

ROLE OF MSMEs IN EMPLOYMENT GENERATION IN INDIA

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Abstract

Micro small and medium Enterprises play significant roles in India by operating and establishing different categories of enterprises and industries of manufacturing products and services by the MSMEs sector, it promotes innovation of new ideas and products by entrepreneurs in urban or rural areas, This paper aims to see the impact of MSMEs in the creation of employment in India both rural and urban areas and see the impact of employment generation on economic growth, and contribution in GDP of the country, This paper is based on secondary data from the annual report of MSMEs, Rbi handbook and reviews of extensive papers, finding of this paper MSME helps to employment opportunities in different industries, MSMEs helps to develop rural areas with creating employment opportunities with own abilities and skill it helps to reduce migration rural to urban areas and it contributes to economy's GDP.

Keywords- MSMEs, Employment generation, Economic development

Introduction

The Micro Small Medium and Enterprise Development Act 2006 addressed the problems and challenges faced by MSMEs policy and it covered investment amounts and turnover amounts of manufacturing and service sectors. Micro, Small, and Medium-Sized Businesses are esteemed as the support of the nation's economy. produce employment opportunities, uplift the exports, and benefaction essential goods and services to the local place, the MSME sector is the backbone of the economic growth and development of a nation. The MSME sector is more important for economic development. "The MSME sector operates by limited capital and a limited amount of

investment in technology, generates a high number of job opportunities, creates high employment opportunities, and contributes notably to the Indian economy” (Mollick, 2018). This paper aims to explore how the MSME sector has contributed to society and creation of jobs and employment. The MSME sector has covered various domains of the industry to produce and render goods and services, and extensive studies have shown how MSMEs remarkably contribute to the Indian economy. India's Micro Small and Medium Enterprises are important to the Indian economy. Industry provides 30% of the GDP and 45% of all manufactured output, according to the MSME Businesses (2018). Over 110 million people are employed in the sector, is also contributes to 40% of India's exports. The MSME sector is an important part of the national economy, making a major contribution to GDP, job creation, and general economic expansion. Yet, the industry has several difficulties that impede its growth and development, such as restricted access to financing, weak infrastructure, and inadequate technological adoption.

Literature review

(Todaro,) Economic development is multidimensional and it is related to societal changes, societal development, and its behavior or attitude. MSMEs increase employment generation, help to develop nation growth through employment creation, it also help to reduce poverty in the nation. According to Muana (Economic development is measured by the national income of country or the GDP of a country, (GDP) means all goods and services produced in a financial year and it generates income and revenue for a nation..

MSMEs help to transform the nation by contributing to GDP through employment generation, it give more concern for nation growth, and government launched for it some initiatives and schemes to promote and growth of MSMEs and nation its help to reduce the poverty of nation through employment .(Shruti & Singh, 2016).MSMEs focuses on competition and globalize in a market through export of products and its help to MSMEs tackle the competition and take a advantage of external opportunities and also convert the threats into opportunities, it help to increasing the export of MSMEs products and services and earn foreign revenues. MSMEs help to make self reliant of people through employment and make handmade products and export of it in a global market because handmade product demand is higher in foreign markets According to Mollick (2018), MSMEs plays significant role in Indian economy it boosts the nation for development through establish MSMEs businesses, industries and it contribute to GDP, manufacturing industries contribute 30% of GDP and it exports the products generate foreign revenues for a nation , industries generate foreign revenues more than manufacturing sector it export approx. 45% of its products.(Ministry of MSME, 2018). MSMEs helps to reduce the poverty of developing countries through creates employment and it helps to foster growth of nation by export

