

## **GROWTH AND PERFORMANCE OF MICRO, SMALL AND MEDIUM ENTERPRISES IN KARNATAKA- AN ANALYSIS**

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### **Abstract**

The present article explores the MSMEs have been the backbone of the Indian economy as well as Karnataka. The development of the nation is not just dependent on the growth of the large industries, MSMEs are also contributing tremendous to the economic development of the country by being the most attractive and promising sector for the employment among the younger generation, exports, diversification, innovation and resource mobilization. The MSMEs form an important and growing segment of Karnataka's industrial sector. During 2019-20, as per the MSME amended Act, these are classified based on two factors such as turnover and investment as 97232 MSME units registered in Karnataka state, with an outlay of Rs.1859727 lakhs by providing employment opportunity to 702325 persons. As compared to 2018-19, MSMEs is an increased nearly 40 per cent in the number of registered units, 25 per cent of increased in investment and increased of 20 per cent in number of people employed during 2019-20. The study has main three objectives are - to study the performance of micro, small and medium enterprises sector in Karnataka; to analyse the trends in growth and development of the micro, small and medium enterprises in Karnataka; and to study the impact of MSMEs on employment generation in Karnataka. The present article has adopted research methodology. It has mainly based on secondary sources of data. The study was statistical tools used like Percentages and Compound Annual Growth Rate (CAGR) and Correlation were analyzed through excel and SPSS 21 statistical software. The study was study period collected from 2011-12 to 2020-21.

**Keywords:** Performance, MSMEs, Units, and Employment Opportunities,

## I Introduction

MSMEs are Micro, Small and Medium Enterprises engaged in production of goods and services. The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 facilitated the development of these enterprises also enhance their competitiveness. According to the Act, MSMEs have been broadly classified in two categories. Enterprises engaged in the manufacturing and production of goods pertaining to any industry. Enterprises engaged in providing or rendering services.

The development of the nation is not just dependent on the growth of the large industries MSME's are the backbone of the country contributing tremendous to the economic development of the country by being the most attractive and promising sector for the employment among the younger generation, exports, diversification, innovation and resource mobilization. The MSMEs have been the backbone of the Indian economy. To state the statistics, it is employing close to 40% of India's workforce and contributing 45% to India's manufacturing output, SMEs play a critical role in generating millions of jobs, especially at the low-skill level. The country's 1.3 million SMEs account for 40% of India's total exports. Karnataka has the seventh largest Gross State Domestic Product (GSDP) in the country's GDP. It has a great potential to improve its economy through industrialization and contribute more towards nation's GDP. The state government considers industrial growth as a means to mitigate poverty and unemployment. Development of industry, trade and service sector promotes higher capital formation, improves the per capita income level, absorbs surplus workforce. According to New Industrial Policy of Karnataka, it has proposed to form at least five industrial areas every year spread over an area of 5,000 to 8,000 acres. Energy and water resources department will be directed to provide the required power and water to the designated industrial areas ([business-standard.com](http://business-standard.com)).

## II Objectives of the Study

1. To analyse the trends in growth and development of the micro, small and medium enterprises in Karnataka.
2. To study the performance of the micro, small and medium enterprises sector in Karnataka.
3. To study the impact of the MSMEs on employment generation in Karnataka.

### III Hypothesis

1. Micro, Small and Medium Enterprises have a significant performance in the creation of employment opportunities in Karnataka state.
2. Micro, Small and Medium Enterprises have a significant increase in investment performance

### IV Research Methodology

The present article is mainly based on secondary sources of data. The secondary data required for this study were collected from several secondary sources. They include annual reports/ pamphlets/ action plans/ experts committee reports of Government of India, Ministry of MSMEs, various reports of Handbook on MSMEs Statistics (2021), Karnataka State at a Glance 2020-21, Directorate Economics and Statistics, Economic Survey of India and Karnataka, and World Bank Reports; the articles published in scholarly journals, specialized articles/ journals, and seminal books written by authorities on the MSMEs sector. The study was statistical tools used like Percentages and Compound Annual Growth Rate (CAGR) and Correlation were analyzed through excel and SPSS 21 statistical software.

