Survey on Jobs Creation and Outlook in MSME Sector

March 2019

Survey Outcome Report
Micro, Small & Medium Enterprises (MSMEs) are the backbone of the Indian economy, driving inclusive and regionally-distributed economic growth. Increasingly, they are also aiding India’s integration into global value chains across sectors. With India setting itself a formidable target of nearly doubling its economy to achieve USD 5 trillion by 2025-26, the MSME sector takes on additional importance. Further, as the largest employer and thus livelihoods generator, after agriculture, in a country forecast to have the largest workforce in the world, it is imperative to map the job creation potential of the sector, as also the effectiveness of measures introduced to boost MSME growth. Unfortunately, there is limited on-ground data about MSMEs.

CII has undertaken the largest ever MSME specific survey, covering 105,347 firms of varying sizes, across sectors and geographies. It is commendable that despite the scale, the survey was completed in around three weeks. The survey focused on job creation in the past as well as expectations for the future. It also tried to assess the impact of select government initiatives targeted at MSMEs.

The survey indicates healthy jobs growth in MSMEs in the past 4 years to the extent of 3.3 per cent per annum – this bodes well for the economy. A simple extrapolation of the findings from the survey on macro-level data indicates that 13.5 - 14.9 million jobs were created per annum.

It would be useful to deepen our understanding of MSMEs by undertaking periodic surveys which assess job creation by the sector and highlight any impediments facing it.

CII continues to work towards driving the competitiveness of MSMEs, by offering efficiency enhancing services and through policy advocacy for the growth and development of the MSME sector.

I look forward to engaging with the relevant stakeholders to convert the findings and recommendations contained herein into concrete actions.

Chandrajit Banerjee
Director General
Confederation of Indian Industry
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The CII survey of 105,347 MSME firms, largest ever in recent times, indicates a growth of 13.9 per cent in Net Jobs Created over the last 4 years at 3.3 per cent per annum (compounded growth rate). To put this survey findings in context, we have mapped the jobs figures against publicly available macro-level data sourced from Labour Bureau (for total workforce).

Given that the total workforce size according to the Labour Bureau is estimated at 450 million (projected for 2017-18), the overall job additions work out to 13.5 – 14.9 million per annum.

The CII survey indicates that Micro enterprises were the largest job creators in the past four years and will continue to be so in the next three years. This holds true for both exporters and non-exporters.

The top job generating sectors were Hospitality & tourism followed by Textiles & apparel and Metal products, during the past four years. Machinery parts and Transport & logistics were the next significant job creators.

Maharashtra, Gujarat and Telangana have been the largest job generators over the past four years. In case of exporters, Maharashtra, Tamil Nadu and Telangana emerge as the top three states.

The survey indicates that a significant majority of the respondents were able to fill vacancies in under a month, underlining the availability of appropriately skilled human resources.

The survey also indicates optimism on higher growth expectations on employment for the next three years, which emanates from the fact that the government initiatives like the 2 per cent interest rate subvention given to all MSMEs and Trade Receivable e-Discounting System (TReDS) implemented recently would drive future growth leading to more employment.

The survey also reveals that users of Government schemes expect tangible growth benefits to accrue, particularly in the medium term (3 years), that is, users expect to grow faster relative to overall growth. Amongst the government initiatives evaluated by this survey, the interest subvention facility is expected to be the biggest growth booster.

The survey also points to the need for greater hand-holding of those MSMEs who are currently not using these initiatives to help them gain from these initiatives.

The survey undertaken by CII is the largest ever MSME specific survey covering 105,347 MSMEs located in about 350 industrial centres spread across 28 states of India. Despite the scale, the survey was completed in around three weeks. The survey focused on two key aspects: jobs related and government initiatives for MSMEs.
Micro, Small & Medium Enterprises (MSMEs) are the backbone of the Indian economy, driving inclusive and regionally-distributed economic growth. Increasingly, they are also aiding India’s integration into global value chains across sectors.

Despite their obvious importance to the economy and employment, there is limited on-ground data about MSMEs. CII has undertaken the largest ever MSME specific survey, covering 105,347 firms of varying sizes, across sectors and geographies, with the aim of obtaining a deeper understanding of the sector, particularly in relation to job creation.

