

# Growth Dynamics and Inter-State Disparities of Micro, Small, and Medium Enterprises in India: A Statistical Evaluation

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## Abstract

The study “Growth Dynamics and Inter-State Disparities of MSMEs in India” compares West Bengal and Maharashtra to examine the link between MSME registration and employment. Using secondary data and statistical analysis, it finds a strong positive correlation—0.9588 for West Bengal and 0.9463 for Maharashtra—indicating that MSME growth significantly drives job creation. The study highlights the importance of institutional support, finance, and infrastructure, recommending policies that promote technology, formalisation, and inclusion for balanced and sustainable MSME development.

**Keywords:** MSMEs, Employment, Inter-State Disparities, Growth Dynamics, West Bengal, Maharashtra, PMEGP, India

## 1. Introduction:

Micro, Small, and Medium-Sized Enterprises (MSMEs) are essential to India's balanced economic growth, job creation, and regional industrialisation. The MSME sector, which forms the foundation of the Indian economy, makes a substantial contribution to the GDP, exports, and industrial production of the country. By bridging the gap between large-scale industries and grassroots entrepreneurship, this sector, which is widely distributed in both urban and rural regions, plays a crucial role in promoting inclusive growth. Through self-employment and innovation, MSMEs have supported socio-economic emancipation in addition to bolstering the manufacturing and service sectors of the Indian economy over time. India's MSME landscape shows clear inter-state differences in terms of investment, production, employment, credit availability, and entrepreneurial activity, despite the sector's significant contribution. While states like Maharashtra, Gujarat, Tamil Nadu, and Karnataka have shown strong MSME growth thanks to industrial infrastructure and policy support, other states are still falling behind because of institutional bottlenecks, poor access to financing, few market connections, and infrastructure limitations. The necessity for a methodical assessment of the economic trends and structural imbalances that exist throughout Indian states is highlighted by these regional differences.

The rate, pattern, and factors that influence expansion over time are all included in the MSME sector's growth dynamics concept. Determining the elements affecting MSMEs' sustainability and performance at the federal and state levels requires an understanding of these dynamics. Additionally, examining interstate variances provides important information on how regional institutional, economic, and infrastructure variations affect MSMEs' competitiveness and performance.

The growth dynamics idea for the MSME sector includes the pace, pattern, and factors that impact expansion over time. Understanding these dynamics is necessary to identify the factors influencing MSMEs' success and sustainability at the federal and state levels. Furthermore, analysing interstate differences offers crucial insights into how regional institutional, economic, and infrastructural differences impact MSMEs' performance and competitiveness.

Hence, this study contributes not only to the academic understanding of MSME growth and regional economic development but also carries practical relevance in formulating future policy measures aimed at unlocking the full potential of the MSME sector as a driver of sustainable and inclusive economic progress in India.

## 2. Literature Review;

**S. Narayan (2024)**, in the paper titled *A Study on Growth and Opportunities for MSME in India*, explains that the MSME sector has evolved into a vibrant and dynamic part of the Indian economy over the past six decades. The study emphasises that the sector contributes significantly to GDP, employment generation, total exports, achievement of the Sustainable Development Goals (SDGs), and overall economic development, effectively serving as the backbone of India's economy. It identifies innovation, government initiatives, technology adoption, and the entrepreneurial ecosystem as the key drivers of MSME growth. Similarly, **Sukthankar (2020)**, in the paper titled *Role of MSME Sector in India: An Empirical Study*, views MSMEs as incubators of entrepreneurship and innovation. The study notes that MSMEs produce approximately 6,000 products and contribute nearly 43% to India's total exports. Using regression and correlation techniques, the author finds a direct link between the number of MSME units and employment generation, establishing a significant relationship between MSMEs and India's GDP. Similarly, **Bera (2020)** analyses the growth of MSME clusters in India by constructing an Index of Cluster Development (ICD) based on five variables— employment, the number of enterprises, plant and machinery value, fixed assets, and gross production. The study reveals substantial regional disparities, with states like Tamil Nadu, Gujarat, and Kerala performing above the national average, while Odisha and Goa lag. The findings suggest that southern and western states are leading in cluster development, while most eastern states remain below the national benchmark, necessitating targeted policy interventions. **Kumar (2017)** further examines the trends of MSMEs in India, underscoring their role in export and domestic production, operational flexibility, and low capital investment requirements. However, he observes that the overall contribution of MSMEs to GDP remains modest despite their growing importance in employment generation. The study highlights the government's efforts to collaborate with NGOs and agencies to strengthen policy implementation and promote sectoral development. **Pujar (2014)** highlighted the critical role of MSMEs in fostering economic growth, rural development, poverty alleviation, and regional balance in India. According to his findings, MSMEs account for about 45% of manufacturing output and 40% of exports, employing nearly 595 lakh people across 261 lakh enterprises. The micro sector dominates the landscape, representing 94.94% of registered MSMEs and providing 70.19% of employment, with a larger concentration in urban areas compared to rural regions.

