

# CONTRIBUTION OF SMALL AND MEDIUM ENTERPRISES TO EMPLOYMENT GENERATION IN WESTERN MARATHWADA

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## ABSTRACT

Small and Medium Enterprises (SMEs) are universally recognized as essential drivers of inclusive economic development, innovation, and job creation. In developing economies like as India, their function is particularly vital in mitigating regional inequities and providing decentralized employment opportunities. This study examines the Western Marathwada region of Maharashtra, which includes the districts of Aurangabad, Jalna, Beed, and Parbhani, an area characterized by industrial promise yet frequently overlooked in policy discussions. This research aims to analyze the extent, magnitude, and influence of SMEs on employment creation in the region, specifically within non-agricultural sectors including manufacturing, services, and agro-based businesses. A mixed-method approach was employed to gather data from 120 SMEs via structured interviews and questionnaires, augmented by secondary data from governmental and institutional sources. The results demonstrate that SMEs account for roughly 48% of total employment in the region's non-agricultural industries. Manufacturing SMEs exhibited the greatest employment flexibility, succeeded by service and agro-based sectors. Furthermore, the research underscores that SMEs are vital in advancing women's employment and accommodating semi-skilled rural adolescents. Nonetheless, obstacles such as restricted access to credit, insufficient infrastructure, and talent deficiencies endure.

The analysis yields pragmatic policy recommendations, such as the formation of SME support clusters, enhanced access to affordable financing, infrastructure enhancements, and specialized skill development initiatives to bolster the sustainability and scalability of employment via SMEs in Western Marathwada.

**Keywords:** Small and Medium Enterprises (SMEs), Employment Generation, Western Marathwada, Regional Development, Manufacturing Sector, Service Sector, Agro-based Industries, Skill Development, MSME Policy

## I. INTRODUCTION

Small and Medium Enterprises (SMEs) are fundamental to the Indian economy, making substantial contributions to gross domestic product (GDP), industrial output, exports, and, most importantly, job creation. The Ministry of Micro, Small & Medium Enterprises (MSME) reports that SMEs account for over 30% of India's GDP and employ over 110 million individuals nationwide. These firms serve as essential components in regional economies, significantly contributing to the mitigation of income disparities, the promotion of entrepreneurship, and the facilitation of economic decentralization.

In semi-urban and rural regions such as Western Marathwada, encompassing the districts of Aurangabad, Jalna, Beed, and Parbhani, small and medium enterprises (SMEs) are notably vital. The region is characterized by disparate industrialization, agricultural hardship, and few formal work prospects. In this socio-economic setting, SMEs serve as significant catalysts for inclusive growth by offering various job opportunities, particularly for semi-skilled and unskilled workers.

Western Marathwada possesses strategic significance owing to its proximity to industrial corridors like the Delhi-Mumbai Industrial Corridor (DMIC) and its availability to both natural and human resources. Cities such as Aurangabad have exhibited indications of industrial clustering, especially in the sectors of auto components, pharmaceuticals, textiles, and food processing. Nonetheless, the ancillary advantages of employment have not been evenly allocated throughout the region. Jalna and Beed predominantly rely on agriculture and traditional minor enterprises, whilst Parbhani continues to contend with structural employment deficiencies.

Notwithstanding the recognized significance of SMEs, there exists a paucity of empirical studies explicitly examining their role in employment generation within Western Marathwada. Policy discussions and academic research predominantly concentrate on metropolitan industrial centers, frequently neglecting the dynamics of smaller regional economies where SMEs serve as vital support for local communities. Comprehending the function of SMEs in various domains is crucial for devising region-specific strategies focused on sustainable development and employment generation.

This study work seeks to address the significant knowledge deficiency by examining the kind and magnitude of employment created by SMEs in Western Marathwada. The research examines industry disparities, demographic employment trends (including youth and female involvement), and the variables that facilitate or obstruct the employment potential of SMEs in the region. The article employs a mixed-methods approach, integrating primary field data and secondary reports, to offer informed insights and actionable policy recommendations aimed at enhancing the SME ecosystem in Western Marathwada.

