

MSME Expansion, Factory-Sector Stagnation and the Non-Farm Employment Transition in Hamirpur District, Uttar Pradesh

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Abstract

This paper examines the structure of industrial activity and non-farm employment in Hamirpur, a Bundelkhand district of southern Uttar Pradesh, using the district statistical handbook series (Tables 1, 29-A, 35, 36 and 38) covering 2020–21 to 2024–25. Three findings emerge. First, registered micro, small and medium enterprises (MSMEs) expanded explosively, from 157 units employing 729 persons in 2022–23 to 3,816 units employing 32,295 persons in 2024–25 but 99.3 per cent of units and 99.6 per cent of that employment sit in the micro category, and the entire registered base is classified as rural. Second, the organised factory sector is negligible and deteriorating in quality: eight factories account for roughly 8.6 per cent of district gross domestic product, and gross value added per worker fell 38 per cent between 2020–21 and 2021–22 as employment rose 79 per cent without a matching rise in output. Third, the traditional and estate-based industrial apparatus has effectively ceased to function — khadi and village industry units stand at zero, all 147 small-scale units are individually owned with no cooperative or institutional presence, and the district's single industrial estate reports 59 of 196 plots working with figures frozen unchanged across three years. The paper argues that Hamirpur is undergoing a *registration-led* rather than a *capital-led* non-farm transition: livelihood self-employment is being formalised through the Udyam platform without any accompanying growth in enterprise scale, productivity or institutional depth. Data-quality caveats are treated as findings in their own right.

Keywords: Bundelkhand, Hamirpur, MSME, Udyam registration, non-farm employment, rural industrialisation, district statistics, informality

1. Introduction

The Indian development literature has long distinguished between two routes out of agriculture. One is capital-led: factories accumulate, labour productivity rises, and workers move into organised employment at higher wages. The other is distress- or livelihood-led: households

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diversify into petty manufacturing, repair, trade and services at very low capital intensity, absorbing labour that agriculture can no longer hold but doing little to raise incomes. Which route a district takes is visible in the *composition* of its non-farm sector, not in aggregate employment counts.

Bundelkhand is a natural laboratory for this question. Its districts combine low rainfall reliability, thin irrigation, weak urbanisation and almost no historical factory base. Hamirpur exemplifies the type. Yet between 2022–23 and 2024–25 the district's registered MSME count rose more than twenty-fold, and reported MSME employment rose more than forty-fold. Taken at face value, this would represent one of the fastest industrialisations recorded anywhere in India.

This paper interrogates that claim. It asks three questions:

1. What is the resource, demographic and infrastructural base on which Hamirpur's non-farm sector rests?
2. Does the observed MSME expansion represent genuine enterprise growth, or the statistical capture of pre-existing informal activity?
3. What has happened simultaneously in the organised factory sector, the traditional village-industry sector and the planned industrial estate the three channels through which capital-led industrialisation would have to arrive?

