



## Development and Performance of Micro, Small and Medium Enterprises (MSMES) in Kerala.

 Reshma Bright<sup>1\*</sup>,  Dr. Rani.L<sup>2</sup>

<sup>1</sup>Research Scholar, Department of Commerce, Government Arts College Thiruvananthapuram, Kerala, India.

<sup>2</sup>Associate professor, Department of Commerce, Government Arts College Thiruvananthapuram, Kerala, India.

DOI: <https://doi.org/10.70333/ijeks-03-12-006>

\*Corresponding Author: [reshmabright1018@gmail.com](mailto:reshmabright1018@gmail.com)

Article Info: - Received : 06 November 2024

Accepted : 25 December 2024

Published : 30 December 2024

A  
b  
s  
t  
r  
a  
c  
t

The micro, small, and medium-sized enterprise (MSME) sector has evolved as a dynamic and lively segment of the economy. The Indian economy is predicted to grow at a rate of over 8% per year until 2022, with the potential to overtake the United States as the world's second largest by 2050, and the third largest after China and the United States by 2032. In this backdrop, it is critical to study the role of MSMEs in India's economic progress. Kerala's economy is evolving into a service economy, with substantial inbound remittance and highly qualified technical human resources. More micro, medium, and small-scale firms will be developed by fortifying skilled people capital and promoting domestic and foreign investments in all areas, advancing the state's overall economic development through job creation and export-oriented business. The purpose of this study is to provide a comprehensive picture of Kerala's Micro, Small, and Medium Enterprises (MSMEs) growth and performance. The study's key findings are that the number of MSMEs in Kerala has more than doubled in terms of units registered, investment, and employment generation.

**Keywords:** *MSME, Growth, Investment, Employment.*



© 2024 Reshma Bright and Dr. Rani.L., This is an open access article distributed under the Creative Commons Attribution License (<https://creativecommons.org/licenses/by/4.0/>), which permits unrestricted use, distribution, and reproduction in any medium, provided you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license, and indicate if changes were made.

### 1. INTRODUCTION

Micro, small, and medium enterprises (MSMEs) can play a critical role in fostering small-scale innovation and encouraging equitable development. In India, the MSME sector is diversified in terms of size, technology used, and goods. There are 346.12 lakh units in the country

that employ 805.24 lakh people's (Micro, Small, and Medium Enterprises) account for 37.5 percent of the country's GDP. The industry has a lot of promise when it comes to tackling structural issues like unemployment and regional and intersectional imbalances. MSMEs can play a critical role in establishing a diverse

manufacturing sector due to their low capital costs and forward-backward connections with another sector. With comparatively minimal investment, Kerala's Micro, Small and Medium Enterprises (MSME) sector is quickly rising as a key source of revenue and employment. Kerala is one of the country's most important MSME hotspots. Kerala accounts for 5.62 percent of all MSME enterprises in India, according to the MSME survey and Quick Results of the 4th Census. By expanding exports through excellent production techniques and products, the MSME sector may lead the state economy. In the MSME sector, the government offers a variety of programmes aimed at various social groups such as SC, ST, Women, Youth, and the Physically Handicapped. Kerala's government and banks are assisting the MSME sector with a variety of services. According to the MSME Annual Report 2018-19, Kerala has the 12th greatest number of MSMEs in India, with over 23.79 million units, 23.58 million of which are micro-enterprises, employing approximately 44.64 million people. Although the fragmented form of land banks available in Kerala makes it difficult to construct large-scale companies, the state government is attempting to overcome this issue by exploiting such fragmented land to boost MSME growth. Kerala has made significant investments in connectivity, communication networks, talent development, and infrastructure throughout the years, giving the state an inherent advantage in this sector. A total of 52,137 MSMEs have been established since 2016. Kerala's MSME industry has created over 1.8 million jobs with investments of over INR 4,500. Kerala was also one of the first states in India to implement microfinance programmes to combat poverty. The Kudumbashree programme, which was established in 1998, oversees the state's comprehensive implementation of poverty eradication and women empowerment projects. It provides financial and technical assistance to projects that promote economic and social development. As of March 2018, their community network had an outstanding bank loan of INR 3,115.69 crore. For MSMEs to stay up with client demands and run smoothly, they need constant connectivity. Kerala's cargo transportation is highly reliant on roads. Kerala has a road density of 590.14 km/100 sq. km, which is higher than the national average of 387 km/100 sq. km, giving the state a distinct edge. Access to low-cost, high-