The CII survey indicates a growth of 13.9 per cent in net jobs created (332,394 net jobs created), over the last 4 years, i.e. an increase of 3.3 per cent p.a. (compounded growth rate). The average number of net jobs generated per firm is set out below:

<table>
<thead>
<tr>
<th>Firm type</th>
<th>Number of new jobs (A)</th>
<th>Number of firms (B)</th>
<th>New job additions per firm (A/B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>2,40,713</td>
<td>89,597</td>
<td>2.7</td>
</tr>
<tr>
<td>Small</td>
<td>77,045</td>
<td>14,382</td>
<td>5.4</td>
</tr>
<tr>
<td>Medium</td>
<td>14,636</td>
<td>1,368</td>
<td>10.7</td>
</tr>
<tr>
<td>Total</td>
<td>3,32,394</td>
<td>1,05,347</td>
<td>3.2</td>
</tr>
</tbody>
</table>

To put this in context, we have mapped the jobs figures against publicly available macro-level data sourced from the Labour Bureau for the total workforce.

a. Labour Bureau data

The employed total labour force in 2017-18 is estimated at 450 million[1].

The CII survey indicates an increase of 13.9 per cent in net jobs created, over the last 4 years, i.e. an increase of 3.3 per cent p.a. (compounded growth rate). Extrapolating this growth rate on the total labour force (450 million) implies 14.9 million jobs created per annum. On the other hand, assuming a more conservative growth of 3.0 per cent, the extrapolated jobs addition works out to 13.5 million jobs. The assumption of 3.0 per cent growth assumes that employment growth in MSMEs is likely to be higher relative to the larger firms.

The overall job additions therefore, can be estimated at 13.5 – 14.9 million per annum.

b. EPFO and ESIC data

EPFO and ESIC data are not comparable because these include ‘Large’ companies, unlike the CII MSME survey output. Moreover, EPFO is applicable for enterprises having a minimum of twenty employees, while ESIC is applicable for enterprises employing more than ten employees. This threshold automatically precludes a number of ‘Micro’ enterprises (which constitute a significant proportion of the total number of MSMEs).

CII Survey

CII undertook an expansive survey of MSMEs, across 28 states, with the objective of assessing the current situation of select aspects of doing business. The responses will help steer data-based policy recommendations and other interventions to support MSMEs.

The CII survey uses the turnover based definition of MSMEs.

The survey focused on two key aspects: jobs and government initiatives for MSMEs.

Jobs Related

The survey attempts to estimate the jobs created over the last four years and likely to be generated in the short and medium term. Easy availability of appropriate workforce is also assessed.

Government Initiatives for MSME

The survey gauges awareness, use and effectiveness of key initiatives introduced by the government for MSMEs. These include the:

a. Interest subvention for all GST registered MSMEs
b. Shram Suvidha, a portal to facilitate inspections and submission of returns
c. Trade Receivables e-Discounting System (TReDS), a portal for bill discounting
03. SURVEY RESULTS

Set out below are the results of the survey, presented in three sections:
A. Jobs related
B. Government initiatives for MSMEs
C. Comments from respondents

A. Jobs Related

The survey focused on jobs created over the last four years, as well as jobs expected to be generated in the short-term (1 year) and medium term (3 years). In addition, the time taken to fill vacancies was also assessed.

1. Job creation in last four years

a. Overview

The survey indicates that 332,394 net jobs were created over the last four years, registering an increase of 13.9 per cent over the employment base four years ago. ‘Net jobs created’ is defined as recruitment less exits. Out of the survey sample, 70,941 firms were responsible for this increase.

On the whole, nearly two-thirds of the respondents witnessed an increase in hiring activity over the last 4 years, while 17 per cent witnessed no change, as seen from the graph below.

Micro enterprises were the largest job generators: 240,713 jobs or 73 per cent of the jobs. Small enterprises generated 23 per cent of the jobs, while Medium enterprises accounted for 4 per cent of the jobs.

In terms of sectoral break-up, the Hospitality & tourism sector accounted for 12 per cent of the jobs. The Textiles & apparels and Metal products sectors contributed approx. 8 per cent each to the overall job generation. The
The concentration in terms of geographic dispersion of jobs created was also noticeable, with three States - Maharashtra (29 per cent), Gujarat (14 per cent) and Telangana (10 per cent) – accounting for 54 per cent of the jobs created in the last four years. The top eight States accounted for over 80 per cent of the jobs. This is shown in the graph below.

Other large job generators were Machinery parts (7 per cent) and Transport & logistics (7 per cent). The top five sectors accounted for over 40 per cent of the jobs, indicating a degree of sectoral concentration. These results are depicted in the graphs below.
b. Exporters

The survey indicates that exporters were responsible for 21 per cent of the total 332,394 net jobs created over the last four years.

Out of the survey sample, 11,404 exporting firms contributed to this increase.

Micro enterprises were the largest job generators: 41,781 jobs or 59 per cent of the jobs. Small enterprises generated a third of the jobs, while Medium enterprises accounted for 8 per cent of the jobs.

