



ORIGINAL RESEARCH PAPER

Economics

PERFORMANCE OF SMALL SCALE INDUSTRIES IN KARNATAKA

KEY WORDS: : Small Scale Industry, Industrial Policy and GDP

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ABSTRACT

Indian economy is an under developed economy. The per capita income is low. Capital is shy and scarce and investment is lean. Production is traditional and the technique is outdated. The output is insufficient and the basic needs of the people remain unfulfilled. Such industries do not require huge capital and hence suitable for a country like India. The small scale industries have a talent of dispersal. The overall credit of developing this sector goes primarily to the vision of Jawaharlal Nehru, the first Prime Minister of India, who proposed and implemented the development of core industry and a supporting sector. In the words of former Prime Minister Dr.Manmohan Singh, the key to our success in employment lies in the success of manufacturing small scale sector. The small scale sector is an important not only for its contribution to GDP but also for its stellar performance in exports and generating employment. Today, this sector accounts for 95 per cent of industrial units in the country, 40 per cent of value addition in the manufacturing sector, 65 per cent of services and more than 35 per cent of the country's total exports and nearly 80 per cent of industrial employment in Indian economy. This article has been presents the concept of small scale industry, industrial scenario in Karnataka, GDP and performance of Small Scale Industries in Karnataka and their incentives.

Introduction:

Karnataka has been spearheading the growth of Indian industry, particularly in terms of high-technology industries in the areas of electrical and electronics, information and communication technology (ICT), biotechnology and, more recently, nanotechnology. The industrial structure of Karnataka presents a blend of modern high-tech capital goods and knowledge intensive industries on the one hand and traditional consumer goods industries on the other. Given this, this chapter throws light on the industrial growth of Karnataka.

Karnataka is considered as one of the most desired industrial locations in the country for setting up industries. The state has been consistently pursuing progressive outlook to meet the changing needs of the State's economy and industry. Karnataka is also considered to be one of the countries' Industrialized States comprising of large public sector industrial undertakings, large privately owned industries like steel sugar, textiles etc... In recent times, Karnataka has emerged as the leader in IT and BT To provide opportunities across the State for industrial development and enable scope for large scale local employment through private sector.

Karnataka evolved as the manufacturing hub for some of the largest public sector industries of India after independence. Hindustan Aeronautics Limited which is dedicated to research and development activities for indigenous fighter aircraft for the Indian Air Force employs over 9,500 employees making it one of the largest public sector employers in Karnataka. This article has been presents the concept of small scale industry, industrial scenario in Karnataka, GDP and performance of Small Scale Industries in Karnataka and their incentives.

Concept of Small Scale Industry:

The concept of Small Scale Industry has undergone periodic changes and varies from one country to another country. For instance, in USA small business is one which has employment of less than 500 people. In U.K, it is less than 300 skilled workers. In Germany, it is less than 300 workers. In Sweden and Italy, it is less than 50 and 500 people respectively. In some countries both employment and investment are taken into account. In Japan, the investment in Industrial undertakings should not exceed 100 millions employing not more than 300 employees. In South Korea, investment limit is Rs. 20 lakh dollars and employment being 200 people.

The term SSI has been defined and redefined from time to time and variably from country to country, depending upon their historical

conditions and economic growth. A small industry in a developed country may not be that small as compared to its counter-part in a developing country. Different factors such as size of the enterprise, number of persons employed, amount of investments, energy input, physical measure of production, nature of activities engaged in etc., make the basis for defining small scale industry. In most of the industrially advance countries, 'number of persons employed' is taken as the basis of distribution between large and small industries.

The Ministry of Industry in 1966 redefined in SSI as 'Small-Scale Industries include all industrial units with a capital investment of not more than Rs. 7.5 lakhs irrespective of the number of persons employed. Capital investment for this purpose will mean investment in plant and machinery only'. "Undertaking having investment in fixed assets in plant and machinery not exceeds Rs. 10 lakhs" are small-scale industries and 'Undertaking having investment in fixed assets in plant and machinery not exceeding Rs. 15 lakhs are ancillary Industries".

