SMALL ENTERPRISES: AN OVERVIEW

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CHAPTER III

SMALL ENTERPRISES: AN OVERVIEW

This chapter gives an overview of the global scenario in respect of the small scale enterprises first, followed by the Indian scenario, and then discusses the case of Kerala in this regard. This is followed by a discussion of the profile of Palakkad district in Kerala.

3.1 Small Scale Enterprises: the Global Scenario

Notwithstanding the fact that small enterprises make up the vast majority of companies around the world, in each country the total percentage of the workforce they employ varies. But the fact remains that the employees of small enterprises constitute a sizeable chunk of the total population of workforce in every country. With some 23 million enterprises providing around 75 million jobs and representing 99 per cent of all enterprises, SMEs play a central role in the European economy. They create wealth, foster new ideas and are a key source of new jobs.

The Organization for Economic Co-operation and Development (OECD) has 30 member countries. The members include 19 of the 25 EU member states, one candidate country and three of the remaining European countries. The other seven countries are Australia, Canada, Japan, Korea, Mexico, New Zealand and the United States. Most OECD governments promote entrepreneurship and seek to support and develop SMEs through a myriad of policies and programmes. These attempt to combat many of the
common difficulties encountered by SMEs and offer solutions to problems in such areas like finance, technology and innovation, e-commerce, management, internationalization etc.

In the United States, small businesses have been benefited from the direct cash injections. Procurement policy also seeks to increase the participation of small businesses, veteran-owned small businesses, small/disadvantaged business, women-owned small businesses.

The Small Business Act requires that each contract with an anticipated value of greater than USD 2,500 but less than USD 100,000 be reserved exclusively for small business concerns (unless the contracting officer is unable to obtain offers from two or more small businesses that are competitive with market prices and with the quality of the goods or services to be purchased).

After focusing on large investments and wooing multinationals for years, Latin American politicians are beginning to realize that SMEs are the true job creators as well as important players in technology supply chains. Governments have vastly reduced red-tape to ensure SMEs’ needs are attended to swiftly.

Some of the world’s best-performing economies, notably Taiwan and Hong Kong are falling in Asia. These economies are very heavily based on small enterprises. In Hong Kong in 2005, a total of almost 270,000 SMEs
account for over 50 per cent of the total employment, providing job opportunities to almost 1.2 million people. The majority of enterprises are in the services sector, specifically import and export, and also in wholesale and retail trade.

In Japan, where SMEs are defined as establishments employing between four and 299 employees with a turnover of less than 100 million yen, they represented 99.7 per cent of all enterprises, with retail and manufacturing being the most popular industries. Korea has recognized the importance of SMEs for economic development and has introduced a number of measures that include tax breaks and reduced interest loans for those starting new businesses in rural areas.

In many of the developing world, SMEs are the only realistic employment opportunity for millions of impoverished communities. A significant proportion of SMEs in developing countries are involved in traditional activities serving small, localized markets with little or no technological dynamism. In reality, few ‘graduate’ into larger or more modern technologies.

The role of SMEs in the economic growth need not be over-emphasized and their vibrancy is a clear pointer to the health of the economy. With this in mind we take a look at the scenario in India. On the whole, it may be noted that most of the economies in the world, both developed and developing, are giving utmost significance to the development of SSEs, and a
significant portion of the total employment is accounted for by the SSE sector in all these economies.

3.2 SMEs: The Indian Scenario

With the advent of planned economy from 1951 and the subsequent industrial policy followed by Government of India, both planners and Government earmarked a special role for small-scale industries (SSI) and medium scale industries in the Indian economy. Due protection was accorded to both sectors, and particularly for small-scale industries from 1951 to 1991, till the nation adopted a policy of liberalization and globalization. Certain products were reserved for small-scale units for a long time, though this list of products is decreasing due to change in industrial policies and climate.

