



Start-Up

*A Drive Towards
Self-Reliant India*

*Prof. Ehtesham Ahmad
Dr. Neeraj Shukla
Dr. Zaibun Nisa*

Start-Up: A Drive Towards Self-Reliant India

Prof. Ehtesham Ahmad

*Dean & Head, Faculty of Commerce
Khwaja Moinuddin Chishti Language University
Lucknow, U.P.*

Dr. Neeraj Shukla

*Assistant Professor, Department of Commerce
Khwaja Moinuddin Chishti Language University
Lucknow, U.P.*

Dr. Zaibun Nisa

*Assistant Professor, Department of Commerce
Khwaja Moinuddin Chishti Language University
Lucknow, U.P.*



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By : Prof. Ehtesham Ahmad

Dr. Neeraj Shukla

Dr. Zaibun Nisa

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Prof. Ehtesham Ahmad
Dr. Neeraj Shukla
Dr. Zaibun Nisa

Preface

The government of India has taken many initiatives through integrated policies and programmes to encourage start-ups and support entrepreneurial ventures for job creations and inclusive economic growth. With this aim the Centre government has recently announced the “Atma Nirbhar Bharat Abhiyan” to revive every sphere of the economy from demand, supply and to manufacturing, and make India self-reliant to sustain and tackle any unforeseen event in the future.

Start-up India Programme launched by the Central Government on 16th January 2016, is an action plan to develop an ecosystem to promote and nurture entrepreneurship across the country. This is aimed at promoting Bank Financing for start-up ventures to boost entrepreneurship and encourage start-ups with jobs creation. India has emerged as one of the top three Countries in terms of number of businesses started and the home for more than 4000 start-ups. The aim of present book is to put together efforts to study the factors that affect success of start-ups in the wake of changing business scenario with special reference global crises of pandemic COVID 19.

Just as entrepreneurs combine things to create innovations, we integrate the most valuable

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6.

A Study on Role of MSME Sector in Economic Development of U.P

Dr. Zaibun Nisa*

Dr. Noorul Hasan**

1. Introduction

Micro, Small and Medium Enterprises (MSMEs) & Uttar Pradesh)

In recent past Micro, Small and Medium Enterprises (MSME) sector has come up as a dynamic and high potential sector of the country. The MSME sector has high significance in Indian economy as it provides large employment opportunity and carries less cost of establishment, that encourages lots of people to enter in this sector especially in rural

*Assistant Professor, Department of Commerce, Khwaja Moinuddin Chishti Language University, Lucknow.

**Associate Professor, Shia P.G. College, University of Lucknow, Lucknow.

and semi-urban areas of the country. Therefore, this sector helps to cater to the problems like equitable distribution of income and wealth and inclusive growth of the Indian economy. In India this sector acts as a complementary unit to large enterprises and contributes significantly to the socio-economic growth of the country.

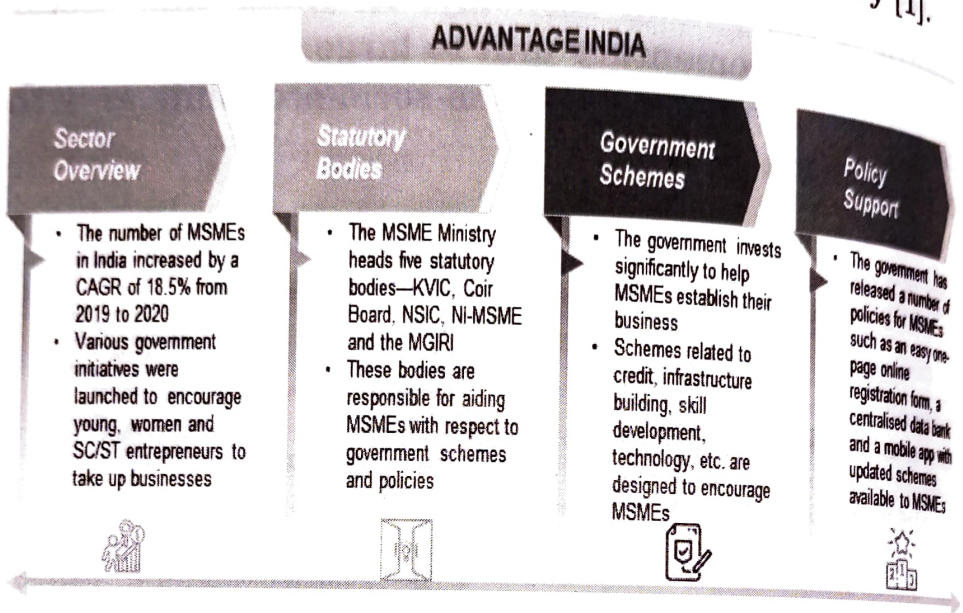
Revised Classification applicable w.e.f 1 July 2020			
Composite Criteria: Investment in Plant & Machinery/equipment and Annual Turnover			
Classify	Micro	Small	Medium
Manufacturing Enterprises and Enterprises rendering Services	Investment in Plant and Machinery or Equipment: Not more than INR 1 cr and Annual Turnover; not more than INR 5 cr	Investment in Plant and Machinery or Equipment: Not more than INR 10 cr and Annual Turnover; not more than INR 50 cr	Investment in Plant and Machinery or Equipment: Not more than INR 50 cr and Annual Turnover; not more than INR 250 cr

