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ROLE OF PROMOTIONAL AGENCIES IN DEVELOPMENT  
OF SMALL ENTERPRISES: AN ANALYSIS OF MSME-  
DEVELOPMENT INSTITUTE (BRANCH OFFICE IN A BACKWARD  
DISTRICT OF KALABURAGI IN KARNATAKA STATE)



Krishnamurthi Rangacharya<sup>1</sup> and Chaya. K. Degaonkar<sup>2</sup>

<sup>1</sup>Research Scholar Dept. of Economics Gulbarga University Kalaburagi, Karnataka .

<sup>2</sup>Professor and Chairperson Dept.of Economics Gulbarga University Kalaburagi, Karnataka .

**ABSTRACT:**

Small scale industries constitute the key link in the process of socio-economic transformation of underdeveloped social structures. It is, no doubt, true that in the case of dominantly rural countries, process of transformation either germinating within the rural segment or bringing the later within its orbit of influence will play a crucial role and should, therefore, occupy an important position in their development strategy. Rural development cannot be operational outside the total developmental process straddling the rural-urban continuum. It constitutes a large component of the system of interdependence of vertical shifts of the work force from the primary to the secondary and territory sectors. It requires rural industrialization process to bring about the transformation in rural economy. The Ministry of MSME has been implementing various schemes and programmes to promote the SSI/MSME sector in rest of the country and has established the MSME-Development Institutions, at district level for support DICs in development of small industries



Krishnamurthi  
Rangacharya

and providing integrated assistance for development of MSMEs. The present study is an attempt to analyse the impact of MSME-DI on growth and production in SSI sector of micro level totally a case study of Kalaburagi districts. The results indicate that though the impact is positive and significant, but there are differential trends over the years. This is indicated by fluctuating growth rate of small industries and variances in production as indicated by index of production.



**KEY WORDS:** MSME-DI, Investment, Employment and Index Number of Production.

**I.INTRODUCTION:**

Small scale industries constitute a key link in the process of socio-economic transformation of underdeveloped social structures through industrialization in rural and semi urban areas. It is, no doubt, true that, the process of transformation either germinating within the rural segment or bringing the latter within its orbit of influence will play a crucial role and should, therefore, occupy an important

position in their development strategy. It is, however, equally true that rural and urban processes are inseparably interwoven in the socio-economic fabric. Rural development cannot be operational outside the total developmental process straddling the rural-urban continuum. It constitutes a large component of the system of interdependence of vertical shifts of the workforce from the primary to the secondary sector which articulate the total development process. Its contribution to the Industrial development is quite unique.

A significant feature of the Indian economy since Independence is the rapid growth of the small industry sector. In the Industrial Policy Resolutions of 1948 and 1956, the small industries sector was given special role for creating additional employment with low capital investment and decentralization of production structure. Small and Medium Enterprises play very important role in socio-economic development of our country on account of their inherent advantages like low capital requirement, high employment generation, decentralization of industrial activity, utilization of locally available resources and widening of entrepreneurial base.

This sector is the second largest employer of manpower, after agriculture, in our country. A wide range of products, from simple traditional crafts and consumer goods to highly sophisticated products like micro-processors, mini computers, electronic components, electro-medical devices, etc. are manufactured by small and medium enterprises. They make significant contribution in increasing exports, in addition to satisfying domestic demand for several commodities. Prof. P.C. Mahalanobis very accurately points out that "In view of the meagerness of capital resources there is no possibility, in the short run for creating much employment through the factory industries. Now consider the household or cottage industries. They require very little capital. About six or seven hundred rupees would get an artisan family started. With any given investment, employment possibilities would be ten or fifteen or even twenty times greater in comparison with corresponding factory industries.

The Government of India, Union Territories and state governments through different agencies and institutions sponsored by them are pursuing a policy of protecting and promoting small enterprise. The MSME-Development Institution set up by the ministry of MSME government of India for promoting the small enterprise from ground level. This institution has been assisting the small enterprises in various forms, Those are relates to information, consultancy, entrepreneurship development, training, modernization, technology support, industrial estate, raw materials, marketing, finance, reservation, ancillary development etc.

