Research Paper

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Industrial Policy And Micro Enterprises An Empirical Study

Economics

KEYWORDS : MSMEs, Micro, Small, Medium Entrepreneurs-SSIs, Industrial Policy,

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ABSTRACT

Small Scale Industrial sector takes a prominent place in the Indian industrial sector. The sector contributes about 95 per cent of industrial units in the country, 45 per cent of value addition in the manufacturing sector, 65 per cent of services and more than 40 per cent of the country's total exports and nearly 80 per cent of the industrial employment is accounted at the country level. For the development this vital sector, Karnataka State government lunched the industrial policy. The study reveals that the selected SSIs are facing several problems of SSIs in a backward district of Karnataka state of India The study found that there is a great need to solve problems through the strategic plans and policies by the concerned departments and institutional agencies with the co-operation and coordination of the Central and the State Governments. Otherwise these units would not become as viable units in future.

Small Scale Industrial sector takes a prominent place in the Indian industrial sector. This is because; the sector provides more employment opportunities with less investment, produces qualitative products to the needs of the people. And also, it is possible to locate both in rural and urban areas, which helps to reduce regional imbalance at the country level. Mr. Jawaharial Nehru, the first Prime Minister of free India was given much importance to start the Small Scale Industrial units at the country level for the development of the country. In the words of our honorable Prime Minister Dr. Manmohan Singh, "the key to our success in employment lies in the success of manufacturing in the small scale sector. The sector contributes about 95 per cent of industrial units in the country, 45 per cent of value addition in the manufacturing sector, 65 per cent of services and more than 40 per cent of the country's total exports and nearly 80 per cent of the industrial employment is accounted at the country level.

Objectives of the study

The objectives of the present study is to know the status of Micro, Small and Medium enterprises (SSI) both in India and in Karnataka, to analyse the industrial policy implications in the state of Karnataka relating to MSMEs and find the problems and prospects of MSMEs in Bellary district of Karnataka.

Methodology

The present study is based on both primary and secondary data. The primary data is collected from field survey through structured schedule in Bellary district of Karnataka, which is one of the industrial potential States, but industrially backward district since 1947. With regard to the total number of Small Scale Industrial units, the district had 26,264 units with an investment of Rs 35,053.63 crores providing employment to 16,155 persons. That means, limited number of SSI units were located in the district of Bellary. However, about 10 women entrepreneurs have to be selected in seven taluks in the district for the purpose of the study.

Small Scale Industrial units in India:

The Micro, Small and Medium Enterprises (MSMEs) sector contributes significantly to the manufacturing output, employment and exports of the country. The sector is estimated to employ about 732 lakh persons in over 311.52 lakh enterprises throughout the country. Further, this sector has consistently registered a higher growth rate than the rest of the industrial sector. There are over 6000 products ranging from traditional to high-tech items, which are being manufactured by the MSMEs provide good opportunities for both self-employment and wage employment. Table- 1 represents about size of SSIs, its production, employment level and exports value in India from 1960-61 to 2010-11. The total number of SSIs during 1960-61 is only 0.36 lakhs; it rose to 311.52 lakhs in 2010-11; the trend is same in production and employment and exports, increased in a positive way under the reference period.

Small Scale Industrial units in Karnataka:

Karnataka is one amongst the industrially developed States in the Country. The State has all potential to stand out on the fore front and has been focusing on development of industries, trade and service sectors. About 56% of the State's workforce is estimated to contribute 19.13% of the GSDP. It is the agreed fact that, the manufacturing sector has high potential to create maximum employment that too, to all sections and levels of job aspirants.