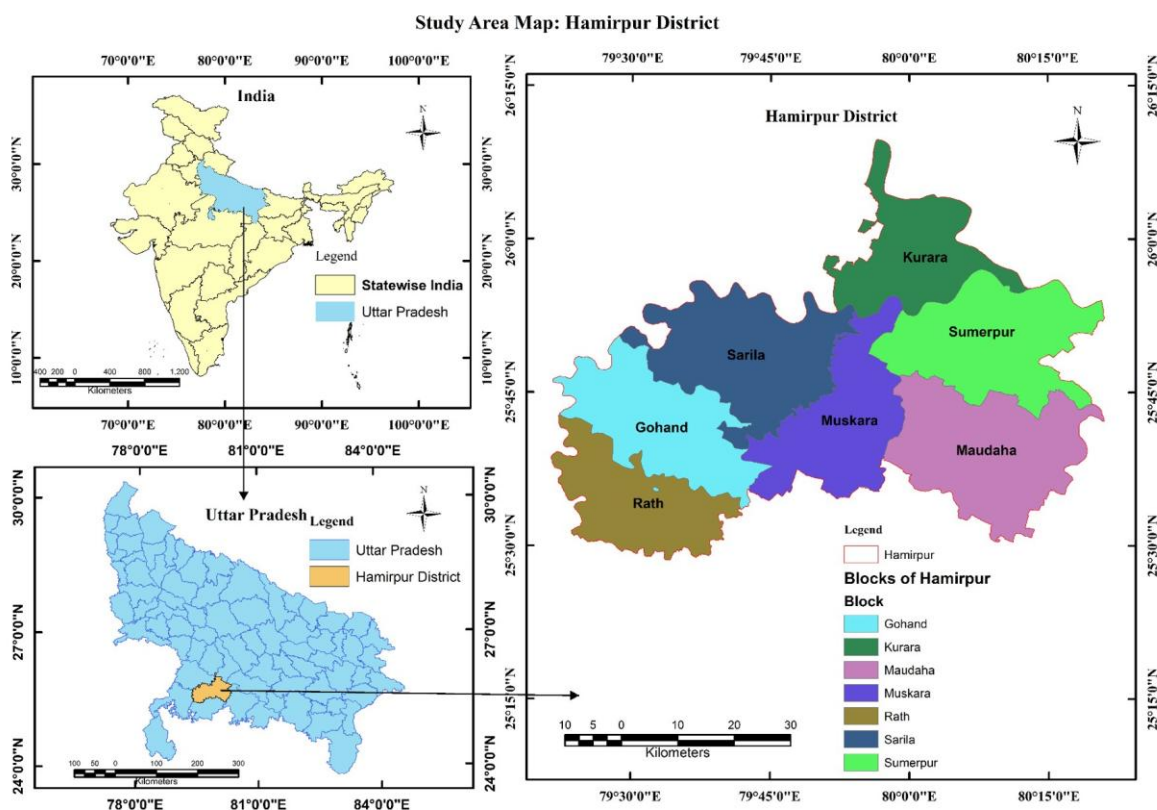
The answers matter for policy because the instruments appropriate to each route differ sharply. Registration-led formalisation calls for credit access, working-capital support and market linkage; capital-led growth calls for land, power, logistics and skills.

2. The Study Area

Hamirpur lies in the south of Uttar Pradesh between roughly 25°30' and 26°15' N latitude and 79°30' and 80°15' E longitude, covering 3,815 sq km. The district is administratively divided into four tehsils and seven community development blocks: Kurara, Sumerpur, Sarila, Gohand, Rath, Muskara and Maudaha. Gohand and Rath occupy the south-western upland, Sarila and Muskara the central belt, Kurara and Sumerpur the north, and Maudaha the south-east. There are 606 villages, of which 486 are inhabited and 120 uninhabited, administered through 330 gram panchayats.

The district is overwhelmingly rural. Of the 2011 population of 1.104 million, 894 thousand (81.0 per cent) were rural and 210 thousand (19.0 per cent) urban, at a density of 289 persons per sq km. Scheduled Castes numbered 241 thousand (21.8 per cent); the Scheduled Tribe population was negligible at 0.47 thousand. The sex ratio was 860 females per 1,000 males. Literates numbered 653.29 thousand, implying a crude literacy rate of 59.2 per cent of total population, with a pronounced gender gap: male literates equalled 68.7 per cent of the male population against 48.0 per cent for females — a gap of 20.7 percentage points.

Urbanisation is so limited that the agricultural system can be treated as entirely rural and farm-household based: in 2023–24 urban areas accounted for only 803 ha of wheat out of 134,879 ha (0.6 per cent) and just 2,470 ha of 308,082 ha of food grains (0.8 per cent).



