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## A study on role of SME's in employment generation

**Aarti Gupta and Arun Kant Gautam**

### Abstract

One of the key factors in a nation's economic development and growth is its entrepreneur population. Private business owners are left in charge of the small industrial sectors and businesses in a country like India with a mixed economic system. Small and medium-sized businesses are viewed as the economic engine for developing nations like India. Small and medium-sized businesses contribute to economic growth through producing jobs. In terms of Gross domestic product, employment creation, income distribution, rural development, poverty eradication, exports, and regional balance, it has made a substantial contribution to the overall growth. A person who innovates and brings about overall change by raising the standard of living for the benefit of society through investment and risk-taking is an entrepreneur.

With this study, an effort has been made to examine how MSMEs contribute to job creation across various Indian industries. The prime minister's policies for creating jobs are a major factor in the expansion of the MSME sector, and this study also emphasizes their significance. MSMEs are producing approximately 6000 different products in India, ranging from conventional goods to cutting-edge stuff. The newly registered MSMEs by the UDYAM are the primary subject of the current study. Based on descriptive research approach, the work employed secondary data. Several government publications, the SIDBI annual report, the MSME report for 2021-2022, and other sources serve as secondary data sources.

**Keywords:** Entrepreneur, entrepreneurship, employment, MSME

### Introduction

Small and medium-sized enterprises (SME) are crucial to India's economy. SME's are crucial in giving semi-skilled and unskilled people in India more employment opportunities while also advancing the government's Made in India initiative. The creation of jobs, maintaining regional balance, raising living standards, and utilizing local resources like capital and skills are the key goals driving the development of MSMEs. Since the 1950s, one of the primary methods used by emerging nations to advance their economies has been the promotion of small-scale companies. In addition to reducing poverty and unemployment, particularly in rural areas, SME's also help India achieve socioeconomic eminence.

The quality of human capital and human development activity are crucial for any country's progress, according to the 1980 World Development Report. Such employment generation requires less capital and has a lower cost of capital. This industry is expanding its reach across all areas of the economy and offers a wide range of goods and services. India is the largest SME market in the world and supports the economy with a contribution of around \$1 trillion. It has contributed over 36% of India's total industrial output, and by 2024, it is anticipated that this sector will have added over \$2 trillion to the Indian economy and supported the creation of 50 million new jobs.

It is estimated that in terms of value, the MSME sector accounts for about 45% of manufacturing outputs and 40% of the total exports of the country. An estimated 595 lakh people are employed across the nation's 261 lakh businesses. There are over 6000 products ranging from tradition to high-tech items, which are being manufactured by SME's in India.

### Objective of the Study

1. To research how MSME's contribute to the development of job opportunities.
2. To research different SME employment generating programs.
3. To research how MSME's affect national growth in general.

### Research and data collection methodology

1. The secondary data was gathered from [www.dcmsme.com](http://www.dcmsme.com), [www.msme.gov.com](http://www.msme.gov.com), and

www.timesofindia.com in order to fulfill the study's goal.

2. For data collection, journals are recommended.
3. We'll use a variety of Business publications, economic and political periodicals, books, etc.
4. The report emphasizes the importance of India's MSME sector in creating jobs and is based on the fourth census's MSME sector.

### Literature Review

According to Singh *et al* (2012) <sup>[8]</sup>, SSI sector has advanced well in terms of the quantity of SSI units, production, and employment level's analysis of the industry's performance. To increase SSI and hit growth targets, the report suggested the emergence of technology development and reinforcement of the financial infrastructure.

Goldar and Mitra (2013) <sup>[9]</sup> finds that The fact that informal sector units are unable to participate in the process of rapid general growth suggests that growth is not inclusive and that these businesses merely exist to supply means of survival; they appear to be completely lacking in dynamism. Because wages in the unorganized sector are already so low, Mitra and Pandey's (2013) <sup>[12]</sup> employment function estimate shows that employment can be increased by wage decrease. This could have an adverse effect on employees' wellbeing. However, it appears that neither subcontracting nor ancillarization is helping to create jobs in unorganized manufacturing or trade-related industries. The performance of micro firms is significantly influenced by credit availability.