### V Growth and Development of SMEs in Karnataka: MSMEs Units and Employment

The MSMEs occupies a place of prominence in the Karnataka economy in view of its massive potential for employment, growth and exports. This sector is a vibrant and vital sector of the State economy in terms of employment generation and share of production. The MSMEs form an important and growing segment of Karnataka's industrial sector. Industrial growth in terms of use-based classification for four broad groups of organized manufacturing industries: basic goods, capital goods, intermediate goods, and consumer goods consisting of durables and non-durables. Among the four broad groups, the consumer goods industry sector accounts for the highest weight followed by the basic goods industry. Within the consumer goods industry sector, non-durables account for 24.7% and durables account for 3.7% of the total weight of 28.5%. These weights indicate relative importance of the different groups in the manufacturing industry of Karnataka.

**Table –1**

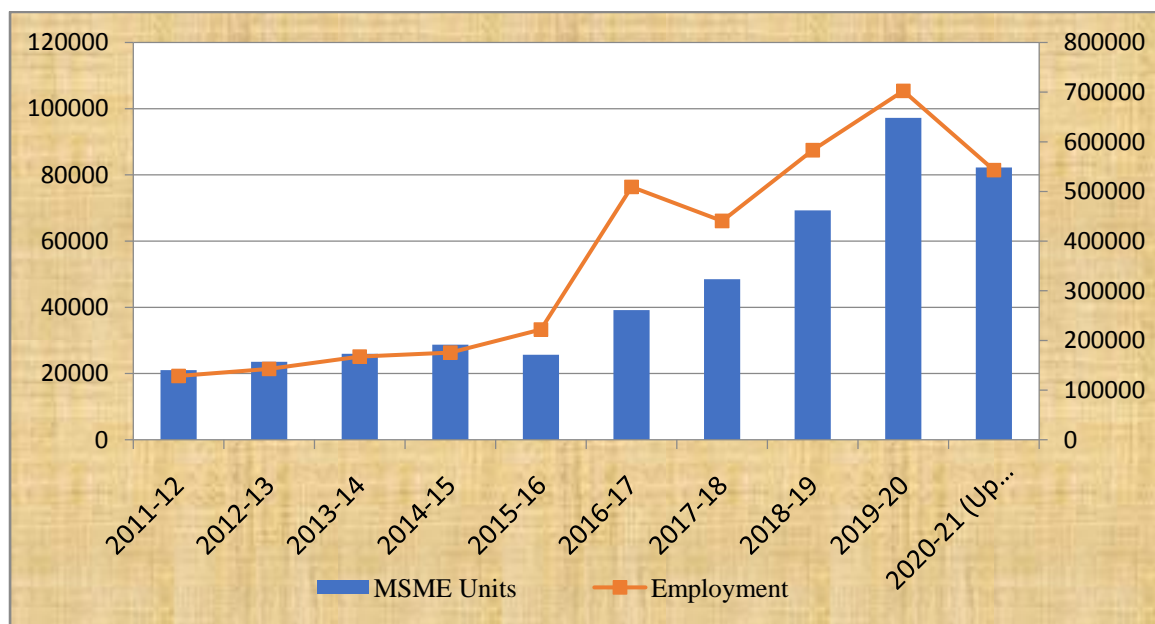
**Growth in Trends of MSMEs in Karnataka (Between: 2011-12 to 2020-21)**

Year	MSME Units	AGR	Employment	Employment Per Unit
2011-12	21021	-	128387	6.1
2012-13	23548	12.02	142541	6.02
2013-14	25966	10.27	167347	6.44
2014-15	28742	10.69	175469	6.1
2015-16	25656	-10.74	221706	8.64
2016-17	39170	52.67	508966	12.99
2017-18	48482	23.77	440476	9.08
2018-19	69278	42.89	582943	8.41
2019-20	97232	40.35	702325	7.22
2020-21 (Up to June)	82227	-15.43	542890	6.6
<b>CAGR (%)</b>	<b>19.29</b>		<b>22.86</b>	

Source: Government of Karnataka (2020), Directorate of Micro, Small and Medium Industries (2011-12 to 2020-21).

