Estimating Employment Elasticity of MSME Sector in India

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ABSTRACT

The study analyses region-wise employment performance of micro, small and medium enterprises (MSMEs) in India with the lens of employment elasticity. The study gives a glimpse of the various methodologies used to estimate employment elasticity of growth and employed arc elasticity method to measure employment performance in MSMEs regionally. The post-reform period witnessed highest employment elasticity in MSME sector than at all India level. Regionally, employment elasticity in MSMEs is high in North-Eastern regions followed by Eastern India. MSME being considered as a driver of growth engine and absorbent of large scale work-force within its umbrella and hence it becomes crucial to understand which regions are high employment elastic and the factors that determine high employment elasticity in the region so as to meet the challenge of demographic dividend in the country.

Keywords: Employment Elasticity, Growth, MSMEs