## II. LITERATURE REVIEW

Small and Medium Enterprises (SMEs) are widely acknowledged as significant drivers of economic development, especially in emerging economies. A multitude of studies, both international and domestic, have underscored the significant role of SMEs in job creation, poverty reduction, and regional advancement. This analysis consolidates essential findings from current literature and highlights deficiencies pertinent to the Western Marathwada region.

Beck et al. (2005) performed a cross-country analysis demonstrating that SMEs account for more than 60% of total employment in developing economies. The research highlighted that employment created by SMEs frequently acts as a safeguard against economic disruptions, particularly in economies characterized by elevated unemployment or underemployment. The research also emphasized that SMEs often utilize more labor per unit of capital than large firms, rendering them very effective in labor absorption.

Sidhu and Kaur (2012) examined the regional disparities in SME employment potential among several states in India. Their research determined that SMEs are essential in accommodating semi-skilled and unskilled workers, particularly in less industrialized regions. They indicated that local context, infrastructure, and the availability of human capital substantially affect SME performance and employment development.

Kalamkar (2016) conducted a comprehensive analysis of agricultural SMEs in rural Maharashtra, illustrating the transformation of the rural labor market by small firms in the food processing and related sectors. His studies indicated that such firms not only produce direct employment but also generate indirect opportunities in shipping, packaging, and local services. Kalamkar highlighted the capacity of agro-based SMEs to mitigate rural-urban migration by generating sustainable employment opportunities.

Deshmukh et al. (2018) examined the Aurangabad MIDC (Maharashtra Industrial Development Corporation) and determined that SMEs accounted for over 55% of industrial employment in the region. The research indicated that SMEs in this region exhibited enhanced productivity and employee retention when included into industrial clusters. It acknowledged obstacles with regulatory backing, land acquisition, and infrastructure constraints that impeded expansion.

Das (2011) addressed the obstacles encountered by Indian SMEs, including restricted access to capital, insufficient skilled labor, regulatory impediments, and technical obsolescence. He emphasized that job creation is closely associated with the capacity-building and competitiveness of small and medium-sized enterprises (SMEs).

Rao and Bhuvaneshwari (2019) investigated the gender aspects of SME employment and discovered that women-owned SMEs or women-friendly workplaces substantially enhanced female labor force participation, particularly in the textiles, tailoring, and food industries.

Soni and Patel (2020) analyzed SMEs in semi-urban India and determined that employment generation is influenced not just by business size but also by entrepreneurial orientation, market access, and government support initiatives such as PMEGP and MUDRA.

Gupta and Sharma (2021) emphasized the significance of digitization and technology adoption in enhancing SME operations and employment results. They observed that digitally empowered SMEs possess superior employment scalability and workforce training systems.

Although these studies collectively highlight the significance of SMEs in job creation, the majority concentrate on national-level statistics or urban-centric industrial areas. A research vacuum persists in comprehending the micro-level dynamics of SME-driven employment in places such as Western Marathwada, characterized by a distinctive blend of rural infrastructure, nascent industrial sectors, and agricultural reliance.

This research enhances the literature by providing empirical insights into the SME ecosystem in Western Marathwada, specifically examining employment trends, demographic inclusivity, sectoral variations, and local obstacles to SME growth. This study seeks to develop a more refined comprehension of the employment potential driven by SMEs in the region by synthesizing primary field data and current literature.

### III. RESEARCH METHODOLOGY

The research methodology delineates the systematic strategy employed to examine the role of Small and Medium Enterprises (SMEs) in employment generation within the Western Marathwada region. The study include its objectives, geographical scope, data sources, sampling methodologies, and analytical instruments employed for processing and analyzing the results.

