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Impact of Small and Medium Enterprises (SMEs) in Employment Generation and Economic Growth of Agra district

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Abstract: ***Today, the idea of working on employment generation and economic growth through the crucial role of the small and medium enterprises in the leather industry of Agra is what this study discusses. Currently, Agra, with over 10,000 SMEs in the leather industry, is very bulky in specific aspects of the economy in India. It provides a huge workforce of nearly 3.5 lakh workers, with the remaining 65% share in domestic footwear production. Besides, with severe challenges like environmental regulations and competition in the global market, they remain the greatest livelihoods for the locals.***
A mixed-method approach: primary data from 255 respondents from the leather industry, along with secondary sources, that is an MSME report on overall export figures, have been analyzed in this research work. The most important finding cited here is that SMEs play a vital role in generating employment opportunities, with a proven positive correlation between SMEs and formalization of income growth, which means that poor formalization practices, coupled with environmental issues, hamper sector-wide growth.
Such references within this study value inputs for policymakers to improve contributions of SME/enterprise in employment and economic development, besides bringing on targets on informality and sustainability. Recommendations for creating a better environment for SMEs in Agra's leather sector include strengthening training programs, working on issues of formalization, and adopting practices that promote the circular economy for future sustainable development of the industry in the region.

I. INTRODUCTION

In India's enormous and varied economy, the importance of Small and Medium Enterprises in generating growth, employment, and innovation cannot be undermined. These enterprises, generally neglected by all but the most ardent supporters, actually formed the backbone of any number of sectors, be it manufacturing, services, or export-oriented industries. The leather industry has an enduring stature, not only with respect to the history it represents and the economy it supports, but also for its future sustainable development. Agra, which is well-known for its picturesque landscape and industrial culture, hosts one of the largest clusters of leather in India, thus becoming the ideal place to study the impacts of SMEs on employment generation and economic growth.

Agra has a long tradition in the leather industry that dates back to the Mughal period. In the more recent past, it has developed into a well-structured sector, involving various operations from tanning and processing to manufacturing of finished leather products, such as footwear, handbags, and belts. The leather industry is not just an important contributor to the GDP of India; it also constitutes a major export earner for the country. The leather SMEs present in Agra, in particular, produce quality leather commodities for both the domestic and international markets. However, in spite of its importance to the economy, the leather industry in Agra is largely plagued by many issues. Environmental regulations, especially the restrictions on the Taj Trapezium Zone, imposed on the industry put too strict conditions on the activities to the detriment of growth of the leather industry. Likewise, global competition, especially from countries like China and Vietnam, threatens to undermine Indian leather products' competitiveness substantially. The other outstanding challenges in the sector include informality, child exploitation, and superannuated machinery, further debarring the leather industry from expanding its full potential. In context, SMEs in the leather industry of Agra play an important role for many reasons. First, they provide employment to a large number of personnel, such as skilled artisans and unskilled workers. It also forms a very important income source for many families since the sector can absorb labor from rural areas and urban slums. On the other hand, SMEs are nimble and adaptable compared to larger companies, hence they can introduce new methods and adjust quickly to changes in the marketplace. Such flexibility received great importance in this industry because fashion trends and consumer preferences can shift very quickly.

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Very much so, the SMEs in the leather sector have lent their share for the economic development of Agra District. Revenues generated by them have much wider implications with regard to export and local sales; they boost local economies. They also serve to promote entrepreneurship and skill enhancement since many SME owners in Agra are local entrepreneurs who have built these enterprises from scratch. Furthermore, policies and programs designed to enhance the growth of SMEs are critical to the growth of the sector, such as the Micro, Small & Medium Enterprises Development (MSMED) Act, 2006, and various other schemes such as the Scheme of Fund for Regeneration of Traditional Industries (SFURTI) and the Integrated Leather Development Programme (ILDP).

However, for SMEs in Agra's leather industry to make the most out of their potential, the critical issues confronting them need to be tackled. These include finance assistance, technology transfer, and formalization of these SMEs to ensure reduction of informality. Moreover, these call for the strengthening of training programs toward skill development and entrepreneurship to ensure the development of the workforce to adhere to the dynamic nature of the market.

