

Role of MSME Units in Generating Employment and Sustainable Economic Development: A Descriptive Study of Karnataka State

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Abstract- In the dynamic landscape of Karnataka State, the fusion of entrepreneurial initiatives and sustainable economic development has emerged as a pivotal force driving societal progress. Using information from the Karnataka Economic Survey 2021–22, this study explores the Micro, Small, and Medium-Sized Enterprises (MSMEs) industry in Karnataka. The report examines the dynamics of MSMEs in each of the state's 30 districts, covering the years 2005–2006 to 2020–2021. The report offers comprehensive insights into the geographical distribution, investment patterns, employment generation, and growing trends within Karnataka's MSME environment. It does this by classifying enterprises according to the Government of India's new classification system. The results illustrate the industry's tenacity, emphasising its ability to draw in capital and create jobs even in the face of economic headwinds. In addition to providing a thorough examination of Karnataka's MSME sector, this report clarifies the policy implications needed to support and foster these businesses.

Keywords: Entrepreneurship Initiatives, Economic Development, Sustainability, Start-Up's, Government of Karnataka

INTRODUCTION

Micro, Small, and Medium-Sized Enterprises (MSMEs) play a crucial role in the complex economic landscape of Karnataka, representing the state's entrepreneurial energy and flexibility. This research study carefully examines the MSME industry in Karnataka by examining data from the Karnataka Economic Survey 2021–2022. The study covers a wide range of time periods, from 2005–2006 to 2020–2021, providing a thorough picture of the industry's development. MSMEs are ubiquitous in both urban and rural areas of Karnataka and form the backbone of

the state's economy. This study uses 30 districts as its canvas and carefully classifies and examines MSMEs using the revised classification method that the Government of India will be implementing as of July 2020. Through data analysis, this article reveals the geographic distribution of these businesses, providing insights into their investment preferences, their critical role in creating jobs, and their resilience to economic downturns. The MSME sector in Karnataka is not just a conglomeration of businesses; it embodies the aspirations of entrepreneurs and the vision of the state's economic architects. The findings of this study not only decipher the current state of affairs but also serve as a compass guiding policymakers. In an era marked by economic flux, understanding the nuances of MSMEs becomes imperative. As we navigate the labyrinth of Karnataka's economic landscape, this research paper illuminates the path forward, signalling towards a future where MSMEs continue to flourish, contributing significantly to Karnataka's economic vitality and resilience.

REVIEW OF LITERATURE

A thorough review of the research indicates that MSMEs are essential to the long-term growth and development of any economy, including the creation of jobs in India. The research reviewed below serves as justification for the current study's necessity:

The Indian economy's Micro, Small, and Medium-Sized Enterprises (MSME) sector is thought to be the most active and a major driver of development. MSME's contribute to the second-largest job possibilities and the creation of entrepreneurship. About 111 million people are employed by MSME, which also makes a major contribution to the growth

of the Indian economy (Srivastava, 2020). Through corporate innovations, MSMEs have been making a major contribution to the growth of entrepreneurial endeavours (Drishti, 2020). MSMEs are a crucial component of sustainable development because they operate as engines of growth, encourage balanced growth, and accomplish sustainable development. They also generate economic growth, employment opportunities, elevate poverty, and lower inequality. They have the fastest rate of increase in employment, which encourages further industrial development and strong export rates (Ahmed, 2019). MSMEs help industrialise rural areas by creating jobs and assisting in the process, which also lessens the disparity in income distribution among the locals. The MSMEs, with its low investment levels, use of native raw materials, adaptable operating procedures, and technology-oriented firms, has made a substantial contribution to the development of the Indian economy (Kumar, 2017). By increasing employment opportunities and industrialising these areas, Micro, Small, and Medium-Sized Enterprises contribute to

reducing the unequal distribution of income among individuals (Syal, 2015).

OBJECTIVES OF THE STUDY

- To understand the classification of MSME in India
- To assess the current MSME scenario in Karnataka
- To analyse MSME role in the economy

METHODOLOGY OF THE STUDY

This paper is based on the secondary data extracted from Karnataka economic survey 2021-22 ministry of MSME. The time period from 2005-2006 to 2020-2021 has been taken into consideration. Karnataka state has 30 districts the MSME details of these districts considered under the study and has been analysed data and given inference based on the distribution of units, investment distribution, average investment per unit capacity of employment generation, by these MSMEs in Karnataka state.

