Profile of Industries under the Purview of study (Manufacturing & Service)

5.1 National scenario
5.2 Scenario in Karnataka state
5.3 Industry at glance – Bangalore urban
5.4 Common business hurdles in Indian SMEs
5.5 Roadblocks for adopting the KM in SMEs
5.1 National Scenario

The year 2014 being the great year for Indian SMEs since the government had looked this sector lot more seriously than before. A fund of Rs. 10,000 crores from the Union Budget 2014-15 was earmarked to accelerate the growth of the MSME sector. Recent years, success stories of Indian startups, the initiatives such as ‘Make in India’, ‘Swachh Bharath Abhiyan’, and ‘100 Smart cities project’, have opened up a myriad of opportunities in the MSME sector, especially in the domain of electronics, health, IT, hygiene and sanitation, drugs, gems, jewelry, automobiles, smart systems, electronics, transportation services, and so on. There are 36 million units of SMEs in India, provided employment to over 80 million persons. The sector produces more than 6000 products and shares about 8% of GDP (Ref: http://msme.gov.in/).

The Government of India’s MSME development act, 2006, has given a clear vision to state governments for establishing industrial policies which are demographic and region specific to promote this sector. In India, more than 55% of MSME’s are situated in six states namely, UP, Tamil Nadu, Maharashtra, Andhra Pradesh, West Bengal, and Karnataka. Women entrepreneurs own about 7% of MSME’s, and we can see more than 94% of the MSME’s are running under proprietorship or partnerships. As per estimates, MSME’s accounts for more than 80% of a total number of industrial enterprises. MSMEs are defined based on the investment made on plant and machinery in case of manufacturing enterprise, and on equipment for rendering services in case of service enterprises. As per the MSMED Act, 2006, the present ceilings on investment for enterprises to be classified as micro, small and medium enterprises are as follows:

<table>
<thead>
<tr>
<th>Classification</th>
<th>Manufacturing Enterprises</th>
<th>Service Enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>Rs. 25 Lakhs</td>
<td>Rs. 10 Lakhs</td>
</tr>
<tr>
<td>Small</td>
<td>Rs. 5 Crores</td>
<td>Rs. 2 Crores</td>
</tr>
<tr>
<td>Medium</td>
<td>Rs. 10 Crores</td>
<td>Rs. 5 Crores</td>
</tr>
</tbody>
</table>
The ministry of MSME, Govt. of India has initiated many schemes for the growth of this sector namely; National Manufacturing Competitiveness Programme (NMCP), Lean Manufacturing Programme (LMP), ISO 9000/14001/HACCP Reimbursement Scheme, Credit Guarantee Scheme for Micro and Small Enterprises, MSE Cluster Development Programme, and many others. Even though MSMEs have a significant contribution towards the Indian economy, they lag in implementation of the KM process compared to other developed and developing countries. Nevertheless, there are many initiatives started by Indian large scale industries towards the KM, which could possibly influence the MSMEs to follow. We have listed some of the initiatives taken by Indian industries in the table given below.

**Table 5.2: Company name and KM initiatives**

<table>
<thead>
<tr>
<th>Company Name</th>
<th>KM initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICICI Bank</td>
<td>The bank uses the KM model called as “Wise Guy.” The model is used to capture the employee interaction details with clients. The “Wise Guy” enabled the employees to share their tacit knowledge through discussions, books, forums, event reporting, and so on (Goswami, 2008). The KM model has resulted in employee empowerment, career movements, recognition of efforts, financial savings, and so on.</td>
</tr>
<tr>
<td>Goodlass Nerolac</td>
<td>To capture knowledge from purchasing behaviors of customers and dealer opinions. This has given information on customer perception over the product and suggestions to improve on the product.</td>
</tr>
<tr>
<td>Larsen &amp; Toubro</td>
<td>KM is used to obtain employees experiences to create strategies to solve some of the problems occur in construction sites.</td>
</tr>
<tr>
<td>Infosys</td>
<td>Use its KM platform called as “Learn Once, Use Anywhere” to leverage the knowledge for innovation and employee empowerment, which has resulted in collaborative learning (Meghna Goswami and Anil Kumar Goswami, 2013).</td>
</tr>
<tr>
<td>Wipro InfoTech</td>
<td>The KM model practiced is called as “Learn, KEEP, and CARE.” The model is used to collect the knowledge and expertise available in the organization, and leverage on experiences to build innovative products.</td>
</tr>
<tr>
<td>------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Patni Computers</td>
<td>The company has created an exclusive center for knowledge sharing. The knowledge center facilitates learning new technologies, queries answering, proposals writing and so on. This has resulted in reduced training time and improved productivity.</td>
</tr>
</tbody>
</table>

### 5.2 Scenario in Karnataka State

The state of Karnataka, which is accounted in the list of industrially developed states of India, has full potential to bring this sector to the forefront by constantly focusing on various developments pertaining to this sector. We list some of the initiatives were taken up by Govt. of Karnataka;

- Startup mentoring facility assisted by the UK trade and investment board.

- Venture funding and setting up of the network of incubators in small cities to pace up entrepreneurial activities.

- Estimated USD 80 billion business over the next six years in the ESDM sector, a cluster of MSME from Electronics City.

- Govt. initiations to handle some of the issues such as power and water shortage, lack of R&D and testing facilities, bad road conditions, check posts hurdles, and so on.