SSIs always represented the model of socio-economic policies of Government of India which emphasized judicious use of foreign exchange for import of capital goods and inputs, labour intensive mode of production, employment generation, non-concentration of diffusion of economic power in the hands of few (as in the case of big houses), discouraging monopolistic practices of production and marketing, and finally effective contribution to foreign exchange earning of the nation with low import-intensive operations.

The small scale industrial sector of the Indian economy encompasses in itself almost all of the products (including a large number of services) produced by the Indian industries within the economy. Most of the times the products produced by the small and medium enterprises comprise of the

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intermediary products produced by the large-scale industries. They also include semi processing units and processing units, which are an important link between exports and re-exports. Thus, SMEs act both as a backward and forward linkage to the overall industrial sector of the Indian economy. Interestingly, the segment plays a crucial role in spreading the benefits of economic growth among the masses by drawing surplus workforce from the farm.

SMEs exist in almost all-major sectors in the Indian industry such as Food Processing, Agricultural Inputs, Chemicals & Pharmaceuticals, Electrical & Electronics, Medical & surgical equipment, Textiles and Garments, Gems and Jewellery, Leather and leather goods, Meat products, Bio-engineering, Sports goods, Plastics products, Computer Software etc.

Micro, Small and Medium Enterprises (MSMEs), including khadi and village / rural enterprises are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. MSMEs play a key role in the development of economies with their effective, efficient, flexible and innovative entrepreneurial spirit. The socio-economic policies adopted by India since the Industries (Development and Regulation) Act, 1951 have laid stress on MSMEs as a means to improve the country’s economic conditions.
MSMED Act was notified in 2006 to address policy issues affecting MSMEs as well as the coverage and investment ceiling of the sector. The salient features of the Act include:

- Setting up of a National Board for MSMEs
- Classification of enterprises
- Advisory Committees to support MSMEs
- Measures for promotion, development and enhancement of MSMEs
- Schemes to control delayed payments to MSMEs
- Enactment of rules by State Governments to implement the MSMED Act, 2006 in their respective States

The Ministry of Small Scale Industries and Agro and Rural Industries was first created on 14th October 1999 and, on 6th September 2001, further bifurcated into two ministries, namely, the Ministry of Small Scale Industries and the Ministry of Agro and Rural Industries. With the enactment of MSMED Act, 2006 by the Parliament, the President under Notification dated 9th May, 2007 has amended the Government of India (Allocation of Business) Rules, 1961. Pursuant to this amendment, Ministry of Agro and Rural Industries and Ministry of Small Scale Industries were merged into a single Ministry, viz. “Ministry of Micro, Small and Medium Enterprises.” This Ministry designs policies and promotes/facilitates programmes, projects and schemes and monitors their implementation with a view to assisting MSMEs and help them scale up.
The primary responsibility of promotion and development of MSMEs is of the State Governments. However, the Government of India, supplements the efforts of the State Governments through various initiatives. The role of the Ministry of Micro, Small and Medium Enterprises (M/o MSME) and its organisations is to assist the States in their efforts to encourage entrepreneurship, employment and livelihood opportunities and enhance the competitiveness of MSMEs in the changed economic scenario. The schemes/programmes undertaken by the Ministry and its organizations seek to facilitate/provide: i) adequate flow of credit from financial institutions/banks; ii) support for technology upgradation and modernization; iii) integrated infrastructural facilities; iv) modern testing facilities and quality certification; v) access to modern management practices; vi) entrepreneurship development and skill upgradation through appropriate training facilities; vii) support for product development, design intervention and packaging; viii) welfare of artisans and workers; ix) assistance for better access to domestic and export markets and x) cluster-wise measures to promote capacity building and empowerment of the units.

The majority of people living in rural areas draw their livelihood from agriculture and allied sectors. However, the growth and balanced development of other sectors such as industry and services is also necessary to sustain the growth of Indian economy in an inclusive manner. The Government of India is striving to improve the economic and social conditions of rural population and non-farm sector through a host of measures.
including creation of productive employment opportunities based on optimal use of local raw materials and skills as well as undertaking interventions aimed at improving supply chain; enhancing skills; upgrading technology; expanding markets and capacity building of the entrepreneurs/ artisans and their groups/collectives.