Dehejia and Gupta (2021) <sup>[10]</sup> Financial availability causes employees to transition from informal entrepreneurship into formal employment, according to research that used randomized surveys of more than 1 million Indian families and predetermined district-level bank branch locations. This information points to a labor market mechanism wherein financial development promotes growth by moving employees from unproductive micro entrepreneurship into productive employment. MSME's are important in encouraging women to start businesses, yet they confront different and greater hurdles than males do.

Singh and Raina (2013) <sup>[11]</sup> described the issues and difficulties that women business owners in India confront, as well as analyzed the government of India's policies for women. The major goal of the study was to ascertain the situation of women entrepreneurs in India. According to the survey, more and more women are starting their own businesses in contemporary India, particularly MSMEs. It was also noted that Indian women have carved out a place for themselves in the world that is dominated by men. It also demonstrated how successfully Indian women can manage both their domestic responsibilities and their professional demands.

### Role of SME's in Employment generation

In order to create jobs and increase our nation's self-sufficiency, the MSME will play a key role. After agriculture, this industry creates the second most jobs. The state government is primarily in charge of promoting and fostering MSMEs. The state government also receives assistance from the Ministry of MSME and its organizations in order to promote entrepreneurship, create jobs, etc., and improve the performance of MSME in the currently evolving economic environment.

The low levels of registration in this industry are a problem for micro, small, and medium-sized firms (MSMEs), which offer significant employment prospects at lower capital costs than major industries. Me According to the 73<sup>rd</sup> National Sample Survey (2015-16), 111 million employment have been created in India's MSME sector, which consists of 63 million units.

Companies can register as MSMEs if their annual revenue does not exceed Rs 250 crore and their investment in plant and equipment does not exceed Rs 50 crore. By declaring itself an MSME, a business is eligible for government subsidies, quick loan approvals, lower electricity costs, and access to MSME clusters for the advancement of technology and skills.

According to recent data (December 2019), even if only 8.3 million MSME registrations-or 13% of all MSMEs-are made, these registered MSMEs generate 46.6 million (42%) jobs. Personal and professional services (10%), textile and clothing (9.4%), food and beverage (7.9%), wholesale and retail traders (6.6%), hotel services (6.4%), and other manufacturing firms (6.2%) are the top industries for registrations

The government is enticing more businesses to register as MSMEs because it recognizes that MSMEs have the potential to create significant employment opportunities, boost the GDP of the country, and contribute to exports. By creating a new portal called Udyam Registration, which suggests automated linkage with income tax and GST databases, a further simplification of registrations was recently promised.

### Prime Minister Employment Generation programs

The Prime Minister's Employment Generation Programme (PMEGP) will now run for a further five years, through FY26, with approval from the Ministry of Micro, Small, and Medium Businesses. The PMEGP would now be extended over the 15<sup>th</sup> Finance Commission Cycle for five years, from 2021-2022 to 2025-2026, with a budget of Rs 13,554.42 crore. In order to create jobs through the formation of microbusinesses in both urban and rural regions, the Indian government approved the introduction of the Prime Minister's Employment Generation Programme (PMEGP) in 2008.

It enables business owners to erect buildings or factories. The Ministry of Micro, Small and Medium Businesses is in charge of overseeing this central sector program (MoMSME). National Implementing Agency: Khadi and Village Industries Commission (KVIC), a statutory body under the Ministry of MSME's administrative supervision.

### Objectives of PMEGP scheme are listed below

**Possibilities for Job Creation:** To establish new microbusinesses, projects, and self-employment endeavors in order to generate work opportunities in both urban and rural sections of the country.

To bring together unemployed youngsters from rural and urban areas as well as widely dispersed traditional craftspeople, and to the extent possible, to offer them possibilities for self-employment close to where they are.