#### 3.1 Objectives

The primary objectives of this study are:

1. To evaluate the role of SMEs in employment generation within the Western Marathwada region, particularly in non-agricultural sectors.
2. To analyze sectoral employment patterns among SMEs—comparing contributions from manufacturing, services, and agro-based industries.
3. To identify and examine the key challenges faced by SMEs in sustaining and expanding employment, including issues related to finance, infrastructure, policy support, and workforce skills.

#### 3.2 Study Area

The study was conducted in Western Marathwada, a sub-region of Maharashtra comprising four districts:

- Aurangabad: an emerging industrial hub with sectors like auto components, pharmaceuticals, and engineering.
- Beed: primarily agro-based with a growing base of micro-enterprises.
- Jalna: known for steel re-rolling mills and agro-processing units.
- Parbhani: largely agrarian, with emerging service-based SMEs.

This area represents a combination of developed industrial clusters and emerging rural enterprises, making it a suitable case for analyzing the diverse impact of SMEs on employment.

#### 3.3 Data Collection

To ensure robust and evidence-based insights, both primary and secondary data sources were utilized:

- **Primary Data:**

- Structured interviews and field surveys were conducted with 120 SMEs across the four districts.
- Respondents included owners, operational managers, and long-term employees to capture multiple perspectives on employment trends.
- A semi-structured questionnaire was designed to gather data on:
  - Workforce size and composition
  - Employment trends over the past five years
  - Gender and age distribution of employees
  - Seasonal vs. permanent employment
  - Challenges in recruitment, skill acquisition, and labor retention
- **Secondary Data:**
  - District Industrial Profiles (DIC Reports)
  - MSME Annual Reports by the Ministry of MSME (2020–2023)
  - Economic Survey of Maharashtra (2022–23)
  - Udyam Registration data and MUDRA loan disbursement records
  - Previous academic and government studies related to regional employment and industrial development

### 3.4 Sampling Technique

A stratified random sampling method was employed to ensure representative coverage across different sectors and geographies:

- The sample of 120 SMEs was stratified into three primary sectors:
  - Manufacturing (e.g., engineering, food processing, textiles)
  - Services (e.g., logistics, retail, hospitality, repair services)
  - Agro-based industries (e.g., oil mills, cold storage, food packaging)
- Within each sector, SMEs were randomly selected based on their active registration and availability of at least three years of operational data.
- Equal representation was maintained across the four districts (approx. 30 SMEs per district) to ensure regional balance in data interpretation.

### 3.5 Tools of Analysis

The collected data was analyzed using both quantitative and qualitative techniques, including:

- **Descriptive Statistics:**
  - Used to analyze the mean, median, and distribution of employment size, age and gender composition, and workforce tenure across SMEs.

- **Employment Elasticity Ratio:**
  - This was calculated to assess the responsiveness of employment growth to output or enterprise growth over a defined time period.
- **Chi-Square Test for Sectoral Employment Variation:**
  - Employed to determine whether there were statistically significant differences in employment generation among manufacturing, services, and agro-based SMEs.
- **Cross-tabulation and Trend Analysis:**
  - To identify patterns between enterprise size and employment stability (e.g., micro vs. small vs. medium units).
- **Qualitative Insights:**
  - Open-ended interview responses were thematically coded to extract key insights into challenges such as policy awareness, training gaps, and market access.