Map:01 Study Area Map

Agro-climatically the district is semi-arid and variable. Normal rainfall is 685 mm; actual 2024 rainfall was 942.4 mm, or 137.6 per cent of normal. Temperature extremes are severe, from 48.2 °C maximum to 5.2 °C minimum. Net sown area is 284 thousand ha with 101 thousand ha sown more than once, giving a cropping intensity of 135.6 per cent. Net irrigated area is 198 thousand ha, or 69.7 per cent of net sown area, supported by 831 km of canals, 557 government tubewells and 12,541 private tubewells and pumpsets. Food grain production reached 667.54 thousand MT, implying an average yield of about 2.17 t/ha; oilseeds contributed 33.92 thousand MT and potato 12.16 thousand MT. Sugarcane production is nil, and the district has no cold storage whatsoever — a structural ceiling on any horticultural or perishable value chain.

Infrastructure is functional but not industrial in character. Road length totals 2,935 km (density 76.9 km per 100 sq km), of which 1,966 km is PWD-built; there is 63 km of expressway but no national highway, no airstrip and no inland waterway. Rail access comprises 65 km of broad gauge and six stations. Financial access rests on 130 bank branches of all types and 46 ATMs, or roughly one branch per 8,492 persons. Electricity connections number 230,442 with 14,735 energised private tubewells. Educationally the district has 955 primary, 394 upper primary and 203 secondary schools, 30 degree and 7 postgraduate colleges, 17 ITIs and 7 polytechnics — but no university and no engineering, medical, dental, nursing or paramedical college. Public health provision comprises 9 community health centres, 37 primary health centres, 221 family-welfare sub-centres and 165 Ayushman Arogya Mandirs, against only 4 allopathic hospitals and dispensaries.

4. Data and Methods

Table: 01

Content	Reference period
District profile: demography, agriculture, infrastructure, finance, income	2011 (census items) and 2023–24 / 2024–25
MSME units and employment by size class, by year and by block	2022–23 to 2024–25
Annual Survey of Industries: factories, workers, output, value added	2020–21, 2021–22
Khadi, village and small-scale industries by ownership route	Current year
Industrial estate: plots, sheds, employment, production value	2022–23 to 2024–25

Source: District Statistical Magazine, Hamirpur 2021-25

Method is descriptive and structural. Ratios computed include employment per unit, size-class concentration, block shares, gross value added (GVA) per worker, value added as a share of output, net-to-gross value-added ratio, and plot utilisation. Because the tables cover overlapping but non-identical universes Udyam registrations, ASI-frame factories, DIC-registered small units, and estate allottees no attempt is made to sum across them. Where internal inconsistencies appear, they are reported rather than smoothed; Section 6 treats them analytically.

4. Results

4.1 The MSME surge

Tbale: 02 Registered MSME activity expanded on a scale that is difficult to interpret as organic growth.

Year	Micro units	Micro emp.	Small units	Small emp.	Medium units	Medium emp.	Total units	Total emp.
2022–23	0	0	2	75	155	654	157	729
2023–24	2,950	10,323	34	288	20	1,785	3,004	12,396
2024–25	3,788	32,167	24	103	4	25	3,816	32,295

ource: District Statistical Magazine, Hamirpur 2021-25

Units rose 24-fold over two years and employment 44-fold. But the internal composition inverts completely. In 2022–23 the register contained no micro units at all and 155 “medium”

units; by 2024–25 micro units constitute 99.3 per cent of the register and 99.6 per cent of reported employment, while medium units have collapsed to four. Average employment per unit moved from 4.64 (2022–23) to 4.13 (2023–24) to 8.46 (2024–25).