Table 1: Classification of MSMEs GoI new classification applicable w.e.f 1st July 2020

Classification of MSME		
Category	Manufacturing and Services	
	Investment on Plant and Machinery	Annual Turnover
Micro	Up to Rs. 1.00 Crore	Up to Rs. 5.00 Crore
Small	Up to Rs. 10.00 Crore	Up to Rs. 50.00 Crore
Medium	Up to Rs.50.00 Crore	Up to Rs.250.00 Crore

Source: msme.gov.in

Table 2 : Details Micro units in Karnataka State

The number of registered Micro units, Investment and Employment for the year 2020-21 up to 30 November 2021				
S.No	District	Micro (Up to Rs. 1.00 Crore Investment or 5 crore Turnover)		
		Units	Investment (Rs.crs)	Employment
1	Bagalkot	1769	40.24	9668
2	Ballari	2081	46.2	12439
3	Belagavi	5851	117.81	57888
4	Bengaluru Rural	4618	90.66	62659
5	Bengaluru Urban	28301	558.19	178793
6	Bidar	901	25.41	9413
7	Chamarajanagar	444	4.51	2089
8	Chikballapur	951	53.54	8491
9	Chikkamagaluru	1108	25.26	5145
10	Chitradurga	1191	17.54	6435
11	Dakshina Kannada	2940	59.12	21682
12	Davanagere	1616	34.57	8859
13	Dharwad	3199	55.2	35129
14	Gadag	750	16.34	4179

15	Hassan	1930	37.54	30867
16	Haveri	1044	21.99	5116
17	Kalaburagi	1792	55.76	14470
18	Kodagu	619	12.86	4692
19	Kolar	1384	34.44	13467
20	Koppal	856	41.02	8625
21	Mandya	1523	32.69	23421
22	Mysuru	3108	56.86	27341
23	Raichur	986	22.53	14359
24	Ramanagara	900	28.94	10445
25	Shivamogga	1756	34.97	7679
26	Tumakuru	2248	49.94	14929
27	Udupi	1536	46.46	8209
28	Uttara Kannada	1492	30.84	7493
29	Vijayapura	2067	39.37	12774
30	Yadgir	1166	18.44	13636
	Total	80127	1709.24	640392

Based on the provided data for registered Micro units in Karnataka State for the year 2020-21 up to 30 November 2021, the following clear inferences can be made:

Geographical Distribution: Bengaluru Urban has the highest number of registered Micro units (28301), indicating a significant concentration of small-scale businesses in the urban centre. Bagalkot, Ballari, and Belagavi also have substantial numbers of Micro units, contributing to the state's industrial landscape.

Investment Distribution: Bengaluru Urban has the highest investment in crores (Rs. 558.19 Crs), followed by Belagavi (Rs. 117.81 Crs) and Dakshina Kannada (Rs. 59.12 Crs). This suggests that while Bengaluru Urban has the most units, they also attract substantial investment, indicating the presence of both small and medium-sized enterprises in the district. Chamarajanagar has the lowest investment (Rs. 4.51 Crs), indicating comparatively smaller businesses in terms of investment.

Employment Generation: Bengaluru Urban also leads in employment generation, providing jobs for 178,793 individuals. Belagavi (57,888) and Hassan (30,867) also contribute significantly to employment.

Table 3 : Details Small units in Karnataka State

The number of registered Small Units, Investment and Employment for the year 2020-21 up to 30 November 2021				
S.No	District	Micro (Up to Rs. 10.00 Crore Investment or 50 crore Turnover)		
		Units	Investment (Rs.crs)	Employment
1	Bagalkot	12	22.81	321
2	Ballari (Bellary)	22	21.44	611
3	Belagavi (Belgaum)	31	81.99	799
4	Bengaluru Rural	35	63.18	648

Chamarajanagar has the lowest employment (2,089), indicating limited job opportunities in the Micro units of the district.

Average Investment per Unit: Bengaluru Urban, despite having the highest number of units, also maintains a relatively high average investment per unit (Rs. 19.74 Lakhs per unit). This suggests the presence of larger Micro units with substantial investments in the district. Chamarajanagar, with a low total investment and a small number of units, has a lower average investment per unit (Rs. 10.16 Lakhs per unit).
Average Employment per Unit: Bengaluru Urban, despite having the highest number of units, also maintains a high average employment per unit (6.32 employees per unit). This indicates a mix of small-scale businesses with a significant workforce and larger Micro units with more employees. Chamarajanagar, with a small number of units and low employment, has a lower average employment per unit (4.70 employees per unit).

State wide Overview: The total number of registered Micro units in Karnataka State is 80,127, collectively generating employment for 640,392 individuals and an investment of Rs. 1709.24 Crores.

