

The Contribution of Micro, Small and Medium Enterprises to Employment and Growth in India

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ABSTRACT

The Micro, Small and medium enterprises of India is a significant driving factor for the growth of Indian Economy. MSMEs not only provide the employment opportunities but helps in the process of industrialization in rural areas simultaneously reducing the unequal income distribution among the residents. The MSMEs contribute significantly in the development of Indian economy through export production, domestic production, low investment requirements, operational flexibility, technology oriented enterprises etc. In India, after agriculture, small business is the second largest employer of human resources. In this study an attempt is made to investigate the growth and contribution made by Micro, Small and Medium Enterprises in India and the role of MSMEs in providing employment opportunities in India. The various constraints faced by these MSMEs in executing their operations have also discusses in this study.

Keywords: MSME, Employment, Growth,

I. INTRODUCTION

The Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. It contributes significantly in the economic and social development of the country by fostering entrepreneurship and generating largest employment opportunities at comparatively lower capital cost, next only to agriculture. MSMEs are complementary to large industries as ancillary units and this sector contributes significantly in the inclusive development of the country. The MSMEs are producing a wide range of products and services to meet demands of domestic as well as global markets. On an average this sector has almost 36 million units that provide employment to about 80 million individuals. This sector through the production of 8000 products contributes 8% to GDP of the country. The schemes & various initiatives of Ministry of MSMEs & other organisations seeks to provide the facilities such as adequate flow of credit from financial institutions/banks, Support for technology up-gradation and modernization, Integrated infrastructural facilities, Modern testing facilities and quality certification, Access to modern management practices, Entrepreneurship development and skill up gradation through appropriate training facilities, Support for product development, design intervention and packaging, Welfare of artisans and workers, Assistance for better access to domestic and export markets, and Cluster wise measures to promote capacity-building and empowerment of the units and their collectives.

The central and state governments focus to small-scale industries after independence. The Indian government took nearly fifty years to recognise the potential of micro, small, and medium enterprises (MSMEs) in boosting the nation's economy. In order to facilitate the thriving expansion of the MSMEs sector, the MSMED Act, 2006 was passed by Parliament on January 18, 2006, and a distinct Ministry of Micro, Small, and Medium Enterprises was established. In order to enhance the flow of credit to the MSME sector, the Reserve Bank of India moved quickly. Together, banks and NBFCs have made considerable strides to increase formal lending to MSMEs, with all of these loans being classified as Priority Sector Lending. However, the country's various regions have not had the same pace of expansion in the MSME sector.

Small and medium-sized enterprises manufacture a wide range of products and trade an equally wide range of products. The nation's MSME sector greatly boosts employment and the GDP of the nation. The majority of businesses in the nation are micro and small businesses, and their growth and expansion are attributed to the government's provision of job-related training and skills through a number of programmes that finance these businesses. The growth and diversification of MSME's provide new channels for the export of high-quality goods to other countries, which will generate foreign exchange opportunities to support the developing economies of those countries.

II. REVIEW OF LITERATURE

Srishiti Negi (2021), conducted research on the problems and contributions of MSMES: A case study of the highlands of Uttarakhand's Pauri District. The study examined into the role that MSMEs had in creating jobs in Uttarakhand's Pauri district as well as the problems and difficulties that the state's MSME sector faced. The results of the research showed that microenterprises (MSMEs) generate more jobs than small businesses in the Pauri district of Uttarakhand, both for men and women. These MSMEs faced a number of challenges, including arduous paperwork requirements, high transportation costs, poor road conditions, low demand, etc.

Meeravali S et al. (March 2017) study reveals that though MSME total working enterprises, employment and market value of fixed assets grown at CAGR of 4.39%, 4.75% and 6.64% respectively, the contribution from manufacturing and service sector MSME contribution to GDP is -1.53% and 1.82% respectively. Study also indicated that government had to adopt integrated policy, promote skill development to increase productivity and also providing accessible credit through government sponsored agency exclusively to MSME is essential to increase productivity and contribution to economic growth.

Srinivas, K. T. (2013) in his paper entitled Role of micro, small and medium enterprises in inclusive growth. MSMEs had termed as the engine for the growth of the Country. In the last few years, there had tremendous change in the national & State level for consolidating this sector. Poor infrastructure & lack of marketing linkages are the key reasons for the poor growth of the MSMEs in India. The support provided by the state as well as Central Govt. is not adequate for the upliftment of the MSMEs in India. Therefore the entrepreneurs in India & Govt. should take some initiatives for further-development of these MSMEs in India.

Ghatak Shambhu (2010), made a study on Micro, small and medium enterprises (MSMEs) in India: an appraisal. Study investigated that status of Indian MSMEs is better than its counterpart in Bangladesh & Pakistan. Results revealed that about 36% of Pakistani SMEs have bank accounts where as about 46% Bangladeshi's SMEs have Bank accounts. In comparison to them about 95% of Indian SMEs have their bank accounts. The study also showed that Indian Govt. should accelerate its initiatives to provide further support to these Small scale industries.

OBJECTIVES OF THE STUDY

1. To study the current status and growth of Micro and Small Scale Enterprises in India.
2. To examine the role of MSME's for India's employment generation.

RESEARCH METHODOLOGY

This study used secondary data which are collected from various secondary sources such as annual reports, department of MSMEs & various published articles. The data has presented in the form of table and interpretations have made in light of the objectives of the study.

III. RESULT AND DISSCUSSION

A. Growth and development of MSMEs

Table 1: Number of MSMEs (Activity Wise)

The MSMEs in India are playing a crucial role by providing large employment opportunities at comparatively lower capital cost than large industries as well as through industrialization of rural & backward areas, inter alia, reducing regional imbalances, assuring more equitable distribution of national income and wealth.

