

Growth and Performance of Small Scale Industries/Micro Small and Medium Enterprises in Kerala-Region Wise Analysis

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ABSTRACT

Industrial development is inevitable in the economic development of a nation. Employment generation to satisfy the requirement of educated youth is one of the challenges faced by the Government of India. Industrialization is one among the best way to create employment opportunity to fulfil the requirement of youth. Government of India has undertaken various policy measures to promote industrialisation in the country. Incentives and subsidies has been provided, changing the policies periodically in order to motivate entrepreneurs. The Government support is essential to stimulate entrepreneurial spirit. This induce many people to enter in the field of entrepreneurship especially in Micro, Small and Medium Enterprises. So Micro Small and Medium enterprises (MSME) is considered as a vibrant and active sector in Indian economy as compared to large scale enterprises. Small scale industries are more attracted in the context of India because it requires less capital, ensure balanced regional development and also create employment opportunity. Small scale industries also work as ancillary unit of large scale industries. Except large scale industry, micro, small and medium enterprises are now under Micro, Small and Medium Development Act 2006. MSME sector shows consistent growth in terms of number of entrepreneurs memorandum filed every year. Kerala has been included in top ten in terms of number of entrepreneurs memorandum filed. This paper analyse the region wise growth and performance of small scale industries/MSME in Kerala by considering the variables number of units, employment, goods and services produced and investment.

Keywords: Small scale enterprises, Growth, Micro small and medium enterprises.

INTRODUCTION:

Micro, small and medium enterprises can play an important role in promoting equitable development and introducing innovation on a small scale. In India 346.12 lakh units functioning across the country employing 805.24 lakh workers and it contributes a share of 37.5 per cent to the country's GDP. MSME sector play an important role in employment generation, self employment, industrial and economic growth and act as an ancillary to large scale industries. So small scale enterprises is considered as one of the two wheels of industrialisation of India. Government of India has undertaken various policy measures to promote industrialisation in the country. Incentives and subsidies provided to motivate entrepreneurs. So Micro, Small and Medium enterprises (MSME) is a vibrant and active sector in the Indian economy as compared to large scale enterprises. In Kerala the small scale sector occupies a special place in the industrial structure because of its labour intensive nature. Our state is rich in manpower, but scarce in capital. Small scale industries are labour intensive in nature. Therefore, Small Scale Industries (SSI) occupy a special place in our state.

Definition of small scale industry as per Micro, Small and Medium Enterprises Development Act, 2006:

The Micro, Small and Medium Enterprises Development Act, 2006 was enacted on 16th June 2006. The Act empowers the government to establish a National Board for micro, Small and Medium Enterprise. As per Micro, Small and Medium Enterprises Development Act 2006, the earlier concept of “industries” has been changed to ‘enterprises’.

Manufacturing enterprises have been defined in terms of **investment** in plant and machinery (excluding land and building) they are classified into-

Micro enterprises-investment upto Rs. 25 lakhs

Small enterprises-investment above Rs. 25 lakhs and upto Rs. 5 crores and

Medium enterprises-investment above Rs. 5 crores and upto Rs. 10 crores.

Services enterprises have been defined in terms of investment of equipment (excluding land and building) they are classified into-

Micro enterprises-investment upto Rs. 10 lakhs

Small enterprises-investment above Rs. 10 lakhs and upto Rs. 2 crores and

Medium enterprises-investment above Rs. 2 crores and upto Rs. 5 crores . (Khanka, 2014)

New initiatives undertaken by the government for the promotion and development of MSMEs:

Some of the new initiatives undertaken by the government for the promotion and development of MSMEs are as follows.

Udyog Adhar Memorandum(UAM):

Under this scheme MSME entrepreneurs need to file an online entrepreneurs memorandum to instantly get a unique Udyog Aadhaar Number(UAN).The information sought is on a self certification basis and no supporting documents are required.This marks a significant improvement over the earlier complex procedures.

Employment exchange for industries:

An employment exchange for industries was launched on June 15, 2015 in connection with Digital India. More than 3.42 lakh job seekers have been registered.

Frame work for Revival and rehabilitation of MSMEs:

Under this framework, banks have constituted a committee for distressed MSME enterprises at zonal or district level to prepare a corrective plan for these units.

