



## RESEARCH ARTICLE

### GROWTH PERFORMANCE AND PROBLEMS OF MSMEs IN SHIVAMOGGA DISTRICT OF KARNATAKA – A STUDY

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#### ABSTRACT

MSMEs are the drivers of growth in developing countries. They are contributing to employment, GDP, and exports. Majority of the industries in India are small and medium enterprises. Karnataka state is one of the industrially developed state in India. Large number of MSMEs are operating in Karnataka. However, Shivamogga District is one the industrially developing district in the Karnataka state. Good number of micro and small industries are located in the district. Few large scale industries are also located in the district. The present paper mainly focus on growth and problems in MSMEs in Shivamogga district. Here major problems of MSMEs in the district are power failure, inefficient manpower, inadequate finance, marketing issues etc. The present paper is based on secondary sources of information collected from books, journals, News Paper's, and related websites etc.

#### INTRODUCTION

The Micro, Small and Medium Enterprises (MSME'S) play a vital role in propelling economic growth not only in developing countries but also in many advanced countries. It ensures sustained livelihood, fair distribution of income and balanced regional development. The development of our country is not only dependent on the growth of large scale industries but also it is largely dependent on MSME's which is considered as the backbone of the nation. By providing 2 employment to about 40% of India's workforce, MSME's play a vital role in generating employment in rural and semi – urban places of our country. During 2011- 12, 447.73 lakh MSME's of our country have contributed about 45% of India's manufacturing output and accounted for 40% of the country's exports. They produce more than 8000 varieties of goods to the domestic and international market. MSME's are complementary to large Scale industries as ancillary units and contribute enormously to the socio – economic development of the country. Hence MSME's are consider as an engine of economic growth. But during the LPG era, the MSME Sector in our country is facing many problems and challenges. In this regard they are in need of consultancy services to upgrade their competencies in the field of marketing, finance, technology, organization strategies etc. Karnataka State stands at seventh place in terms of Gross state Domestic Product (GSDP) in India's GDP. The state has a great potential to accelerate its

economic growth through the development of MSME's. The State Government has considered Growth of MSME'S as means to eradicate the burning problems like poverty and unemployment. Growth of MSME's and other industries Promotes higher capital formation improves level of per capita income and absorbs surplus labors of agriculture sector. The new industrial policy of Karnataka purposed to form at least five industrial areas every year. During 2013-14 25,966 MSME's were working in the state and provided direct employment to 1, 67,347 persons. Shivamogga district is a part of the Malnad region of Karnataka and is also known as the Gateway to Malnad or Malenaada Hebbagilu in Kannada. The district is landlocked and bounded by Haveri, Davanagere, Chikmagalur, Udupi and Uttara Kannada Districts. The district ranks 9th in terms of the total area among the districts of Karnataka. In Shivamogga district also MSME's play an important role along with agriculture in shaping the livelihood of the people. At the end of 2015, there were 19092 registered MSME's workings in the district with an employment of 86406 workers. And total investment in MSMES 66221 lakh rupees

**Definition of MSME:** In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes:

**Manufacturing Enterprises:** The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951). The Manufacturing Enterprise is defined in terms of investment in Plant and Machinery.

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Manufacturing Sector	
Enterprises	Investment in plant & machinery
Micro Enterprises	Does not exceed twenty five lakh rupees
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees
Medium Enterprises	More than five crore rupees but does not exceed ten crore rupees

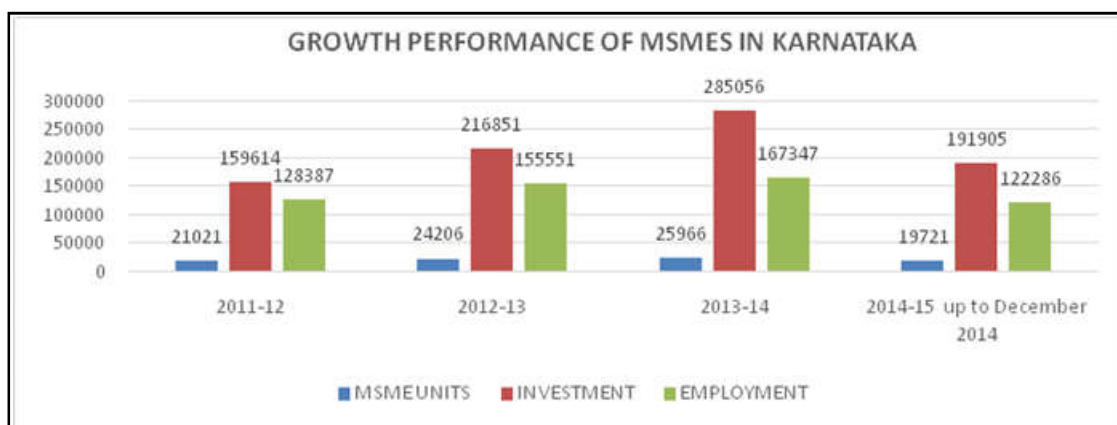
(Source Annual Report, 2010-2011, Ministry of Micro, Small and Medium Enterprise)