quality electricity is critical to any company's survival. Kerala became India's first fully electrified state in 2017, with evident benefits for Nano and micro-businesses, the majority of which operate out of their homes. Kerala has already established itself as a coir, khadi, and handloom industries, as well as tourism, centre. The coir industry is an agro-based traditional sector that plays a significant part in Kerala's MSME ecosystem. It has the ability to boost exports by adding value through technical advancements. India produces 55 percent of the world's white coir fibre, primarily in Kerala's coastal region. It's also worth noting that the state is doing better and better in the start-up and IT industries. Kerala maintained its top spot in the Niti Aayog-UN Sustainable Development Goals Index, thanks to strong investments in its health and education sectors. Kerala has produced many tech entrepreneurs that have contributed to the state's robust start up ecosystem by leveraging its strong social and intellectual infrastructure. Kerala now has over 2200 businesses and over 40 accelerators and incubators. The MSME Facilitation Act, which allows investments of up to INR 10 crore to begin operations without acquiring any government licences, has given a huge boost to MSMEs in Kerala. This is an important step toward increasing investor confidence and making it easier to do business in Kerala.

## 2. REVIEW OF LITERATURE

(Sunil et al., 2018) examined the growth of start-ups in Kerala by sector and the contribution of each sector to GDP. They have tried to identify the reasons for sector-wise growth and pinpointed the schemes provided by the government for the upliftment of start-ups in Kerala. It is identified that the service sector contributes more than 50 percent to the economic development of the country because it requires less capital investment and less space for operation. The expansion of the service sector has resulted from improvements in the education and health sectors. Even though start-ups contribute to economic development, they face challenges like a lack of external finance.

(Ibrahim, 2018) conducted a thorough investigation into the growth of MSMEs in Kerala by comparing it to the overall growth structure of India. The study is divided into four sections that trace the growth pattern, operational efficiency,

MSMEs deployment, and future development of MSMEs in Kerala. The study found that Kerala is leading among neighbouring states in terms of the number of units, investment, and production per unit but is not generating employment accordingly. Kerala has a greater MSME operational efficiency than the neighbouring states, while women's participation is lower in Kerala but higher than in the neighbouring states. According to the study, policymakers should pay attention to MSMEs by reforming start up and justifiable forms of credit.

(Dangi, 2014) conducted a thorough investigation on the growth and performance of MSMEs in India, with the goal of identifying the issues that women entrepreneurs face. The researchers' opinion was that women entrepreneurs who were traditionally kept at home were now capable of managing both household affairs and business. It was discovered that women entrepreneurs encounter multiple obstacles on their way to success, but the government has taken a number of steps to help them succeed. It was also found that women entrepreneurs must work hard to achieve their goals and that the growth of Indian MSME is the growth of the Indian economy.

(Mukherjee, 2018) conducted a case study to determine how Indian MSME can survive in the global market in the face of numerous challenges. The researcher examined existing challenges in the Indian economy, such as high credit costs, unskilled labour, and difficulty obtaining raw materials. In order to obtain international competitiveness, the Govt of India has taken several measures for technological advancement. The study highlighted that Indian MSME can opt for vertical or horizontal technology transfer.

### 3. OBJECTIVES AND METHODOLOGY

The study's overall goal is to determine the growth and structure of MSMEs in Kerala. The general goal is broken down into the following sections:

- To determine the relative importance of MSMEs in Kerala's economy.
- To compare the growth patterns of Kerala's micro, small, and medium-sized enterprises.

### 4. METHODOLOGY

This research is analytical and descriptive in nature, and it mostly relies on secondary data from the Ministry of MSMEs, Government of India, as well as the results of the Economic Survey, Report on MSMEs Sector 2020-21, and Annual Reports on MSMEs Sector, among other sources. The main goal of this discussion is to determine the relative importance of MSMEs in Kerala and their growth potential. The data acquired from various sources was analysed using descriptive statistical tools, and the performance and growth trend of MSMEs in Kerala was appraised.

### 5. GROWTH TREND OF MSMEs IN KERALA

Kerala is well suited for the expansion of the MSME sector due to its great connectivity, communication network, availability of highly qualified human resources, and reasonably good industrial infrastructure. The MSME sector aids in the industrialization of rural and backward areas, as well as providing jobs for youth and socially disadvantaged groups such as SC, ST, women, and physically challenged people. The sector contributes to the state's socio-economic development. The Directorate of Industries and Commerce (DIC) facilitates the development of Kerala's MSME and traditional industrial sectors.

