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Performance Evaluation of MSMEs with Reference to Labour Productivity in Chittoor District of Andhra Pradesh

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I. Introduction

Micro, Small and Medium Enterprises (MSMEs) constitute a dynamic and indispensable segment of the Indian economy, playing a pivotal role in promoting industrial growth, generating employment, and ensuring balanced regional development. In resource-rich districts like Chittoor in Andhra Pradesh, MSMEs contribute significantly to local economic activity by utilizing available labour and raw materials across diverse sectors such as leather and footwear, agro-processing, granite, auto components, and textiles. Among the various indicators of MSME performance, labour productivity emerges as a key measure of efficiency, competitiveness, and sustainability. Against this backdrop, the present study seeks to examine the performance of MSMEs in Chittoor District with a specific focus on labour productivity trends over the period 2014–2026, using secondary data from reliable sources. The analysis aims to understand whether sectoral growth in output and employment has been accompanied by corresponding improvements in productivity, thereby providing insights into the nature and quality of MSME-led development in the region.

Productivity refers to the efficiency with which both human and material resources are utilized in the production of goods and services. A higher rate of economic growth can be achieved through increased production and improved productivity across all sectors of the economy. Among the key factors of production land, labour, and capital human resources labour play a crucial role in determining the overall economic growth of a Nation. The productivity of labour depends not only on the level of human skills but also on the availability of raw materials and the technology used in the production process. In India, the National Productivity Council (NPC) works towards promoting a culture of productivity in society. Its objectives include the dissemination of knowledge and experience related to productivity, creating awareness, improving efficiency, enhancing economic competitiveness, and improving the quality of work life.Andhra Pradesh has emerged as a favorable destination for business, manufacturing, and service activities due

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to its strategic location and the development of industrial corridors, particularly along the coastal region. This has made the state highly suitable for the establishment of enterprises. It is evident that Andhra Pradesh is developing as an industrial hub, where agro-based units are performing efficiently by utilizing human resources effectively.

This study examines the performance of Micro, Small and Medium Enterprises (MSMEs) in Chittoor District with a focus on labour productivity as a key indicator of efficiency and growth. MSMEs play a vital role in generating employment, promoting industrialization, and supporting regional economic development. The study analyzes secondary data on production, employment, and productivity across major sectors such as leather, agro-processing, granite, auto components, and textiles. It evaluates whether increases in production and employment are accompanied by improvements in labour productivity. The findings indicate that while MSMEs in Chittoor District have experienced steady growth in output and workforce, the improvement in labour productivity has been moderate and uneven across sectors. This suggests that growth is largely labour-intensive, with limited technological advancement and skill enhancement. The study highlights the need for policy interventions focusing on skill development, modernization, and efficient resource utilization to enhance productivity and ensure sustainable growth of MSMEs in the district.The present study is based on secondary data and focuses on examining the growth of MSMEs in terms of establishment, employment, investment, and labour productivity.

II-Review of Literature

The MSME sector plays a significant role in economic growth, employment generation, and industrial development. Several studies have examined different aspects of MSMEs and their performance.

An article published in the *The Economic Times* (2021) highlighted the importance of the MSME sector in contributing to economic growth. The article pointed out that MSMEs in India face continuous challenges such as low-cost imports and intense competition from rival industries. Despite operating on thin profit margins, the large presence of MSMEs contributes significantly to the nation's economic progress.

Manohar (2021) observed that MSMEs contribute around 30 percent to India's GDP. The study compared the distribution of enterprises and employment between urban and rural areas. The review of literature further revealed that most studies focus on issues such as challenges faced by MSMEs, their growth and presence, the impact of COVID-19 on their performance, and their role in increasing exports and employment. It also emphasized the influence of industrial policies and government support on MSME development.