Service Sector	
Enterprises	Investment in equipment
Micro Enterprises	Does not exceed ten lakh rupees
Small Enterprises	More than ten lakh rupees but does not exceed two crore rupees
Medium Enterprises	More than two crore rupees but does not exceed five crore rupees

(Source Annual Report, 2010-2011, Ministry of Micro, Small and Medium Enterprise)

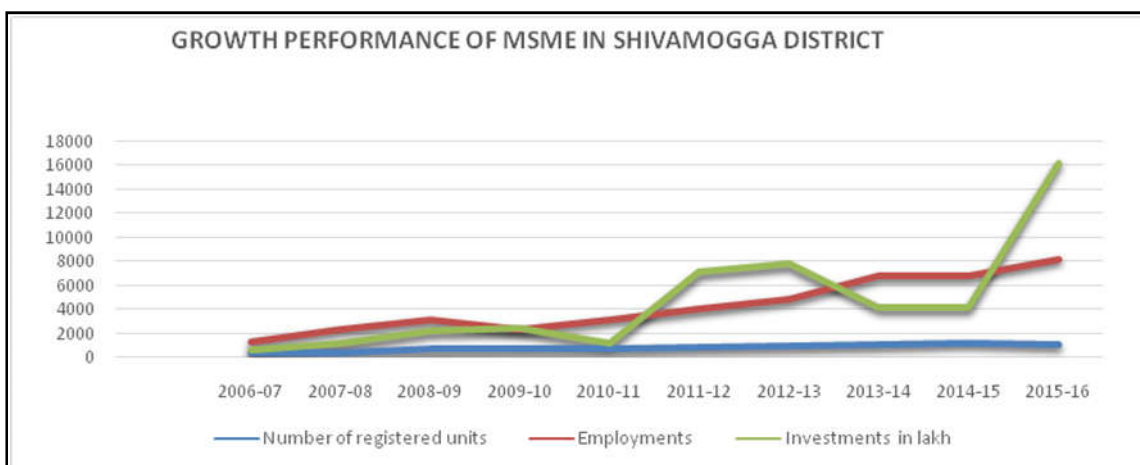
Years	MSME Units(In Number)	Investment (Rs In Lakh)	Employment (In Numbers)
2011-12	21021	159614	128387
2012-13	24206	216851	155551
2013-14	25966	285056	167347
2014-15	19721	191905	122286

Source: Directorate of Industry and Commerce. Government of Karnataka



year	Number of registered units	Employments	Investments in lakh
Up to 2005-06	11425	42856	18905
2006-07	500	1401	727
2007-08	647	2412	1161
2008-09	681	3171	2196
2009-10	733	2345	2364
2010-11	735	3221	1177
2011-12	887	4080	7098
2012-13	981	4905	7750
2013-14	1084	6856	4162
2014-15	1252	6876	4162
2015-16	1064	8283	16200

Source: Industrial profile Shivamogga district 2015-16



## Service Enterprises

The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment

## Review of Literature

A brief review of studies is carried out. C. Usha and B.N. Ragavendra, (2013) in their research article *Prospectus of Micro, Small and Medium Enterprises in India: A Road Map for the Development of Economy*, identified that MSME sector contribute to increase of industrial productivity, rise of exports, generate more employment opportunity and also stated that under industrial sector, MSMEs rise growing rapidly and they have become thrust area of future growth in India. An article entitled *New Role for MSMEs in India*, by P.M Mathew (2012), found that suggested the changes in policies of MSMEs. He also has given the promotional measures in policy formation in respect of MSMEs in India which are helps to face competition from large scale enterprises. I.M Mohan and H.E Savithri (2013), in their research article on *Growth and Performance of Small Scale Industries*, opined that SSIs in India are being played extremely well race because of their less capital as high labor intensive nature. Thus, he also opined that SSI have made important contribution to increase employment, production, exports and in rural. An article, on *Role of Cluster Development Programme on MSMEs in Kerala* by T.K Jisana and P.U Basheer Ahamed, focuses mainly importance of cluster development program in development of MSMEs. They also listed the some challenges faced by MSMEs sector in India such as 1.inadequate technology 2.absence of adequate and finance banking 3.ineffective marketing structure, and non-availabilities of highly skilled labor at affordable cost.