**Mass employment creation in many sectors:** To provide a sizeable number of the nation's traditional and aspiring artisans, as well as unemployed rural and urban youth, with ongoing and sustainable employment in order to stop rural

youth migration to metropolitan regions.

To increase the ability of craftspeople to make a living wage and to contribute to speeding up the creation of both rural and urban jobs.

### Features of Prime Minister's Employment Generation Programme

The most that can be spent on a project or unit is 25 lakhs in the manufacturing sector and 10 lakhs in the business/service sector.

Rate of Subsidy for Various Types of Recipients under the Prime Minister's Employment Generation Program (of project cost) (Project/Unit location) general category 15% (Urban), 25% (Rural), and 35% (Rural).

Special categories: 25% (Urban), 35% (Rural). (includes SC/ST/OBC/Minorities/Women, Ex-Servicemen, Physically Disabled, NER, Hill and Border areas, etc.).

The remainder of the project's total cost will be covered by the banks in the form of term loans and working capital.

### Employment by SME's

Estimated employment in the MSME Sector (activity-wise) MSME businesses have made a greater contribution to eradicating the economic problems of poverty and unemployment. It has been noted that during the course of the year, MSME has given male and female business owners, as well as residents of urban and rural areas, job possibilities in the manufacturing and service sectors.

In both rural and urban areas across the nation, the MSME sector has been creating 11.10 crore jobs, according to the 73<sup>rd</sup> round of the National Sample Survey (NSS), which was conducted in 2015-16. Of these, 360.41 lakh jobs have been created in manufacturing, 0.07 lakh in non-captive electricity generation and transmission, 387.18 lakh jobs have been created in trade, and 362.82 lakh jobs have been created in other services.

Table 1 displays the situation as it is. According to employment data from Table 1 in various industries, manufacturing offers more employment opportunities in rural areas than trading does, whereas MSME has created more employment opportunities in urban areas. In the service sector, the same situation has occurred.

**Table 1:** Estimated employment in MSME sector 2015-16

Sectors	Employment in Lakh			Share (%)
	Rural	Urban	Total	
Manufacturing Sector	114.14	82.50	196.65	31
Trade	0.03	0.01	230.35	0
Other services	108.71	121.64	206.85	36
Electricity	102.00	104.85	206.85	33
All	324.88	309.00	633.88	100

**Table 2:** Distribution of employment by type of Enterprise in rural and urban areas

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	1109.89	100

When it comes to analyzing the job opportunities in micro, small, and medium-sized firms in rural areas, it has been noted that metropolitan areas are significantly contributing to the development of employment in all three domains.

In the micro sector, which is projected to have 630.52 million businesses, 1076.19 million people were employed, making up around 97% of the sector's total employment. A total of 31.95 lakh (2.88%) and 1.75 lakh (0.16%) people are employed in the MSME sector by the small sector, which employs 3.31 lakh people, and the medium sector, which employs 0.05 lakh people.

**Table 3:** Distribution of workers by gender in rural and 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	

Table 3's analysis of male and female contributions in rural and urban areas shows that males received more work opportunities than women. According to the data, there are more men than women in both urban and rural areas. 844.68 (76%) of the 1109.89 lakh workers in the MSME sector are men, and 264.92 lakh (24%) are women.

### Registration of New MSMEs

According to government statistics, Udyam-registered MSMEs saw a significant growth in the number of employees during Covid. In fact, the number of individuals employed by MSMEs in FY21 had more than doubled from pre-Covid FY20 and was also much greater than the anticipated amount of employment losses in the sector due to the pandemic.

Moreover, in the previous five fiscal years, FY22 saw the highest employment rate.

