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GROWTH AND PERFORMANCE OF SMALL-SCALE INDUSTRIES IN KARNATAKA (Special Reference to Hyderabad Karnataka Region)

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ABSTRACT:

The small-scale industries have rightly justified their existence 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. In the Karnataka state and as well as in Hyderabad Karnataka Region in Karnataka state also the small scale sector has significantly growing sector and contribution to the regional economy significantly increasing in recent years. Hence this study has been taken to study the growth of small scale industries in Karnataka and as well as in Hyderabad Karnataka Region in Karnataka state, to study the changing definitions of small scale industries since inception and to study the production of small scale industries in Hyderabad Karnataka Region in Karnataka state.

Key Words: Growth and Performance , small-scale industries, national income.

1) INTRODUCTION:

The small-scale industries have rightly justified their existence 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.

Small Industry is generally understood to mean a manufacturing process or activity resulting in production of goods or articles. These manufactured goods may be either for human consumption or used as inputs in the form of half-finished products or ancillary products, for final processing and production. A Small Scale Industry is a production unit engaged in manufacturing goods or articles in small quantities, employing a smaller number of workers, using traditional/modern tools or machines with the lowest possible capital investment. The factories Act, 1948, is applicable to most of the SSI manufacturing units.

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, SSIs have a significant role to play in the state.

2) DEFINITIONS OF SMALL SCALE INDUSTRIES :

The concept of small enterprises varies from one country to another. In a most of the countries of the world, the criterion for defining a small enterprise is related to the size of employment. For instance, in USA, small business is one which has employment of less than 500 people. In UK, it is less than 20 skilled workers, in Germany less than 300 workers. In some countries both employment and investment are taken into account. In Japan, the investment in industrial undertakings should not exceed 100 million employing not more than 300 employees. In South Korea, investment limit is 2lakh dollars and employment limit being 200 people.

But this definition is different in context of Indian small enterprises and it change in time to time. The criterion for small-scale industry during the second five year plan was in terms of investment in land, building, plant and machinery and the size of the labour force. Subsequently, on the recommendation of the federation of association of small industries of India (FASII), an apex level organization of small-scale industry, set up under the aegis of the Ford Foundation team considered only the investment in fixed asset in plant and machinery, whether held in ownership terms or by lease or by hire-purchase, was considered for granting the status of SSI unit. From time to time, there have been many changes in the ceiling limit of investment in plant and machinery. In the beginning, for a small-scale industry the investment level was Rs. 5lakh and employment limit of less than 50 persons with power and less than 100 persons without using power.

In 1977, the investment base of SSI units was widened to Rs. 10lakhs. For ancillary units, the investment limit was Rs 15lakh. Units with investment of less than Rs 1lakh were defined as tiny enterprises. With the introduction of New Economic Policy in 1991, the investment limit for small-scale industries was raised to Rs 60lakhs, for ancillary units Rs 75lakh and for tiny enterprises Rs 5lakhs. During 1997, on the recommendation of Abid Hussain Committee, the government of India has raised the

investment limit on plant and machinery for small and ancillaries units raised the Rs.3 crore from Rs. 60/75Lakhs and for tiny units from Rs.5Lakhs to Rs. 25Lakhs but, the government of India In 2000 the investment limit for small and ancillary unit reduced from Rs. 3crore to Rs 1crore and for tiny enterprises has been retained as Rs 25lakhs (Datt and Sundaram).

Consequent to the enactment of micro, small and medium enterprises development (MSMED) act, 2006, the small and medium sector has been classified as micro, small and medium enterprises with effect from October 2, 2006, (the act defined the medium enterprises for the first time). Further, separate investment limits have been prescribed for manufacturing and service enterprises. The new classification is shown in following table.

Table -1
Definitions of MSMEs according to 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

3) OBJECTIVES OF THE STUDY:

- 1) To study the growth of small scale industries in Karnataka and as well as in Hyderabad Karnataka Region in Karnataka state
- 2) To study the changing definitions of small scale industries since inception
- 3) To study the production of small scale industries in Hyderabad Karnataka Region in Karnataka state

4) METHODOLOGY OF THE STUDY:

This present study based on only secondary sources. These data collected from various articles, books, journals and government reports.

5) PERFORMANCE OF SSI SECTOR:

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 SSIs 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.