3.3 MSMEs in India: Growth and Performance

The micro, small and medium enterprises (MSMEs) sector contributes significantly to the manufacturing output, employment and exports of the country. It is estimated that in terms of value, the sector accounts for about 45 per cent of the manufacturing output and 40 per cent of the total exports of the country.

The sector is estimated to employ about 595 lakh persons in over 261 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 in India. It is well known that the MSMEs provide good opportunities for both self-employment and wage employment.

There are a wide range of products, of more than 6000 in number, that are produced by the MSMEs. These range from food products, wearing apparels, fabricated metal products, textiles, furniture etc. (Table 3.1 and Figure 3.1).
Table 3.1: Range of Products of MSMEs in India

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Type of the Product Manufactured by the MSMEs</th>
<th>Share (Percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Food Products &amp; Beverages</td>
<td>14.26</td>
</tr>
<tr>
<td>02</td>
<td>Wearing Apparels</td>
<td>13.67</td>
</tr>
<tr>
<td>03</td>
<td>Fabricated Metal Products</td>
<td>08.96</td>
</tr>
<tr>
<td>04</td>
<td>Repair &amp; Maintenance of Personal &amp; Household goods: Retail Trade</td>
<td>08.46</td>
</tr>
<tr>
<td>05</td>
<td>Textile</td>
<td>06.78</td>
</tr>
<tr>
<td>06</td>
<td>Furniture</td>
<td>06.36</td>
</tr>
<tr>
<td>07</td>
<td>Machinery &amp; Equipment n.e.c</td>
<td>04.66</td>
</tr>
<tr>
<td>08</td>
<td>Other Non-metallic mineral products</td>
<td>03.77</td>
</tr>
<tr>
<td>09</td>
<td>Repair &amp; Maintenance of Motor Vehicles: Retail Sale of automotive fuel</td>
<td>03.72</td>
</tr>
<tr>
<td>10</td>
<td>Wood &amp; Wood Products</td>
<td>03.53</td>
</tr>
<tr>
<td>11</td>
<td>Others</td>
<td>25.82</td>
</tr>
</tbody>
</table>

Source: Compiled from, Final Report of the Fourth All India Census of Micro, Small & Medium Enterprises 2006-07: Registered Sector.

Figure 3.1: Range of Products of MSMEs in India

Source: Compiled from, Final Report of the Fourth All India Census of Micro, Small & Medium Enterprises 2006-07: Registered Sector.

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Recognizing the contribution and potential of the sector, the definitions and coverage of the MSE sector were broadened significantly under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 which recognized the concept of “enterprise” to include both manufacturing and services sector besides, defining the medium enterprises. For collecting and compiling the data for the MSMEs sector (including Khadi, Village and Coir Industries), the Fourth All India Census of MSMEs with reference year 2006-07, was launched during 2007-08 in the country.

Fourth All India Census 2006-07 covered both registered and unregistered sectors. The data collection of the Fourth All India Census of MSMEs for the registered sector was on complete enumeration basis (census) and for the unregistered sector, sample survey was adopted. In addition to “Quick Results: Fourth All India Census of Micro, Small & Medium Enterprises 2006-2007” published earlier, “Final Report: Fourth All India Census of Micro, Small & Medium Enterprises 2006-2007: Registered Sector” has been brought out. The data processing of the Fourth All India Census, unregistered sector is under process and draft report is being finalised.

3.3.1 Performance of MSMEs

The Office of the Development Commissioner (MSMEs) provides estimates in respect of various performance parameters relating to the sector. The time series data in respect of the sector on various economic parameters
is given in the following Table 4.2. (Here, it may be mentioned that data with respect to MSMEs have been collected/compiled for the first time in 2006-07 and hence include both the manufacturing and service sectors. Till the year 2005-06, data in the Table 4.1 refer to small scale industry only).