Fig. 1 — Registered MSME Units and Employment, Hamirpur, 2022-23 to 2024-25

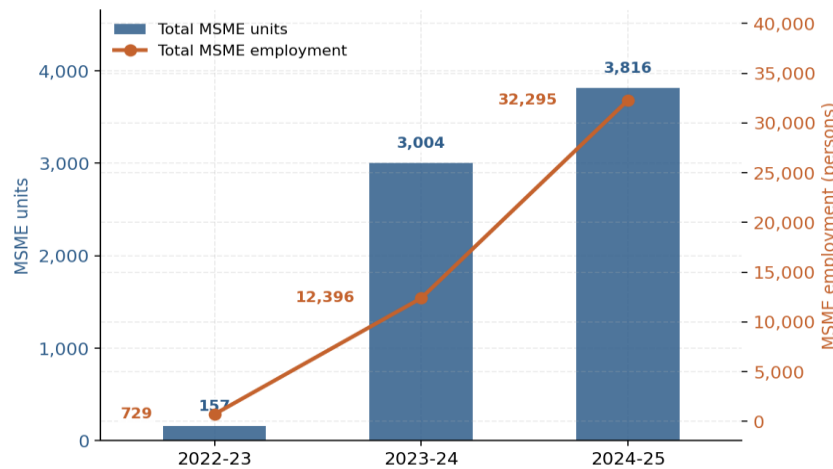


Fig 1: MSME units and employment growth 2022-23 to 2024-25

Fig. 2 — MSME Units by Size Class, 2024-25 (n=3,816)

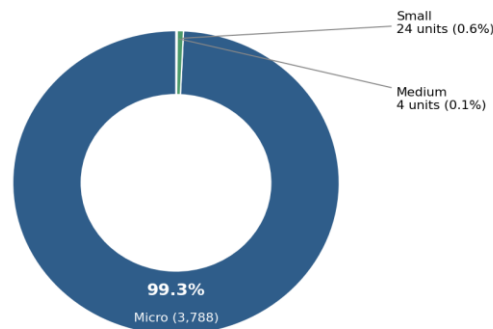


Fig 2: MSME units by size class 2024-25

The size-class figures for 2024–25 are internally incoherent: small enterprises average 4.3 workers per unit and medium enterprises 6.3, both *below* the micro average of 8.5. Since size class is defined by investment and turnover rather than headcount this is not impossible, but a monotonic inversion across all three classes points to classification error or to the re-mapping of legacy entries during Udyam re-registration rather than to real structural change.

4.2 Block-level distribution

Table: 03 The 2024–25 micro-enterprise distribution across the seven blocks is markedly uneven.

Block	Micro units	Share of units	Micro employment	Share of emp.	Emp. per unit	Small + medium units
Sumerpur	832	22.0%	6,992	21.7%	8.40	6
Kurara	755	19.9%	4,320	13.4%	5.72	6

Rath	632	16.7%	6,881	21.4%	10.89	6
Maudaha	553	14.6%	5,455	17.0%	9.86	6
Sarila	486	12.8%	3,511	10.9%	7.22	0
Muskara	353	9.3%	3,219	10.0%	9.12	4
Gohand	177	4.7%	1,789	5.6%	10.11	0
Total	3,788	100%	32,167	100%	8.49	28

Source: District Statistical Magazine, Hamirpur 2021-25

Three patterns stand out. First, a north–south gradient: Sumerpur and Kurara in the north together hold 41.9 per cent of units, reflecting proximity to the Kanpur corridor and the district headquarters. Second, Gohand is an extreme outlier at the bottom, with 4.7 per cent of units for a block of comparable population consistent with its position on the south-western upland, where thin soils, ravine topography and poorer connectivity suppress both farm surplus and enterprise formation. Third, unit size and unit count are *negatively* associated: Gohand and Rath have the highest employment per unit (10.1 and 10.9) but Gohand has the fewest units, suggesting that where enterprise formation is rare, only relatively substantial ventures form, whereas dense registration areas capture a long tail of one- and two-person operations.