A scheme for Promoting Innovation and Rural Entrepreneurs(ASPIRE):

This scheme was introduced on March 16, 2015 with the objective of setting up a network of technology centres and incubation centres to accelerate entrepreneurship.

MSME in Kerala:

The micro small and medium enterprises sector helps in industrialisation of rural and backward areas focusing youth and socially disadvantaged groups, women and physically challenged persons. MSME sector contributes to the socio-economic development of the State. The industries under MSME sector include handicrafts, handloom, Khadi, food processing, garment making and textile industries, industries related to coir, wood, bamboo, plastic, rubber, leather, clay and electric components. The directorate of industries and commerce of Government of Kerala acts as a facilitator for industrial promotion of the state. The number of new enterprises filed memorandum under MSME Part II in Kerala during the year 2015-16 was 7705. Investment in the sector during the period was Rupees 1, 29, 356.95 lakh while employment generated and the value of goods and services produced were 45407 numbers and rupees 3, 38, 001.36 lakh. (Kerala IT mission, 2017)

LITERATURE REVIEW:

(Kotty, 2008) conducted a study on problems and prospects of small scale industries in India. He suggested that encouraging industry association to establish quality counselling and common testing facilities. Training for entrepreneurship development, granting permission for foreign collaboration in the small scale sector with a view to encourage modernisation and technical upgradation. Provide assistance for exports, setting up industrial estate, developing infrastructural facilities

(Kumar, Selvaraj, & Balaji, 2015) in his article “A study on the development of small scale industries in Tamilnadu, India” studied the performance of small scale industries in terms of number of units, employment and investment. He suggested that the lead banks in all districts had a periodical meeting with DIC and SSI associations to assess the nature and type of loan required.

(T.Uma & Kiran, 2014) made a paper on performance of small scale industries in India based on the variables number of units registered, investment in fixed assets and employment. During the study period 2001 to 2012

showed progressive increase in the number of units, investment and employment. The study revealed that volatility in respect of investment and production was less because the mean value was higher than standard deviation. The risk associated with this sector was less so more concentration on this sector really helpful in the economic development of a nation.

(Susmitha, 2014) made a paper on growth and performance of small scale industries in India with special reference to Kerala during the period of 1990-91 to 2011-12 by considering the variables number of units registered, production and employment, compared the performance of Kerala with India. The researcher observed that at national level Small scale industry sector showed a progressive growth in all variables. The position of Kerala in terms of investment and production was good but a marginal decline identified in amount of employment generation and number of units. This study suggested effective utilisation of the potential of small scale industries in Kerala benefited for the socio economic development of the state and achieved balanced regional development.

(Ajit & S.N, 2013) made a paper about the performance of small scale industries in Osmanabad district. The researcher concentrated to study performance of small scale industry and examined facilities and provisions provided by the Government. The study revealed that during the study period the number of registered units and rate of investment increased, average employment was 10 in the small scale industrial unit in the district but the growth in working capital showed decreased in the last year of study period. Majority units raised their capital through owned fund and loaned fund. The researcher argued that in order to overcome the industrial backwardness of the district effective Government support was required.

(V.P & Rani, 2014) made a paper about the growth and performance of SSI in India from 2000 to 2012 based on the variables number of units, production, employment and export. The study revealed that during the study period production increased, number of unit registered showed 3.22 times growth, increase in units leads to increase in employment growth and it was 3.23 times and export increased 3.86 times due to the propotional measures introduced by both Central and State Government. These growth rate indicate small scale industry play a vibrant role in Indian economy.

OBJECTIVES OF THE STUDY:

1. To study the growth and performance of Small Scale Industries/MSME in Kerala in terms of total number of working units, employment, investment and goods and services produced.
2. To compare the growth and performance of Small Scale Industries/MSME in Kerala on the basis of region.

METHODOLOGY:

Type of Research:

An analytical research design was adopted in this study.

Area of Study:

Performance of Small Scale Industries in the fourteen districts of Kerala grouped into three region southern, central and northern region. Northern region includes district of Kasaragod, Kannur, Wayanad, Kozhikode and Malappuram. Districts of Palakkad, Thrissur, and Ernakulam are included in central region; and districts of Thiruvananthapuram, Kollam, Alappuzha, Pathanamthitta, Kottayam and Idukki are included in southern region. The base for this classification is earlier division of Kerala as Malabar, Cochin and Travancore region.