In terms of sectoral break-up, the top five sectors accounted for nearly half the jobs created by exporter MSMEs, indicating a fair degree of sectoral concentration. Food Processing, Metal products and Machinery parts contributed approx. 10 per cent each to the overall job generation. The other large job generators were Textiles & Apparels (9 per cent) and IT & tech related (7 per cent).

These results are depicted in the graphs below.

The concentration in terms of geographic dispersion of jobs created is noticeable, with three States - Maharashtra (26 per cent), Gujarat (13 per cent) and Telangana (12 per cent) - accounting for over half the jobs created. The top eight States accounted for 84 per cent of the jobs. This is shown in the graph below.
c. Non-exporters

The survey indicates that non-exporters were responsible for 79 per cent of the total 332,394 net jobs created over the last four years.

Out of the survey sample, 59,537 non-exporting firms contributed to this increase.

Micro enterprises generated over third-fourth of jobs: 198,932 jobs or 76 per cent of the jobs. Small enterprises generated 21 per cent of the jobs, while Medium enterprises accounted for 3 per cent of the jobs.

In terms of sectoral break-up, the hospitality & tourism sector alone accounted for 15 per cent of the jobs. Textiles & Apparels (8 per cent) and Transport & logistics (7 per cent) were the other large job generating sectors. The top five sectors accounted for over 44 per cent of the jobs, indicating some degree of sectoral concentration.

These results are depicted in the graphs below.
2. Job creation in the next one year

a. Overview

The survey indicates that 570,804 new jobs are likely to be created over the next one year, that is, an increase of 21.0 per cent over current employment base. Out of the survey sample, 100,490 firms were responsible for this increase.

Micro enterprises are expected to generate nearly three-fourth of the new jobs: 417,450 jobs or 73 per cent of the jobs. Small enterprises are expected to generate 24 per cent of the jobs, with Medium enterprises accounting for 3 per cent of the jobs.

In terms of sectoral break-up, the hospitality & tourism sector is expected to generate 12 per cent of the new jobs. Textiles & Apparels (9 per cent) and Metal products (8 per cent) are likely to be the other large job generators. The top five sectors are expected to generate 44 per cent of the jobs, indicating a degree of sectoral concentration.

These results are depicted in the graphs below.

The concentration in terms of geographic dispersion of jobs created is evident, with just three States - Maharashtra (31 per cent), Gujarat (10 per cent) and Karnataka (10 per cent) - contributing to over half the jobs expected to be created. The top eight States account for 80 per cent of the jobs. This is shown in the graph below.
The average number of jobs expected to be generated per firm is set out below.

<table>
<thead>
<tr>
<th>Firm type</th>
<th>Number of new jobs (A)</th>
<th>Number of firms (B)</th>
<th>New job additions per firm (A/B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>4,17,450</td>
<td>86,806</td>
<td>4.8</td>
</tr>
<tr>
<td>Small</td>
<td>1,34,469</td>
<td>12,382</td>
<td>10.9</td>
</tr>
<tr>
<td>Medium</td>
<td>18,885</td>
<td>1,302</td>
<td>14.5</td>
</tr>
<tr>
<td>Total</td>
<td>5,70,804</td>
<td>1,00,490</td>
<td>5.7</td>
</tr>
</tbody>
</table>

**b. Exporters**

The survey indicates that exporters were responsible for 19 per cent of the total 570,804 new jobs likely to be created over the next one year.

Out of the survey sample, 14,598 exporting firms contributed to this increase.

Micro enterprises are expected to contribute 68,544 jobs or 62 per cent of the new jobs. Small enterprises are expected to generate 31 per cent of the jobs, with Medium enterprises accounting for 7 per cent of the jobs created by exporters.

In terms of sectoral break-up, the top five sectors are expected to generate half the new jobs, indicating a fair degree of sectoral concentration. Food Processing (12 per cent), Textiles & Apparels (11 per cent), Machinery parts (9 per cent) and Metal products (9 per cent) are likely to be the large job generators.

These results are depicted in the graphs below.

The concentration in terms of geographic dispersion of jobs created is evident, with just two States - Maharashtra (32 per cent) and Tamil Nadu (16 per cent) – contributing to nearly half the jobs expected to be created. The top eight States account for 85 per cent of the jobs. This is shown in the graph overleaf.
c. Non-exporters

The survey indicates that non-exporters were responsible for 81 per cent of the total 570,804 new jobs likely to be created over the next one year.

Out of the survey sample, 85,892 non-exporting firms contributed to this increase.

