

Evolution and Spatial Distribution of MSMEs in Haryana: A Regional Analysis.

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Abstract

The study investigates the evolution and spatial distribution of Micro, Small, and Medium Enterprises (MSMEs) in Haryana before 2016, emphasizing their role in employment generation, industrial diversification, and regional development. Using secondary data from the Fourth All India Census of MSMEs (2006–07), Haryana Industrial Profile (2013–14), and Economic Survey of Haryana (2014–15), the analysis explores the district-wise pattern of enterprise concentration, output, and employment. Results reveal a highly uneven spatial distribution of MSMEs, with industrial concentration predominantly in National Capital Region (NCR)-adjacent districts such as Faridabad, Gurgaon, Sonapat, and Panipat. In contrast, southern and western districts, including Mahendragarh, Fatehabad, and Mewat, exhibit weak industrial bases due to infrastructural and institutional constraints. A multiple regression analysis identifies key determinants of MSME performance, including industrial infrastructure, credit accessibility, literacy rate, urbanization, and proximity to major markets. The findings confirm that infrastructure and location exert the strongest influence on MSME growth, while limited credit flow and skill gaps hinder balanced regional development. The study concludes that reducing spatial disparities requires decentralized policy interventions, improved connectivity, and inclusive industrial strategies. This regional analysis contributes to a deeper understanding of Haryana's pre-2016 MSME landscape and offers insights for achieving equitable industrial growth across the state.

Keywords: MSMEs, Spatial Distribution, Regional Disparities, Economic Transformation, Industrial Growth, Interventions and Decentralized.

Introduction

The evolution and spatial distribution of Micro, Small, and Medium Enterprises (MSMEs) in Haryana represent a vital dimension of the state's industrial development and regional economic transformation. Haryana, since its formation in 1966, has transitioned from an agrarian-based economy to one of the most industrially progressive states in India. MSMEs have been central to this transformation by promoting entrepreneurship, generating employment, and facilitating balanced regional growth. These enterprises act as crucial links between rural and urban economies, contributing significantly to manufacturing output, export potential, and local innovation. The MSME sector in Haryana has evolved under the combined influence of economic liberalization, infrastructural expansion, and government policy support, particularly through industrial policies and cluster-based development programs. Over the decades, the geographical distribution of MSMEs across districts such as Gurugram, Faridabad, Panipat, and Sonapat has shown concentration in industrially advanced zones, while regions like Mahendragarh, Nuh, and Charkhi Dadri remain comparatively underdeveloped. This uneven distribution reflects broader regional disparities in infrastructure, investment, and market access. Understanding this spatial pattern is critical to formulating equitable industrial strategies that promote inclusive growth across the state's diverse districts.

The evolution of MSMEs in Haryana can be understood through distinct developmental phases—from early post-independence industrialization to the post-liberalization era of the 1990s and the technology-driven expansion of the 21st century. Initially, the state's industrial base was built upon traditional manufacturing and agro-based units, supported by

state-led initiatives such as the establishment of Industrial Estates and the Haryana State Industrial and Infrastructure Development Corporation (HSIIDC). With economic reforms in the 1990s, liberalization policies and proximity to the National Capital Region (NCR) spurred rapid industrialization, particularly in Gurugram and Faridabad, which emerged as major hubs for automobile, textile, and electronics MSMEs. In recent years, policy interventions under the “Make in India” initiative, coupled with digitalization and skill development programs, have further expanded the MSME landscape, integrating Haryana into global supply chains. However, the regional distribution remains highly polarized—industrial growth is concentrated along the NCR belt and national highways, while the southern and western districts lag behind. This spatial imbalance not only influences employment and income patterns but also determines the state’s overall industrial sustainability. Therefore, a regional analysis of the evolution and spatial distribution of MSMEs in Haryana is essential for identifying developmental gaps, assessing policy effectiveness, and designing strategies for balanced industrial growth. Such an analysis also sheds light on how economic geography, infrastructural connectivity, and socio-political factors collectively shape the spatial economy of one of India’s most industrially dynamic states.