Fig. 3 — Block-wise Distribution of Micro Enterprises, 2024-25

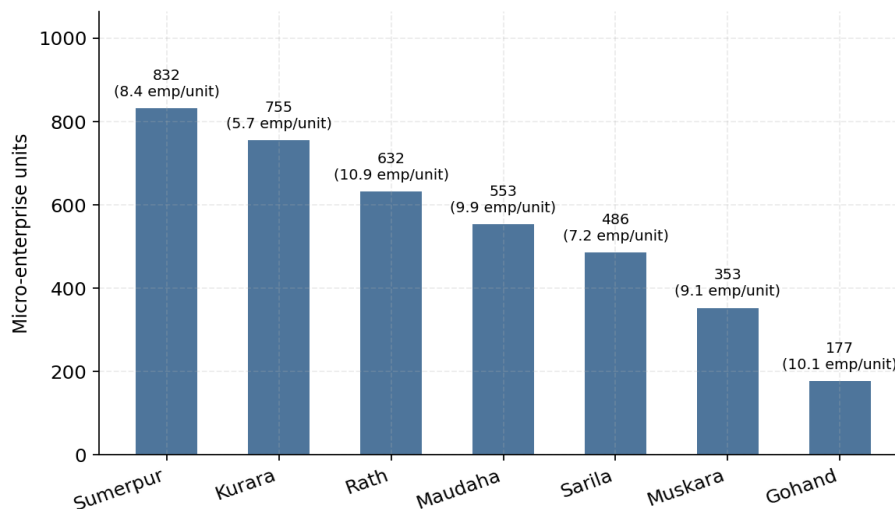


Fig 3: Block-wise distribution of micro enterprises, 2024-25

Sarila and Gohand have no small or medium enterprise at all. Two of seven blocks — roughly a quarter of the district’s rural population — are served exclusively by micro units.

4.3 The organised factory sector

ASI frame of eight factories, unchanged between 2020–21 and 2021–22.

Indicator	2020–21	2021–22	Change
Factories in ASI frame	8	8	0

Workers	3,071	5,510	+79.4%
All persons engaged	3,213	5,835	+81.6%
Value of product and by-product (₹ lakh)	398,120	412,334	+3.6%
Gross value added (₹ lakh)	60,675	67,189	+10.7%
Net value added (₹ lakh)	55,531	58,643	+5.6%

Source: District Statistical Magazine, Hamirpur 2021-25

Employment rose by four-fifths while output rose by 3.6 per cent. The consequences for productivity are severe: output per worker fell from ₹129.6 lakh to ₹74.8 lakh (–42.3 per cent) and GVA per worker from ₹19.76 lakh to ₹12.19 lakh (–38.3 per cent). Meanwhile the NVA/GVA ratio fell from 91.5 to 87.3 per cent, meaning depreciation absorbed a growing share of value added — capital consumption rising faster than capital productivity.

Fig. 4 — Factory Sector: Employment vs Labour Productivity
(8 ASI-frame factories, Hamirpur)

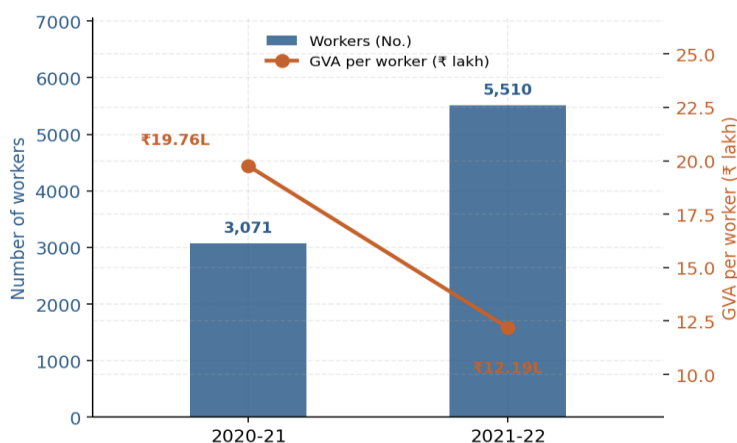


Fig 4: Factory sector employment vs labour productivity

The 2020–21 baseline is a pandemic year with suppressed labour deployment, so part of the 2021–22 employment jump is recovery rather than expansion. Even allowing for that, the sector added roughly 2,400 workers for ₹14,214 lakh of additional output, an incremental output-per-added-worker figure far below the existing average. This is labour absorption without capital deepening.

