MSMEs in India
A Structural Analysis

KNOWLEDGE REPORT

Index

1. Executive Summary

Micro, Small, and Medium Enterprises (MSMEs) serve as a cornerstone of the Indian economy, contributing significantly to GDP and playing a pivotal role in job creation and economic inclusivity, especially for vulnerable and marginalized communities. The MSME sector in India, driving 30% of its GDP, contributing to 48% of annual exports, and ranking as the country's second-largest employer, stands as an undeniable pillar of India's economic growth and socio-economic development (IBEF, 2021). These enterprises offer a path to livelihoods, self-reliance, and inclusive growth. Thus, understanding and addressing the unique dynamics of MSME structures across different states, activities, and regions is essential to unlocking their full potential.

This report delves into the intricate structure of Indian MSMEs, examining their distribution pattern across three major sectors: Manufacturing, Trade, and Services, each constituting a third of the sector. It also identifies top dominating activities within these sectors and evaluates the alignment between national and state-level MSME structures.

As per the NSSO 73rd round, India is characterized by a vast and varied MSME ecosystem, with approximately 63 million enterprises. However, the structure of these enterprises is far from uniform, particularly in the Manufacturing sector, and exhibits notable variations across states. The report highlights that the states broadly share similar structures in Trade and Services but reveal significant differences in the Manufacturing sector.

This report identifies the top 20 dominant activities by number of enterprises in Manufacturing, Trade and Services at the NIC 5-digit level in India. A sector-specific analysis illustrates the substantial reliance on only these top 20 activities, accounting for 75% of total activities in Manufacturing, 73% in Services and 77% in Trade.

Notably, in Manufacturing the dominating activities are custom tailoring, bidi, furniture, flour milling, weaving, and gold and silver jewellery. These diverse activities and their supply chain ecosystem offer a wide range of opportunities. Similarly, the service sector shows dominance in a few top 20 enterprises, particularly in transport, textile, taxi operations, restaurants and tea/coffee shops. Top dominating activities in Trade include the retail sale of cereals and pulses, tea, coffee, spices, flour, fresh or preserved fruit, readymade garments, tobacco, pharmaceuticals, bakery products, and footwear.

Our analysis highlights the need to tailor the new National MSME Policy in such a way that it addresses the unique interests and needs of MSMEs in each state and region by considering the diverse structure across the states.

2. Background

India has developed a robust institutional framework to support MSMEs, including a dedicated ministry, specialized institutions at various administrative levels, financial organizations, market promotion entities, training centers, and policy research institutions tailored exclusively for MSMEs. This foundation has been instrumental in sustaining a thriving MSME sector.

Recently in February 2022, the MSME Ministry unveiled a draft National Policy for MSMEs to bring together a comprehensive framework of strategies and actions for suitable adaptation and inclusion in the state-level policies, aiming to enhance competitiveness, technology advancement, cluster and infrastructure development, procurement of MSME products, and dedicated credit support.

These efforts focused on product development, Trade facilitation, measures to improve Trade finance accessibility and affordability, and support for digitalization to invigorate MSME exports and enhance their participation in global value chains. To untap the full export potential of MSMEs, there is a need for more rigorous and deeper analysis to get a deeper understanding of the current situation of MSMEs and the effectiveness of the various policy measures and support, especially given that the last official data available is 73rd round NSSO conducted in 2015-16.

The development of the MSME sector relies on a three-tier system of governance, with each level of government having specific responsibilities. This report highlights that while many Indian states have distinct policies for supporting MSMEs, about one-third of them have developed comprehensive strategies to boost MSME growth. This report underscores the alignment between national and state-level MSME structures, emphasizing the importance of integrating this harmony into the new national MSME policy. It recommends the adoption of a unified and comprehensive MSME policy, which would streamline access to various incentives and programs, ultimately maximizing their positive impact on small businesses poised for growth.

The collective efforts of the three tiers of government to strengthen the MSME sector, generate local employment, reduce latent unemployment, optimize local resources, and enhance infrastructure, ultimately mitigating the migration of local workers and alleviating financial hardships. While these actions are feasible at the national and state levels, implementation at the district level faces challenges due to limited access to funds and inadequate technical support. Underdeveloped infrastructure further hinders rapid growth.

3. The Structure of Indian MSMEs

From the perspective of developing policies, analyzing the structure of MSMEs is crucial. The structure of MSMEs at the national and state levels is examined in the current report. The objective is to determine whether there are similarities between the national-level structure of MSMEs and states. The national-level MSME policy can best serve the interests of MSMEs if formulated taking into consideration the structure at the National and State level.

The formal economy consists of businesses that follow established rules and regulations, as seen in the Annual Survey of Industries (ASI). However, a significant part of economic activity operates informally, beyond the ASI's scope. To study this sector, we used data from the 73rd round of the National Sample Survey Office (NSSO) Survey of Unorganized Manufacturing Enterprises conducted in 2015-16.