**Bangalore Industrial Potential**

- Bangalore is situated in south-east Karnataka and is the capital of the state.
➢ It is the fifth-largest metropolitan area in India and is popularly known as the IT capital of India.

➢ In 1986, the state government bifurcated Bangalore district into Bangalore urban and Bangalore rural for effective administration and governance.

➢ Bangalore is recognized as one of the Innovation clusters by the World Economic Forum.

➢ Bangalore is identified as Silicon Valley of Asia.

➢ Established clusters of industries in Whitefield, Peenya, Electronics City, etc.

➢ Information Technology Enterprises in Bangalore account for highest ICT-related exports and employs over 35% of India's IT professionals.

➢ The bio-cluster of 137 companies working in the domain of Biotechnology is situated in Bangalore.

➢ The ‘Silk City’ worth US $ 14.5 million (INR 70 Crores) is coming up in North Bangalore Region.

➢ 1.798 Crores investments in 22,600 industrial units in tiny and SSI sectors.

➢ Over 2,39,000 employment opportunities: Some of the potential investment opportunities include; IT/ITES, Tourism, Food and Agro Engineering, Building materials, Electricals, Printing and Stationery, Chemicals, Textiles, Plastics, and Rubber, Hotels

➢ One of the MSME Testing station is situated in Bangalore: With facilities to test products comprised of chemicals, dye-stuffs, lamps, rubber products, castings and forgings, paints and varnishes, domestic electrical appliances, general engineering, etc. (Annual Report 2013-2014, Ministry of MSME, Govt. of India)

➢ Central Institute of Coir Technology (CICT), Bangalore, does research on the method of extraction of coir fiber, processing, to end products manufacturing.
Bangalore (U) has 67,553 registered MSMEs with an investment of Rs. 321,679.27 Lakhs, and 622,327 employees working (up to 2009-10).

5.3 Industry at Glance – Bangalore Urban

Our survey on SMEs situated in Bangalore Urban revealed there is a significant amount of registered SMEs spread across fourteen industrial clusters. The SMEs have provided job opportunities for over 7 Lakhs people (Ref: http://dcmsme.gov.in/dips). Four of the SMEs situated in Bangalore namely Classic Engineering Industries, Pooja Precision Screws private Limited, Avanti Components, and Klas technology Ventures Private Limited have featured emerging SMEs in Southern India having a turnover of 100 Million. The number of employees working in these SMEs is 24, 50, 15, and 50 respectively (Ref: www.dnb.co.in/times). The SME by the name Aditya Auto Products and Engineering is featured in SME with 250 million turnover, with 160 numbers of employees.

*MSME Clusters in Bangalore:*

Agarbatti, Rugs & Durries, Wood Carving, Shopping bag/fancy Items, Toys and Decoration pieces, Brass and Copper Art Ware, Dolls from pulp, Jewellery, Metalware Grass, Leaf, Reed & Fiber, Earthier ware/pottery, Embroidery by hand, Printing of cloth by hand Printing of cloth by hand, Toys and decoration Pieces, Wood Furniture & Fixtures, Textile Handlooms.

*Artisan Clusters in Bangalore:*

As we seen from the graph 5.2, the city of Bangalore has been catered to SMEs with diversified types of businesses. It is found that the percentage of the manufacturing sector is more than the service sector. One of the SME of Bangalore by the name Accutech Agro Pvt. Ltd. is featured in best-performing SMEs in the country with CRISIL rating as three (Ref: www.cresil.com/ratings).
5.4 Common business hurdles in Indian SMEs

Some of the common business challenges faced by SMEs in the country are summarized below;

- Insufficient support from Govt. of India with respect to tax subsidies, labor laws, and other such areas.
- Shortage of skilled manpower to recognize business opportunities at the right time.
- Poor implementation of labor laws.
- Lack of a system to alert market status for decision-making.
- Finding new markets and customers for their products remained a major concern for SMEs in India.

According to some studies and the annual reports of MSME’S, the following suggestions are proposed for the growth and development of MSMEs in India:

- MSME’s should mutually make use of developed technologies for the business.
- A panel of experts must be constituted who can guide the MSMEs within the region for effectively transfer the available technologies.
- The detailed survey should be conducted to assess the technical and financial needs of the MSME.
- The training and awareness programs by the MSME ministry, on the utilization of schemes and their likely benefits, need to be organized.
- Bankers should provide the facilities of sufficient availability of credit according to the requirement at a cheaper rate.
- Relaxation in complex labor laws to avoid the inconvenience in compliance.
• There should be proper and strong research and development activities with respect to developing innovative methods for production and service rendering.

5.5 Roadblocks for adopting the KM in SMEs

• Inadequate communication among employees leads to limited absorption on the need for KM.

• SMEs are finding difficulties in integrating the KM activities with working process in place, without disturbing the environment.

• There is concern among employees about the personal benefits out of sharing his/her knowledge.

• Only some specific levels of employees are targeted for the KM, and the same time senior management is not considering the KM implementation as their priority.

• No exclusive training or awareness programs are conducted for promoting knowledge management activities.

• SMEs lack of interest in investing in required technologies for the KM implementation.

• There is a great difficulty in capturing tacit knowledge, sometimes this has led to the failure of the KM initiatives.

• Employees are not equally motivated for sharing their knowledge.