

## EMPLOYMENT GENERATION BY MICRO ENTERPRISES IN INDIA

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### Abstract

Employment generation is one of the core aspects of the socio-economic development of the nation which consists of industrial establishment. Micro-enterprise is important in improving economic and technical development, and creating wealth and jobs. They play a central role in poverty reduction. But, how do people without access to funds, training and resources break into the highly competitive world of business. Micro-enterprise enables people to generate an income by starting and growing their own small business. This article made an attempt to discuss the employment generation by micro enterprises in India.

**Key Words:** Micro Enterprises, MSME, Labour Intensive, GDP, Employment Generation,

### Introduction

Micro enterprises are the back bone of the industrial and economical development of the country which constitutes more employment opportunities, income generation, export potentials and utilization of local resources. Hence it is treated as traditional and domestic industries in the country. The Micro, Small and Medium Enterprise sector is crucial to India's economy. There are 30 million enterprises in various industries, employing 69 million people. Together, these account for 45 per cent of the industrial output and 40 per cent of the exports. Although 95 per cent of Micro, Small and Medium Enterprise units are informal in nature, the contribution of the sector to India's GDP has been growing consistently at 11 per cent per annum, higher than overall GDP growth of 7-8 per cent. The Micro and Small Enterprises (MSEs) allow marginalized and vulnerable strata such as rural women, youth and the landless to diversify their incomes, create new sources of economic growth and generate additional employment (including self-employment) in rural areas. The same strata may also be reached through MSE support to small-scale local entrepreneurs, whose business expansion creates new jobs for the rural poor.

### Micro, Small and Medium Enterprises

In accordance with the provision of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSMED) are classified in tow Classes:

### **Manufacturing Enterprise**

Manufacturing Enterprise means an industrial undertaking or a business concern or any other establishment, by whatever name called, engaged in the manufacture or production of goods, in any manner, pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951.

- Manufacturing enterprises, where the investment in plant and machinery does not exceed Rs. 25 lakhs are classified as Micro Manufacturing enterprises.
- Manufacturing enterprises, where the investment in plant and machinery is more than Rs. 25 lakhs but does not exceed Rs. 5 Crores are classified as Small Manufacturing enterprises.
- Manufacturing enterprise, where the investment in plant and machinery is more than Rs. 5 Crores but does not exceed Rs. 10 Crores are classified as Medium Manufacturing enterprises.

### **Service Enterprise**

“Service Enterprise” means an industrial undertaking or a business concern or any other establishment, by whatever name called, engaged in providing or rendering of any service or services;

- Service enterprises, where the investment in equipment does not exceed Rs. 10 lakhs are classified as Micro Service enterprises.
- Service enterprises, where the investment in equipment is more than Rs. 10 lakhs but does not exceed Rs. 2 Crores are classified as Small Service Enterprises.
- Service enterprises, where the investment in equipment is more than Rs. 2 Crores but does not exceed Rs. 5 Crores are classified as Medium Service enterprises.

### **Importance of MSE of Global Scale**

Among the developed, medium developed and having small income countries, in terms of employment the importance of MSE is equivalent. In South Africa 39 per cent of MSE contributes 24 per cent of GDP. In Bangladesh, around 90 per cent of the units are of this sector. In Japan MSE provides a contribution of a staggering 70 per cent of employment. In Thailand, of the total GDP 38.1 per cent and of the total employment, 60.7 per cent are provided by this sector. In China of the total exports, 68 per cent are from MSE sector. In China those units which provide employment to around 2000 workers are known as MSE. Less than 300 employed people are known as micro institutions.

### **Importance of MSE in India**

MSE's contribute total 40 per cent in production and 34 per cent in exports. Not only do they provide national income and are important financially, they are important

socially also. This is because Muslims, aborigines and people who are socially and economically backward are provided employment. This sector is truly heritage and creative enduring sector.