**Graph –1**

**Growth in Trends of MSMEs in Karnataka (Between: 2011-12 to 2020-21)**



The growth in trends of MSMEs in Karnataka from 2011 to 2020 is presented in Table-1 and Graph-1. The number of MSMEs unit was 21021 in 2011-12, which increased to 97232 in 2020-21, and it has sharply decreased to 82227 in 2020-21. Whereas, the total number of employment from MSMEs was 128387 in 2011-12, which positive increased to 2019-20, it has suddenly decreased to 542890 in 2020-21.

## VI MSMEs Units in Karnataka: District-wise Data Analysis

The MSMEs have plays a significant and important role in the economic development of a state. It has role in terms of production, employment generation, contribution to exports in the case of sector wise analysis, etc. The following is the district-wise distribution of MSMEs in the State of Karnataka. The total amount of investment made in each district and the total number of employments provided is given in detail. These MSMEs are not evenly spread throughout the district. In some parts of the district, they are densely populated and in other parts, they are scarcely spread. The following is the district-wise distribution of MSMEs units and the number of employments in the State as on 2020-21 are given in Table-2 and Graph-2.

**Table-2**

**District-wise Distribution of MSMEs units in Karnataka (As on 2020-21)**

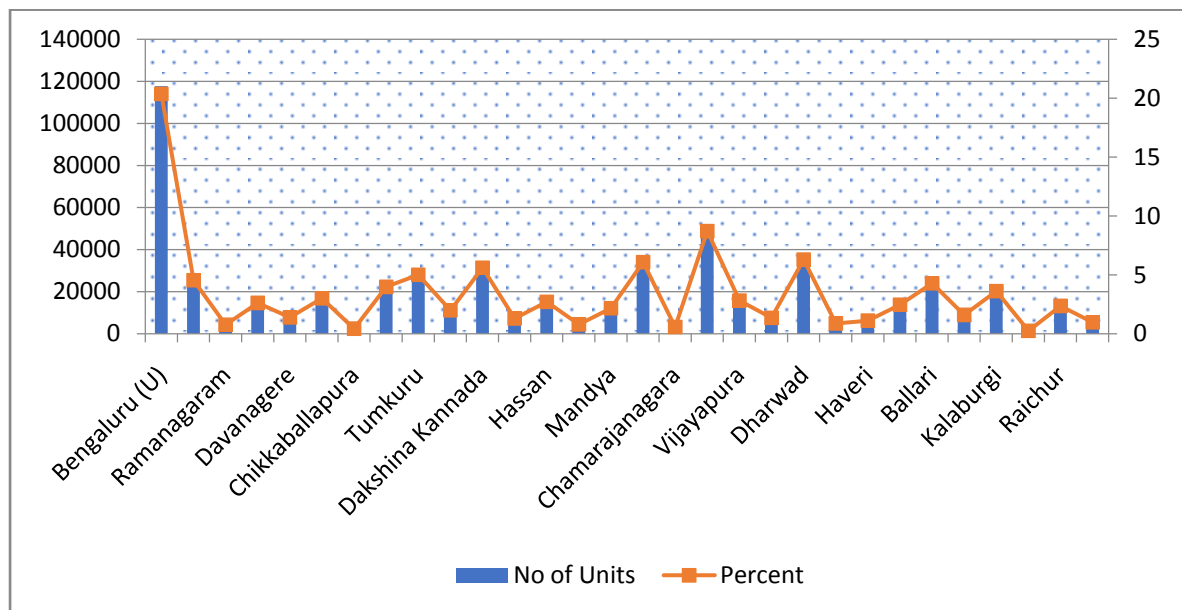
S. No	Districts	MSMEs Units		Employment	
		Nos.	%	Nos.	%
1	Bengaluru (U)	117717	20.36	1242662	33.11
2	Bengaluru (R)	26219	4.54	212603	5.66
3	Ramanagaram	4370	0.76	39203	1.04
4	Chitradurga	15167	2.62	74708	1.99
5	Davanagere	8021	1.39	33552	0.89
6	Kolar	17410	3.01	116687	3.11
7	Chikkaballapura	2472	0.43	15841	0.42

