



# INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

## MICRO SMALL & MEDIUM ENTERPRISES AND EMPLOYMENT IN INDIA

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**Abstract:** MSMEs' significantly contributes in the growth and development of an economy. They not only facilitate employment at a lower cost but also boost industrialization. Consequently, regional imbalance reduces and ensures equitable distribution of income and wealth, by eliminating poverty and unemployment. Keeping in mind these benefits this study was conducted to identify significant annual growth in number of people employed in MSME in India. Data was analysed using simple regression. Findings of the study revealed that only 7 states/UTs i.e. Assam, Bihar, Nagaland, Sikkim, Telangana, West Bengal, and Jammu & Kashmir have shown significant annual growth in number of people employed. Whereas, two states/UTs i.e. Goa and Andaman and Nicobar Islands have shown an insignificant negative annual growth in employment.

**Keywords:** Employment, enterprises, growth rate, India, MSMEs.

### I. INTRODUCTION

Over the years **Micro, Small and Medium Enterprises (MSME)** emerged as a major contributing factor in the growth of an economy. They are essential for the development of every economy whether developed, developing or under developed. They help to overcome disparities to equitable development. MSMEs constitute more than 90 percent of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports.

Data given in the National Sample Survey (NSS) 73rd round, which was conducted by National Sample Survey Office, Ministry of Statistics & Programme Implementation during the period 2015-16, the number of unincorporated non- agriculture MSMEs' accounted for 633.88 lakh. MSME sector has been creating 11.10 crore jobs in the rural and the urban areas across the country. (Ministry of MSME(GOI), 2022)

The State-wise distribution of MSMEs show that 72% of these enterprises are in the top 10 States, namely, Uttar Pradesh, West Bengal, Tamil Nadu, Maharashtra, Karnataka, Bihar, Andhra Pradesh, Gujarat, Rajasthan and Madhya Pradesh. 49% of MSME are situated in urban areas and rest are 51% are situated in urban areas. Further, about 20.37% of MSMEs are owned by women and 79.63% are owned by male. (Ministry of MSME(GOI), 2022)

In India, MSME are heterogeneous in nature and includes manufacturing and service sector both. The definition of MSME varies from country to country which is based on number of employees, capital investment, annual sales turnover and amount of total assets in the firm. In Indian context the definition of these industries has been given under Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. MSME sector is classified in two categories; Manufacturing and Services. Earlier the limit of investment was different for manufacturing and service sector. Later the definition has been revised and which is applicable from 1<sup>st</sup> July 2020. The new definition not only includes investment in plant and machinery limit but limit to turnover has been included. The new categorization has been given in the table below:

Enterprise	Investment in Plant and Machinery or Equipments	Turnover
Micro	Upto ₹ 1 crore	Upto ₹ 5 crore
Small	Upto ₹ 10 crore	Upto ₹ 50 crore
Medium	Upto ₹ 50 crore	Upto ₹ 250 crore

The new definition has increased the financial limits for all three categories of industries. It is the second largest generator of employment after agriculture. They not only play an important role in providing employment at a lower cost compared to large scale industries but also helps in industrialization thus helps to reduce regional imbalance and helps to increase equitable distribution of income and wealth, by eliminating poverty and unemployment problems. The potential of these enterprises cannot be fully utilized due to various problem faced by these enterprises such as lack of finance, poor management, backward technology, lack of marketing facilities etc. Over the years various efforts have been made by central and state governments under different schemes to promote these enterprises. Specific efforts have been made to initiate specific scheme relating to employment generation i.e. Prime Minister Employment Generation Programme (PMEGP), Micro and Small Enterprises-Cluster Development Programme (MSE-CDP), Scheme of Fund for Regeneration of Traditional Industries (SFURTI), Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) and A Scheme for Promoting Innovation, Rural Industry & Entrepreneurship (ASPIRE). In this paper an effort is made to analyse the annual growth in employment among states and union territories in India.

## II. LITERATURE REVIEW

Following literature have been considered for the current study.