of MSMEs products it reduce the trade deficit to earn foreign exchange. Ayyagari et al. (2011). MSMEs transform the economy or developing countries by generating employment in rural or urban areas and create entrepreneurship with innovative ideas of product and boost the economy by reducing the trade deficiency also by export of its products and earn foreign money but across over it MSMEs face various challenges like financial assistance, lack of transportation facilities, etc., several papers found that challenges of MSMEs like financial assistance, and poor infrastructure, face hindrances at the time of adoption of technology, power shortage, water management, transportation, warehousing facilities problem (Beck, Demiurgic-Kunt, & Peria, 2011; World Bank Group, 2018). Several hindrances face MSMEs like power supply, shortage of technologies, and financial assistance hindrance it create a problem to growth of MSMEs. (Pandit & Bhatnagar, 2014). MSMEs face obstacles because of technology it does not perform well at the time of competing with rival large industries (Abor & Quartey, 2010; World Bank Group, 2018). The government has launched several efforts to encourage and aid the expansion of the MSME sector. To help MSMEs with funding, technical support, and infrastructural needs, the government has put in place several policies and programs. The government has also established several institutions and organizations to aid in the sector's expansion. The Micro, Small and Medium Businesses Development (MSMED) Act of 2006 is an important step the government took to encourage the expansion of the MSME sector The National Board of MSME Act. This act is also called the credit guarantee fund trust for MSMEs, and it regulates and monitors the policies and procedures of development programs to enhance the sector of Micro small and medium enterprises. Also, provide loans without Mortgage.

MSMEs also face a sizable obstacle in the form of financial access. The MSME sector has low investment and low technology, which makes it challenging for the sector to acquire loans from official financial institutions, claims Mollick (2018). it becomes more difficult for smaller enterprises to compete with larger enterprises because of a lack of appropriate financing options that obstruct the MSME sector's growth and development. Adopting new technologies is a challenge for the MSME sector as well. (Singh and Mehra (2017) claim that the MSME sector's inability to access contemporary technologies has an impact on its productivity and competitiveness. The authors contend that to increase their productivity and market competitiveness, MSMEs must adopt contemporary technologies. Technology has had a huge impact on India's MSME industry. The introduction of new technology has boosted MSMEs' competitiveness by raising productivity, cutting costs, and improving efficiency. Yet, due to elements including pricing, skill availability, and information access, MSMEs' adoption of technology differs. The government and other stakeholders have implemented several programs and policies to promote technology adoption and digitalization in the MSME sector. Notwithstanding these initiatives, there is still a considerable disparity between MSMEs with advanced and less advanced technologies. Thus, efforts to close this gap and promote technology-led growth for all MSMEs in India must continue.

According to India's MSME sector's performance evaluation, the industry has been expanding gradually and has a sizable amount of room to grow. The industry makes a sizable contribution to the nation's GDP and jobs. However, confront difficulties such as a lack of access to funding, technology, and experienced workers. To solve these issues and encourage the expansion of the MSME sector, the government, and other stakeholders have put up several programs and policies. Notwithstanding these initiatives, more must be done to boost the sector's performance, especially regarding aspects like innovation, productivity, and competitiveness. Industry may be able to make a greater contribution to the nation's economic growth and job creation with improved performance in these areas. Conclusion Therefore, it is essential to address these challenges and identify strategies for enhancing the growth and development of the MSME sector. The government and policymakers need to create an enabling environment for MSMEs by providing better access to finance, improving infrastructure, and promoting technology adoption. Furthermore, MSMEs need to adopt innovative business models and strategies to remain competitive and grow in a rapidly changing business environment. These strategies may include increasing productivity through process innovation, investing in new technologies, and developing new markets and products (Abor & Quartey, 2010).

Objectives

The major Objectives of the Research paper are as under:

To study the role of MSME in employment generation.

To study the relationship between employment generation and contribution to GDP.

To compare the role of MSMEs in employment generation between rural and urban areas.

Methodology

This paper is based on secondary data and a descriptive nature. I have collected secondary data from journals, reports, the annual report of MSMEs, the Rbi handbook statistics website, etc.

