

## “Role of MSMEs in Employment Generation in Shivamogga District”

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### Abstract:

*Micro, Small & Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSMEs not only plays crucial role in providing large employment opportunities to the huge population of India at comparatively lower capital cost. This sector contributes enormously to the socio-economic development of the country. This paper aimed to know the role of MSMEs in employment generation .The data has been collected from District Industrial Centre, Department of Industry and commerce, Government of Karnataka, Journals and articles etc. The analyses of data are with the help of Microsoft Excel software and Statistical Package for the Social Sciences. The analysis used includes graphs, and Pearson correlation Method is used to test the hypothesis. The major findings of the study are the highest MSMEs units registered in the year 2015-16, the lowest is in the year 2006-07. The highest investment is in the year 2015-16, the lowest investment is in the year 2006-07. The highest employment generated in the year 2015-16 and the lowest in the year 2006-07.Hypothesis testing result shows that “There is a relationship between MSMEs Investment and Employment Generation”*

**Keywords:** Employment Generation, Micro, Small & Medium Enterprises, Investment.

## **1. INTRODUCTION:**

Micro, Small & Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSMEs not only plays crucial role in providing large employment opportunities to the huge population of India at comparatively lower capital cost. This sector contributes enormously to the socio-economic development of the country. Micro, small and medium enterprises as per MSMED Act, 2006 are defined based on their investment in plant and machinery (for manufacturing enterprise) and on equipment for enterprises providing or rendering services.

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 MSME and its organizations 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 programmes undertaken by the Ministry and its organizations seek to facilitate: i) adequate flow of credit from financial institutions/banks; ii) support for technology up gradation and modernization; iii) integrated infrastructural facilities; iv) modern testing facilities and quality certification; v) access to modern management practices; vi) entrepreneurship development and skill up gradation 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 and their collectives.

The role of micro, small & medium enterprises (MSMEs) in the economic and social development of the country is well established. The MSME sector is a nursery of entrepreneurship, often driven by individual creativity and innovation. This sector contributes 8 per cent of the country's GDP, 45 per cent of the manufactured output and 40 per cent of its exports. The MSMEs provide employment to about 60 million persons through 26 million enterprises. The labour to capital ratio in MSMEs and the overall growth in the MSME sector is much higher than in the large industries (Srinivas K. T., 2013).

The MSME sector in India is highly heterogeneous in terms of the size of the enterprises, variety of products and services produced and the levels of technology employed. While one end of the MSME spectrum contains highly innovative and high growth enterprises. The sector has a high growth potential and performs a critical role in the manufacturing. Micro, small & medium enterprises (MSME) sector is characterized by low investment requirement, operational flexibility and location wise mobility.

The estimated contribution of Micro, Small and Medium Enterprises (MSME) sector, including service segment, to the country's GDP during 2012-13 was 37.54 per cent; while the total employment in the sector is 805.24 lakh; and the share of MSMEs in India's total export for the year 2014-15 was 44.70 per cent, the Parliament was informed (Mishra, K., 2015).

In this perspective, employment generation has been one of the important objectives of development planning in India. The problem of employment is closely interlinked with the eradication of poverty. There are three main aspects of the employment problem in India. They are the problem of proportion of labour to total population, problem of productivity of labour and problem of unemployment of labour. These three aspects are interrelated. Problem of unemployment and underemployment is the chronic feature of the Indian economy which is the main cause of poverty in India. Unemployment in India is mostly structural. The rate of unemployment is different in different states. Sector wise unemployment in India is rural and urban unemployment.

Employment generation is for millions of youths coming out of institutes of higher learning. The trends in the employment scenario offer two specific insights to policymakers for accelerating job creation in the Indian economy. First, high economic growth alone is not sufficient for creating jobs. Second, appropriate policies will have to complement high growth for facilitating the required job creation in the manufacturing and services. Country like India, where mixed economic system exists, that is where State and Private entrepreneurship coexist, the small industrial sectors and business are left in the hands of private entrepreneurs. The major benefit for MSMEs is the reservation policy, which reserves certain items, for exclusive manufacture by these enterprises, thus, protecting their interests, as well as providing impetus to the society by

generating employment opportunities. Some of the major advantages from the MSME are that all the banks and other financial institutions recognize MSMEs and have created special schemes for them. This usually includes priority sector lending, which means that the likelihood of your business being sanctioned a loan is high, and lower bank interest rates. There may also be preferential treatment in case of delay in repayment. Depending on the business, the company may enjoy an excise exemption scheme as well as exemption from certain direct taxes in the initial years of the business which acts as tax benefits. Most of the state's offer those who've registered under the MSME Act subsidies on power, taxes and entry to state-run industrial estates. In particular, there is a sales tax exemption in most states and purchase preference on goods produced which is a benefit from State Governments. And lastly, the central government, from time to time, announces schemes to benefit MSMEs