Activity Category	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	102.00	104.85	206.85	33
Electricity	0.03	0.01	0.03	0
All	324.88	309.00	633.88	100

Source: Ministry of MSME annual report 2020-21

The above table 1 reveals that as per the National Sample Survey (NSS) 73rd round, conducted by National Sample Survey Office, Ministry of Statistics & Programme Implementation during the period 2015-16, there were 633.88 lakh unincorporated non- agriculture MSMEs in the country engaged in different economic activities (196.65 lakh in Manufacturing, 0.03 lakh in Non-captive Electricity Generation and Transmission, 230.35 lakh in Trade and 206.85 lakh in Other Services)

Table2: Percentage share of rural and urban MSMEs in the country

Area	Rural	Urban	Total
No. of MSMEs	324.88	309	633.88
Percentage of MSMEs	51.25	48.75	100

Source: Ministry of MSME annual report 2020-21

It is inferred from the table 2 that 324.88 lakh MSMEs (51.25%) are in rural area and 309 lakh MSMEs (48.75%) are in the urban areas. MSMEs in rural areas are growing faster than in urban areas.

Table 3: Distribution of Enterprises Category Wise (numbers in Lakhs)

Sector	Micro	Small	Medium	Total
Rural	324.09	0.78	0.01	324.88
Urban	306.43	2.53	0.04	309.00
Total	630.52	3.31	0.05	633.88

Source: Ministry of MSME annual report 2020-21

It is inferred from the table 3 that the Micro sector with 630.52 lakh estimated enterprises accounts for more than 99% of total estimated number of MSMEs. Small sector with 3.31 lakh and Medium sector with 0.05 lakh estimated MSMEs accounts for 0.52 % and 0.01 % of total estimated MSMEs.

B. Employment in MSME Sector

Table 4: Estimated 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	150.53	211.69	362.22	33
Electricity	0.06	0.02	0.07	0
All	497.78	612.10	1109.89	100

Source: Ministry of MSME annual report 2020-21

It is observed from the table 4 that as per the National Sample Survey (NSS) 73rd round conducted during the period 2015- 16, MSME sector has been creating 11.10 crore jobs (360.41 lakh in Manufacturing, 387.18 lakh in Trade and 362.22 lakh in Other Services and 0.07 lakh in Non-captive Electricity Generation and Transmission) in the rural and the urban areas across the country

Table 5: Sectoral distribution of workers in Male and Female Category (in Lakh)

Sector	Male	Female	Total	Share (%)
Rural	137.50	360.15	497.78	45
Urban	12.42	484.54	612.10	55
Total	264.92	844.68	1109.89	100

Source: Ministry of MSME annual report 2020-21

It is observed from the table 5 that out of 1109.89 lakh employees in MSME sector, 844.68 (76%) are male employees and remaining 264.92 lakh (24%) are females. Rural female employees are 137.50 lakhs whereas rural male employees are 360.15. In urban area female employment is 127.42 whereas male employees are 484.54.

Table 6: Distribution of Employment in Rural and Urban Areas (Number in lakh)

Sector	Micro	Small	Medium	Total	Share (%)
Rural	489.30	7.88	0.60	497.78	45
Urban	586.88	24.06	1.16	612.10	55
Total	1076.19	31.95	1.75	1109.89	100

Source: Ministry of MSME annual report 2020-21

It is observed from the table 6 that out of 1109.89lakhs employees in MSMEs sector, 1076.19 are work in micro sector, 31.95 are work in small sector and 1.75 are work in medium sector. Percentage of rural

employment is 45% and urban employment is 55%. The rate of employment is higher in urban areas when compared to rural areas.

Challenges of MSMEs in India

1. Poor infrastructure-Though, MSME'S are developing so rapidly but their infrastructure is very poor. With poor infrastructure, their production capacity is very low while production cost is very high.
2. Unavailability of raw material and other inputs- For MSME's required raw material skilled work force and other inputs, which are not available in the market. Due to unavailability of these essentials, it is very difficult to produce the products at affordable prices.
3. Lack of credit from banks- The banks are providing on an average 50% total capital employed in fixed assets. The cost of credit is also high. Interest rates on MSME loans are between 8.65% to 16.25%.
4. Competition from multinational companies- In present era of globalization, the MSME'S are facing the great from the international manufacturing companies who are proving quality goods at cheapest price.
5. Lack of distribution of marketing channels-The MSME'S are not adopting the innovative channels of marketing. The ineffective advertisement and poor marketing channels leads to a very poor selling.
6. Lack of advanced technology-The owners of MSME'S are not aware of advanced technologies of production.
7. Lack of training and skill development program. The owners are not aware of the innovative methods of production. The skill developmental schemes conducted by the government are not sufficient.

Suggestions of the study

1. MSMEs in urban areas need to be improved to create more employment opportunities for the development of economy.
2. Opportunities must be provided to women in terms of employment and business both in urban and rural areas through proper training.
3. Government of India must take necessary steps to encourage medium enterprises too.
4. Bank credit and interest rates must be flexible according to the requirements of MSMEs.
5. Proper training must be provided to the MSMEs both in rural and urban areas in terms of technology and innovation.

IV. CONCLUSION

MSMEs sector play a crucial role in creating employment in India. The MSME sector in India is growing at good pace and provides employment opportunities to masses of the people. The contribution of Manufacturing Sector as well as Service Sector of MSMEs is significant to the total GDP of the Country. The Govt. of India has taken number of initiatives for gearing up the growth of Micro, Small & Medium Enterprises in the country. The Govt. of India is also making number of tie-ups and agreements with the NGOs, Governmental agencies as well as with the Universities for making it sure that proper implementation of Governmental policies for setting up of MSMEs.

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