

A Review on Role of MSME in Employment Generation in India

Ms. Shamal Arvind Pawar

Date of Submission: 01-02-2023

Date of Acceptance: 10-02-2023

ABSTRACT:

India is a developing country and MSME (Micro, Small and Medium Enterprises) are considered as catalyst in generating employment opportunities for educated unemployed as well as for rural unskilled population. They acts as pillars for sustainable development by creating employment opportunities, reduces poverty ratio and therefore tries to achieves balance regional growth. They are heterogeneous in terms of the size, offers variety of products and services and make use of different levels of technologies. These industries are characterized by low capital investment ,high employment generation, decentralization of industrial activity, utilizes locally available resources and thus widens the scope of entrepreneurial base. The study aims to analyze the performance of MSMEs and its role in employment generation in India.

Keywords : MSME's, Employment generation, MSME performance

I. INTRODUCTION:

Worldwide, MSME's are considered to be the growth engines of developing nations and this sector has emerged as dynamic sector helping Indian economy to minimize its macro economic problems like unemployment ,poverty etc. It has helped in developing entrepreneurial base and has emerged as second largest employment provider. MSME complements large scale industries as ancillary units, thereby contributes enormously to the socioeconomic development of the country.

Outside the agriculture sector, MSMEs, are believed to use labour –intensive methods of production of goods and services and thereby generates more employment opportunities for the unemployed youths of India. According to various economic surveys, MSMEs provide a good backward and forward linkage that invites more investments in this sector. Over the years, Government of India has also taken various policy initiatives to encourage/support MSMEs by providing subsidized credit, technical assistance, excise tax exemptions, and preference in government procurement.

Nirmala Sitharaman (Finance Minister of India) in budget 2019-20, has revealed many new initiatives and provision for the MSMEs promotion in the country. She has extended 25% corporate tax to companies with an annual turnover Rs 400 crore, under the Interest Subvention Scheme Rs 350 core has been allotted for the financial year 2019-20. In August 2015 Prime Minister of India had announced the Start-up/ stand-up India scheme, intending to promote bank financing for new business and many new initiatives to boost entrepreneurship and job creation. The goal of this initiative is to make India not job seekers but job makers.

In accordance with the provision of MSME's development act 2006, and the revised classification of MSME 2019-20.

Classification of MSME: An Enterprise shall be classified as Micro, Small and Medium enterprise on the basis of following criteria

Existing MSME Classification			
Criteria : Investment in Plant & Machinery or Equipment			
Classification	Micro	Small	Medium
Mfg. Enterprises	Investment < Rs. 25 lac	Investment < Rs. 5 cr.	Investment < Rs. 10 cr.
Services Enterprise	Investment < Rs. 10 lac	Investment < Rs. 2 cr.	Investment < Rs. 5 cr.

Revised MSME Classification			
Composite Criteria : Investment And Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing & Services	Investment < Rs. 1 cr. and Turnover < Rs.5 cr.	Investment < Rs. 10 cr. and Turnover < Rs.50 cr.	Investment < Rs. 20 cr. and Turnover < Rs.100 cr.

Source : https://msme.gov.in/sites/default/files/MSME_gazette_of_india_0.pdf

II. LITERATURE REVIEW:

The comprehensive literature demonstrates that, MSMEs are necessary for sustained economic growth and development of any economy including employment generation in India. To justify the need of present study, following literature has been reviewed:

(Dr.K.Vetrivel, 2018) : The labour intensity of the MSME sector is much higher than that of the enormous enterprises. In most of the economies, three fourth of the total employment is generated by MSME and also contribute to the major share of industrial production and exports.

(Ahmed, 2019) : MSMEs are the important pillar of sustainable development and creates economic growth, employment prospects, poverty elevation and reduces inequality, as they act as engines of economic growth, promotes balance growth and achieve sustainable development . They has achieved the highest employment growth rate and therefore fosters for more industrial development and high exports.

(Srivastava, 2020) : The Micro, Small and Medium enterprises (MSME) sector is considered to be the most dynamic sector of Indian economy and acts as driving force for development. MSME helps in generation of Entrepreneurship and contributes to the second largest employment opportunities . MSME generates employment for about one hundred eleven million people and contributes in a significant way to the development of the Indian economy

(Anis Ali, 2014): The MSME'S sector also attracts foreign investment and technology .The employment is more possible through the development of MSME'S. When the MSME are encouraged in the rural area , it reduces the migration of rural youth to the urban areas which helps in achieving balance growth of the economies and thus helps in employment prospects .In turn customer expectations can also be satisfied.

(Kumar, 2017): MSMEs provide employment opportunities and also helps in the process of industrialization in rural areas, simultaneously reducing the unequal income distribution among the residents. The MSMS has significantly contributed to developing the Indian economy through Low investment , use of domestic raw material, flexible operational process and technology oriented enterprises.