Micro enterprises are expected to generate over three-fourth of the new jobs: 348,906 jobs or 76 per cent of the jobs. Small enterprises are likely to create 22 per cent of the jobs, while Medium enterprises account for 2 per cent of the jobs.

In terms of sectoral break-up, the Hospitality & tourism sector alone is expected to create 14 per cent of the new jobs. Textiles & Apparels (9 per cent) and Metal products (8 per cent) are likely to be the other large job generators. The top five sectors account for over 45 per cent of the jobs, indicating a degree of sectoral concentration.

These results are depicted in the graphs below.
Survey on Jobs Creation and outlook in MSME Sector

The concentration in terms of geographic dispersion of jobs created is noticeable, with three States - Maharashtra (31 per cent), Gujarat (10 per cent) and Karnataka (10 per cent) - expected to generate over half the new jobs. The top eight States account for 80 per cent of the jobs. This is shown in the graph below.

3. Job creation in the next three years

a. Overview

The survey indicates that 949,997 new jobs are likely to be created over the next three years, that is, an increase of 34.9 per cent over current employment base. Out of the survey sample, 86,596 firms were responsible for this increase.

Micro enterprises are expected to generate nearly three-fourth of the new jobs: 677,648 jobs or 71 per cent of the jobs. Small enterprises are expected to generate a quarter of the jobs, with Medium enterprises accounting for 3 per cent of the jobs.

In terms of sectoral break-up, the Hospitality & tourism sector is expected to generate 11 per cent of the new jobs. Textiles & Apparels (9 per cent) and Metal products (8 per cent) are likely to be the other large job generators. The top five sectors are expected to generate 42 per cent of the jobs, indicating a degree of sectoral concentration.

These results are depicted in the graphs below.
The concentration in terms of geographic dispersion of new jobs is evident, with three States - Maharashtra (30 per cent), Karnataka (11 per cent) and Gujarat (9 per cent) – contributing to over half the jobs expected to be created. The top eight States account for 81 per cent of the jobs. This is shown in the graph below.

The average number of jobs expected to be generated per firm is set out below.

<table>
<thead>
<tr>
<th>Firm type</th>
<th>Number of new jobs (A)</th>
<th>Number of firms (B)</th>
<th>New job additions per firm (A/B) over 3 years</th>
<th>New job additions per firm (A/B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>6,77,648</td>
<td>74,537</td>
<td>9.1</td>
<td>3.0</td>
</tr>
<tr>
<td>Small</td>
<td>2,41,385</td>
<td>10,781</td>
<td>22.4</td>
<td>7.5</td>
</tr>
<tr>
<td>Medium</td>
<td>30,964</td>
<td>1,278</td>
<td>24.2</td>
<td>8.1</td>
</tr>
<tr>
<td>Total</td>
<td>9,49,997</td>
<td>86,596</td>
<td>11.0</td>
<td>3.7</td>
</tr>
</tbody>
</table>

These healthy figures are indicative of the expectation of sustained growth amongst MSMEs, leading to increased employment. It is also likely that, with greater visibility as we approach 2022 (the three-year period), the outlook for the three-year period will further improve.

b. Exporters

The survey indicates that exporters were responsible for 19 per cent of the total 949,997 new jobs likely to be created over the next three years.

Out of the survey sample, 11,089 exporting firms contributed to this increase.
Micro enterprises are expected to contribute 106,823 jobs or 60 per cent of the new jobs. Small enterprises are expected to generate a third of the jobs, with Medium enterprises accounting for 7 per cent of the jobs.

In terms of sectoral break-up, the top five sectors are expected to generate half the new jobs, indicating a fair degree of sectoral concentration. Food Processing (12 per cent) and Textiles & Apparels (12 per cent) are likely to be the largest job generators.

The concentration in terms of geographic dispersion of jobs created is evident, with two States - Maharashtra (30 per cent) and Tamil Nadu (16 per cent) - contributing to 46 per cent of the jobs expected to be created. The top eight States account for 85 per cent of the jobs. This is shown in the graph below.
c. Non-exporters

The survey indicates that non-exporters were responsible for 81 per cent of the total 949,997 new jobs likely to be created over the next three years.

Out of the survey sample, 75,505 non-exporting firms contributed to this increase.

Micro enterprises are expected to generate around three-fourth of the new jobs: 570,825 jobs or 74 per cent of the jobs. Small enterprises are likely to create 24 per cent of the jobs, while Medium enterprises account for 2 per cent of the jobs.

