

A STUDY ON IMPACT OF MSME-LED ENTREPRENEURSHIP ON REGIONAL EMPLOYMENT DISPARITIES

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Abstract

Regional employment disparities remain a structural and social challenge in Indian economy, most of the economic activities of India are scattered in urban industrial clusters and least concentrated on Rural Areas and underdeveloped regions Small and Medium Enterprises (MSMEs) have emerged as a vital mechanism for decentralized industrialization, employment generation, and inclusive growth. An attempt has been made in this paper to evaluate the impact of MSME-led entrepreneurship on reducing regional employment disparities, particularly in the industrial estates of Kolar district. This paper assesses the employment disparity and socio-economic inclusiveness of MSMEs and findings suggest MSMEs significantly contribute to regional employment balancing by generating localized non-farm employment, promoting entrepreneurship in backward districts,

Keywords: MSME, Entrepreneurship, Regional Disparities, Employment Generation, Inclusive Growth

Introduction

Micro, Small and Medium Enterprises (MSMEs) play an indispensable role in economic growth by generating employment and promoting entrepreneurship and industrial

development. Regional employment disparities refer to the unequal distribution of job opportunities, income levels, and employment growth across different geographic regions. It occurs when certain regions (such as urban or industrialized

areas) have more employment opportunities and higher wages, while other regions (such as rural or backward areas) face higher unemployment and limited job options. These disparities can lead to migration, income inequality, and uneven economic development. MSME-led entrepreneurship plays a strategic role in reducing these disparities by fostering decentralized industrial growth. In India, MSMEs are regulated and promoted by the Ministry of Micro, Small and Medium Enterprises, which frames policies aimed at equitable regional development.

Review of Literature

1. Analysing the Effectiveness of Micro, Small and Medium Enterprises Strategies for Employment Creation: A Case Study of MSMEs in Ndola's Retail Business Sector by 1 Mubita Kabika, 2 Dr. Kelvin Chibomba, Department: School of Business, Information and Communication University. This study analysed the effectiveness of MSME strategies for employment creation in Ndola's retail sector. Specifically, it sought to identify the business growth strategies used by MSMEs, assess the effectiveness of MSME employment creation strategies, examine the relationship between business growth and employment creation, and highlight the limitations associated with the business growth strategies adopted by MSMEs.
2. A Critical Review of the Interplay Between Industrial Policy, Cluster Development, and MSME Growth in Nellore District, Andhra Pradesh by Bharath Kanchi. This study analysed the industrial development strategy in Nellore has succeeded in attracting capitalintensive large industries but has largely failed to create robust, functional, and integrated MSME clusters. The growth remains uneven.
3. Assessing the Impact of MSMEs and Entrepreneurial Policy in Developing Countries Presented by: Isatou A. Jallow. This study analysed the strategies to overcome the challenges and for a vibrant MSME and Entrepreneurship, The Gambia have developed different strategies which include: Made in Gambia Strategy- 1. Promote policy coherence and build synergies to enhance the production and consumption of locally made goods to improve the country's competitiveness. This will boost the productivity of the local manufacturing sub-sector of the Gambia to become competitive in the region and the international community

Objectives of the Study

- To analyse the contribution of MSME-led entrepreneurship to employment generation across Kolar district.
- To evaluate the extent to which MSME growth reduces regional employment disparities.
- To identify the key socio-economic factors influencing MSME-led employment outcomes in Kolar District.

Research Methodology

Type of data used: Primary data has been collected through questionnaire and personal interview.

Secondary data has been collected through text books, journals, websites and newspapers.

Sample Size:

Simple Random Sampling method has been chosen to collect the data. 25 MSME Owners and Entrepreneurs, 25 skilled, unskilled, temporary and permanent employees of different MSME industries located in both rural and urban industrial estate such as Narasapura industrial estate Malur Industrial estate, Devasandra industrial estate Mahadevapura, ITI industrial estate Mahadevapura.

Mechanisms through Which MSMEs Reduce Regional Employment Disparities

Decentralized Industrialization

Unlike large-scale industries that cluster in urban regions, MSMEs operate in rural and semi-urban areas, utilizing local resources and labour. This reduces spatial concentration of employment.

High Employment Elasticity

MSMEs are labour-intensive, generating more employment per unit of capital compared to large enterprises. This enhances job creation in capital-scarce regions.

Promotion of Rural Non-Farm Employment

MSMEs diversify employment beyond agriculture by establishing agro-processing units, small manufacturing clusters, dairy enterprises, and rural services.

Women and Marginalized Group Inclusion

MSME-led entrepreneurship encourages participation of women, SC/ST communities, and economically weaker sections, contributing to inclusive employment generation.

Reduction in Distress Migration

By creating local employment opportunities, MSMEs reduce rural-to-urban migration, balancing labor distribution across regions.