Source: <https://www.investindia.gov.in>

The Micro- Small and Medium Enterprises (MSMEs) are entities of small size, when measured by their investment size. They contribute largely to generation of employment, foreign exchange earnings, exports etc. in the economy. A critical role is played by them as a large number of unskilled and semi-skilled people particularly in semi-urban and rural areas, get employment and they contribute to exports, help in better production in the manufacturing sector. Further they serve as ancillaries to bigger industries by keeping a steady flow of raw materials, basic or finished goods and components. They extend support to the large scale industries. More than 36 million units make up the MSME sector, providing employment to over 80 million persons. More than 6,000 products are

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produced by this sector and which contributes to about 8% of GDP. It contributes to around 45% in the total output and 40% of the exports from the country [1].



Source: India Brand Equity Foundation, www.ibef.org

MSMEs constitute around 95% of the total industries in India and their contributions to national income are huge, yet this sector is lagging behind in terms getting assistance from government for long. They have built a strong community culture on the basis of trust, mutual cooperation and relationship which is today difficult to find even in many global corporations. The micro enterprise starts with 10 to 20 people and managed by the family in rural and semi-urban areas. Large number of MSMEs in India have potential to grow globally. These MSMEs contribute 60%-70% of jobs in developing countries and around half of economic activity. Moreover, they tend to employ young people and women.

This sector has adopted very well during two major

and bold economic reforms in India (within the same tenure) of the government- Demonetization, and GST but with advent of recent crises of Covid-19 this sector is expected to be deeply affected. Fourteen (14%) of MSMEs in the country can be found in the State of U.P. which holds the largest share of number of MSME's in the country. 74.05% of the total number of MSMEs are found in the top ten States of country.¹

The top four are as below:

Sl. No.	State/UT	Estimate Number of MSMEs	
		Number (in lakh)	Share (in %)
1	Uttar Pradesh	89.99	14
2	West Bengal	88.67	14
3	Tamil Nadu	49.48	8
4	Maharashtra	47.78	8

Source: Annual Report MSME 2021

From 21.21 lakh (2.1 million) units in 2019 to 25.13 lakh (2.5 million) units in 2020 the number of MSMEs registered a growth of 18.5% in one year. As they contribute to about 29% to the GDP through its national and international trade and make a total of 49.66% of Indian Exports the Indian MSMEs sector have a prominent role to play in the Indian economy. (<https://www.business-standard.com>)

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Distribution of Enterprises Category Wise (Numbers in lakh):-

Sector	Micro	Small	Medium	Total	Share %
Rural	489.30	7.88	0.60	497.78	45
Urban	586.88	24.06	1.16	612.10	55
All	1076.19	31.95	1.75	1109.89	100

(Source: MSME Annual Report 2018-19 GOI)

Share of MSME in GDP

India being a country having huge population of semi-skilled/ unskilled workforce and large share of population in rural and semi-urban areas. From the current 8 per cent share in GDP, the MSME's have the potential to increase it to about 15 per cent in the year 2020, whereas over the next decade its contribution to employment potential is expected to be of 50 per cent, which can be attributed to the increasing contribution of MSME's to the GDP. (<https://assets.kpmg/content/dam/kpmg/pdf/2016/03/The-new-wave-Indian-MSME.pdf>)

Figures in Rs. Crores adjusted for FISIM at current prices						
Year	Total MSME GVA	Growth (%)	Total GVA	Share of MSME in GVA (%)	All India GDP	Share of MSME in All India GDP (in %)
2014-15	3658196	-	11504279	31.80	12467959	29.34
2015-16	4059660	10.97	12574499	32.28	13771874	29.48
2016-17	4502129	10.90	13965200	32.24	15391669	29.25
2017-18	5086493	12.98	15513122	32.79	17098304	29.75
2018-19	5741765	12.88	17139962	33.50	18971237	30.27

Source: Annual Report MSME 2021

The available data depicts that exporting MSMEs play a significant role in the Indian economy. With the government's help and public sector support, MSMEs has the potential to take India to new heights. By providing the right quality of products with right quantity at right time and satisfying the end customers, it is expected that MSMEs may one day overtake strong competitor nations in their volume.

