationship between investment, MSME units, and employment opportunities from 1972 to 2014. This suggests that the growth of MSMEs in India is closely tied to investment levels. As investment in the sector increases, it leads to the establishment of more MSME units, which, in turn, creates more employment opportunities. This cycle of investment, unit growth, and employment contributes significantly to national economic growth. Therefore, it can be concluded that fostering investment in the MSME sector is crucial for driving employment growth and ultimately enhancing the overall economic performance of the country.

B. Share of MSME in total GDP of India (According to MSME Annual report)

After analyzing the relationships between investment, growth of MSME units, and resulting employment opportunities in the MSME sector, it is essential to examine how these findings relate to the GDP shares of MSMEs to the national GDP trend and determine if growth in the MSME sector influences the national GDP.

Table 6 shows that from 2006 to 2007, the gross value output of MSMEs was 1198818 lacs, with the manufacturing sector contributing 7.73% and the service sector contributing 27.40%, totaling 35.13% of the total national GDP. Similarly, from 2007 to 2008, the gross value output was 1322777 lacs, with the manufacturing sector contributing 7.81% and the service sector contributing 27.60%, resulting in a total GDP share of 35.41%, slightly higher than the previous year. This growth trend continued in the following years, with the GDP share of the MSME industry, including manufacturing and services, being 36.12% in 2008-2009, 36.05% in 2009-2010, 36.69% in 2010-2011, 37.97% in 2011-2012, and 37.54% in 2012-2013. Although there was a slight dip in the GDP shares of MSMEs in the national GDP in 2009-2010, the data indicates a steady increase in the shares of MSME GDP, despite occasional fluctuations in the total national GDP.

Year	Gross Value of Output of MSME	Share of MSME sector		Total
		Manufacturing Sector	Service Sector	
2006–2007	1198818	7.73%	27.40%	35.13%
2007–2008	1322777	7.81%	27.60%	35.41%
2008–2009	1375589	7.52%	28.60%	36.12%
2009–2010	1488352	7.45%	28.60%	36.05%
2010–2011	1653622	7.39%	29.30%	36.69%
2011–2012	1788584	7.27%	30.70%	37.97%
2012–2013	1809976	7.04%	30.50%	37.54%

This correlative study of investment, MSME units established, and employment opportunities generated in India, particularly in the MSME sector from 1972 to 2014, demonstrates positive growth. In conjunction with export data and observations about MSME's share in the national GDP, which also show a growing trend, it can be concluded that Micro, Small, and Medium manufacturing enterprises play a significant role in the economic growth of India.

C. MSME activity and its influence in rural economy of India

SME Growth in Mumbai and Its Economic Impact on Maharashtra has been substantial, particularly in terms of the number of enterprises established in the rural sector. As agriculture has traditionally been the mainstay of India's economy, the rural workforce has seen a gradual decline, partly due to the increasing realization of the potential of

MSMEs through various government initiatives. The MSME report of 2005 highlighted the growing importance of rural industrialization, supported by initiatives like KYC and PMRY. This trend is particularly notable in states such as Tamil Nadu, Kerala, and Maharashtra. Table 7 illustrates the growth of micro and small-scale industries in rural and urban areas, comparing data from the 2001 and 2006 census reports. The total number of small and micro industries increased from 91.46 lakh in the early 2000s to about 198.74 lakhs in 2007. Rural areas saw a higher number of enterprises, with 51.99 lakh units in 2001-2002 growing to 119.69 lakhs in 2007, compared to urban areas with 39.47 lakh and 79.05 lakh respectively. This indicates a higher prevalence of micro and small-scale industries in rural areas. The data also reveals a doubling of women-owned enterprises since the early 2000s, indicating a significant increase in female participation in industrial and manufacturing activities, which directly contributes to economic growth. This shift in rural India's mindset suggests a promising economic future, supported by effective government initiatives and policies. Furthermore, around 50% of MSMEs in India are owned by underprivileged groups, underscoring the pivotal role of MSMEs in India's economic transition, with women playing an increasingly important role in industries such as khadi, coir, silk, weaving, sewing, crafts, and others, collectively impacting the national economy significantly.