Source of Data:

The present study is based on secondary data. The main source of data includes economic review 2011-2012 to 2015-2016, journals etc.

Statistical tools used:

The information gathered was tabulated and analyzed by using average, standard deviation, coefficient of variation and compound annual growth rate.

ANALYSIS AND INTERPRETATION:

Performance of small scale enterprises analysed on the basis of secondary data.

Table 1: Performance of SSI/MSMe in Terms of Working Units

| Year | Southren | | | Central | | | Nothern | | |
|---------|-------------------------|-------------------|------|-------------------------|-------------------|------|-------------------------|-------------------|------|
| | Total working unit(Nos) | Increase/Decrease | % | Total working unit(Nos) | Increase/Decrease | % | Total working unit(Nos) | Increase/Decrease | % |
| 2011-12 | 92352 | | | 67589 | | | 46046 | | |
| 2012-13 | 97983 | 5631 | 6.10 | 72041 | 4452 | 6.59 | 49420 | 3374 | 7.33 |
| 2013-14 | 103695 | 5712 | 5.83 | 77229 | 5188 | 7.20 | 53317 | 3897 | 7.89 |
| 2014-15 | 109841 | 6146 | 5.93 | 82209 | 4980 | 6.45 | 57646 | 4329 | 8.12 |
| 2015-16 | 112704 | 2863 | 2.61 | 85316 | 3107 | 3.78 | 59446 | 1800 | 3.12 |
| Average | 103315 | 5088 | 5 | 76877 | 4432 | 6 | 53175 | 3350 | 7 |
| S.D | 8359 | | | 7236 | | | 5574 | | |
| COV | 8.09 | | | 9.41 | | | 10.48 | | |
| CAGR | 5.1 | | | 6.0 | | | 6.6 | | |

Source: Economic review from 2011-12 to 2015-16

Table Number 1: Represent the performance of SSI/MSME in terms of number of working units during 2011-2016. From the table the numbers of SSI/MSME in the southern region have increased from 92352 numbers from 2011-2012 to 112704 numbers during 2015-2016 which comes to an increase of 20352 numbers it indicates that the SSI/MSME has made progress during the period of study. The numbers of units registered are at an average of 103315. The average increase of units is increasing at 5088. The average annual growth rate is 5 percent. Standard Deviation of units is less than the mean value of the units registered. The compound annual growth rate is 5.1 percent and coefficient of variation is 8.09 percent. The numbers of SSI/MSME in the central region have increased from 67589 numbers during 2010-2011 to 85316 numbers during 2015-2016 which comes to an increase of 17727 numbers it indicates that the SSI/MSME has made progress during the period of study. The numbers of units registered are at an average of 76877. The average annual growth rate is 7 percent. Standard Deviation of units is less than the mean value of the units registered. The compound annual growth rate is 6 percent and coefficient of variation is 9.41 percent. The numbers of SSI/MSME in northern regions have increased from 46046 numbers from 2010-2011 to 59446 numbers during 2015-2016 which comes to an increase of 13400 numbers it indicates that the SSI/MSME has made progress during the period of study. The numbers of units registered are at an average of 53175. The average annual growth rate is 7 percent. Standard Deviation of units is less than the mean value of the units registered. The compound annual growth rate is 6.6 percent and coefficient of variance is 10.48 percent. By comparing the three region the total and average number of working units were highest in the southern region and showed a lowest Coefficient of variation this means the performance of southern region was stable. But the compound annual growth rate and the average annual increase in percentage was highest in northern region. This shows that the northern region now in the way of growth.

Table 2: Performance of SSI/MSMe in Terms of Employment

| Year | Southren | | | Central | | | Nothern | | |
|---------|------------------|-------------------|------|------------------|-------------------|------|------------------|-------------------|------|
| | Employment (Nos) | Increase/Decrease | % | Employment (Nos) | Increase/Decrease | % | Employment (Nos) | Increase/Decrease | % |
| 2011-12 | 462724 | | | 342794 | | | 215644 | | |
| 2012-13 | 495435 | 32711 | 7.07 | 372981 | 30187 | 8.81 | 234710 | 19066 | 8.84 |
| 2013-14 | 528989 | 33554 | 6.77 | 406673 | 33692 | 9.03 | 255223 | 20513 | 8.74 |
| 2014-15 | 561637 | 32648 | 6.17 | 436659 | 29986 | 7.37 | 276089 | 20866 | 8.18 |
| 2015-16 | 578910 | 17273 | 3.08 | 454091 | 17432 | 3.99 | 285665 | 9576 | 3.47 |
| Average | 525539 | 29047 | 6 | 402640 | 27824 | 7 | 253466 | 17505 | 7.31 |
| S.D | 47475 | | | 45503 | | | 28870 | | |
| COV | 9.03 | | | 11.30 | | | 11.39 | | |
| CAGR | 5.8 | | | 7.3 | | | 7.3 | | |