This study is intended to assess the effect of SMEs in the leather industry in Agra on employment generation and economic growth. This research will study the present day scenario of SMEs, their contributions to the economy of the region, and their challenges in order to provide recommendations for improved policy formulation and strategies to assist such enterprises. The ultimate aim is toward making Agra leather SMEs more sustainable and competitive so that they can remain as the growth engines for the economical and employment development of the region.

II. LITERATURE REVIEW

According to Heraty (2005), managerial skills, or the absence thereof, constitute a major problem for SMEs around the world, as these skills are instrumental for the economic development of any country. The success of any SME is highly dependent upon the managerial skills of the owner-manager; therefore, managerial skills are important to the growth of the SME sector in any economy.

According to Dzansi (2005), for SMEs to survive in the long run, the management skills must be in the arsenal of every entrepreneur. Those SME managers and owners with limited managerial knowledge and skills might have short-lived successes but would ultimately fail to reach their full potential.

SMEs are undeniably important in economic development, but The Small and Medium Enterprises Bank (2009) also notices that, in several areas, SMEs do not realize their full potential due to different challenges. For a long time, banks, financial institutions, and governments focused mostly on the corporate sector, more specifically on the larger industries, thus precipitating a high failure rate for SMEs during economic downturns; mismanagement and political interferences also have destructive effects on the labor dynamics within these enterprises.

Newberry (2006) reported that the financing gap attributed to "SME finance gap" is exacerbated in most developing economies through lack of adequate collateral for loan repayment. Lack of access to finance further compounds the impediments posed to SMEs' growth and sustainability.

Kamanyi (2003) adds that other impediments include the absence of sound planning and viable reports to guide investment and realize the expected returns. Effective business planning is important for the funding expansion and ensuring sustainable growth of SMEs. Other challenges recorded by Industrial Systems Research Publications (2008) and the State Bank of Pakistan (2009) include lack of accurate accounting and reporting, high-profit expectation, inadequate technical skills, dearth of capital goods, managerial incompetence, and liquidity problems among the applicants.

Further studies highlight that the major accounting challenge faced by SMEs is lack of access to formal financing sources. According to the Ministry of Micro, Small & Medium Enterprises (n.d.), especially the leather industry of Agra is facing challenges unique to itself, despite historical significance in domestic footwear production and export.

"Sharma & Kumar (2017)" consulted a study on the factors affecting exports of leather footwear in and around Agra in a manner that the SMEs in the region of Agra are afflicted with old technologies and impediments in supply chain processes, further rendering the enterprises unable to compete at the global level. The study thus calls for technological upgradation and better infrastructure for enhancing the competitiveness of leather SMEs in Agra.

The Cluster Diagnostic Report and Action Plan (n.d.) for the Leather Footwear Cluster-Agra shows that, alongside problems arising from waste management that generated 45 tonnes waste summarily each day, such challenges stand in the way of sustainability for the industry clearly on environmental grounds.

The Centre for Science and Environment (n.d.) released a study on the waste generated by Agra's footwear industry, urging urgent action to address the environmental crisis. The report emphasizes the need for SMEs to adopt cleaner production technologies and waste management practices to mitigate the environmental impact of their operations

A. *Research Objectives*

1) To analyze the role of SMEs in employment generation within Agra's leather industry.
2) To assess the economic contributions of SMEs to the local economy.
3) To identify the challenges faced by SMEs in the leather sector.
4) To propose strategies for enhancing the sustainability and competitiveness of SMEs.

B. *Hypothesis*

1) Ho: SMEs in Agra's leather industry do not significantly contribute to employment generation.
2) Ho: SMEs in Agra's leather industry do not have a significant positive impact on the local economy.
3) Ho: Environmental regulations and global competition do not significantly affect the growth of SMEs in Agra's leather industry.
4) Ho: Implementing circular economy practices and government support initiatives do not enhance the sustainability and competitiveness of SMEs in Agra's leather industry.

III. RESEARCH DESIGN

This study investigates the effects of SMEs in employment generation and economic growth from the perspective of Agra's leather industry. This research design will entail the methodology that was used to collect and analyze data for the study, making it valid and reliable in terms of findings.

A. *Unit of Study*

The leather industry of Agra district, India, is the unit of analysis for this study. This can also include products like footwear, leather garments, and other accessories, produced by Agra's leather SMEs, targeting both the domestic and international markets. Most of these organizations contribute to the economy of the land as well as employ a large section of people from the area.