5	Bengaluru Urban	170	242.84	2915
6	Bidar	15	31.89	235
7	Chamarajanagar	4	12.14	56
8	Chikballapur	6	16.84	64
9	Chikkamagaluru	9	8.17	172
10	Chitradurga	6	4.26	70
11	Dakshina Kannada	12	10.22	97
12	Davanagere	11	12.02	218
13	Dharwad	26	28.43	380
14	Gadag	7	7.96	68
15	Hassan	14	14.87	242
16	Haveri	9	18.37	75
17	Kalaburagi	23	37.83	285
18	Kodagu	2	2.1	35
19	Kolar	17	27.07	296
20	Koppal	18	23.7	198
21	Mandya	13	15.02	318
22	Mysuru	22	39.42	434
23	Raichur	27	34.05	390
24	Ramanagara	4	3.78	31
25	Shivamogga	8	17.42	91
26	Tumakuru	22	24.13	446
27	Udupi	11	16.3	94
28	Uttara Kannada	9	18.82	145
29	Vijayapura	10	18.91	118
30	Yadgir	5	13.11	78
	Total	580	889.1	9930

Based on the provided data for registered Small Units in Karnataka State for the year 2020-21 up to 30 November 2021, the following clear inferences can be made:

Geographical Distribution: Bengaluru Urban has the highest number of registered Small Units (170), indicating a significant presence of small-scale businesses in the urban area. Other districts like Belagavi, Raichur, Kalaburagi, and Mysuru also have a considerable number of Small Units, contributing to the overall industrial landscape.

Investment Distribution: Bengaluru Urban has the highest investment in crores (Rs. 242.84 Crs), followed by Belagavi (Rs. 81.99 Crs) and Raichur (Rs. 34.05 Crs). This suggests that Bengaluru Urban not only has a large number of Small Units but also attracts substantial investments, indicating the presence of both small and medium-sized enterprises in the district. Kodagu has the lowest investment (Rs. 2.1 Crs), indicating comparatively smaller businesses in terms of investment.

Employment Generation: Bengaluru Urban also leads in employment generation, providing jobs for 2915 individuals. Raichur (390) and Mysuru (434) also contribute significantly to employment. Ramanagara has the lowest employment (31), indicating limited job opportunities in the Small Units of the district.

Average Investment per Unit: Bengaluru Urban, despite having the highest number of units, also maintains a relatively high average investment per unit (Rs. 1.43 Crores per unit). This suggests the presence of larger Small Units with substantial investments in the district. Ramanagara, with a low total investment and a small number of units, has a lower average investment per unit (Rs. 94 Lakhs per unit).

Average Employment per Unit: Bengaluru Urban, with a high number of units and employment, has a moderate average employment per unit (17.14 employees per unit). This indicates a mix of small-scale businesses with a significant workforce and larger Small Units with more employees.

Ramanagara, with a small number of units and low employment, has a higher average employment per

unit (31 employees per unit), indicating a more labour-intensive nature of businesses in the district.

generating employment for 9930 individuals and an investment of Rs. 889.1 Crores.

State wide Overview: The total number of registered Small Units in Karnataka State is 580, collectively

Table 2 : Details Medium units in Karnataka State

The number of registered Medium Units, Investment and Employment for the year 2020-21 up to 30 November 2021				
S.No	District	Micro (Up to Rs. 10.00 Crore Investment or 50 crore Turnover)		
		Units	Investment (Rs.crs)	Employment
1	Bagalkot	-	-	-
2	Ballari (Bellary)	-	-	-
3	Belagavi (Belgaum)	1	48.00	10
4	Bengaluru Rural	2	4.68	22
5	Bengaluru Urban	12	64.62	1084
6	Bidar	-	-	-
7	Chamarajanagar	-	-	-
8	Chikballapur	1	17.00	25
9	Chikkamagaluru	-	-	-
10	Chitradurga	-	-	-
11	Dakshina Kannada	-	-	-
12	Davanagere	-	-	-
13	Dharwad	2	58.56	90
14	Gadag	-	-	-
15	Hassan	-	-	-
16	Haveri	1	0.86	11
17	Kalaburagi	1	32.21	30
18	Kodagu	-	-	-
19	Kolar	-	-	-
20	Koppal	-	-	-
21	Mandya	-	-	-
22	Mysuru	5	89.68	137
23	Raichur	1	16.65	86
24	Ramanagara	-	-	-
25	Shivamogga	-	-	-
26	Tumakuru	-	-	-
27	Udupi	-	-	-
28	Uttara Kannada	-	-	-
29	Vijayapura	2	34.26	117
30	Yadgir	-	-	-
	Total	28	366.53	1612

Based on the provided data for registered Medium Units in Karnataka State for the year 2020-21 up to 30 November 2021, the following clear inferences can be made:

Geographical Distribution: Out of the 30 districts in Karnataka, only 11 districts have registered Medium Units. Bengaluru Urban has the highest number of Medium Units with 12 units, indicating a concentration of medium-scale businesses in the urban area. Other districts like Belagavi, Dharwad, Mysuru, Vijayapura, Kalaburagi, Raichur, Bengaluru Rural,

and Haveri also have a small number of registered Medium Units.

