

**MSMES IN WEST BENGAL: A CASE STUDY OF THE MSMES IN THE
DISTRICT OF HOWRAH**

Kakali Saha*

Research Scholar, Vidyasagar University, West Bengal

***Corresponding Author:**

Abstract

The Micro Small and Medium Enterprises (MSMEs) in West Bengal is a cornerstone of the state's economy contributing significantly to employment generation, industrial output and export growth. Howrah, known for its rich industrial heritage, has emerged as a hub for diverse MSME clusters, including engineering, metal parts, textiles and handicrafts. This study examines the role of MSMEs in fostering economic growth in West Bengal, with a focus on Howrah, highlighting their strengths, challenges and future opportunities. Despite their contributions, MSMEs face persistent challenges such as limited access to credit, outdated technology and infrastructure deficits. By leveraging government initiatives, promoting innovation and enhancing market linkages, the sector holds immense potential to drive sustainable development and economic resilience. The findings underscore the need for strategic interventions to empower MSMEs and position Howrah as a model for regional industrial growth.

Key Words: *MSMEs, clusters, industrial hub, sustainable development, innovation*

1. INTRODUCTION

Micro, small and medium enterprises (MSME) is being considered to be the backbone of the Indian economy and their contribution has increased manifold in the last 5 years in accelerating the economic growth of the nation. In West Bengal MSMEs account for more than 90% of the active industrial units 50% of the industrial production and 40% of the exports from the state. (Dutta, 2018). They are also instrumental in the process of capital formation and generation of livelihood as the state occupies the second position, after Uttar Pradesh, in the entire country with respect to the number of small business operating.

MSMEs or Micro Small Medium Enterprises as specified under the MSMED Act of 2006, were classified into manufacturing and service enterprises. However w.e.f. July 1, 2020, the distinction between these two sectors has been removed under the revised MSME classification. Under the revised classification, turnover limit has also been added.

Classification of MSME industries as per MSMED Act, 2006

Manufacturing Enterprise	
Enterprise	Investment in plant and machinery
Micro	Does not exceed 25 lakhs
Small	More than 25 lakhs but not exceeding 5 crores
Medium	More than 5 crores but does not exceed 10 crores
Service Enterprise	
Enterprise	Investment in plant and machinery
Micro	Does not exceed 10 lakhs
Small	More than 10 lakhs but not exceeding 2 crores
Medium	More than 2 crores but does not exceed 5 crores

Revised MSME Classification: Composite Criteria—Investment and Turnover, wef July1,2020

Enterprise	Investment in plant and machinery	Turnover
Micro	Does not exceed 1 crore	Does not exceed 5 crores
Small	Does not exceed 10 crores	Does not exceed 50 crores
Medium	Does not exceed 20 crore	Does not exceed 100 crores

2. Importance of MSMEs in West Bengal:

According to the government reports and the Ministry of Micro Small & Medium Enterprises, West Bengal has over 88 lakh registered MSMEs under the Udyam Registration system (as per 2023 data). The MSMEs in West Bengal provide employment to over 1.3 crore for people, of which 91.95 lakh are male employees and the remaining are female employees (NABARD, 2022-23). West Bengal is the leading state in India in terms of providing employment opportunities to women in MSMEs with 43.51 lakh female employees. The state also leads in terms of having maximum female MSME entrepreneurs in India with a share of 23.42% in India (29,01,324 female owned enterprises). The Directorate of MSMEs, under the Department of Micro Small and Medium Enterprises and Textiles, Government of West Bengal, has provided and overview of 548 MSME clusters in the state across 23 districts. The MSMEs have varied products and services to offer.

The 548 MSME clusters across 23 districts of West Bengal produce multiple products including electrical products, electronics products, engineering works, transport equipment parts, leather and allied products, textiles and readymade garment products embroidery works chemical products, plastic products, jewellery basic metal and alloy products, jute and other fibre products, food products and processing clay and ceramic products, wooden furniture and allied products and several others.