### 3. Objectives of the Study:

The objectives of the study are discussed below:

1. To compare the growth performance of MSMEs in West Bengal and Maharashtra in terms of the number of registered MSMEs and employment.
2. To suggest policy recommendations for balanced and sustainable MSME growth in West Bengal and Maharashtra.

### 4. Research Methodology:

#### 4.1 Research Design:

The current study examines the growth dynamics and interstate differences of Micro, Small, and Medium Enterprises (MSMEs) across West Bengal and Maharashtra using a comparative and analytical research approach. The study is mostly quantitative in nature, utilising statistical methods to examine the connection between MSME performance throughout the chosen state and institutional and financial assistance.

#### 4.2 Data Sources:

The study relies entirely on secondary data gathered from credible government and institutional sources such as the Ministry of Micro, Small and Medium Enterprises (Government of India), the Reserve Bank of India (RBI), and the Directorate of Industries of the respective states. Supplementary information has been drawn from the Prime Minister's Employment Generation Programme (PMEGP) reports and the Annual Reports, and publications of the National Sample Survey Office (NSSO). Together, these sources offer reliable and comprehensive data essential for evaluating the growth patterns and inter-state variations of MSMEs in West Bengal and Maharashtra.

### 4.3 Variables Selected:

The key variables selected for the analysis include both dependent and independent variables relevant to assessing MSME growth. The dependent variable in the study is employment in MSMEs (state-wise), which reflects the sector's contribution to job creation. The independent variables include total registered MSMEs (state-wise), representing the scale and spread of enterprise activity. These variables collectively help in examining the relationship between institutional support, enterprise growth, and employment generation in the MSME sector across West Bengal and Maharashtra.

### 4.4 Analytical Tools and Techniques

To assess the link between the chosen variables and comprehend the growth dynamics of MSMEs in West Bengal and Maharashtra, the data are examined using a combination of statistical and econometric methodologies. The general trends and growth patterns of MSMEs, such as shifts in the number of registered businesses, funding, and employment creation over time, are evaluated using descriptive statistics. This provides a clear picture of the structural and geographical differences in MSME growth between the two states. To ascertain the direction and intensity of the correlations between the three main variables, such as total registered MSMEs, PMMY payments, and employment in the MSME sector, correlation analysis is also carried out. This makes it easier to determine how closely financial assistance and business performance are related. Lastly, regression analysis is used to investigate the causal relationship between the dependent variable, employment generation, and the independent variables, total registered MSMEs and PMMY payouts. A better knowledge of interstate inequalities and growth patterns is made possible by this econometric method, which offers empirical data on how institutional and financial variables lead to job growth within the MSME sector.

### 4.5 Hypotheses of the Study:

The following hypothesis have been formulated to examine the relationship between the growth of registered MSMEs and employment generation in the selected states.

**H<sub>1</sub>:** There is no significant relationship between the total number of registered MSMEs and employment in MSMEs across states.

## 5. Comparative Study:

The study examines the link between total registered MSMEs, PMMY disbursements, and employment in the MSME sector in two significant states with different economic structures: West Bengal and Maharashtra. These factors have been chosen to evaluate the role that institutional financial assistance and business expansion play in creating jobs and advancing regional economies. By contrasting these two states, the research hopes to draw attention to interstate differences in MSME performance and offer suggestions for sensible legislative actions that might improve financial inclusion and foster long-term employment through MSME expansion.

