IMPACT OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES) ON EMPLOYMENT GENERATION IN TELANGANA STATE, INDIA

G. Narayanaa

Assistant Professor of Economics, Government Degree College, Atmakur K

Kurnool District A.P.(India)

ABSTRACT

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector for the development of the Indian economy. MSMEs not only play a vital role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in the industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country. The main purpose of this research is to determine the impact of MSMEs on employment generation in the Telangana Statement and also to identify the problems of Micro, small scale enterprises in Telangana State. The findings of the study are that MSMEs have a significant impact on employment generation in Telangana State by using Chi-Square Test. And also found that the biggest problems faced by the firms are Finance, Marketing and Lack of Skilled Labour. Infrastructure here comprises of factors like condition of the industrial areas, electricity or energy supply, transportation facilities etc

Keywords: MSMEs, Employment Generation, Problems in MSMES.

I. INTRODUCTION

Micro, small and medium enterprises are playing a pivotal role in the socio-economic development of the country during the past five decades. It has significantly contributed to the overall growth in terms of GDP, employment generation and exports. The performance of the small scale sector, therefore, has a direct impact on the growth of the overall economy. Despite the global and domestic recession, small scale industries registered a higher growth rate than overall industrial sector in terms of number of units, production and employment and exports. The small scale industry sector continues to remain an important sector of the economy with a noteworthy contribution to GDP, Industrial production employment generation and exports. The MSMEs sector covers both the registered and informal sectors. The size of registered MSMEs was estimated to be about 15.84lakh units with sub sector wise composition in the proportion of 94.9% micro enterprises, 4.9%small and 0.17%medium enterprises. The total registered MSMEs sector comprised of 67.1% manufacturing enterprises and 32.9% service enterprises. About 45%

International Journal of Advance Research in Science and Engineering
Volume No.06, Issue No. 10, October 2017
www.ijarse.com

IJARSE
ISSN: 2319-8354

of these registered enterprises were located in rural areas. Its contribution towards GDP in 2011 was 17% which increased to 22%in 2012.

II. MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006

Small and medium enterprises development bill was introduced in parliament on May 12, 2005 .And has been approved by president and thus became an act and named as "Small and Medium Enterprises Development Act, 2006.has become effective from oct2, 2006.

III. DEFINITIONS

Under the act, Enterprises have been categorized broadly in to those engaged in1} manufacturing2} providing rendering of services. Both categories have been further classified in to Micro, Small and Medium enterprises.

IV. MANUFACTURING ENTERPRISES

Micro Enterprises Investment up to 25lakh.Small enterprises-investment above 25lakh and up to 5 core rupees. Medium enterprises investment above 5 core and uputo10crore rupees.

V. SERVICE ENTERPRISES

Micro enterprises investment up to 10lakh. Small enterprise-investment above 10lakh and up to 2crore.medium enterprise investment above 2crore and 5crore.

VI. ADVANTAGES DERIVED FROM MSMES;

1. MSMEs sector contributes about 40%of India's total exports.
2. This sector contributes about 45%of India's manufacturing output.
3. This sector has given employment to 73million people.
4. MSMEs manufacture more than 6000 products.
5. MSMEs sector is back bone of theycontibute in GDP and GNP of India.

VII. CONTRIBUTION TO ECONOMY

It acts as breeding grounds for entrepreneurs to grow from small to big. MSMEs sector are increasing a enormously in India. India has nearly 12 million MSMES, which is almost 50% of industrial output and 42%of India's total exports. The reasons are as follows.

1. Low level of capital accumulation.
2. High contribution to domestic products.
3. Extension promotion and support by government
4. Significant export earnings

5. Operational flexibility

6. Capacity to develop appropriate indigenous technology

VIII. LITERATURE REVIEW

Dias (1990) in a book entitled "Developing Rural Entrepreneurship", found that nearly 90 per cent of the Srilankan rural enterprises faced the problem of lack of capital or lack of access to institutional finance and credit. A major obstacle in borrowing money for commercial banks or other financial institutions were the lack of collateral and lack of good accounting system.

Storey (1994) in his article entitled "Understanding the Small Business Sector", reveals that overview of bank lending to small and medium sized enterprises highlights a number of assumptions that underpin the research literature, asymmetric information, agency issues, higher objective risk in lending to small firms, costly monitoring, competing banks, 36 the variability of entrepreneurs with regard to their ability, honesty and motivation, and the view that entrepreneurs gain from increased project valuation which banks gain only form repayments

Venkat Janardhan Rao et al. (2009) points out in their article entitled "State of Small and Medium Enterprises in India", the main challenge faced by the SMEs is access to affordable credit over a reasonable period. The finding further suggests the banks reduce the cost of loan such as rate of interest, high processing fee and legal fee.