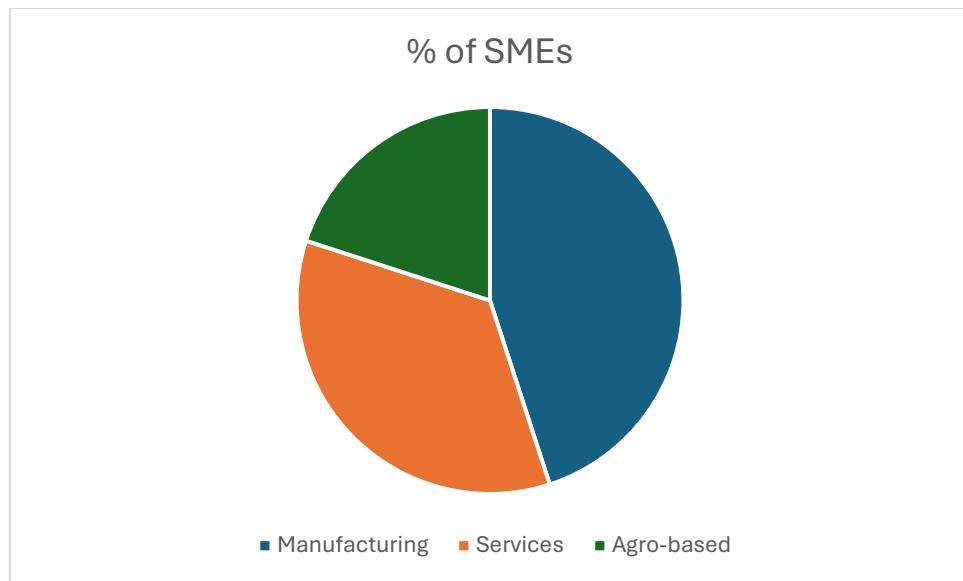
#### IV. DATA ANALYSIS

This section provides a systematic examination of data gathered from 120 Small and Medium Enterprises (SMEs) in four districts of Western Marathwada: Aurangabad, Jalna, Beed, and Parbhani. The analysis examines sectoral employment patterns, district-level comparisons, and emergent trends, accompanied by significant qualitative insights derived from the field survey.

##### **4.1 Sectoral Distribution of SMEs in the Sample**

The sampled SMEs were categorized into three major sectors: Manufacturing, Services, and Agro-based industries.

Sector	% of SMEs	Average Employees per Unit
Manufacturing	45%	12
Services	35%	8
Agro-based	20%	9



- **Manufacturing SMEs** formed the largest segment of the sample, covering sectors such as auto components, engineering goods, and fabricated metals.
- **Service SMEs** included retail units, repair services, logistics, and micro hospitality enterprises.
- **Agro-based SMEs** encompassed oil mills, food processing units, cold storage chains, and grain packaging services.

The average employment per unit was highest in manufacturing (12), reflecting a greater labor requirement in production and operations.

#### 4.2 Employment Contribution

- From the 120 SMEs surveyed, a total of 1,210 jobs were reported, comprising both permanent and contractual staff.
- The average employment per SME stood at 10.1 workers, indicating a substantial contribution to the local job market, especially considering the semi-urban and rural context of the region.
- **Highest employment levels** were observed in:
  - Food processing units (Agro-based sector), which tend to operate with seasonal yet intensive labor demand.
  - Auto ancillary firms (Manufacturing sector), which provide relatively stable year-round employment.
- The employment distribution also indicated a balanced mix of skilled (machine operators, supervisors), semi-skilled (assistants, drivers), and unskilled (helpers, packers) labor, which is critical in absorbing the diverse rural workforce.

#### 4.3 Regional Comparison

The data was analyzed district-wise to understand spatial differences in employment generation:

District	Average Jobs per SME	Notable Sectors
Aurangabad	11.2	Auto components, Pharmaceuticals
Jalna	10.5	Steel rolling, Agro-processing
Beed	9.3	Textiles, Agro-based industries
Parbhani	9.1	Oil mills, Small repair workshops

- Aurangabad stood out with the highest average employment per SME due to its better industrial infrastructure, connectivity, and skilled workforce availability.
- Jalna benefited from its industrial history in steel and grain trade but still lagged behind Aurangabad in diversified employment.
- Beed and Parbhani, while showing entrepreneurial activity, struggled with infrastructure and connectivity, affecting the scalability of their SMEs.

#### 4.4 Key Observations

Based on quantitative data and qualitative interviews, the following trends and issues were observed:

##### 1. Service Sector Labor Retention:

- SMEs in retail, hospitality, and repair services reported higher labor retention compared to manufacturing units, attributed to proximity to local markets, less physically intensive work, and flexible work hours.