**Shelly et al. (2020)** found that there was a rising trend in the number of enterprises and people employed in MSME during the study period. 228.76 lakh people were provided green jobs during 2016-17. Green job generation capabilities of MSME have increased but at a slow rate. **Rajeevan et al.(2015)** found that MSME in 24 states in India have shown higher employment generation in unregistered sector compared with registered sector. Negative growth rate was found for Andhra Pradesh and Chhattisgarh for registered sector but positive growth rate for unregistered sector. Andhra Pradesh ranked first in providing employment in unregistered sector in MSME in India. Manipur, Nagaland and Mizoram were the bottom three states in relation to employment generation in unregistered sector. **Kumar (2020)** found that the MSME sector had shown a magnificent growth during the study period, consequently, positively contributing to the employment, production and export. The CAGR of all the variables were higher than the GDP rate. **Veena (2020)** found that there was an increase in the number of MSME over the years which will have significant impact on unemployment and poverty. Perfect positive correlation was found between working MSME and number of people employed. It signified that with increase in number of MSME there will be a positive hike in employment generation in India. **Jain (2014)** demonstrated that there is a growth in MSME sector in India. This growth has resulted into higher production and employment in the country. There was an increase in employment by 25.75% from 2006-07 to 2011-12. Uttar Pradesh ranked first in the

country by provide employment to the highest number of people. **Behera et al. (2017)** claimed that MSME sector have shown growth. With the growth in this sector the production, investment, and employment has been significantly impacted. This will ultimately contribute in the growth of Odisha.

### III. OBJECTIVE OF THE STUDY

To identify the annual growth in the employment in MSME among states and union territories in India

### IV. HYPOTHESIS OF THE STUDY

**H1:** There is a significant growth in the employment in MSME among states and union territories in India

### V. COLLECTION OF DATA

The data for the study has been gathered from the available sources i.e. research papers, government reports, websites, etc. Five yearly state/UT wise employment data has been collected from <https://pib.gov.in> (press release). Data represents the number of people employed in MSME that are registered on Udyam portal of the Ministry and incorporated in last five years i.e. 2017-18 to 2021-22.

### VI. ANALYSIS OF DATA

Data for the study has been analysed using simple regression, where employment has been used as a dependent variable and time has been used as independent variable. The regression equation is:

$$\ln EMP = \alpha + bt$$

Where,  $\ln EMP$  represents natural log of annual MSME employment,  $\alpha$  represents constant,  $bt$  represents beta coefficient of time.

**Table 1: Annual Growth in States/UT wise Person Employed in MSME**

State/UT	Beta Coefficient	t Stat (p.value)	f Stat (p.value)	R <sup>2</sup>	Growth Rate (Annual)
Andhra Pradesh	0.233	1.929 (.149)	3.721 (.149)	0.554	23.34
Arunachal Pradesh	0.170	1.181 (.323)	1.396 (.323)	0.318	16.99
<b>Assam</b>	<b>0.279</b>	<b>4.487 (.021)**</b>	<b>20.130 (.021)**</b>	<b>0.870</b>	27.86
<b>Bihar</b>	<b>0.317</b>	<b>3.587 (.037)**</b>	<b>12.685 (.037)**</b>	<b>0.811</b>	31.66
Chhattisgarh	0.133	1.559 (.217)	2.430 (.217)	0.448	13.31
<b>Goa</b>	<b>-0.009</b>	<b>-.081 (.941)</b>	<b>.007 (.941)</b>	<b>0.002</b>	<b>-0.93</b>
Gujarat	0.041	.429 (.697)	.184 (.697)	0.058	4.12
Haryana	0.114	.941 (.416)	.855 (.416)	0.228	11.41
Himachal Pradesh	0.242	1.935 (.149)	3.742 (.149)	0.555	24.20
Jharkhand	0.179	.976 (.401)	.953 (.401)	0.241	17.89
Karnataka	0.217	2.578 (.082)	6.645 (.082)	0.689	21.72
Kerala	0.242	3.052 (.055)	9.314 (.055)	0.756	24.16
Madhya Pradesh	0.253	2.442 (.092)	5.966 (.092)	0.665	25.33
Maharashtra	0.178	1.975 (.143)	3.901 (.143)	0.565	17.76
Manipur	0.207	2.318 (.103)	5.372 (.103)	0.642	20.69
Meghalaya	0.110	1.743 (.180)	3.038 (.180)	0.503	10.98
Mizoram	0.234	2.979 (.059)	8.873 (.059)	0.747	23.38