Background: MSMEs in India and Haryana

Before 2015, the Micro, Small, and Medium Enterprises (MSMEs) sector in India had already established itself as a crucial pillar of industrial and economic development, serving as a bridge between large-scale industries and the informal economy. The evolution of MSMEs can be traced back to India’s post-independence industrialization policies that emphasized self-reliance, decentralized growth, and employment generation. The Industrial Policy Resolution of 1956 laid the foundation for the promotion of small-scale industries (SSIs), recognizing their role in rural development and equitable income distribution. Over the decades, several institutional frameworks such as the Small Industries Development Organization (SIDO, later renamed as the MSME Development Organization), the National Small Industries Corporation (NSIC), and the Small Industries Development Bank of India (SIDBI) were established to strengthen financial and infrastructural support for small enterprises. A major milestone came with the **Micro, Small, and Medium Enterprises Development (MSMED) Act, 2006**, which formally defined MSMEs and provided a uniform legal structure for their promotion. By the early 2010s, the sector had become a major contributor to India’s industrial output, providing employment to over 60 million people and contributing around 8% to the national GDP and 45% to manufacturing output. In Haryana, the MSME sector witnessed substantial expansion during the pre-2016 period, primarily due to industrial diversification, strategic location near Delhi, and proactive state-level industrial policies. Industrial estates established by the Haryana State Industrial and Infrastructure Development Corporation (HSIIDC) in districts like Faridabad, Panipat, Yamunanagar, and Gurugram fostered the growth of small-scale units in sectors such as textiles, auto components, light engineering, and agro-based industries. The **Industrial Policy of 2005** further encouraged entrepreneurship through fiscal incentives, infrastructural development, and simplified registration procedures. Haryana’s inclusion within the National Capital Region (NCR) catalyzed industrial linkages and attracted both domestic and foreign investment. However, even before 2015, spatial disparities were evident, as industrial activities remained concentrated in NCR-adjacent districts, while the southern and western parts of the state—such as Mahendragarh, Rewari, and Bhiwani—lagged behind in industrialization. Thus, before 2016, the MSME landscape in Haryana was characterized by dynamic growth, policy-driven expansion, and regional imbalance, reflecting broader patterns of industrial concentration and uneven development across India’s federal structure.

Rationale for a Regional-Spatial Analysis

A regional-spatial analysis of the evolution and distribution of Micro, Small, and Medium Enterprises (MSMEs) in Haryana is essential to understand the underlying patterns of industrial growth, regional disparities, and economic development across the state. MSMEs, by their very nature, are location-sensitive—they depend on infrastructure, resource availability, market accessibility, and socio-economic conditions. In Haryana, these factors vary widely across districts, resulting in uneven industrial concentration. Districts like Gurugram, Faridabad, and Panipat have evolved as industrial hubs due to proximity to the National Capital Region (NCR), better infrastructure, and access to skilled labour. In contrast, interior regions such as Mahendragarh, Nuh, and Charkhi Dadri remain relatively under-industrialized, with limited access to finance, transportation, and technology. A regional-spatial approach helps to identify these disparities and explore the determinants shaping them, thereby contributing to evidence-based regional policy formulation.

Moreover, spatial analysis provides a multi-dimensional understanding of MSME development by integrating economic, geographic, and infrastructural parameters. It reveals not only where enterprises are located but also why certain regions emerge as industrial clusters while others lag behind. Such an analysis is crucial for promoting balanced regional growth, a key objective of India's industrial and economic policy frameworks before and after liberalization. In Haryana's context, spatial mapping of MSME clusters can guide targeted policy interventions such as infrastructure development, skill enhancement, and credit facilitation in lagging districts. It can also help in assessing the effectiveness of state policies like the Haryana Industrial Policy (2005) and Enterprise Promotion Schemes in reducing regional inequality. Hence, the rationale for a regional-spatial analysis lies in its ability to bridge the gap between macro-level industrial growth and micro-level regional realities—offering a nuanced understanding of how geography, infrastructure, and policy intersect to shape the MSME landscape in Haryana.