## **2. Review of Literature:**

**Uma Pujar (2014)** author describes Micro Small and Medium scale industries have been playing a very important role in the social and economic development of the country. They are considered as the main indicator for the economic development of developing country like India. It has significantly contributed to the overall growth in terms of Gross domestic product, employment generation, income distribution, rural development, poverty eradication, exports and regional balance. It is one of the most vital sectors of the Indian economy in terms of employment generation and providing strong entrepreneurial base. It is estimated that in terms of value, the MSME sector accounts for about 45 % of manufacturing outputs and 40 % of the total exports of the country. Employment distributed is about 595 lakh persons in over 261 lakh enterprises throughout the country. There are over 6000 products ranging from tradition to high-tech items, which are being manufactured by MSMEs in India. It is well known that the MSME provide good opportunities for both self-employment and wage employment. Further, this sector has consistently registered a higher growth rate than the rest of the industrial sector. The paper used secondary data and based on descriptive research methodology. Secondary data from various government journals, SIDBI Annual report, MSME Act and various five year plans are

used. The main objective of the present study is to analyze the role of MSME sectors in generating employment in India.

**Vinay Kumar (2017)** this paper has made an attempt to understand the role of MSMEs in providing employment opportunities & push towards the inclusive development of the country. The various problems faced by these MSMEs in executing their operations have also been discussed in this paper. The data for the study has been collected from the various secondary sources such as government websites, magazines, various reports & news papers.

**Ajeya G (2018)** in this paper author try to explain MSMEs are the drivers of growth in developing countries. They are contributing to employment, GDP, and exports. Majority of the industries in India are small and medium enterprises. Karnataka state is one of the industrially developed state in India. Large number of MSMEs are operating in Karnataka. However, Shivamogga District is one the industrially developing district in the Karnataka state. Good number of micro and small industries are located in the district. Few large scale industries are also located in the district. The present paper mainly focus on growth and problems in MSMEs in Shivamogga district. Here major problems of MSMEs in the district are power failure, inefficient manpower, inadequate finance, marketing issues etc. The present paper is based on secondary sources of information collected from books, journals, News Paper's, and related websites etc.

**Parvathamma G.L. (2018)** overviewed that Statistics on MSMEs are based on registration of enterprises made with the Directorate of Industries and Commerce through District Industries Centers. At current year more than, 21,021 MSME Units have been registered in the State with an investment of Rs. ,159,641 lakhs by providing employment to more than 1,28,387 persons. When compared to the same period of year 2010-11, there is 14.03% increase in No. of units registered, 32.34% increase in Investment and 15.42 increase in no. of persons employed. Under this, 19610 Micro units, 1370 Small and 41 Medium industries have been registered with an investment of Rs.43,650.46 lakhs, Rs 91,266.06 lakhs, and Rs.24,724.23 lakhs respectively by providing employment to 86,216, 34,400 and 7,771 persons respectively. With all these, the

State also felt the urgency of providing stimulus measures for industries and service sector to combat the ill effects of the financial crisis prevailing globally. The State is committed to initiate certain measures to provide temporary relief to the industry and service sector to overcome the present situation. Karnataka Government with an objective of increasing GSDP, strengthening the manufacturing sector, generation of additional employment in different sectors, to promote diversified Industrial base and to reduce regional imbalances and also to increase the share of exports from Karnataka in the national export, the state has taken up initiatives like New Industrial Policy 2009-2014, State Special Economic Zone Policy 2009 and Suvarna Karnataka Textile Policy, and Karnataka Mineral Policy. With the above back ground, the present study made an effort to analyses the policy initiatives of the state to strengthen and empowering the MSMEs sector in Karnataka state. The study concluded by giving some suggestions for future prospects of MSMEs.