## **II. DEFINITION OF SMALL ENTERPRISES:**

In 1977, units having investment of less than Rs. 10lakh were defined as small-scale industrial undertakings, while for ancillary units, the investment limit was Rs 15lakh. Units with investment of less than Rs 1lakh were defined as tiny enterprises. In 1991 (the year in which economic reforms were initiated), the investment limit for small-scale industries was Rs 60lakh, for ancillary units Rs 75lakh and for tiny enterprises Rs 5lakh. In 2000 the investment limit for small-scale industry was Rs 1crore, for ancillary unit Rs 1crore and for tiny enterprises Rs 25lakh. Thus the investment coverage of the industry has increased significantly in MSMED-Act.

**Table -1**  
**Definition of MSMEs according to the MSMED-Act 2006**

Enterprises	investment in plant and machinery (Manufacturing)	investment in equipment (Service )	Size of Labour
Micro	Does not exceed Rs 25lakh	Does not exceed Rs 10lakh	0-9
Small	More than Rs 25lakh but does not exceed Rs 5crore	More than Rs 10lakh but does not exceed Rs 2crore	10-49
Medium	More than Rs 5core but does not exceed Rs 10core	More than Rs 2core but does not exceed Rs 5core	50-249

Source: MSMED act 2006.

### III.OBJECTIVES OF THE STUDY:

The main objective of the study is for understanding the role and performance of small enterprises in the Kalaburagi district of the Karnataka state. Hence, this study based on following objectives.

- 1)To study the functions and schemes of MSME-DI office in Kalaburagi
- 2)To analyse the Growth of units, Investment and Employment in Small Enterprises of Kalaburagi district
- 3)To analyse the trends in growth of small industries in the district
- 4)To study the production of registered manufacturing enterprise and analyse the trends through calculating the Simple index number of production in Kalaburagi district.

### IV. METHODOLOGY:

The present study is based on the data obtained from secondary sources. The secondary data has been collected from various journals, articles, books, government reports, annual survey of industries, economic survey, etc. This study has analyzed the growth and performance of Small Enterprises in Kalaburagi district of Karnataka state. The data is collected from 2004-05 to 2013-14. The Simple Index Number calculated for the industrial production in the district and 2004-05 consider as a Base Year for calculation and Simple index formula employed in calculation. The formula is  $SI=Q1/Q0*100$  and where SI=Simple Index Q1=current year production, Q0=Base year production. The average growth rate is calculated on the basis of the formula

$$P1-P0/P0*100.$$

### V. PERFORMANCE OF MSME-DEVELOPMENT INSTITUTE (BRANCH OFFICE KALABURAGI):

There are 30 MSME Development Institutes (MSME-DIs) and 28 Branch of MSME Development Institutes set up in the state capitals and other industrial cities all over the country. These institutions undertake many activities to promote the MSME sector in India. In the state of Karnataka has been set up 2 MSME Development Institutes and 1 Branch office of the institute at Kalaburagi industrial city.

The Ministry of MSME has been implement the various schemes and programmes to promoting the SSI/MSME sector in rest of the country and established the MSME-Development Institutions, for providing the overall assistance to development of MSMEs. In the Kalaburagi district also introduced an institution of MSME-Development Institution set up according to the MSMED-Act 2006, by the Ministry of MSME government of India in 2007-08 financial years. The main head office established in Hubli and Branch office set up in Kalaburagi, it has been providing many special packages to promote



the Micro and Small enterprises in the 5 districts of Karnataka state, namely; Bidar, Kalaburagi, Raichur, Bijapur and Yadgir.

**FUNCTIONS:**

- 1) Assistance/consultancy to prospective Entrepreneurs’.
- 2) Providing Assistance/consultancy to existing units.
- 3) Preparation of state Industrial Profiles.
- 4) Preparation/updating of District Industrial Potential Survey.
- 5) Preparation of Project Profiles for entrepreneurs
- 6) Conducting Entrepreneurship Development Programs
- 7) Motivation Campaigns
- 8) Production Index
- 9) Management and Skill Development Programs
- 10) Vendor Development Program’s for Ancillarisation
- 11) Quality Control and Up gradation
- 12) Export Promotion and Common facility workshop
- 13) Intensive Technical Assistance
- 14) Coordination with DICs and Linkage with State Government Functionaries Market survey and other action plan activities assigned by the Headquarter

**SCHEMES AND PROGRAMS OF THE INSTITUTION:**

The institution conducted various training programs and Schemes to promote the small enterprise in the Kalaburagi district; those are EDP, ESDP, MDP and PMEGP scheme. Its performance explains with the help of following tables.

