

Gujarat's Entrepreneurial Spirit Shines Not Just Through Its Corporates And MSMEs But Also Its 34.9L Unincorporated Sector Enterprises, Which Have Added 7.62L Jobs In 7 Years And Fuelled Economic Growth

# UNSEEN HEROES OF GUJARAT'S ECONOMY

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Gujarat's entrepreneurial spirit shines bright, not just in its corporates and startups, but also in its thriving unincorporated sector enterprises (USEs). The state is home to 34.9 lakh USEs, employing around 68.8 lakh people, according to the Union ministry of statistics and programme implementation (MOSPI). The informal sector — small and medium enterprises and household proprietary and partnership establishments — play a crucial role, making up nearly half of India's economic output.

Recent data from the annual survey of USEs (ASUSE) for 2021-22 and 2022-23 has revealed that while many states lost 16.45 lakh jobs in the unorganized sector between 2015-16 and 2022-23, Gujarat showed remarkable resilience by adding 7.62 lakh jobs during this period. The number of jobs in the state rose from 61.1 lakh to 68.8 lakh.

Notably, the 2015-16 survey was conducted under the aegis of the National Sample Survey Office (NSSO). According to ASUSE estimates, about 10% of Gujarat's 6.5 crore population is employed in USEs, meaning that there is one unincorporated sector enterprise for every 18 people in Gujarat.

"Entrepreneurship comes naturally to the people of Gujarat, be it an industrialist, a small-time business owner, or even a woman entrepreneur running a grubh udyog or home-based business," explains Jayendra Tanna, president

of the Gujarat Traders' Federation (GTF). "The unorganized sector has been key in keeping the unemployment rate down in the state, with small manufacturers marketing and selling their own products," he adds.

In Gujarat, 38% of USEs in rural and urban areas operate in the trade sector, followed by 33-34% in services and 30-31% in manufacturing. Dr Sunil Shukla, director general of the Entrepreneurship Development Institute of India (EDII), says, "Many major industrialists started small. Small ventures create a bedrock for future enterprises. Of late, the services sector, besides manufacturing, is witnessing more traction."

The informal sector is crucial for job creation, providing employment opportunities for semi-skilled and unskilled workers, says an industry source, adding: "Gujarat's diverse industries, such as textiles, apparel, gems and jewellery, logistics, engineering goods and ceramics, heavily rely on USEs for job work and supply chain needs. Any impact on these industries quickly affects the informal sector."

For example, during the Covid-19 pandemic, when supply chains were disrupted and demand plummeted, informal workers were among the hardest hit. They lost their livelihoods and their survival was at stake. During this period, after a five-year gap, the ASUSE survey was conducted again, covering around 20,000 establishments in Gujarat. The outcomes of the surveys conducted in 2021-22 and 2022-23 were released recently.

## State achieves 14% GVA, second only to Delhi in the country

Home to several dedicated manufacturing clusters, Gujarat is indeed the production hub of India and the world, supplying everything from medicines to fabric to apparel to ceramics and more. Besides SMEs and large corporations, the state's



USEs are also known for their value addition in manufacturing, which helps them command better revenues, opine industry players.

ASUSE findings for 2022-23 show that Gujarat's manufacturing USEs have one of India's highest gross value additions (GVA) at 14%. In absolute terms, Gujarat ranks second in the country with an average GVA of Rs 3.6 lakh per unit per annum, trailing Delhi (Rs 4.5 lakh) and ahead of Haryana (Rs 3.3 lakh). The national average GVA per unit per annum is Rs 2.38 lakh.

GVA at base price is calculated as the total output minus the total input, including trade margins, product taxes, and distribution expenses.

## State ranks 6th in women-run USEs

According to ASUSE, in seven major states, including Gujarat, the share of women-run or owned enterprises accounted for more than 25% or one-fourth of total enterprises. Telangana, at 43%, has the highest number of such enterprises, followed by West Bengal (33%), Karnataka (31%), Andhra Pradesh (28%), Tamil Nadu (28%), Gujarat (27%) and Kerala (27%).

