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# STRUCTURE AND DISTRIBUTION OF MSMES IN INDIA: A STATE-WISE COMPARATIVE STUDY

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| Keywords                                                                          | Abstract                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| MSME, enterprise share, state comparison, NSS 73rd Round, Census data, policy gap | Micro, Small and Medium Enterprises (MSMEs) form the backbone of India's economy. They play a vital role in providing jobs, supporting livelihoods, and boosting industrial growth at the grassroots level. This paper studies the structure and distribution of MSMEs across the top ten Indian states using official data. It compares two important datasets. These are the NSS 73rd Round conducted in 2015–16 and the Fourth All India Census of MSMEs along with the Fifth Economic Census. The values have been taken from the Annual Report 2022–23 published by the Ministry of MSME. The study uses a simple descriptive method to compare the number and |



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percentage share of MSMEs in each state. A clear shift is observed between the two datasets. Some states like Andhra Pradesh show improvement in share, while others like Bihar and West Bengal show decline. The findings show how different states perform across time depending on local policies, registration drives, and credit access. The paper also explains how MSME share relates to employment generation. The results highlight regional gaps and call for stronger policy attention in weaker states. The analysis is based only on government data and gives a clear picture of where MSMEs are growing and where they need support.

## 1. INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) play a major role in India's economy. They provide jobs, support household incomes, and promote inclusive development. The sector includes both formal and informal units spread across manufacturing, trade, and services. According to the Ministry of MSME ([1]), India had over 6 crore MSMEs as per the NSS 73rd Round conducted in 2015–16. These enterprises contributed nearly 30 percent to India's GDP and were responsible for over 11 crore jobs. Their role is especially important in states where large industries are few and employment options are limited. The sector also helps promote entrepreneurship in rural and semi-urban areas.

The distribution of MSMEs across Indian states is not equal. Some states like Uttar Pradesh, West Bengal, Maharashtra, and Tamil Nadu have a large number of enterprises, while others like Bihar and Madhya Pradesh have a smaller share. These differences are shaped by many factors such as infrastructure, education levels, market access, and government support. Reports have pointed out that states with better access to finance, cluster-based industries, and targeted schemes have higher formal registration and stronger MSME activity (RBI [3]; NITI Aayog [4]; SIDBI [9]). On the other hand, states with weak infrastructure and low credit outreach often see more informal and unregistered units that remain outside the policy net. Understanding this regional variation is important for designing better support policies.

This study focuses on the structure and distribution of MSMEs in the top ten Indian states using official data from the Annual Report 2022–23 ([1]). It compares two government datasets: the NSS 73rd Round and the Fourth All India Census of MSMEs combined with the Fifth Economic Census. These sources offer reliable numbers on the state-wise share and total number of MSMEs. The aim is to study how these states rank, how their shares have changed across datasets, and what this means for employment and policy planning. The analysis also explores whether shifts in enterprise share reflect better reporting, formalisation, or actual growth. By using only verified government data, this paper provides a clear picture of where Indian states stand in terms of MSME development.

## 2. LITERATURE REVIEW

The Micro, Small and Medium Enterprises (MSMEs) sector is widely recognised as a backbone of India's economy. It plays a key role in employment generation, industrial decentralisation, and



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regional development. The Ministry of MSME ([1]) reported that as per the NSS 73rd Round (2015–16), Uttar Pradesh had the highest share of MSMEs in the country at 14 percent, followed by Bihar with 5 percent and Madhya Pradesh with 4 percent. These figures reflect the spread of non-corporate enterprises across northern and central India. The distribution pattern, however, varies due to historical, structural, and policy factors.

Jena and Thatte ([2]) examined manufacturing MSMEs and proposed a framework to compare state performance using a business facilitator index. Their study ranked Uttar Pradesh high in enterprise numbers but highlighted issues with productivity and formalisation. Bihar's low infrastructure base and low formalisation rates were seen as major barriers to growth. Madhya Pradesh had moderate performance with scope to scale up due to its geographical advantage.

The RBI Expert Committee ([3]) analysed institutional credit flow to MSMEs. It noted that credit delivery was skewed across regions. States like Bihar and Uttar Pradesh had large numbers of micro units but very low access to formal finance. The report stressed the need to improve last-mile credit outreach through technology and simplified procedures. These findings help explain the financing gaps in the three states being studied.