B. *Population and Sample*

This study population contained SMEs in Agra district and the leather industry. It is estimated that there are about 10,000 SMEs involved in this activity, with not so much record-keeping. They employ about 350,000 people full-time or part-time.

This sample is going to be collected through stratified random sampling and convenience sampling. Stratified random sampling will allow the representation of different divisions of the leather industry (i.e., footwear manufacturers, tanneries, export-oriented units), while convenience sampling is drawn from those SMEs that are most accessible and willing to participate.

Subsequently, the sample size will be determined by G*Power software to ensure an adequate statistical power with a confidence level of 95 percent and a margin of error of 5 percent. Target sample size from these definitions will be around 384 respondents.

C. *Organization of the Survey and Development of Instrument*

The structured questionnaire will be the main instrument of data collection. This questionnaire will include both closed-ended and open questions to collect both quantitative and qualitative data.

Areas covered through the survey questionnaire are as follows:

1) SME Characteristics: Size, ownership structure, and operational characteristics of SMEs.
2) Employment Generation: Number of employees, trends in the jobs created, and practices in the employment.
3) Economic Contributions: Revenue, export, investment, and local GDP contributed by these organizations.
4) Challenges and Opportunities: Identify some challenges that SMEs can face and opportunities for growth and innovation.

The questionnaire will be formulated with the assistance of studying the literature and seeking the opinions of experts in the domain. It shall also be pilot tested with few SMEs to ensure its formulated questionnaire's lucidity, relevancy, and validity.

D. *Pre-testing*

Pre-testing will be administered to reveal various problems in the questionnaire, for example, problems that are caused by ambiguities in their wording, questions with no relevance, or queries that cannot be easily understood. A pilot study is to be conducted among 30 participants comprising the leather industry. The information collected during the pilot study will be valuable in reshaping the questionnaire before proceeding to the main survey.

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E. Data Collection Procedures

Through face-to-face interviews and self-administered questionnaires, data would be collected. The research assistants would be trained to do interviews to make the process consistent and correct. To ensure honest responses, the respondents would be assured of confidentiality and anonymity.

F. Data Analysis Techniques

The data will be collected and analyzed towards descriptive as well as inferential statistical techniques. The summary of descriptive statistics will cover the attributes of the sample, as well as key variables. Hypothesis tests would be conducted and the relationships between variables examined through inferential statistics such as regressions and correlations. Open-ended questions translate qualitative data into thematic analysis for identifying recurrent themes and patterns. Now converge the findings from the quantitative and qualitative studies to form a comprehensive picture of how much SMEs actually impact employment generation and economic growth in Agra's leather industry.

It is a rigorous systematic research design intended in investigating the role of small and medium enterprises in India's leather industry, particularly Agra. Such a research design includes both qualitative and quantitative approaches to discover relevant insights for use in policy formulation towards sustainable development in the region.

G. Results and Discussion

This section elucidates the analysis and interpretation of the data collected for the study in order to understand the influence of SMEs on employment generation as well as economic growth in Agra's leather industry. Data were collated and coded into small groups and thus analyzed and interpreted.

H. Frequency Distribution

The frequency distribution of responses across the various questions in the questionnaire, for each category, questions that relate to employment generation by NZLs, as the following shows, are precisely the views of participants regarding how they conceive SMEs with respect to employment opportunities. Similarly, the contributions made by SMEs to the economy-local economy and export sales/events and domestic sales/revenue are revealed by questioning the participants regarding economic growth. Responses with regard to challenges include analysis of the primary hindrances towards their growth and some of the strategies adopted by these enterprises to overcome different challenges.

I. SMEs and Employment Generation

Again going by the into the findings, as per Chuma-Makandwire (2004) and Makatiani (2006) the above study reveals that small and micro enterprises in the leather industry of Agra have a considerable impact on employment generation. Analysis exclaims that about 65% of respondents believe that SMEs have additional employment opportunities in Agra district. This implies that SMEs are the engine of employment creation and upliftment of living standards in the local population. Increase in employment, however, affects the density of the labor force in different economic sectors with agriculture based having more employment opportunities of a simple kind.