Challenges Limiting Equalizing Impact

Despite positive contributions, MSMEs face structural constraints:

- Infrastructure gaps (transport, electricity, internet)
- Limited access to formal credit
- Technological backwardness
- Weak market linkages
- Uneven distribution of institutional support
- Skill mismatches in rural labour markets

These constraints often result in uneven MSME growth, limiting their ability to fully bridge regional employment gaps.

Data Analysis and Interpretation

1. MSME-led enterprises have significantly increased employment opportunities

Particulars	No of Respondents	Percentage
Strongly Agree	20	40%
Agree	10	20%
Neutral	3	06%
Strongly disagree	10	20%
Disagree	7	14%
Establishment of MSMEs has reduced migration from rural areas to urban canters.	No of Respondents	Percentage

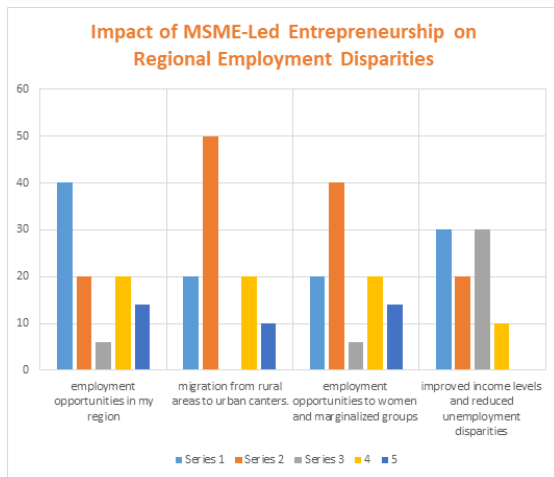
Particulars		
Strongly Agree	10	20%
Agree	25	50%
Neutral	00	00%
Strongly disagree	10	20%
Disagree	5	10%

2. MSMEs provide employment opportunities to women and marginalized groups in this region.

Particulars	No of Respondents	Percentage
Strongly Agree	10	20%
Agree	20	40%
Neutral	3	06%
Strongly disagree	10	20%
Disagree	7	14%

3. The presence of MSMEs has improved income levels and reduced unemployment disparities in this region.

Particulars	No of Respondents	Percentage
Strongly Agree	15	30%
Agree	10	20%
Neutral	15	30%
Strongly disagree	05	10%
Disagree	05	10%



Findings

Based on the data analysis of 50 respondents, the following findings are derived:

- 60% of respondents (40% strongly agree + 20% agree) believe that MSME-led enterprises have significantly increased employment opportunities in their region. 34% (20% strongly disagree + 14% disagree) expressed negative opinions. 6% remained neutral. A majority of respondents perceive that MSMEs positively contribute to regional employment generation. However, a considerable proportion still feels that employment benefits are either uneven or insufficient.
- 70% of respondents (20% strongly agree + 50% agree) believe that MSMEs have reduced rural-to-urban migration. 30% (20% strongly disagree + 10% disagree) do not agree. No

respondents remained neutral. There is strong agreement that MSMEs help reduce migration by creating local employment opportunities. This suggests MSMEs play an important stabilizing role in rural economies.

- 60% (20% strongly agree + 40% agree) feel MSMEs provide employment to women and marginalized communities. 34% (20% strongly disagree + 14% disagree) disagree with this statement. 6% are neutral. While the majority acknowledges inclusive employment generation by MSMEs, a notable segment indicates that inclusion may not be fully effective or uniformly implemented.
- 50% (30% strongly agree + 20% agree) agree that MSMEs improve income levels and reduce unemployment disparities. 20% disagree. 30% remain neutral. Half of the respondents perceive positive income and disparity reduction effects, but a significant neutral response (30%) suggests uncertainty or uneven impact across regions.

Suggestions

- Government should assistance for the expansion of MSME sectors in backward and semi-urban regions to maximize employment generation.

2. Introduce targeted financial incentives and entrepreneurship training for women and socially disadvantaged groups to ensure inclusive growth.
3. Develop rural infrastructure such as roads, electricity, digital connectivity, and logistics to enhance MSME efficiency and regional competitiveness.
4. Establish proper monitoring mechanisms to evaluate the regional impact of MSMEs on employment disparities and income growth.

Conclusion

The data analysis indicates that MSME-led entrepreneurship plays a positive role in employment generation and migration reduction. MSMEs are widely perceived as contributors to employment generation.

They significantly help in reducing rural-to-urban migration but support to women and marginalized groups inclusivity can be improved. The impact on income enhancement and unemployment disparity reduction is moderate but not uniformly strong and Perceptions indicate that while MSMEs are beneficial, their impact varies across regions. The Government should assist for the expansion of MSME sectors in backward and semi-urban regions to maximize employment generation.

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