The NSSO Unorganized Surveys complement the Economic Censuses and rely on them as a foundation for sampling. These surveys aim to provide detailed insights into unincorporated non-agricultural entities in Manufacturing, Trade, and other Services (excluding construction). They offer detailed data at a more specific activity category level, meeting the Central Statistical Office's (CSO) requirements, a key user of the survey data.

It's important to note that Small and Medium Enterprises (SMEs) may have different definitions in various countries. In India, our classification of Micro, Small, and Medium Enterprises (MSMEs) was based on investment in plant, machinery, or equipment, following the MSMED Act 2006. To boost job creation in the MSME sector, the Government modified the MSME definition in 2020, making turnover the defining factor instead of investment.

It's worth noting that the MSME data from the NSSO survey is from 2015-16, indicating that no new entrepreneurs, including street vendors, have been officially recognized within India's economy in the last five years, even after the 2020 redefinition of MSMEs. While total investment or revenue is a common measure of a business's size, in countries like India with a significant unregistered sector, it might not capture the full extent of economic activity. In such cases, the number of workers can offer a more meaningful indicator of a business' size.

Our study follows the definition used in the 73rd round NSSO data which solely relies on the investment in plant, machinery, or equipment to determine enterprise size. According to the Micro, Small, and Medium Enterprises Development (MSMED) Act of 2006, Manufacturing sector enterprises are classified as follows: micro-enterprises if their investment in plant and machinery is less than twenty-five lakh rupees, small enterprises if their investment ranges from twenty-five lakh rupees to five crore rupees, and medium enterprises if their investment falls between five and ten crore rupees. For service sector enterprises, the criteria are: micro-enterprises if the investment in equipment is less than ten lakh rupees, small enterprises if the investment ranges from ten lakh rupees to two crore rupees, and medium enterprises if the investment falls between two to five crore rupees.

Table 1 provides a comprehensive breakdown of India's MSME landscape, categorizing these enterprises into three distinct groups: Micro, Small, and Medium enterprises, and outlining their respective contributions to the overall MSME sector. A striking observation from the data in Table-1 is the overwhelming prevalence of micro-enterprises, accounting for an astonishing 99.50% of the total MSME sector. Small enterprises, by contrast, constitute a mere 0.52% of the MSME population, while medium enterprises represent a minuscule 0.01%.

Table 1: Category-wise Distribution of MSMEs at the National Level

Category	Estimated Number of Enterprises (in Lakhs)	Share of Each Category in Total MSMEs (%)
Micro	630.52	99.47
Small	3.31	0.52
Medium	0.05	0.01
All	633.88	100

Source: 73rd round NSSO Unincorporated Non-Agricultural Enterprises (Excluding Construction) survey 2015-16 unit level data.

The high prevalence of micro-enterprises in India highlights their crucial role in the country's MSME sector. These small businesses are vital to local economies, driving employment and economic activity. In contrast, medium-sized enterprises are scarce, likely due to challenges in expansion. Mr. Arun Singh, Chief Economist at Dun and Bradstreet (D&B) India, stresses the need for a supportive credit environment and MSME engagement in global value chains to bridge this 'missing middle' gap.

In India, there's a significant absence of small and medium enterprises, known as the 'Missing Middle', concept brought to the limelight by commercial data and analytics firm D&B. Their research on MSMEs across countries suggests while most developed countries have a balanced distribution of micro, small-to-medium, and large businesses, India is heavily skewed towards micro-enterprises. This skewed distribution possibly hampers economic growth since larger enterprises tend to be more productive.

The 'missing middle' concept is well-documented in developing nations, indicating a scarcity of medium-sized enterprises. It's been suggested that stringent business regulations might contribute to the dominance of small firms. However, some argue that even in a distortion-free economy, the proportion of medium-sized firms would still be relatively low.

Table-2 presents the estimated number of enterprises and their respective proportions within various economic industries, encompassing Manufacturing, Trade, and Services,

across both urban and rural settings. This serves as a valuable resource, equipping policymakers and business owners with insights into the current MSME landscape within diverse economic sectors, thereby aiding the formulation of targeted policy measures aimed at fostering their growth and development.

Table 2: Estimated Number of MSMEs (Activity Wise) at the National Level

Economic Activity	Estimated number of enterprises (in lakhs)					
	Rural	Share%	Urban	Share%	Total	Share%
Manufacturing	111.14	34.21	82.5	26.70	196.65	31.02
Trade	108.71	33.46	121.64	39.37	230.35	36.34
Services	102	31.40	104.85	33.93	206.85	33.63
All	324.88	100	309.00	100	633.88	100

Source: 73rd round NSSO Unincorporated Non-Agricultural Enterprises (Excluding Construction) survey 2015-16 unit level data.

Taking a broader perspective, each of the three primary economic activities, namely Manufacturing, Trade, and Services, contributes approximately one-third of the total MSME landscape in India. However, a notable disparity becomes evident when we dissect rural and urban regions. In rural areas, the majority of MSMEs are concentrated in the Manufacturing sector whereas, in urban areas, the trade sector takes on more significance. The Services sector exhibits a relatively even distribution in both rural and urban areas, although slightly favouring urban regions.