**Gangadharappa.N (2019)** in this paper author discusses about India lives in villages and rural economy is the heart of our economy. In India about 70 percent people lives in villages and their life is only depending on agriculture sector. Standard of living of those people is comparatively low with urban people. Employment is generated only by agriculture and allied activities in rural area. Considering these circumstances MSMEs play a very important role in Indian economy in terms of employment generation. The main advantage of MSMEs sector is that, it is always depend on labour and not capital. India has rich in human resources. The MSMEs give employment Opportunities to the less educated people and local human resources of the society. MSMEs are the engine of economic growth and development of India. As per the available recent statistics this sector employees an estimated 1, 114, 29 million persons spread over 488, 56 million enterprises. On this consideration study has been taken to analyses the importance of MSMEs sector in employment generation with special reference of Chikkaballapur district in Karnataka state.

**3. Research Gap:** An overview of literature states that a number of studies have been undertaken related to MSMEs in India and abroad ,but there is no evidence that any of the earlier research not studied in the object and scope of the topic in Shivamogga city which chosen

in the present study. Therefore keeping this in view the present research has been taken to study the current Role of MSMEs in Employment Generation in Shivamogga District.

## **4. Need of the Study**

In a developing country like India unemployment is a major issue which affects the overall growth of a country. It is a major element of socio-economic status of any country. MSME sector contributes in the employment status of India a lot because it suits the weaknesses of the Indian economy like- lack of capital, less technology and lack of well-developed infrastructure etc. Due to these reasons, it is important to study the role of MSME sector in employment generation.

## **5. Objectives of the study**

- To examine the performance of the MSME's at the state level and at the regional level
- To study the role of MSMEs in employment generation.
- To explore the importance of MSMEs in India.
- To know the problems of MSMEs.

## **6. Hypothesis of the study**

H<sub>0</sub>: There is no relationship between MSMEs Investment and Employment Generation.

H<sub>1</sub>: There is a relationship between MSMEs Investment and Employment Generation.

## **7. Research Methodology:**

### **A. Source of data:**

The study is based on and secondary data is collected from various is journals, newspapers magazines, websites, reports, bulletins, etc. The data also has been collected from District Industrial Centre, Department of Industry and commerce, Government of Karnataka. Books and Journals referred for data collection to Shivamogga District.

### **B. Statistical tools and techniques:**

The analyses of data are with the help of Microsoft Excel software and Statistical Package for the Social Sciences. The analysis used includes, percentages, graphs, and correlation is used to test the hypothesis.

## C. Profile of Shimoga District:

- Shimoga is located at an altitude of 640 meters above sea level and situated at a distance of 273 Km from Bangalore.
- Spread across 7 Talukas – Bhadravathi, Hosanagara, Sagar, Shikaripur, Shimoga, Soraba and Thirthahalli.
- Rich in natural Resources - As a part of Western Ghats and due to nature's blessings, the rivers inundate the fertile alluvial soil round the year and makes district - 'the bread basket of Karnataka'.
- Ruled by the great Indian dynasties of the Kadambas, Gangas, Chalukyas, Rastrakutas, Keladi and Vijaynagar Kings.
- Shimoga (Face of Shiva), was established by the Keladi rulers. It reached its pinnacle during the rule of Shivappa Nayaka around 1600 A.D.
- Sharavathi Hydel Project and Varahi Project contribute towards the substantial portion of the state's power needs. Well-known for 'Jog Falls' - nature's headlong tumble created by Sharavathi river with a drop of 253 m in four distinct cascades; creating the highest falls in Asia.

**D. Demographic features:** Shimoga district is a part of the Malnad region of Karnataka and is also known as the Gateway to Malnad or Malenaada Hebbagilu in Kannada. The district is landlocked and bounded by Haveri, Davanagere , Chikmagalur , Udupi and Uttara Kannada Districts. The district ranks 9th in terms of the total area among the districts of Karnataka. The district is spread over an area of 8465 square kms. Shimoga lies between the latitudes 13°27' and 14°39' N and between the longitudes 74°38' and 76°04' E at a mean altitude of 640 meters above



sea level. The peak Kodachadri hill at an altitude of 1343 meters above sea level is the highest point in this district. Rivers Kali, Gangavathi, Sharavathi and Tadadi originate in this district. The two major rivers that flow through this district are Tunga and Bhadra which meet at Koodli near Shimoga city to gain the name of Tungabhadra, which later joins Krishna

