CHAPTER I

THE RESEARCH DESIGN

1.1 Introduction:

The Micro, small and medium enterprises (MSMEs) is one of the most vital sectors of any developing economy in general and India in particular in promoting equitable, inclusive and employment friendly economic growth. MSMEs have been playing a significant role in overall economic development of India where poverty and unemployment/underemployment are the two basic and deeprooted problems of the economy. This sector provides solution to the basic problems of Poverty and unemployment through providing immediate large-scale employment, with lower investment and proves to be a second largest labour intensive sector after agriculture. It contributes more than 50% percent of industrial production and in terms of value addition this sector occupies a position of prominence in Indian economy. In this regard Dr. Manmohan singh has aptly stated that the key to our success in employment lies in the success of manufacturing in the small scale sector.

The small-scale industries have rightly justified their existance by attaining a high rate of growth and making a significant contribution to the national income. Small enterprises both in the organized and unorganized sector give employment to nearly forty lakh workers in various fields, and account for nearly half of the total annual industrial production in the country. Apart from the contribution to employment and production, the growth of small industries has helped in the utilization of local resources and raw-materials, capital and skill which might otherwise have remained unutilized. Cluster of modern small-scale units humming with industrial activity can be seen in almost all towns. They have successfully carried the message of industrialization to the remote corners of the economy and have been contributing to promote regional equity.

A small industry sector has been recognized and given importance right from independence and is being encouraged ever since then. Gandhian model of development was also based on small industries in rural areas. The alternative wage goods model for the Second Five
Year Plan provided by Brahmanada and Vakil was also based on production in small sector. In the initial stage the capital base of these industries was low and this sector was defined as an enterprise with investment in plant and machinery of up to Rs 1 lakh located in towns and villages with population less than 50,000.

The industrial policy statement of 1977 put in place special legislation to recognize and protect self employed people in cottage industries. District industries centers (DICs) were setup in 1980s and made the focal point of small–scale industries development. Also, the government started providing special services akin to product standardization, quality control and marketing services in order to assist the SSIs in enabling them to market their products in regional markets. The scenario for the small-scale sector changed with the industrial policy of July 1991, which for the first time in India’s development history spoke of liberalization, privization and globalization. This opened up competition and market based strategy that was unfavorable to small industries that have weak production structure and capital base. In 1996 the governments setup a higher level committee, known as the “Abid Hussain Committee”, to review policies for small industries and recommend measures to help to formulate a strong and innovative policy package for the rapid development of SMEs with adequate competitive strength. In fact, there was an urgent need to make them, more competitive and viable as there were more suitable for establishing a decentralized production structure.

The MSME-Development Organisation is established after passing of the MSMEDO act in 2006. The MSME-DO is playing a very constructive role by rendering comprehensive services including consultancy through institutional set up of its field organisations spread over different parts of the country. The office of development commissioner has been functioning as an apex or nodal organization and provides link between the ministry, department and field organizations for development of a dynamic and viable structure of Micro Small and Medium enterprises.

After this the Micro, small and Medium enterprise (MSME) sector in India has grown significantly, it today contributes to 8% of GDP, and the 26.10 million units provide employment to 59.46 million peoples, 45% of total industrial production and 40% of (Rs. 1.83lakh croe) of total exports come from this sector. This sector has been now consistently registering a higher growth rate than the rest of the industrial sector. There are over 6000 products ranging from
traditional to high-tech items that are being manufactured by the MSMEs in India. It is well known that the MSME sector provides the maximum opportunities for both self-employment and jobs after agriculture sector. Both central and state government has formulated many programmes for the development of MSMEs in the country.

Table -1.1

Registered MSMEs in India 2006 and after

<table>
<thead>
<tr>
<th>Year</th>
<th>Micro</th>
<th>Small</th>
<th>Medium</th>
<th>Total</th>
<th>Annual growth rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>156051</td>
<td>17777</td>
<td>491</td>
<td>174319</td>
<td>-</td>
</tr>
<tr>
<td>2008-09</td>
<td>171031</td>
<td>18757</td>
<td>690</td>
<td>193077</td>
<td>10.76</td>
</tr>
<tr>
<td>2009-10</td>
<td>186126</td>
<td>23999</td>
<td>1412</td>
<td>213894</td>
<td>10.78</td>
</tr>
<tr>
<td>2010-11</td>
<td>204064</td>
<td>29101</td>
<td>1260</td>
<td>237263</td>
<td>10.93</td>
</tr>
<tr>
<td>2011-12</td>
<td>242606</td>
<td>34192</td>
<td>2939</td>
<td>282496</td>
<td>19.06</td>
</tr>
<tr>
<td>2012-13</td>
<td>275867</td>
<td>41502</td>
<td>5449</td>
<td>322818</td>
<td>14.27</td>
</tr>
<tr>
<td>2013-14</td>
<td>296526</td>
<td>59127</td>
<td>7338</td>
<td>362991</td>
<td>12.44</td>
</tr>
<tr>
<td>Total</td>
<td>1532271</td>
<td>224455</td>
<td>19579</td>
<td>1786858</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: EM part-II MSME-DO 2012-13 & EM Part-II 2013-14

