



## Examine the issues and challenges of self-employment in India

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### Abstract

Self-employment can significantly impact the socio-economic conditions of individuals and communities. Its effects can vary depending on factors such as the type of self-employment, the local economic context, and the individual's level of success. The Government of India has taken various steps to generate employment there. The efforts comprise various long-term schemes/programs/ policies for making the country self-reliant and creating employment opportunities, such as Mahatma Gandhi National Rural Employment Guarantee Act, Pradhan Mantri MUDRA Yojana, Pradhan Mantri Garib Kalyan Rojgar Abhiyaan, Self-Employment Scheme. Self-employment can be a fulfilling and viable career choice for many individuals, but it also comes with challenges and considerations. Self-employment offers a high degree of independence and control over work. Overall, the Government must focus on affordable financial assistance for self-employment.

**Keywords:** MUDRA. Self-Employment. MGNREGA. digital transformation

### Introduction

Self-employment refers to a work arrangement in which an individual operates their own business, provides services, or engages in entrepreneurial activities independently rather than being employed by an external organization or employer. In self-employment, individuals manage all aspects of their work, including business operations, client acquisition, finances, and decision-making. This mode of employment offers a high degree of autonomy and control over one's professional life. Self-employed individuals can make decisions about their work, such as setting their work hours, choosing clients or customers, and determining the direction of their business. Many self-employed entrepreneurs take on the financial and operational risks of starting and running their businesses. They often seek opportunities for innovation and growth. Self-employment is found across various sectors, including but not limited to small businesses, freelancing, consulting, agriculture, creative arts, and the gig economy. Self-employment can involve multiple income sources, such as selling products or services, providing consultancy, offering freelance work, or participating in the sharing economy through platforms like Uber or Airbnb. Self-employed individuals manage their finances, including budgeting, tax planning, and securing

their retirement savings and insurance. Income in self-employment can be variable and may fluctuate based on market conditions, client demand, or seasonal factors. This requires financial planning and budgeting skills. This study aims to know the issues and challenges of self-employment in India.

### Materials and Methods

We focused on the secondary data source from union and state governments to achieve the study objective. These are all collected by various annual reports from the respected ministries, such as the Directorate General of Employment (DGE), Ministry of Labour and Employment, Ministry of Micro, Small and Medium Enterprises (MSME), MUDRA annual reports, Invest India, etc.

### Results and Discussion

The Government's top objective is to increase employability while creating new jobs. As a result, the Indian Government has taken many actions to create jobs there. Numerous long-term plans, programs, and policies are being made to make the nation self-sufficient and increase employment. Below is a summary of the Government's Employment Generation Schemes and Employment Promotion Programmes.

