

Employment Generation through MSMEs in India

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ABSTRACT

MSMEs in India have played a greater role in providing employment opportunities to urban and rural population over the five decades. In the recent past, MSMEs contribution to GDP is increasing rapidly and leading to a large employment force in the country. In this direction, this paper has highlighted the current status and trends of employment generation by MSMEs in India. In the end, this study concluded that MSMEs have immensely contributed in the generation of employment opportunities, particularly by Micro enterprises in rural areas. Moreover, Maharashtra, Tamil Nadu, Telangana, Rajasthan, Uttar Pradesh and Karnataka states have been instrumental in the provision of employment. At last, this study throws a light on the issues like access to better infrastructure in rural areas, access to technology and finance and also increasing the investment sharply to needy enterprises.

Keywords: *MSMEs, Employment Generation, Status of MSMEs, Govt. Schemes.*

Introduction

Micro, small and medium enterprises (MSMEs) have had a tremendous impact on the Indian economy over the five decades. When India had gained the independence which also led to a slower growth of small scale industries in the rural areas which are still a key employment provider next only to agriculture across the country. As the economy got prominence decade by decade through its various five year plans, schemes, programs and initiatives; this sector has been an instrumental and backbone of the country. At present, the MSMEs sector contributes a one third or 30 per cent to Indian GDP and having 40 per cent share to India's exports associated with 6.11 per cent of country's manufacturing. Meanwhile, the government had introduced a term through agreement as Micro, Small and Medium Enterprises in the year 2006. Till recently, the government of India has launched a number of schemes such as Credit Guarantee Scheme, Startup India, Standup India and Mudra Yojana, etc., in order to accelerate the growth of this sector at large. By understanding its importance, the United Nations General Assembly has designated June 27 as "Micro, Small and Medium Enterprises Day" to spread awareness of the massive contribution towards the fulfillment of the UN Sustainable Development Goals (SDGs).

Review of literature

Dr. Uma Pujar (2014): This article focused on the role of MSMEs in employment creation and also entrepreneurship at grass root level in the context of the Indian economy. This paper was made using secondary data. At last, this study concluded that the govt. should give the importance to micro-enterprises on account of a remarkable role in the Indian economy.

MS. Jyoti Sharma & MS. Guneet Gill (2016): This paper analysed the contribution of MSMEs relating to Indian economic growth and its current scenario as well. As such, secondary data was analysed for the descriptive study in the light of the objectives. Finally, this study pointed out that MSMEs emerging as a vibrant and dynamic part of the Indian economy in respect of its contribution to GDP, Industrial growth and exports as well.

Vinay Kumar (2017): This paper attempted to know the vital role of MSMEs in the provision of employment thereby meeting a target of inclusive growth in India. Thus, data for the study was collected from various secondary sources and this study concluded that MSMEs, particularly manufacturing and service sector played a greater role in contributing to GDP of the country.

Priyadarshani Zanjurne (2018): This article laid an emphasis on growth, performance and opportunities of MSMEs in India. In essence, this paper was an exploratory in nature and eighteen years of secondary data was used to understand the growth, challenges and govt. initiatives in promotion of MSMEs. Lastly, this study concluded that MSMEs contributes to generation of employment, output growth of manufacturing and exports to a greater extent.

Need for the study

Micro, small and medium enterprises (MSMEs) have a crucial role in the socio-economic development of India. In this way, generation of employment is a prerequisite for the overall progress of the country and MSMEs have been playing a multi-dimensional role, particularly employment opportunities in the world's fastest growing economy. Consequently, this study has undertaken on the perspective of understanding the current status of MSMEs and its state-wise employment generation trends in the country.

Objectives

To study the current status of MSMEs

To analyze the trend of employment generations of MSMEs

Methodology

The present study is a descriptive based on secondary data which has been collected from annual reports, research articles, bulletins and relevant websites. The collected data has been presented in the form of tables and figures. And interpretations have been made in the consideration of the objectives in the study.

- **Current status of MSMEs**

MSMEs have played a greater role in the generation of employment opportunities in the rural and urban areas of India. In this way, the following table throws a light on the number of enterprises and their classification as below

