

An Analytical Study On Msmes And Employment In India

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Abstract- Micro Small and Medium Enterprises (MSMEs) has played an important role in the social and economic development of the country. They are reflected as the main sign for the economic development of developing countries like India. The micro small and medium entrepreneurs helps for the development of economy by creating employment, extinction of looming problems like unemployment, regional differences and poverty of the country. Entrepreneur is a person who innovates and come out with over all change by increasing the standard of living for the betterment of the society by investing and taking lot of risk. It is considerably as the contributor to the whole growth of Gross domestic product, employment generation, income distribution, rural development, poverty eradication, exports and regional balance. It is one of the greatest dynamic sectors of the Indian economy in terms of employment group and providing strong entrepreneurial base. It is well known that the MSME is providing good opportunities for both self-employment and wage employment. Further, this sector has reliably registered a higher growth rate than the rest of the industrial sector. The paper used secondary data and descriptive research methodology. Secondary data are collected from various government reports, journals, SIDBI Annual report, MSME Act and various five year plans are used. The main objective of the present study is to analyze the role of MSME sectors in creating employment in India.

Keywords- Employment, MSMEs.

I. INTRODUCTION

Growth and development of MSMEs is vital for healthy growth of our economy. The main objectives behind creating MSMEs are the creation of job opportunities increase standard of living, regional balance, mobilization of local skills and capital etc... It has contributed most significantly for the development and promotion of first generation enterprises. The Promotion of Small scale industries has been one of the main strategies for economic development of the developing countries since 1950s. MSMEs are able to tap latent resources and makes use of indigenous resources for producing goods and services. They act as a backbone or an engine for the

economic growth and development of the country. 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. Employment spread to about 595 lakh persons in 261 lakh enterprises throughout the country. There are over 6000 products extending from tradition to high-tech items, which are being manufactured by MSMEs enterprises in India.

II. CHARACTERISTICS OF MSME AS PER MSMED ACT, 2006

As per the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, deals with the definition of Micro, Small and Medium Enterprises based on: 1. the speculation of plant and machinery for those engaged in manufacturing or production, preservation or processing of goods and 2. The investment in equipment for enterprises engaged in providing or rendering of services. The guidelines about investment in plant and machinery or equipment as defined in the MSMED Act, 2006 are:

Nature of activity of the Enterprise	Investment in plant and machinery excluding land and building for enterprises engaged in manufacturing or production, processing or preservation of goods	Investment in equipment excluding land and building for enterprises engaged in providing or rendering of services (loans up to Rs. 1 crore)
Micro	Not exceeding Rs.25 Lakhs	Not exceeding Rs.10 Lakhs
Small	More than Rs.25 lakhs but does not exceed Rs.500 lakhs	More than Rs.10 lakhs but does not exceed Rs.200 lakhs
Medium	More than Rs.500 lakhs but does not exceed Rs.1000 lakhs	More than Rs.200 lakhs but does not exceed Rs.500 lakhs

Note: The investment in plant and machinery is the original cost excluding land; building and other items specified by the Ministry of Small Scale Industries vide its notification no. S.O.1722 (E) dated 05.10.2006.

III. OBJECTIVE

The main objective of the present study is to analyze the role of MSME sector creating employment in India.

IV. METHODOLOGY

The present Study is based on secondary data and descriptive research methodology. Secondary data are collected from various government report journals, SIDBI Annual report, MSME Act and various five year plans the government of India and Final Report, fourth All India Census of MSME 2006-2007: Registered sectors are used.

Table 1: Distribution of Working Enterprises by sector in Rural and Urban areas

Sector	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
Rural	6.87	46.26	0.19	25.00	0.01	33.33	7.07	45.20
Urban	7.98	53.74	0.57	75.00	0.02	66.67	8.57	54.80
Total	14.85	100.00	0.76	100.00	0.03	100.00	15.64	100.00
	94.95%		4.86%		0.19%		100.00%	

Source: Final Report, fourth All India Census of MSME 2006-2007: Registered sector.

The Table-1 show that the total working enterprises, share of micro, small and medium enterprises were 94.95%, 4.86% and 0.19%, respectively. Data also reveals that 10.49 lakh units (67.10%) were manufacturing enterprises, 2.52 lakh units (16.13%) were repairing and maintenance enterprises and 2.62 lakh units (16.78%) were service enterprises. Proportion of the enterprises operating in rural areas was 45.26%.

Table – 2 Sector wise Distribution of Employment

Sectors	Employment (lakh)	Percentage
Micro	65.34	70.19
Small	23.43	25.17
Medium	4.32	4.64
All	93.09	100

Source: Final Report, fourth All India Census of MSME 2006-2007: Registered sector.

The Table-2 shows the distribution of employment by sector Wise. The micro enterprises are providing employment opportunity to 65.34 lakh it is nearly (70.19%), the small scale industry are providing 23.43 lakh employment per year it is nearly (25.17%), the medium enterprises are providing 4.32 lakh employment it is (4.64%) of total employment.

Table – 3 Distribution of Employment by Type of Activity in Msme Sector

Sectors	Employment (lakh)	Percentage
Manufacturing	80.83	86.83
Services	6.28	6.75
Repair & Maintenances	5.98	6.42
All	93.09	100

Source: Final Report, fourth All India Census of MSME 2006-2007: Registered sector.

The Table-3 shows the distribution of employment by type of activity in MSME Sector. The Manufacturing enterprises contributed the most to the total employment in registered MSME sector by accounting for (86.83%), employment with 80.83 lakh persons, service sector providing (6.75%), employment with 6.25 lakh person and the repair & Maintenances sector providing (6.42%), employment with 5.98 lakh person.

IV. FINDINGS

1. The total working enterprises, share of micro, small and medium enterprises were 94.95%, 4.86% and 0.19%, respectively. Data also reveals that 10.49 lakh units (67.10%) were manufacturing enterprises, 2.52 lakh units (16.13%) were repairing and maintenance enterprises and 2.62 lakh units (16.78%) were service enterprises. Proportion of the enterprises operating in rural areas was 45.26%.
2. The micro enterprises are providing employment opportunity to 65.34 lakh it is nearly (70.19%), the small scale industry are providing 23.43 lakh employment per year it is nearly (25.17%), the medium enterprises are providing 4.32 lakh employment it is (4.64%) of total employment.
3. The Manufacturing enterprises contributed the most to the total employment in registered MSME sector by accounting for (86.83%), employment with 80.83 lakh persons, service sector providing (6.75%), employment with 6.25 lakh person and the repair & Maintenances sector providing (6.42%), employment with 5.98 lakh person.

V. CONCLUSION

The MSMEs has a different license for low investment with high probable to generate employment group. It is also helps to eliminate the regional imbalances by dispersal of industries in rural areas. The Indian economy can look forward to a successful future in MSME sectors. Mostly, the micro enterprises are considerably in employment generation and bring out the entrepreneurship at grass root level. These

sectors should be given pre-eminent role and must be pampered extensively. These enterprises are labour intensive and need less capital, help in removing socio-economic problems like underemployment, unemployment, poverty and regional imbalances. This sector would become suitable infrastructure and other support from the government for proper promotion and development.

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