2. MSME and Employment Generation

As per the National Sample Survey (NSS), 2015-16, "MSME sector has been creating 11.10 crore jobs (360.41 lakh in Manufacturing, 0.07 lakh in Non-captive Electricity Generation and Transmission, 387.18 lakh in Trade and 362.82 lakh in Other Services) in the rural and the urban areas across the country".

Broad Activity Category	Employment (in lakh)			Share (%)
	Rural	Urban	Total	
(1)	(2)	(3)	(4)	(5)
Manufacturing	186.56	173.86	360.41	32
Electricity*	0.06	0.02	0.07	0
Trade	160.64	226.54	387.18	35
Other Services	150.53	211.69	362.22	33
All	497.78	612.10	1109.89	100

MSME Annual Report 2020-21

The micro sector having around 630.52 lakh enterprises, generates 97% of total employment of the country and provides employment to around 1076.19 lakh persons. It is estimated that there are

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3.31 lakh Small sector units and 0.05 lakh Medium sector units MSMEs providing employment to 31.95 lakh (2.88%) and 1.75 lakh (0.16%) persons of total employment in MSME sector, respectively.

Employment generation by the MSME sector wise:

Sector	Micro	Small	Medium	Total	Share (%)
Rural	489.30	7.88	0.60	497.78	45
Urban	586.88	24.06	1.16	612.10	55
All	1076.19	31.95	1.75	1109.89	100

MSME Annual Report 2020-21

Huge employment opportunities with low costs are generated by MSMEs when compared to large scale units thus playing a crucial role in the economy. Further regional imbalances have been reduced ensuring industrialization of rural & backward areas, thereby, resulting in distribution of national income and wealth equitably.

3. Share of MSME in Export

As per the information received from Directorate General of Commercial Intelligence and Statistics (DGCIS) the Share of MSME related Products in total Export from India during 2018-19 is 48.10%. (Press Information Bureau, Government of India, Ministry of Micro, Small & Medium Enterprises)

Sector wise Exports from Uttar Pradesh Year 2016-17

Total Export : Rs 84282.89 crore		Growth
Processed Food and Meat	15078.83	17.89%
Handicrafts	8400.76	9.97%
Handloom	417.24	0.50%
Leather and Leather Products	10508.5	12.47%
Carpet and Durry	4648.89	5.52%
Sports Goods	414.89	0.49%
Metal and Metal Products	10255.96	12.17%
Methnol and Essential Oils	1101.04	1.31%
Horticulture and Processed Food	795.01	0.94%
Readymade Garments	10866.7	12.89%
Engineering Goods	11360.85	13.48%
Marble Stones and Ceramic Pottery	799.27	0.95%

Source : PHD Research Bureau, Compiled from various sources

Top ten Exporting States

. State	Export (Rs. Crore)	% Share
Uttar Pradesh	14342	21.12
Tamil Nadu	10049	14.80
Maharashtra	5484	8.08
Karnataka	5471	8.06
Rajasthan	4978	7.33
Gujrat	4962	7.31
Haryana	4834	7.12
Punjab	4701	6.92
Kerala	2279	3.36
West Bengal	2153	3.13
Total of above 10	59253	87.25
Others	8661	12.75
All India	67914	100

(Source: Final report fourth all India census of MSME 2006- 07: Registered Sector)

Export performance and competitiveness of Indian MSMEs can be improved and promoted by working on the key performance areas of the sector and overcoming the key challenges/barriers to them as the new economic reforms and policies have accelerated the degree of competitiveness so there is an urgent

need to convert the threats into opportunities.

4. MSME Sector in Uttar Pradesh

Uttar Pradesh is divided into 75 Districts and 18 Divisions for the administrative purposes. Spread over an area of 243,286 sq. km, Uttar Pradesh is the fourth largest state in the country. Comprising a population of 23.15 crore. State as vast as Uttar Pradesh, there exists a great diversity in all facets of life. Besides diversity the state is experiencing widening consumption inequality.

As per the report of the Ministry of Statistics and Programme Implementation (released on 7 January 2020), the state per capita income is below 8,000 (US\$110) per annum. According to a recent report of World Bank on Ease of Doing Business in India, Uttar Pradesh was ranked among the top 10 states and first among Northern states².

Uttar Pradesh debt burden is 29.8 per cent of the GSDP. The state's total financial debt stood at 2,000 billion (US\$28 billion) in 2011. Uttar Pradesh has not been able to witness double digit economic growth despite consistent attempts over the years. The GSDP is estimated to have grown 7 per cent in 2017-18 and 6.5 per cent in 2018-2019 which is about 10 per cent of India's GDP³.