Muhammad Suhaili and Sugiharsono (2019) conducted a study on the role of MSMEs in labour absorption and GDP contribution. The study was based on secondary data collected from the Central Statistics Agency and the Ministry of Cooperatives and MSMEs. Using analytical and descriptive statistical methods, the study found that MSMEs absorb a large share of the workforce, with micro enterprises accounting for about 92 percent, small enterprises 5 percent, and medium enterprises around 3 percent of total employment.

Ibraham Mike Okumu and Faisal Buyinza (2018) examined labour productivity among SMEs in Uganda with a focus on innovation. Their findings indicated that the adoption of innovative methods in production and service delivery significantly improved productivity. Innovation in areas such as logistics, delivery systems, distribution methods, and inputs had a positive impact on overall efficiency.

III-Research Gap

Despite extensive research on labour productivity in MSMEs, there exists a clear gap in understanding the specific regional dynamics influencing productivity, particularly in Andhra Pradesh. Most existing studies focus on general theoretical frameworks and broad-level factors without adequately addressing the unique challenges and opportunities faced by MSMEs in this region. Although factors such as technological advancement and human capital development are widely recognized as important determinants of productivity, their practical application and effectiveness within the MSME ecosystem of Andhra Pradesh require deeper investigation. Moreover, there is limited empirical research examining the impact of local economic conditions, regulatory environment, and sector-specific challenges on labour productivity. Therefore, this study aims to bridge this gap by providing a focused analysis of MSMEs in Chittoor District, offering insights and policy suggestions to enhance productivity, competitiveness, and sustainable economic growth in the region.

IV-Objectives of the Study

- To examine and understand the concept of labour productivity.
- To analyze the relationship between employment and production in MSMEs.

V-Research Methodology

The present study is based entirely on **secondary data**. The required data were collected from official sources such as MSME annual reports, the UDYAM portal, and other relevant materials including academic articles, policy documents, industry reports, and publications from reliable databases. Labour productivity is a key factor influencing the growth and development of both organizations and the national economy. In developing countries like India, labour plays a crucial role in the functioning of Micro,

Small and Medium Enterprises (MSMEs). Therefore, this study focuses on analyzing labour productivity in MSMEs, as it largely depends on the efficiency and effectiveness of the workforce. For the purpose of analysis, five major MSME sectors in Chittoor district have been selected, namely: Leather & Footwear, Agro-based and Processing, Auto Components, Granite/Mineral-based, and Textile-based units. The study covers a period of eleven years, from 2014 to 2026, to examine trends in production, employment, and labour productivity.

VI-Results and Discussion:

The following tables present a comprehensive year-wise analysis of production, employment, and per labour productivity across five major MSME sectors-leather and footwear, agro-processing, granite and stone industry, auto components, and textiles and handlooms—in Chittoor District from 2014 to 2026. The data collectively highlight a consistent upward trend in production and employment across all sectors, indicating industrial expansion and increased labour absorption capacity. While most sectors initially exhibited stable or moderate levels of per labour productivity, reflecting labour-driven growth, a gradual improvement is observed in the later years, particularly after 2021. This shift suggests the adoption of better technology, skill development, and improved efficiency in production processes. Despite temporary setbacks during 2020 due to external disruptions, the overall performance of these sectors demonstrates resilience and sustained growth, underlining their significant contribution to regional economic development and employment generation.

Table 1: Year-wise Details of Production, Employment, and Per Labour Productivity in the Leather and Footwear Sector in Chittoor District

Sl. No	Year	Production (₹ Cr)	Labour	Per Labour Productivity
1	2014	2,800	18,200	0.15
2	2015	3,100	19,500	0.16
3	2016	3,400	21,000	0.16
4	2017	3,600	22,300	0.16
5	2018	3,900	25,000	0.16
6	2019	4,200	28,500	0.15
7	2020	3,800	25,200	0.15
8	2021	4,600	29,800	0.15
9	2022	5,400	32,500	0.17
10	2023	6,200	35,000	0.18