**TRAINING PROGRAMMES:**

The MSME-Development Institute conduct the various training programmes, those are

- 1) Entrepreneurship Development Programme (EDP): this training programme includes the Tailoring, Basic Computer, preparation of food items etc.
- 2) Entrepreneurship cum Skill Development Programme (ESDP): this programme contains the Motor and Transformer Rewinding, Fancy Cloth Bag Making, computer hardware, Maintenance and Networking and Electrical Gadget Repairs.
- 3) Management Development Programme (MDP): in this programme the institute provides the Computer Software, Internet Browsing and Information Management.
- 4) Business Skill Development Programme (BSDP): in this scheme the institution provides the information management.
- 5) State Level Vendor Development Programme (SLVDP): the exhibition cum vendor development programme for motivation of engineering enterprises in the Kalaburagi district. It includes the Automobile industry, Engineering industry etc.

Except these programmes the institute organizes the workshop for the entrepreneurs to knowledge the marketing and business activities in the state and the world as well as their role in this regard. The table 2 presents the year wise and scheme wise performance of the MSME-Development Institution in conducting various programmes. Total 6023 persons got the training from this institution. The highest numbers of beneficiaries are in training 2010-11, in which total 2142 persons benefited in

this year. Total 3626 persons benefited by the ESDP scheme, the workshop program also conducted by the institution to introduce to the people about various government schemes pertaining to the MSME sector.

**Table 2**  
**Year wise performance of various Training Programs**

Si. No	Training Programmes	2010-11	2011-12	2012-13	2013-14	Total
1	EDP	243	13	363	432	1051
2	ESDP	1434	54	1052	1086	3626
3	MDP	287	83	200	243	813
4	BSDP	98	NA	NA	NA	98
5	SVDP	80	NA	NA	NA	80
6	SLVDP	NA	NA	94	100	194
7	Workshop	NA	NA	62	95	157
8	Bar-Code Reimbursement	NA	NA	04	NA	4
9	<b>Total</b>	<b>2142</b>	<b>154</b>	<b>1771</b>	<b>1956</b>	<b>6023</b>

Source: Computed From Various Annual Reports of MSME-DI, Hubli and Branch Office Kalaburagi

**Prime Minister Employment Generation Programme in the district:**

Government of India has approved the introduction of a new credit linked subsidy program called prime ministers employment generation program (PMEGP) by merging the two schemes that were in operation till 31-03-2008 namely Prime Ministers Rojgar Yojana (PMRY) and Rural Employment Generation Program (REGP) for generation of employment opportunities through establishment of micro enterprises in rural as well as urban areas. This same scheme implemented in the district from 2009-10 under the guidance of MSME-Development Institution through KVIC.

**Quantum and Nature of Financial Assistance:**

The ministry of MSME provides the financial assistance to the entrepreneurs under the PMEGP Scheme. Under this scheme the ministry sanctioned the category wise subsidy amount to the beneficiaries. It presents in the following table.

**Table 3**  
**Quantum and Nature of Financial Assistance under PMEGP**

Categories of beneficiaries under PMEGP	Beneficiaries contribution	Rate of subsidy	
		Urban	Rural
Area (location of project/unit)			
General category	10%	15%	25%
Special (including SC/ST/OBC/Minority/women, Ex-servicemen, physical handicapped, NER, Hill and Border areas etc.	05%	25%	35%

Source: PMEGP website

**Table 4**  
**Performance of PMEGP in Kalaburagi district**

Year	Units assisted	Margin money utilized	Per unit money disbursed
2009-10	8	23.62	2.95
2010-11	56	127.7	2.28
2011-12	68	180.73	2.66
2012-13	6	13.24	2.21
2013-14	12	65.36	5.45
<b>Total</b>	<b>150</b>	<b>410.65</b>	<b>2.74</b>

Source: computed from PMEGP website 2013-14 data

The table 4 deals with the performance of PMEGP scheme in the Kalaburagi district. Total 150 units has benefited from this scheme since inception. In the initial stage only 8 micro units has assisted and Rs. 2.95 Lakh amount disbursed per unit, but amount utilization fluctuated during this period. In the year of 2013-14 Rs. 5.45 Lakh amount disbursed per unit and 12 units assisted in the same year. The highest number of unit's assisted in the year of 2011-12 of 68 units.