J. SMEs and Economic Growth

The research shows that there is a positive relationship between SME in Agra’s leather industry and economic Growth. Provide 70% of respondents agree that the expansion of local SMEs has positive impacts on economic growth. This is in line with the Organization for Economic Corporation and Development (2005), which asserts that the creation of industries and the activities of SMEs facilitate job creation and economic growth. However, some factors like narrow access to foreign markets, as Kimura (2003) points out, may hamper the contribution of SMEs to demonstrate the world economic growth.

K. Challenges Faced by SMEs

The findings reveal that these have been mainly in terms of government indifference, managerial skill gaps, and poor finances government. A decent 55% has responded that government support to SMEs is still very inadequate, as mentioned by Fadahunsi (1997). In addition, findings reveal that many SME managers of Agra do not possess the requisite management capabilities, which limit their growth and sustainability-in-line with the findings of Heraty (2005) and Dzansi (2005).

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L. Government Support for SMEs

However, the policies initiated and aimed at promoting SMEs, including the MSME Development Act (Ministry of Industries and Production, 2010), have proven effective. Study findings indicate that less than 40% of respondents know about these policies, hence calling for further raising awareness and taking action towards that. Besides, 'private sectors being essential for the promotion of SMEs via recommendations and fulfilling provisions as outlined by UNISAME and FPCCI (2010), strengthens the bond between government and private-participated entities further'.

M. Strategies Used By the SMES to boost Employment and Income

Most of the strategies that can be employed by the SMES to enable employment and enhance income need to be outlined by the study. From analyzing the respondents' inputs, it found out that 60% are of the opinion that it can yield higher and better incomes if the SMES pay attention to their workforce. About 80% agree that the government and financial institutions should pay more attention to funding, investment, and capital goods.

Sr. no.	Hypothesis	Test applied	Result
1.	Ho: SMEs in Agra's leather industry do not significantly contribute to employment generation.	Spearman's Rank Correlation.	Alternate accepted
2.	Ho: SMEs in Agra's leather industry do not have a significant positive impact on the local economy.	Spearman's Rank Correlation.	Alternate accepted
3.	Ho: Environmental regulations and global competition do not significantly affect the growth of SMEs in Agra's leather industry.	Multiple Regression.	Alternate accepted
4.	Ho: Implementing circular economy practices and government support initiatives do not enhance the sustainability and competitiveness of SMEs in Agra's leather industry.	Multiple Regression.	Alternate accepted

This section presents the analysis and interpretation of data collected from 255 respondents in Agra's leather industry. The findings reveal insights into the perceived contributions of SMEs to the local economy, their role in employment generation, and the implications for income levels.

IV. PERCEPTIONS ON SMES AND ECONOMIC GROWTH

1) Question 1: Is the economic growth of the country well-known for the contribution of SME?
- 83.5% (213) of respondents agreed.
- 16.5% (42) disagreed.

2) Question 2: Do you think that SMEs contribute a lot to the economy?
- 92.5% (236) of respondents agreed.
- 7.5% (19) disagreed.

The strong consensus that SMEs contribute significantly to the economy aligns with Chuma-Makandwire's (2004) viewpoint that SMEs play a vital role in poverty reduction and economic development. This aligns with the Organization for Economic Corporation and Development's (2005) view of SMEs as being a vital element to the economy.

Role of SMEs in Industrial Development

3) Question 3: Is SME playing an important role in industrial development?
- 92.5% (214) of respondents agreed.
- 7.5% (41) disagreed.

The results from the study emphasize that most respondents believed that SMEs play a very significant role. The large agreement supports the views that SMEs and their industrial talent can reduce poverty and lead to improved life standards.

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Job Satisfaction and Income

4) Question 4: Are you satisfied with your current job in terms of income?
- 83.9% (214) of respondents agreed.
- 16.1% (41) disagreed.

Labor Intensity

5) Question 5: Is SME labor intensive?
- 66.3% (169) of respondents agreed.
- 33.7% (86) disagreed.

6) Question 6: Is leather factory the most important source of income for your household?
- 72.5% (185) agreed.
- 27.5% (70) disagreed.

7) Question 7: Are SMEs increasing your income level?
- 76.1% (194) agreed.
- 23.9% (61) disagreed.