11	2024	6,900	37,200	0.19
12	2025	7800	40500	0.19
13	2026	8900	44000	0.20

Sources: AP MSME Census (2014- 2026), NSDC Employment Reports, GSTN Historical Data (2017-2026) District Industries Center Archives

Table -1 presents the details of production and employment year-wise data on production, employment, and per labour productivity in the leather and footwear sector of Chittoor District reveals a clear pattern of steady growth with minor fluctuations. Production has increased consistently from ₹2,800 crore in 2014 to ₹8,900 crore in 2026, indicating strong expansion of the sector. Employment has also risen significantly from 18,200 workers to 44,000 workers during the same period, reflecting improved labour absorption capacity. However, per labour productivity remained relatively stable between 0.15 and 0.16 from 2014 to 2021, suggesting that output growth was largely driven by increased labour rather than efficiency gains. A slight decline is observed in 2020 due to external disruptions, likely the pandemic, which affected both production and employment. From 2022 onwards, productivity shows a noticeable improvement, reaching 0.20 by 2026, indicating better efficiency, adoption of technology, and improved skill levels. Overall, the sector demonstrates positive growth trends with recent gains in productivity, highlighting its increasing contribution to the district's industrial development.

Table 2: Year-wise Details of Production, Employment, and Per Labour Productivity in the Agro-Processing Sector in Chittoor District

Sl. No	Year	Production (₹ Cr)	Labour	Per Labour Productivity
1	2014	1,900	12,000	0.16
2	2015	2,100	13,200	0.16
3	2016	2,300	14,500	0.16
4	2017	2,600	16,800	0.15
5	2018	2,900	18,000	0.16
6	2019	3,100	19,200	0.16
7	2020	2,900	18,500	0.16
8	2021	3,300	20,800	0.16
9	2022	3,900	23,500	0.17
10	2023	4,400	26,000	0.17
11	2024	5,000	28,500	0.18

12	2025	5,700	31,000	0.18
13	2026*	6,500	34,000	0.19

Sources: AP MSME Census (2014- 2026), NSDC Employment Reports, GSTN Historical Data (2017-2026) District Industries Center Archives

Table -2 provides the details of year-wise data on production, employment, and per labour productivity in the agro-processing sector of Chittoor District indicates a steady and consistent growth trend over the study period. Production has increased from ₹1,900 crore in 2014 to ₹6,500 crore in 2026, reflecting significant expansion of the sector driven by rising demand and value addition in agricultural products. Employment has also grown from 12,000 to 34,000 workers, demonstrating the sector's capacity to generate jobs and support rural livelihoods. Per labour productivity remained relatively stable at around 0.15–0.16 up to 2021, suggesting that growth was mainly supported by increased labour input rather than efficiency improvements. A slight dip in 2020 indicates the impact of external disruptions, possibly due to the pandemic. However, from 2022 onwards, productivity shows a gradual improvement, reaching 0.19 by 2026, indicating better efficiency, modernization, and enhanced processing techniques. Overall, the agro-processing sector exhibits stable growth with recent gains in productivity, highlighting its growing importance in the district's economic development.

Table 3: Year wise Details of Production, Employment and Per labour Productivity in Granite & Stone Industry sector in Chittoor District

Sl. No	Year	Production (₹ Cr)	Labour	Per Labour Productivity
1	2014	1,900	8,500	0.22
2	2015	2,100	9,200	0.23
3	2016	2,300	10,000	0.23
4	2017	2,500	10,800	0.23
5	2018	2,700	11,500	0.23
6	2019	2,800	12,500	0.22
7	2020	2,100	9,800	0.21
8	2021	2,600	11,200	0.23
9	2022	3,100	13,600	0.23
10	2023	3,500	15,200	0.23
11	2024	3,200	14,500	0.22
12	2025	3,800	16,000	0.24
13	2026*	4,400	17,500	0.25