#### VI. GROWTH AND PERFORMANCE OF SMALL ENTERPRISES IN THE DISTRICT:

The growth and performance of the small enterprises has been explained with the help of following tables. The table 5 explains the year wise growth of units and employment conditions in the kalburagi district small enterprise from 2004-05 to 2013-14. Total 4473 units has been registered during this period and 20426 persons employed in this sector. In the year of 2005-06 40.96 percent of the units recorded highest growth rate, and after that it fluctuated, but negative growth rate of -68.06 percent marked in the year of 2007-08, average growth rate of the units 13.99 percent during this period. The employment also marked the negative growth rate in some years, but its average growth rate is 10.44 percent and highest growth rate of employment recorded 47.83 percent in the year of 2013-14.

**Table 5**  
**Year wise Growth of Small Enterprise**

Year	No. Of units Registered	AGR	Employment (in Nos)	AGR
2004-05	376	-	1512	-
2005-06	530	40.96	1931	27.71
2006-07	645	21.70	1792	-7.20
2007-08	206	-68.06	2527	41.02
2008-09	213	3.40	2172	-14.05
2009-10	366	71.83	1998	-8.01
2010-11	458	25.14	1562	-21.82
2011-12	507	10.70	1901	21.70
2012-13	557	9.86	2030	6.79
2013-14	615	10.41	3001	47.83
<b>Total</b>	<b>4473</b>	<b>13.99</b>	<b>20426</b>	<b>10.44</b>

Source: computed from 1) DAG from 2004-05 to 2013-14, 2) DIC reports.

Note: AGR – Annual Growth Rate.

The investment of the small enterprises has been presented in table 6. Total Rs. 13004.3 Lakh invested in the small sector and its average growth rate is -71.85 percent during the period of 2007-08 to 2011-12. The highest growth rate recorded in the year of 2009-10 of 83.74 percent.



**Table 6**  
**Year wise Growth of Investment in small enterprises**

Year	Investment in Rs, Lakh	AGR
2007-08	3140.7	-
2008-09	2267.08	-27.86
2009-10	4165.4	83.74
2010-11	744.04	-82.13
2011-12	2687.08	-261.15
<b>Total</b>	<b>13004.3</b>	<b>-71.85</b>

Source: computed from DIC Reports 2011-12

**Table 7**  
**Production of Registered manufacturing units in the Kalaburagi district**  
**Rs. In Lakh**

Year	GDDP (In current prices)	Annual Growth Rate	NDDP (In current prices)	Annual Growth Rate
2004-05	46136	-	34500	-
2005-06	44652	-3.22	32163	-6.77
2006-07	60419	35.31	47226	46.83
2007-08	43403	-28.16	33029	-30.06
2008-09	51380	18.38	38855	17.64
2009-10	36300	-29.35	25874	-33.41
2010-11	60340	66.23	43553	68.33
2011-12	65170	8.00	46534	6.84
2012-13	70376	7.99	47975	3.10
<b>Total</b>	<b>478176</b>	<b>9.40</b>	<b>349709</b>	<b>9.06</b>

Source: computed from Directorate of Economic and Statistics govt. of Karnataka

The above table 7 furnishes that the production of registered manufacturing enterprise in current prices of the Kalaburagi district in the Karnataka state. The production mentioned in gross and net district production of the small enterprises. The total GDDP is Rs. 478176 Lakh during the 2004-05 to 2012-13 and Rs. 349709 Lakh of NDDP in the same period produced by the registered manufacturing small enterprises in the Kalaburagi district. The GDDP has fluctuated, marked the negative growth rate during this period and recorded 66.23 percent of the highest growth rate in the year of 2010-11. The NDDP marked the highest growth rate of 68.33 percent in the same year and 9.06 percent of the average growth rate achieved in NDDP during the same period.