8	Shivamogga	23005	3.98	106980	2.85
9	Tumkuru	28933	5.00	159785	4.26
10	Chikkamagaluru	11528	1.99	45472	1.21
11	Dakshina Kannada	32403	5.60	210479	5.61
12	Udupi	7508	1.30	64031	1.71
13	Hassan	15681	2.71	70235	1.87
14	Kodagu	4619	0.80	29054	0.77
15	Mandya	12464	2.16	59559	1.59
16	Mysuru	35129	6.08	192936	5.14
17	Chamarajanagara	3291	0.57	17911	0.48
18	Belagavi	50341	8.71	235562	6.28
19	Vijayapura	16292	2.82	78556	2.09
20	Bagalkot	7809	1.35	38942	1.04
21	Dharwad	36346	6.29	197663	5.27
22	Gadag	5108	0.88	23534	0.63
23	Haveri	6431	1.11	24469	0.65
24	Uttara Kannada	14217	2.46	68474	1.82
25	Ballari	24749	4.28	137625	3.67
26	Bidar	9275	1.60	56646	1.51
27	Kalaburgi	20939	3.62	89286	2.38
28	Yadgiri	1455	0.25	5793	0.15
29	Raichur	13631	2.36	76079	2.03
30	Koppal	5587	0.97	28608	0.76
	<b>Total</b>	<b>578117</b>	<b>100.00</b>	<b>3752935</b>	<b>100.00</b>

Source: Government of Karnataka, Karnataka at a Glance, Directorate of Economics and Statistics, Bengaluru - 2021

**Graph –2**

**District-wise Distribution of MSMEs units in Karnataka**



The district-wise MSMEs units registered in MSMEs activities have highlighted is presented in Table-2 and Graph-2. Out of 30 districts, 7 districts are playing a major role in the MSMEs activities in Karnataka as on 2020-21. The share of Bangalore (Urban) district is 20.36 per cent in terms of number of units during 2020-21. Belagavi district is second in number of units in MSMEs sector that was 50341MSMEs units (8.71%) were registered in 2020. Dharwad district is third in the number of units in MSMEs sector that was 36346 MSMEs units (6.29%) were registered in 2016. In fourth place stands Mysore district with respect of the number of units in MSMEs sector that was 35,129 MSMEs units (6.08%) were registered in 2016. Dakshina Kannada district is fifth in the number of units in MSMEs sector that was 32,403 MSMEs units (5.60%) were registered. In sixth place stands Tumkur district with respect to number of units in MSMEs sector that was 28,933 MSMEs units (5%) were registered. Finally, in other districts fewer units were registered compared to these six districts are given in Table-2.

**Graph –3**

**District-wise Distribution of MSMEs Employment in Karnataka**



The district-wise number of employments in MSMEs sector has highlighted in the Table-2 and Graph-3. Out of 30 districts, 7 districts are playing a significant key role in the MSMEs activities in Karnataka as on 2020-21. The share of Bangalore Urban district is 33.11 per cent in terms of number of employments during 2020-21. Belagavi district is second in the number of employment generation in MSMEs sector that was 2,35,562 persons (6.28%) were employed in 2020. Bengaluru (R) district is third in the number of employments in MSMEs sector that was 2,12,603 persons (5.66%) were registered in 2020. Dakshina Kannada district is fourth in respect of the number of employments in MSMEs sector, that was 2,10,479 persons (5.61%) in 2020. Dharwad district place fifth in the number of employments in MSMEs sector that was 1,97,663 persons (5.27%). Mysuru district stand in sixth place in the number of employments in MSMEs sector, that was 1,92,936 persons (5.14%) were employed. Finally, in other districts fewer number of employed compared to these six districts are given in above Table-2. The above analysis highlights the magnitude of disparity in the district-wise distribution of registered MSMEs units and employment.



## VII Performance of MSMEs in Karnataka

Karnataka is the home for more than 8.5 lakh MSMEs and provided employment to over 55 lakh people. In Karnataka over the last 5 years, about Rs.4 lakh crore has been invested and the state stands in 5th place in the country in industrial growth. MSMEs play an important role in economic growth by fostering entrepreneurship and generating large employment opportunities. MSMEs provide support to large firms as suppliers of input goods and services, thereby contributing to industrial development. Many programs and policies, incentives and concessions have been in place for promoting MSMEs. The state's industries today have suffered losses from lockdown and stagnant exports caused by the outbreak of the infectious virus Covid-19, two years ago. Some industries have disappeared. In the meantime, the state and central governments have provided some assistance. However, these industries still need time to reach their former level.