**Table 3.2: Growth Performance of MSMEs in India (2002 to 2011)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Working MSMEs (Lakhs) (Nos)</th>
<th>Employment (Lakhs persons)</th>
<th>Fixed Investment (Rs in Crores)</th>
<th>Production (Rs in Crores)</th>
<th>Exports (Rs in Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>105.21 (04.07)</td>
<td>249.33 (04.44)</td>
<td>154349 (05.11)</td>
<td>282270 (08.03)</td>
<td>71244 (02.07)</td>
</tr>
<tr>
<td>2003</td>
<td>109.49 (04.07)</td>
<td>260.21 (04.36)</td>
<td>162317 (05.16)</td>
<td>314850 (11.54)</td>
<td>86013 (20.73)</td>
</tr>
<tr>
<td>2004</td>
<td>113.95 (04.07)</td>
<td>271.42 (04.31)</td>
<td>170219 (04.87)</td>
<td>364547 (15.78)</td>
<td>97644 (13.52)</td>
</tr>
<tr>
<td>2005</td>
<td>118.59 (04.07)</td>
<td>282.57 (02.11)</td>
<td>178699 (04.98)</td>
<td>429796 (17.90)</td>
<td>124417 (27.42)</td>
</tr>
<tr>
<td>2006</td>
<td>123.42 (04.07)</td>
<td>294.91 (04.37)</td>
<td>188113 (05.27)</td>
<td>497842 (15.83)</td>
<td>150242 (20.76)</td>
</tr>
<tr>
<td>2007</td>
<td>261.12 (111.57)</td>
<td>595.66 (101.98)</td>
<td>50078 (166.20)</td>
<td>709398 (42.49)</td>
<td>182538 (21.50)</td>
</tr>
<tr>
<td>2008</td>
<td>272.79 (04.47)</td>
<td>626.34 (05.15)</td>
<td>558190 (11.47)</td>
<td>790759 (11.47)</td>
<td>202017 (10.67)</td>
</tr>
<tr>
<td>2009</td>
<td>285.16 (04.53)</td>
<td>659.35 (05.27)</td>
<td>621753 (11.39)</td>
<td>880805 (11.39)</td>
<td>NA</td>
</tr>
<tr>
<td>2010*</td>
<td>298.08 (04.53)</td>
<td>695.38 (05.46)</td>
<td>693835 (11.59)</td>
<td>982919 (11.59)</td>
<td>NA</td>
</tr>
<tr>
<td>2011#</td>
<td>311.52 (04.51)</td>
<td>732.17 (05.29)</td>
<td>773487 (11.48)</td>
<td>1095758 (11.48)</td>
<td>NA</td>
</tr>
</tbody>
</table>

Source: Annual Report 2011-'12, Ministry of Micro, Small & Medium Enterprises, pp. 22-23
3.4 Industrial Scenario in Kerala

In Kerala as on 2006 there was a total number of 18411 working factories and these factories could give employment to 409800 persons. Among these 18411 working factories, only 528 were public working factories. As on March 2007, Kerala had a total number of 15549 joint stock companies in Kerala of which just 1422 were public limited companies and the balance 14127 were private limited companies.

Kerala state has got the highest number of state owned enterprises in the whole of India. Kerala has got 21 identified MSME clusters. The top MSME clusters in the state of Kerala are located in the four districts of (i) Kannur (4 clusters), (ii) Kasaragod (3 clusters), (iii) Thiruvananthapuram (3 clusters), and (iv) Thrissur (3 clusters) (India, MSME Report 2010).

3.4.1 Industrial Backwardness of Kerala

Though Kerala has completed fifty years of its existence as a state as well as a regional economy in 2007, its industry is not well developed. The state has been experiencing a dual pattern of development at the economic and social fronts during the last half century or more. In Kerala, the real sectors like agriculture and industry remained sluggish with low productivity levels, the service sector achieved rapid progress. On the one side, Kerala
achieved better human development compared to the backward states of India, but on the other, more than one third of the people remain poor and one fifth of the labour force remains unemployed. Despite the significant development of infrastructure, acute shortage, poor maintenance etc. are reported with respect to roads, power, water supply, irrigation, urban infrastructure and the like. Three distinct phases can be identified regarding the industrialization and socio-economic conditions of Kerala.