Business in India has made a fast progress in this field. In 1960 there were only 12376 MSE units which provided employment to 10 lakhs people. This sectors yearly production value stands at 875 crores. At the beginning of the 10<sup>th</sup> plan, 249 lakhs rural and 105.21 lakhs urban people were to be employed in MSE's, in big industries, a person to get employment one has to spend 5.56 lakhs whereas in MSE only an investment of 0.72 lakhs can give employment to an individual

### Review of Literature

**NurbaniBinti Hassan et al.** In their article entitled “Financial Constraints and Opportunities of Micro Enterprise Entrepreneurs: A Theoretical framework”, studied that the micro enterprises is to analyses and present the financial opportunities and constraints faced by the micro enterprise entrepreneurs face financial difficulties particularly during the start up. A large number of micro enterprises have yet to tap into the funds provided by the banks. Only 13 per cent thus far have successfully received this funding.

**Surjit Kumar Kar** studied on “Knowledge process of rural handloom community enterprise: A narrative study of SambalpuriBastralaya in India”. This paper explains the process of knowledge preservation and dissemination in rural weaving community enterprises and can also be used to understand rural micro enterprises.

**Prasad et al.** in their article entitled, “Micro-enterprise quality” studied the developing world most citizens rely on self-employment and micro-enterprise operations as their only source of income. Given competition from large-scale industrial outfits, most micro-enterprises are finding it difficult to compete in terms of quality or price.

**Wawire et al.** in their article entitled, “Factors affecting the management of women groups’ micro and small enterprises in Kaka mega District, Kenya” found that the factors that affect management of WGs’ MSEs could be categorized as financial, administrative, managerial, technical, political, traditional and cultural. The WGs lack skills in these areas, which adversely affects the MSEs.

**Table No. 1 Major Industry-Wise Distribution of Working Enterprises**

NIC 2004	Description of Activity	No. of Working Enterprises(lakhs)	% Share
15	Food Products & Beverages	2.23	14.26
18	Wearing Apparel	2.14	13.67
28	Fabricated Metal Products	1.40	8.96
52	Repair & Maintenance of Personal & Household Goods; Retail Trade	1.32	8.46
17	Textiles	1.06	6.78

36	Furniture	1.00	6.36
29	Machinery & Equipment n.e.c.	0.73	4.66
26	Other Non-Metallic Mineral Products	0.59	3.77
50	Repair & Maintenance of motor Vehicles; Retail Sale of Automotive fuel	0.58	3.72
20	Wood & Wood Products	0.55	3.53
	Total of above 10 industry types	11.60	74.18
	Others	4.04	25.82
	<b>All</b>	<b>15.64</b>	<b>100</b>

Source: Final Report of MSME (2006-2007)

Table No 1 shows that the industry wise distribution of working enterprises in India. Majority of the Micro Enterprises in the country belongs to Food Products & Beverages 14.26 per cent, Wearing Apparel 13.67 per cent, Fabricated Metal Products 8.96 per cent, Repaire & Maintenance of Personal 8.46 per cent, Textile 6.78 per cent, Furniture 6.36 per cent, Machinery & Equipment 4.66 per cent, Other Non-Metallic Mineral Products 3.77 per cent, Repaire & Maintanance of Motor Vehicles 3.72 per cent, Wood & Wood Products 3.53 per cent, Others Enterprises 25.82 per cent.

**Table No. 2 Employment and Average Employment per Enterprise by Sector**

Sector	No. of Working Enterprises (lakhs)	Employment (lakhs)	Average Employment per Enterprise
Micro	14.85	65.34	4.40
Small	0.76	23.34	30.62
Medium	0.03	4.32	160.87
<b>All</b>	<b>15.64</b>	<b>93.64</b>	<b>5.95</b>

Source: Final Report of MSME (2006-2007).