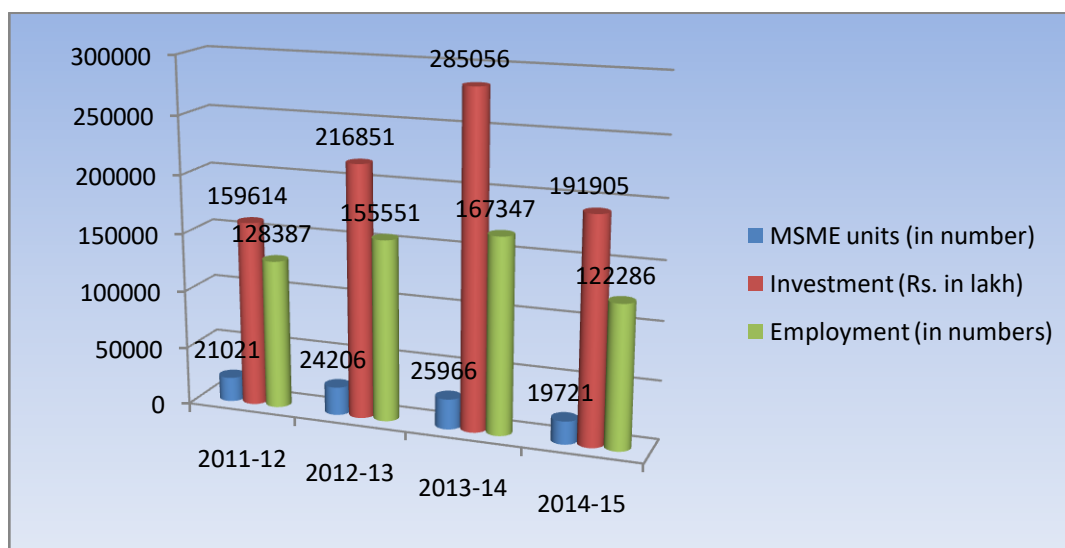
## 8. Analysis and Interpretation

Table: 1 Year Wise Performance of MSME’s in Karnataka

Year	MSME units (in number)	Investment (Rs. in lakh)	Employment (in numbers)
2011-12	21021	159614	128387
2012-13	24206	216851	155551
2013-14	25966	285056	167347
2014-15	19721	191905	122286

**Source:** Directorate of Industry and Commerce. Government of Karnataka. (up to Dec. 2014)

**Graph: 1** Year Wise Performance of MSMES’s in Karnataka



The above graph one shows the year wise MSMEs Units registered in numbers, Investment in lakhs and Employment generation in numbers in all over Karnataka from 2011-12 to 2014-

15.The MSMEs Units registered is increasing year by year but in the last year decreased, the investment also increasing trend and the employment also increased as the investment is increased, it means that the employment and investment are correlated.

**Table: 2 Year Wise Performance of MSME's in Shivamogga District**

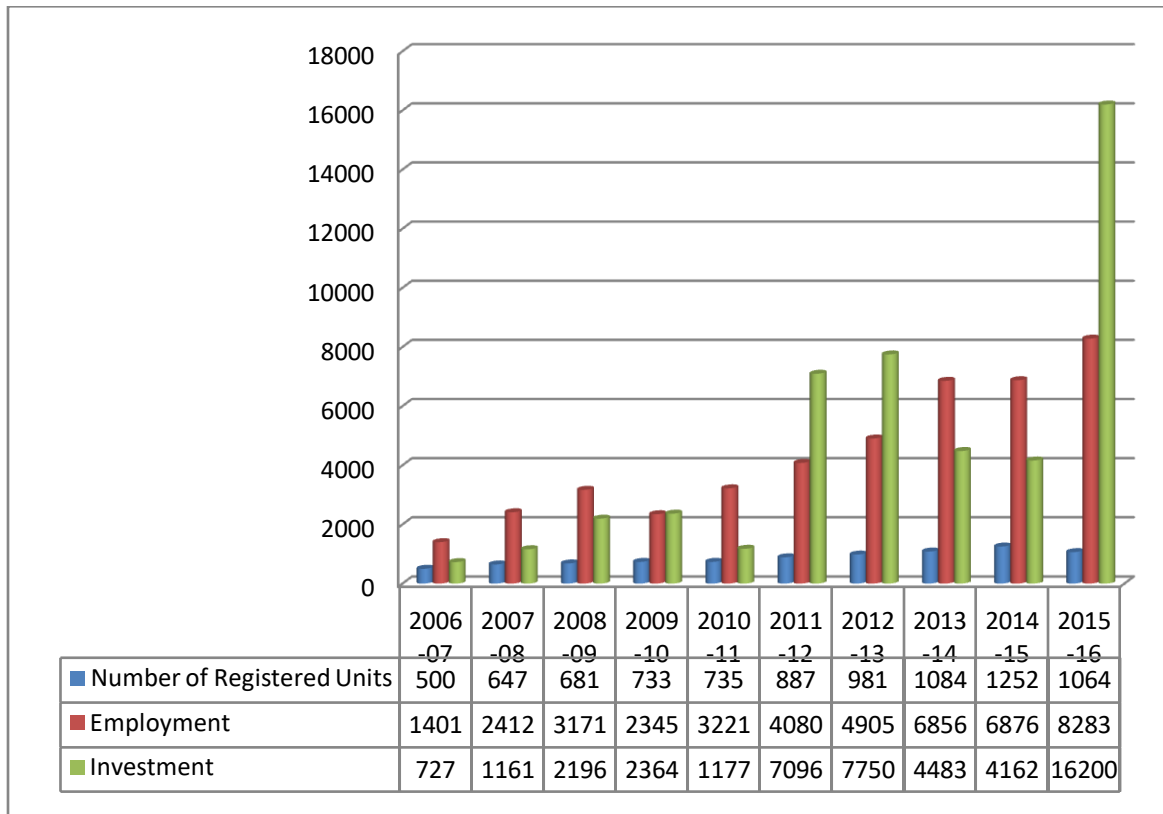
Year	Number of Registered Units	Employment	Investment (Lakh Rs.)
2006-07	500	1401	727
2007-08	647	2412	1161
2008-09	681	3171	2196
2009-10	733	2345	2364
2010-11	735	3221	1177
2011-12	887	4080	7096
2012-13	981	4905	7750
2013-14	1084	6856	4483
2014-15	1252	6876	4162
2015-16	1064	8283	16200
Total	8564	43550	47316