3. Literature Review:

Review of literature is indispensable for strengthening the research activities. The different dimension of entrepreneurship in India and its different states has been examined by various studies. Biswas (2014) in his paper “*Financing constraints for MSME sector*” examined the different obstacles and hindrances of the enterprises in accessing finance from banks and other financial institutions. Sen, Salim (2016) in their paper “*MSMEs in West Bengal –An Inter- District Analysis*” studied how regional disparity had been created in different districts of West Bengal and addressed the various problems responsible for it. Khanna (2018) in his paper entitled “*Status of MSMEs in India: A Detailed Study*” made an attempt to study the current status and performance of MSMEs in the country. Singh (2022) in his paper “*An Economic Analysis of Technical Efficiency of MSMEs in India*” studied the state-wise performance and efficiency of MSMEs in India. Dutta (2024) in the paper “*Impact of Business Environment, Entrepreneurial Orientation and Innovation Capability on the success of Handicraft enterprises in West Bengal, India*” observed that the MSME sector is vital in driving economic growth and poverty reduction through job creation specially in the handicraft sector which fuels the tourism industry. It also identified the different key drivers of success for the state’s handicraft MSMEs.

4. Objectives of the study:

- To study the present status of MSMEs in West Bengal.
- To study the performance of the MSMEs in the Howrah district
- To identify the major problems faced by the MSMEs at Howrah and suggest some targeted solutions

5. Database and methodology:

The study is based on both primary and secondary data. The secondary data is collected from various Annual Report of MSMEs, Govt. of India, All India Census of MSMEs, Annual Report of MSMEs, Govt. of West Bengal and the relevant journals. The primary data is collected from sample MSMEs at Howrah district through structured questionnaire, interview with the MSME owners and workers, Govt. officials of DICs for the period January to July, 2024 etc. A. We have randomly selected 30 sample units from the district of which 20 are micro units, 7 small and 3 medium scale units out of the list of MSMEs provided by the District Industries Centre (DIC), Howrah. Only the registered units are considered for the study. In this paper quantitative method is used and the results are analysed with tables, charts and diagrams.

6. Results and Discussions:

The performances of the State MSMEs have been analysed by the number of entrepreneurs registering their enterprises at the DICs of the districts. This information is provided by Entrepreneurs Memorandum (EM). EM has 2 parts, viz, EM-I and EM-II. EM-I refers to the proposed units and it has to be filled with DIC within two years from the date of starting production or from the date of rendering or providing services by MSME. EM-II refers to the established units registered with DIC. In September, 2015, EM-II has been replaced by Udyog Adhar Memorandum (UAM). It is an online process where the entrepreneurs need to register themselves through online system and are not required to register at DIC.

Table 1 shows the total number of registered MSMEs in India, West Bengal, the second ranked state in terms of the growing MSMEs and Howrah being one of the most industrially developed districts of West Bengal. The table shows that the maximum number of enterprises registered belong to the micro category. In India it alone stands at 87% and the same trend is observed for the state of West Bengal and in the district, Howrah. The percentage share of units registered under small category are

Table 1 Udyog Adhar Registration of MSME, 2020-21 (upto June, 2020)

Sl. No.	Name	Micro	Small	Medium	Total
1	Howrah	14,805 (82.58%)	2,989 (16.67%)	134 (0.74%)	17,928 (100)
2	West Bengal	2,34,639 (87%)	33,209 (12.31%)	1,824 (0.67%)	2,69,672 (100)
3	India	89,62,423 (87.59%)	12,20,206 (11.92%)	49,839 (0.49%)	102,32,468 (100)

Source UAM,2020-21

11.92%, 12.31% and 16.67% respectively. Whereas, the share of registered medium units are found to be very low in all the 3 cases. For India, it is 0.49% and for West Bengal and Howrah the percentage share of the medium enterprises are found to be 0.67 and 0.74 respectively.

MSMEs at Howrah District:

Howrah, being one of the most industrially developed districts in West Bengal has shown a good concentration of MSMEs over the years. The metal and engineering industries are found to have a strong base in the district. It has a strong significance in the economy of West Bengal since a lot of factories are built here. The major industries include basic metal products, machinery and spares, electrical and electronics machines and parts, rubber and plastics, leather products, hosiery and garments, food processing industries, computer hardware and software products, etc. The district has also an enriched handicraft sector which produce zari works, batik and tie-dye, clay modeling, cane and bamboo products, bead work, brass metal, wood carving, sea-shell and coconut shell products etc. The products have a good demand in both the domestic and international markets.