The table 1.1 provides details about the registered MSME units in India according to the MSMED-Act 2006, in the year of 2007-08, 156051 Micro units, 17777 Small units and 491 Medium Enterprises were registered. The percentage of registered units increased continuously from 2007-08 to 2013-14 respectively. In the year 2008-09 the growth rate was 10.76 percent; in 2009-10 it was 10.78 percent. 10.93 percent in 2010-11 and it was 19.06 percent in 2011-12. This is highest growth rate recorded during this period, but 2012-13 and 2013-14 it declined from 19.06 to 14.27 percent and 12.44 percent.

Karnataka is one of the leading states from development perspective in the country. It is also in the forefront of economic reforms initiated during early nineties. The state is acclaimed as IT capital of India with a booming IT industry. Karnataka has always taken pragmatic initiatives on policy front, be it land reforms or democratic decentralization or understanding regional
diversity or human development (through HDI) at desegregated level and understanding of WTO for rigorous participation in international trade. Yet this state is placed at the middle in the country in terms of both economic development and human development. From one point of view, this can be interpreted as an average response to the developmental initiatives. But from another viewpoint, this also indicates inability to climb up in the developmental hierarchy despite remaining at an average level for a long time. Probably, the developmental efforts are so critically managed that the state continues in the position without sliding down in the hierarchy and at the same time unable to climb up in comparison with other States of the country. But above all these achievements of the state cannot claim as the leading state in employment creation in the country. The employment situation in the state is critical if not precarious. Therefore, MSMMEs have a significant role to play in the state.

Therefore, it is largely accepted that the presence of MSME plays a pivotal role in the balanced and holistic industrial development of the State as MSME generate employment and add-value to the products and services while encouraging entrepreneurship. The data for Karnataka shows that Karnataka has a strong base of about one lakh registered SSIs with investment of more than Rs 100 billion with more than 22 lakh workers despite the global slowdown in 2008, MSME investment rose by 8.4 percent in 2009-10. The main industry that dominates the MSME landscape in Karnataka is textiles with more than 50,000 units, food products and beverage rank second with 47379 units in 2008-09, MSME provides a strong support structure to the main manufacturing industries, of the state by providing fabricated metals products, manufacturing electrical, machinery and maintenance and repair of vehicles etc. the registered MSMEs in Karnataka according to the MSMED-Act 2006, is described in following table.
Table 1.2
Growth of Registered MSME units in Karnataka

<table>
<thead>
<tr>
<th>Year</th>
<th>Micro</th>
<th>Small</th>
<th>Medium</th>
<th>Total</th>
<th>AGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>13945</td>
<td>902</td>
<td>31</td>
<td>14984</td>
<td>--</td>
</tr>
<tr>
<td>2008-09</td>
<td>14812</td>
<td>869</td>
<td>24</td>
<td>15705</td>
<td>4.81</td>
</tr>
<tr>
<td>2009-10</td>
<td>16177</td>
<td>992</td>
<td>26</td>
<td>17195</td>
<td>9.49</td>
</tr>
<tr>
<td>2010-11</td>
<td>17408</td>
<td>998</td>
<td>28</td>
<td>18434</td>
<td>7.21</td>
</tr>
<tr>
<td>2011-12</td>
<td>19610</td>
<td>1370</td>
<td>41</td>
<td>21021</td>
<td>14.03</td>
</tr>
<tr>
<td>2012-13</td>
<td>22185</td>
<td>1966</td>
<td>57</td>
<td>24208</td>
<td>15.16</td>
</tr>
<tr>
<td>2013-14</td>
<td>23229</td>
<td>2661</td>
<td>76</td>
<td>25966</td>
<td>7.26</td>
</tr>
<tr>
<td>Total</td>
<td>127366</td>
<td>9758</td>
<td>283</td>
<td>137513</td>
<td>9.66</td>
</tr>
</tbody>
</table>

