

# The Role of MSME in Growth of Employment in India

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## Abstract

*Micro, Small, Medium Enterprise is the backbone of Indian economy. The MSME plays a vital role in generation of employment opportunities. The MSME providing employment opportunities more than 6 crore people. And also it providing 65% share of employment in urban area and 45% in rural areas. The MSME are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global market. So this paper is an attempt to find out the role of MSME in growth of employment in India.*

*Keywords: MSME, Employment, Economy.*

## Review of Literature

**RashmiKhana,Dr.Satyendra.P.Singh (2018)**conducted a study on status of MSME in India .The collected data revealed that the performance of MSME is increasing as compared to the last years.

**Vinay Kumar(2017)**this paper titled An Analysis of growthof MSME in India and their contribution in employment and GDP of the country .This paper concluded that MSMEsector in India is growing at good pace and even is providing employment opportunities to masses of peopleand contribution of both sectors in significant to the total GDPof the country.

**Abdul Naser. V, (2013)**critically evaluated the contributions made by the micro, small and medium enterprises in the balanced growth of the Indian economy. The study says that since 55% of the total enterprise operates in the rural areas they promote inclusive growth and regional equity. They play a very important role in employment generation and contribute a commendable portion to the GDP, industrial production and export of the country. The paper also highlightsthe challenges faced by the sector and its need for structural support.

**Srinivas K T, (2013)**studied the performance of micro, small and mediumenterprises, their contribution in India's economic growth, identified the number of enterprises, employment in MSMEs and concluded that MSMEs play a significant role in inclusive growth of Indian economy.

## Introduction

MSME plays an important role in country's economic growth. The MSME help to reduce the imbalance in income, provide employment opportunities and also increase the living standards of the people. In the present scenario MSME has emerged as highly vibrant and dynamic sector of the Indian economy. The employment generation by MSME has shown a phenomenal growth and it is a powerful tools for employment creation.

### Objectives of the study

1. To understand the role of MSME in growth of Employment in India.
2. To know the economic growth of MSME.

## Methodology

To attain the research objectives,secondary data's are mainly used. The data's have been collected from published journals, various reports and official websites of relevant agencies.

## Data Analysis

### 1. Estimated Number of MSMEs in the Country

As per the National Sample Survey (NSS) 73<sup>rd</sup> round, conducted by National Sample Survey Office, Ministry of (Associate Professor), Department of Business Administration, Annamalai University, Annamalai Nagar.

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 (196.64 lakh in Manufacturing, 230.35 lakh in Trade and 206.84 lakh in other services and 0.3 lakh in Non-captive Electricity Generation and Transmission). Table 1.1 and Figure 1.1 shows the distribution of MSME activity category wise.

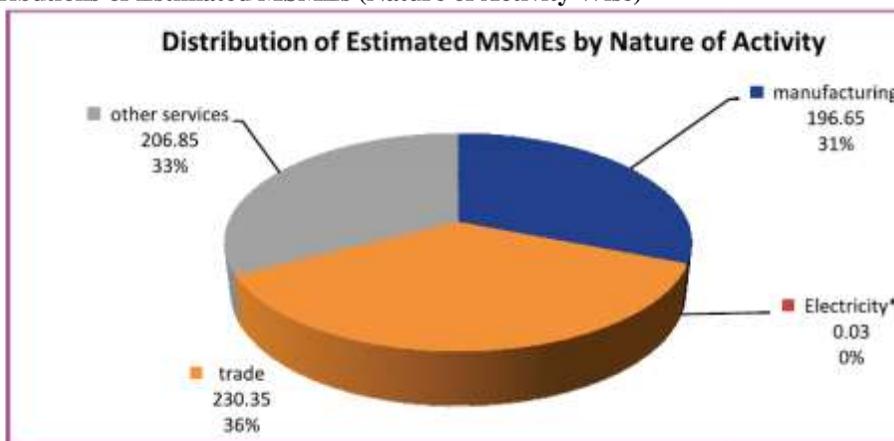
**Table 1.1 Estimated Number of MSMEs (Activity Wise)**

Activity Category	Estimated 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 Services	102.00	104.85	206.85	33
Electricity*	0.03	0.01	0.03	0
<b>All</b>	<b>324.88</b>	<b>309.00</b>	<b>633.88</b>	<b>100</b>

Source: Annual Report MSME 2017-18

\*Non-captive electricity generation and transmission and distribution by units not registered with the Central Electricity Authority (CEA)

**Figure 1.1 Distributions of Estimated MSMEs (Nature of Activity Wise)**



\*Non-captive electricity generation and transmission

### Male/ Female Ownership

Out of 633.88 lakh MSMEs, 608.41 lakh (95.98%) MSMEs were proprietary enterprises. There has been overwhelming predominance of male owners in proprietary MSMEs. Thus, for proprietary MSMEs as a whole, male owned 79.63% of enterprises as compared to 20.37% owned by female. There was no significant deviation in this pattern in urban and rural areas, although the dominance of male owned enterprises was slightly more pronounced in urban areas as compared to rural areas (81.58% as compared to 77.76%).