**Table-1: Sector-Wise Details of MSME Units**

Sl. No.	Sector	2017-18	2018-19	2019-20	2020-21	2021-22 (up to August 2021)	Total
1	Agro Food based	2553	2712	2582	3359	1329	12535
2	Textiles & Garments	1947	1858	1904	1276	356	7341
3	General Engineering	2001	1533	1334	989	323	6180
4	Service Activities	3679	3259	4036	2725	882	14581

5	Wood Products	871	644	532	436	173	2656
6	Cement Products	469	329	309	233	118	1458
7	Printing & Allied	392	348	280	188	56	1264
8	Paper Products	163	192	188	198	75	816
9	IT	316	294	240	187	80	1117
10	Others	3077	2657	2290	1949	677	10650
<b>Total</b>		<b>15468</b>	<b>13826</b>	<b>13695</b>	<b>11540</b>	<b>4069</b>	<b>58598</b>

**Source:** Directorate of Industries and Commerce, Government of Kerala

Table 1 reveals that service activities have the most MSME units started in the last five years, with 14581 units, followed by agro-food based in second place with 12535 units. Kerala's agro-based industries have been steadily increasing from 2017-18 to 2020-21. Landless poor and rural people can benefit from agro-based companies, which can bring more job prospects. Agro-based industries will contribute to the rural economy's diversification. It will also assist to diminish the rural economy's reliance on agriculture, which is its basis. Landless agricultural labour would benefit from agro-based companies, which would assist to alleviate unemployment and underemployment. Textiles and garments and general engineering have shown a significant number of registrations under MSME.

**Table 2:** Number of Units Registered

Name of District	MSMEs Started				
	2017-18	2018-19	2019-20	2020-21	2021-22 (up to August 2021)
Thiruvananthapuram	1656	1429	1363	729	360
Kollam	1063	950	814	745	321
Pathanamthitta	833	711	501	646	162
Alappuzha	1315	1055	1179	791	282
Kottayam	913	782	908	544	187
Idukki	248	322	366	284	112
Ernakulam	1895	1531	1386	1165	410
Trissur	1836	1676	1594	1855	419
Palakkad	1907	1991	1694	1477	369
Malappuram	1243	1036	1177	1149	411
Kozhikode	1200	1195	1162	903	404
Wayanad	302	244	264	308	120
Kannur	710	681	1036	724	450
Kasaragod	347	223	251	220	62
<b>Total</b>	<b>15468</b>	<b>13826</b>	<b>13695</b>	<b>11540</b>	<b>4069</b>

**Source:** Directorate of Industries and Commerce, Government of Kerala

As per the report of the Directorate of industries and commerce in the previous five years, the number of MSMEs in Kerala has more than doubled (58,598 units). The sector's key benefit is that MSMEs have been given the independence and power to promote their own products. Palakkad had the most units registered, at 7438 (12.69%), followed by Trissur 7380 (12.59) and Ernakulam 6387 (10.89). Priority lending, tax exemption, lower interest rates, enhanced credit availability and access, credit linked guarantee plan, government market aid, export promotion, capital and other infrastructure subsidies were all major contributors in the growing number of MSMEs registered.

The government has repeatedly launched several initiatives for MSMEs in order to assist them in obtaining money and coping with the effects of the COVID-19 pandemic. Wholesale and retail traders will now be able to participate in those schemes and benefit from the associated benefits. Priority sector lending is another important benefit that traders may now take use of (PSL). Priority sector lending refers to loans made to small and medium-sized businesses. However, because retail and wholesale dealers are not classified as MSMEs, they are not eligible for this advantage.

**Table 3: Investment in MSMEs**

Name of District	Investment (Rs in Crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22 (up to August 2021)
Thiruvananthapuram	90.12	103.18	169.94	64.73	31.48
Kollam	109.31	105.17	67.91	60.86	36.61
Pathanamthitta	68.78	75.39	37.11	42.5	10.74
Alappuzha	140.7	107.89	81.68	45.53	22.06
Kottayam	49.97	59.59	46.36	31.84	11.62
Idukki	13.3	27.58	99.33	18.53	10.67
Ernakulam	141.8	150.27	138.26	210.4	63.6
Trissur	119.89	95.92	99.33	144.91	35.35
Palakkad	132.85	211.36	194.24	230.86	52.5
Malappuram	120.83	103.02	132.62	150.05	57.07
Kozhikode	166.75	184.14	116.03	98.88	44.09
Wynand	15.23	14.85	20.81	21.88	13.74
Kannur	51.02	57.9	81.05	84.83	60.77
Kasaragod	29.06	25.68	53.98	16.06	4.92
<b>Total</b>	<b>1249.61</b>	<b>1321.94</b>	<b>1338.65</b>	<b>1221.86</b>	<b>455.22</b>

**Source:** Directorate of Industries and Commerce, Government of Kerala

Table 3 reveals that investment made in 2017-18 was 1249.61 crores, and in 2019-20 it was 1338.65 crores, while in 2020-21 it was 1221.86 crores, showing a fluctuating trend in investment.