In terms of sectoral break-up, the Hospitality & tourism sector alone is expected to create 13 per cent of the new jobs. Metal products and Textiles & Apparels contributing approx. 8 per cent each to the overall job generation, are likely to be the other large job generators. The top five sectors account for over 43 per cent of the jobs, indicating a degree of sectoral concentration.

These results are depicted in the graphs below.

The concentration in terms of geographic dispersion of jobs is evident, with three States - Maharashtra (30 per cent), Karnataka (11 per cent) and Gujarat (9 per cent) - expected to generate half the new jobs. The top eight States account for 80 per cent of the jobs. This is shown in the graph below.
4. Time taken to fill vacancies

The survey indicates that nearly two-thirds of the respondents were able to fill vacancies in under a month. In total, 87 per cent of the firms were able to fill vacancies within 3 months.

That said, over half the respondents reported an increase in time, over the last four years, to fill vacancies. Around a quarter of the respondents stated no change in time over the last four years, while a quarter of the respondents experienced a decrease in time. This could be indicative of the fact that unemployment has reduced over the period, and thus, companies are taking longer to fill vacancies.

This is depicted in the graphs below.

**B. Government Initiatives for MSMEs**

The survey findings for three government initiatives targeted at MSMEs - Interest subvention for all GST registered MSMEs; Shram Suvidha; and Trade Receivables e-Discounting System (TReDS) - have been set out below.

1. Interest Subvention

Around 43 per cent of the respondents were aware of the Interest subvention facility for all GST registered MSMEs. Amongst those aware, over half the respondents had availed of the facility, as depicted in the graphs below.
2. Shram Suvidha

Around 45 per cent of the respondents have been provided with a Labour Identification Number (LIN). It may be noted that this facility is currently available in limited states. Amongst those aware, over 65 per cent of the respondents view single window filing as a key benefit, as depicted in the graphs below.

3. Trade receivables e-discounting system (TReDS)

The survey highlighted the low awareness of TReDS: nearly two-third of the respondents were unaware of TReDS. However, it may be noted that TReDS is mandatory only for firms with revenue over Rs 500 crore\(^2\) that is, much above the turnover threshold for ‘Medium’ enterprises. Usage, amongst those aware, was also low. Only 30 per cent of the respondents use TReDS, as depicted in the graphs below.

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\(^2\) ‘PM launches historic Support and Outreach Initiative for MSME Sector’, Ministry of Finance, PIB, 2 November 2018
Users of TReDS, though, have given the portal a thumbs-up with nearly three-quarter of the respondents (74 per cent) stating that the portal has successfully addressed their issues. Complexity of the portal was identified as the key issue by respondents whose issues could not be addressed by the TReDS portal. This is set out in the graphs below.

C. Comments from Respondents

Comments and suggestions from respondents are set out below. Select quotes have also been included.

1. Introduce a consolidated portal (a ‘single window’) for all government payments and permissions
   • Include GST, TDS deduction, ESI, EPF, etc

2. Financing related
   “Any financial benefit or assistance from central government is not passed on by banks and financial institutions to MSMEs.”
   “Although there is a provision of limit of Rs 1 crore loans to MSME without collateral, banks are denying to extend the limit to us.”
   • Ease the collateral and/or turnover requirements for financing
   • Ease process of obtaining bank loan
   • Reduce interest rates

3. Generally positive, but increased awareness of government schemes for MSMEs required
   “Business Policies are good but not implemented well”
   • Steps need to be taken by the Government to build awareness and explain the benefits of the schemes (MSMEs are finding it hard to understand the schemes, and hence hand-holding is needed)
   • Simplify the process
   • Banks, too, should also inform MSMEs about the schemes available

4. GST related
   “After GST imposed, people are asking for bill... we are happy”
   • GST refund issues
5. Supply of utilities, other infrastructure
   • 24x7 electricity required
   • Consistent and clean water supply required
   • Improve transport infrastructure, particularly road transport

6. Other issues

“Payment: though there is a system in place as per MSME Development Act 2006 for priority payment to MSME units but this is least implemented. More particularly, Government entities themselves are not adhering to this ruling.

Purchase Preference: - Leave aside any kind of Purchase Preference that MSME units, on the contrary Government Departments are ...

Exemptions: In the past, MSME units registered with NSIC were exempted from payment of Security Deposit but the said relaxation seems to have been withdrawn resulting in adding hardships to MSME units in terms of financial burden”

• Introduce street lighting and CCTVs for security in Industrial areas
• Labour has been identified as a key issue
04. Implications

The key implications emerging from the survey are discussed below. These are organised around the following themes:

1. Key job growth drivers – by enterprise size, sector, state, type
2. Awareness of government initiatives
3. Impact of government initiatives on jobs
4. Availability of human resources

1. Key Job Growth Drivers – by Enterprise Size, Sector, State, Type

a. By enterprise size

The survey indicates that Micro enterprises were the largest job creators and will continue to be so: in the past four years, the next one year and the next three years. This holds true for both exporters and non-exporters. However, the contribution to net job addition of the Micro sector is lower in exporter firms as against non-exporter firms.