Table -2
Registered SSIs in Karnataka

Year	Registered SSI Units	Annual Growth rate	Total SSIs(cumulative)	Investment (Rs. In lakh)	Per unit investment (Rs.in lakh)	Employment	Employment per unit
2001-02	16964	-	286119	575538	33.93	73195	4.31
2002-03	12029	-29.10	298148	616374	51.24	57371	4.77
2003-04	12220	1.58	310368	653428	53.48	56790	4.65
2004-05	11238	-8.04	321606	691969	61.58	49998	4.45
2005-06	12780	13.72	334386	735616	57.56	58133	4.55
2006-07	12580	-1.56	346966	782158	62.18	57517	4.57
2007-08	14984	19.10	361950	894817	59.72	123399	8.24
2008-09	15705	4.81	377655	996434	63.45	105034	6.69
2009-10	17195	9.48	394850	1119250	65.10	111164	6.46
2010-11	18434	7.21	413284	1239873	67.26	111226	6.03
2011-12	21021	14.03	434305	1399514	66.58	128387	6.10
Total	165150	100.00	3879637	9704971	58.77	932214	5.65

Source: Economic survey of Karnataka 2012-13

The above table 2 analyzed the year wise registered SSI units in Karnataka from 2001-02 to 2011-12 and cumulative registered units since inception. In the 5th column shows the investment in year wise registered SSI/MSME units and 6th column presents the per unit investment in registered SSI/MSME sector in Karnataka. The employment column explained the employment status in year wise registered units and last column shows the per unit employment in year wise registered SSI sector in Karnataka. Negative growth rate has marked in the year wise growth rate of SSI sector in the year of 2002-03, -29.10 percent, -8.04 percent in 2004-05 and -1.56 percent in 2006-07. Total 165150 units has registered from 2001-02 to 2011-12 and Rs. 9704971Lakh invested in these units.932214 peoples got employment in this sector and around 6 persons got employment per unit.

The following table 3 shows the registered SSI/MSME units in five districts of the Hyderabad Karnataka region. In the year of 2007-08 1058 units has been registered, Rs 7760.13 lakh invested in these units and 6619 persons got employment in these units. The registered units has increased in the year 2008-09, of 1151 units to 1430 units in 2009-10, but it declined in 2010-11 from 1430 to 1416, and increased to 1693 units in 2011-12. The number of people employed in these units has fluctuated during the period of 2003-04 to 2013-14. From 2003-04 to 2013-14 total 15123 SSI units has been registered and Rs. 99514.15 Lakh invested in these units and as well as 68744 persons employed in this sector. Annual growth of units has been fluctuated and some time it marked negative growth rate, in the year of 2004-05 -20.96 percent, -0.98 percent marked in 2010-11 and -7.85 percent negative growth marked in 2013-14. The investment also marked negative growth rate of -22.20 percent in 2004-05, -9.94 percent in 2008-09 and -58.83 percent marked in the year of 2010-11. Per unit employment has been fluctuate during this period and highest per unit employment recorded 6.6 percent in the year of 2007-08.

Table 3
Year wise Growth of SSIs in the H. K Region

Year	No. Of units Registered	Annual growth of units	Investments (Rs. In lakhs)	Annual growth in Investment	Employment (in nos)	Employment per unit
2003-04	1150	-	5877.19	-	4184	3.64
2004-05	909	-20.96	4572.64	-22.20	4385	4.82
2005-06	1392	53.14	8186.97	79.04	5862	4.21
2006-07	1496	7.47	8192.69	0.07	4988	3.33
2007-08	1058	-29.28	7760.13	-5.28	6619	6.26
2008-09	1151	8.79	6988.56	-9.94	5948	5.17
2009-10	1430	24.24	15465.45	121.30	6930	4.85
2010-11	1416	-0.98	6367.61	-58.83	5251	3.71
2011-12	1693	19.56	19440.91	205.31	8066	4.76
2012-13	1784	5.38	NA	--	8277	4.64
2013-14	1644	-7.85	16662.00	--	8234	5.01
Total	15123	6.00	99514.13	38.68	68744	4.55

Source: computed from 1) DAG, 2) DIC reports.

Table 4
Production of Registered Manufacturing units in the H.K Region
Rs. In Lakh

Year	GDDP	% of Increase in production	NDDP	% of Increase in production
2004-05	135937	--	101654	--
2005-06	169659	24.81	122206	20.22
2006-07	229562	35.31	179438	46.83
2007-08	119327	-48.02	81817	-54.40
2008-09	141258	18.38	106824	30.56
2009-10	162167	14.80	115590	8.21
2010-11	204063	25.84	147291	27.43
2011-12	224412	9.97	160239	8.79
2012-13	588660	162.31	401286	150.43
Total	1975045	100.00	1416345	100.00

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

The above table 4 presents the production of registered manufacturing SSI/MSME sector in Hyderabad Karnataka Region. The GDDP and NDDP have mentioned in lakh rupees and its annual growth rate also calculated. Total Rs. 1975045 lakh gross production; produced by the SSI sector from 2004-05 to 2012-13 and in the same period net production by this sector Rs. 1416345 lakh in the region. The 2007-08 not a favorable period for this sector because of in this year gross and net production marked the negative growth rate of -48.02 percent and -54.40 percent respectively.

6) CONCLUSION:

The small scale industries play the significant role in the Karnataka economy and as well as most backward region like that Hyderabad Karnataka region in Karnataka state. The above data shows that this sector significantly increased in the state and as well as in the region and its contribution also has been increasing in the region.

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