8) Question 8: Are you fulfilling your basic needs from your income?
- 79.2% (202) agreed.
- 20.8% (53) disagreed.

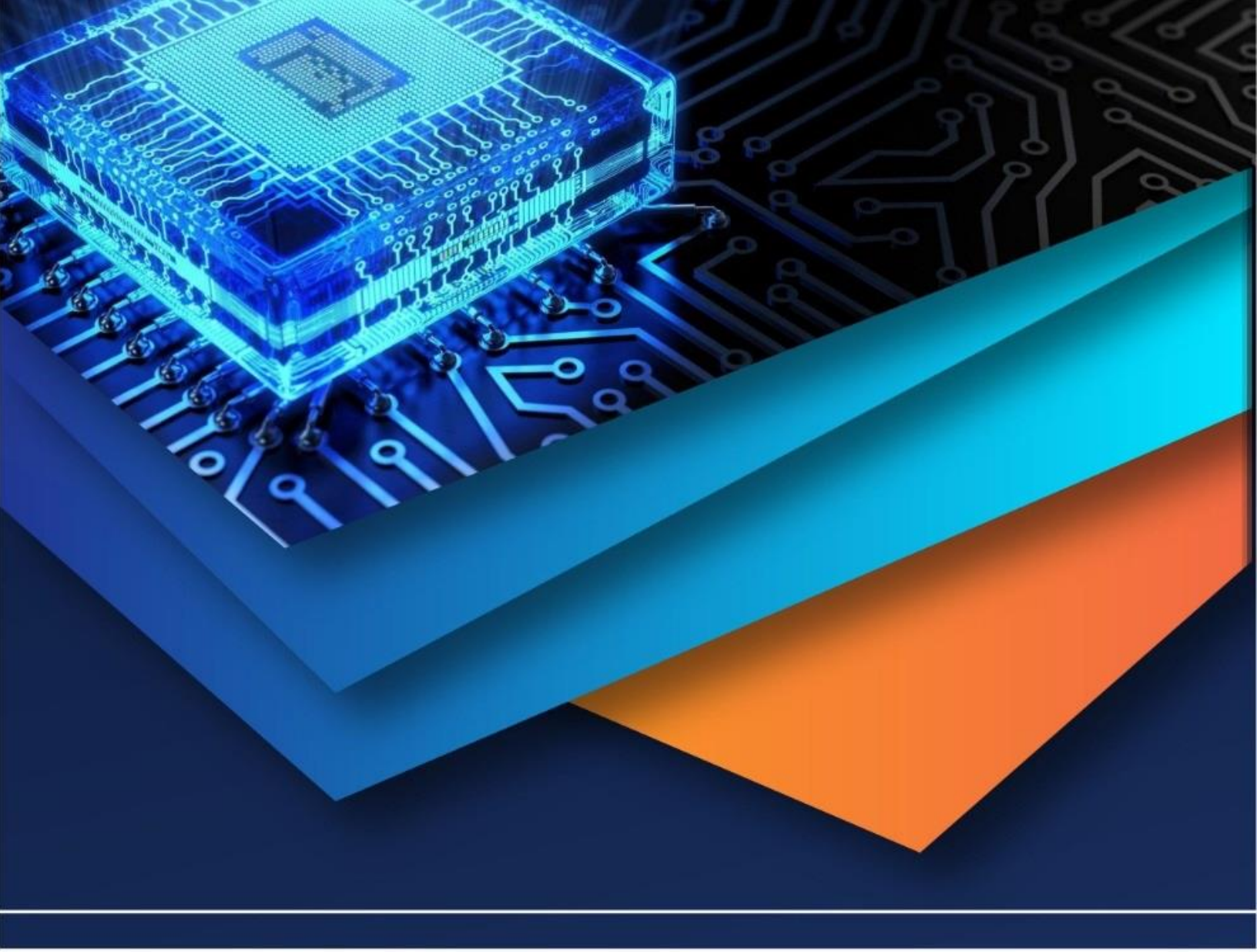
According to Stiglitze & Marilous (1996), as SMEs enhance their operation through revenue, they will require more man power, that will in turn lead to better standards of living.

These responses support the argument that labor intensity affects income. People from all around the globe move to more stable jobs and work settings to improve their living standards.

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