In scale terms, eight factories employing 5,835 persons generated GVA of ₹671.89 crore, equal to about 8.6 per cent of district GDP at constant prices in 2021–22 (₹7,800.63 crore). Eight establishments thus produce roughly a twelfth of district output while 3,816 MSMEs employing 32,295 persons operate largely outside this measured core.

4.4 Traditional and small-scale village industry

Table: 04 Condition of the khadi and village-industry apparatus.

Category	Cooperative society	Registered institutions	Individual industrialists	Total
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Khadi industry	0	0	0	0
KVIC-transformed rural industries	0	0	0	0
Small-scale units (all branches)	0	0	147	147
Persons employed, small-scale	0	0	791	791

Source: District Statistical Magazine, Hamirpur 2021-25

Within the 147 small-scale units, the branch composition is: “others” 109 (74.1 per cent), legislation/allied 18, engineering 12, chemical 4, handicraft 4, and **zero** in handloom, silk and coconut coir. Employment averages 5.4 persons per unit.

Two conclusions follow. First, the entire cooperative and institutional route to rural industry has ceased to operate: not a single unit is run by an industrial cooperative society or a registered institution. Ownership is exclusively individual proprietorship. Second, a residual category accounting for three-quarters of units indicates that the district has no identifiable industrial specialisation — no cluster, no traditional craft base surviving in measurable form, and therefore no obvious anchor for cluster-development policy.

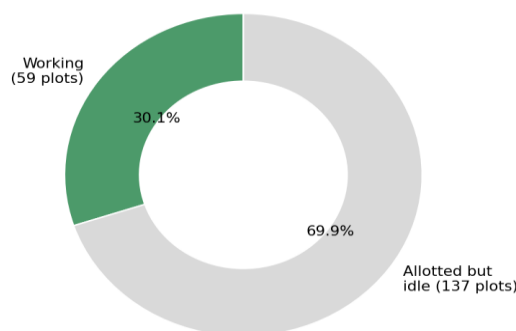
4.5 The industrial estate

Table: 05 The district’s single industrial estate.

Indicator	2022–23	2023–24	2024–25
Estates	1	1	1
Sheds allotted / working	0 / 0	0 / 0	0 / 0
Plots allotted / working	196 / 59	196 / 59	196 / 59
Average persons employed	2,835	2,835	2,835
Value of production (₹ lakh)	6,231,495	6,231,495	6,231,495

Source: District Statistical Magazine, Hamirpur 2021-25

Fig. 6 — Industrial Estate Plot Utilisation
(196 plots allotted, frozen 2022-23 to 2024-25)



Plot utilisation stands at 30.1 per cent: 137 of 196 allotted plots are not in production, and no shed has ever been allotted or worked. The reported production value of ₹6,231,495 lakh (₹62,315 crore) exceeds the district's entire gross domestic product of ₹8,754.60 crore (2022–23) by a factor of more than seven, and is therefore implausible on its face almost certainly a unit misstatement (rupees reported as lakhs) or an uncorrected carry-forward.

4.6 The macroeconomic frame

Table:06 District income shows a pandemic contraction followed by recovery.