Objectives Of The Study :

1. To study employment opportunities in MSMEs sector in Indian economy.
2. To study the current status & growth of MSMEs in India,
3. To study the impact of establishment of MSMEs in India and employment opportunities

Research Methodology:

The study is based on secondary data, which has been collected from various secondary sources such as annual reports of MSME, publication of Ministry of Micro, Small and Medium Enterprises, journals, Government of

India. Collected data has been presented in a tabular form and interpretation has been made on the basis objective cited above.

Overview of MSME Activities and Employment status in the MSME Sector

As per the National Sample Survey (NSS) 73rd round, conducted by National Sample Survey Office, Ministry of Statistics & Programme

Implementation, below is the tabular form of data collected and interpretation on the basis of MSME activity wise ,category wise ,employment sector wise and State-wise Analysis of Estimated Number of Enterprises and Employment provided by MSME.

Given below table indicates distribution of MSMEs activity wise

**Table No.1 : The distribution of MSMEs activity wise
Source: MSME Annual Report 2017-18**

Activity Category	Estimated Number of Enterprises (in lakh)			Share %
	Rural	Urban	Total	
Manufacturing	114.14	82.50	196.65	31
Trade	108.71	121.64	230.35	36
Other Services	102.00	104.85	206.85	33
Electricity	0.03	0.01	0.03	0
All	324.88	309.00	633.88	100

Above table shows estimate number of MSMEs in Manufacturing, Electricity, Trade and Other Services. Manufacturing activities in rural area was highest with 114.14 and lowest in Urban areas with 82.50 with the total of 196.65 and the share was of 31 percentage. Similarly, in the Trade, rural area contribution was 108.71 and urban was

121.64 with the highest share of 36 percentage as compared to other categories. In Other Services, Rural area shows 102 and urban area shows 104.85 with a share of 33 percentages. Electricity shows a declined level.

Given below table indicates Distribution of Enterprises Category Wise

Table No. 2: Distribution of Enterprises Category Wise (Numbers in lakh)

Sector	Micro	Small	Medium	Total	Share %
Rural	324.09	0.78	0.01	324.88	51
Urban	306.43	2.53	0.04	309.00	49
All	630.52	3.31	0.05	633.88	100

Source: Annual Report 2017-18

Table 2 shows the distribution of Enterprises Category Wise (Numbers in lakh). It is revealed that Rural area have the highest 51 percentage share of enterprise in Micro 324.09, Small 0.78 and Medium 0.01 enterprise with the total of 324.88 out of 633.88 enterprises. Urban areas has the total share of 49 percentage of enterprises, which comprises of Micro 306.43 , Small 2.53 and little higher of Medium 0.04 with the total of 309 out of 633.88 enterprises, as compared with other areas.

Employment Generation MSME Sector (Activity Wise)

As per the National Sample Survey (NSS) 73rd round conducted during the period 2015-16, MSME sector has been creating 11.10 crore jobs in the rural and the urban areas across the country.

Given below table indicates Distribution of Employment in MSME Sector (Broad Activity Category wise)

Table No. 3: The distribution of Employment in MSME Sector (Broad Activity Category wise)

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

Source: Annual Report 2017-18

Above table shows estimate number of employments in MSMEs (manufacturing, Electricity, Trade, and Other Services). Employment generation in the Trade was the highest with total of 387.18 which comprised of Rural 160.64 and highest level of Urban 226.54 with a share of 35 percentages. Other Services generated total employment of 362.22, which comprised of rural 150.53 and urban 211.69 with

the share of 33 percentage which is the second highest level as compared to Manufacturing which generated about 360.41 employment (rural 186.56 and urban 173.86) with share of 32 percentage. Electricity shows the lowest level of employment generation as compared with others.

Given below table indicates Distribution of Employment in MSME Sector (Broad Activity Category wise)

Table No. 4 : Distribution of Employment in Rural and Urban Areas (Number in Lakhs)

Sector	Micro	Small	Medium	Total	Share (%)
Rural	489.3	7.88	0.6	497.78	45
Urban	586.88	24.06	1.16	612.1	55
All	1076.19	31.95	1.75	1109.89	100

Source : Annual Report 2017-18

The above table Reveals the distribution of employment in Micro, Small and Medium sector. Micro Enterprises provided highest employment of 1076.19 lakh persons(Rural area 489.30 and Urban areas with 586.88) that in turn accounts for around 96.96% of total employment in this sector. Small Enterprises provides employment of 31.95 lakh persons (Rural sector 7.88 and urban sector with

24.06) and has a shares of 2.88% . Medium enterprises provides employment of 1.75 lakh persons (Rural Sector 0.60 and Urban with 1.16) and has a shares of 0.16% persons of total employment in MSME sector, respectively.