The MSMEs form an important and growing segment of Karnataka's industrial sector. During 2019-20, as per the MSME amended Act, MSMEs are classified based on two factors such as turnover and investment as 97232 MSME units registered in Karnataka state, with an outlay of Rs.1859727 lakhs by providing job opportunity to 702325 persons. As compared to 2018-19, MSMEs is an increased nearly 40 per cent in the number of registered units, 25 per cent of increased in investment and increased of 20 per cent in number of people employed during 2019-20. Out of 97232 units that were registered in Karnataka during 2019-20, about 9.03% (i.e. 8782 units) of the units were related to manufacturing of Food Products which occupied the top position followed by Manufacturing of Textiles 6.50% registration. During 2019-20 - Manufacturing of Food Products, Other manufacturing, Textiles, Machinery and Equipment and Other professional, scientific and technical activities have occupied the top 5 positions in terms of investment. Manufacturing of Food Products being the first among top 10 is accounting for about 11.21% of the total investments followed by other manufacturing being 8.41% of the total investment. In terms of employment Manufacturing of Food Products, Wearing Apparel, Textiles, Other manufacturing and other professional, scientific, and technical activities are in top 5 positions. Manufacturing of Food Products being in first position is generating about 8.39% of the total employment and is closely followed by Manufacturing of Wearing Apparel with about 6.83 % employment.

**Table –3**

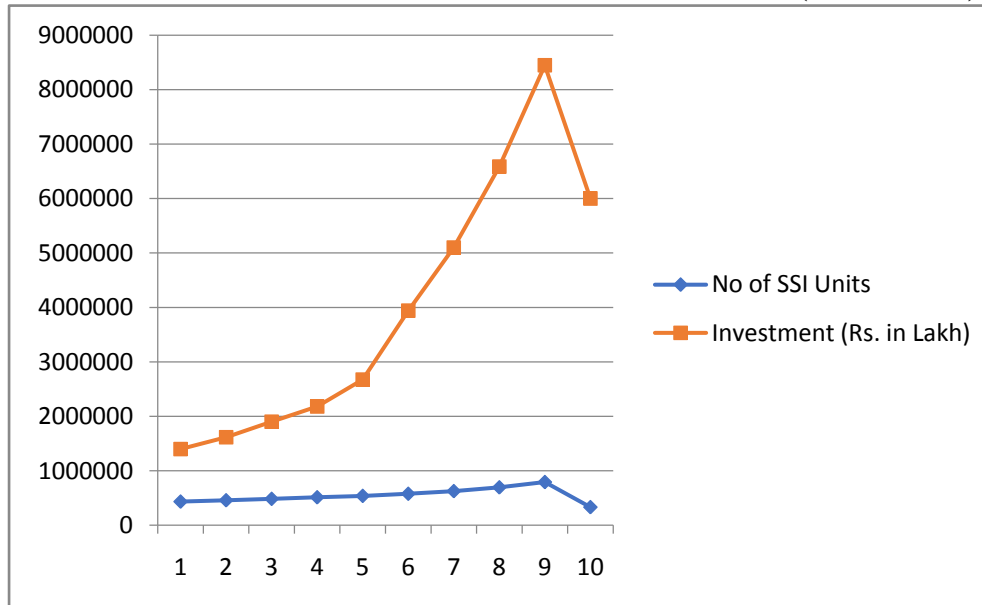
**Small-scale industrial units and Investment in Karnataka (Cumulative) Year**

Year	No of SSI Units	Investment (Rs. in Lakh)	% Growth of SSI units
2011-12	434305	1399514	-
2012-13	458511	1616365	15%
2013-14	484549	1901082	18%
2014-15	513291	2180373	15%
2015-16	538947	2674965	23%
2016-17	578117	3941379	47%
2017-18	626599	5099954	29%
2018-19	695877	6587652	29%
2019-20	793109	8447379	28%
2020-21*	332233	6000678	-29%

Karnataka Economic Survey 2021-22 \*the details of no. of registered units till September 2021 are mentioned above.

**Graph –4**

**Small-scale industrial units and Investment in Karnataka (Cumulative) Year**



**Testing Hypothesis**

H0: Small and Medium Enterprises have no significant role in the creation of employment opportunities in the Karnataka state.