**Table 8**  
**Index Number of Production of Registered manufacturing units**

Year	GDDP	NDDP
2004-05	100	100
2005-06	96.78	93.23
2006-07	135.31	146.83
2007-08	71.84	69.94
2008-09	118.38	117.64
2009-10	70.65	66.59
2010-11	166.23	168.33
2011-12	108.00	106.84
2012-13	107.99	103.10

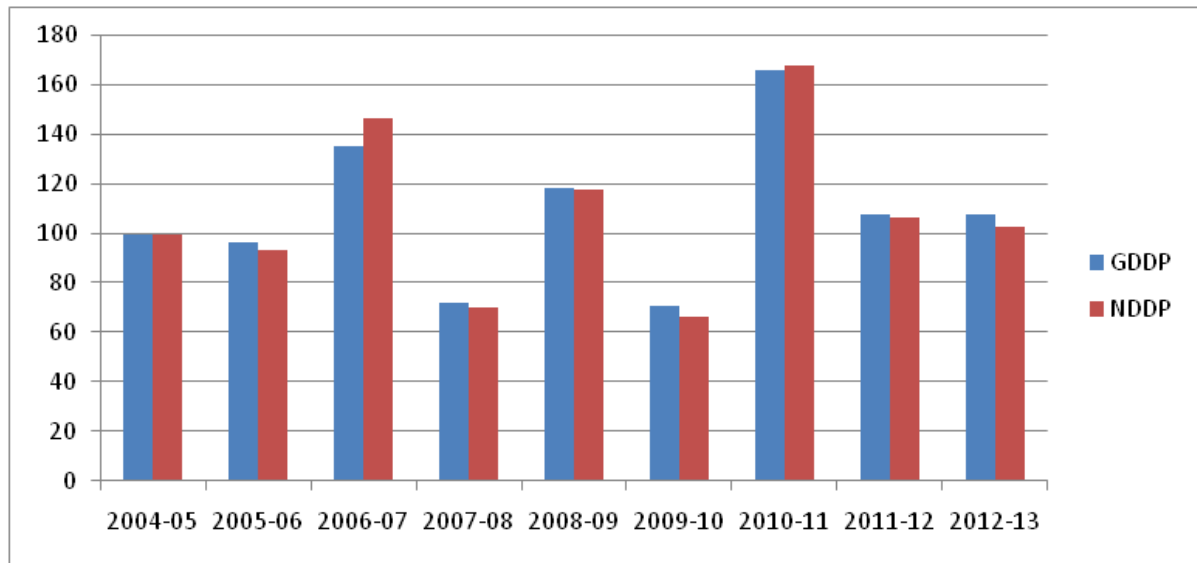
Source: computed from Table No. 6, Note: Base Year 2004-05

Note: 1) GDDP- Gross District Domestic Product

2) NDDP-Net District Domestic Product

The small enterprises are a major contributed sector to the gross district domestic product in the Kalaburagi. It has been presented in the table 8. The index number of small enterprises production in the Kalaburagi district from 2004-05 to 2012-13 and 2004-05 consider as a Base year for calculating the index number in the district. The GDDP marked the highest production in the year of 2010-11 of 166.23 indices and 168.33 marked by the NDDP in the same year. The table shows that indices some time increases and decreases, it means that the indices have been fluctuated during this period.

**Chart-1**  
**Index Number of Production of Registered manufacturing units**



The above chart explains the index of small enterprises production in Kalaburagi district. The vertical axis measures the index numbers and in horizontal axis measures the year of the GDDP and NDDP. It shows that in the year of 2010-11 both the GDDP and NDDP marked the highest growth.

### VII. CONCLUSION:

Most important of all is that, the small scale industries must not look to various concessions which has been enjoying at present. Such as reservation of items for exclusive production, excise and income tax, concessional loans, tax concessions and tax holidays as permanently available. In the final analysis, all the schemes and programmes meant to bring about the growth of SSI would be said to have succeeded in their objective, if they make this sector economically and technologically viable and see that they can successfully stand on their own feet without any concessions and support and successfully compete for all types of markets. The Kalaburagi MSME-Development Institute provides the overall assistance to promote the small enterprises in the district. The training programs very effectively implemented and benefited in the district given by the MSME-Development institute Kalaburagi.

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