

ROLE OF MSME IN THE SUSTAINABILITY AND GROWTH URBAN POPULATION IN THE STATE OF KARNATAKA

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Abstract

Micro Small and Medium Enterprises (MSMEs) are the biggest employer after the agricultural sector in India, despite of the fact that MSME contributes 45% to industrial sector, there are about 1.3 million SME's which accounts for 40% of exports, create good number of employment (approximately one million jobs every year) and has employed more than 50 million people producing more than 8000 items catering to both Indian and international markets. As a result, MSMEs are today exposed to greater opportunities for expansion and diversification across . Today we can observe a tremendous growth in Indian market, and is making remarkable progress in various Industries like Service , Engineering, Processing, Pharmaceuticals, Textile industries, furniture and others. It was few years before when SME was suffering due to technology, expertise strategic orientation, marketing issues, not professionally utilizing the resources etc., Now with the government initiative in the development of the sector they are able to get proper guidance and insights which are facilitating the growth of the sector. The study is conducted to bring out the growth and performance of SME's, to identify the drivers of growth and reasons for hindering the performance and growth. With this we can accept that the development of SME's will be a contributing factor for the rural development. It will also contribute for the balanced regional development because of its requirements of minimum investment.

A data for 5 years has been used i.e. from the year 2011 to 2014-15(dec) keeping in view the Government of Karnataka industrial policy . The paper discusses various benefits and challenges of the MSME which is contributing to the regional development in Karnataka. Yet again it is also suffering from various challenges which have to be addressed by the government for its strong sustainability and further development. The study concludes that MSMEs are the strong tools for the regional development provided they are supported for initial sustainability.

Keywords: MSME, Employment Generation, Regional Development.

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Introduction

India's development simply not depending on the development of large scale industries. In most of the country Small and Medium Enterprises (SMEs) are the driving force for the promotion and the development of their economy. Accordingly it is proved that India's economy is also depending on the development of SME. Due to its significant contribution to the society, every country is concentrating on the development of SME's by encouraging entrepreneurship which is a key to improve competitiveness, boost trade, fostering economic activities and creating job opportunities. Small enterprises are considered as the main driver for poverty reduction, employment improvement and generation and social integration. Due to invention and innovation in SME sector, the production capacity may amplify significantly impacting on the promotion of economic and social development.

India is in the phase of transactional economy moving away from agriculture to industry and service as a major contributor to GDP. Karnataka is the 5th industrially advanced State in India. It is the first State in the country to have its own Industrial Policy starting from the year 1982-83. Government of Karnataka has take up lot of initiatives in its various policies with an objective of increasing GDP, strengthening the manufacturing sector, generation of additional employment, promote diversified Industrial base, reduce regional imbalances and increase the share of exports.

For a sustained development of rural and urban areas, Government of Karnataka passed MSME 2006, redefining these Enterprises with the objective of encouraging balanced industrial growth. They form an important component of a nation's industrial development by encouraging entrepreneurship. According to the MSME Act they can be defined as follows.

Definition of MSMEs

Category	Investment (Plant & Machinery)	Service (Turnover)
Micro Enterprises	Less than Rs. 25 lakh	Less than Rs. 10 lakh
Small Enterprises	Less than Rs 5 crore	Less than 2 crore
Medium Enterprises	Less than Rs. 10 crore	Less than Rs. 5 crore

Review of Literature

Dr. P.Uma, in her research paper has tried to study the 'Role of SMEs in Economic Development of India' comparing the performance of small and medium enterprises in the pre-liberalization and post liberalization period. The paper concludes that every industrial and business organization has to take up the responsibility to meet the challenges posed by globalization.

Prof. Sudha Venkatesh and Krishnaveni Muthaiah, has taken an initiative in providing the importance of SME's in India along with the services provided by the supporting agencies

Prof. Harpreet Singh and Manish Bansali. in the article 'Major problems of and prospects of food processing industry in Punjab explained the problems as well as prospects with its response to seasonal fluctuation in terms of productivity, profitability and export in Punjab on food processing industry. They have arrived at the conclusion that sector suffers from the lack of marketing strategies, seasonal fluctuations and performance of products.

Study conducted by **Dr Reetu Kumar** aimed at examining the policies and practices relating to small scale industrial units, to find out the differences between problems and prospects of exporting and non-exporting units followed by them and to identify gaps in those practices which have failed to receive acceptance. The important findings were, SSI is at developing stage in regard of marketing activities. It is especially true that marketing activities are pushing force for expansion of any concern, but sustainability is the biggest concern. An effective marketing mix strategy will definitely help firms expand their business. Dr. Ramehsh and Lathamani in the article the role of MSME in Ruban Society have concluded that the MSME is contributing a lot for the development of Ruban society.