Small Scale Industries units were agitating since 1975 for an increase in the investment limit of Rs. 10 lakhs, which would not be sufficient to buy half the plant and equipment, which they could buy when the limit was raised in 1974. The Government asked to boost the development and ensure SSI growth. Hence, the investment limit was raised as under in 1980. The limit of investment in tiny units was raised from Rs. 1 lakh to Rs. 2 lakhs. The limit of investment in Small-Scale Industries units was raised from Rs. 10 lakhs to Rs. 20 lakhs and the limit of investment in the ancillary units was raised from Rs. 15 lakhs to Rs. 25 lakhs. The Government enhanced the investment limit as under "The limit of investment in Small-Scale Industries units was raised to Rs. 35 lakhs, and the limits of investment in ancillary units were raised to Rs. 45 lakhs".

Objectives of the study:

- The specific objectives of the study are as following:
1. To study the present industrial scenario in Karnataka.
 2. To examine the performance of Small Scale Industries in Karnataka.
 3. To analyze the development of Small Scale Industries in Karnataka.

Methodology:

The study is based on secondary data. The study covers mainly performance of the Small Scale Industries in Karnataka. The data have collected from various government reports, Journals, books, District Industrial Reports etc.

Present Industrial Scenario in Karnataka:

Micro, Small and Medium Enterprises (MSMEs) form an important and growing segment of Karnataka's industrial sector. As per the MSME Act 2006, MSME units have been categorized broadly into those engaged in manufacturing and those providing /rendering services. Under the Act, Micro, Small and Medium Enterprises (MSMEs) are classified as under.

Enterprises	Investment in Plant & Machinery (Manufacturing)	Investment in Equipment (Service)
Micro	Up to Rs. 25 lakh	Up to Rs. 10 lakh
Small	Above Rs.25 lakh up to 5 crore	Above Rs.10 lakh uptoRs.2 crore
Medium	Above Rs.5 crore uptoRs.10 crore	Above Rs.2 crore uptoRs.5 crore

Micro, Small and Medium Enterprises occupies a place of prominence in the Karnataka economy in view of its massive potential for employment, growth and exports. MSME sector is a vibrant and vital sector of the State economy in terms of employment generation and share of production. There are nearly 4.81 lakh registered MSMEs in Karnataka as on 31.03.2014 providing employment to over 28 lakh persons with a total investment of around ` 18,635 crore.

Table-1: MSMEs Registered in Karnataka

Year	Units (Nos.)	Investment (Rs. In Lakhs)	Employment (Nos.)
2011-12	21021	159641	28387
2012-13	24206	216851	155551
2013-14	25966	285056	167347
2014-15	28743	279292	175473

Source: Directorate of Industries and Commerce.

In the year 2014-15, 28743 MSME units have been registered in the State with an investment of Rs.279292.24 lakhs by providing employment to 175473 persons. When compared to the same period of previous year 2013-14 there is 10.69 per cent increase in No. of Units registered, and 4.86 per cent increase in the no. of persons employed. Under this, 26005 Micro units, 2661 Small and 77 Medium industries have been registered with an investment of Rs.87609 lakhs, Rs.138515.60 lakhs and Rs.53167.64 lakhs respectively by providing employment to 121599, 47311 and 6563 persons respectively.

During 2013-14, 25966 MSME Units have been registered in the State with an investment of Rs. 285056 lakh by providing employment to 167347 persons. Details of the MSMEs registered in Karnataka are provided in above table-1. As compared to 2012-13, there is a 7.27 per cent increase in the number of units registered, 31.45 per cent increase in investment and 7.58 per cent increase in number of persons employed during 2013-14.

Small Scale Industries are highly adoptable, flexible and therefore personalized. Products of small and cottage units have already made a dent in foreign market and indications are that the internationalization of our business in likely to be promoted with the multiplication of small and medium units.

