A STUDY ON GROWTH OF SMALL SCALE INDUSTRIES IN KARNATAKA

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Abstract: Small scale industries provides remarkable benefits to social and economic development objectives such as labor absorption, income distribution, poverty eradication, rural development, regional balance and development of entrepreneurship. **K**arnataka is the home for more than 8.5 lakh Micro, Small and Medium Enterprises (MSMEs) and provided employment to over 55 lakh people. This paper made an attempt to identify the growth and development of SSI Sector in n terms of SSI units established, investment and employment generation for the period of 13 years in Karnataka (2005-06 to 2017-18). The available data has been collected from various secondary sources such as books, magazines, journal and annual reports, analyzed and presented in the tables with the help of statistical tools like percentages, AGRs, and CAGRs.

Key Words: SSI Units, Growth, Investment, employment, Karnataka.

Introduction

Small scale industries plays a key role in the industrialization of developing economy. This is because they provide immediate large-scale employment and have a compulsory higher labor-capital ratio, they need a shorter gestation period and relatively smaller markets to be economic, they need lower investments, offer a method of ensuring a more equitable distribution of national income and facilitates an effective mobilization of resources of capital and skill which might otherwise remain not utilized , and they energizing the improvement of industrial entrepreneurship and promote a more scattered pattern of ownership.

Small scale industries contribute significantly to social and economic development objectives such as labor absorption, income distribution, rural development, poverty eradication, regional balance and promotion of entrepreneurship. Even it is fact that, they play potential role in the process of country's industrial development. Particularly in developing countries, small labor intensive industries have been favored primarily to provide employment opportunities in an economy with rich unskilled labor, even though such industries may not always be supported on grounds of economic efficiency. In addition. A low capital requirement, given an appropriate market environment, is believed to stimulate growth of numerous indigenous with large regional dispersal. Empirical studies have shown that the small scale enterprises are an important vehicle meeting for the growth and equity with social justice potential objective of developing economies. In the Indian context, they play a key role in the economic development besides acting as a breeding ground for the entrepreneur.

Promotion of small scale industries has been one of the main strategies for economic development in developing countries since the 1950s. The development of small scale enterprises as the focal point of industrial development in substantial proof for the government. The importance of small scale enterprises is a global phenomenon encompassing both the developing and developed countries. Norman MacRae (1979) predicts that the age of Mammoth Corporation was over and the future lay with small, dynamic and efficient production groups that could respond quickly to customer' needs.

Definition of Small Scale Industry

The definition of the small industry is an important aspect of the government policy as it defines as the target groups. The first official criterion for small scale industries dates back to the second five year plan when it was in terms of gross investment in land, building, plant and machinery and the strength of the labor force. For time to time there have been many changes in the ceiling limit of investment in the plant and machinery. In the beginning, for a small scale industry, the investment limit was Rs.5 lakhs and employment limit of less than 50 persons when using power and less than 100 without using power.

The term ‘small scale industry’ has been defined in three ways. The conventional definition includes cottage and handicrafts industries with employ traditional labor intensive methods to produce traditional products, largely in village households. They employ none or only a few hired hands. The handloom textile industry is an example. Categories of small scale industries Ancillary Industrial Undertakings, Tiny Enterprises, Women entrepreneur’s enterprises, small scale service and business enterprises and Export Oriented Units.

SSI Investment Cap cut to Rs. 1 crore.

The Government has issued a notification, scaling down the investment limit in the fixed assets in the plant and machinery for small scale/ancillary industrial undertakings, whether held on ownership terms or on leased or on hire purchase, to Rs. 1 crore. However, the investment limit for tiny units will continue to be 25 lakhs.

Micro, Small and Medium Enterprises Development, Act 2006

There was a longstanding demand from entrepreneurs, small industry associates and related stakeholders for a single comprehensive legislation. The “Micro Small and Medium Enterprises Development Act, 2006” is the first Act of MSMEs which, inter alia, provides for establishment of a statutory National Board for micro, Small and Medium Enterprises, filing of memoranda, measures of promotion, development and enhancement of competitiveness of micro, small and medium enterprises, credit facilities, procurement preference and provisions related to delayed payments to micro and small enterprises. For the first time medium sector has been defined in India and in this Act, Micro enterprises have been defined for the first time.

Under the MSMED act, 2006, the earlier, rather limited concept of Industries has been widened to that Enterprise. Enterprise id classified in to two as manufacturing and service. Enterprises have been defined in terms of investment in plant and machinery or equipment as below

Table 1: Classification of MSMEs

Category	Investment in Plant and Machinery/Equipment	
	Manufacturing Enterprises	Service Enterprises
Micro	Up to Rs. 25 lakhs	Up to Rs. 10 lakhs.
Small	More than Rs. 25 lakhs, but less than Rs. 5 Crore	More than Rs. 10 lakhs but less than Rs. 2 Crore
Medium	More than Rs. 5 crore but less than Rs. 10 crore.	More than Rs. 2 crore but less than 5 Crore

Role of Small-Scale Industry in Planned Development

In a developing economy, it is the small scale industry that constitutes the back bone of its economic structure. Its development creates large employment opportunities for the people, effects decentralization of industries by the creation of industrial estates and make possible a redistribution of economic power and income. Till independence, only cottage industries, village industries, rural industries or agro-based industries were considered to be small industries. The national planning committee, set up in 1938 under the chairmanship of Pandit Jawaharlal Nehru, constituted a panel to study this problem. With these the Government has been following a policy of promotion as well as protection of the small scale industries sector.