Brief Profile of the Sample Enterprises of Howrah District:

As per the UAM Report, 2020-21, there are 17,928 registered MSMEs in Howrah. Sample micro and few sample small units were chosen from the major clusters while the other small and medium enterprises were selected from Sankrail Industrial Estate.

Out of 30 sample units, 20 units belong to the category of manufacturing enterprises and 10 units belong to the category of service enterprises. Among the 20 manufacturing enterprises, 12 are run by male entrepreneurs and 8 by female owners. Again out of 30 sample enterprises, 11 micro units are run by male entrepreneurs and 9 units run by female entrepreneurs. 6 small units are run by male entrepreneurs and 1 small unit by female entrepreneurs. All the 3 medium enterprises are run by male owners. Field survey data reveals, out of 30 sample units, 22 entrepreneurs are from general category, 3

entrepreneurs are from SC, 2 are from ST category and 3 entrepreneurs are from OBC category. The sample survey data also shows 16 sample units are located in rural areas and 14 in urban areas.

Table 2 Distribution of the sample MSMEs by Enterprise type in Howrah District

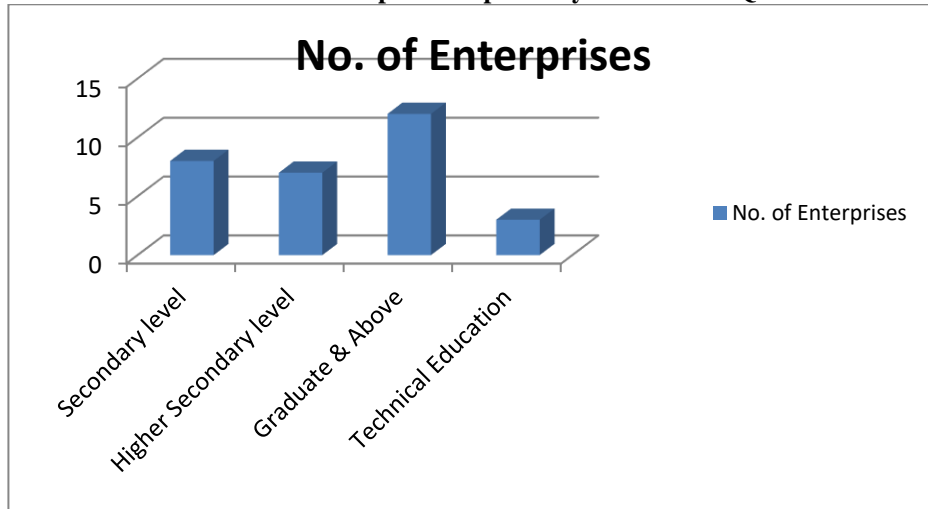
Sl. No.	Category	MSMEs in Howrah	No. of the samples
1	Micro	14,805 (82.58%)	20(67%)
2	Small	2989 (16.67%)	7(23%)
3	Medium	134(0.74%)	3(10%)
4	Total	17,928(100)	30(100)

Source 1) Primary Survey Period: January 2024 to July 2024

2) UAM Report,2020-21

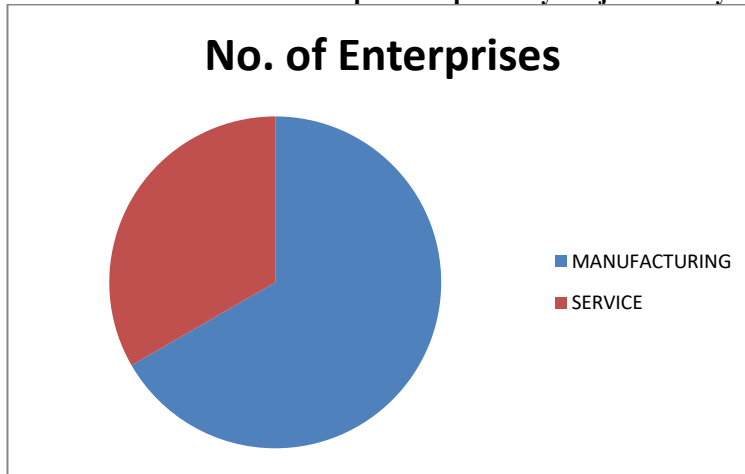
Chart 1 reveals the distribution of sample enterprises by educational qualification. The sample entrepreneurs are more or less found to be educated and all have passed the secondary level. They are mostly graduates and some also have acquired the higher degree certificates. Among them some have had the technical education though their numbers in our sample are very few