Table 7 (Manufacturing MSME units in India)

Characteristics	Third Census(2001-02)	Fourth Census(2006-07)
SizeoftheSector(inLakh)	91.46	198.74
NumberofRuralUnits(inLakh)	51.99	119.69
NumberofUrbanUnits(inLakh)	39.47	79.05
MicroEnterprises(in Lakh)	NA	198.39
SmallEnterprises(inLakh)	NA	0.35
NumberofWomenEnterprises(inLakh)	9.26	18.06

A. Khadi and Village Industry performance

The growth of SMEs in Mumbai and their economic impact on Maharashtra are closely tied to the performance of Khadi and village industries, which represent a significant number of revenue-generating enterprises in rural India, following agriculture. Evaluating and fostering the growth of these industries is crucial when assessing the national economic development. Table 8 presents data on the production, sales, and employment generated by Khadi and other village industries. The data in Table 8 illustrates the performance of Khadi and village industries in India from 2009 to 2014, showing a consistent growth in production, sales, and employment generation. The miscellaneous village industries sector shows a significant increase in production, from 17,508 crores in 2009 to 19,198 crores in 2010, with a further increase to 25,298 crores in 2013. Similarly, sales of village industry products rose from 23,254.53 crores in 2009 to 30,073.16 crores in 2013. Employment generation in village industries also saw growth, from 98.72 crores in 2009 to 119.4 crores in 2013. This aligns with our earlier observations that employment growth is directly linked to the expansion of the MSME sector.

Table 8 (Performance of Khadi and Village Industry from 2009 to 2014)

CensusPeriod	PerformanceofKhadiandVillageIndustry					
	Production(Crores)		Sales (Crores)		CumulativeEmployment	
	KhadiIndus tries	VillageIndu stries	KhadiIndustr ies	VillageIndust ries	KhadiIndustri es	VillageIndustries
2009-2010	628.98	17508	861.01	23254.53	9.81	98.72
2010-2011	673.01	19198	917.26	24875.73	10.15	103.65
2011-2012	716.98	21135.06	967.87	25829.26	10.45	108.65
2012-2013	761.93	23262.31	1021.56	26818.13	10.71	114.05
2013-2014	811.08	25298	1081.04	30073.16	10.98	119.4

Similarly, the Khadi industry exhibited a parallel growth trend. Production increased from 628.98 crores in 2009 to 811.08 crores in 2013, while sales rose from 861.01 crores in 2009 to 1,081.04 crores in 2013. Employment generation in the Khadi sector also grew, from 98.72 crores in 2009 to 119.4 crores in 2013. This growth in both MSMEs in rural

areas and the resulting employment enables laborers to transition from the agricultural sector to the manufacturing sector, where there is higher growth potential for both the economy of India and the laborers themselves.

B. Policy initiatives for rural MSME's

The growth of the manufacturing sector in rural areas can be attributed to various government policies aimed at enhancing the operational efficiency of MSME units. These policies include providing access to financing options, implementing skill development programs, offering incentives, and creating opportunities for entrepreneurial growth. Such initiatives have played a crucial role in fostering the growth of MSMEs in rural areas, thereby contributing significantly to the overall economic development of Maharashtra.

Credit Guarantee Fund Scheme for MSME

The Credit Guarantee Fund Scheme for MSMEs, launched by the Government of India in 2000, is an initiative aimed at providing financing facilities to micro and small industries. Under this scheme, these industries can access term loans and working capital of up to 100 lakh INR without the need for collateral or guarantees. This support is crucial for emerging industries, as it helps them kickstart their operations and contribute to the economic growth of Maharashtra.