Table - 01: No. of MSMEs

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

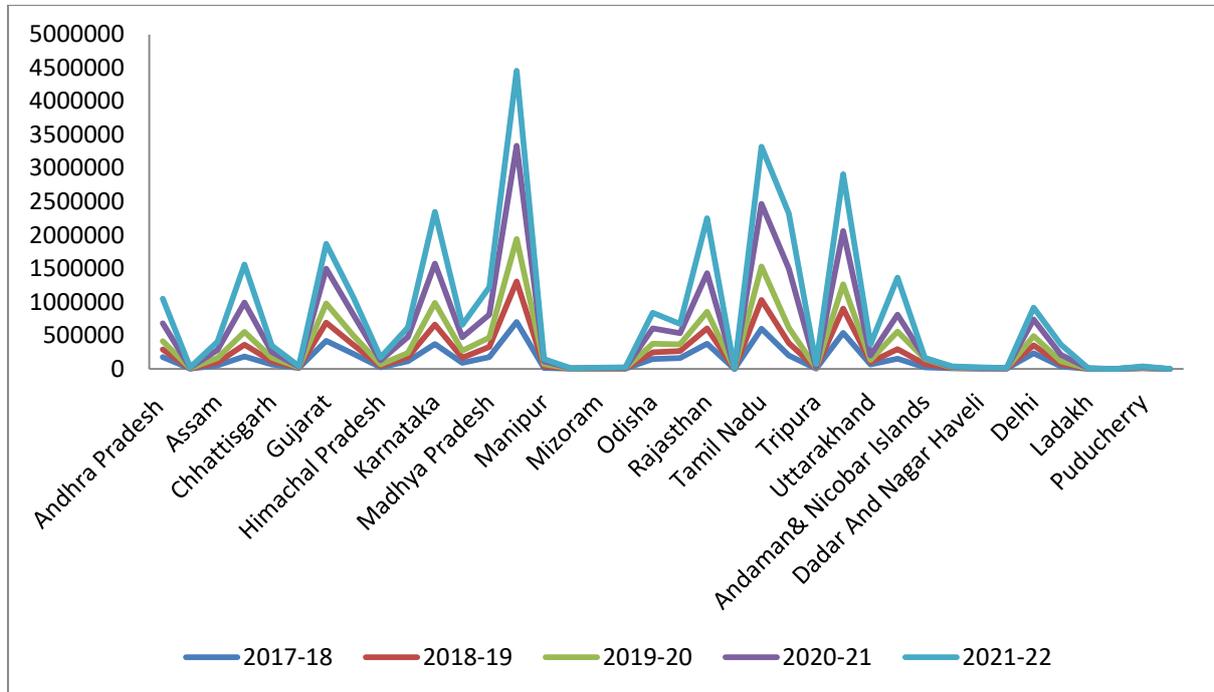
Source: MSMEs annual report 2021-22

Table 01 depicts the estimated number of enterprises in India. Thus, manufacturing enterprises are rapidly increasing compared to trade, other services and electricity in rural area. Whereas, trade related enterprises have had an increasing trend compared to other services, manufacturing and electricity in urban areas. Totally, trading enterprises which are combined of both rural and urban have shown the rising trends against other services, manufacturing and electricity which has a zero percentage share in the overall number of enterprises. Indian economy is massively depended on the rural area which is still a key employment provider accounting around 38 percent from agriculture sector. By realizing it, the government has brought in a several schemes such as MSMEs Development Act - 2006, PMEGP and Credit Guarantee Scheme for Micro and Small Enterprises (CGTMSE), etc., to harness the potentiality of rural population and it has taken the manufacturing sector to be dominant under MSMEs in the rural areas and trade related enterprises in urban India.

▪ **Trends of Employment Generation of MSMEs**

Indian economy is one of the fastest growing economies in the world as the country is getting prospered in terms of social, economic and technological development. Meanwhile, rising employment opportunities, particularly through MSMEs have been propelling the economy into a much progressive and vibrant globally.