The Table-2 depicts about size of SSIs, its investment and employment in Karnataka from 1982-83 to 2011-12. According to the table, the total number of SSIs in Karnataka up to 1982-83 is 33,272 with an investment of Rs. 34,163 lakhs, providing employment to 382 thousands. It is significantly increasing to 2011-12, accounting at 427864 units with an investment of Rs. 1321841 lakhs. The State Government has introduced Industrial Policy- 2006-11 with an aim to increase the growth of GDP, strengthen manufacturing industries, increase share of exports from Karnataka, to generate additional employment of at least 10 lakh persons in the manufacturing and service sectors, reduce regional imbalance and ultimately aim at overall socio-economic development of the State. As such the State government launched new Industrial Policy with the broad guiding principles of creation of employment, development of backward regions and value addition to local resources with the mission of i) To create enabling environment for robust industrial growth; ii)To ensure inclusive industrial development in the State; iii) To provide additional employment for about 10 lakh persons by 2014. And to enhance the contribution of manufacturing sector to the State's GDP. However, several measures are taken for the growth and development SSIs in the state, like Streamlining land acquisition process through inclusive development; Measurement of industrial areas to provide basic amenities and to provide quality infrastructure to these industries; Measure are taken to strengthen the entrepreneurship both in rural and urban areas. Special concessions, incentives, rebates are given to this sector.

Problems

The SSI unit owners are faced number of problems like, financial, raw material, technical, marketing and other social problems, which are listed in the Table -3. It is necessary to solve all problems by concerned departments for the growth and development of these units, otherwise these units would become as unviable units.

Industrial Policy and Policy Implications

Under this policy, in order to generate the employment in the industrial sector efforts will be made to identify and utilize government waste lands in different parts of the State. Inventory of surplus and unused land available with PSUs, State Govt., ULBs and suitable private land will be made to create a Land Bank. This will enable the State to offer ready to use land to inves-

tors. In case of large extent of land, certain portion of the land will be reserved for social infrastructure such as housing areas, schools, hospitals etc., to reduce the distance between work and other facilities. The policy also considered at least 20 per cent of the developed land is reserved for MSMEs.

The industrial policy mainly emphasis to provide land, which is surplus and unused land, to the entrepreneurs. The land reforms act not completely succeeded even India completed 64 years of Independence. It should be materialized not only in the case of individual entrepreneur but also group of entrepreneurs; especially in the case of backward areas.

Quality Infrastructure

The policy focused mainly to provide world class infrastructure to investors like all-weather road, uninterrupted power supply, adequate water, warehouse and logistic facilities, connectivity through railways/ports etc. This sort of ready-to-use infrastructure will enable the investors to operate on plug & play concept. Even today, many of the SSIs units are unable to get sufficient water facility and electricity facility especially in industrially backward district like Bellary. It is fact to say that these units would develop at international level, if the quality infrastructural facilitates are provided both by the Central and the State or NGOs; otherwise, these units would become sick units.

As per field survey results are concerned more than 70 per cent of the total respondents do not know about the faculties from the Industrial policy and facilities available from the various schemes relating to central and state governments. It is most necessary to provide awareness by arrangement of workshops, advertisement through mass media.

The study concludes that the selected MSMEs (SSIs) are facing several problems like finance, raw material, and marketing problem etc., resulting the production and productivity is declining continuously. Hence, there is a great need to solve all these problems through the strategic plans and policies by the concerned departments and institutional agencies with the co-operation and

coordination of the Central and the State Governments. Otherwise these units would not become as viable units in future.