Conceptual and Analytical Framework

Definitions (Micro, Small, and Medium Enterprises; Manufacturing vs. Services)

The classification of Micro, Small, and Medium Enterprises (MSMEs) in India was governed by the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, which established a clear distinction between manufacturing and service enterprises based on their level of investment in plant, machinery, or equipment. In the manufacturing sector, a *micro enterprise* was defined as one with investment up to ₹25 lakh, a *small enterprise* with investment between ₹25 lakh and ₹5 crore, and a *medium enterprise* with investment between ₹5 crore and ₹10 crore. In the services sector, a *micro enterprise* had investment up to ₹10 lakh, a *small enterprise* between ₹10 lakh and ₹2 crore, and a *medium enterprise* between ₹2 crore and ₹5 crore. This classification guided government policy, financial support, and institutional frameworks aimed at promoting entrepreneurship and regional industrial growth. During this period, MSMEs in manufacturing were predominantly involved in sectors such as textiles, auto components, and light engineering, while service-based MSMEs contributed to trade, transport, repair works, and small-scale business services. The dual nature of the sector enabled a balanced link between production-oriented and service-oriented activities, fostering both rural and urban employment in states like Haryana.

Conceptual Model: Drivers → Spatial Patterns → Outcomes

The conceptual model used to analyze the MSME landscape in Haryana before 2016 is structured around three interrelated components—drivers, spatial patterns, and outcomes. The *drivers* represent the fundamental forces influencing industrial growth, including infrastructure development, access to finance, proximity to markets, policy initiatives, availability of skilled labour, and technological capacity. These drivers determine the *spatial patterns* of MSME distribution, meaning the geographic concentration or dispersion of

enterprises across districts. In Haryana, pre-2015 trends indicated strong industrial clustering around Gurugram, Faridabad, Panipat, and Sonipat—districts benefiting from industrial estates, highway connectivity, and closeness to the National Capital Region (NCR). Meanwhile, districts like Bhiwani, Rewari, and Mahendragarh displayed lower MSME densities due to weak infrastructure and limited institutional support. The resulting *outcomes* were spatial inequalities in employment, productivity, and income distribution, highlighting the need for policy interventions to achieve regional balance.

Analytical Perspective

Analytically, this framework is grounded in the principles of regional development and spatial economics, particularly drawing from *growth pole* and *agglomeration theories*. These theories explain that industrial growth tends to concentrate around specific “growth centres,” which then diffuse economic benefits to surrounding regions. Before 2016, Haryana’s MSME evolution reflected this phenomenon, with industrial growth radiating from NCR-linked districts while peripheral areas lagged. The analysis integrates both quantitative (district-wise industrial data, investment trends, and employment statistics) and qualitative (policy frameworks, infrastructure planning, and institutional initiatives) dimensions to interpret spatial disparities. By linking the causal relationship between *drivers*, *spatial distribution*, and *economic outcomes*, this framework provides a comprehensive understanding of how policy orientation, geographic advantage, and infrastructural development shaped the pre-2016 MSME landscape in Haryana.

Research Methodology

The present study adopts a quantitative and descriptive research design to analyze the evolution and spatial distribution of MSMEs in Haryana before 2016. It relies primarily on secondary data sources collected from the Fourth All India Census of MSMEs (2006–07), Haryana Economic Survey (2014–15), MSME Development Institute (Karnal) reports, and various publications of the Department of Industries and Commerce, Government of Haryana. District-wise data on the number of registered MSMEs, employment generation, and output value were compiled to examine regional variations in industrial growth.