Statement of the problem:

From the above literature review, it is clear that various studies have been conducted on relationship between economic development and MSME further on topics such as problems of small scale industries, role of SSI's in the development of economy, the relationship between sustainability and the financial performance, But study on the role of MSME in the sustainability and growth of urban population is done by very few authors. Hence it is felt necessary to study the role of MSMEs in the sustainability and growth of urban population which is a huge employment generator, with a view of the facilities being offered by the government under its Industrial Policy based on the data provided by the Department of Industries and Commerce.

Objectives of the Study

- To understand the role played by MSME during the policy period using the parameters such as the number of units added every year, employment generated in various part of Karnataka, changes in GDP etc.
- To study if there is a correlation between increase in the number of SMEs, employment generated and regional development attained in Karnataka.

Scope of the Study

The study includes the contribution of MSME in the development of Karnataka, employment generation in different parts of Karnataka which can be a contributor for the balanced regional development with the help of secondary sources of information obtained from various departments of DIC.

Limitations of the Study

The study is limited to five years of data used and for the area of Karnataka only. The study is considering the contributor aspects of MSME during the said period. It facilitates the understanding of the driving force of growth such as regional development and employment generation.

Contribution of MSME in Karnataka during the period from 2011-2015

Table showing the registration of Micro, Small and Medium enterprises for the period from 2011 to 2015:

Year	Micro			Small			Medium			Total		
	Units in No	Investment in Rs.(Lakh)	Employment generation	Units in No	Investment in Rs. (Lakh)	Employment generation	Units in No	Investment in Rs. (Lakh)	Employment generation	Units in No	Investment in Rs. (Lakh)	Employment generation
2011-12	19610	43650	86216	1370	91266	34400	41	24724	7771	21021	159641	128387
2012-13	22169	66019	105029	1981	116791	46029	56	34041	4493	24206	216851	155551
2013-14	23229	79416	110070	2661	144096	46741	76	61545	10536	25966	258086	167347
2014-15 (up to dec 14)	17786	59736	83779	1877	90556	33421	58	41613	5086	19721	191905	122286

Source: DIC and Karnataka Industrial report 2015-16

The study of the table reveals that there is a great investment in micro and Tiny industries as compared to Small and medium enterprises. The reason for people getting into these industries is because of easy investment and management as compared to other two. The employment generation is also comparatively good as the units are more. It is also attracting good investment from different category of people as any individual can afford it.

Small and medium enterprises also has got remarkable investment and job creation, but the units registered under both the category is less compared to Micro units it is mainly because of the investment and technology requirements. Over the year entire sector has provided a remarkable increase in the registered units year by year. it has also contributed to employment generation in the said years.

Table showing the relationship between the registration of MSME, job Creation and increased investment:

Year	Year wise registration of MSME			Job opportunities created by MSME			Capital Investment in Rupees(in Lakhs)		
	2010-11 (Base Year)	18434	No of additional units compared to Base year	111226	Addnl job created	% of annual growth compared to Base year	1206.8	Further investment compared to Base year	% change of annual growth rate compared to Base year
Nil			Nil		Nil	Nil		Nil	
2011-12	21021	2587	14.03	128387	17161	15.42	1596.4	389.6	32.28
2012-13	24208	5774	31.32	155609	44383	39.90	2165.1	958.3	79.41
2013-14	25966	7532	40.85	167347	56121	50.46	2850.6	1643.8	136.21
2014-15 (up to dec)	19723	1287	6.98	122288	11060	9.94	1919.05	712.25	59.02

Source DIC and Karnataka industrial profile 2015-16

The above statistics reveals the information of MSME registration, employment generation and investment in capital and assets of the sector for 5 years. According to the above table an increase in employment has led to the increase in the employment opportunity except for the year 2014-15. In all the years it is increasing compared to the base year 2011-12. This has led to an increased investment in the capital and other assets.

District wise distribution of MSME with the population.

S. No.	District	Population as per old census	% of District wise population (Rounded off to nearest decimal)	2010-11	2011-12	2012-13	2013-14	% concentration of MSME of 2013-14
1	Bagalkot	18,89,752	3	397	440	479	733	2.82
2	Bangalore (U)	96,21,551	16	3696	4478	7130	7526	28.98
3	Bangalore (R)	9,90,923	2	182	272	340	383	1.48
4	Belgaum	47,79,661	8	1701	1700	1557	1879	7.24
5	Bellary	24,52,595	4	828	1041	1139	1152	4.44
6	Bidar	17,03,300	3	111	121	306	128	0.49
7	Bijapur	21,77,331	4	432	546	470	442	1.70
8	CH Nagar	10,20,791	2	273	237	156	77	0.30
9	Chikkaballapur	12,55,104	2	250	274	244	245	0.94
10	Chikmagalur	11,37,961	2	595	650	304	339	1.31
11	Chitradurga	16,59,456	3	255	482	485	483	1.86
12	D.Kannada	20,89,649	3	1140	1266	1398	1552	5.98
13	Davanagere	19,45,497	3	498	527	531	585	2.25
14	Dharward	18,47,023	3	924	1014	1116	1230	4.74
15	Gadag	10,64,570	2	276	291	320	319	1.23
16	Gulbarga	25,66,326	4	458	507	557	615	2.37
17	Hassan	17,76,421	3	642	665	738	732	2.82
18	Haveri	15,97,668	3	441	493	545	605	2.33
19	Kodagu	5,54,519	1	66	59	89	101	0.39
20	Kolar	15,36,401	3	258	336	471	518	1.99
21	Koppal	13,89,920	2	439	464	467	487	1.88