Source: Economic survey of Karnataka 2012-13 & EM Part-II 2013-14

The table 1.2 shows year wise growth of registered MSMEs in Karnataka after the MSMED Act 2006. The registration of Micro units increased continuously from 2007-08 to 2013-14 and total 127366 units registered in DIC, but small enterprises increased at a slow rate during this period and highest number of units have registered in 2013-14 i.e. 2661 units. The growth of medium enterprises also declined from 2007-08 to 2010-11 and highest registration marked in 2013-14 of 76 units their growth is at slow rate. The growth rate of MSMEs increased from 4.81% in 2007-08 to 15.16 percent in 2012-13.

Small Industries in Hyderabad Karnataka Region:

The Hyderabad Karnataka region consists of five districts namely Bidar Kalaburagi, Raichur, Koppal and yadgir. It is situated in the north-eastern part of the Karnataka and falls within the geographical region of northern part characterized by large extensive of treeless plains the black soil with bare hillocks, a rocky land, hard black basaltic rocks, flat and undulating hillocks and some lower belts following latitude and longitude. These three districts except Koppal and Yadgir, when added to the Karnataka state were more backward then the other districts included from Bombay Madras states. The fact finding committee clearly stated in its report that “this area very backward in almost all reports and will need special attention in the coming years”. The committee surveyed the position of these districts in different sectors like education, health, rural development, irrigation and power etc. This area is a drought prone area with low income and poverty. The resource base of the region is poor therefore; the MSMEs are
only the feasible means of promoting development. This sector is coming up in the area in recent years due to increased support and encouragement. This is evident from the following table.

Table 1.3

Distribution of MSME units in Hyderabad Karnataka Region 2013-14

<table>
<thead>
<tr>
<th>Sl No</th>
<th>Districts</th>
<th>Units</th>
<th>Investment (Rs.in Lakh)</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bidar</td>
<td>8327</td>
<td>1664272</td>
<td>47023</td>
</tr>
<tr>
<td>2</td>
<td>Kalaburagi</td>
<td>18484</td>
<td>3644374</td>
<td>78011</td>
</tr>
<tr>
<td>3</td>
<td>Yadgir</td>
<td>1186</td>
<td>437039</td>
<td>3530</td>
</tr>
<tr>
<td>4</td>
<td>Raichur</td>
<td>10168</td>
<td>2437989</td>
<td>49007</td>
</tr>
<tr>
<td>5</td>
<td>Koppal</td>
<td>7154</td>
<td>2617512</td>
<td>42933</td>
</tr>
<tr>
<td>6</td>
<td>Total in H.K.Region</td>
<td>45319</td>
<td>10801186</td>
<td>220504</td>
</tr>
</tbody>
</table>

Source: DIC and KSAG 2013-14

The table 1.3 analyses the district wise registered MSME units from since inception in Hyderabad Karnataka Region. in the Bidar district 8327 units registered and it created 47023 employment in the district, the Kalaburagi and Raichur districts marked the highest registered small enterprises in the region. The recently carved districts like Koppal and Yadgir districts occupy fourth and fifth place in the region and 7154 and 1186 units registered in these districts respectively.

But this growth is fluctuating and lacks sustainability. Hence, it is essential to analyse their growth and potential to provide them the necessary support to promote faster growth in this region. Therefore, the present study is taken up in the districts of Hyderabad Karnataka Region.

1.2. Need for Focused Approach:

Studies on MSME sector are undertaken very less in the industrially backward and no industrial districts like Bidar, Kalaburagi, Raichur, and Koppal in the industrial development of Kalaburagi division. MSME-DO is playing a vital role and as a result of this industrial growth is increasing in industrial backward division. But at the same time it is bit worrying to know that, a number of industrial units assisted by MSME-DO have become sick
and closed due to lack of government management, competitive strategies, inadequate capital base and wrong choice of products. Hence, this area obviously has been taken for study.

1.3. Research Gap:

The role of promotional agencies are analyzed in detail an earlier studies but Micro, Small and Medium Enterprise Development Organization, which provides a focus and integrated approach is not analyzed adequately. Such an agency is very useful in a backward region like Hyderabad Karnataka Region. This gap is identified to take up the present study.

1.4. Statement of the problem:

It is observed that the growth of MSMEs is at a low rate and at the same time it is bit worrying to know that, a number of industrial units assisted by MSME-DO have become sick and closed due to lack of efficient management, competitive strategies, inadequate capital base and wrong choice of products. Hence the study MSME-DO and Small Enterprises- A study of Hyderabad Karnataka Region in Karnataka state is taken up.