Chart 1 Distribution of Sample Enterprises by Educational Qualification



Source 1) Primary Survey Period: January 2024 to July 2024

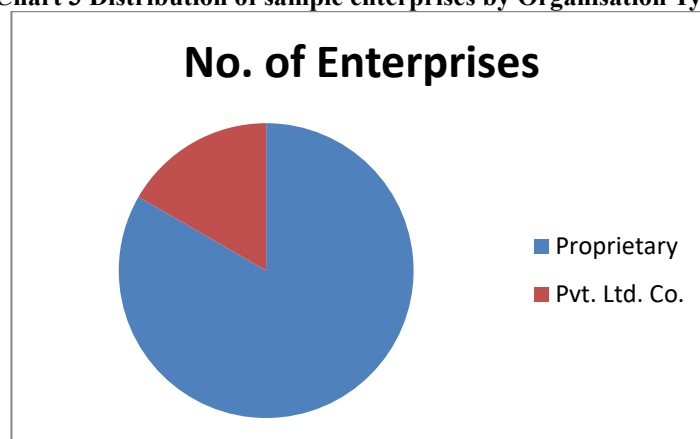
Chart 2 Distribution of sample enterprises by Major Activity



Source: Same as Chart 1

The distribution of the sample enterprises by major activity is shown in Chart 2. The enterprises are chosen in the ratio of 2:1. So we have taken 20 enterprises from the manufacturing sector and 10 as service enterprises in our sample of 30 MSMEs in Howrah District.

Chart 3 Distribution of sample enterprises by Organisation Type



Source: Same as Chart 1

Chart 3 describes the distribution of sample enterprises by their organization type. 25 of the selected enterprises belong to the Proprietary class while the 5 organisations are serving as Private Ltd. Companies.

Chart 4 Distribution of sample enterprises by Social Category

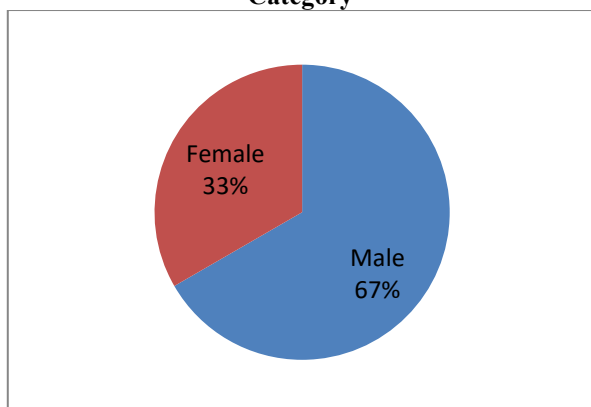
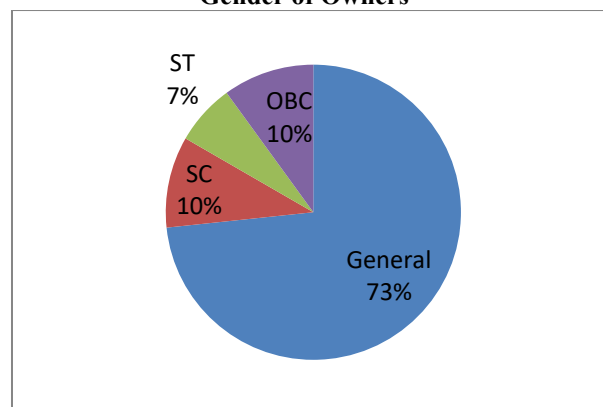


Chart 5 Distribution of sample enterprises by Gender of Owners



Source: Same as Chart 1

Chart 4 and 5 show the distribution of sample enterprises in Howrah district in terms of ownership of gender and social category. In our sample of 30 MSMEs, 25 (i.e. 67%) are owned by male enterprises and 5 (i.e.33%) are female-owned. In terms of social category, majority of the enterprises belong to the General Category which is 73% of the total, numbering 22, while in each of the SC and OBC category we have 3 enterprises and both constitute 10% each in the given sample, while the rest 7% which is 2 in numbers belong to the ST category.