NITI Aayog's report on boosting MSME exports ([4]) noted that Uttar Pradesh had emerged as a strong performer in product-specific exports, especially leather and handicrafts. In contrast, Bihar had very limited MSME exports due to weak supply chains. Madhya Pradesh showed good potential in processed food and engineering goods. The report highlighted how better infrastructure and market linkages can improve the performance of small firms in backward states.

The NSS data presented on the Dataful portal ([5]) showed state-wise employment generation in MSMEs. According to this dataset, Uttar Pradesh provided over 59 lakh jobs, followed by Madhya Pradesh with nearly 23 lakh and Bihar with 16 lakh. This confirms the employment intensity of MSMEs in populous states, especially where agriculture provides limited income security.

The *Strategy for New India @ 75* by NITI Aayog ([6]) pointed out that industrial development in Bihar and Uttar Pradesh needs focused support for MSMEs. It called for improving ease of doing business, cluster infrastructure, and market access. It also suggested linking rural skills and enterprise development for inclusive growth.

The report by MicroSave and NITI Aayog ([7]) explored government support for women entrepreneurs. It found that access to credit, training, and schemes like PMEGP and MUDRA was much lower in states like Bihar and Madhya Pradesh compared to more developed states. This shows the need to strengthen targeted interventions in lagging regions.

The impact assessment of the PMMY scheme by NITI Aayog and KPMG ([8]) revealed that although Uttar Pradesh had the highest number of MUDRA loan accounts, the average loan size was low. Bihar and Madhya Pradesh also had wide credit coverage but lacked depth. The report



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suggested that MUDRA helped formalise micro units but did not guarantee growth or sustainability without additional support.

Finally, SIDBI's report on MSME cluster development ([9]) found that UP and MP had active industrial clusters in sectors like leather, garments, food processing, and electricals. Bihar, on the other hand, lacked cluster-based industrial hubs, which constrained MSME growth. This gap was attributed to weak planning and lack of industrial land.

These studies, taken together, highlight both the potential and structural weaknesses of MSMEs in Uttar Pradesh, Bihar, and Madhya Pradesh. High enterprise numbers do not always translate into economic strength unless supported by credit, training, and market access. A deeper look at scheme performance, employment patterns, and regional infrastructure is essential to understand the real structure and distribution of MSMEs in these three states.

### 3. OBJECTIVES

1. To compare the number and percentage share of MSMEs across the top ten Indian states as reported in the NSS 73rd Round (2015–16)
2. To compare the number and percentage share of MSMEs across the same ten states as per the Fourth All India Census of MSMEs and Fifth Economic Census
3. 3.examine the change in share and rank of each state between the two datasets and identify shifts in their relative positions in India's MSME structure

### 4. METHODOLOGY

This study is based only on secondary data taken from Table 2.11 of the Annual Report 2022–23 published by the Ministry of Micro, Small and Medium Enterprises (MSME) ([1]). The table provides the number and percentage share of MSMEs in the top ten Indian states using two official datasets: the NSS 73rd Round (2015–16) and the Fourth All India Census of MSMEs along with the Fifth Economic Census. The method used is descriptive and comparative. First, the number and share of MSMEs are presented for each state under both datasets. Then, the position of each state is compared across the two datasets to observe any shift in rank or share. This approach directly follows the three stated objectives. The study uses no primary data and no statistical modelling. All observations and findings are drawn from the values shown in the given table.

### 5. DATA ANALYSIS

The structure and distribution of MSMEs across the top ten Indian states is explained using Table 1. This table presents the number and percentage share of MSMEs in each state based on two official sources. These are the NSS 73rd Round conducted in 2015–16 and the Fourth All India Census of MSMEs combined with the Fifth Economic Census. The table helps compare state-



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wise positions under both datasets and shows how each state's rank and share changed over time. This analysis directly addresses all three objectives framed for this study.