1.5. Objectives:

This study has focused on following objectives.

1. To assess the role of micro, small and medium enterprises in Indian economy.
2. To examine the trends in the growth of micro, small and medium enterprise in India and Karnataka.
3. To review the government policy with regard to small and medium enterprises in India and the State.
4. To study the Role of MSME-DO at the different stages of small enterprises development (Training, innovation, adoption of new technology, raw materials and financial assistance.)
5. To evaluate the impact of MSME-DO on small enterprises in Hyderabad Karnataka region and the performance of small industries in the region.
6. To identify the problems and issues of micro level and offer suitable suggestions.
1.6. Hypotheses:

On the basis of review of literature and objective of the present study are framed the following hypotheses are framed for verification:

1. There has been increase in the number of small enterprises and employment after emergence of MSME-DO
2. The MSME –DO has provided integrated assistance in promotion of small industries in this region.
3. The organization has helped to promote micro entrepreneurship development in the region
4. The assistance provided by the organization has positive impact on level of production and profit of the enterprises.

1.7. Methodology:

The methodology consist the selection of the study area, sources of data collection, frame the sample design and data analysis. This methodology has been designed flowingly for present study.

Selection of the Study Area:

Hyderabad Karnataka Region originally consists of five districts of Bidar, Kalaburagi and Raichur now including Koppal and Yadgir, among these districts Kalaburagi and Raichur have large number of Micro, small and Medium enterprises. These are also spread over different categories. Hence the two districts are selected for study as this may help to identify the promotional factors in the development of small industries in the region.

Sources of Data:

The study is based on primary and secondary data. The secondary data have been collected from various Books, Journals, Papers, Reports published by Ministry of MSME and MSME-DO, DIC of Karnataka, KSFC, KIADB website. The PMEGP scheme details collected from Khadi and Village Industry Board, RBI Reports on MSMEs, and other special committee reports pertaining to the SSI and MSMEs in India and Karnataka.
The primary data was collected from the selected sample MSME units of the Kalaburagi and Rachir distract through interview schedule. The schedule was designed to collect comprehensive information about social and economic features of the MSME entrepreneurs and their problems pertaining to the access to raw materials, finance and marketing etc as well as the assistance received from MSME-DO.

**Sampling Design:**

The sample is drawn from units established in Kalaburagi and Raichur districts according to the MSMED Act 2006 of EM (part-II) registered units. In the two districts 20 percent of the 245 units randomly selected and 60% of Talukas selected from each districts. These sample units were chosen from the total registered units in 2008-09 and 2009-10 and collected the information from 2008-09 to 2012-13 for 4 to 5 years. The period of 4-5 years is considered the minimum essential required for viability of the small industries.

**Table 1.4**

<table>
<thead>
<tr>
<th>Districts</th>
<th>Talukas</th>
<th>Total units</th>
<th>Selected Sample units</th>
<th>Percentage of selected units</th>
</tr>
</thead>
</table>
| Kalaburagi  | 1) Kalaburagi
             | 2) Afzalpore
             | 3) Aland
             | 4) Chittapur           | 579                      | 117                       | 20                      |
| Raichur     | 1) Raichur
             | 2) manvi
             | 3) Devadurga           | 621                      | 128                       | 20                      |
| **Total sample size** | **1200**               | **245**     |                       |                             |

*Source: DAG 2008-09 & 2009-10*

**Table 1.5**

<table>
<thead>
<tr>
<th>Si. No</th>
<th>Districts</th>
<th>Total Trainees</th>
<th>Selected Trainees</th>
<th>Sample Trainees</th>
<th>% of selected Trainees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Kalaburagi</td>
<td>509</td>
<td>50</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Raichur</td>
<td>495</td>
<td>50</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Total sample size</td>
<td>1004</td>
<td>100</td>
<td>10</td>
<td></td>
</tr>
</tbody>
</table>

*Source: MSME-DI annual report*
1.8. Data Analysis:

The study has used the different statistical tools to draw the conclusions. The sample statistical tools like percentage, standard deviation and $X^2$ (chi-square) test index numbers etc. are used to analyze the primary data collected for the study. The formula for various statistical tools used in analysis is presented in below.

