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MSMEs, Start-ups and Global Value Chains: Implications for Labour Development in Small-Scale and Cottage Industries

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ABSTRACT

Economic development in Bihar has remained uneven and constrained due to limited industrialization and persistent structural bottlenecks. In this context, small and cottage industries play a crucial role as they are labour-intensive, require low capital investment, and are capable of promoting inclusive growth in rural and semi-urban areas. Industries such as handloom weaving, khadi and village industries, agro-based processing units, leather goods, pottery, and traditional food-processing activities constitute an important segment of Bihar's industrial structure.

The main objective of this study is to examine the present status of small and cottage industries in Bihar and to identify the major impediments that limit their contribution to economic development. The study is based on secondary data collected from government publications, reports of MSME departments, industrial surveys, and census-based sources.

Handloom and khadi units remain largely dependent on traditional techniques, while agro-based industries face problems of storage, processing, and market access. Inadequate institutional credit, poor infrastructure, irregular electricity supply, weak marketing networks, and limited technological upgradation emerge as major constraints. Furthermore, lack of entrepreneurial training, low awareness of government schemes, and administrative delays adversely affect the functioning of these industries.

The paper concludes that strengthening small and cottage industries is essential for accelerating Bihar's economic development. Targeted policy interventions focusing on infrastructure development, access to finance, skill enhancement, technological modernisation, and effective institutional support can significantly improve the performance of this sector and promote sustainable and inclusive economic growth in Bihar.

Keywords: *Economic Development, Small and Cottage Industries, MSMEs, Employment Generation, Industrial Impediments*

Introduction

Micro, Small and Medium Enterprises (MSMEs) and start-ups occupy a central position in the Indian economic structure. They contribute significantly to employment generation, income creation, industrial output and inclusive growth. Small-scale and cottage industries, in particular, provide livelihood opportunities to a large segment of the workforce in rural and semi-urban areas. These industries are labour-intensive in nature and require relatively low capital investment, making them suitable for a developing economy like India where surplus labour exists. In the present era of globalisation, production systems have undergone major structural changes. The concept of Global Value Chains (GVCs) has emerged as an important framework through which production, distribution and value addition are organized across different countries. MSMEs and start-ups are increasingly becoming part of these global production networks. Their participation in GVCs has important implications for labour development in terms of employment opportunities, skill formation, productivity enhancement and income growth. This paper attempts to analyze the role of MSMEs and start-ups in Global Value Chains and their impact on labour development with special reference to small-scale and cottage industries.

Objectives of the Study

1. To analyze the concept and significance of MSMEs and start-ups in economic and labour development.
2. To understand the concept, structure and functioning of Global Value Chains.
3. To study the extent and nature of integration of MSMEs and start-ups into Global Value Chains.
4. To examine the role of MSMEs and start-ups in employment generation.
5. To analyze the impact of GVC participation on labour development.

Research Methodology

The present study is based on a descriptive and analytical research design. It relies mainly on secondary data collected from various published sources. These include government reports, Economic Survey of India, annual reports of the Ministry of MSME, publications of the International Labour Organization (ILO), World Bank, UNCTAD, OECD and research journals. The collected data have been systematically classified and analyzed using qualitative methods. The study focuses on understanding the relationship between MSMEs, start-ups, Global Value Chains and labour development. The methodology helps in identifying trends, challenges and future prospects associated with GVC participation.

Small-Scale and Cottage Industries: An Overview

Small-scale and cottage industries are an integral part of the MSME sector. These industries are characterized by low capital investment, simple technology, use of local raw materials and labour-intensive methods of production. Cottage industries are usually household-based and rely on traditional skills passed from one generation to another. These industries play an important role in generating employment, reducing regional imbalances and promoting rural industrialization. They also contribute to social stability by providing self-employment opportunities and supporting inclusive development.

Concept and Significance of MSMEs and Start-ups

MSMEs are engines of economic growth and employment generation. They contribute significantly to gross domestic product, exports and industrial production. MSMEs promote entrepreneurship and encourage the use of local resources. Start-ups, on the other hand, are innovation-driven enterprises that focus on new ideas, technologies and business models. The significance of MSMEs and start-ups lies in their ability to create employment at a relatively low cost. They support balanced regional development, reduce migration from rural areas and enhance labour participation. By encouraging innovation and skill development, they also improve labour productivity and competitiveness.

Understanding Global Value Chains (GVCs)

Global Value Chains refer to the fragmentation of production processes across countries where different stages of value addition are performed in different locations. These stages include design, production, processing, marketing and distribution. Firms participate in GVCs either as suppliers of raw materials, intermediate goods or finished products.

- Contribution of MSME in Global Trade

  MSMEs contribute ≈45–48% of India's total exports

Export share trend:

Year	MSME Export Share (%)
2019-20	49.75
2020-21	49.35
2021-22	45.03
2022-23	43.59
2023-24	45.73
2024-25	48.5

This shows that …..MSMEs is deeply integrated in global value chains.