Category-wise Enterprises of MSMEs

(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 of MSME 2022-23)

According to this table, the total micro enterprises established 630.52 lacks Out of rural areas micro-enterprises are 324.09 lakh or urban 306.43lakh enterprises are established, and a total number of small enterprises is estimated at 3.31 lakh in urban areas 2.53 lakh in rural areas 0.78 lakh and estimated medium sector 0.05 lakh out of 0.1 in rural areas and urban areas 0.04 lakh., so it means micro sector generated more employment than small and medium sector,630.52 lakh micro sector enterprises are set up across more than 99% are MSMEs. Small sector enterprises are 3.31 lakh. and medium sector Enterprises 0.5 lakh approximately 0.52% belong small sector and 0.01 % belong medium sector of MSMEs. The total number of MSMEs is 633.88 out of 324.88 lakh MSMEs in rural areas approximately (51.25%) refers in rural areas and 309 lakh MSMEs approximately in percentage 48.75% refer in Urban areas, and it automatically shows if it creates jobs and people earn by it so it spend in the economy to purchase and sell the good by earning money so it automatically contribute in countries GDP

Number of MSMEs Activity-wise

| Activity category | Number of Enterprises | | | |
|-------------------|-----------------------|-------|--------|---------|
| | Rural | Urban | Total | Share % |
| 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 Service | 102.00 | 104.85 | 206.85 | 33 |
| All | 324.88 | 309.00 | 633.88 | 100 |

(source annual report of MSME 2022-23)

Activity wise total number of MSMEs in rural areas is 324.88 under the manufacturing sector 114.14, electricity 0.03, trade 108.71, and other services 102.00, in Urban areas total number of MSMEs is 309.00 manufacturing sector is 82.50, electricity 0.01, trade 121.64, other services 104.85, Activity wise total number of manufacturing sector 196.65, Electricity 0.03, trade 230.35, total number of other services enterprises is 206.88, maximum number of enterprises setup under the Trade activity 230.35 and least number of enterprises setup under the Electricity sector 0.03. and it is clear if enterprises are open in the different sectors so its creates employment opportunities in these sectors and those sectors also help to develop by contributing to the GDP of a country

Table Employment Created In MSMEs

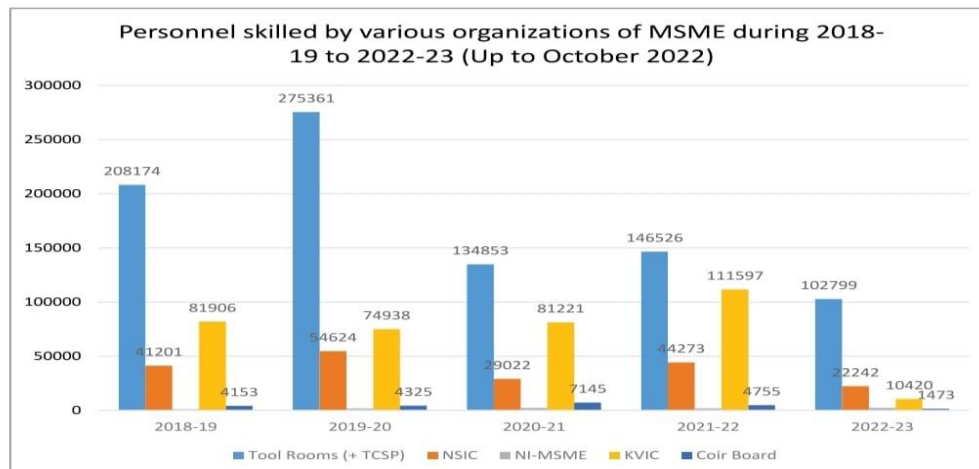
| year | Number in lakh |
|---------|----------------|
| 2016-17 | 40.08 |
| 2017-18 | 3.87 |
| 2018-19 | 5.87 |

| | |
|---------|------|
| 2019-20 | 5.33 |
| 2020-21 | 5.95 |
| 2021-22 | 2.90 |

(source PIB Ministry of MSME)