The main objectives of the development of small scale industries are: to create large employment opportunities for the poor, to effect decentralization of industries by creating industrial estates. To effect a redistribution of power as well as income, and to rise the standard of living of the people. These objectives mainly follow the principles of the ideal goal of a welfare state with the aim of social justice and social welfare.

Review of Literature.

Dr. P Hari Kumar and Dr. M Chandraiah (2014) in their study, 'profitability performance: a study of small scale industries in Bangalore Rural District of Karnataka, they pointed out that there is an increase in production, profitability and capital output ratio. They also experienced during their study, out of various categories of SSI units, wood based industries are performed potentially.

Ravi B (2015), in his study he found that, the factors motivating the small entrepreneurs in the study area, their performance, impact of zone, family background, category and education on the investment turnover, profitability, marketing area and changes introduced in this field.

Dr. P Hari Kumar (2015), in his study Financial Performance of small scale enterprises: a case study of Bangalore Rural District of Karnataka, mentioned that, working capital position is good during the period and also there is a stability in current assets maintenance and found that no consistency of financial performance in sample units during their study period. He also recommended that the financial institutions should provide required financial assistance to maintain the sustainable development.

Objectives of the study

1. To know the concept of Small Scale Industries
2. To Analyze the investment and employment trends of Small Scale Industries in Karnataka
3. To Know the performance of Small Scale industries in Karnataka
4. To give suitable conclusions for findings.

Methodology

This study is based on secondary data and analytical and descriptive in nature. The data has been collected from secondary sources such as books, journals, newspapers, Magazines, and previous literature etc. The available data collected for the period of 10 to 13 years (form 2005-06 to 2017-18) in terms of units registered, investment and employment generation.

Limitations of the study

1. The study is restricted to Karnataka only.
2. The data collected only for 10 to 13 years only.
3. The parameters for the study adopted only SSI units registered, investment and employment.

Analysis of Data

The available data which have been collected from various secondary sources, have been analyzed and presented in the following table and given interpretation for the analysis. In terms of SSI Units growth, investment and employment during the study period 2005-06 to 2017-18 has shown in the following table.

Table No: 2 Growth of SSI Units, Investment, Employment from 2005-06 to 2017-18 (Cumulative)

Year	No of SSI Units	AGR (%)	Investment (Rs. in Lakhs)	AGR (%)	Employment (000s)	AGR (%)
2005-06	334386	------	735616	------	1888	------
2006-07	346966	3.76	782158	6.32	1946	5.09
2007-08	361950	4.31	894817	14.40	2069	6.32
2008-09	377655	4.34	996434	11.36	2174	5.08

2009-10	394850	4.55	1119250	12.33	2285	5.11
2010-11	413284	4.67	1239873	10.78	2396	4.86
2011-12	434305	5.09	1399514	12.86	2524	5.34
2012-13	458511	5.57	1616365	15.50	2680	6.18
2013-14	484549	5.68	1901082	17.62	2846	6.19
2014-15	513291	5.93	2180373	14.69	3022	6.18
2015-16	538947	5.00	2674965	22.68	3243	7.31
2016-17	578117	7.26	3941379	47.34	3752	15.70
2017-18	626599	8.38	5099954	29.34	4193	11.75
Total	58,63,410	------	24,581,780	------	35,018	--------
Average	451,032	------	1,890,906	------	2,694	--------
CAGR	5.37	------	17.51	------	6.88	--------

Source: Directorate of industries and commerce, Karnataka

Interpretation: The above table no 2 revels that the information about the Small Scale Industrial Units registration, Investment and Employment during the study period from 2005-06 to 2017-18. It is observed that the number of SSI units registered for 13 years period total is 58,63,410. And its average for 13 years study period is 451,032. The compounded annual growth rate of SSI Units registered for 13 years study period is registered as 5.37 percent. It could be observed that, the total investment for 13 years study period total is Rs.24, 581, 780, lakhs. And average for 13 years period is recorded as Rs. 1, 890, 906 lakhs. It is another notable feature. Again it could be identified very clearly, for 13 years period 35,018 persons got employment by SSI Units. Though there are slight up and downs in annual growth rates in employment, ultimately for 13 years period the total employment registered good number. Its Compounded Annual Growth Rate of employment generation for 13 years period is also recorded in an impressive manner that is 6.88.

Findings of the study

- From the table no 2 it is found that, annual growth rates of SSI Units registration showing almost positive.
- It is also found that annual growth rate of investment during the study period is recorded in a remarkable way.
- It is found that, for 13 years study period CAGR of investment is recorded in a remarkable way that is 17.51.
- It is also found that, at the end of the 13 study period AGR for employment shown that 6.88 positive rate.

Conclusions

It is well known fact that for any state, the economic development is depends on different sectors. Among that as a part of industrial sector, SSI Sector is one of the important sector which contributes towards the economic development of concern state. The present study conducted towards the growth of SSI in Karnataka. This study experienced that, the SSI units registered for 13 years study period is remarkable. Thanks to the entrepreneurs, there is a tremendous improvement in annual growth rate of investments and its CGGR recorded as 17.51. In case of employment, it is very clear that, though there are very slight variation in annual growth rates, ultimately there is positive and remarkable number registered for employment. The overall performance of SSI Sector in Karnataka in terms of investment as well as employment generation is a notable one. It is suggested that, the Government should involve in the effective and timely monitoring of financial institutions. The Government should focus keen interest to provide financial assistance and incentives towards the improvement of the production performance of SSIs in Karnataka.

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