This distribution highlights the unique economic preferences and characteristics of rural and urban areas in India. The dominance of the Manufacturing sector in rural regions underscores the significance of traditional and small-scale Manufacturing activities in these areas. In contrast, urban areas place greater emphasis on Trade, reflecting the prevalence of commercial and market-oriented activities.

The balanced distribution of the Services sector between rural and urban areas suggests that service-based MSMEs are more evenly distributed across the nation, possibly due to their adaptability and relevance in diverse settings. The concentration of Trade in urban areas can be attributed to the availability of larger markets and superior infrastructure for commercial activities. This distribution offers a glimpse into the diverse economic landscapes across India, where different regions exhibit distinct patterns of MSME activities that align with their specific local needs and available resources.

4. State-wise Structure of MSMEs

State-wise structure of MSMEs is examined to identify the similarities or dissimilarities in the structure of MSMEs between the national level and state level. Broadly, the category-wise distribution of MSMEs (micro, small and medium) at the state level aligns with the national level wherein small and medium MSMEs collectively constitute less than 1% share of the total MSMEs at the national level. However, a few states and UTs act as exceptions, where small MSMEs account for 1-2% of the total MSMEs which entails the inclusion of appropriate provisions for small MSME enterprises in those states. These states include Himachal Pradesh, Haryana, Delhi, Sikkim, Arunachal Pradesh, Chhattisgarh, Madhya Pradesh, and Dadra and Nagar Haveli.

Fig:1 Share of Manufacturing, Trade and Services across the States and UTs
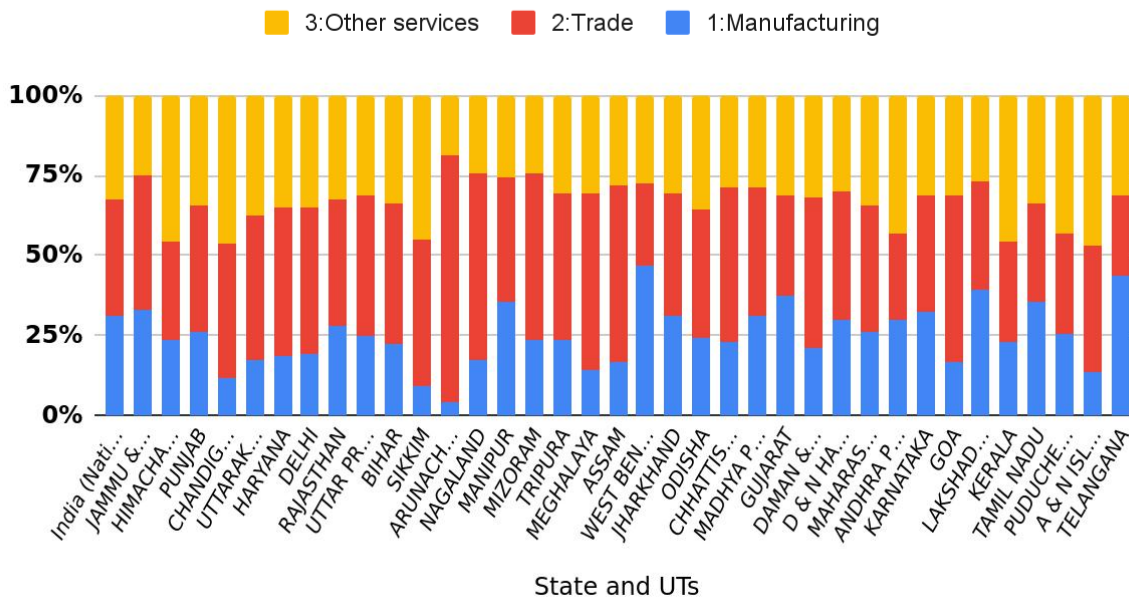

Figure-1 and Table-3 in the appendix show the Activity-wise distribution of MSMEs in Manufacturing, Trade and Services, across states and UTs. This highlights that the activity-wise distribution across the states and UTs is not similar to the national-level distribution. Unlike the national structure, some states have either more MSMEs concentrated in Trade or Services i.e. north-eastern states - Arunachal Pradesh, Nagaland, Manipur, Meghalaya, Assam, Mizoram, Tripura and Sikkim have 50% or more MSMEs concentrated in Trade, followed by Services and Manufacturing.

According to Table 4 in the Appendix, there is a reasonably concentrated distribution of MSMEs throughout a number of important states and UTs. UP, West Bengal, Tamil Nadu, Maharashtra, and Karnataka are five states that constitute the majority of MSMEs in India. Around one-third of all MSMEs are located in other states, including Bihar, Andhra Pradesh, Gujarat, Rajasthan, Madhya Pradesh, Telangana, and Kerala (where each state's contribution ranges from 4% to 6%).