First Phase (1956 to Mid 1970s):

In Kerala, the continuous unsound fiscal situation of the State Government during the previous two decades has adversely affected the State’s capacity to promote developmental and social welfare initiatives. Consequently, the acute inadequacy in the availability of employment opportunities in the State has resulted in large scale migration of educated young labour force to other States of India and abroad in search of gainful employment. Thus, in spite of the expiry of five decades since its formation, Kerala still lacks an appropriate development strategy or conducive economic policy for achieving rapid socio-economic transformation of the State. On the one hand, factors like technological change, urbanisation, migration and structural changes have created new opportunities. On the other hand, serious problems like environmental degradation and bio-diversity imbalance are constantly on the rise. Despite the fact that Kerala has achieved a very commendable position in respect of public health and education vis-à-vis other states of India and also some of the advanced nations of the world, the
fact remains that people of this state are facing gradual deterioration in the quality of these services.

The beginning of Kerala was as a backward economy. This backwardness in respect of the agricultural sector in Kerala has been characterized by the prevalence of traditional methods for cultivation and is reflected in the low productivity levels. Major agricultural products in Kerala (like, natural rubber) have been produced and sold as agricultural raw materials in domestic and foreign markets. Further, vast majority of the farmers in the state continue to possess very small, marginal or tiny agricultural holdings which have made agricultural operations uneconomic. The animal husbandry sector is also poorly developed and the milk yield per cow has been one of the lowest in the whole of India. Kerala has got a long coastline and the state could produce about 30 per cent of the total marine fish produced in India during the mid 1950s. However, the widespread use of non-mechanized and indigenous fishing craft has been noted to have adversely affected the productivity of fish production. Regarding the generation of electricity the State position is still in the infant stage, in spite of the fact that the state is endowed with one of the best water resources (like, many rivers originating from the state) in the whole of India. The state is experiencing acute power shortage and is dependent on other states for electricity.

Kerala has remained as an industrially backward State with the dominance of traditional and labour-intensive industries like coir, cashew,
handloom etc. Besides these traditional industries, other industries existed were wood based, forest based, chemical, tile and textiles. One of the inhibiting factors that retard industrialization in Kerala has been the absence of metallic minerals, coal and the like. A major cause for industrial backwardness of the state has been observed to be the predominance of technologically backward small scale units which create a meager re-investable surplus and poor entrepreneurial talents.

Kerala has witnessed two basic socio-economic problems viz. massive poverty and chronic unemployment. One estimate has revealed that the percentage of poor people in Kerala was as high as 90.75 per cent in 1960-61. A more realistic estimate, however, may find the percentage of poor as more than 75 per cent during mid 1950’s. Unemployment among different categories of labour force has been quite high during the early days of formation of the state. One techno-economic survey has estimated that the unemployment rate as 13 per cent and the total number of unemployed as 6.6 lakh in 1956. In short, the basic socio-economic problems faced by the newly formed Kerala state could be identified to be the high incidence of both poverty and unemployment.