Gaurav Sehgal and Ashok Aima (2011) in their article entitled "Microfinance for SMEs: Prospects, Challenges and Implication", reveals that due to lack of collateral and financial data, SMEs have difficulties in raising funds from commercial banks. Meanwhile, SMEs face a quandary in that microfinance loans are not enough to meet their capital demand. As a result, they are forced to raise funds from informal finance such as the loans shark or borrowings from relatives. He also suggests that banks supports well-defined credit analysis techniques and those techniques supporting SMEs 34 for long time. Instead of focusing on only financial figures, the banks should understand actual conditions of SMEs by a careful look at each customer, and deal their operations systematically and efficiently.

X. OBJECTIVES OF THE STUDY

The primary aim of this study is to ascertain the impact of MSMEs on employment generation in Andhra Pradesh. The specific objectives include:

i. To determine the extent to which MSMEs have impacted on employment generation in Andhra Pradesh, India.

ii. To highlight some specific small scale enterprises opportunities available for Telangana State residents.

iii. To identify the problems of small scale enterprises in Telangana State.

XI. RESEARCH HYPOTHESES

The main purpose of this research is to determine the impact of MSMEs on employment generation in Telangana State. Therefore the following hypotheses are tested in this study using 5% level of significance:

Ho1: there is no significant impact of MSMEs on employment generation in Telangana State.

Ho2: Employment generation has no significant effect on the economic development of Telangana State.

XII. METHODOLOGY

This study majorly focused on micro, small and medium enterprises located in industrial areas and prominent markets of Telangana. Various manufacturers, service providers, start-ups from the food industry, and textile manufacturing industry were interviewed as a part of the study. Both primary and secondary data was collected for the study. Secondary data was collected from specific reports, articles and other internet sources. Primary data was collected by personally interviewing people or sending them questionnaires. To capture a wide spectrum of problems different kinds of MSMEs were interviewed including manufacturing

XIII. RESEARCH DESIGN

The study adopted survey research design. Copies of questionnaire served as instrument for data collection, and the generated data were analysed using Chi-Square. A total of 200 respondents were deliberately selected as the sample size. The simple random sampling technique was further adopted to give equal opportunity for selection to every element of the population.

Chi-Square was used to test the hypotheses. Data were presented and analysed using simple statistical tables and percentages. The value of the Chi-Square was calculated using the formula;

$$\chi^2 = \frac{(O-E)^2}{E}$$

XIV. DECISION CRITERIA

The researcher shall determine whether to accept to or reject the null or alternative hypothesis. The decision rule is that;

1. If the calculated X^2 is more than the tabulated value of X^2, the null hypothesis (Ho) is not to be accepted and the alternative hypothesis (H1) is to be accepted.

2. If the calculated X^2 is less than the table value of X^2, the null hypothesis (Ho) is accepted.

Data Presentation

Out of the 200 copies of the questionnaire distributed, 146 were correctly filled and returned. The data are presented below:

Question No1: Does Micro, Small and Medium Scale Enterprises have significant impact on employment generation in Telangana State?

Table No: 1

FREQUENCY				PERCENTAGE (%)			
Yes	No	Unsure	Total	Yes	No	Unsure	total
132	9	6	147	89.79	6.12	4.09	100

Source: Field 2017

From table 1 above, it can be seen that one thirty two (132) respondents agreed that Small and Medium Scale Enterprises have significant impact on employment generation in Telangana State, whereas nine (9) respondents disagreed and six (6) of the respondents were unsure.

Question No 2: Have MSMEs been able to reduce the unemployment problem in Telangana State?

Table No: 2

FREQUENCY				PERCENTAGE (%)			
Yes	No	Unsure	Total	Yes	No	Unsure	total
141	3	3	147	95.91	2.04	12.05	100

Source: Field 2017

One forty o one (141) respondents were of the opinion that MSMEs have been able to reduce the unemployment problem in Telangana State, while three (3) respondents disagreed and three (3) of the respondents were not sure as shown in table 2 above.

Question No 3: Have MSMEs been able to increase the economic growth and development in Telangana State?