As per the round of 73 NSS surveys ministry of Statistics number of persons employed by 11.10 crores by MSMEs under the Prime Minister Employment Generation Program, this table shows employment generation opportunity in 2016-17 40.08 lac, 2017-18 3.87 lac, 2018-19 shows 5.87 lac, 2019-20 5.33 lac, 2021-22 5.95 lac, last but not least 2021-22 shows employment opportunity 2.90 lac this continuously fluctuates in first year 2016 is 40.08 lac but after it goes down and then again it rises 2018 to 2021 but again its come to fluctuate and goes down in 2021-2022, 2.90 lac.

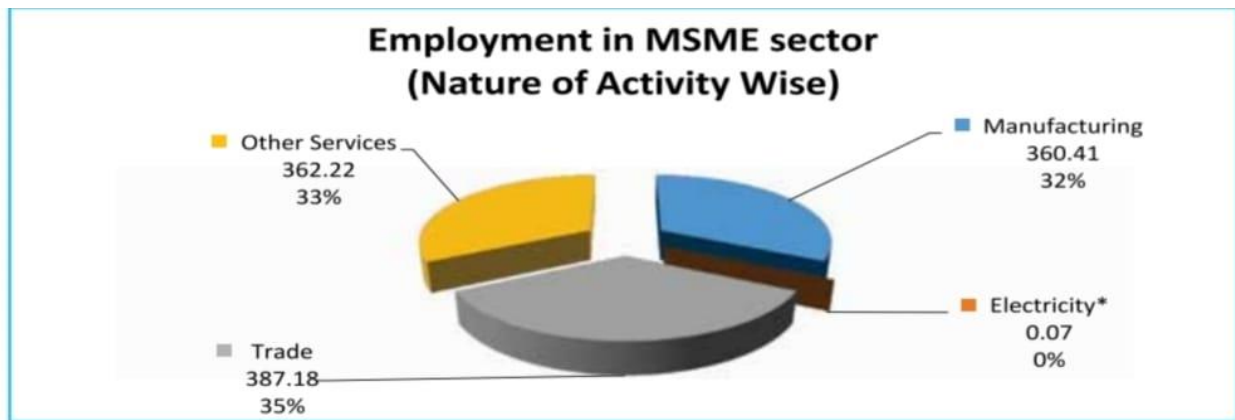
Diagram Progress of skill development through an organization under the ministry



(source Annual report of MSME 2022-23)

Institutions organization under the Ministry of Government provide skills and training to youth to develop the skills and abilities for earning wage employment and self-employment. These training institutes increment the skills and abilities of already existing entrepreneurs to enhance the skill power of the entrepreneur and their performances, The Government establishes some Institutions for training for SC ST hub, coir Vikas Yojana, etc. These training Institutes help to enhance the skills and potential of youth to set businesses at smaller levels, create jobs for unemployed people or create employment opportunities in rural or urban areas and this skill and abilities also help to reduce migration in rural to urban.

Diagram Employment of MSMEs sector-wise



(source annual report of MSME 2022-23)

This diagram show Employment in rural-urban areas activity-wise out of a total number of employment is 1109.89 lakh and under the manufacturing sector employed 360.41 under the electricity sector 0.07, and the trade sector gave employment in rural-urban areas 387.18 or other services showing employment 362.22 in rural-urban areas, least number of employment generated by Electricity sector and maximum number of employment generated by Manufacturing sector, if maximum number of employment generated by manufacturing sector it means its contribution in higher in countries GDP.