Figure - 01: Trends of Employment Generation

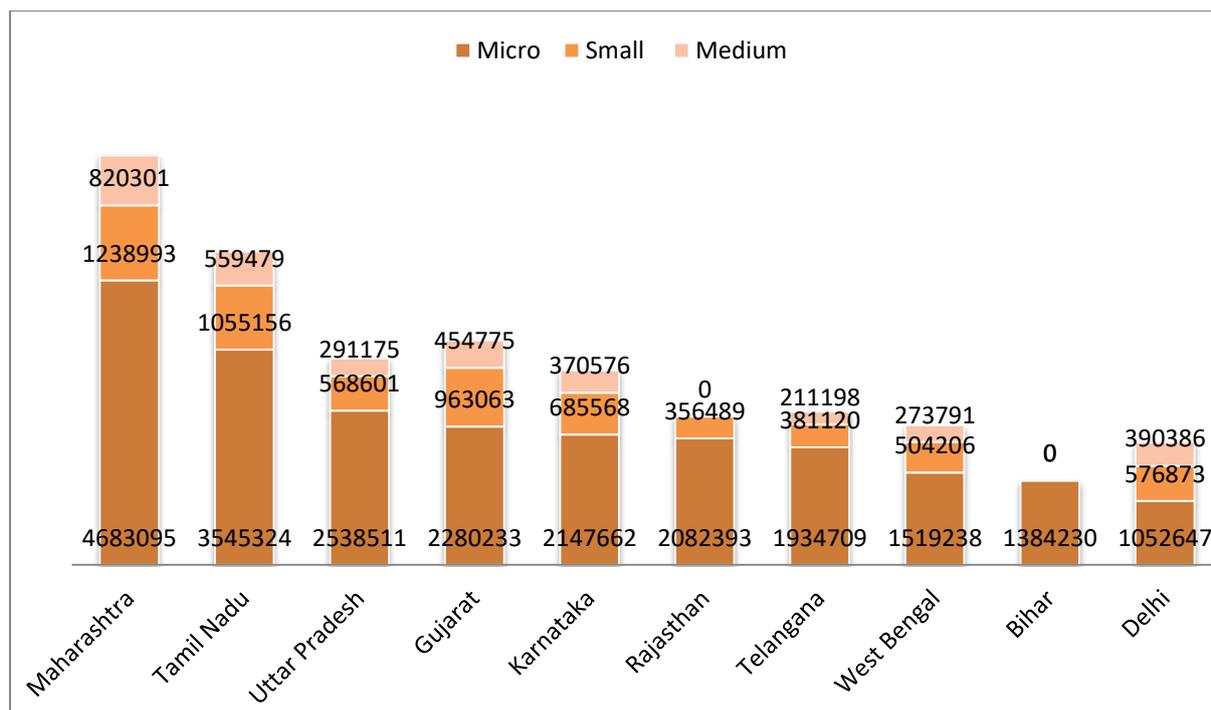


Source: <https://pib.gov.in/PressReleasePage.aspx?PRID=1805853>

Figure -01 shows that trends of employment generation by MSMEs in India. As such, the state of Maharashtra has the highest number of employment generation from 2017-18 to 2021-22 followed by Tamil Nadu, Uttar Pradesh and Telangana except in the year 2020-21 respectively. In contrast, Lakshadweep has the lowest employment generation in all the above mentioned years followed by a slight variation among Sikkim, Ladakh, Meghalaya and Daman & Diu, Andaman & Nicobar Islands respectively. Interestingly, Maharashtra has topped in the employment generation against other states like Tamil Nadu, Uttar Pradesh, Telangana, Rajasthan and Karnataka which are also keeping space with rapidly increasing trend of employment generation. On the other hand, geographically smaller states and Islands which have shown a little progress in employment generation. In the recent decade, the government of India has launched a numerous initiatives through a varied schemes to accelerate MSMEs in terms of access to finance, training, marketing which has tremendously impacted on the trends of employment opportunities, particularly in Maharashtra, Tamil Nadu, Telangana, Rajasthan, Karnataka and Uttar Pradesh, etc.

MSMEs have variedly located among states in India depending on the suitable infrastructure which has also caused some states keeping a faster creation of employment and other states are said to be having a lower performance. In this way, the following figure focuses on the classification of MSMEs and each of these having a greater share in escalating the employment generation in the country.

Figure - 02: Top ten states/UTs with highest number of employment (Micro, Small & Medium Enterprises)



Source: Bulletin of analysis of Udyam registration data, 2021

Figure -02 represents that top ten States/UTs with highest number of employment provided by Micro, Small and Medium enterprises. As such, Maharashtra state has the highest number of employed masses in the segment of Micro enterprises followed by Tamil Nadu, Uttar Pradesh, Gujarat, etc. Similarly, Maharashtra state has also the highest number of employees under Small enterprises followed by Tamil Nadu, Gujarat, Karnataka and Delhi respectively. In the case of Medium enterprises, Maharashtra state has again topped in the provision of employment followed by Tamil Nadu, Gujarat, Delhi and Karnataka respectively. In fact, Bihar and Rajasthan states have lagged behind in not giving employment to the masses under Medium enterprises. In the context of India, Some forward states which having a lion share to GDP of India have shown a remarkable progress towards providing employment to the masses in their regions thereby improving standard of living. In this direction, Maharashtra state has been instrumental in giving priority to MSMEs through a number of programs in respect of credit, skill development, infrastructure advancement, subsidies and marketing facilities followed by Tamil Nadu, Telangana, Rajasthan, Uttar Pradesh and Karnataka, etc.

Conclusion

MSMEs sector has become a backbone of the Indian economy as it contributes tremendously for the socio-economic development. In the developing economies like India, MSMEs have considerably increased and also changing the scenario of employment opportunities at large. In fact, MSMEs are being grappling with a multiple issues such as a lack of better infrastructure, inadequate access to technology and finance, especially in the rural areas where a huge investment needs to be ramped up along with the provision of Free Trade Agreement (FTA) to facilitate international trade for MSMEs business thereby enabling the economy to be developed from the lens of socio-economic, and inclusive growth.

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