Other states like Punjab, Jharkhand, and Odisha each account for about 3% of all MSMEs in India. States such as Assam, Haryana, Delhi, Chhattisgarh, and J&K constitute around 8% of MSMEs, each state having around 2% share. The rest of the 3% of MSMEs are located in the remaining states and UTs

The above analysis shows that category-wise national and state-level distribution is broadly similar. However, activity-wise distribution at the national level significantly differs from the state level. As a result, different economic activities assume significance in different states. MSMEs in India are found to be concentrated in a few large states. After examining the distribution of MSMEs, it is important to further analyze whether the national structure of MSMEs aligns with the state-level structure in three major economic activities i.e. Manufacturing, Trade and Services, this is examined in the section below.

5. Similarity in Structure of MSMEs: National and State Level

The critical question at hand is the feasibility of harmonizing and integrating national-level MSME documents into state-level contexts. To address this, it's imperative to assess the degree of similarity or dissimilarity between national and state-level MSME structures. To achieve this objective, we employed the Jaccard similarity index, which allows us to examine the resemblance in the structure of MSMEs at both national and state levels, focusing on three major economic activities: Manufacturing, Trade, and Services.

To assess the similarity between national and state-level MSME structures, we have identified the top 20 dominant activities (based on the number of enterprises) within Manufacturing, Trade and Services. This analysis concentrates on these top 20 activities because they collectively represent the majority of MSME enterprises in Manufacturing (75%), Trade (77%), and Services (73%) in India.

We also identified the top 20 dominant activities in all states and Union Territories (UTs) within the realms of Manufacturing, Trade, and Services. We then compute the degree of similarity between the national and state-level MSME structures in each of these economic activities. This examination provides insights into the potential for incorporating and adapting the national MSME policy at the state level.
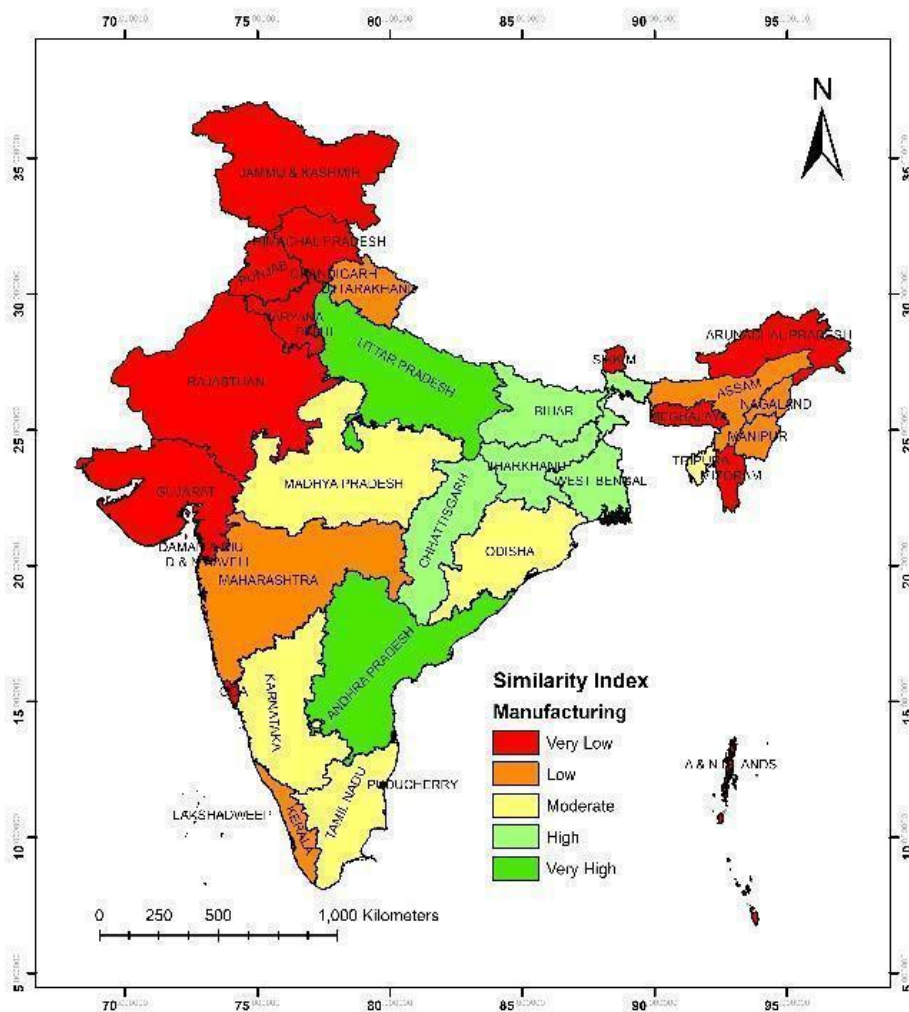
Manufacturing

The share of Manufacturing in India's GDP stood at a modest 16% in 2017, a figure that has remained relatively stagnant since the initiation of economic reforms in 1991. This stands in stark contrast to several major Asian economies, such as Malaysia and Thailand, which

significantly increased their Manufacturing contributions to GDP during the same period. The Services sector in India has shown more substantial growth compared to Manufacturing. However, without a thriving Manufacturing sector, the Services sector's sustainability in the long run, unless it gains access to global markets, is uncertain.