**Table 1: Comparative Distribution of MSMEs in Top Ten States**

| Sl. No. | State          | NSS 73rd Round Number (lakh) | NSS Share (%) | Census + EC Number (lakh) | Census Share (%) |
|---------|----------------|------------------------------|---------------|---------------------------|------------------|
| 1       | Uttar Pradesh  | 89.99                        | 14            | 44.03                     | 12               |
| 2       | West Bengal    | 88.67                        | 14            | 34.64                     | 10               |
| 3       | Tamil Nadu     | 49.48                        | 8             | 33.13                     | 9                |
| 4       | Maharashtra    | 47.78                        | 8             | 30.63                     | 8                |
| 5       | Karnataka      | 38.34                        | 6             | 20.19                     | 6                |
| 6       | Bihar          | 34.46                        | 5             | 14.70                     | 4                |
| 7       | Andhra Pradesh | 33.87                        | 5             | 25.96                     | 7                |
| 8       | Gujarat        | 33.16                        | 5             | 21.78                     | 6                |
| 9       | Rajasthan      | 26.87                        | 4             | 16.64                     | 5                |
| 10      | Madhya Pradesh | 26.74                        | 4             | 19.33                     | 5                |

**Source:** Ministry of Micro, Small and Medium Enterprises (2023). Annual Report 2022–23, Table 2.11. <https://dcmsme.gov.in/MSMEANNUALREPORT2022-23ENGLISH.pdf>

Table 1 shows that Uttar Pradesh and West Bengal had the highest MSME share of 14 percent each as per the NSS data. Tamil Nadu and Maharashtra followed with 8 percent each. Bihar, Andhra Pradesh, and Gujarat each had 5 percent, while Madhya Pradesh and Rajasthan had 4 percent. The Census and Economic Census figures reveal changes. The share of Uttar Pradesh decreased to 12 percent. Andhra Pradesh improved its share from 5 to 7 percent. Bihar's share dropped to 4 percent. These shifts suggest a change in survey methods and the reporting of enterprises.



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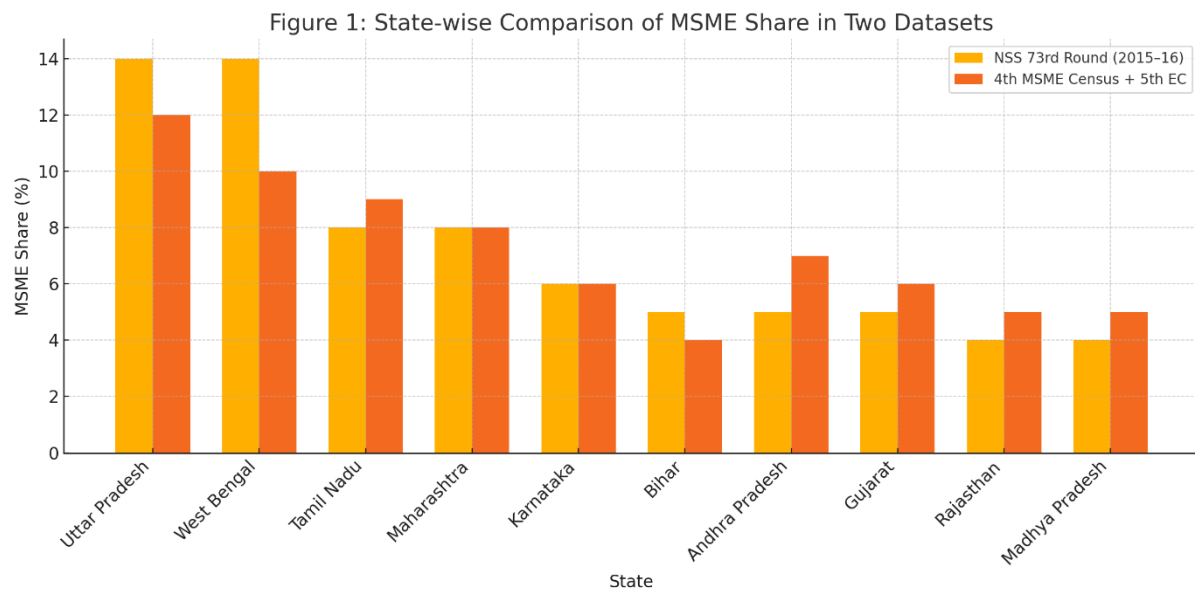


Figure 1 has been plotted using values from Table 1. It shows a side-by-side comparison of percentage shares for each state under both datasets. The figure clearly shows gains in states like Andhra Pradesh and losses in states like Bihar and West Bengal. This visual comparison fulfils the first and second objectives by presenting share data from both sources. It also meets the third objective by showing how rank and share changed between the two datasets.