**Second Phase (Mid 1970s to 1991):**

As noted above, Kerala’s economy remained very backward with very high incidence of poverty and unemployment during the early days of formation of the state viz. the mid 1950s. This backward situation has continued till the mid 1970’s when the state has begun to witness rapid
changes with the migration of Keralites to Gulf countries for the purpose of
gainful employment. One of the striking peculiarities of the labour market
in Kerala has since then been the migration of workers to countries in the
Gulf region. Gulf countries have proven to be a major source of
employment for workers from the State. Zachariah et al. (1999) have
estimated that there were as high as 1360,000 emigrants from Kerala in all
foreign countries by the second half of 1998. This in turn points to the fact
that by 1998, the number of workers from Kerala working outside India
was larger than the number of workers in the organized sector working in
the state itself (1220,000). Moreover, between the early 1980s and late
1990s, the number of workers from Kerala employed abroad went up by
approximately 100,00,000, while the number of organized sector workers
in the State increased by just 2,30,000 only and the number of factory
sector workers in the State increased by only 71,000 (Thomas, 2003).
Further, the number of Keralaites in Gulf went up from 1.36 million in
1999 to 1.84 million in 2004. Remittances to Kerala from abroad which
totaled Rs 136.52 billion in 1999, went up to 184.65 billion in 2004. In
short, it may be noted that there has been a tremendous boom in the cash
inflows into the Kerala economy as a result of the constantly growing
migration of workers from the state to other countries.

As noted above, there has been large scale migration coupled with
inflow of remittances to Kerala since the mid 1970s. This has resulted in
unprecedented economic changes in Kerala and these include widespread
changes in diverse fields such as the labour market, consumption, savings, investment, poverty, income distribution and regional development. Besides, such migration has also resulted in reduction of unemployment and has created shortage of construction workers, upgraded skills, increased wages and promoted migration of construction workers to Kerala from neighboring states. Furthermore, based on available evidences it may be inferred that migration has helped the migrant households to attain higher levels of income, consumption and acquisition of assets compared to non-migrant households in Kerala.

- **Third Phase (1991 to 2006):**

During the third phase which ranges between 1991 and 2006, four major factors have influenced the socio-economic changes that has taken place in Kerala state. These four factors are (i) the impact of economic reforms implemented by the government of India since 1991, (ii) the state policies and public expenditure, (iii) increase in investment, (iv) migration and flow of remittances. The State Government has made efforts to introduce the shifts in policy framework adopted by Central Government. Besides, serious attempts have been made to promote private investment in industry, electricity generation, tourism etc. during the first half of 1990’s; though serious apprehensions have been raised from different corners regarding the policy shift. The underlying aims behind the policy shift as above have been promotion of private investment and creation of a conducive atmosphere for investment, technological change and institutional changes. With the objective
of making Kerala a leading destination of information technology (IT), of late, even an IT policy has been formulated by the State Government.

⇒ **To Sum up (1957 to 2006):**

During the last 50 years since the formation of Kerala, the major factors that contributed to the socio-economic changes and improving the welfare of the people have been as follows:

- Expansion of educational and health institutions especially in public sector,
- Development of electricity,
- Changes in cropping pattern from food to cash crops,
- Implementation of land reforms in 1970,
- Development of roads and motor transport,
- Migration to the Gulf and flow of remittances,
- Investment of household savings for construction of new houses, and
- Implementation of welfare schemes of the Central and State Governments.

However, in spite of the vast socio-economic changes that have taken place in Kerala over the last five decades or more, Kerala still remains as a backward economy. Presently the state is facing a number of serious economic problems. These include, inter alia, the following:

- High incidence of poverty with more than one third of the state’s population living below the poverty line.
- High incidence of unemployment,
- Widespread environmental damage,
- Fiscal crisis of the State Government,
- Informal nature of agriculture and industrial operations,
- Acute infrastructural shortages in water supply, roads, electricity and irrigation,
- Poor quality of public health
- Poor quality of educational services.
- Poor urban infrastructural facilities
- Low rate of investment
   etc. etc.

Of late, Kerala’s economy is experiencing a slow recovery from a long slump. While in the 1970s and 1980’s Kerala economy was relatively stagnant, in the 1990s it economy experienced a significant growth rate of 5.99 per cent coupled with superior performance of secondary and territory sectors. It has been observed, however, that the global financial crisis has started adversely affecting the Kerala economy too, as is evidenced by the fall in rubber price, decrease in exports from Kerala and decline in job opportunities for Keralites abroad. Besides, cashew export sector, as well as tourism sector have also been hit by the global economic recession. Moreover, the adverse impacts of the global financial and economic crisis have already had its toll on the information technology (IT) sector in Kerala (India, MSME report, 2010).
3.4.2 Status of MSMEs in Kerala

In Kerala, the MSME sector is playing a vital role, both in terms of economic growth and employment generation. MSME sector contributes significantly towards domestic needs and export marketing by producing a variety of products and rendering a number of services. The products offered by this sector ranges from traditional ones to most modern and high tech ones. In spite of the very large volume of production of the MSME, the quality of production, diversification of products, energy consumption, environmental effects etc. used to be often areas of concern.