A critical observation in economic development is that no major country has succeeded in reducing poverty or sustaining growth without Manufacturing as a driving force. This is because the productivity levels in the Manufacturing industry are considerably higher than those in agriculture or Services. Manufacturing functions as an engine of economic growth due to its ability to achieve economies of scale, foster technological advancements, and generate forward and backward linkages, thereby creating positive spillover effects throughout the economy (Mehrotra, 2019).

Fig-2: Similarity in Structure of India and Respective States and Union Territories in Manufacturing

Source: PHDCCI's Policy Forum calculations, using NSSO 73rd round 2015-16

The similarity between the national and state-level Manufacturing structure of MSMEs is shown in Fig-2 and Table-5 in the Appendix. All the activities covered by NIC-2008 from 10 to 33 are considered as Manufacturing in the report. A predominant observation from this figure is that the majority of states exhibit dissimilarity in their MSME structures when compared to the national level, as indicated by the prevalence of low similarity index values.

High Similarity States: Several states, such as Uttar Pradesh, Andhra Pradesh, Bihar, West Bengal, Jharkhand, and Chhattisgarh, stand out as exceptions due to their high degree of similarity with the national-level MSME structure. This implies that policies and strategies implemented at the national level could be effectively extended to these states with minimal adjustments. Low Similarity States: In contrast, the majority of states do not align with the national structure in Manufacturing. States in the northern region, such as Jammu and Kashmir, Himachal Pradesh, Punjab, Haryana, Delhi, Rajasthan, and Gujarat, exhibit very low similarity with the national-level Manufacturing structure.

This suggests that the Manufacturing policies, practices, and strategies at the national level may not be compatible for these states. Thus, state-specific approaches are likely needed to cater to the unique needs and conditions of MSMEs in these regions. The northeastern states (Sikkim, Arunachal Pradesh, Mizoram, Meghalaya, Assam, Nagaland, and Manipur), Union territories (Daman & Diu, Dadra and Nagar Haveli, Goa, Lakshadweep, Puducherry and Chandigarh) generally display low to very low similarity with the national-level MSME Manufacturing structure. This implies that these states may require tailored policies and strategies that consider the specific challenges and opportunities in the region. This suggests that due to their smaller size, these territories possess unique characteristics that necessitate customized policies.

Similarity for Manufacturing indicates a lack of alignment between national and state-level MSME structures. This highlights the need for policymakers to recognize regional disparities and formulate state-specific policies that can effectively promote the growth of the MSME sector.

A noteworthy observation is that certain regions exhibit high similarity in terms of their top 20 industries. This phenomenon can be attributed to concepts from the field of Trade and economic theory, particularly the "new economic geography" of Krugman. This seeks to explain the spatial concentration of resources and production, not solely based on traditional geographical factors. It is rooted in international Trade theory and features models characterized by increasing returns, factor mobility, and transportation costs. These models describe the distribution of industry by considering the interplay between agglomeration forces, transportation costs, and increasing returns to scale, along with dispersing forces, often associated with transportation costs and partially fixed input or output markets. While the new economic geography has drawn criticism for its perceived simplicity and abstractness, it remains a valuable framework for understanding the geographic distribution of industries.

Trade

The alignment between national and state-level MSME policies in the Trade sector is represented in Fig-4. This figure offers valuable insights into the degree of congruence between MSME structures at two levels.

Fig-4: Similarity in Structure of India and Respective States and Union Territories in Trade

Source: PHDCCI's Policy Forum calculations, using NSSO 73rd round 2015-16

The Fig-4 and Jaccard similarity index for the Trade sector indicates that there is a high level of alignment between national and state-level MSME structures in this domain. This implies that national Trade policies can be effectively extended to most states with minimal modifications. However, some states with moderate similarity may require more tailored policy considerations to address their specific needs.

Services

The NIC code is a 5-digit unique classification system used by the government to categorize and identify businesses based on their activities, representing their sector and sub-sector. All the activities under NIC 2008 from E to U except F (construction) and G (Trade) are considered Services other than Trade. Fig-3 illustrates a substantial level of similarity between the structure of MSMEs at the national and state levels within the Services sector. However, exceptions to this pattern are notable in states located in the northeastern region, Himachal Pradesh, and Kerala, where the level of similarity appears to be diminished.