Investment in Medium Units: Mysuru has the highest investment in crores (Rs. 89.68 Crs) among the districts with Medium Units, followed by Bengaluru Urban (Rs. 64.62 Crs) and Dharwad (Rs. 58.56 Crs). Belagavi, Kalaburagi, Raichur, and Vijayapura also have substantial investments in Medium Units.

Employment Generation: Bengaluru Urban leads in employment generation among districts with Medium Units, providing jobs for 1084 individuals. Mysuru,

with a lower number of Medium Units, also contributes significantly to employment, providing jobs for 137 individuals. Other districts with Medium Units also contribute to employment generation, with varying numbers of employees.

State wide Overview: The total number of registered Medium Units in Karnataka State is 28, collectively generating employment for 1612 individuals and an

investment of Rs. 366.53 Crores. Medium-scale businesses are concentrated in a few districts, primarily in urban and industrially developed areas such as Bengaluru Urban and Mysuru. While the number of Medium Units is limited compared to Micro and Small Units, they play a significant role in employment generation and investment, especially in districts like Bengaluru Urban and Mysuru.

Registration of Small-Scale industrial Units in Karnataka (Cumulative)			
Year	No of SSI Units	Investment Rs. In Lakh)	Employment in 000's
2005-06	334386	735616	1888
2006-07	346966	782158	1946
2007-08	361950	894817	2069
2008-09	377655	996434	2174
2009-10	394850	1119250	2285
2010-11	413284	1239873	2396
2011-12	434305	1399514	2524
2012-13	458511	1616365	2680
2013-14	484549	1901082	2846
2014-15	513291	2180373	3022
2015-16	538947	2674965	3243
2016-17	578117	3941379	3752
2017-18	626599	5099954	4193
2018-19	695877	6587652	4776
2019-20	793109	8447379	5478
2020-21	332233	60000678	3631

Based on the provided data regarding the registration of Small-Scale Industrial (SSI) Units in Karnataka over the years, several clear inferences can be made:

Growth in the Number of SSI Units: The number of Small-Scale Industrial Units in Karnataka has shown consistent growth over the years, starting from 334,386 in 2005-06 and reaching 793,109 in 2019-20. However, there was a significant drop in the number of units in 2020-21, decreasing to 332,233. This drop in the number of units in 2020-21 might be due to various factors such as economic challenges, policy changes, or the impact of the COVID-19 pandemic.

Investment Trends: Investment in SSI units has shown substantial growth, increasing from Rs. 735,616 lakhs in 2005-06 to Rs. 84,473,780 lakhs in 2019-20. The highest spike in investment occurred between 2017-18 and 2018-19. In 2020-21, despite the decrease in the number of units, there was a significant jump in investment, reaching Rs. 600,006,780 lakhs. This indicates that although the number of units decreased, the remaining units attracted substantial investment.

Employment Generation: Employment in SSI units has also increased steadily, rising from 1,888,000 in

2005-06 to 5,478,000 in 2019-20. This shows a consistent focus on job creation in the small-scale industrial sector in Karnataka. In 2020-21, despite the decrease in the number of units, employment remained relatively stable at 3,631,000. This suggests that the remaining units might have compensated for the reduced numbers by providing more jobs.

Impact of Economic and External Factors: The data reflects the resilience of the small-scale industrial sector in Karnataka, which managed to attract significant investments and generate employment despite economic fluctuations and external challenges.

Policy Implications: The drop in the number of units in 2020-21 highlights the importance of policies and support measures to sustain and boost the small-scale industrial sector, especially during challenging times.

CONCLUSION

In the intricate tapestry of Karnataka's economic landscape, the role of Micro, Small, and Medium-Sized Enterprises (MSMEs) stands as a testament to the state's entrepreneurial vibrancy and resilience. This

descriptive study delved deep into the heart of Karnataka, unravelling the symbiotic relationship between government initiatives, entrepreneurial aspirations, and sustainable economic development. The data paints a compelling picture: Karnataka's MSME sector is not just a collection of enterprises; it's a driving force behind employment generation, economic growth, and innovation. From the bustling urban corridors of Bengaluru to the serene rural pockets, MSMEs have woven themselves into the very fabric of Karnataka's progress. In conclusion, Karnataka's MSME sector is a beacon of hope and progress. It is a testament to the state's vision, the entrepreneurial spirit of its people, and the unwavering support provided by well-crafted government initiatives. As Karnataka moves forward, this study stands as a guiding light, illuminating the path toward an even more vibrant, inclusive, and sustainable economic future, where every entrepreneurial dream finds the support it needs to flourish.

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