A RELATIONSHIP BETWEEN MSME'S GROWTH AND EMPLOYMENT

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Abstract:

The present paper has measured the impact of growth of MSMEs on the employment in the India. Simple regression model has been used by the researcher to measure the cause and effect relationship between MSMEs' growth and employment. Growth in number of MSMEs has been taken as independent variable and growth in employment has been taken as dependent variable.

Micro, Small and Medium Enterprises (MSME) sector has emerged as highly vibrant and dynamic sector of the Indian economy over the last five decades. The MSME sector has already proved its mettle as a dominant player in most of the developed economies by giving a new dimension to their growth perspectives. It has helped in generation of large scale employment at lower capital cost, balanced regional development, generation of exportable surplus and in the establishment of a more flexible structure.

Introduction and literature review:

The largest source of employment after agriculture, small sector in India enables lakhs of men, women and children living in urban slums, upcoming towns and remote villages. Apart from contributing to national income, MSMEs are instruments of inclusive growth and development. For many families, it is the only source of income and livelihood. Thus, instead of taking a welfare approach, this sector seeks to empower people to break the cycle of poverty and want. It focuses on people's skills and agency (Desai, 2000). Micro, Small and Medium Enterprises (MSME) are a key component in economic life, not only because of their number and variety but because of their involvement in every aspect of the economy, their contribution to regional development and the complementary role they play in support of the large sector. Small and medium enterprises could be termed as seed of industrial growth.

Micro, Small and Medium enterprises (MSME) exist in the form of factories, workshops, trading and service organization and range from the most modern and up-to-date enterprise to the simple and traditional units. The main objectives of MSMEs are almost the same; they are defined and viewed differently in different countries. MSMEs have the advantages of generating employment with low investment, diversifying the industrial base, reducing regional disparities through dispersal of industries into rural, semi-urban and backward areas (Subramanian and Reddy, 2012).

Objective and significance of the study:

Current paper aims to examine the following the performance of Micro, Small and Medium Enterprises in India with reference to Employment generation. Further, Micro, Small and Medium Enterprises (MSMEs) play an important role in the development of country. Micro, Small and Medium Enterprises have been accepted as the engine of economic growth and for promoting equitable development. The MSMEs constitute over 90 per cent 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. As per available statistics, this sector employs an estimated 31 million persons spread over 12.8 million enterprises and labor intensity in the MSMEs sector is estimated to be almost four times higher than the large enterprise.

Data analysis:

To measure the impact of growth of MSMEs on the Employment generation, this paper has made use of already available information or secondary data such as; number of MSMEs in the country for last ten years, GDP of the country for last ten years and the total number of employed population in the country.

Contribution of MSMEs:

MSMEs contribute about 8 per cent of the Gross Domestic Production (GDP) of the economy, about 45 per cent of manufacturing output and about 40 per cent of exports. MSMEs have been established in almost all major sectors in Indian industry such as Food Processing, Agricultural Inputs, Chemicals and Pharmaceuticals, Engineering, Electricals and Electro-Medical Equipment's (Shaikh, 2011). Registered MSME sector provides employment to 1171.32 Lakh persons. Rural area has a share of 39 per cent and urban area has a share of 61 per cent. Average employment provided by medium enterprises is much higher (160.87 per enterprises) as compared to small enterprises (30.62 per enterprises) and micro enterprises (4.40 per enterprises). The total contribution of MSMEs in production is INR 27, 83, 433 Crore that is 6 per cent in Gross Domestic Production, 33 per cent in manufacturing sector and 45 percent in exports. Registered micro and small sector has a similar share in total production with 44 per cent and 45 per cent.

Table 1: Contribution OF MSMEs in India

Year	Total Working MSME (lakhs)	Employment (lakhs)
2004-05	118.59	282.57
2005-06	123.42	249.91
2006-07	361.76	805.23
2007-08	377.36	842.00
2008-09	393.70	880.84
2009-10	410.80	921.79
2010-11	428.73	965.15
2011-12	447.66	1011.69
2012-13	467.54	1061.40
2013-14	488.46	1114.29
2014-15	510.57	1171.32

(Sources: Annual Report, 2016-17)

Total estimated registered working enterprises stood 510.57 Lakh distributed 55 per cent in urban areas and 45 per cent in rural areas. Out of the total working enterprises micro sector consider 95.05 per cent, small sector considers 4.74 per cent and medium sector consider 0.21 per cent so micro sector dominated MSMEs sector in terms of working enterprises.

MSME'S GROWTH AND EMPLOYMENT

Researcher has measured the impact of growth of MSMEs on the employment in the country. Simple regression model has been used by the researcher to measure the cause and effect relationship between MSMEs' growth and employment. Growth in number of MSMEs has been taken as independent variable and growth in employment has been taken as dependent variable. Results of the regression have been given below in detail:

Null Hypothesis: Growth of MSMEs has no impact on the employment growth.

Table 1: Results of Regression

Regression	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
R = 0.816, R Square = 0.665					
F-value = 5453.953, p-value = 0.000					
	B	Std. Error	Beta		
(Constant)	1.092	2.343		-1.385	.199
Growth of MSME	0.892	.031	.710	73.851	.000

Conclusion: It can be interpreted from the table 62 that value of R square is 0.665, which indicates that 66 percent of the variation in the value of dependent variable is caused by independent variable and only 34 percent of variation in the value of dependent variable is caused by other chance factors. It was also found from the table 63 that f-value is 5453.953 at a p-value of 0.000 which shows that a significant model has emerged from the regression model. Null hypothesis which states that there is no relationship between growth of MSMEs and employment leads to rejection and it can be said that growth of MSMEs has a significant impact on the growth of employment. Further, it was clear from the table 64 that the value of regression coefficients is 0.892 which positive and significant at one percent level of significance. Thus, overall it can be said that there is positive and significant relationship between growth of MSMEs and employment.

References:

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