### West Bengal:

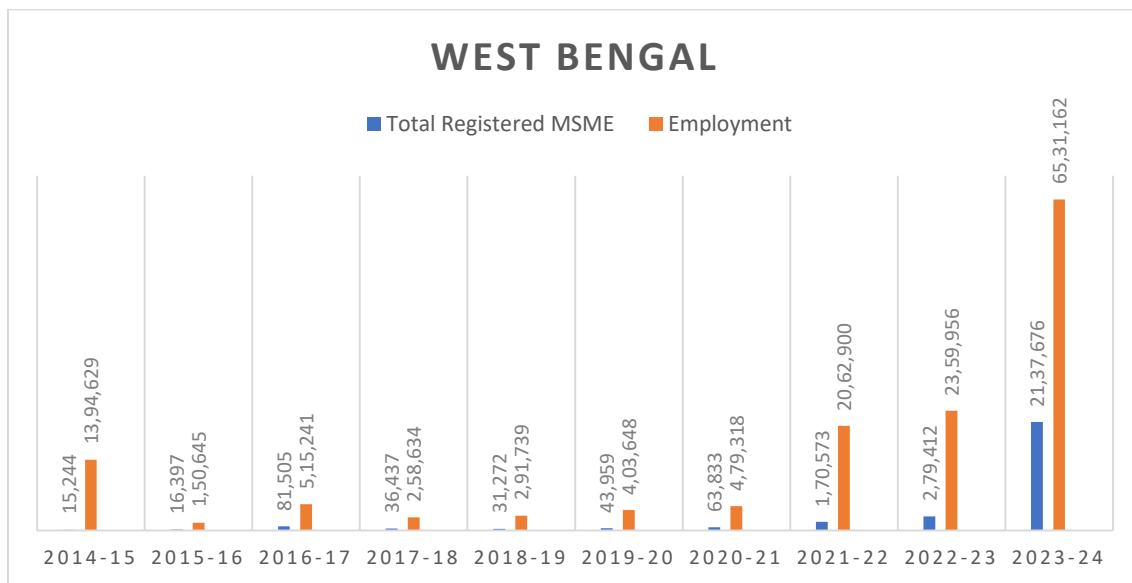
West Bengal holds a prominent role in India's MSME sector, with a substantial share of the country's small and medium enterprises. According to post-pandemic estimates, the state has nearly 1 crore MSME units, representing about 14% of all MSMEs in India, with a notable presence in manufacturing and service industries. It is a leader in women-led entrepreneurship, with approximately 36.4% of MSME businesses headed by women and 23.4% women-owned units—the highest in India—and ranks first nationally in the share of manufacturing enterprises (16.02%). Between FY 2021–2022 and FY 2024–2025, the MSME sector of the state, West Bengal, attracted significant investment proposals amounting to around ₹1.23 lakh crore, reflecting growing investor confidence and supportive policies. However, challenges remain, such as a high proportion of unregistered or informal businesses, limited access to modern technologies, and financial constraints. The West Bengal government continues to strengthen the MSME ecosystem through cluster-based development, digital facilitation, and

programs supporting women entrepreneurs, making the state a vital case for examining inter-state differences and the growth dynamics of MSMEs in India.

**Table 1: Total Number of Registered MSMEs and Employment in West Bengal**

Year	Total Registered MSME	Employment
2014-15	15,244	13,94,629
2015-16	16,397	1,50,645
2016-17	81,505	5,15,241
2017-18	36,437	2,58,634
2018-19	31,272	2,91,739
2019-20	43,959	4,03,648
2020-21	63,833	4,79,318
2021-22	1,70,573	20,62,900
2022-23	2,79,412	23,59,956
2023-24	21,37,676	65,31,162

Source: Annual Reports of MSME, Year-Wise



Source: Author's Creation

**Correlation Analysis:**

	Total Registered MSME	Employment
Total Registered MSME	1	
Employment	0.95883727	1

**Interpretation:**

The correlation coefficient between total registered MSMEs and employment is 0.9588, indicating a very strong and positive association between the two variables. This implies that as the number of registered MSMEs increases, employment levels also rise correspondingly. The result confirms that MSME growth plays a crucial

role in generating employment opportunities, rejecting the Null Hypothesis ( $H_1$ ) that there is no significant relationship between the total number of registered MSMEs and employment in MSMEs. Thus, it can be said that the hypothesis that expansion in the MSME sector contributes significantly to employment creation in West Bengal.