This outcome - Micro enterprises being the largest job creators - is in line with the actual employment distribution, wherein the Micro sector accounts for 97 per cent of total employment in the MSME sector3.

b. By enterprise sector

There is considerable similarity in the top job generating sectors over the three timeframes: past four years, the next one year and the next three years. Naturally, the top sectors differ between exporting and non-exporting enterprises.

Hospitality & tourism and Food Processing have been the largest job generating sectors, in the past four years, for non-exporters and exporters respectively. Hospitality & tourism followed by Textiles & apparel and Metal products are likely to be the largest job drivers in the future, for non-exporters. The Food Processing sector followed by Textiles & apparel are likely to be the largest job drivers in the future, for exporters.

Concentration of sectors is another recurring theme across timeframes and between exporters and non-exporters. The top five sectors account for a significant proportion of the jobs generated.

c. By State

There is a fair degree of similarity in the top job generating States, by timeframe and exporting / non-exporting enterprises.

Maharashtra, Gujarat and Telangana have been the largest job generators over the past four years. Tamil Nadu enters the top three states, in the case of exporters. The top three job creating states in the future - both next one year and next three years - are Maharashtra, Gujarat and Karnataka. Tamil Nadu and Telangana enter the top three states, in the case of exporters, in the 3 year timeframe.

Concentration in geographic dispersion of job generation is another recurring theme across timeframes and between exporters and non-exporters. The top three states account for a significant proportion of the jobs generated.

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3 Ministry of Micro, Small & Medium Enterprises Annual Report, 2017-18
2. Awareness of Government Initiatives

The survey indicates higher awareness of the interest subvention facility for MSMEs (43 per cent) and the Shram Suvidha portal relative to other Government initiatives, although this could be significantly improved.

The survey points to the need for greater hand-holding of MSMEs to increase usage of Government initiatives. Awareness building campaigns supported with practical ‘how to use’ training workshops are required. In addition, the process needs to be simplified.

3. Impact of Government Initiatives on Jobs

The survey indicates that users of Government schemes expect tangible growth benefits to accrue, in the medium term (3 years).

As evidenced from the table below, the interest subvention facility is viewed as being a powerful booster to future growth.

Further, users of any of the Government interventions (TReDS, Interest subvention) expect higher growth vis-a-vis consolidated growth, in the medium term (3 years).

<table>
<thead>
<tr>
<th>NEXT 3 YEARS</th>
<th>Expected increase of 34.9% over current employment base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in hiring by Interest subvention users</td>
<td>36.8%</td>
</tr>
<tr>
<td>Increase in hiring by TReDS users</td>
<td>36.2%</td>
</tr>
<tr>
<td>Implications</td>
<td>Respondents who avail Government interventions, particularly the interest subvention facility, expect higher growth in hiring vis-a-vis overall hiring growth, in the next 3 years.</td>
</tr>
<tr>
<td>Increase in hiring by users of either Interest subvention or TReDS or GeM</td>
<td>36.1%</td>
</tr>
<tr>
<td>Implications</td>
<td>Users of Government interventions expect higher growth vis-a-vis overall growth, in the next 3 years.</td>
</tr>
</tbody>
</table>
4. Availability of Human Resources

The survey indicates that a significant majority of the respondents were able to fill vacancies in under a month, underlining the availability of appropriately skilled human resources.

Although skill training is a focus area of the government, and accordingly numerous schemes have been introduced, the magnitude of skilling requirement necessitates more involvement from industry in skills development. The rapid changes in technology and business models makes it imperative to skill and reskill the workforce at a quicker pace.

Conclusion

It is critical to undertake periodic analysis of the MSME jobs landscape as well as growth boosters. We recommend that the current survey be transformed into a regular exercise.

Secondly, MSMEs growth is pivotal to jobs creation. The Government initiatives such as 2% interest subvention scheme, TReDS, etc. designed to boost MSMEs growth and enable ease of doing business needs to be promoted to MSMEs who are not taking benefit of these initiatives. This would also entail handholding of MSMEs to help them benefit from these initiatives.

Finally, it is also important to skill and reskill workforce at a quicker pace given the rapid changes in technology and business models.

CII is engaged in all of the above three areas and would be keen to join hands with the Government to promote growth and development of MSMEs in India.
The survey methodology and an overview of the respondent profile are set out in this Annexure.