<b>Nagaland</b>	<b>0.376</b>	<b>7.031 (.006)**</b>	<b>49.434 (.006)**</b>	<b>0.943</b>	<b>37.61</b>
Odisha	0.178	1.967 (.144)	3.870 (.144)	0.563	17.79
Punjab	0.018	.196 (.857)	.039 (.857)	0.013	1.76
Rajasthan	0.248	1.782 (.173)	3.176 (.173)	0.514	24.83
<b>Sikkim</b>	<b>0.300</b>	<b>15.017 (.001)**</b>	<b>225.505 (.001)**</b>	<b>0.987</b>	<b>30.01</b>
Tamil Nadu	0.148	1.687 (.190)	2.845 (.190)	0.487	14.80
<b>Telangana</b>	<b>0.440</b>	<b>3.223 (.048)**</b>	<b>10.386 (.048)**</b>	<b>0.776</b>	<b>43.97</b>
Tripura	0.567	3.195 (.050)	10.207 (.050)	0.773	56.66
Uttar Pradesh	0.169	1.479 (.236)	2.187 (.236)	0.422	16.93
Uttarakhand	0.254	1.340 (.273)	1.795 (.273)	0.374	25.39
<b>West Bengal</b>	<b>0.315</b>	<b>3.851 (.031)**</b>	<b>14.831 (.031)**</b>	<b>0.832</b>	<b>31.55</b>
<b>Andaman And Nicobar Islands</b>	<b>-0.586</b>	<b>1.738 (.181)</b>	<b>3.020 (.181)</b>	<b>0.502</b>	<b>-58.60</b>
Chandigarh	0.038	.452 (.682)	.204 (.682)	0.064	3.81
Dadar And Nagar Haveli	0.006	.064 (.953)	.004 (.953)	0.001	0.62
Daman And Diu	0.059	.769 (.498)	.591 (.498)	0.165	5.89
Delhi	0.018	.160 (.833)	.026 (.883)	0.008	1.78
<b>Jammu And Kashmir</b>	<b>0.388</b>	<b>4.290 (.023)**</b>	<b>18.404 (.023)**</b>	<b>0.860</b>	<b>38.85</b>
Ladakh	0.194	2.171 (.118)	4.713 (.118)	0.611	19.36
Lakshadweep	0.508	2.899 (.063)	8.406 (.063)	0.737	50.78
Puducherry	0.126	.906 (.432)	.821 (.432)	0.215	12.59

Researchers' Compilation

From the data given in table 1 it is clear that out of all states and union territories in India only Goa and Andaman and Nicobar Islands have shown a negative annual growth in person employed in MSME. But they have shown an insignificant negative annual growth. Interestingly, only 7 other states/UTs i.e. Assam, Bihar, Nagaland, Sikkim, Telangana, West Bengal, and Jammu & Kashmir have shown a significant positive annual growth (at 5% level of significance) in person employed in MSME in India. Thus, hypothesis is supported for only 7 UTs/states in India. West Bengal and Bihar are amongst the states that are considered as top ten states based on the number of MSME registered. Thus we can say that the states and union territories in India differ from each other in relation to their employment generation capabilities.

## VII. CONCLUSION

Micro small and medium enterprises are essential for the growth of an economy. In a developing country like India these enterprises play an important role to uplift the economy as they helps to promote production, employment, income, removes regional disparities etc. To capitalize the benefits of these enterprises government is taking various steps through various schemes. Specific schemes have been initiated to promote employment in MSME. In this paper we have analysed the annual growth in employment in MSMEs'. Findings of the regression analysis have shown that only 7 states/UTs i.e. Assam, Bihar, Nagaland, Sikkim, Telangana, West Bengal, and Jammu & Kashmir have shown significant positive growth in employability. Whereas, two states/UT i.e. Goa and Andaman & Nicobar Islands have shown insignificant negative growth in employability. Future researcher can analyse the annual growth in relation to other important phenomena relating to MSME such as, production, exports, etc.

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