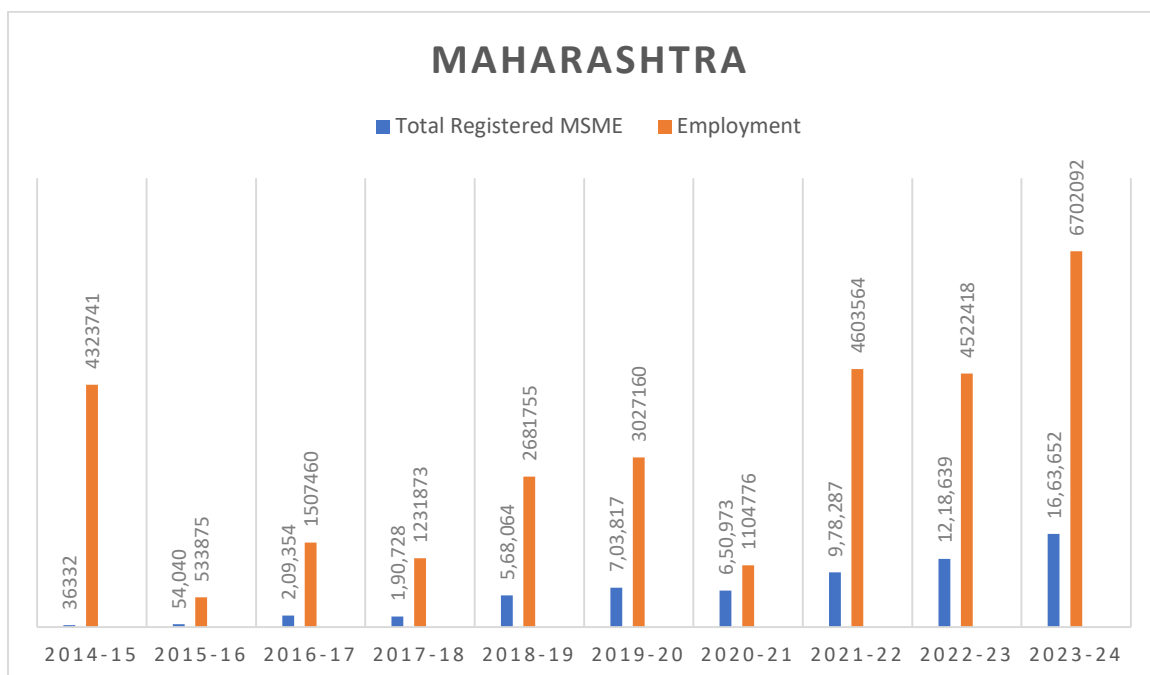
**Maharashtra:**

Maharashtra boasts one of India’s largest and most vibrant MSME ecosystems, with over 4.7 million MSME units and accounting for around 7.5 % of all MSMEs in the country. It makes a substantial contribution to the state economy; in recent years, the MSME sector has been projected to account for around 30% of the State’s GDP. In terms of employment, MSMEs predominate in Maharashtra. Depending on the data set, the sector is estimated to employ around 9 million people, or 24% of the state's total. Over 1.33 million women-owned MSMEs have registered in the state since July 1, 2020, demonstrating the strength of women's entrepreneurship. However, there are still issues: the state reported the largest number of MSME closures in recent years, indicating the fragility of many units; the majority of units are micro-sized, and there is still a sizable informal/unregistered element. All things considered, Maharashtra has a strong MSME foundation with significant room for expansion, but it also has structural problems common to large-scale MSME ecosystems.

**Table 2: Total Number of Registered MSMEs and Employment in Maharashtra**

Year	Total Registered MSME	Employment
2014-15	36,992	4323741
2015-16	54,040	533875
2016-17	2,09,354	1507460
2017-18	1,90,728	1231873
2018-19	5,68,064	2681755
2019-20	7,03,817	3027160
2020-21	6,50,973	1104776
2021-22	9,78,287	4603564
2022-23	12,18,639	4522418
2023-24	16,63,652	6702092

Source: Annual Reports of MSME, Year-Wise



Source: Author’s Creation

## Correlation Analysis:

	<i>Total Reg. MSME</i>	<i>Employment</i>
Total Registered MSME	1	
Employment	0.94625922	1

## Interpretation:

There is a very significant and positive association between employment and total registered MSMEs, as indicated by the correlation value of 0.9463. This implies that employment levels rise proportionately to the number of MSMEs that are registered. There is no significant correlation between the total number of registered MSMEs and employment in MSMEs in Maharashtra, according to the Null Hypothesis ( $H_1$ ). This result clearly shows that MSME growth has a significant impact on employment generation. Therefore, it can be concluded that the growth of the MSME sector greatly contributes to the creation of jobs in Maharashtra, highlighting the critical role that MSMEs play in fostering equitable and sustainable economic growth.