## Objectives of the Study

The researcher aims at studying the following specific objectives

- To growth performance of the MSME's at the state level and at the regional level.
- To analyze the growth trend of MSME's in the District.
- To know the contribution of MSME's in economic development.
- To Study the problems faced by the MSME sector.

## MATERIALS AND METHODS

The research paper is based on secondary sources of information. The published data are collected from the various sources like the annual reports of ministry of MSME, articles, Journals, Books, Research papers and different websites related to the topic.

### Growth Performance of MSME's In Karnataka

As compared to 2012-13, there is a 1.27% increase in the number of MSME units registered, 31.45% increase in investment and 7.58% increase in employment in 2013-14. During the first nine months of the year 2014 (i.e. April to Dec. 2014) 1972 units have been registered with an investment of Rs. 1, 91,905 lakh by providing employment to 1, 22,286 persons, when compared with the previous year for the same period (April to Dec. 2013), there is an increase of 12.30% in

the number of units registered under MSME with 4.50% increase in investment and 6.69% increase in employment generated. This statistics shows that, in Karnataka State MSME's play a significant role in respect of production and employment.

### Growth Performance of MSME in Shivamogga District

It can be observed from the Table shows that the growth performance the MSME sector in Shivamogga district up to 2005to06 MSME registered units 11425, employment creation 42856 the MSME people and18905 lakh investment. Year wise huge developing the sector since 2015-16 1064 the MSME registered units, 8283 people employees and is investment of 16200lakh totally developing the MSME sector in Shivamogga district. And table show the year of 2006-07 to 2014-15 it increasing continuously become of people have knowledge about MSME for the development aspects. The percentage of investment has increasing year by year. In this graph shows that year wise growth performance of the registered MSME units, employment, and investments in Shivamogga district

### Problems of MSME'S

Presently, the Indian MSME'S are facing different types of problems. Most of the problems are controllable while rests are uncontrollable. Based on data analysis and study of the related literature the MSME'S problems can explain as follows:-

#### Lack of credit from banks

The MSME'S are presently facing the problems of credit from the banks. The banks are not providing the adequate amount of loan to the MSME'S. The loan providing process of the banks is very long and formalistic. The owners of the MSME'S has to produce different types of documents to prove their worthiness. The banks are providing on an average 50% total capital employed in fixed assets (TABLE- F). The cost of credit is also high.

#### Competition from multinational companies

In present era of globalization, the MSME'S are facing the great from the international manufacturing companies who are providing quality goods at cheapest price. Therefore, it is very difficult to compete with the multinational companies. *Poor infrastructure*: Though, MSME'S are developing so rapidly but their infrastructure is very poor. With poor infrastructure, their production capacity is very low while production cost is very high.

#### Unavailability of raw material and other inputs

For MSME's required raw material skilled work force and other inputs, which are not available in the market. Due to unavailability of these essentials, it is very difficult to produce the products at affordable prices.

#### Lack of advanced technology

The owners of MSME'S are not aware of advanced technologies of production. Their methodology of production is outdated. The owners are using older method in the field of fabricated metal and textile.

**Lack of distribution of marketing channels**

The MSME'S are not adopting the innovative channels of marketing. Their advertisement and sales promotion are comparatively weaker than the multinational companies are. The ineffective advertisement and poor marketing channels leads to a very poor selling.

**Lack of training and skill development program**

The training and development programs in respect of uniform labor laws to each MSME. The must be sooth running of the concern not to create a problem for them. Every effort must do to avoid the unnecessary red tape.

**Proper research and development**

There should proper research and development in respect of innovative method of production and service rendering. The innovative products will provide the cheaper products and the MSME'S will be able to cope up with the situation.

**Findings****Problems of MSME is a major finding of the study**

- Numbers of registered unit's msme in shimoga the year of 2010-11 is 735 out of 21021 in Karnataka
- Bank should be not interested provide loan to young enterprises

**Suggestions**

- Bank should be provide affordable rate of interest loan for young enterprises.

- Government has provide infrastructure facilitate
- Support regional government to start MSME in the rural areas

**Conclusion**

MSMEs over the years have assumed greater significance in our increasing national economy by contributing to employment generation and rural industrialization. This sector possesses enough potential and possibilities to key accelerated industrial growth in our developing economy and well poised to support national programmer like 'Make in India'. This sector has exhibited enough flexibility to sustain itself on the strength of our traditional skills and expertise and by infusion of new technologies, capital and innovative marketing strategies. Appropriate strategies should be evolved for creation of asupporting ecosystem where these enterprises are able to access the benefits meant for the mselves under a formal and friendly ecosystem and are further capable of meeting the emerging challenges of a globally competitive order.

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