In Kerala too, the challenges of the MSME sector has observed to be substantial in the wake of the pressures of the global economic crisis sweeping across the world. Accordingly, the downturn trend in the business cycle has threatened domestic growth and employment for the MSME sector too. The proactive steps initiated by the State Government has, however, helped the MSME sector to achieve a fairly high growth. MSMEs in Kerala have been provided special support by the State Government due to its high employment and economic growth potential.

In Kerala, the total number of working registered small scale industry (SSI) / MSME units as of 31st March 2009 is 204381. Of these 204381 units, 7068 are promoted by members of Scheduled Castes (SCs), 1433 by Scheduled Tribes (STs), 44116 by women and 151764 by others. The total investment in these units is Rs.656849.48 lakh, the total number of
employment generated is 770971 and value of goods and services produced is Rs. 1390054.68 lakh.

In the ongoing era of economic liberalization and globalization, the neo-liberal policies followed by the Government of India (GOI) such as lowering of customs tariffs and easing of quantitative restrictions on imports have caused huge inflow of consumer goods from neighboring nations (like, China for instance) which in turn has adversely affected the MSME sector. Of late, in the post-recession era (2009-10), special thrust has been accorded to improve the much needed infrastructure development for the MSMEs in terms of enhanced levels of investment. Consequently, the contribution of the MSME sector in terms of value of production and employment potential has achieved an appreciable level in Kerala. The above favorable change is duly reflected in the growth performance of the MSME sector in the state vis-à-vis the same for the previous year. Details of Working SSI / MSME Units Registered in Kerala from 2006 to -2010 are given in Table 4.3.

Kerala has witnessed a growth momentum for MSMEs in the state during 2009-2010, and this fact is evident from the statistics regarding the number of new enterprises that filed Memorandum, employment growth, value of goods produced and investment compared to the previous year. It is noted that the number of new enterprises that filed Memorandum during 2009-10 was 9322 as against 8421 in 2008-09. Similarly, growth was also reflected in employment, production and investment in the MSME Sector.
Table 3.3: Details of working SSIs / MSMEs Registered in Kerala from 2006 to 2010

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Year</th>
<th>Total No. of SSI Units</th>
<th>Investment (Rs in Lakhs)</th>
<th>Services Produced (Rs in Lakhs)</th>
<th>Provided (Nos)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>SC</td>
<td>ST</td>
<td>Women</td>
<td>Others</td>
</tr>
<tr>
<td>01.</td>
<td>2006-07</td>
<td>6834</td>
<td>1414</td>
<td>41305</td>
<td>146407</td>
</tr>
<tr>
<td>02.</td>
<td>2007-08</td>
<td>6834</td>
<td>1414</td>
<td>41305</td>
<td>146407</td>
</tr>
<tr>
<td>03.</td>
<td>2008-09</td>
<td>7068</td>
<td>1433</td>
<td>44116</td>
<td>151764</td>
</tr>
<tr>
<td>04.</td>
<td>2009-10</td>
<td>7334</td>
<td>1449</td>
<td>46621</td>
<td>158336</td>
</tr>
</tbody>
</table>


During the year 2009-10, these enterprises made an investment of Rs.73046.34 lakh providing employment to 60876 persons.
Table 3.4: District-wise Details of SSIs / MSMEs Registered in Kerala upto 2009-10 (as on 31.03.2010)