Indicator (₹ crore)	2020–21	2021–22	2022–23
District GDP, 2011–12 prices	8,325.32	7,800.63	8,754.60
Net district domestic product, current prices	10,142.05	11,363.42	14,356.30

Source: District Statistical Magazine, Hamirpur 2021-25

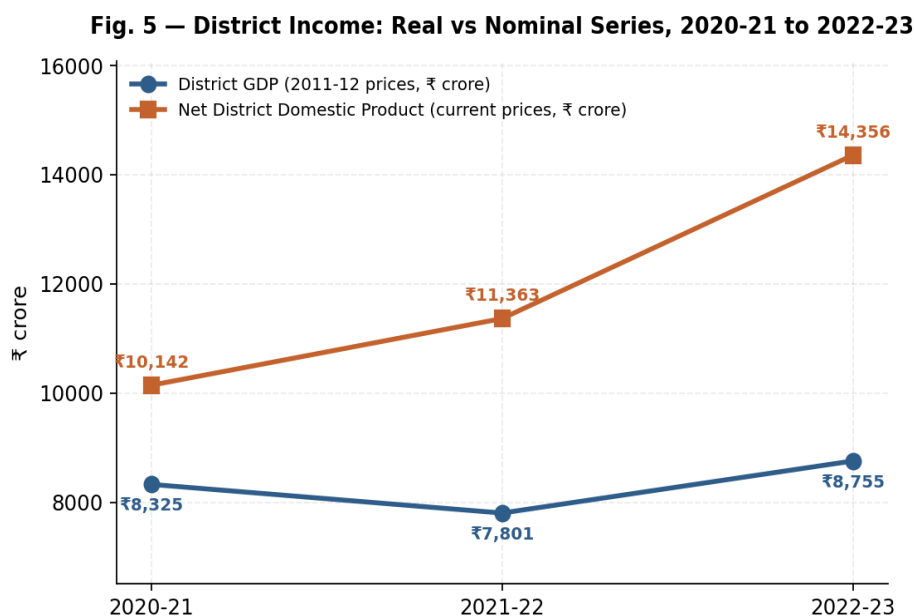


Fig 5: District income, real vs nominal series

Real GDP fell 6.3 per cent in 2021–22 before rising 12.2 per cent in 2022–23, a net two-year gain of 5.2 per cent. Nominal NDDP rose 12.0 per cent and then 26.3 per cent. The divergence between the real and nominal series implies that a substantial share of apparent income growth is price effect rather than volume. Net national-savings deposits stood at ₹8,639.32 lakh.

Development spending is the weakest link. Against a district sector plan outlay of ₹420.9 crore in both 2022–23 and 2023–24, actual expenditure was ₹189.55 crore a utilisation rate of 45.0 per cent. For 2024–25 both outlay and expenditure are reported as zero.

5. Discussion

5.1 Registration, not industrialisation

The central finding is that Hamirpur's MSME expansion is a *measurement* event rather than a *production* event. Four pieces of evidence converge. The base year 2022–23 records zero micro enterprises — an impossibility in a district of 1.1 million people with 606 villages, since petty manufacturing, milling, repair and fabrication necessarily exist. What the 2023–24 and 2024–25 figures capture is therefore the arrival of these long-existing activities on the Udyam register, not their creation. Second, the collapse of medium units from 155 to 4 is a reclassification artefact, not 151 factory closures, which would be visible elsewhere in the data and are not. Third, average unit size of 8.5 workers is characteristic of household and micro-workshop activity, not of new formal establishments. Fourth, the organised sector shows no corresponding movement: the ASI frame remains fixed at eight factories, the estate is frozen, and the DIC small-scale register holds 147 units.

This does not make the expansion meaningless. Formalisation carries real benefits — collateral-free credit eligibility, government e-marketplace access, subsidy channels, and statistical visibility that makes rural enterprise legible to planners for the first time. But it changes what should be expected of it. A registration-led transition does not by itself raise productivity or wages; it creates the administrative preconditions for interventions that might.

5.2 Productivity decline in the measured core

The factory sector moved in the opposite direction from what industrialisation implies. Adding 2,439 workers against a 3.6 per cent output increase drove GVA per worker down by 38 per cent. Where employment rises far faster than output within a fixed set of establishments, labour is being substituted for capital or deployed at low marginal product the signature of distress absorption rather than expansion. The simultaneous fall in the NVA/GVA ratio indicates an ageing capital stock whose replacement is consuming an increasing share of value generated.