AGR= $\frac{P_1-P_0}{P_0}$*100

$P_1$ stands for current year value, $P_0$ stands for previous year value

Formula for calculation of Simple Index is SI= $\frac{P_1}{P_0}$*100

$P_1$ is a current year value and $P_0$ is Base year value

Formula for calculation of chi-square test is $X^2 = \frac{E(0-E)^2}{E}$

$E$ is Expected value and $O$ is an Observed value in the table.

1.9. Operational Definitions:

- The Hyderabad Karnataka Region includes the area covered by six districts of Bellary, Bidar, Kalaburagi, Yadgir, Raichur and Koppal districts.
- Small enterprises includes the micro, small and medium enterprises, according to the MSMED Act 2006.
- Investment in the small enterprises calculated the gross investment; it includes the total investment made during a year.
- Cost of production includes the labour cost, raw-material cost, marketing cost, transport cost and the local taxes i.e. the paid out costs.
- Profit of the enterprises is calculated gross revenue minus the paid out costs.

1.10. Limitations:

The present study is beset with certain limitations there are enumerated here

1. The primary data collected from different beneficiaries. The reliability of the data depends on the accuracy of information provided by the respondents.
II. It is herculean task to conduct formal interview and to hold informal discussion so as to get comprehensive information and make the study an exhaustive one covering various faces of development of MSME units in this region due to lack of documentation and busy schedule of entrepreneurs.

III. Most of the units do not maintain accounts they therefore they tend to offer information by recalling facts from memory, hence they are not in a position to give all the details regarding the study Some of them are afraid of parting with any information.

IV. The study is confined to geographical limits of Hyderabad Karnataka region hence the conclusion have a limited generalization.

V. The personal limitations of the researcher in coverage of universe and collection of data also need to be mentioned.

1.11. Contribution to the field of knowledge:

The contribution of the present study is particularly significant in the absence of specific studies pertaining to the Hyderabad Karnataka region in Karnataka state. The study throws light on the overall assistance of the MSME-DO to industrial development in Hyderabad Karnataka region and provides feedback to strengthen the approach of promotional agencies in industrial development.

1.12. Chapter Scheme:

The present study has been organized in to the following chapters.

**Chapter I Research Design**- gives a brief Introduction of the study. It includes the MSME and Entrepreneurship, Concept of Entrepreneurship, Some Leading Theories of Entrepreneurship, Women Entrepreneurs in Indian MSMEs, Need for Focused Approach, Research Gap, and Statement of the problem, Objectives, Hypotheses, Methodology, Sampling Design, Data Analysis, Limitations, Contribution to the field of knowledge and scheme of presentation.

**Chapter II Review of Literature**- this chapter analyses the various previous studies on SSI/MSMES and Indian industries its objectives, main findings and concluding remarks
pertaining to the problems, prospects, financing, marketing and technology adoption in small enterprises in India and Karnataka.

**Chapter III - Programmes and Policies for Development of MSMEs in India and Karnataka** this chapter deals with the introduction, Concept of SSI/MSME, Characteristics of SSI/MSMEs, Importance of SSI/MSMES in India, Performance OF SSI/MSMEs in India and Karnataka, Role Of Promotional Agencies In Development of MSMES; there are many promotional agencies in national level and as well as state level such as, NSIC, SIDO, SIDBI, IFCI, KSSIDC, KIADB, KSFC and DIC and evaluate various industrial policies of the central government and as well as Karnataka state government.

**Chapter IV - MSME- Development Organisation and Development of Micro Small and Medium Enterprises** - This chapter includes the Introduction, functions of the organization, Departments/Institutions and Schemes of MSME-Development Organization and small enterprises development in the Hyderabad Karnataka Region.

**Chapter V Socio-Economic Profile of Hyderabad Karnataka Region**- It presents the Introduction, The position of Hyderabad Karnataka region in Karnataka state, Administrative Division within the Region, Characteristics of the region Economy and industrial development in the region.

**Chapter VI Impact of MSME-Development Organisation on MSME Development in Hyderabad Karnataka Region** - this chapter divided into three sections, the first section explains the socio-economic profile of the entrepreneurs or MSMEs, economic viability of sample units. The second section deals with the various problems faced by the sample units and assistance received from MSME-Development Institution. The third section presents the social background of the sample trainees and impact of training on the beneficiaries.

**Chapter VII Case Studies, Problems and prospects of Small Enterprises in the Region**- This chapter presents some case studies of small enterprises, giving details about their operations and problems faced by the sample units and prospects of these units in the region.
Chapter VIII Summary, conclusion and suggestions- This chapter includes the brief summary, concluding remarks and important suggestions for promoting the MSMEs in this region.
REFERENCES:


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