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>District</th>
<th>Total No. of SSI Units</th>
<th>Total Investment (Rs. in lakhs)</th>
<th>Value of Goods &amp; Services Produced (Rs. in lakhs)</th>
<th>Employment Provided</th>
</tr>
</thead>
<tbody>
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<td></td>
<td></td>
<td>SC</td>
<td>ST</td>
<td>Woman</td>
<td>Others</td>
</tr>
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<td>11543</td>
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<td><strong>2886</strong></td>
<td><strong>11349</strong></td>
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<tr>
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<td>Kannur</td>
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<td>62</td>
<td>1893</td>
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<tr>
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<td>Kasaragod</td>
<td>119</td>
<td>88</td>
<td>1150</td>
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<td>7334</td>
<td>144</td>
<td>46621</td>
<td>15833</td>
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</table>

Table 3.5: Details of New MSME Units that filed Memorandum, Part 2 Registered during 2006-10

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Year</th>
<th>No. of SSI / MSME Units</th>
<th>Total Investment (Rs. Lakhs)</th>
<th>Value of goods and services (Rs. Lakhs)</th>
<th>Employment (Nos)</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>SC ST Women Others Total</td>
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<td></td>
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</tr>
<tr>
<td>1</td>
<td>2006-07</td>
<td>29 2 810 1818 2659 8815</td>
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<td>2007-08</td>
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<td>189760.3</td>
<td>588100.13</td>
<td>116189</td>
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<tr>
<td>3</td>
<td>2008-09</td>
<td>234 19 2811 5357 8421 11186</td>
<td>56594.83</td>
<td>132155.38</td>
<td>48111</td>
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<tr>
<td>4</td>
<td>2009-10</td>
<td>266 16 2505 6535 9322 11186</td>
<td>73046.34</td>
<td>255894.60</td>
<td>60876</td>
</tr>
</tbody>
</table>

District-wise details of working SSIs/MSMEs registered in Kerala up to 2009-’10 (as of 31.03.2010) are shown in Table 4.4. Details of enterprises that filed memorandum during 2006-2010 under the Act is given in Table 4.5. It is noted that in 2009-’10, among the new enterprises that filed memorandum, 266 are promoted by SCs, 16 by STs, 2505 by women and 6535 by others. Regarding the value of goods and services produced, MSME sector registered very modest increase during 2009-10; the same being Rs.255894.60 lakhs for 2009-’10 as against Rs. 132155.38 lakh for 2008-09. Category –wise SSIs / MSMEs promoted in 2009-10 in the whole Kerala is given in Figure 4.2.
While analyzing the performance of the MSMEs that filed memorandum reveals that number of new enterprises, investment, production and employment recorded an upward trend during 2009-10, from that of the previous year. During 2009-10, the number of units and value of goods and services produced went up considerably to 10.69 per cent and 93 per cent respectively. District wise analysis reveals that Ernakulam occupies the highest position in terms of value of goods produced, investment made and employment provided and Wayanad has the lowest position. During the current year (as on 30.09.2010) 6020 new enterprises have filed memorandum with an investment of Rs.65009.79 lakh providing employment to 44448 persons.

3.5 Status of MSMEs in Palakkad District of Kerala

Palakkad District is undergoing the process of industrialization at a fast pace. The district is in an advantageous position for locating the industrial
units, due to the factors such as availability of land at lesser cost, industrial labour, power, infrastructural facilities, water etc. The total number of registered SSIs/MSMEs in the Palakkad District is 15532 units including 1189 units of SC, 108 units of ST and 2886 units of women entrepreneurs (Table 4.4 and Figure 4.3)

**Figure 3.3:** Category–wise SSIs / MSMEs Promoted (Palakkad District)

![Category-wise SSIs/MSMEs Promoted (Palghat District) (2009-10)](image)

### 3.6 Concluding Remarks

In view of the foregoing, it may be summarized that this study is structured as a sample survey investigation of micro enterprises at Palghat district in Kerala whereby data from randomly selected micro enterprises are collected, from the perspectives of both entrepreneurs and employees, and the data collected are analyzed using statistical tools.
REFERENCES