Table No 2 reveals that the employment and average employment per enterprise by sector. As regards Micro Enterprises, there are 14.85 lakhs of working enterprises which provides 65.34 lakhs employment. It shows that the average employment per enterprise constitutes 4.40 as against 5.95 of the total MSM sectors. As regards Small Enterprises, there are 0.76 lakhs of working enterprises which provides 23.34 lakhs employment. It shows that the average employment per enterprise constitutes 30.62 as against 5.95 of the total MSM sectors. As regards Medium Enterprises, there are 0.03 lakhs of working enterprises which provides 4.32 lakhs employment. It shows that the average employment per enterprise constitutes 160.87 as against 5.95 of the total MSM sectors.

Table No. 3 Employment and Average Employment per Enterprise by Sector

Nature of Activity	No. of Working Enterprises (lakhs)	Employment (lakhs)	Average Employment Per Enterprises
Manufacturing	10.49	80.83	7.70
Services	2.62	6.28	2.39
Repair & Maintenance	2.52	5.98	2.37
All	15.64	93.09	5.95

Source: Final Report of MSME (2006-2007).

Table No 3 suggests that the employment and average employment per enterprise by sector. As regards Manufacturing Enterprises, there are 10.49 lakhs of working enterprises which provides 80.83 lakhs employment. It shows that the average employment per enterprises constitutes 7.70 as against 5.59 of the total MSM scale sector. As regards Servicing Enterprises, there are 2.62 lakhs of working enterprises which provides 6.28 lakhs employment. It shows that the average employment per enterprises constitutes 2.39 as against 5.59 of the total MSM scale sector. As regards Repairs & Maintenance Enterprises, there are 2.52 lakhs of working enterprises which provides 5.98 lakhs employment. It concludes that the average employment per enterprises constitutes 2.37 as against 5.59 of the total MSM scale sector.

Table No. 4 Employment Intensity by Sector

Sector	Fixed Investment (Crores)	Employment (lakhs)	Employment/ Fixed Investment	Employment/ Original Value of P & M
Micro	65.34	169538	38.54	227.31
Small	23.43	223503	10.48	42.76
Medium	4.32	56097	7.71	20.12
All	93.09	449138	20.73	88.64

Source: Final Report of MSME (2006-2007)

Table No 4 shows that the employment intensity by sector. Micro Enterprises constitutes 65.34 crore as fixed investment which provides 16.95 lakhs employment. Employment-fixed investment ratio is 38.54 as against the total of 20.73. Employment-original value of P & M is 227.31 as against 88.64 during the year 2006. Small enterprises 23.43 crore as fixed investment which provides 22.35 lakhs employment. Employment-fixed investment ratio is 10.48 as against the total of 20.73. Employment-original value of P & M is 42.76 as against 88.64 during the year 2006. Medium enterprises 4.32 crore as fixed investment which provides 5.60 lakhs employment. Employment-fixed investment ratio is 7.71 as against the total of 20.73. Employment-original value of P & M is 20.12 as against 88.64 during the year 2006.

### Suggestions

Micro industries are considered as a labour intensive industry which provides more employment opportunities to rural population. Hence, it should be treated as very important priority sector in the country. Majority of the micro enterprises are belongs to Food products which is one of the ever demand products using the domestic flavor and ingredients. Which providing proper training and assistance to these industries there will be the chances of export potential, because Indian food products particularly pickles, pappad etc., famous even in the western countries.

Employment intensity in micro enterprises is more than the average of the small and medium enterprises. Hence, the government must encourage their industries to avoid unemployment problems in the country. India is one of the largest youth and educated population consists country in the world. If they properly trained and utilized, they become an entrepreneur. Micro enterprises are most appropriate for first generation entrepreneurs and those who want to become a entrepreneurial competence. Starting up of the micro enterprises are made easy which compare to medium and large scale industries.

### Conclusion

India is one of the highly populated consists country in the world with more rural population. Providing employment opportunities to all the people is not possible by the government. Therefore, there is a need of promote entrepreneurship and establish more industrial undertaking for this purpose, micro enterprises are very suitable and reliable to the industrial as well as rural development. Hence, it is concluded that, micro enterprises are the only alternative solution to eradicate the poverty through employment opportunities in Indian Enterprises.

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