Analysis of Gujarat's women-led enterprises reveals that 56% worked in the manufacturing sector, 18% in the services sector, and 10% in trade. The remaining 16% were in

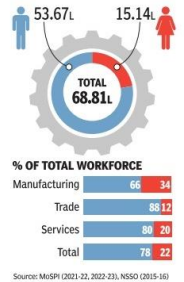


other sectors. Regarding employment, women comprised 34% of the total workforce in manufacturing USEs, 20% in services, and 12% in trade USEs.

Naveen Patidar, CEO of Aga Khan Rural Support Programme (AKRSP), says, "Gujarat is unique as women are forthcoming in participating in economic activities and there are several self-help groups that help market their products ranging from khakhras to farasan."

Reema Nanavaty, director at SEWA, highlights an essential aspect of the survey, noting that it mainly refers to women in the middle-income category who run SMEs. "But there is a large layer beyond it that comprises nano or micro-entrepreneurs and their enterprises, which comprise our economy's informal sector. These lakhs of women sustain their households through these micro-enterprises and contribute significantly to the economy," she says, adding, "The Covid era compelled many women to start home-based or cottage enterprises. Recognizing and supporting these enterprises is equally important for economic growth."

## GENDER COMPOSITION OF WORKFORCE



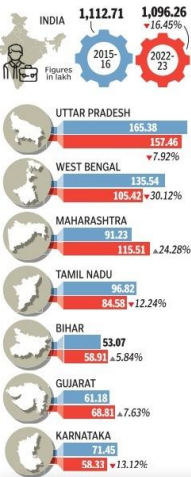
## Informal workers struggle with lower salaries

A significant issue USEs in Gujarat face is the pay disparity between formal and informal workers. In rural areas, formal workers in manufacturing earn Rs 2.25 lakh annually, while informal workers earn Rs 1.10 lakh. The disparity is wider in urban areas where formal workers earn Rs 3.78 lakh, compared to Rs 1.36 lakh for informal workers. Likewise, formal workers in the manufacturing sector in rural Gujarat got a 50% raise from Rs 1.5 lakh per annum, but the raise was just 7% from Rs 1.03 lakh for informal workers. Experts, however, suggest that skilling initiatives can aid in augmenting incomes.

"Training rural youth can significantly enhance their earning potential," says Dr Sunil Shukla of EDII.

— With inputs from Parag Dave and Niyati Parikh

## JOB CREATION BY USEs: A PERSPECTIVE



## COMPOSITION OF ENTERPRISES IN STATE

| TOTAL ENTERPRISES (2022-23) | Units (% of total) | 2021-22 |       | 2022-23 |       |
|-----------------------------|--------------------|---------|-------|---------|-------|
|                             |                    | Rural   | Urban | Rural   | Urban |
| 34.94L                      | Manufacturing      | 35      | 35    | 31      | 30    |
|                             | Trade              | 36      | 35    | 36      | 36    |
|                             | Services           | 29      | 30    | 33      | 34    |

Many prominent industrialists started small. Small ventures create a bedrock for future enterprises. Of late, the services and manufacturing sectors are witnessing more traction  
**Dr Sunil Shukla** | DIRECTOR GENERAL, EDII

Gujarat is unique as women are forthcoming in participating in economic activities and several self-help groups help market their products, ranging from khakhras to farasan  
**Naveen Patidar** | CEO, AKRSP

Govt as well as banks should make credit availability easy for the USEs to improve their prospects and fund their expansions so that more people can be employed  
**Jayendra Tanna** | PRESIDENT, GTF

There are lakhs of women who sustain their households through micro-enterprises. We need to recognize and support these ventures to boost state's economic growth  
**Reema Nanavaty** | DIRECTOR, SEWA