##### 2. Women's Participation:

- A noteworthy 24% of employees across SMEs were women, primarily concentrated in:
  - Tailoring units
  - Home-based food packaging
  - Retail outlets
- These units often provided more flexible schedules, enabling women especially homemakers to contribute to household income.

##### 3. Credit and Finance Constraints:

- A significant portion (over 60%) of SME owners cited difficulty in accessing formal credit, particularly for working capital and expansion.
- While schemes like MUDRA and PMEGP were known, bureaucratic delays and lack of documentation deterred full utilization.

##### 4. Skilled Labor Gaps:

- Employers frequently mentioned a shortage of skilled labor, especially in technical trades like welding, CNC machine operation, and digital inventory management.

- This gap directly impacted productivity and limited business expansion opportunities.

##### 5. Infrastructure Limitations:

- Unreliable electricity supply, poor road connectivity, and limited access to logistics support were repeatedly mentioned as bottlenecks.
- In districts like Beed and Parbhani, frequent power cuts led to operational downtime, especially in agro-processing units.

##### 6. Informality in Employment:

- Over 40% of the workforce was found to be informally employed (no written contracts or social security), reflecting a vulnerability in job security and benefits.

##### 7. Entrepreneurial Resilience:

- Despite challenges, many SME owners exhibited a strong entrepreneurial spirit, with plans to expand if given support in areas like skill training, easier compliance, and digitization.

#### V. CONCLUSION

This study's findings confirm that Small and Medium Enterprises (SMEs) are essential and irreplaceable in generating employment in the Western Marathwada region, which includes the districts of Aurangabad, Jalna, Beed, and Parbhani. These firms function as crucial sources of employment, especially in regions where large-scale industries are either nonexistent or have restricted presence. The industry has demonstrated notable efficacy in integrating semi-skilled rural youth, women, and low-income workers, thus fostering economic empowerment and regional social stability.

The survey indicates that SMEs create an average of 10.1 employment per firm, prominently in manufacturing, services, and agro-based sectors. These firms serve as both employment providers and skill incubators, delivering on-the-job learning chances for persons frequently lacking formal vocational training.

Nonetheless, despite their seeming promise, SMEs in Western Marathwada function under considerable limitations. These encompass:

- Restricted access to institutional finance, particularly for micro-enterprises that lack collateral or formal paperwork.
- Discrepancies in skills and deficits of technically skilled personnel, especially in industrial and digital sectors.
- Inadequate physical infrastructure, characterized by substandard roads, unreliable electrical supply, and insufficient supply chains, particularly in Jalna, Beed, and Parbhani.
- Prevalent informality in employment, with a significant percentage of workers lacking coverage under labor regulations or social protection programs.

Furthermore, despite the existence of initiatives such as MUDRA, PMEGP, and MSME cluster development programs, awareness and accessibility among grassroots entrepreneurs remain inadequate. A significant number of SMEs lack digital literacy or the administrative capability to manage intricate application procedures.

Targeted measures are necessary to fully harness the employment potential of SMEs in this region. These comprise:

- Establishing credit facilitation centers and streamlined lending processes designed for micro and small firms.
- Advocating for vocational and technical training initiatives tailored to the distinct requirements of local sectors.

- Enhancing MSME clusters through shared infrastructure, including common amenities, logistics hubs, and warehousing, especially in undeveloped districts.
- Improving digital literacy and compliance assistance, facilitating SMEs' access to e-markets, e-governance, and online banking.

Additionally, there is a necessity for policy consistency and localization. State and central government initiatives must be tailored to local conditions, and district-level industrial development plans should incorporate tactics particular to small and medium enterprises (SMEs). Cooperative engagement among industry groups, governmental bodies, financial institutions, and training agencies can foster a more robust and employment-abundant SME ecosystem.

In summary, SMEs in Western Marathwada serve as catalysts for social mobility and regional transformation, beyond their economic functions. Providing them with an appropriate combination of financial, infrastructural, and policy assistance can close the rural-urban job gap, reduce migration, and promote inclusive, sustainable development throughout the region.

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