## 6. EMPLOYMENT PATTERNS

The distribution of MSMEs across states has a direct impact on employment. States with a higher share of MSMEs generally provide more jobs, especially in the unorganised and informal sector. As seen in Table 1, Uttar Pradesh had the highest number of MSMEs in both datasets, which matches its high population and demand for self-employment. According to the employment dataset sourced from the NSS 73rd Round ([5]), Uttar Pradesh accounted for nearly 59 lakh jobs in the MSME sector. West Bengal and Tamil Nadu also had high MSME shares and strong employment bases. States like Bihar and Madhya Pradesh, despite having large populations, had lower shares in both datasets and therefore offered fewer job opportunities through MSMEs.

This uneven spread of MSMEs across states shows a wider employment gap. The increase in share seen for Andhra Pradesh in the Census-based data suggests better integration of MSMEs into local job markets. In contrast, the drop in share for Bihar may indicate stagnant enterprise activity or low formal registration. Employment from MSMEs depends not only on the number of enterprises but also on their size, productivity, and access to credit. States that perform well in these areas are more likely to turn MSMEs into stable job providers. The data supports the idea that strengthening MSME presence in low-share states can help reduce regional job gaps and underemployment.



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## 7. POLICY DISCUSSION

The comparison of MSME distribution across states highlights important policy gaps. Uttar Pradesh and West Bengal have a large number of enterprises but still face challenges in formalisation, credit access, and technology support. Bihar and Madhya Pradesh show lower shares despite their population size. This shows that state-level policy support, infrastructure, and awareness influence enterprise development. As noted in the RBI Expert Committee Report ([3]), regions with poor credit flow and weak institutional support often remain outside the formal MSME network.

The Strategy for New India document ([6]) pointed out that states like Bihar and Uttar Pradesh need better policy coordination to support small enterprises. This includes smoother registration, easier access to land, and local-level market linkages. The PMMY assessment ([8]) showed that while MUDRA loans reached many micro units, the average loan size was small and often did not help firms grow. In Bihar and Madhya Pradesh, the success of such schemes remains limited by low awareness and weak banking reach.

Andhra Pradesh's improvement in share between the two datasets may reflect better use of central schemes and targeted state policies. NITI Aayog's study on women entrepreneurs ([7]) also shows that inclusive and focused programs have been more successful in states with active state-level involvement. To improve the MSME base in states like Bihar and Madhya Pradesh, the focus must shift to cluster development, capacity building, and digital infrastructure. States that integrate national schemes with local planning tend to perform better.

## 8. CONCLUSION

This study examined the structure and distribution of MSMEs in the top ten Indian states using official data. The focus was on comparing values from the NSS 73rd Round and the Fourth All India Census of MSMEs with the Fifth Economic Census. The findings showed that Uttar Pradesh and West Bengal had the highest share of MSMEs. Tamil Nadu, Maharashtra, and Andhra Pradesh followed. Bihar and Madhya Pradesh had lower shares. These patterns fulfilled all three objectives by allowing comparison across datasets, identifying the rank of each state, and showing shifts in share.

The employment impact of these differences is important. States with more MSMEs offer more jobs in the small enterprise sector. States with low MSME share often face slow job growth and underemployment. The table and figure showed that some states gained share while others fell behind. Andhra Pradesh improved its share, while Bihar and West Bengal showed a decline. These changes reflect the role of state-level support in shaping enterprise growth.

The policy findings suggest that central schemes alone are not enough. Their success depends on local awareness, infrastructure, and active follow-up. States that combine national support with



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local planning see better outcomes. To improve MSME distribution in states like Bihar and Madhya Pradesh, governments need to invest in land access, skill training, and market links. This will help bring more enterprises into the formal system and reduce regional gaps.

This study shows that simple comparisons using official data can offer useful insights. The pattern of MSME spread across states is not equal. If weaker states get better policy attention, MSMEs can grow faster and help the economy become more balanced. Future studies can look at district-level data and scheme outcomes to deepen this understanding.

## 9. AUTHOR(S) CONTRIBUTION

The writers affirm that they have no connections to, or engagement with, any group or body that provides financial or non-financial assistance for the topics or resources covered in this manuscript.

## 10. CONFLICTS OF INTEREST

The authors declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

## 11. PLAGIARISM POLICY

All authors declare that any kind of violation of plagiarism, copyright and ethical matters will take care by all authors. Journal and editors are not liable for aforesaid matters.

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