Table-1,Year-wise Small Scale Industrial units in India

Years	No. of Units(in lakhs)	Production (Rs. in Crores)		Employment (in Lakhs)	SSI Exports	
		1993-94 prices	Current Prices		Rs in Crores	US in Dollar Millions
1960-61	0.36	1426.50	-	21.6	-	-
1973-74	4.20	34200.00	7200.00	39.7	400	500
1974-75	5.00	36100.00	9200.00	40.4	500	678
1975-76	5.50	42500.00	11600.00	45.9	500	615
1976-77	5.90	46800.00	12400.00	49.8	800	875
1977-78	6.70	52800.00	14300.00	54.0	800	987
1978-79	7.30	58200.00	15800.00	63.8	1100	1303
1979-80	8.10	66400.00	21600.00	67.0	1200	1518
1980-81	8.70	722200.00	28100.00	71.0	1600	2078
1981-82	9.60	78300.00	32600.00	75.0	2100	2309
1982-83	10.60	84700.00	35000.00	79.0	2000	2116
1983-84	11.60	93500.00	41600.00	84.2	2200	2093
1984-85	12.40	104600.00	50500.00	90.0	2800	2263
1985-86	13.50	118100.00	61200.00	96.0	2800	2263
1986-87	14.60	133600.00	72300.00	101.4	3600	2851
1987-88	15.80	150500.00	87300.00	107.0	4400	3372
1988-89	17.10	169900.00	106400.00	113.0	5500	3790
1989-90	18.20	189900.00	132300.00	119.6	7600	4579
1990-91	67.90	682950.00	63518.00	158.3	9664	5386
1991-92	70.60	79180.00	73072.00	166.0	13883	5632
1992-93	73.50	93523.00	85581.00	174.8	17784	6140
1993-94	76.50	98804.00	98804.00	182.6	25307	8068
1994-95	79.60	109116.00	122210.00	191.4	29068	9258
1995-96	82.80	121649.00	148290.00	197.9	36470	10903
1996-97	86.20	135380.00	168413.00	205.9	39248	11056
1997-98	89.70	147824.00	189178.00	213.2	44442	11958
1998-99	93.40	159407.00	212901.00	220.6	48979	11642
1999-00	97.20	170709.00	234255.00	229.1	54200	12508
2000-01	101.10	184428.00	261289.00	239.1	69797	15278
2001-02	105.21	195613.00	282270.00	249.33	71244	14938
2002-03	109.49	210636.00	314850.00	260.21	86013	17773
2003-04	113.95	226581.00	364547.00	271.42	97644	NA
2004-05	118.59	251511.00	429796.00	282.57	124417	NA
2005-06	123.4	418884.00	497856.00	299.85	150242	NA
2006-07	261.12	471663.00	709398.00	595.66	182538	NA
2007-08	272.79	522942.00	790759.00	626.34	202017	NA
2008-09	285.16	NA	880805.00	659.35	NA	NA
2009-10*	298.08	NA	982919.00	695.38	NA	NA
2010-11#	311.52	NA	1095758.00	732.17	NA	NA

Note: The data for the period up to 2005-06 is Small scale Industries (SSI). Subsequent to 2005-06, data with referee to Micro, Small and Medium enterprises are being compiled. *: Provisional,#:Projected, NA: Not Available,

Source: Economic Survey-2008-09 and Annual Report -52011-12 for MSME.



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Table-2
Year-wise Small Scale Industrial units in Karnataka

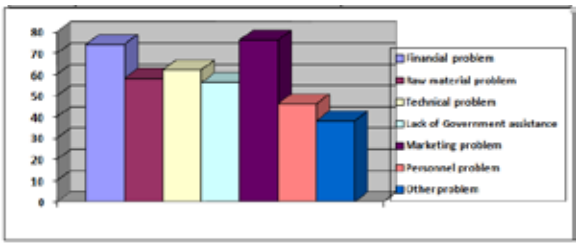
Sl.No.	Year	Number of SSI Units	Investment (Rs in Lakhs)	Employment (in thousands)
1	Up to 1982-83	33272	34163	382
2	1985-86	64347	55671	543
3	1990-91	115451	108868	810
4	1995-96	175380	226778	1150
5	2000-01	269225	527656	1595
6	2001-02	286189	575540	1668
7	2002-03	298148	616374	1725
8	2004-05	321606	691969	1820
9	2005-06	334386	735616	1888
10	2006-07	346966	782158	1946
11	2007-08	361950	894817	2069
12	2008-09	377655	999851	NA
13	2009-10	394852	1111015	NA
14	2010-11	413286	1231638	NA
15	2011-12 up to December 11)	427864	1321841	NA

Source: Economic Survey-2008-09.



Table-3
Type of problems faced by the selected entrepreneurs

Sl.No.	Type of problem	No. of respondents (%)
1	Financial problem	74
2	Raw material problem	58
3	Technical problem	62
4	Lack of Government assistance	56
5	Marketing problem	76
6	Personnel problem	46
7	Other problem	38



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