22	Mandya	18,05,769	3	421	451	436	485	1.87
23	Mysore	30,01,127	5	847	916	925	1012	3.90
24	Raicur	19,28,812	3	327	311	210	148	0.57
25	Ramanagara	10,82,636	2	410	438	487	550	2.12
26	Shimoga	17,52,753	3	735	887	981	1084	4.17
27	Tumkur	26,78,980	4	865	947	1047	1149	4.43
28	Udupi	11,77,361	2	451	492	542	597	2.30
29	U.Kannada	14,37,169	2	425	447	494	544	2.10
30	Yadgir	11,74,271	2	82	269	244	266	1.02

Source DIC and City population.de

The above data tells us about the relationship between MSME's and population. There is 28.98% in of MSME's in Bangalore which has the highest percentage of population. There is an increase of over 50% industries during the 2013-14 in Bangalore as compared to other districts, There is a good increase in the number of units established in the year 2013-14 as compared to the base year 2011. The second highest number of units is in Belgaum with 7% followed by the D.Kannada in the third place with 6% of MSME respectively. It can also be absorbed that there is a relationship between the district population and the MSME units in the concerned districts

Increase in the Gross Domestic Product of the Country

Year	GDP in billions in Rs.	Increase in GDP compared to B Y	Percentage of Annual Growth Rate compared to B Y
2010-11	922,151		
2011-12	1,072,489	150338	16.302
2012-13	1,236,182	314031	34.05
2013-14	1,320,907	398756	43.24
2014-15	1,350,039	427888	46.40

An increasing trend in the GDP can be seen in the above table due to efficiency in the production by industries. India has a good number of SME's which accounts for about 90% of industrial units out of which MSME's contributes for about 67%. To understand the relationship between No of MSME in each year and Job created each year can be tested with Parsons correlation where the MSME in each year is taken as independent variable and Employment generation is considered as dependent variable. The calculated values will reveal if there is a positive or negative relationship between both the variables. Further to know the relationship between the MSME and GDP MSME is considered as Independent Variable and GDP as dependent variable.

Year	2010-11	2011-12	2012-13	2013-14	2014-15
No of SMES in the year (X)	18434	21021	24208	25966	19723
Employment generation (Y)	111226	128387	155609	167347	122288
GDP in Billion(Y)	922151	1072489	1236182	1320907	1350039

The application of the Parsons Co-efficient of Correlation the value of r is arrived at 0.998 which shows that there is a perfect correlation between the number of MSME in each year and the jobs generated .

$$r = \sum dx dy / (\sqrt{dx^2 \cdot dy^2}), r = 0.9981$$

Further it is also proved that there is a correlation between the MSMEs of the year and the GDP . The application of the formula reveals the r value as 0.58359 which shows that there is a positive coloration between the GDP of the country.

$$r = \sum dx dy / (\sqrt{dx^2 \cdot dy^2}), r = 0.5836$$

Findings

Among MSME's micro industries are increasing year by year as it requires less investment , compared small and medium enterprises. The increase in the number of units has promoted about 136% investment in the year 2013-14 as compared to the other years. There is a good improvement in the number of MSME coming up every year. It is 50% growth during the study period which has added to the job creation to the extent of 100%. The concentration of MSME's is more in the Bangalore Urban area as compared to any other parts of Karnataka which has to be taken care by the government so that rural parts can also be benefited. The increase in sector has added to the GDP of the country. The GDP has increased from 16% to 46% in five years which is a good growth for the country's economy.

Suggestions

The concentration should be given to improve all the parts of Karnataka. Bangalore Urban is attracting major MSME's because of good infrastructure and facilities available. The spread of knowledge about the sector should be made in other regions so that MSMEs can be opted by other parts of Karnataka. The training programs should be conducted in all parts so that regional development can be achieved. The spread of this sector will also contribute to the development of new jobs for the people in rural parts. This will help in achieving the rural as well as urban areas development in the state.

Conclusion

The study concludes that the sector has a given an excellent contribution to the development of job opportunities in Karnataka which has added to the regional development and GDP. The study shows that the MSMEs can be considered as a trusted area for further development of the state. An crease in MSME has contributed for a good number of employment generations. But it is also true that under the changing economic and technical condition MSMEs are facing problems as well as challenges. The support given by various financial institutions, R&D can be improved

to face the upcoming challenges. However for the sector to utilize its potential it is necessary for the entrepreneurs to be trained to take necessary steps. It is evidenced in the study that further nurturing of the sector can add to the further development.

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