Table No: 3

FREQUENCY				PERCENTAGE (%)			
Yes	No	Unsure	Total	Yes	No	Unsure	total
126	13	8	147	86	9.0	5	100

Source: Field 2017

Table 3 reveals that one twenty six (126) respondents had the view that MSMEs have been able to increase the economic growth and development in Telangana State; whereas thirteen (13) respondents had a contrary view and eight (8) of these unsure.

Question No 4: Has the expansion of markets for local goods and services in Telangana State been impacted by MSMEs?

Table No: 4

FREQUENCY				PERCENTAGE (%)			
Yes	No	Unsure	Total	Yes	No	Unsure	total
139	2	6	147	93.19	1.36	5.45	100

Source: Field 2017

Table 4 indicated that one thirty nine (139) respondents were of the opinion that the expansion of markets for local goods and services in Telangana State has been impacted by MSMEs, while two (2) respondents were disagreed and six (6) of the respondents were not sure.

Question No 5: Can government participation in MSMEs improve its performances for employment generation in Telangana State?

Table No: 5

FREQUENCY				PERCENTAGE (%)			
Yes	No	Unsure	Total	Yes	No	Unsure	total
135	4	8	147	91.83	2.72	5.45	100

Source: Field 2017

Table 5 reveals that one thirty five (135) respondents opinion is that government participation in MSMEs can improve its performances for employment generation in Telangana State, whereas four (4) respondents had a contrary opinion and eight (8) of the respondents were unsure.

Question No 6: Has there been any effort from both the public and the private sector to reduce the challenges faced by the MSME sub sector in Telangana State?

Table No: 6

FREQUENCY				PERCENTAGE (%)			
Yes	No	Unsure	Total	Yes	No	Unsure	total
112	23	12	147	76.20	15.64	8.16	100

Source: Field 2017

It is shown in table 6 that one hundred twelve (112) respondents were of the view that there have been some efforts from both the public and the private sectors to reduce the challenges faced by the MSME sub sector in Telangana State, whereas twenty three (23) respondents had a contrary view and twelve (12) of the respondents were not sure.

Question No: 7 what are the major problems faced by MSME in Telangana State?

The result of quantitative analysis conducted by the author. A perception of the majority respondent's shows the problems affecting growth of manufacturing sector enterprises and Service sector enterprises in MSME sector. The biggest problems faced by the firms are Finance, Marketing and Lack of Skilled Labour. Infrastructure here comprises of factors like condition of the industrial areas, electricity or energy supply, transportation facilities etc. which also play an important role in holding back the companies' growth.

Data Analysis and Interpretation

Data were analysed by the use of the chi-square technique to test the above hypotheses. The level of significance adopted for the test of hypothesis is 5 %.

Test of Hypothesis

Table 7:

Contingency Table of Observed (Fo) And Expected (Fe) Frequency

QUESTION	YES	NO	UNSURE	TOTAL
1	132(127)	9(11.33)	6(7.66)	147
2	141(127)	3(11.33)	3(7.66)	147
3	126(127)	13(11.33)	8(7.66)	147
4	139 (127)	2(11.33)	6(7.66)	147
5	135(127)	4(11.33)	8(7.66)	147
6	121(127)	23(11.33)	12(7.66)	147
Total	794	54	43	882

Source: Responses of Questionnaire

From the above table, the figures in the bracket represent the expected frequency (Fe) while those figures outside the bracket represent the observed frequency (Fo)

RT-CT

GT

The expected frequency was computed using the formula: Fe = Where: Fe = Expected Frequencies, RT = Row Total, GT = Grand Total, CT = Column Total. As it is shown in table seven.

Table 8: Contingency Table of Calculated Chi-Square

Row and column	Fo	Fe	Fo-Fe	(Fo-Fe)2	(Fo-Fe)2/Fe
R1CI	132	127	5	25	0.1968
R1C2	9	11.33	-2.33	5.42	0.4783
R1C3	6	7.66	-1.66	2.755	0..3596
R2C1	141	127	14	196	1.5433
R2C2	3	11.33	-8.33	69.38	6.1235
R2C3	3	7.66	-4.66	21.71	2.8342
R3C1	126	127	-1	1	0.0078
R3C2	13	11.33	1.7	2.89	0.2550
R3C3	8	7.66	0.34	0.115	0.0150
R4C1	139	127	12	144	1.1338
R4C2	2	11.33	-9.33	87.04	7.6822
R4C3	6	7.66	-1.66	2.75	0.3590
R5C1	135	127	8	64	0.5039
R5C2	4	11.33	-7.33	53.72	4.7413
R5C3	8	7.66	.34	0.1156	0.0150
R6C1	112	127	-15	225	1.7716
R6C2	23	11.33	11.67	136.18	12.0194
R6C3	12	7.66	4.34	18.83	2.4582
SUM					**42.1383**