Source: Economic review from 2011-2012 to 2015-16

Small Scale Sector is playing a vital role in increasing the employment in the economy. The employment generation of the southern region is 462724 during 2011-2012. By 2015-2016 the employment has increased to

578910 numbers. The average annual growth of the employment is 29047, where as the percentage annual growth is 6 percent. Average employment in the region is 525539 and coefficient of variation 9.03 percent. Compound annual growth rate is 5.8 percent.

The employment generation of the central region is 342794 during 2010-2011. By 2015-2016 the employment has increased to 454091 numbers. The average annual growth of the employment is 27824, where as the percentage annual growth is 7 percent. Average employment in the region is 402640 and coefficient of variation 11.3 percent. Compound annual growth rate is 7.3 percent.

The employment generation of the northern region is 215644 during 2010-2011. By 2015-2016 the employment has increased to 285665 numbers. The average annual growth of the employment is 17505, where as the percentage annual growth is 7.31 percent. Average employment in the region is 253466 and coefficient of variation 11.39 percent. Compound annual growth rate is 7.3 percent.

By comparing the three region the average number of employment generation is highest in the southern region and Coefficient of variation is lowest. This shows the performance of this region is stable. But the compound annual growth rate and the average annual increase in percentage was highest in Central region and northern region.

Table 3: Performance of SSI/MSMe in Terms of Investment

| Year | Southren | | | Central | | | Nothern | | |
|---------|--------------------|--------------------|-------|--------------------|--------------------|-------|--------------------|--------------------|-------|
| | Investment (lakhs) | Increase /Decrease | % | Investment (lakhs) | Increase/ Decrease | % | Investment (lakhs) | Increase/ Decrease | % |
| 2011-12 | 407278.00 | | | 460964.00 | | | 214927.00 | | |
| 2012-13 | 478202.47 | 70924.47 | 17.41 | 478617.90 | 17653.90 | 3.83 | 255853.51 | 40926.51 | 19.04 |
| 2013-14 | 557828.00 | 79625.53 | 16.65 | 575238.00 | 96620.10 | 20.19 | 301991.00 | 46137.49 | 18.03 |
| 2014-15 | 658747.00 | 100919.00 | 18.09 | 658422.00 | 83184.00 | 14.46 | 356683.00 | 54692.00 | 18.11 |
| 2015-16 | 713734.84 | 54987.84 | 8.35 | 706842.65 | 48420.65 | 7.35 | 378068.89 | 21385.89 | 6.00 |
| Average | 563158.06 | 76614.21 | 15.13 | 576016.91 | 61469.66 | 11.46 | 301504.68 | 40785.47 | 15.30 |
| S.D | 125852.16 | | | 107970.27 | | | 67982.88 | | |
| COV | 22.35 | | | 18.74 | | | 22.55 | | |
| CAGR | 15.1 | | | 11.3 | | | 15.2 | | |

Source: Economic review from 2011-2012 to 2015-16

Table 3 shows the investment in Small Scale Industries/MSME of southern region is Rs.713734.84 lakhs during 2015-16. which is an increase of Rs 306456.84 lakhs when compared to 2010-2011. The average annual increase is 76614.21 lakhs. The compound annual growth rate is 15.1 percent which are greater than the compound annual growth rate of number of units registered.

The investment in Small Scale Industries/MSME of central region is Rs. 706842.65 lakhs during 2015-16. which is an increase of Rs 245878.65 lakhs when compared to 2010-2011. The average annual increase is 61469.66 lakhs. The compound annual growth rate is 11.3 percent

The investment in Small Scale Industries/MSME of northern region is Rs. 378068.89 lakhs during 2015-16. which is a increase of Rs.163141.89 lakhs when compared to 2010-2011. The average annual increase is 40785.47 lakhs.. The compound annual growth rate is 15.2 percent.