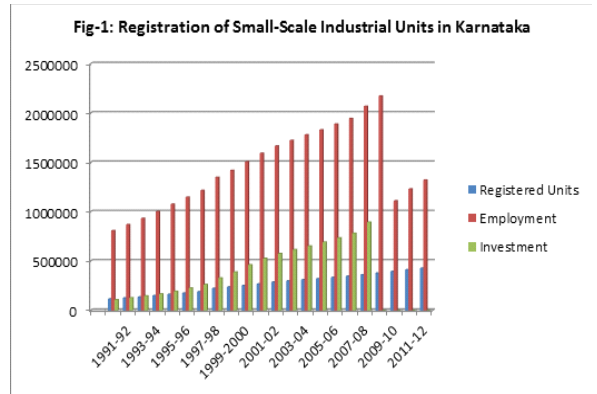
The largest concentration of SSI units in Karnataka is in the field of food and beverages (1600) followed by metallurgical industries (11000), textiles and garments (9800) chemical and allied industries (7500), engineering (7500) leather and leather goods (4500), electrical and electronics (2200) and other (5700): Karnataka now accounts for nearly 20 per cent of the country's production. Majority of electronics units in the state i.e., 73 per cent are located in the small-scale sector. Out of total 246 electronics units in the state, only 66 are in the large and medium sector while 180 are in the SSI sector. The state Government is trying its best to actively promote hi-tech sectors in the state.

Performance of Small Scale Industries in Karnataka:

Karnataka is one of the industrially developed states in India. In

the annals of Industrial development of the country Karnataka enjoys a unique position. According to the summary results revealed by ASI 1990-91, Karnataka occupies eighth place among the industrially advanced states of the country in terms of net value added. A new approach is being adopted to remove the bottlenecks in productivity and optimum utilization of scarce raw materials and resources. The Government of Karnataka is adapted to a policy of rapid industrialization throughout the State (DES 1991-92).

Karnataka has a wealthy of human resources talent, internationally reputed institutes for specialized education, besides being a base for many large India and multinational industries. Karnataka state is a leading state in terms of science and technology personnel. The State accounts for 9.2 per cent of the country's science and technology personnel numbering about 151 thousand. There are eight science and technology personnel per ten 59 km of area, science and technology personnel in every one thousand population in the state.



Source: Directorate of Industries and Commerce, Bangalore.

From the above figure-1, it is clear that SSI units have registered a remarkable progress in all the dimensions in Karnataka State. The number of small scale industries which was 1,15,411 in 1990-91, increased to 3,77,725 in 2008-09. Similarly, investment also has recorded an impressive growth. In 1990-91, the total investment in the SSI was Rs.1,08,867 lakhs which increased to Rs. 8,94,817 lakhs in 2007-08 and it provided employment to 8,08,000 people in 1990-91 which increased to 21,73,061 by 2008-09. It is this evident from the analysis that the growth of SSI sector in Karnataka state is suitable and significant in different dimensions. This gives the idea regarding the fast growth of small scale industries in Karnataka. But the District-wise distribution of SSI units is highly unbalanced.

Incentives and Concessions to Industries in Karnataka:

With a view to attract new industrial investment in the State, particularly to the less developed areas, the government has been granting several incentives and concessions from time to time.

The main objectives of the package of the incentives and concessions offered by the state are:

- a) Disposal of industries to the backward areas and provide investment to industries to move away from the areas of high concentration.
- b) Special incentives to entrepreneurs belonging to SC/ST entrepreneurs and handicapped people.
- c) Special concessions for electronics, telecommunications, food processing and biotechnology industries
- d) A comprehensive scheme of incentives to SSIs and tiny industries to encourage industrialization of backward areas in the State.

Conclusion:

Small Scale Industries Sector has very important role in the National economy. Small scale industries and large scale industries are considered to be the two wheels of vehicles of industrialization. So, Government is offering a variety of concessions and incentives

for encouraging small scale industries units development in the country. There is a need to develop a more rational policy from which will ensure share to the SSI in the flow of facilities, concessions and incentives by the Government. The Government is offering a variety of concessions and incentives for encouraging industrial development in the backward areas of the State; the pattern is almost the same as that for large scale industries. This indicates the need for some policies, which will be helpful in the diversification of the small scale sector to other districts of State. The incentives and concession offered to the industries of backward areas can work as a catalyst by providing necessary infrastructural facilities for developing the backward areas. It has necessary to introduce incentive system which will have to take in to consideration, the levels of development achieved by a region.

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