Fig-3 Similarity in Structure of India and respective States and UTs: Services
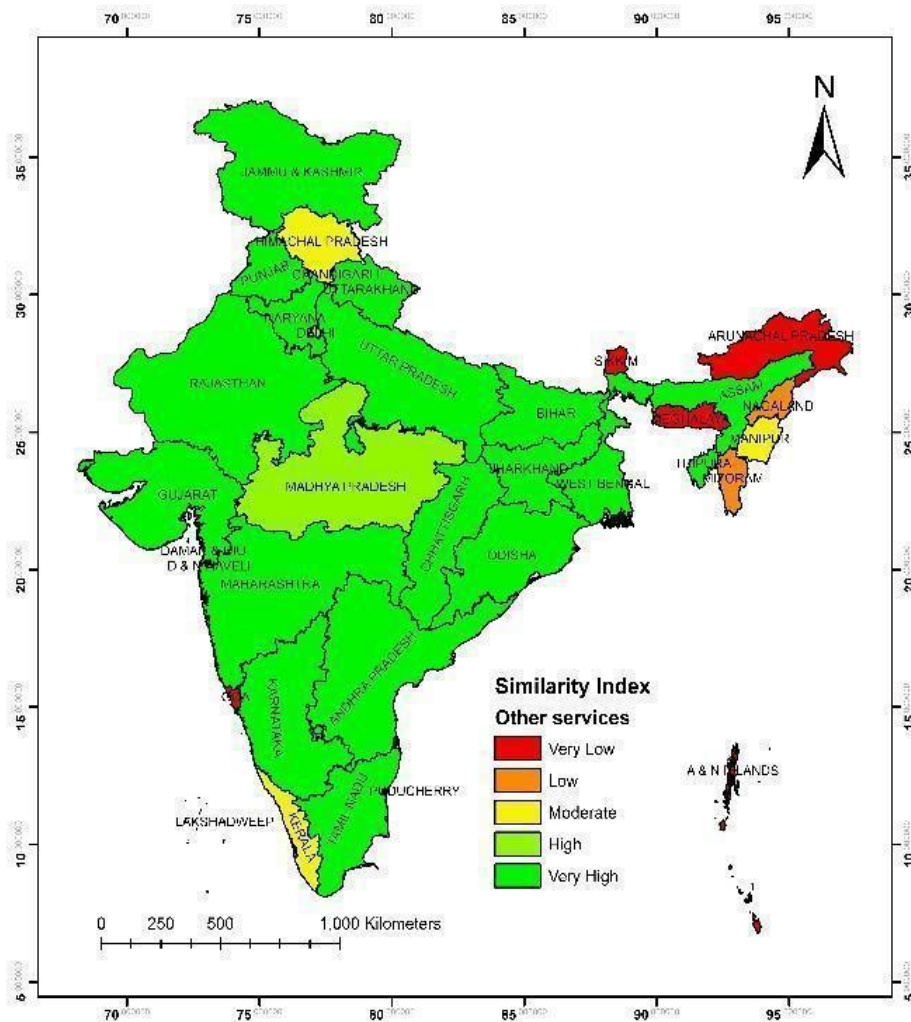
Source: PHDCCI's Policy Forum calculations, using NSSO 73rd round 2015-16

The significant alignment observed suggests that the overarching national MSME policy effectively accommodates the requirements of most states operating within the Services sector. This alignment implies that strategies and policies formulated at the national level to support and promote MSMEs in the Services sector are widely applicable to a majority of states.

Highly Similar States: Unlike the Manufacturing sector, the majority of states display a high degree of similarity in their Trade structures when compared to the national level. This indicates that national Trade policies can be seamlessly integrated into state-level policies with relative ease.

Moderately Similar States: A handful of states, such as Jammu and Kashmir, Punjab, Meghalaya, Nagaland, and Mizoram, exhibit moderate similarity in their national and state-level MSME Trade structures. While not as closely aligned as some other states, they still demonstrate a noteworthy level of resemblance. Consequently, national policies can be largely adopted into the policy frameworks of these states, but certain adjustments may be necessary to accommodate their unique conditions.

Nevertheless, for states exhibiting lower similarity, particularly those in the northeastern region and others, a more customized approach to policymaking may be warranted. The reasons underlying the reduced alignment can be multifaceted, including variations in regional economic dynamics, demographic factors, and specific challenges encountered by MSMEs operating in the Services sector. Consequently, these states may require a nuanced and adapted approach that considers their unique circumstances while aligning with the national policy framework.

Developing a comprehensive MSME policy offers an effective solution at the state level. It consolidates various policy incentives and programs into a single coherent framework. More importantly, it enables states to consider a range of interconnected incentives that can work synergistically. This approach maximizes the positive impact on small firms poised for growth.

The current state of affairs presents a multifaceted challenge. Currently, MSMEs need to register under various schemes. This adds to their administrative burden and also creates confusion and duplication of effort. First, despite 31% of unorganized firms that are registered under various schemes such as GST, the Ministry of Corporate Affairs and Udyam, make it challenging to consolidate information for government support and this also adds to their administrative burden and creates confusion and duplication of effort. Second, registered enterprises represent less than 1% of all enterprises, and the presence of small and medium-sized enterprises is minimal. Third, a significant majority of enterprises are own-account enterprises (OAEs), constituting a vast segment, often overlooked in policy discourse. Additionally, small-sized enterprises, while numerous, contribute insignificantly to the overall enterprise landscape. This structural pattern signifies that firms start at a micro-level and rarely scale up, primarily due to historical policies favouring small-scale

industries. Moreover, government schemes and incentives have inadvertently hindered the expansion of small and medium firms. Correcting this structural imbalance poses a substantial challenge to policymakers.

MSMEs emphasize the importance of efficient coordination between central and state governments and the significance of having a comprehensive MSME policy that serves as a one-stop resource for firms seeking incentives and programs. Furthermore, governments at all levels must enhance awareness of these incentives and programs to facilitate wider adoption and utilization by MSMEs.