By comparing three regions average investment is highest in central region but the compound annual rate is low. Annual average increase and compound annual growth rate approximately equal in the southern region and northern region.

Table 4: Performance of SSI/MSMe in Terms Goods and Services Produced

| Year | Southren | | | Central | | | Nothern | | |
|---------|---------------------------|--------------------|-------|---------------------------|--------------------|-------|---------------------------|--------------------|-------|
| | Goods and services(lakhs) | Increase/ Decrease | % | Goods and services(lakhs) | Increase/ Decrease | % | Goods and services(lakhs) | Increase/ Decrease | % |
| 2011-12 | 2091414.00 | | | 1177385.00 | | | 446772.00 | | |
| 2012-13 | 2237209.56 | 145795.56 | 6.97 | 1460641.45 | 283256.45 | 24.06 | 639143.78 | 192371.78 | 43.06 |
| 2013-14 | 3138811.00 | 901601.44 | 40.30 | 1787027.00 | 326385.55 | 22.35 | 806474.00 | 167330.22 | 26.18 |
| 2014-15 | 3335165.00 | 196354.00 | 6.26 | 2123929.00 | 336902.00 | 18.85 | 985194.00 | 178720.00 | 22.16 |
| 2015-16 | 3426332.42 | 91167.42 | 2.73 | 2299773.93 | 175844.93 | 8.28 | 1039037.58 | 53843.58 | 5.47 |
| Average | 2845786.40 | 333729.61 | 14.07 | 1769751.28 | 280597.23 | 18.38 | 783324.27 | 148066.40 | 24.22 |
| S.D | 632817.51 | | | 461820.04 | | | 245322.26 | | |
| COV | 22.24 | | | 26.10 | | | 31.32 | | |
| CAGR | 13.1 | | | 18.2 | | | 23.5 | | |

Source: Economic review from 2011-2012 to 2015-16

The table 4 shows the goods and service produced of Small Scale Sector/MSME during 2011-2016. The production of Small Scale Sector/MSME of the southern region is Rs. 2091414.00 lakhs in 2011-2012. It has increased to Rs. 3426332.42 lakhs by 2015-2016. Production of goods and services is at an average of 2845786.40 lakhs. On an average the percentage annual growth rate is 13.1 percent. The Compound annual growth rate (CAGR) is 13.1 percent. Coefficient of variation is 22.24 percent.

The production of Small Scale Sector/MSME of the central region is Rs. 1177385.00 lakhs in 2011-2012. It has increased to Rs. 2299773.93 lakhs by 2015-2016. Production of goods and services is at an average of 1769751.28 lakhs. On an average the percentage annual growth rate is 18.38 percent. The Compound annual growth rate (CAGR) is 18.2 percent. Coefficient of variation is 26.1 percent.

The production of Small Scale Sector/MSME of the northern region is Rs. 446772.00 lakhs in 2011-2012. It has increased to Rs. 1039037.58 lakhs by 2015-2016. Production of goods and services is at an average of 783324.27 lakhs. On an average the percentage annual growth rate is 24.22 percent. The Compound annual growth rate (CAGR) is 23.5 percent. Coefficient of variation is 31.32 percent.

By comparing three regions average goods and services produced and annual average increase is highest in the southern region and showed lowest coefficient of variation. Highest mean value and lowest coefficient variation indicate the stable performance. But the annual average increase in percentage and compound annual growth rate are highest in northern region. This shows that northern region is in the way of progress.

CONCLUSION:

Industrialisation play a vital role in economic development of the Kerala. Growth of small scale enterprises/MSME leads to reduce the problem of unemployment, regional disparities. Government of Kerala has undertaken supportive measures to motivate entrepreneurship in the state. The study revealed that southern region good in industrialisation and has showed a stable performance. Number of unit, employment generation, investment and production of goods and services are lowest in northern region but the compound growth rate is highest. This shows that the industrialisation of northern region is in the way of progress. Northern region require more attention to accelerate its growth. The growth and performance of three region ensure that more concentration in MSME sector certainly contribute to the economic development of the State. Decentralisation of industrialisation will achieve only when Equal consideration must be given to all districts. It helps to avoid the concentration of industrialisation in particular locality.

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