H1: Small and Medium Enterprises have a significant role in the creation of employment opportunities in the Karnataka state.

**Table -4****Correlation Results Between MSMEs and Employment Opportunities in Karnataka**

Variables	Mean	Std. Devi	Pearson Correlation	Sig.
MSMEs units	46132.2000	27432.20713	.920*	0.000
Employment Opportunities	361305.0000	216079.7337		

\*. Correlation is significant at the 0.01 level (2-tailed).

The above Table-4 understood that the correlation between MSMEs units and employment generation in Karnataka. The calculated mean values of MSMEs units and employment generation are 46132.2000 and 361305.0000 respectively. The tested standard deviation values of MSMEs units and employment generation are 27432.20713 and 216079.7337 respectively. The tested Pearson correlation value is .920, at significant 1% level. However, the null hypothesis rejected and the alternative accepted. Hence, it implies that Small and Medium Enterprises have a significant role in the creation of employment opportunities in the Karnataka state.

H0: Small and Medium Enterprises have no significant role in increasing investment opportunities in the Karnataka state.

H1: Small and Medium Enterprises have a significant role in increasing investment opportunities in the Karnataka state.

**Table -5****Correlation Results between Small-scale industrial units and Investment Opportunities in Karnataka**

Variables	Mean	Std. Devi	Pearson Correlation	Sig.
MSMEs units	569256.1111	117904.6226	1	0.000
Investment	3760962.556	2477162.393		

\*. Correlation is significant at the 0.01 level (2-tailed).

The above Table-5 explains the correlation between SSI units and investment in Karnataka. The calculated mean values of SSI units and investment are 569256.1111 and 3760962.556 respectively. The tested standard deviation values of SSI units and investment are 117904.6226 and 2477162.393 respectively. The tested Pearson correlation value is 1 at significant 1% level. However, the null hypothesis rejected and the alternative accepted. Hence, it implies that Small and Medium Enterprises have a significant role in the creation of investment opportunities in the Karnataka state.

### **VIII Challenges of MSMEs**

#### **1. Financial Issues**

Lack of finance is the main challenge of MSMEs in India. Most MSME owners come from rural and education-deprived areas, and their ignorance of government benefits makes them unaware of their special financial privileges.

#### **2. Marketing strategies**

MSME growth remains a significant hurdle due to the absence of entrepreneurial, managerial, and marketing skills.

#### **3. Technology improvement**

Lack of technological improvement in MSMEs

#### **4. Skills**

Since MSMEs depend heavily on informal workers who are often under paid and lack the technical skills necessary to boost productivity.

### **IX Suggestions**

- MSMEs must keep up with the changing trends in technology.
- Banks have to introduce easy finance and credit schemes to help MSMEs avail capital.
- Government can declare Tax holiday for one or two years for new MSMEs.
- Boosting sales and acquiring new customers requires the right marketing strategies.
- Quality maintains can attract international market.
- Regional potentials have to be utilised for its fullest capacity.

## X Conclusion

The MSMEs are important because they provide opportunities for entrepreneurs and create employment opportunities with greater employment satisfaction than positions with larger, traditional companies. They foster local economies, keeping money close to home and supporting neighbourhoods and communities. It have establishment is considered to be important at present days. They involve in job creation in this modern day economy. In recent times it would have been noticed that the unemployment reduction all over the world is due to the lots of emerged MSMEs. Out of the SMEs contribution, there is a significant growth in GDP and proper money flow across the economy is noticed. It charges lower rates to their clients by providing a quality business. When the state economy is in better condition, the MSMEs will flourish. If the economy is unstable, the SMEs will face a risk of going down, as they survive within a small budget. MSMEs boost the country economy by affording extra revenue and employment. It has been concluded as MSMEs offer multiple advantages and being a source of growth for several countries. The MSMEs in the coming days will involve with unforeseen revolution for improving our country's economic growth. It have plays a most important role in the most economies, especially in several developing nations. The MSMEs achievements for the majority of businesses global and is significant contributors to creation of income and employment as well as economy development of the country. This sector contributes to nearly 90 per cent of productions and more than 50 per cent of employment in the global level. The SMEs have contributing up to 40 per cent of Gross Domestic Product in emergent economies.

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