Given below table indicates Sector wise distribution of workers (Gender wise)

Table No. 5 : Sector wise distribution of workers in Male and Female Category (Number in Lakhs)

Sector	Female	Male	Total	Share (%)
Rural	137.50	360.15	497.78	45
Urban	127.42	484.54	612.10	55
Total	264.92	844.68	1109.89	100
Share (%)	24	76	100	

Source : Annual Report 2017-18

The above table shows the sector wise distribution of workers in male and female category ,which reveals that out of 1109.89 lakh employees in MSME sector, male employees are the highest

with 844.68 (76%) and remaining 264.92 lakh (24%) are females.

Given below table indicates State-wise Analysis of Estimated Number of Enterprises and Employment provided by MSME

Table No. 6 : State-wise Analysis of Estimated Number of Enterprises and Employment provided by MSME

Sr. No.	State / Union Territory (U.T)	Number of MSMEs	Employment
		(in Lakh)	(in Lakh)
1	Andhra Pradesh	33.87	55.99
2	Arunachal Pradesh	0.23	0.41
3	Assam	12.14	18.15
4	Bihar	34.46	53.07
5	Chhattisgarh	8.48	16.86
6	Delhi	9.36	23
7	Goa	0.7	1.6
8	Gujarat	33.16	61.16
9	Haryana	9.7	19.06
10	Himachal Pradesh	3.92	6.43
11	Jammu and Kashmir	7.09	10.88
12	Jharkhand	15.88	24.91
13	Karnataka	38.34	70.84
14	Kerala	23.79	44.64
15	Madhya Pradesh	26.74	48.8
16	Maharashtra	47.78	90.77
17	Manipur	1.8	2.92
18	Meghalaya	1.12	1.91
19	Mizoram	0.35	0.62
20	Nagaland	0.91	1.77
21	Odisha	19.84	33.26
22	Punjab	14.65	24.8
23	Rajasthan	26.87	46.33
24	Sikkim	0.26	0.45
25	Tamil Nadu	49.48	96.73
26	Telangana	26.05	40.16
27	Tripura	2.11	2.95
28	Uttar Pradesh	89.99	165.26
29	Uttarakhand	4.17	6.6
30	West Bengal	88.67	135.52
31	Andaman and Nicobar Islands	0.19	0.39
32	Chandigarh	0.56	1.29
33	Dadra and Nagar Haveli	0.16	0.36
34	Daman and Diu	0.08	0.14
35	Lakshadweep	0.02	0.03
36	Pondicherry	0.96	1.84
Total		633.88	1109.89

Source: MSME Annual Report 2017-18 & NSS 73rd Round

In the above Table State/U.T. wise analysis of MSMEs is shown which reveals that out of 36 State/U.T, Uttar Pradesh has the highest number of Enterprises 89.99 lakh as well as Employment of 165.26 lakh people. Whereas West Bengal is the second highest number with 88.67 lakh Units and provides 135.52 lakh employments. While other States/U.T shows less numbers of MSMEs as well employment status.

[6]. Annual Report of MSME -2017-18

III. CONCLUSION:

1. The available literature and data shows that, MSME sector has grown continuously with the passage of time and has helped in promoting employment opportunities for the youth of rural and urban India.
2. MSME's has ultimately encouraged entrepreneurship and has tried to bring in sustainable development of the economy as a whole.
3. Most of the MSME's utilize domestic available natural resources, which assist Indian economy to achieve its regional balanced growth.
4. As per available data, MSME's are creating more employments per unit and requires more attention, which will help India to become more powerful economic nation.
5. The future of MSME sector in India is bright as it generating more employment opportunities and also helps Government to minimize other macro economic problems like poverty, unequal growth, inflation, large budget deficits and balance of payment.

REFERENCES:

- [1]. Ahmed, A. (2019). MSMEs: It's Role in Sustainable Development in India. Journal of the Gujarat Research Society .
- [2]. Anis Ali, 2. H. (2014). MSME'S IN INDIA: PROBLEMS, SOLUTIONS AND PROSPECTUS IN PRESENT. International Journal of Engineering and Management Science .
- [3]. Dr.K.Vetrivel2, R. S. (2018). DEVELOPMENT OF MSMEs IN INDIA . Review Of ReseaRch , 1-6.
- [4]. Kumar, V. (2017). An Analysis of Growth of MSMEs in India and Their contribution in Employment and GDP of the country. International Journal of Interdisciplinary and Multidisciplinary Studies .
- [5]. Srivastava, D. S. (2020). Role of MSME Sector in Indian Economy: A Study with special reference to Gujarat. Pacific Business Review International .