**Table 1:** Details of the schemes

Sl. No	Name of the Scheme	Details of the schemes
1	Atmanirbhar Bharat Rojgar Yojana (ABRY)	The Aatmanirbhar Bharat Rojgar Yojana (ABRY) was unveiled on October 1, 2020, as a part of Atmanirbhar Bharat Package 3.0. With the provision of social security payments and the restoration of employment lost to the COVID-19 pandemic, its objective is to encourage businesses to generate new jobs.
2	Pradhan Mantri Rojgar Protsahan Yojana (PMRPY)	The Pradhan Mantri Rojgar Protsahan Yojana (PMRPY) was launched to encourage companies to hire more people on January 1, 2016. Beneficiaries who enrolled up until March 31, 2019, or up until March 31, 2022, shall receive benefits for three years following the plan's enrollment date.
3	Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)	Every rural home with adults who volunteer to perform unskilled manual labor is required under the MGNREGA to offer at least 100 days of guaranteed pay employment throughout the year.
4	Pradhan Mantri Garib Kalyan Rojgar Abhiyaan (PMGKRA)	The Hon. Prime Minister started the 125-day Garib Kalyan Rojgar Abhiyaan (GKRA) project on June 20, 2020. Through a multifaceted approach that includes providing the most vulnerable people with immediate employment and livelihood opportunities, inundating the villages with public infrastructure, and creating livelihood assets to increase income generation activities, it seeks to address the issues of returning migrant workers and similarly impacted rural populations as a result of the COVID-19 pandemic.
5	Pradhan Mantri MUDRA Yojana (PMMY)	Pradhan Mantri The MUDRA Yojana (PMMY) program, which intends to provide loans of up to 10 lakh rupees to non-corporate, non-farm small and micro firms, was unveiled by the Hon. Prime Minister on April 8, 2015. These loans fall within the MUDRA loan category, according to PMMY. Commercial banks, RRBs, small financing banks, MFIs, and NBFCs offer these loans. The borrower may submit an application in person at any lending institution mentioned above or online at <a href="http://www.udyamimitra.in">www.udyamimitra.in</a> . The three products, "Shishu," "Kishore," and "Tarun," were created by MUDRA under the direction of PMMY to indicate the degree of growth/development and financial needs of the recipient micro unit/entrepreneur as well as to serve as a benchmark for the following stage of graduation/growth.
6	Self-Employment Scheme (Direct Loan)	Under the employment direct loan scheme, a unit cost of Rs.1,00,000/- is provided by scheduled caste banificeries for fish and meat selling rearing of cattle, poultry, etc., and fruit, vegetable, business, pushing charges, unit cost under this scheme will Rs.50,000/- with the subsidy of Rs.50,000/-. This scheme is provided under Dr. BR Ambedkar Development Corporation in Karnataka.

Self-employment in India was a significant and diverse sector of the economy. Here are some key points to consider:

- **Large Informal Sector:** India has a substantial informal sector where self-employment is prevalent. Many individuals, especially in rural areas, were engaged in various self-employed activities such as agriculture, small-scale retail, and cottage industries.
- **Entrepreneurship and Startups:** India was experiencing a growing interest in entrepreneurship and startups. The Government launched initiatives like "Startup India" to promote self-employment and entrepreneurial ventures. These efforts were aimed at fostering innovation and job creation.
- **Digital Transformation:** The digital transformation in India significantly impacted self-employment opportunities. The rise of e-commerce, digital marketing, and online platforms enabled many individuals to become self-employed as freelancers, online sellers, or service providers.
- **Challenges:** While self-employment offers flexibility and independence, it also comes with challenges. Many self-employed individuals faced income volatility, lack of job security, and limited access to social security benefits. Access to finance and training opportunities for skill development remained issues for many.
- **COVID-19 Pandemic:** The COVID-19 pandemic had a mixed impact on self-employment. While some digital businesses thrived during lockdowns, traditional self-employed workers like street vendors and daily wage laborers faced significant hardships due to restrictions and economic disruptions.
- **Government Initiatives:** The Indian Government has launched several schemes to support self-employment

and small businesses, such as the MUDRA (Micro Units Development and Refinance Agency) scheme, which provides financial assistance to micro-enterprises and startups.

- **Sector Variations:** Self-employment status varied across different sectors and regions of India. Some states had more supportive policies and infrastructure for self-employed individuals and entrepreneurs.
- **Formalization Efforts:** The Indian Government has been trying to formalize the informal economy, including self-employment. Initiatives like the Goods and Services Tax (GST) aimed to bring more businesses into the formal sector, potentially affecting how self-employed individuals operated.

Since my knowledge is limited to information available up to September 2021, I recommend checking more recent sources and government reports to get an accurate and up-to-date assessment of the current status of self-employment in India in 2023. Economic conditions and government policies can change rapidly and may have evolved significantly since then.

### Self-employment important

Self-employment can offer several important benefits and advantages, making it a valuable option for many individuals. Here are some of the key reasons why self-employment is important:

- **Independence and Autonomy:** Self-employed individuals have greater control over their work. They can make decisions about the direction of their business, work schedule, and the projects they take on. This autonomy can be empowering and lead to greater job satisfaction.

