

SME Drives the Largest Job Creation in India: ASSOCHAM

by [Mahesh Suri](#) on July 13th 2010 and filled under [Other](#)

New Delhi: In the aftermath of the global economic meltdown the fastest recovery in terms of job creation has been in the small and medium enterprises (SME's) more than large industry in India, indicated an ASSOCHAM analysis. The SME sector reported about 25% job losses during the recent global recession. However, it has been one of the fastest to tide over the gloom with figures of job creation coming up on a steady pace, the analysis said. This sector alone contributed almost 40 % of all jobs created in the economy thereafter - showing the flexibility and adaptability of quick response. SMEs contribute to 45 per cent of the industrial output, 40 per cent of exports, provides employment to nearly 60 million people and creates as many as 10 lakh jobs each year. The SME sector also produces more than 8,000 different products annually not only for the Indian markets but also international shores. Further push is being given to the SME sector in the areas such as pharma, food processing, auto ancillary, IT, retails, textiles and garments, agro, nano technology, financial sector and service sectors. It is probably the only sector with an employment potential at a low capital cost. More labour intensive, the sector has consistently registered higher growth compared to the overall industrial sector. And owing to its size, these units are more adaptable to the changing market scenario and show remarkable innovativeness in each vertical. According to the fourth census of the MSME sector, the sector employs nearly 59.7 million people in over 26.1 million enterprises. However, a lot remains to be done for the sector to make it all the more dynamic and self-reliant. For instance, there are several gaps to be filled where support from the banking sector SMEs play a significant role as one of the growth engines of the Indian Economy. In fact, they have been playing a critical role in the socio-economic developments in the country while further facilitating the achievement and streamlining the objectives relating to mass employment generation, low investment, Import substitution, significant export earnings, Labor intensive mode of production, capacity to develop appropriate indigenous technology and high contribution to domestic production. Lastly, SME sector is heterogeneous, highly dispersed and mostly unorganized. The biggest culprit of SMEs is the unduly delayed payments by large industry players. There has been a clear shift in the mindset of Indian firms displaying an increasing interest in global joint ventures, alliances, and mergers and acquisitions. Here in after Indian SMEs are making their forays into the global markets.