From the table X^2 = 42.1383

Test of Significance

The above statistical calculation is tested at 0.05(5%) level of significance and 10 degree of freedom (df) is used. The degree of freedom is obtained by: df = (Row-1) (column – 1) Df= (6-1) (3-1),df = (5) (2) df = 10.The critical (tabulated) value of X^2 = **18.30**, while the calculated value of X^2 = **42.1383.**

Decision Rule:

From the above statistical test, since the calculated value of **X2 (42.1383) is greater than the critical (tabulated) value of X2 (18.30),** we therefore **reject the null hypothesis (H0) in favour of the alternative hypotheses (H1)** and then conclude that MSMEs have significant impact on employment generation in Telangana State.

Furthermore, the result obtained and the decision taken from our tested hypothesis implies that MSMEs have significant impact on job creation and by extension economic development of Telangana State as the difference between the calculated chi-square of X^2 **(42.1383)** and the critical value of X^2 = **18.30** greatly disclose and confirms our previous expectation.

XV. CONCLUSION

MSMEs development has been seen as a means of creating greater substantial, employment opportunities, and conserving foreign exchange earnings and galvanizes economic growth and development of any country. The undesirable rate of youth unemployment in Telangana State is the main rational motivator of this study. After successfully carrying out the research, the findings reveal that MSMEs have significant impact on employment generation in Telangana State through increased proliferation, of markets for local goods and services, ameliorate economic growth and development, and a reduction in the unemployment problems of the state.

The contributions of these MSMEs have been slightly strengthened by both private and government involvement through different encouragement agencies and programs. These MSMEs, however, meeting several challenges as they endeavour, towards generating the much needed jobs. But notwithstanding, there are good prospects for their growth and development as great opportunities abound in the Telangana state.

Based on the findings from this study, it can be trustingly concluded that Small and Medium Scale Enterprises have significant impact on employment generation and rest one of the most viable tools for job creation in Telangana State. And also found that the biggest problems faced by the firms are Finance, Marketing and Lack of Skilled Labour. Infrastructure here comprises of factors like condition of the industrial areas, electricity or energy supply, transportation facilities etc This is evident in the fact that MSME is one of the biggest employers of labour, generating employment for millions of people in various economic activities such as: carpentry, handset repairs, sewing, weaving, hairdressing, poultry farming, beads making, , bakery and manufacturing of other industrial products. If actual attention is given to the sector, it is capable of reducing unemployment to the barest minimum and generating the highest earnings for the state and country at large. Therefore, to accomplish, full employment and to be amidst the topmost 20 enlarge countries of the global by the year 2020, the MSME sub sector should be given

all the crave, attention and support from the national, state and local governments as well as Non-Governmental Organizations (NGO's) as this will provide an avenue for sustainable employment generation and economic development as a whole.

XVI. RECOMMENDATIONS

The following are the recommendations that will promote efforts to generate more employment opportunities through MSMEs:

i. Government should intensify its efforts in reforming and stabilizing the power sector so as to put an end to the energy crisis and epileptic power supply in the state and country at large.

ii. Support and sponsorship for SMEs should be devoid of politics and favouritism in terms of finance as it is one of the major problems of MSMEs development in the state.

iii. Governments should develop the local technological base of the country as most MSMEs use obsolete and out-dated technology which makes their production difficult. This can be done by transfer of technology.

iv. Government policies and programs geared towards training youths in various skills and businesses should be proactive and pragmatic in meeting the dynamic and constant changing business environment given the current state of the economy.

REFERENCES

[1.] Dias, (1990) "Developing Rural Entrepreneurship?" in the Intermediate Technology Publication, New Delhi.

[2.] Storey, D (1994) "Understanding the Small Business Sector", International Thomson Press, Routledge, London.

[3.] Venkat Janardhan Rao, K, Satyanaseryanachery, T and Shyamsundar, C (2009) "State of Small and Medium Enterprises in India", in the The Management Accountant, Vol.44 (4), pp. 264-267.

[4.] Gaurav Sehgal, and Ashok Aima (2011) "Microfinance for SMEs: Prospects, Challenges and Implications", in the International Journal Research in Commerce and Management, Vol. No. 1(4), pp. 37-44.