Source: MSME Development Institute Shivamogga.

The graph two shows the year wise MSMEs Units registered in numbers, Investment in lakhs and Employment generation in numbers in Shivamogga from 2006-07 to 2015-16. The number of MSMEs registered units increasing trend, but the employment generation is fluctuated over the study period and Investment also fluctuated over the study period. The highest MSMEs units registered in the year 2015-16, the lowest is in the year 2006-07. The highest investment is

in the year 2015-16, the lowest investment is in the year 2006-07. The highest employment generated in the year 2015-16 and the lowest in the year 2006-07.

**Graph: 2 Year Wise Performance of MSME's In Shivamogga District**



## 9. Testing of Hypothesis:

$H_0$ : There is no relationship between MSMEs Investment and Employment Generation.

$H_1$ : There is a relationship between MSMEs Investment and Employment Generation.

<b>Results of Correlations</b>			
		Year wise Investment of MSMES	Year wise Employment of MSMES
Year wise Investment of MSMES	Pearson Correlation	1	.764*
	Sig. (2-tailed)		.010
	N	10	10
Year wise Employment of MSMES	Pearson Correlation	.764*	1
	Sig. (2-tailed)	.010	
	N	10	10
*. Correlation is significant at the 0.05 level (2-tailed).			

Source: SPSS output.

The above table highlights results of Pearson Correlations between investment and employment. The result of Pearson Correlation shows that  $R = .764$ ,  $n = 10$  and Significant Value (2-tailed)  $.010$ . As a result Significant-value is less than  $.05$ , so it is considered statistically significant. Hence, the null hypothesis is rejected and the alternative hypothesis is accepted. So it can be stated that “There is a relationship between MSMEs Investment and Employment Generation”

## 10. Problems of MSME's:-

In fact, these are the problems in general faced by the MSME sector in the country.

1. Lack of infrastructure
2. Lack of trained and skilled labors
3. Problem of raw-materials
4. Delay in sanctioning of loans by banks
5. Problem of marketing

6. Lack of formal finance
7. Problems in claiming subsidies
8. Delay in getting the permission
9. Shortage of electricity
10. Lack of information and guidance.

## 11. Findings

1. It has been found that the total number registered MSMEs from 2006-07 to 2015-16 were 8564 in Shivamogga district.
2. It has been found that, the highest Employment in the year 2015-16 was 8283 in Micro, Small and Medium Enterprises in the Shivamogga district.
3. The highest investment is in the year 2015-16, the lowest investment is in the year 2006-07 in the Shivamogga District.

## 12. Conclusion

In Indian economy MSME Sector plays a vital role in economic development. In rural India Local resources are efficiently used with the low investment and employment has been increased with increased in numbers of MSMEs units in India and GDP also increased.

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