According to a survey conducted by the Centre for Monitoring Indian Economy (CMIE), Uttar Pradesh unemployment rate increased 11.4 percentage points,

2. https://en.wikipedia.org/wiki/Uttar_Pradesh

3. Uttar Pradesh Budget Analysis 2021 retrieved from <https://prsindia.org/budgets/states/uttar-pradesh-budget-analysis-2020-21> on 15-03-2021

rising to 21.5 per cent in April 2020⁴.

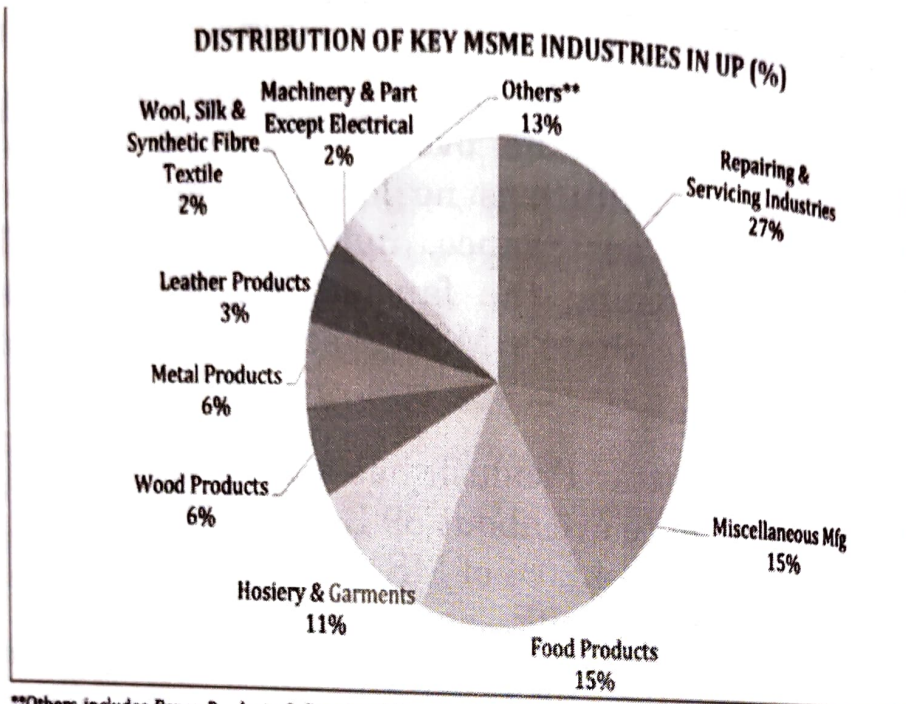
In this backdrop of the fact, when the contribution of primary sector in the overall economic growth is shrinking, agriculture is no longer proving to be the mainstay for sustenance, industrialization and globalization becoming the fancied words, there is need to make the State's MSME sector competitive and compatible.

The State of Uttar Pradesh has a Literacy Rate of 67.68 percent. There are about 89 Lakhs MSME's in U P having a share of 14.20% of MSME's in the Country. Varanasi (Banarasi silk sari), Bhadohi (carpet), Lucknow (chikan) are some of the distinctively famous products from specific traditional industrial hubs ranging across 75 districts of Uttar Pradesh. It leads in exports of MSME Products.

The Uttar Pradesh Micro, Small and Medium Enterprises (MSME) sector Exports have grown to Rs 890 billion reaching almost 6% growth. A vibrant MSME sector is envisioned by the Ministry of Micro, Small & Medium Enterprises which will be made possible by promotion of the MSME Sector, including Khadi, Village and Coir Industries.

The Ministry proposes to support existing enterprises and setting-up of new enterprises in cooperation with concerned Ministries/ Departments.⁵

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**Others includes Paper Products & Printing, Cotton Textiles, Chemical & Chemical Products, Non-Metallic Mineral Products, Electrical Machinery & Apparatus, Rubber & Plastic Products, Basic Metal Industries, Transport Equipments, Jute and other Textiles, Beverages, Tobacco & Tobacco Products

areas, thereby reducing regional imbalance, assuring more equitable distribution of national income and wealth.

These enterprise units are supplementary and complementary to large and medium scale units as ancillaries. MSME sector forms the backbone of economic progress and development of any State because of its contribution to industrial productivity, employment generation, versatile nature, adaptability and contribution in exports. MSME industries constitute an important segment of the UP economy in terms of employment generation and as a source of foreign exchange earnings through exports.

Almost 60% of the total industrial output in the State comes from the MSME sector. Uttar Pradesh has a share of 14.20% of MSMEs in the country which is