Table 3 Types of goods produced by Sample MSMEs in Howrah District

Enterprise Type	Goods and Services produced
Micro	<ul style="list-style-type: none"> • Hand Embroidery Sarees, salwar suit, lehenga, saree border, patches, • Zari Ornaments & Zari work on textile, • CCTV spare parts • Telecommunications Computer Programming, Consultancy & related activities, other Financial activities • Electric motors, and Electricity distribution & Control apparatus • E-vehicle Spare Parts, Bike Spare Parts, E- Cycle • Manufacture of Paper & Paper Products
Small	<ul style="list-style-type: none"> ☐ AC Parts, HDPE pipe, Water pipe, Cable ducting, Electric conducting pipe ☐ Industrial Valves, Flow Control Equipment- Pressure Reducing Valves ☐ Event Lighting, Sound Systems & AV Equipment, Electrical Wiring & Set-up, Installation & Maintenance ☐ Alumina & Aluminum production and processing ☐ Air Coolers Parts
Medium	<ul style="list-style-type: none"> ❖ Manufacture of Plastic products ❖ Manufacture of Plastic Bottle Caps & Closures, Pet Performs, Plastic handles etc

	❖ Cold Drink Packaging, Fast Food Packaging, Hair oil Packaging box, Sweet Packaging box, etc
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Table 4 shows the frequency distribution of the sample enterprises in terms of employment generation. We have taken data of those who are employed throughout the year. There are also few number people who are employed seasonally specially engaged in micro units. Out of 30 sample enterprises, 4 micro units employed 5 or less people, 16 sample enterprises employed 5 to 10 people, 5 sample enterprises employed 11 to 20 people, 3 enterprises (small & medium) employed 21 to 40 people and only 2 medium enterprises employed 41 and above people. Thus the sample survey suggests that the micro units are more employment potential as expected. This is because most of them use the age- old technology for production purposes and are more labour intensive as compared to the small and medium enterprises.

Table 4 Frequency Distribution of Sample Enterprises of Howrah District by their Employment Generation

Employment (in No.)	No. of Enterprises	Percentage
Less Than 5	4	13.33
5 – 10	16	53.66
11 – 20	5	16.66
21 – 40	3	10.00
41 & above	2	6.66
Total	30	100

Source: same as table2

Investment in plant and machiner: The table 5 shows the amount of investment in plant and machinery made by sample MSMEs, registered in UAM portal. It can be seen that 67% of MSMEs are Micro enterprises, having investment of less than 25 lakh.

Table 5 Frequency distribution of Investment of the sample enterprise of Howrah District

Investment (in Rs.)	No. of MSMEs	Type of MSMEs
Less than 10 lakh	8	Micro
10 lakh – 25 lakh	12	Micro
26 lakh – 50 lakh	6	Small
51 lakh- 5 crore	1	Small
Above 5 crore	3	Medium

Source: same as table2

Annual Turnover of Sample Enterprises:

It can be seen that 50% of the registered sample MSMEs on UAM portal have Annual Turnover in the range of 10 lakh to 30 lakh. 20% of the enterprises have their turnover ranging between 30 lakh to 50 lakh annually. Only 13% of them are found in the range of 50 lakh to 1 crore and 10% of the sample owners are having turnover above 1 crore. The findings clearly suggest that high turnover is reaped only by the small and medium enterprises as expected.