According to information provided by the Minister of State for Small and Medium-Sized Enterprises, Bhanu Pratap Singh Verma, during the second half of the ongoing budget session of Parliament, 43,37,444 individuals were employed in MSMEs during FY20. This climbed by 106 percent to 89,53,149 in FY21 and by 4.9% to 93,94,957 in the most recent fiscal year, reaching its greatest level between FY18 and FY22. In FY18 and FY19, MSMEs employed 51,98,478 and 38,55,539 individuals, respectively. Up from 25 lakh up till March 2021, there are currently 77.35 lakh MSMEs registered on the Udyam platform.

The data on the number of businesses compared to the number of jobs created should have been provided by the government. According to appearances, the increase in registrations on the portal seems to be corresponding with the expansion in the number of individuals employed in FY21. Thus, this might not accurately reflect the quantity of new jobs generated. It's possible that the increase this year is related to the July 2016 addition of wholesalers and retailers into the MSME category. A spokesperson for the Federation of Indian Micro, Small, and Medium Businesses (FISME), Anil Bhardwaj, told Financial Express that MSMEs often employ fewer than two people annually.

In agreement with Bhardwaj, M. H. Bala Subrahmanya Professor at the Department of Management Studies, Indian Institute of Science - Bangalore. "During Covid, several MSMEs temporarily closed. Nonetheless, MSMEs resumed operations as limitations were loosened. The government had urged many existing and new MSMEs to register on the Udyam site in response to the recovery, and as a result, the total number of employees in these companies was reflected

in the data supplied by the government, the official added. As these MSMEs registered on the Udyam portal in 2020 rather than 2019, when the platform wasn't available, the number of persons employed increased automatically, Subrahmanya continued.

The top five states in terms of the number of people employed by their MSMEs during FY22 were Maharashtra, with 11.23 lakh, Tamil Nadu, 8.54 lakh, 8.47 lakh, Telangana, and Rajasthan, with 8.29 lakh, 8.29 lakh, and 8.20 lakh, respectively.

In order to increase the amount of jobs accessible in the country's MSME sector, Verma proceeded by stating that the MSME Ministry had implemented many schemes. 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 were some of these (ASPIRE).

However, various polls conducted after Covid suggested that the Covid impact on jobs in the MSME sector was due to lockdown-induced restrictions on business operations and mobility of individuals, including industrial workers. For example, according to a poll conducted last year by MSME organization Consortium of Indian Associations (CIA) on 81,000 self-employed individuals and SMEs via its 40 partner SME organisations, 59% of respondents decreased, dismissed, or terminated workers in FY21 compared to the pre-Covid period. Another poll conducted by the community social media site Local Circles, which included over 7,000 responses from MSMEs, startups, and entrepreneurs, found that 78% of MSMEs and startups reduced their employment between March and October 2020.

### Conclusion

Micro, Small, and Medium-Sized Businesses are given higher priority in order to achieve any economy's development objectives. Using cutting-edge technology can hasten industry development and assist in achieving goals. MSMEs play a significant role in the Indian economy since they create jobs without a lot of interference from the government. SMEs encourage both. Expansion in both the city and the countryside. In general, SMEs contribute to the Indian economy in the following ways: by creating jobs, lowering the poverty rate, closing the income gap between urban and rural areas, promoting regional development, increasing exports and production, etc. The Indian government's MSME-Ministry has taken the required steps to incorporate cutting-edge technology into MSMEs' commercial dealings. As the number of units and jobs created by these units increased during these years, so did investment in this industry. The MSME has the unique advantage of minimal investment and tremendous potential for job creation. The MSME sectors of the Indian economy are expected to prosper in the future. These businesses, which are labor-intensive and capitallight, aid in alleviating socioeconomic issues including unemployment, poverty, and regional inequalities.

The number of jobs total created by the MSME sector In India to date has not been updated, which is significant. The most current one was 11.10 crore jobs, according to the 73<sup>rd</sup>

round of the National Sample Survey (NSS), which was done between 2015 and 2016.

As a result, the MSME sector significantly contributes to GDP, employment creation, total exports, accomplishing SDGs, and green development, which in turn serve as the foundation of the Indian economics.

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