- **Flexibility:** Self-employment often allows for more flexible work arrangements. You can set your hours, which can be particularly beneficial for those balancing work with family, education, or other commitments.
- **Income Potential:** Self-employed individuals have the potential to earn unlimited income. The success of their business is directly tied to their efforts and abilities, so there is no salary cap.
- **Job Security:** While self-employment comes with risks, it can provide job security because you are not dependent on a single employer. Diversifying your income sources can reduce vulnerability to economic downturns or layoffs.
- **Personal Fulfillment:** Many people find self-employment fulfilling because they pursue their passions and interests. This can lead to greater purpose and satisfaction in their work.
- **Creativity and Innovation:** Self-employment often encourages creativity and innovation. Entrepreneurs and self-employed individuals can experiment with new ideas and approaches, leading to the development of unique products or services.
- **Tax Benefits:** Self-employed individuals may have access to tax benefits and deductions that can help reduce their overall tax burden. This can include deductions for home office expenses, business-related travel, and more.
- **Skills Development:** Self-employment requires wearing many hats, from marketing and finance to customer service and product development. This can allow individuals to develop a wide range of skills, which can be valuable professionally and personally.
- **Contribution to the Economy:** Self-employment contributes to economic growth by creating jobs, fostering innovation, and increasing competition in various industries. It can also lead to the formation of small businesses that positively impact local communities.
- **Work-Life Balance:** While self-employment can be demanding, it can also offer the potential for a better work-life balance. Many self-employed individuals have the flexibility to tailor their work hours to suit their personal lives better.

It's important to note that self-employment also comes with challenges and risks, including financial instability, lack of benefits like health insurance or retirement plans, and the need to handle administrative tasks. Therefore, it's crucial for individuals considering self-employment to carefully evaluate their circumstances and business ideas to determine if it's the right path for them.

#### Issues and challenges of self-employment

Self-employment offers individuals autonomy and the opportunity to pursue their entrepreneurial ambitions, but it also comes with several challenges and issues. Here are some of the key challenges and issues faced by self-employed individuals:

- **Income Volatility:** Self-employed individuals often experience irregular and unpredictable income. Unlike traditional employees who receive a regular paycheck, self-employed workers may have to deal with seasonal

fluctuations, client payment delays, or economic downturns that can significantly impact their earnings.

- **Lack of Job Security:** Self-employed individuals do not have the job security that comes with traditional employment. They are at greater risk of losing clients, contracts, or customers, which can lead to financial instability.
- **Limited Access to Benefits:** Many self-employed individuals do not have access to the same benefits and protections as traditional employees. They may lack health insurance, retirement plans, paid leave, and other benefits employers typically provide.
- **Difficulty in Accessing Finance:** Securing financing for self-employed ventures or startups can be challenging. Traditional lenders may hesitate to provide loans to individuals without a stable income history or collateral.
- **No Employer-Sponsored Training:** Self-employed individuals often miss out on employer-sponsored training and skill development opportunities. This can limit their ability to adapt to changing market demands and technological advancements.
- **Taxation Complexity:** Self-employment can bring tax complexities. Self-employed individuals are responsible for managing their taxes, including income tax, self-employment tax, and potential business-related taxes. Navigating the tax code can be confusing and time-consuming.
- **Isolation and Loneliness:** Self-employment can be isolating, particularly for those who work from home or have limited interaction with colleagues. The absence of a workplace community and social interactions can lead to feelings of loneliness and isolation.
- **Work-Life Balance Challenges:** A healthy work-life balance can be difficult for self-employed individuals. The boundaries between work and personal life may blur, leading to overwork and burnout.
- **Market Competition:** Many self-employed professionals face intense competition in their respective fields. It can be challenging to stand out and attract clients or customers, especially in crowded markets.
- **Economic Vulnerability:** Self-employed individuals may have limited financial cushions to weather economic downturns or unexpected personal emergencies. They often lack the safety nets of traditional employment, such as unemployment benefits.
- **Lack of Retirement Planning:** Self-employed individuals must take proactive steps to save for retirement since they don't have employer-sponsored retirement plans like 401(k)s. Failure to plan for retirement can lead to financial insecurity in later years.
- **Legal and Regulatory Compliance:** Compliance with local, state, and federal regulations and licenses can be complex for self-employed individuals. Violations or failure to comply with regulations can lead to legal issues.
- **Client Dependence:** Relying on a small number of clients or customers can be risky. Losing a major client or customer can significantly negatively impact a self-employed individual's income.