A. Methodology

CII has undertaken, arguably, the largest ever MSME specific survey, covering 105,347 MSMEs of varying sizes, across sectors and geographies. Despite the scale, the survey was completed in around three weeks. We surveyed 119,000 firms, of which 13,648 responses were incomplete, making the total responses 105,347 firms, which have been used for analysis.

The survey was administered primarily through in-person interviews, conducted over a three-week period during January – February 2019. Some responses were sought electronically and via telephonic interviews. A professional and experienced market research agency, Marketing and Development Research Associates (MDRA), was engaged to undertake the survey.

The Sampling started with Random procedure which later based on the response from each of the industrial centres led to purposive sampling due to limitation of time.

B. Respondent Profile

The survey sample consists of 105,347 MSMEs of varying sizes, across sectors and geographies. We have tried to ensure that the survey sample is representative of the actual dispersion of MSMEs, to the extent of levels of industrialisation across states. Similarly, the sectors such as hospitality & tourism, textiles & apparels, food processing etc., which are spread out more in the industrial states, were getting a higher representation in the sample.

Respondents by size of enterprise

Micro enterprises comprised the largest proportion of the respondents (85 per cent), followed by small (14 per cent) and medium (1 per cent) enterprises. This is depicted in the graph below.

Note: ‘Micro’ is defined as turnover <Rs 5 crore; ‘Small’ as turnover between Rs 5 – 75 crore and ‘Medium’ as turnover between Rs 75 – 250 crore.
The survey sample is skewed to the ‘Micro’ sector (85 per cent of the respondents) – a slightly lesser skew than the actual composition of the Micro enterprises in the MSME sector (99 per cent4).

Around 70 per cent of the respondents employed less than 25 people. Another 21 per cent of the firms employed between 25 to 50 employees, as set out in the graph below.

Respondents by sector of enterprise

Industry-wise break-up shows a more or less equal distribution between manufacturing firms (48 per cent) and services firms (47 per cent). Agriculture related firms accounted for 2 per cent of the sample.

In terms of sectors, Hospitality & tourism accounted for 13 per cent of the respondents and Textiles & apparels accounted for 11 per cent. Metals products, Transport & logistics, Machinery parts and Food Processing contributed about 7 per cent each to the survey.

16 per cent of the respondents were exporters.

The break-up of respondents is shown in the graphs below.

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4Ministry of Micro, Small & Medium Enterprises Annual Report, 2017-18
Respondents by geographic spread

Geographical dispersion of respondents was ensured, as observed from the graph below. The highest number of respondents were based in Maharashtra (25 per cent), Gujarat (12 per cent) and Karnataka (8 per cent), as evident from the graph below.

The survey sample skew towards Maharashtra (25 per cent), Gujarat (12 per cent) and Karnataka (8 per cent) is broadly in line with the EPFO data. As per the net EPFO additions to payroll during December 2017 – November 2018, the top three states were Maharashtra (25 per cent), Karnataka (11 per cent) and Gujarat (9 per cent). It may be noted that EPFO data also comprises ‘Large’ companies and that the data is a flow figure, rather than stock. However, in absence of other reliable data, this could be used as a rough proxy.

The CII survey covered 350 industrial centres spread across 28 States and 2 union territories. These centres were also a part of the SME 388 clusters identified by United Nations Industrial Development Organisation (UNIDO).
C. Background: MSME Landscape

**Definition**

The Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 defines MSMEs based on investment in plant and machinery for manufacturing enterprises. Services enterprises are classified based on investment in equipment. The specific criteria are set out below:

<table>
<thead>
<tr>
<th>Manufacturing Sector: based on Investment in plant &amp; machinery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro Enterprises</td>
</tr>
<tr>
<td>Does not exceed twenty-five lakh rupees</td>
</tr>
<tr>
<td>Small Enterprises</td>
</tr>
<tr>
<td>More than twenty-five lakh rupees but does not exceed five crore rupees</td>
</tr>
<tr>
<td>Medium Enterprises</td>
</tr>
<tr>
<td>More than five crore rupees but does not exceed ten crore rupees</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Services Sector: based on Investment in equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro Enterprises</td>
</tr>
<tr>
<td>Does not exceed ten lakh rupees</td>
</tr>
<tr>
<td>Small Enterprises</td>
</tr>
<tr>
<td>More than ten lakh rupees but does not exceed two crore rupees</td>
</tr>
<tr>
<td>Medium Enterprises</td>
</tr>
<tr>
<td>More than two crore rupees but does not exceed five crore rupees</td>
</tr>
</tbody>
</table>