**Table 1.2 : Percentage Distribution of Enterprises in rural and urban areas. (Male/ Female ownership category wise)**

Sector	Female	Male	All
Rural	77.76	22.24	100
Urban	81.58	18.42	100
<b>Total</b>	<b>79.63</b>	<b>20.37</b>	<b>100</b>

## 2. Employment Generation

As per the National Sample Survey (NSS) 73<sup>rd</sup> 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 362.82 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. Below Tables and Figures shows the distribution of MSMEs activity wise.

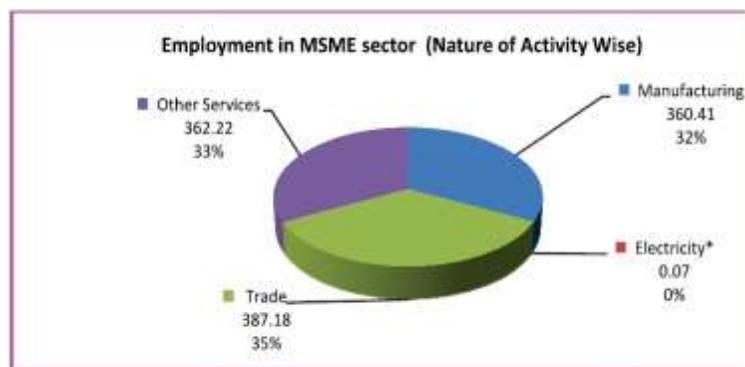
**Table 2.1: Estimated Employment in MSME Sector (Broad Activity Category Wise)**

Broad Activity Category	Employment (in lakh)			Share (%)
	Rural	Urban	Total	
Manufacturing	186.56	173.86	360.41	<b>32</b>
Trade	160.64	226.54	387.18	<b>35</b>
Other Services	150.53	211.69	362.22	<b>33</b>
Electricity*	0.06	0.02	0.07	<b>0</b>
<b>All</b>	<b>497.79</b>	<b>612.11</b>	<b>1109.89</b>	<b>100</b>

Source: Annual Report MSME 2017-18

\*Non-captive electricity generation and transmission.

**Figure 2.1: Distribution of Employment in the MSME Sector Broad Activity Category wise**



\*Non-captive electricity generation and transmission

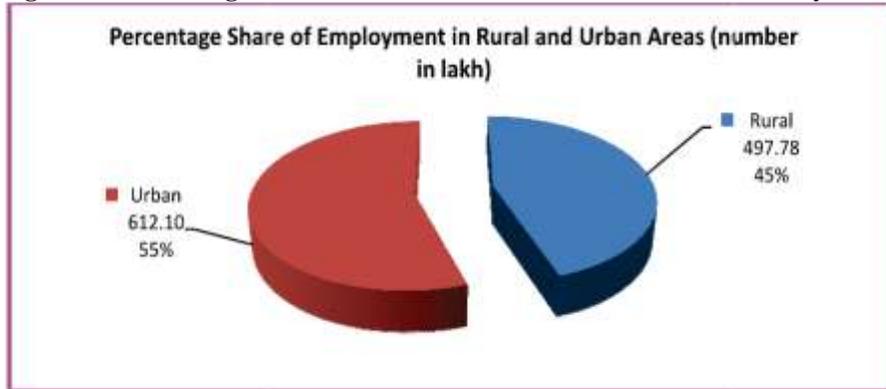
Micro sector with 630.52 lakh estimated enterprises provides employment to 1076.19 lakh persons, which accounts for around 97% of total employment in the sector. Small sector with 3.31 lakh and Medium sector with 0.05 lakh estimated MSMEs provides employment to 31.95 lakh (2.88%) and 1.75 lakh (0.16%) persons of total employment in MSME sector, respectively. Figure 2.2 and Table 2.2 shows the sectorial distribution of employment in MSMEs.

**Table 2.2: Distribution of Employment in Rural and Urban Areas (Number in lakh)**

Sector	Micro	Small	Medium	Total	Share (%)
<b>Rural</b>	489.30	7.88	0.60	497.78	<b>45</b>
<b>Urban</b>	586.88	24.06	1.16	612.10	<b>55</b>
<b>All</b>	<b>1076.18</b>	<b>31.94</b>	<b>1.76</b>	<b>1109.88</b>	<b>100</b>