6. Conclusions and Policy Recommendations

This in-depth analysis not only unveils the intricacies of this sector but also sheds light on the untapped opportunities that lie within. When we focus on Trade and service-related MSMEs, the convergence of state policies offers a promising avenue to build a national framework. A comprehensive national policy can act as a gateway, facilitating easier access to government initiatives tailored to the unique needs of these small enterprises.

However, a word of caution is necessary – the allure of a one-size-fits-all policy must be resisted - particularly in Manufacturing which shows more heterogeneity across states. Such an approach could inadvertently stifle the adaptive capabilities of MSMEs in Manufacturing, forcing them into inefficient strategies when faced with the distinctive circumstances of their respective states. The path forward lies in blending the pursuit of common goals with the flexibility to adapt to state-specific requirements. In line with India's leadership in discussions around "Common but Differentiated Responsibilities," the national policy should encompass both the common and the unique, permitting adaptability while adhering to best practices.

Although there is a similarity in composition nationally, the unique composition of MSMEs in the northeastern states, where Trade-related enterprises account for 50% or more, calls for a specialized focus on those involved in Trade activity and policies and schemes tailored to these regions. This tailored approach respects regional nuances that shape the structure and dynamics of MSMEs.

A significant revelation from this analysis is the dominance of the top 20 MSMEs, which yield tremendous influence over 70% in each of the three sectors that is Manufacturing, Trade and Services. To create a vibrant and inclusive ecosystem for MSMEs, a national policy should present an opportunity for diversification, encouraging a broader range of activities within the sector that can stimulate innovation and competition.

In essence, the one-size-fits-all approach does not align with the intricate and diverse tapestry of Indian MSMEs. For Trade-related enterprises, a national policy provides a practical solution, but it must be complemented with flexibility and customization to

accommodate unique state-specific demands. In contrast, the Manufacturing sector calls for tailored state-specific policies to address the nuances of individual states. For Services, a national policy can apply broadly, with the exception of the northeastern states, which demand sector-specific policies.

In conclusion, this report emphasizes the need for nuanced, adaptable, and diversified policies that embrace the complexity of the MSME sector. While common objectives are essential, a tailored, state-specific approach is the key to unlocking the sector's full potential and ensuring India's robust growth trajectory. By recognizing the dynamic landscape of Indian MSMEs and calibrating policies accordingly, the nation can build a foundation for inclusive growth, innovation, and economic resilience. As India aspires to amplify its economic footprint and global influence, nurturing the growth of its MSMEs becomes an essential chapter in its journey towards sustainable development and prosperity.

7. Appendix

Table-3: Estimated share of MSMEs (Activity Wise) in States and UTs

State and UTs	Manufacturing	Trade	Other services
JAMMU & KASHMIR	33.06	41.70	25.23
HIMACHAL PRADESH	23.95	30.76	45.29
PUNJAB	26.19	39.21	34.60
CHANDIGARH	11.93	41.82	46.26
UTTARAKHAND	17.32	45.35	37.34
HARYANA	18.86	46.31	34.84
DELHI	19.35	45.94	34.71
RAJASTHAN	27.95	39.42	32.63
UTTAR PRADESH	24.55	44.50	30.95
BIHAR	22.32	43.70	33.98
SIKKIM	9.25	45.97	44.79
ARUNACHAL PRADESH	4.29	77.33	18.37
NAGALAND	17.61	58.00	24.39
MANIPUR	35.56	38.69	25.75
MIZORAM	23.71	51.68	24.60
TRIPURA	23.76	45.48	30.76
MEGHALAYA	14.10	55.36	30.54
ASSAM	16.74	55.13	28.13
WEST BENGAL	47.12	25.47	27.41

JHARKHAND	31.12	38.21	30.67
ODISHA	24.51	40.04	35.45
CHHATTISGARH	22.97	48.13	28.90
MADHYA PRADESH	31.16	40.01	28.83
GUJARAT	37.42	31.56	31.03
DAMAN & DIU	21.19	47.08	31.73
D & N HAVELI	29.70	40.18	30.12
MAHARASHTRA	26.02	39.71	34.28
ANDHRA PRADESH	30.14	27.00	42.85
KARNATAKA	32.57	36.18	31.25
GOA	16.74	52.12	31.14
LAKSHADWEEP	39.33	34.04	26.63
KERALA	22.94	31.21	45.85
TAMIL NADU	35.26	30.83	33.91
PUDUCHERRY	25.57	31.30	43.13
A & N ISLANDS	13.54	39.69	46.77
TELANGANA	43.89	24.97	31.14