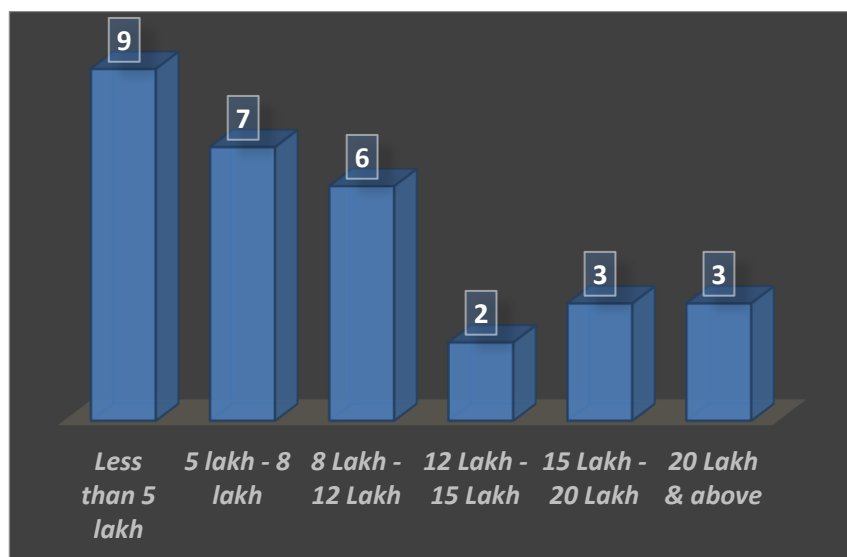
Table 6 Frequency distribution of distribution of Annual Turnover by sample enterprises

Annual Turnover (Rs.)	No. of MSMEs
Less than 10 lakh	2
10 lakh – 30 lakh	15
30 lakh – 50 lakh	6
50 lakh – 1 crore	4
Above 1 crore	3
Total	30

Source: same as table2

Annual Income of Sample Enterprises:

As per the opinion of the sample enterprises, this period (January to July, 2024) is the period of revival after the shock of Covid -19. So they have experienced a surge in demand of their products in the market. Henceforth they perform better in terms of annual income. 30% of the sample, working as micro enterprises in the district has their annual income less than 5 lakh. 23% earn income in between 5 lakh to 8 lakh. As per the sample survey, 20% of the enterprises have their annual income in between 8 lakh to 12 lakh while 7% earn income between 12 lakh to 15 lakh. The rest 20% have their annual income more than 15 lakh in the financial year 2022 – 2023.



Sources of Fund of Sample Enterprises:

The field survey data reveals that 80% of the micro enterprises mainly depend on their own source of fund and regarding external sources, entrepreneurs mainly depend on commercial banks because of their low interest rate and reliability. Though the total percentage of institutional credit support to the sample MSMEs in Howrah stands at 43%, it has been found that the credit demand for the small and medium enterprises has been met by the banks satisfactorily except for the micro firms. 100% of the medium enterprises and 86% of the small enterprises are financed by institutional credit whereas only 20% of the micro enterprises are getting the credit support of the commercial banks (Table 6). According to the sample micro entrepreneurs, the demand for collaterals by the banks pose a major problem in the path of getting loans. However the interaction with the small and medium owners during field survey suggests that the problem lies mainly in the delaying nature of the banks to sanction the loans and the process involves huge paper works making the credit support system a complicated one.

Table 6 Fund Source of sample enterprises in Howrah (FY 2022-23)

Enterprise	Source of Fund		Enterprises using Own Fund	Enterprises using Commercial Bank Loan
	Own Fund	Bank Loan		
Micro	16	4	80%	20%
Small	1	6	14.28%	85.71%
Medium	0	3	0%	100%
Total	17	13	56%	43.30%

Source: same as table 2

Problems Faced by the sample enterprises:

Enterprise Type	Problems faced
Micro Enterprise	<ul style="list-style-type: none"> • Lack of Adequate Infrastructure • Limited access to Finance • Skilled Lab. Shortage • Poor marketing & Branding • Raw Material & Supply Chain issues • Competition from Large Firms
Small Enterprise	<ul style="list-style-type: none"> ➤ Raw material & Supply Chain ➤ Environmental Regulations ➤ Bureaucratic hurdles ➤ Tough Competition ➤ Technological Backwardness ➤ Poor access to Finance
Medium Enterprise	<ul style="list-style-type: none"> ❖ Labour problems ❖ Poor Banking Support ❖ limited access to high quality Raw materials ❖ Power supply problem ❖ Environmental Regulation ❖ Lack of Govt. Support

The MSME owners of the district, during interaction have also shared the severe challenges they faced during Covid -19 pandemic, which significantly disrupted their operations. It has raised an issue of survival for most of them, because of their vulnerability in terms of size, limited financial resources and inefficiency to deal with uncertain situations. Some of the key problems they encountered are enlisted below.