Global Value Chain Participation of India

India GVC participation: ~36.4% of gross exports (2018)

Increasing but less from Developed Asian countries

Economic Importance of MSMEs

Contribution in GDP : ~30%

Manufacturing: ~35%

Employment in MSMEs : On Global level ≈ 50% jobs

- Empirical Data:
  MSMEs contribute about 30% to India's GDP, around 45% to exports, and provide employment to nearly 28 crore people. Globally, MSMEs account for about 90% of businesses and over 50% of employment, highlighting their importance in global value chains.

Table 1: Contribution of MSMEs in India

GVCs enable firms to access global markets, advanced technology and managerial expertise. Participation in GVCs helps enterprises improve efficiency, quality and competitiveness. For developing countries, GVCs provide opportunities for industrial upgrading and integration into the global economy.

Integration of MSMEs and Start-ups into Global Value Chains

MSMEs and start-ups integrate into Global Value Chains mainly as suppliers, subcontractors and service providers. They often participate in labour-intensive segments of production such as assembly, processing and basic manufacturing. The growth of digital platforms, e-commerce and export promotion policies has further facilitated their integration. However, the level of integration of MSMEs into GVCs remains limited. Many enterprises face constraints related to finance, technology, scale of operation and compliance with international standards. Strengthening their integration requires policy support and capacity building.

Raw Material MSMEs Processing Export

Role of MSMEs and Start-ups in Employment Generation

MSMEs and start-ups are among the largest generators of employment in India. They provide jobs to a wide range of workers including unskilled, semi-skilled and skilled labour. These enterprises offer employment opportunities to women, youth and marginalized sections of society. Due to their labour-intensive nature, MSMEs help in absorbing surplus labour and reducing unemployment and underemployment. They play a crucial role in promoting inclusive and sustainable development.

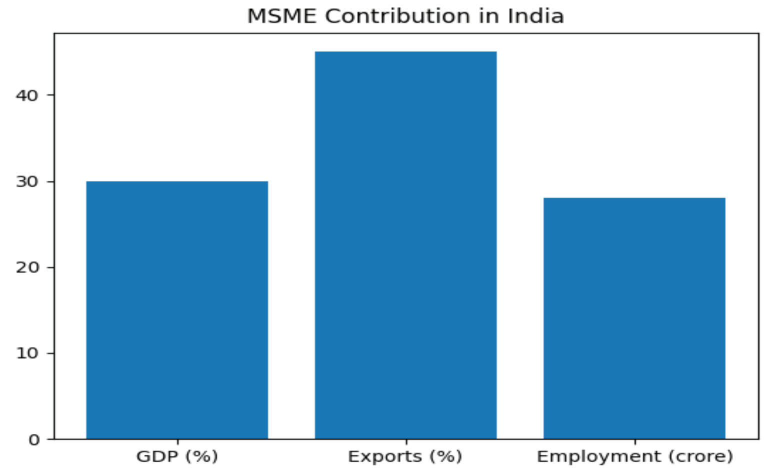

Figure 1: MSME Contribution in India

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Indicator	Contribution
GDP	30%
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Empirical Data:

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Impact of GVC Participation on Labour Development

Participation in Global Value Chains has a significant impact on labour development. It leads to employment generation, skill upgradation and productivity improvement. Exposure to international markets and standards encourages workers to acquire new skills and adopt better work practices. GVC participation also contributes to higher income levels and improved working conditions in some sectors. However, in the absence of proper labour regulations, employment may become informal and insecure. Therefore, labour development through GVCs requires supportive institutional frameworks.

Policy Initiatives and Government Support for MSMEs and Labour

The government has introduced several policy initiatives to promote MSMEs and labour development. These include credit guarantee schemes, financial assistance programs, skill development initiatives, start-up promotion policies and export incentives. Government support focuses on improving access to finance, enhancing skill development, promoting digitalization and encouraging innovation. Such initiatives aim to increase MSME competitiveness and improve labour productivity.

Future Prospects of Labour Development through GVCs

The future prospects of labour development through GVC participation can be summarized as follows:

1. Increased employment opportunities through expansion of export-oriented MSMEs.
2. Improvement in skill levels due to exposure to global standards and technology.
3. Growth of formal employment with better wages and working conditions.
4. Greater participation of women and youth in global production networks.
5. Technological upgrading leading to higher labour productivity.
6. Strengthening of MSME competitiveness in global markets.

Challenges Faced by MSMEs and Start-ups

The major challenges faced by MSMEs and start-ups in GVC participation include:

1. Limited access to institutional finance and credit.
2. Technological backwardness and low innovation capacity.
3. Skill gaps and low productivity of labour.
4. Difficulty in meeting international quality and compliance standards.
5. Poor infrastructure and high logistics costs.
6. Informal nature of employment and weak labour protection.
7. Lack of market information and global exposure.

Conclusion

MSMEs and start-ups play a crucial role in employment generation and labour development. Integration into Global Value Chains provides opportunities for growth, skill enhancement and income improvement. However, addressing financial, technological and skill-related challenges is essential for ensuring sustainable labour development through GVC participation.

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