Source: *PHDCCI's Policy Forum calculations, using NSSO 73rd round 2015-16*

Table-4   Distribution of Enterprises in States and UTs (NSSO 73rd Round

Sr. No	States & UTs	No of Enterprises	Percentage distribution of enterprises (%age)
1	Uttar Pradesh	8999763	14.20
2	West Bengal	8868455	13.99
3	Tamil Nadu	4947698	7.80
4	Maharashtra	4778885	7.54
5	Karnataka	3834267	6.05
6	Bihar	3445561	5.44
7	Andhra Pradesh	3387232	5.34
8	Gujarat	3316426	5.23
9	Rajasthan	2686933	4.24
10	Madhya Pradesh	2674009	4.22
11	Telangana	2604604	4.11
12	Kerala	2379463	3.75
13	Odisha	1984428	3.13

14	Jharkhand	1587974	2.51
15	Punjab	1465032	2.31
16	Assam	1214125	1.92
17	Haryana	969991	1.53
18	Delhi	936201	1.48
19	Chhattisgarh	848136	1.34
20	Jammu & Kashmir	708897	1.12
21	Uttarakhand	416630	0.66
22	Himachal Pradesh	392122	0.62
23	Tripura	210832	0.33
24	Manipur	180131	0.28
25	Meghalaya	112280	0.18
26	Puducherry	95843	0.15
27	Nagaland	91163	0.14
28	Goa	70259	0.11
29	Chandigarh	56455	0.09
30	Mizoram	34932	0.06
31	Sikkim	26099	0.04
32	Arunachal Pradesh	22766	0.04
33	A & N Islands	19207	0.03
34	D & N Haveli	15586	0.02
35	Daman & Diu	7715	0.01
36	Lakshadweep	1874	0.003

Source: *PHDCCI's Policy Forum calculations, using NSSO 73rd round 2015-16*

Table-5 Jaccard Similarity index between India and Each respective state (Activity-wise)

State and UTs	Manufacturing	Trade	Other Services
Jammu & Kashmir	29.0	42.9	60.0
Himachal Pradesh	29.0	66.7	42.9
Punjab	25.0	48.1	60.0
Chandigarh	11.1	48.1	42.9
Uttarakhand	37.9	66.7	66.7
Haryana	25.0	60.0	66.7
Delhi	29.0	53.8	53.8

Rajasthan	29.0	66.7	60.0
Uttar Pradesh	60.0	66.7	73.9
Bihar	53.8	60.0	66.7
Sikkim	25.0	53.8	25.0
Arunachal Pradesh	25.0	53.8	21.2
Nagaland	33.3	48.1	33.3
Manipur	37.9	53.8	42.9
Mizoram	25.0	42.9	37.9
Tripura	42.9	66.7	66.7
Meghalaya	17.6	48.1	29.0
Assam	37.9	60.0	73.9
West Bengal	53.8	66.7	81.8
Jharkhand	53.8	60.0	60.0
Odisha	42.9	73.9	66.7
Chhattisgarh	53.8	60.0	60.0
Madhya Pradesh	48.1	73.9	53.8
Gujarat	29.0	66.7	66.7
Daman & Diu	25.0	42.9	48.1
D & N haveli	17.6	53.8	42.9
Maharashtra	33.3	66.7	73.9
Andhra Pradesh	60.0	81.8	81.8
Karnataka	42.9	66.7	60.0
Goa	25.0	48.1	21.2
Lakshadweep	14.3	33.3	29.0
Kerala	37.9	66.7	42.9
Tamil Nadu	48.1	60.0	60.0
Puducherry	21.2	60.0	37.9
A & N islands	25.0	37.9	29.0
Telangana	42.9	60.0	66.7

Source: *PHDCCI's Policy Forum calculations, using NSSO 73rd round 2015-16*
* (#) No of common industries between India's top 20 and each respective states' top 20 industries are identified (in Manufacturing, Trade and Services) in order to calculate Jaccard similarity index. The more the common industries between India and each state, the higher the similarity between the two.

About Policy Forum: The PHDCCI POLICY FORUM is a dedicated Policy forum to facilitate dialogue and research on critical issues impacting the growth and development of the Indian economy, particularly with regards to MSMEs, e-commerce, trade & exports. PHDCCI Policy Forum advised by Dr. Manoj Pant, Former VC & Director- IIFT, serves as a platform for rigorous policy research and analysis, aiming to bridge the gap between industry and the government.

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About Us

PHD Chamber of Commerce and Industry (PHDCCI) has been working as a catalyst for the promotion of Indian industry, trade and entrepreneurship for the past 118 years. It is a forward looking, proactive and dynamic pan-India apex organization. As a partner in progress with industry and government, PHDCCI works at the grass roots level with strong national and international linkages for propelling progress, harmony and integrated development of the Indian economy.

PHDCCI, acting as the "Voice of Industry & Trade" with a large membership base of 1,50,000 direct and indirect members consisting of large, medium and small industries, has forged ahead leveraging its legacy with the industry knowledge across multiple sectors to take Indian Economy to the next level.

At the global level, we have been working with the Embassies and High Commissions in India and overseas to bring in the International Best Practices and Business Opportunities.

PHD Chamber has special focus on the following thrust areas:

- Economic & Business Policy Advocacy
- Industry
- Infrastructure
- Housing
- Health
- Education & Skill Development
- Agriculture & Agri-business
- ICT
- International Trade
- Defence & HLS

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