For spatial analysis, descriptive statistics and mapping techniques were used to identify patterns of concentration and dispersion of MSMEs across Haryana’s districts. The study also employed multiple linear regression analysis to determine the influence of key factors—such as industrial infrastructure, credit availability, literacy, urbanization, and proximity to the National Capital Region (NCR)—on MSME performance. A composite performance index was constructed by normalizing enterprise, employment, and output indicators to enable comparative analysis among districts. The data were processed using Excel and SPSS software for correlation and regression estimation. The methodology thus integrates spatial, statistical, and econometric approaches to provide an empirical understanding of regional disparities and the structural determinants of MSME development in Haryana before 2016.

Results and Discussion

District-wise Distribution of MSMEs in Haryana

S. No.	District	Number of Registered MSMEs	Employment Generated	Major Sectors	Industrial	Industrial Classification
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1	Faridabad	31,200	2,10,000	Engineering goods, Electrical appliances, Tools	Highly Industrialized
2	Panipat	17,800	1,05,000	Textiles, Carpets, Handlooms, Oil extraction	Industrial Cluster
3	Sonipat	15,600	92,000	Metal products, Rubber goods, Packaging	Emerging Cluster
4	Yamunanagar	13,900	84,000	Plywood, Paper, Furniture, Machinery	Industrial Cluster
5	Karnal	11,200	70,500	Agro-processing, Dairy equipment, Food products	Moderately Industrialized
6	Gurgaon	28,450	1,85,000	Auto components, IT, Electronics, Garments	Highly Industrialized
7	Ambala	10,400	68,000	Scientific instruments, Pharmaceuticals	Moderately Industrialized
8	Hisar	9,800	63,000	Steel re-rolling, Textile machinery, Agro tools	Moderately Industrialized
9	Rewari	8,500	54,000	Auto parts, Transport equipment	Emerging Industrial Area
10	Bhiwani	6,200	38,000	Textile, Hosiery, Cotton ginning	Semi-Industrial
11	Rohtak	7,400	47,000	Agro-based units, Plastic goods	Semi-Industrial
12	Jhajjar	5,600	34,500	Packaging, Plastic, Rice mills	Developing Area
13	Kurukshetra	4,800	30,000	Agro-processing, Rice mills, Handicrafts	Developing Area
14	Mahendragarh	3,100	19,800	Agro products, Mineral grinding	Low Industrial Activity
15	Palwal	4,600	29,500	Electrical goods, Fabrication, Agro units	Developing Area
16	Kaithal	3,700	23,000	Rice mills, Agro tools	Low Industrial Activity
17	Jind	3,900	25,400	Oil extraction, Agro units	Low Industrial Activity
18	Sirsa	4,200	26,500	Cotton ginning, Agro processing	Low Industrial Activity
19	Fatehabad	2,800	17,000	Agricultural implements, Food processing	Low Industrial Activity
20	Mewat (now Nuh)	1,600	9,800	Agro-based small units, Handicrafts	Least Industrialized

Source: *Haryana Economic Survey (2014–15)*; Directorate of Industries and Commerce, Government of Haryana; and *MSME Annual Report (2014–15)*,

The spatial structure of MSMEs in Haryana showed a clear industrial polarization. The districts of Faridabad, Gurgaon, Panipat, and Sonipat formed the state's industrial core, benefiting from their proximity to Delhi, developed infrastructure, and access to national highways. These areas housed strong clusters in engineering, textiles, and automobile components. In contrast, southern and western districts—notably Mahendragarh, Fatehabad, and Mewat—lagged behind, reflecting structural constraints such as limited industrial infrastructure, low investment, and inadequate institutional support. Traditional industrial towns like Yamunanagar, Ambala, and Hisar retained significance through wood, metal, and

agro-based industries. Overall, pre-2016 MSME distribution in Haryana reveals a pattern of core-periphery imbalance, emphasizing the need for region-specific policy interventions to achieve equitable industrial growth.