Despite these challenges, many self-employed individuals find the rewards of independence, flexibility, and entrepreneurship worth their difficulties. Successful self-employment often requires careful planning, financial discipline, ongoing skill development, and adaptability to changing circumstances.

#### **Self-employment its impact on socio-economic condition:**

Self-employment can significantly impact the socio-economic conditions of individuals and communities. Its effects can vary depending on factors such as the type of self-employment, the local economic context, and the individual's level of success. Here are some ways in which self-employment can influence socio-economic conditions:

- **Job Creation:** Self-employed individuals often start small businesses that can generate employment opportunities for others. Hiring employees or collaborating with freelancers and contractors can contribute to job growth in the community. This can help reduce unemployment rates and improve overall economic stability.
- **Income Generation:** Self-employment allows individuals to earn income independently, which can positively impact their financial well-being. This income can be used to support their families, invest in education, and contribute to household savings.
- **Poverty Alleviation:** Self-employment can lead many individuals and families out of poverty. It allows people to create livelihoods and improve their economic conditions without relying solely on traditional employment.
- **Entrepreneurship and Innovation:** Self-employed individuals often drive entrepreneurship and innovation in their communities. They may develop new products, services, or business models to influence the local economy and attract investment positively.
- **Community Development:** Successful self-employed individuals may invest in their communities by supporting local businesses, participating in civic activities, and contributing to charitable causes. This can help strengthen the social fabric of the community.
- **Skills Development:** Self-employment encourages individuals to develop various skills, including financial management, marketing, and customer service. These skills can be transferable and enhance employability even if they later choose traditional employment.
- **Reduced Dependence on Social Services:** Self-employed individuals who are financially successful may rely less on government social services, such as unemployment benefits or welfare programs, which can reduce the burden on the public sector.
- **Diversification of the Economy:** A diverse economy with a mix of traditional employment and self-employment can be more resilient to economic downturns. Self-employed individuals often create businesses in various sectors, reducing the community's dependence on a single industry.
- **Gender and Inclusivity:** Self-employment can allow marginalized or underrepresented groups, including women and minorities, to enter the workforce and gain economic independence. It can help reduce gender and socio-economic disparities.

- **Local Economic Impact:** Self-employed individuals may source materials and services locally, stimulating economic activity within their communities. This can have a multiplier effect on the local economy.

While self-employment has the potential for positive socio-economic impacts, it also comes with challenges, such as income volatility, lack of access to benefits, and the risk of business failure. Therefore, individuals and communities must provide support, education, and resources to help self-employed individuals succeed and thrive. Additionally, policymakers can create an environment that fosters entrepreneurship and self-employment by offering incentives and reducing barriers to entry.

#### **Conclusion**

Self-employment can be a fulfilling and viable career choice for many individuals, but it also comes with challenges and considerations. Self-employment offers a high degree of independence and control over your work. You can choose your projects, set your hours, and make decisions without needing approval from a boss or manager. Self-employment can be a rewarding and flexible career choice for those prepared to take on the associated responsibilities and risks. It offers independence, potential financial rewards, and the opportunity to pursue your passions. However, it also requires careful planning, financial management, and a willingness to adapt to changing circumstances. Ultimately, the decision to pursue self-employment should be based on your personal goals, skills, and risk tolerance.

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