**Table 4: Employment Created in MSME**

Name of District	Employment (Numbers)				
	2017-18	2018-19	2019-20	2020-21	2021-22 (up to August 2021)
Thiruvananthapuram	5559	5359	5306	3113	1401
Kollam	3815	3515	2937	3215	1450
Pathanamthitta	3051	2511	1764	2399	629
Alappuzha	4053	3283	3560	2574	1047
Kottayam	2598	2546	2523	2022	693
Idukki	692	1020	1087	1293	423
Ernakulam	6328	6132	4903	4729	2032
Trissur	5202	4691	4341	6118	1514
Palakkad	6391	7183	5984	6300	1563
Malappuram	4520	4196	5061	5117	1820
Kozhikode	4506	4597	3730	3235	1404
Wynand	786	546	725	1014	440
Kannur	2543	2549	3207	3003	1862
Kasaragod	1200	940	953	843	266
<b>Total</b>	<b>51244</b>	<b>49068</b>	<b>46081</b>	<b>44975</b>	<b>16544</b>

**Source:** Directorate of Industries and Commerce, Government of Kerala

The growth rate of employment generated over last 5 years is given above. There has been increase in employment generation for the years 2017-18 and 2018-19. This increase has clearly indicated the significant contribution of MSMEs in creating employment opportunities. But the employment generated has decreased by 6.08 percent in 2019-20 and 2.45 percent in 2020-21. The table clearly shows that MSMEs provide good job prospects for young people. The MSME sector's strong backward and forward connections are attracting additional investment into the industry.

## 6. CONCLUSION

MSMEs in Kerala have emerged as a dynamic and active sector of the economy, according to the report. The state is well-known for its industrial backwardness, which is due to political and geographic factors; however, the performance of MSMEs in the state has been on

the rise. It should be emphasized that while the amount of investment and the value of production have increased, employment and the number of businesses has only seen marginal growth. The State's MSMEs have a solid basis and are on the rise. The expansion of MSMEs in Kerala is aided by a number of beneficial aspects. There are enough innovative entrepreneurs with first-hand experience in developed and middle Asian countries, highly educated and committed workers, well-planned government and private support mechanisms, and, above all, the State's important habit of consumerism, which expands the market for the product. Policymakers should focus on accelerating MSMEs by relaxing launch requirements and providing a legitimate form of credit. The rise of MSMEs and, eventually, industrialization, will be critical to the state's next level of development.

## REFERENCES

- Dangi, N. (2014). Women Entrepreneurship and Growth and Performance of MSMEs in India. *International Journal of Advance Research in Computer Science and Management Studies*, 2(4), 2321-7782.
- Data & Statistics. (2020.). Retrieved January 17, 2022, from <https://industry.kerala.gov.in/index.php/data-statistics>
- Elayaraja, M., & Vijai, C. (2020). Status of micro , small and medium enterprises ( MSME S ) in India. *Asian Journal of Management and Commerce* 2020; 1(2): 05-08, 1(August), 1-8. <https://www.researchgate.net/publication/343655408%0Astatus>
- Gade, S. (2018). MSMEs ' Role in Economic Growth - a Study on India ' s Perspective Introduction : *International Journal of Pure and Applied Mathematics*, 118(18), 1727-1741. url: <http://www.ijpam.eu>
- Ibrahim, P. (2018). Growth and Structure of Micro, Small, and Medium Enterprises (MSMEs) in Kerala. *Journal of Rural & Industrial Development*, 6(1), 9-17. <https://hau.idm.oclc.org/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=129599328&site=ehost-live&scope=site>
- Mukherjee, S. (2018). Challenges to Indian micro small scale and medium enterprises in the era of globalization. *Journal of Global Entrepreneurship Research*, 8(1). <https://doi.org/10.1186/s40497-018-0115-5>
- Sunil, A., Rajendran, A., Ashok, M., Haritha, A. N., & Das, D. (2018). Sector Wise Growth of Start-Ups in India. 119(15), 1793-1800. Understanding the MSME sector in Kerala. (n.d.). Retrieved January 17, 2022, from <https://www.investindia.gov.in/team-india-blogs/understanding-msme-sector-kerala>

**Cite this article as:** Reshma Bright and Dr. Rani.L, (2024). Development and Performance of Micro, Small and Medium Enterprises (MSMES) in Kerala, *International Journal of Emerging Knowledge Studies*. 3(12), pp.992-998. <https://doi.org/10.70333/ijeks-03-12-006>