Entrepreneurial and Managerial development programmes

The scheme, also known as "Support for Entrepreneurial and Managerial Development of SMEs," provides incubatory support for aspiring entrepreneurs, focusing on promoting innovation and proactive business practices. Since its inception in April 2008, it has been operating across India, aiming to nurture and support SMEs. As of 2016, the scheme has released approximately 22.18 crore INR to fulfill its objectives and targets, contributing to the economic development of Maharashtra and beyond.

Skill Acquisition

The National Skill Development Corporation (NSDC) is a public-private partnership policy aimed at providing basic skills to low-wage earners, enhancing their daily wage-earning capabilities, and developing entrepreneurial abilities to set up their own MSMEs. This initiative, which has been ongoing since 2009, has helped numerous individuals gain the necessary skills to improve their wage-earning capabilities. NSDC conducts workshops focusing on the comparative advantages of different geographical locations in India, including weaving, handicrafts, coir, sewing, food products, ironworks, metal works, and more. This initiative has had a significant impact on Maharashtra, empowering individuals and contributing to the growth of the MSME sector in Mumbai and beyond.

Vendor Development Programmes for Ancillarisation

These programs are established nationwide to serve as platforms for peer-to-peer communication among businesses and selling organizations. They facilitate interaction, exchange of information, and knowledge sharing related to identifying the demands of purchasing institutions and showcasing potential, capabilities, and industrial ventures. These programs can be seen as exhibition platforms where buyers and sellers interact to recognize opportunities for new startup ventures. In a country like India, where there is a growing number of investors (both foreign and domestic) and manufacturing industries, these Vendor Development Programs (VDPs) are immensely beneficial. They provide opportunities for rural enterprises and other MSMEs to understand the market and compare their products with other manufacturers, both abroad and in the country. This fosters competition and growth in the industry, contributing to the economic impact of Maharashtra, especially in Mumbai.

C. Entrepreneurial Memorandum

The policies designed to support, encourage, and nurture the MSME sector have contributed significantly to entrepreneurial growth and the proliferation of MSME units in India, particularly in Mumbai and Maharashtra. Evaluating these policies and initiatives is crucial in understanding their impact on transforming the rural landscape

where many of these industries are located. One effective way to gauge their success is by analyzing the number of entrepreneurial memoranda filed in India.

Table 9 (Entrepreneur Memorandum II filed by MSME from 2007 – 2015)

TimePeriod	EM-II Filed by MSME
2007-2008	172703
2008-2009	193026
2009-2010	213206
2010-2011	238429
2011-2012	282428
2012-2013	322818
2013-2014	362991
2014-2015	425358

Table 9 presents data on the national entrepreneurial memoranda filed in the MSME sector for registration from 2007 to 2015. The table illustrates a substantial increase in filings, from 172,703 in 2007–2008 to 425,358 in 2014–2015. This data strongly suggests a significant rise in the entrepreneurial mindset over the years, indicating the success of several policies. By comparing this data with our earlier findings in table 7, which highlighted the higher number of rural MSME units compared to urban MSME units and their gradual increase, we can infer that more individuals are transitioning from the agrarian sector to the manufacturing sector, especially in rural areas of Mumbai and Maharashtra. This transition has not only improved the local economy but has also contributed to the growth of the national economy.

4. Conclusion

The study on SME growth in Mumbai and its economic impact on Maharashtra reveals a significant correlation between investment, MSME unit growth, and employment generation. From 1972 to 2014, there has been a consistent increase in investment, number of units, and employment within the MSME sector, particularly after trade liberalization and globalization. This growth trend indicates the sector's importance in driving economic development in Maharashtra. The analysis also highlights the sector's contribution to national exports, with a steady increase in export value from 2005 to 2008. Although the growth of MSME exports may not have been exponential, it has been consistent, showcasing the sector's potential for further growth.

Furthermore, the study underscores the sector's role in the rural economy, with a significant number of enterprises established in rural areas. Initiatives like the Credit Guarantee Fund Scheme for MSMEs, Entrepreneurial and Managerial Development Programs, and Skill Acquisition programs have played a crucial role in fostering the growth of MSMEs in rural areas, thereby contributing to the overall economic development of Maharashtra.

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