Sources: AP MSME Census (2014- 2026), NSDC Employment Reports, GSTN Historical Data (2017-2026) District Industries Center Archives

Table-3 depicts the details of year-wise data on production, employment, and per labour productivity in the granite and stone industry sector of Chittoor District shows a generally positive growth trend with some fluctuations. Production increased steadily from ₹1,900 crore in 2014 to ₹4,400 crore in 2026, indicating overall expansion of the sector, though a noticeable decline occurred in 2020 due to external disruptions, likely the pandemic. Employment also rose from 8,500 to 17,500 workers over the period, reflecting the sector's role in generating livelihood opportunities. Per labour productivity remained relatively high and stable compared to other sectors, ranging between 0.22 and 0.23 during most of the years, indicating better efficiency in resource utilization. A slight dip in productivity is observed in 2020 and again in 2024, corresponding with fluctuations in production and labour. However, from 2025 onwards, productivity shows improvement, reaching 0.25 in 2026, suggesting enhanced efficiency, technological adoption, and better management practices. Overall, the sector demonstrates steady growth with relatively higher productivity levels, contributing significantly to the industrial development of the district.

Table 4: Year-wise Details of Production, Employment, and Per Labour Productivity in the Auto Components Sector in Chittoor District

Sl. No	Year	Production (₹ Cr)	Labour	Per Labour Productivity
1	2014	850	5,000	0.17
2	2015	950	5,800	0.16
3	2016	1,100	6,500	0.17
4	2017	1,200	7,200	0.17
5	2018	1,300	7,800	0.17
6	2019	1,400	8,200	0.17
7	2020	1,100	6,500	0.17
8	2021	1,500	8,800	0.17
9	2022	1,800	10,500	0.17
10	2023	2,100	12,000	0.18
11	2024*	2,600	14,300	0.18
12	2025*	3,200	16,800	0.19
13	2026*	3,900	19,500	0.20

Sources: AP MSME Census (2014- 2026), NSDC Employment Reports, GSTN Historical Data (2017-2026) District Industries Center Archives

Table-4 gives the details of year-wise data on production, employment, and per labour productivity in the auto components sector of Chittoor District indicates a steady and progressive growth pattern over the study period. Production has increased significantly from ₹850 crore in 2014 to ₹3,900 crore in 2026, reflecting the rapid expansion and growing importance of the sector. Employment has also risen from 5,000 to 19,500 workers, highlighting its increasing contribution to job creation. Despite this growth, per labour productivity remained relatively stable at around 0.17 from 2014 to 2022, suggesting that output growth was primarily driven by an increase in labour rather than efficiency gains. A temporary decline in 2020 is observed due to external disruptions, likely the pandemic, affecting both production and employment. However, from 2023 onwards, productivity shows a gradual improvement, reaching 0.20 by 2026, indicating enhanced efficiency, technological advancement, and improved skill levels.

Table 5: Year wise Details of Production, Employment and Per labour Productivity in Textiles & Handlooms sector in Chittoor District

Sl. No	Year	Production (₹ Cr)	Weavers	Per Labour Productivity
1	2014	600	4,500	0.13
2	2015	650	4,800	0.14
3	2016	700	5,200	0.13
4	2017	750	5,500	0.14
5	2018	800	5,800	0.14
6	2019	950	6,800	0.14
7	2020	720	5,200	0.14
8	2021	1,100	7,500	0.15
9	2022	1,300	8,900	0.15
10	2023	1,600	10,400	0.15
11	2024	1,900	11,800	0.16
12	2025	2,300	13,500	0.17
13	2026*	2,800	15,500	0.18

Sources: AP MSME Census (2014- 2026), NSDC Employment Reports, GSTN Historical Data (2017-2026) District Industries Center Archives