Enterprise type	Challenges after Covid 19
Micro Enterprises	<ul style="list-style-type: none"> ➤ Disruption in supply chain ➤ Lack of adequate workforce ➤ Damage in plant & machinery including equipment ➤ Pending bills
Small Enterprises	<ul style="list-style-type: none"> ▪ Dearth of working capital ▪ High cost of electricity ▪ Disruption in supply chain
Medium Enterprises	<ul style="list-style-type: none"> ❖ Disruption in supply chain ❖ Nonpayment of bills by clients, including big ones & large corporate bodies ❖ Cancellation of orders by big industries ❖ High cost of Electricity

7. Conclusion

The MSMEs in Howrah District play a pivotal role in the region’s socio-economic development by fostering employment, promoting local innovation, and contributing significantly to the industrial output. Despite their resilience and historical prominence, these enterprises face challenges such as inadequate access to finance, outdated technology and infrastructure bottlenecks. To unlock their full potential, a concerted effort is needed from policy makers, financial institutions and industry stakeholders to provide targeted support, enhance skill development and integrate modern technologies. By addressing these challenges, the MSME sector in Howrah can continue to thrive, driving inclusive growth and maintaining its legacy as a critical industrial hub in India.

8. Recommendations

The Howrah region often referred to as the “Sheffield of India” has long been a hub for MSMEs , especially in engineering, foundries and manufacturing. However despite its prominence, the region faces challenges in infrastructure that hinder its growth.

So, it is important to upgrade existing clusters by renovating industrial areas like Liluah and Belgachia with better roads, drainage and lighting. More MSME parks need to be established with modern facilities including co-working spaces for small scale units. The road and rail connectivity needs to be improved. Howrah’s internal roads are found to be very congested, so it is important to enhance linkages with NH-6 and NH-2 for better freight movement. The Hoogly River waterways can also be utilized for transporting raw materials and finished goods to reduce costs.

Common facilities like Testing and Certification Laboratories for MSMEs like metal spare parts, rubber molding, gems and jewellery etc., are to be established. Also modern storage facilities for food processing and perishable goods industries should be developed.

Lack of reliable power supply is another most common problem faced by the micro and small enterprises as they do not have separate power supplying unit. The frequent power cuts increase their reliance on diesel generators which create environmental hazards. It is therefore suggested that the major clusters should have independent power supply unit and they should be provided with subsidies for solar installations on rooftops.

Most of the micro units resort to old technology due to irregular power supply and shortage of funds. So MSMEs need to be encouraged to adopt modern tools through government backed incentives like Capital Subsidy Scheme (CLCSS) and use schemes like PMKVY (Pradhan Mantri Kaushal Vikas Yojana) for targeted training programs. The partnership with local training centres like ITIs and vocational institutes are also needed for skill development.

Poor banking support severely impact the growth of micro units in the textile and zari work industries in Howrah. They are found to rely mainly on informal credit sources due to their traditional nature. The artisans and small scale entrepreneurs are often unaware of banking services and schemes. Banks typically require collateral which many small businesses in this sector fail to provide. So financial literacy and awareness campaigns are needed to be conducted jointly by the banks and NGOS and organize training sessions on how to maintain proper financial records and prepare for loan applications. The delayed processing of loan approvals needs to be corrected with simplified loan processes especially for small scale businesses. Sector specific banking products are to be developed, e.g. provision of low interest capital loans with flexible repayment options after peak sales seasons for textile and zari industries. At the same time, awareness of Central Schemes like PSB Loans in 59 minutes, benefits of Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) are to be expanded. Setting up of Microfinance Models by collaborating with local financial cooperatives or NBFCs to provide small loans to the artisans and creation of Artisan led Credit Groups to access pooled funds at lower interest rates are also suggested to improve the financial scenario in the sector.

Besides, there are labour problems in the sector which basically stem from workforce related issues. There are challenges like migration of skilled labour to other industries or regions and reluctance of younger generation to take up traditional

crafts due to low wages and lack of career growth. So DIC must arrange various Skill Development Programs, seminars and short term management courses to increase managerial efficiency.

The sector also faces the challenges of cheap imports from countries like China. So it is important for the government to adopt Anti-Dumping Policies to protect the interest of the entrepreneurs. The sector should be encouraged to expand product lines, explore export markets by developing a regional brand such as “Heritage Howrah Zari” to market products collectively.

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