Distribution of employment by types of rural-urban areas (lakh)

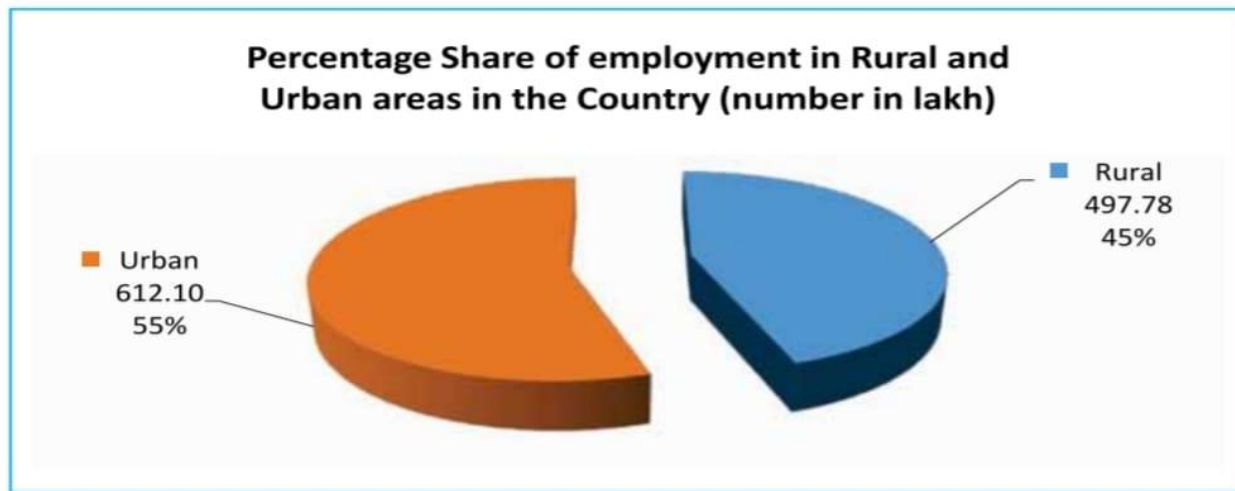
| sector | Micro | Small | Medium | Total | Share |
|--------|-------|-------|--------|-------|-------|
| | | | | | |

| | | | | | |
|-------|---------|-------|------|--------|-----|
| Rural | 489.30 | 7.88 | 0.60 | 497.78 | 45 |
| Urban | 586.88 | 24.06 | 1.16 | 612.10 | 55 |
| All | 1076.19 | 31.95 | 1.75 | 110.89 | 100 |

(source annual report 2022-23)

According to this table total estimated micro sector is 630.52 lakh and its provided total number of employment is 1076.19 percent 97 % of employment is given by the micro sector and the small sector is 3.31 lakh its produce employment 31.95 lakh approximately 2.88% employment given to by small enterprises and medium enterprises estimated 0.05 lakh it give employment 1.75 lakh (0.16%) person employed by medium sector.

Percentage of employment rural and urban areas



This graph shows the estimated total number of MSMEs in rural areas 324.88 it gives employment 497.78, approx. 489.30 belongs to the micro sector, in the small sector 7.88 employment produced and 0.60 employment generated by the medium sector, in the share of 45% of employment production covered by rural areas. In urban areas total number of MSMEs is 309 lakh producing total employment of 612.10 lakh, in percentage (55%),

employment created by the micro sector is 586.88 lakh, 24.06 in the small sector, and medium sector 1.16 lakh people are employed. The MSME sector is the backbone of economic development through giving employment to unemployed people in rural or urban areas or helping to reduce migration from rural to urban areas despite this Urban areas have more employment generated comparison than rural areas.

Workers by Gender in rural-urban Areas

| 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 of MSME)

The total number of employees working in the MSME sector is 1109.89 with female employees working in 264.92 lacks (24%) and male employees working in the MSME sector (76%), In rural areas females working in 137.50 lakh and males working 360.15 and the total number of working employees in MSME sector of rural area 497.78 and the total number of employees working in Urban areas is 612.10 out of female employees is 124.42 lakh and male employees are 484.54 lakhs.