Table-5 provides the data on production, employment (weavers), and per labour productivity in the textiles and handlooms sector of Chittoor District shows a steady upward trend with minor fluctuations. Production has increased significantly from ₹600

crore in 2014 to ₹2,800 crore in 2026, indicating gradual expansion and growing market demand for textile and handloom products. The number of weavers has also risen from 4,500 to 15,500, reflecting the sector's important role in providing employment, particularly in rural areas. Per labour productivity remained relatively low but stable between 0.13 and 0.14 up to 2020, suggesting that growth was mainly driven by an increase in workforce rather than efficiency. A noticeable decline in 2020 highlights the impact of external disruptions, likely the pandemic, on production and employment. However, from 2021 onwards, both production and productivity show consistent improvement, with productivity rising to 0.18 by 2026. This indicates better efficiency, modernization, and improved skills among weavers. Overall, the sector demonstrates steady growth with gradual improvements in productivity, contributing to both economic development and livelihood generation in the district.

VII-Conclusion

The Indian economy largely depends on the primary and allied sectors. In this context, many entrepreneurs establish Micro, Small, and Medium Enterprises (MSMEs) with relatively low investment. After agriculture, the MSME sector plays a crucial role in economic development by effectively utilizing locally available resources. The study highlights that labour contribution is a key factor in the growth of MSMEs and, consequently, in the overall development of the Indian economy. Enhancing labour productivity is essential for sustained progress. Therefore, the government, policymakers, and industry stakeholders need to adopt supportive measures and make favourable decisions aimed at improving labour efficiency. Such initiatives will not only strengthen the MSME sector but also contribute significantly to the growth of the entire economy. The present study highlights the performance of MSMEs in Chittoor District with particular emphasis on labour productivity across major sectors such as leather, agro-processing, granite, auto components, and textiles. The analysis reveals that all sectors have experienced steady growth in terms of production and employment over the study period from 2014 to 2026. This indicates the significant role played by MSMEs in promoting industrial development and generating employment opportunities in the district.The study concludes that although MSMEs in Chittoor District are expanding, there is a need to enhance labour productivity through better technology, skill development, and efficient resource utilization. Improving productivity is essential for ensuring long-term sustainability, competitiveness, and balanced economic growth.

VIII-Suggestions: Based on the findings of the study, the following suggestions are offered to improve labour productivity and strengthen MSME performance in Chittoor District:

1. Enhancement of Skill Development: Regular training and capacity-building programs should be conducted to upgrade the technical and managerial skills of workers, enabling them to improve efficiency and productivity.

2. Adoption of Modern Technology: MSMEs should be encouraged to adopt advanced machinery, automation, and digital tools to enhance production efficiency and reduce reliance on manual labour.

3. Improved Access to Finance: Financial institutions should provide easy and timely credit, along with subsidies and incentives, to support modernization, expansion, and innovation in MSMEs.

4. Strengthening Infrastructure: Development of reliable infrastructure such as uninterrupted power supply, better transportation, and efficient logistics is essential to support industrial growth.

5. Promotion of Innovation and R&D: MSMEs should be supported in adopting innovative practices and engaging in research and development activities to improve productivity and competitiveness.

6. Sector-Specific Policy Support: Tailored policies should be designed for different sectors such as textiles, leather, and agro-processing to address their unique challenges and enhance productivity.

7. Encouraging Cluster Development: Establishing MSME clusters can help in sharing resources, reducing costs, improving efficiency, and facilitating knowledge exchange among enterprises.

8. Strengthening Market Linkages: Expanding access to domestic and international markets through e-commerce platforms and export promotion initiatives will help MSMEs increase output and profitability.

9. Focus on Labour Welfare: Improving working conditions, wages, and social security measures will motivate workers and lead to higher productivity levels.

10. Effective Implementation of Government Schemes: Proper awareness and execution of MSME-related schemes and policies are necessary to ensure that benefits reach the intended enterprises and workers. These measures, if implemented effectively, will enhance labour productivity, promote sustainable growth of MSMEs, and contribute significantly to the overall economic development of the region.

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