However, a recently introduced Bill in the Lok Sabha, the MSME Development (Amendment) Bill 2018, seeks to change the basis of the definition from investment to revenue. The criteria laid out in the amendment is as follows:

<table>
<thead>
<tr>
<th>Services Sector: based on Investment in equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro Enterprises</td>
</tr>
<tr>
<td>Upto five crore rupees</td>
</tr>
<tr>
<td>Small Enterprises</td>
</tr>
<tr>
<td>More than five crore rupees and upto seventy-five crore rupees</td>
</tr>
<tr>
<td>Medium Enterprises</td>
</tr>
<tr>
<td>More than seventy-five crore rupees and upto two hundred and fifty crore rupees</td>
</tr>
</tbody>
</table>

**Contribution**

MSMEs have consistently contributed 31 – 32 per cent to the overall GVA from 2011-12 to 2015-16, as seen in the table below.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of MSME in overall GVA</td>
<td>31.86%</td>
<td>32.36%</td>
<td>32.26%</td>
<td>31.86%</td>
<td>31.60%</td>
</tr>
</tbody>
</table>

**Note:** Based on 2011-12 prices; current prices  
**Source:** Ministry of Micro, Small & Medium Enterprises Annual Report, 2017-18  

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5Ministry of Micro, Small & Medium Enterprises website  
6“Turnover, not investment, will define MSMEs”, Hindu Business Line, 23 July 2018
The Landscape

According to the National Sample Survey, conducted during 2015-16, India has an estimated 633.88 lakh unincorporated non-agriculture MSMEs. These are split more or less equally between rural (51 per cent) and urban (49 per cent) areas. A little over a third of the MSMEs are engaged in trading (36 per cent), while the balance MSMEs are in the services (excluding trading) and manufacturing sectors (refer chart below).

Within MSMEs, the Micro sector accounts for 99 per cent of the enterprises, as evident from the table below.

<table>
<thead>
<tr>
<th></th>
<th>Micro</th>
<th>Small</th>
<th>Medium</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of MSMEs (in lakhs)</td>
<td>630.52</td>
<td>3.31</td>
<td>0.05</td>
<td>633.88</td>
</tr>
<tr>
<td>% total MSMEs</td>
<td>99.5%</td>
<td>0.5%</td>
<td>0.01%</td>
<td>100%</td>
</tr>
</tbody>
</table>

EMPLOYMENT

MSMEs are the largest employment generators, after the agriculture sector, employing a total of 11.10 crore people, across sectors. The sectoral break-up of jobs generated largely reflects the break-up of MSMEs by number. Trading accounted for 35 per cent of the jobs while non-trading services contributed to 33 per cent of the jobs. The manufacturing sector accounted for 32 per cent of the jobs.
The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering industry, Government, and civil society, through advisory and consultative processes.

CII is a non-government, not-for-profit, industry-led and industry-managed organization, playing a proactive role in India's development process. Founded in 1895, India’s premier business association has around 9000 members, from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 300,000 enterprises from around 265 national and regional sectoral industry bodies.

CII charts change by working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for industry through a range of specialized services and strategic global linkages. It also provides a platform for consensus-building and networking on key issues.

Extending its agenda beyond business, CII assists industry to identify and execute corporate citizenship programmes. Partnerships with civil society organizations carry forward corporate initiatives for integrated and inclusive development across diverse domains including affirmative action, healthcare, education, livelihood, diversity management, skill development, empowerment of women, and water, to name a few.

As a developmental institution working towards India’s overall growth with a special focus on India@75 in 2022, the CII theme for 2018-19, India RISE : Responsible, Inclusive, Sustainable, Entrepreneurial emphasizes Industry’s role in partnering Government to accelerate India's growth and development. The focus will be on key enablers such as job creation; skill development; financing growth; promoting next gen manufacturing; sustainability; corporate social responsibility and governance and transparency.

With 65 offices, including 9 Centres of Excellence, in India, and 10 overseas offices in Australia, China, Egypt, France, Germany, Singapore, South Africa, UAE, UK, and USA, as well as institutional partnerships with 355 counterpart organizations in 126 countries, CII serves as a reference point for Indian industry and the international business community.

CII Research is an Industry think-tank providing thought leadership on strategic economic and industry issues critical to national growth and development. Drawing on a deep reservoir of industry leaders and industry associations spanning all sectors and present across the country, CII Research originates analytical reports in consultation with stakeholders. Based on strategic perceptions and data, these in-depth insights suggest specific policies and action plans that would enhance the role of Indian industry in nation-building.