Thus, the correlation results show a strong positive relationship between registered MSMEs and employment in both states—0.9588 for West Bengal and 0.9463 for Maharashtra. Hence, the Null Hypothesis ( $H_1$ ) is rejected for both, confirming that MSME growth significantly drives employment generation. While Maharashtra maintains steady industrial expansion, West Bengal shows rapid post-2020 growth, highlighting MSMEs as vital engines of job creation and inclusive development.

## 6. Findings

The study aimed to analyse the growth dynamics and inter-state disparities of Micro, Small, and Medium Enterprises (MSMEs) in West Bengal and Maharashtra, focusing on the relationship between the total number of registered MSMEs and employment generation. Based on the correlation and trend analysis, the following key findings reflect that with correlation values of 0.9588 in West Bengal and 0.9463 in Maharashtra, the analysis reveals a strong positive correlation between employment and the total number of registered MSMEs in both states, indicating that employment levels increase in direct proportion to the number of registered MSMEs. Both states have shown a stable development pattern in MSME registrations throughout the years, with Maharashtra maintaining constant expansion reflecting its industrial strength and West Bengal displaying a rapid surge after 2020–2021 due to supportive efforts like PMEGP and Udyam Registration.

This expansion has resulted in the creation of significant jobs, demonstrating the MSME sector's vital role in fostering livelihoods and regional economic progress. As a result, the null hypotheses ( $H_{01}$  and  $H_{02}$ ), which claimed that there was no significant correlation between the number of registered MSMEs and employment, were rejected for both states, confirming that the growth of MSMEs had a substantial impact on the creation of jobs. Furthermore, there are clear differences between states: Maharashtra's MSMEs are more diversified and industrially advanced, while West Bengal's MSME base is primarily made up of micro and women-led businesses. This illustrates how local economic conditions, infrastructure, and policy frameworks influence the dynamics of MSME growth and job creation across regions.

## 7. Discussions:

The results confirm that by encouraging entrepreneurship and creating numerous job possibilities, MSMEs catalyse equitable and sustainable economic growth. The swift expansion of registered MSMEs in West Bengal, along with the significant involvement of female entrepreneurs, suggests an expanding economic base and a forward-thinking industrial climate. Significant industry diversification has been encouraged by the state's cluster-based development and governmental assistance. The MSME industry makes a significant contribution to Maharashtra's GDP and jobs. Nonetheless, informality, unit closures, and concentration in micro-scale businesses continue to be problems. The strong relationship between registered MSMEs and employment suggests that the sector's ability to create long-term jobs will be further strengthened by expanding access to infrastructure, technology adoption and financing. Overall, the analysis shows that MSME development is directly related to employment growth and that any policy

intervention targeted at MSME expansion, like digital integration, capacity-building initiatives, and financial inclusion, has a direct and quantifiable impact on livelihood generation and regional development.

## 8. Conclusion:

The comparative study between West Bengal and Maharashtra confirms the substantial positive correlation between the two variables by showing that an increase in registered MSMEs significantly boosts the creation of jobs. The correlation results offer factual proof that the MSME sector is essential for bolstering state economies and encouraging entrepreneurship.

As a result, the null hypotheses are rejected in both states, demonstrating that the growth of the MSME sector significantly boosts employment. This development trajectory may be further solidified by bolstering institutional support, improving financial accessibility, and encouraging innovation within the MSME ecosystem. In conclusion, MSMEs continue to be a vital component of India's economic growth, and continued policy focus on formalisation, technology adoption, and capacity building will be necessary to guarantee equitable, sustainable, and balanced growth throughout the nation.

## 9. Limitations of the Study

The study relies on secondary data, which may have minor errors. It focuses only on MSME numbers and employment, excluding factors like technology and infrastructure. As it covers only two states, the findings can't represent all of India. External factors such as policy changes or COVID-19 may have influenced results, and the analysis shows relationships, not causes.

## 10. Scope for Future Research

Future studies can include more states to give a wider view of MSME growth across India. Researchers can also study other factors like finance, technology, infrastructure, and productivity for a deeper understanding. Using primary data and advanced methods like time-series analysis can help find the actual causes of growth. Further research can also look at how government policies and digital programs affect MSME development and job creation

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