Source: Annual Report MSME 2017-18

**Figure 2.2: Percentage Share of Rural and Urban MSMEs in the Country**



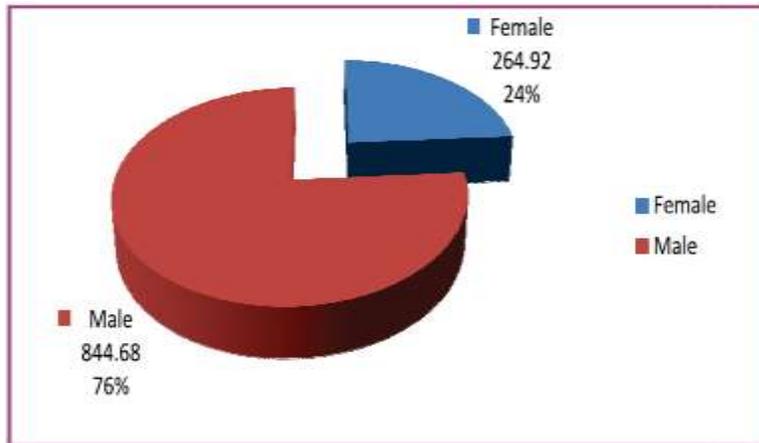
Out of 1109.89 lakh employees in MSME sector, 844.68 (76%) are male employees and remaining 264.92 lakh (24%) are females. The Table 2.3 and Figure 2.3 shows the gender wise distribution of workforce in MSME sector.

**Table 2.3 : Sectorial distribution of workers in Male and Female Category (in Lakh)**

Sector	Female	Male	Total	Share (%)
Rural	137.50	360.15	497.78	45
Urban	127.42	484.54	612.10	55
<b>Total</b>	<b>264.92</b>	<b>844.68</b>	<b>1109.88</b>	<b>100</b>

Source: Annual Report MSME 2017-18

**Figure 2.3: Distribution of workers in Male and Female Category**



### 3. The Growth of MSME

**Table 3.1.: Contribution of MSMEs in Country's Economy at Current Price**

(Figures in Rs. Crores adjusted for FISIM <sup>3</sup> at current prices)						
Year	MSME GVA	Growth (%)	Total GVA	Share of MSME in GVA (%)	Total GDP	Share of MSME in GDP (in %)
2011-12	2583263	-	8106946	31.86	8736329	29.57
2011-13	2977623	15.27	9202692	32.36	9944013	29.94

2011-14	3343009	12.27	10363153	32.26	11233522	29.76
2011-15	3658196	9.43	11481794	31.86	12445128	29.39
2011-16	3936788	7.62	12458642	31.60	13682035	28.77

Source: Central Statistics Office (CSO), Ministry of Statistics & Programme Implementation

The contribution of Manufacturing MSMEs in the country's total Manufacturing GVO (Gross Value of Output) at current prices has also remained consistent at about 33%, i.e. one-third during the last five years.

1. Gross Value Added (GVA): It may be noted that estimates of GVA had been prepared at factor cost in the earlier series (base year 2004-05), while these are being prepared at basic prices in the new series (2011-12). GVA estimated by production approach: (GVA = Output – Material Inputs) and GVA estimated by income approach: (GVA = Compensation of Employees + Operating Surplus + CFC)
2. Gross Domestic Product (GDP): GDP is derived by adding taxes on products, net of subsidies on products, to GVA at basic prices.
3. FISIM stands for Financial Intermediation Services Indirectly Measured. In the System of National Accounts it is an estimate of the value of these services provided by financial intermediaries, such as banks, for which no explicit charges are made; instead these services are paid for as part of the margin between rates applied to savers and borrowers. The supposition is that savers would receive a lower interest rate and borrowers pay a higher interest rate if all financial services had explicit charges.
4. Gross Value Output (GVO): Manufacturing Output is defined to include the ex-factory value, (i.e., exclusive of taxes, duties, etc. on sale and inclusive of subsidies etc., if any) of products and by-products manufactured during the accounting year, and the net value of the semi-finished goods, work-in-process, and also the receipts for industrial and non-industrial services rendered to others, value of semi-finished goods of last year sold in the current year, sale value of goods sold in the same condition as purchased and value of electricity generated and sold.

#### 4. Performance of the MSME Sector

Analyzing and findings of National Sample Survey the latest and most comprehensive account of the performance of the MSME sector as there is an estimated number of 633.92 lakh enterprises, only 4000 enterprises were large. Based on Sixth Economic Senses (2013), 58.5 million establishment were found to be operation 34.8 million establishments (59.48 %) were found in rural areas and nearly 23.7 million establishments (40.52 %) found to be located in urban areas,

#### Conclusion

The Micro, Small Medium, enterprises are mostly located in rural areas as compared to urban areas. In case of ownership of the enterprises are more male dominant and there is less number of woman enterprises. The urban areas are offering more employment opportunities than that of rural areas. MSMEs provide 97 % of the employment in Micro Sectors. So all the above points leads that MSME have a big role in creating employment opportunities in India. And it also plays an important role in economic growth.

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