State wise employment

| Sl. No. | State/UT | Employment | | |
|---------|----------------------|---------------|---------------|----------------|
| | | Female | Male | Total |
| (1) | (2) | (3) | (4) | (5) |
| 1 | Andhra Pradesh | 21.01 | 34.98 | 55.99 |
| 2 | Arunachal Pradesh | 0.11 | 0.29 | 0.41 |
| 3 | Assam | 1.78 | 16.37 | 18.15 |
| 4 | Bihar | 4.79 | 48.26 | 53.07 |
| 5 | Chhattisgarh | 4.07 | 12.79 | 16.86 |
| 6 | Delhi | 2.41 | 20.59 | 23.00 |
| 7 | Goa | 0.41 | 1.20 | 1.60 |
| 8 | Gujarat | 13.71 | 47.44 | 61.16 |
| 9 | Haryana | 2.78 | 16.27 | 19.06 |
| 10 | Himachal Pradesh | 1.13 | 5.29 | 6.43 |
| 11 | Jammu & Kashmir | 1.50 | 9.37 | 10.88 |
| 12 | Jharkhand | 5.57 | 19.34 | 24.91 |
| 13 | Karnataka | 19.73 | 51.11 | 70.84 |
| 14 | Kerala | 13.77 | 30.86 | 44.64 |
| 15 | Madhya Pradesh | 10.13 | 38.61 | 48.80 |
| 16 | Maharashtra | 17.97 | 72.77 | 90.77 |
| 17 | Manipur | 1.40 | 1.52 | 2.92 |
| 18 | Meghalaya | 0.72 | 1.19 | 1.91 |
| 19 | Mizoram | 0.28 | 0.34 | 0.62 |
| 20 | Nagaland | 0.59 | 1.18 | 1.77 |
| 21 | Odisha | 8.37 | 24.87 | 33.26 |
| 22 | Punjab | 4.24 | 20.55 | 24.80 |
| 23 | Rajasthan | 8.01 | 38.31 | 46.33 |
| 24 | Sikkim | 0.14 | 0.31 | 0.45 |
| 25 | Tamil Nadu | 32.27 | 64.45 | 96.73 |
| 26 | Telangana | 15.24 | 24.91 | 40.16 |
| 27 | Tripura | 0.44 | 2.51 | 2.95 |
| 28 | Uttar Pradesh | 27.27 | 137.92 | 165.26 |
| 29 | Uttarakhand | 0.69 | 5.91 | 6.60 |
| 30 | West Bengal | 43.51 | 91.95 | 135.52 |
| 31 | A & N Islands | 0.10 | 0.29 | 0.39 |
| 32 | Chandigarh | 0.12 | 1.17 | 1.29 |
| 33 | Dadra & Nagar Haveli | 0.07 | 0.29 | 0.36 |
| 34 | Daman & Diu | 0.02 | 0.12 | 0.14 |
| 35 | Lakshadweep | 0.01 | 0.02 | 0.03 |
| 36 | Puducherry | 0.57 | 1.27 | 1.84 |
| | ALL | 264.92 | 844.68 | 1109.89 |

(source annual report)

According to this table maximum number of employment generated by Uttar Pradesh clearly means the maximum number of MSMEs are registered in Uttar Pradesh, The total number of employment generated by it 165.26 out of female employees are 27.27 and male employees are 137.92. the second highest number of employment generated by West Bengal total number of employment generated in West Bengal is 135.52 out of male employees working are 91.95 and females working are 43.51, and least number of employment generated by Lakshadweep its number of employment is 0.03 out of male is 0.02 and female is 0.01, so a maximum number of employment generated by Uttar Pradesh and West Bengal so basically these two countries contribution is higher in GDP.

Conclusion

In India MSME plays a vital role in developing countries almost 80% of employment is generated by the MSME sector it increases employment opportunities and boosts economic growth by contributing to the GDP and national income of a country it helps to alleviate the poverty in developing countries and through giving job opportunities with an opportunity of low investment in machines and capital for a businessman who operates a business at the lower level in rural or urban areas or give employment to unemployed people through MSMEs businesses it automatically boosts the economic development in India through employment and contributing to GDP and national income.

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