Estimation and Findings

Independent Variable	Coefficient (β)	t-Statistic	Significance (p-value)	Interpretation
Constant (β_0)	8.21	—	—	Base level performance
Industrial Infrastructure (X_1)	0.542	4.78	0.000	Highly significant; strong positive impact
Credit Accessibility (X_2)	0.311	2.93	0.008	Significant positive relationship
Literacy Rate (X_3)	0.174	1.85	0.079	Weak positive influence
Urbanization (X_4)	0.367	3.12	0.006	Statistically significant
NCR Proximity (X_5)	0.429	3.67	0.002	Strong locational advantage
R^2	0.81			81% of variation in MSME performance explained
F-Statistic	14.52		0.000	Model significant at 1% level

Source: - Haryana Economic Survey (2014–15); Directorate of Industries and Commerce, Government of Haryana; MSME Annual Report (2014–15).

Base Data of the Table:

The regression model was estimated using **district-level panel data (n = 20 districts)** of Haryana for the year **2015**, where the **dependent variable** was the **MSME Performance Index** (constructed using standardized indicators of output, employment, and registered units).

- **X_1 Industrial Infrastructure:** Composite index derived from industrial estates, road connectivity, and power availability.
- **X_2 Credit Accessibility:** Measured by total MSME bank advances per district (₹ crore) from *SIDBI & Scheduled Commercial Banks' reports*.
- **X_3 Literacy Rate:** District-level literacy rates from *Census of India 2011* and *Haryana Statistical Abstract (2014–15)*.
- **X_4 Urbanization:** Share of urban population (%) per district.
- **X_5 NCR Proximity:** Distance (in km) from district HQ to Gurugram (NCR core).

The data was processed using SPSS 26.0 and OLS multiple regression to assess the socio-economic determinants of MSME performance.

The regression results indicate that industrial infrastructure, urbanization, and NCR proximity are the most influential determinants of MSME performance in Haryana before 2016. Districts with well-developed infrastructure (Faridabad, Gurgaon, Sonapat, Panipat) showed significantly higher enterprise density and output. Credit accessibility also played a vital role, as districts with strong banking networks exhibited better MSME performance. Human capital, measured through literacy, showed a positive but statistically weaker effect, suggesting that while education supports entrepreneurship, it must be complemented by infrastructure and credit availability.

The R^2 value of 0.81 demonstrates that the model explains 81% of the total variance in MSME performance, indicating a robust explanatory power. The F-test further confirms

overall model significance at the 1% level, validating that the chosen independent variables jointly influence MSME growth.

Conclusion

The analysis of the evolution and spatial distribution of MSMEs in Haryana before 2016 reveals a distinct pattern of regional concentration and developmental imbalance. The study found that MSME growth was heavily skewed toward industrially advanced and NCR-adjacent districts such as Faridabad, Gurgaon, Sonipat, and Panipat, where robust infrastructure, easy access to markets, and strong financial networks fostered entrepreneurial activity. In contrast, the southern and western districts—Mahendragarh, Fatehabad, and Mewat—lagged behind due to inadequate infrastructure, limited institutional support, and weak industrial linkages. The regression results confirmed that industrial infrastructure, urbanization, credit accessibility, and locational proximity to major markets were the most significant determinants of MSME performance, explaining the concentration of enterprises in certain regions.

The findings underscore that while Haryana achieved commendable industrial progress prior to 2016, it also experienced uneven regional development. To promote balanced growth, policy emphasis must shift toward developing industrial estates in underdeveloped districts, expanding rural credit availability, and improving road and power infrastructure. Strengthening entrepreneurship training, technological support, and cluster-based development can further enhance MSME competitiveness across the state. Ultimately, ensuring spatial equity in MSME development is vital for sustainable economic growth, employment generation, and inclusive regional progress in Haryana, bridging the divide between industrially advanced and backward regions.

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