5.3 Structural constraints on capital-led growth

Several constraints in Table 1 bear directly on the district's inability to attract capital. There is no cold storage, foreclosing perishable-commodity processing in a district producing 12.16 thousand MT of potato. Sugarcane output is zero, removing the agro-processing base on which much of western Uttar Pradesh industrialised. There is no university, engineering college or medical college, so technical labour must be imported or the district's own youth exported. There is no national highway despite 63 km of expressway, and no airport or waterway. Banking density at one branch per 8,492 persons is thin for enterprise lending at scale. And a 45 per cent plan-expenditure utilisation rate suggests absorptive capacity, not fiscal allocation, is the binding constraint on public investment.

5.4 Spatial inequality within the district

The block analysis shows non-farm opportunity concentrating where market access is best. Sumerpur and Kurara in the north — nearer Kanpur and the district headquarters hold 41.9 per cent of units. Gohand, on the south-western upland, holds 4.7 per cent. That Sarila and Gohand contain no enterprise above micro scale means that any policy operating through small or

medium firms will, by construction, bypass them. Block-differentiated rather than district-uniform instruments are indicated.

6. Data quality as a finding

Several irregularities are analytically informative rather than merely technical.

1. **Implausible magnitude.** The estate's ₹62,315 crore production value exceeds district GDP sevenfold, indicating a unit error that has survived three reporting cycles unchallenged.
2. **Size-class inversion.** Employment per unit declining from micro to small to medium in 2024–25 indicates classification problems in the Udyam re-mapping.
3. **Structural zeros.** Zero micro units in 2022–23 and zero urban MSMEs throughout are coverage artefacts, not economic realities.
4. **Mixed vintages.** Population is from 2011 while economic data runs to 2024–25, so all per-capita ratios computed here are overstated by roughly the extent of 14 years of population growth.
5. **Incommensurable universes.** Employment of 32,295 (Udyam), 5,835 (ASI), 2,835 (estate) and 791 (DIC small-scale) refer to overlapping and differently defined populations and must not be summed.

For district planning these matters concretely: the MSME figures cannot currently support target-setting or evaluation, because a 44-fold employment change cannot be distinguished from a 44-fold change in enumeration coverage.

7. Conclusions and policy implications

Hamirpur presents a district in which the formal statistical apparatus has begun to see an informal economy that was always there, while the organised industrial base has neither grown nor improved. Registered MSMEs rose to 3,816 units employing 32,295 persons, entirely rural and 99 per cent micro; the ASI frame stayed at eight factories with labour productivity falling 38 per cent; khadi and cooperative village industry stand at zero; the single industrial estate operates 59 of 196 plots with unchanged figures for three years; and development-plan funds were spent at 45 per cent of outlay.

Four implications follow.

Treat formalisation as an opening, not an outcome. The register's value lies in what can now be delivered through it working capital, GeM onboarding, group insurance, skill vouchers. Counting registrations as jobs created will mis-state achievement.

Target the missing middle. With 3,788 micro units and 28 small and medium units combined, the district has almost no firms in the scale range where productivity gains typically occur. Graduation support — not further registration drives is the relevant instrument.

Fix absorption before seeking allocation. A 45 per cent utilisation rate means additional outlay will not convert into assets. Project preparation and execution capacity at district level is the prior constraint.

Differentiate by block. Gohand and Sarila require enterprise formation at the entry margin; Sumerpur, Kurara and Rath require scale-up and cluster support. A single district-wide scheme will reproduce the existing gradient.

Finally, the district statistical system itself warrants attention. Frozen tables, implausible magnitudes and inverted size classes are not incidental blemishes they determine whether any of the above can be monitored at all.

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