

An Economic Analysis of MSMEs: A Case Study of Ramanagara District

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Abstract

Micro Small and Medium Enterprises (MSME) form the backbone of the Indian manufacturing sector and has become engine of economic growth in India. This paper closely analyses the growth and development of the Indian small scale sector from opening of the economy in last few years. Another part looks into the present scenario of MSMEs and the problems they faces like lending, marketing, license issues in detail. The Micro, Small and Medium Enterprises Act, 2006 is intended to boost the sector. The provisions of the Act are examined closely. The final part in this paper provides some future policy framework for the sustainability of the sector and analysis the facts on MSMEs.

Key words: MSMEs Act, Economic growth, Ownership.

INTRODUCTION

Micro Small Medium Enterprise (MSMEs) constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. In India too, the MSMEs play a pivotal role in the overall industrial economy of the country. In recent years the MSME sector has consistently registered higher growth rate compared to the overall industrial sector. With its agility and dynamism, the sector has shown admirable innovativeness and adaptability to survive the recent economic downturn and recession. In India, the MSMEs play a pivotal role in the economy of the country. In recent years, this sector has consistently registered higher growth rates compared to the overall

Industrial Sector. With its agility and dynamism, the sector has shown an admirable innovativeness and adaptability to survive the recent economic downturn and recession. As per the available statistics, (4th All India census of the MSME sector), this sector employs an estimated 59.7 million persons spread over 26.1 million enterprises. It is estimated that in terms of value, the MSME sector accounts for about 45 percent of the manufacturing output and around 40 percent of the total exports of the country. Micro, Small and 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 play a crucial role in providing large employment opportunities at comparatively lower capital cost than large industries, but also help in industrialization of rural and backward areas, thereby reduce regional imbalances and assure more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socioeconomic development of the country. Ministry of Micro, Small & Medium Enterprises (M/o MSMEs) envision a vibrant MSME sector by promoting growth and development of the MSME Sector, including Khadi, Village and Coir Industries, in cooperation with concerned Ministries /Departments, State Governments and other Stakeholders, through providing support to existing enterprises and encouraging creation of new enterprises.

Research Methodology

In this study the researcher has studied the Micro, Small and Medium scale enterprises because many

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researchers had already done their research on only medium scale enterprises. So researcher will use the descriptive and analytical research methodology to better understand the nature of problem and uses interviews with MSMEs industries which are located in Ramanagara District only. Sampling Size in Indian geographical area has very large number of population. It is very difficult to cover the full population. So the survey shall include 100 respondent units from the geographical area of Ramanagara district, Karnataka.

MAIN OBJECTIVES

The main objectives are:

- i. To understand the role of Micro, Small and Medium scale industries in the economic development of Ramanagara district.
- ii. To know the policy measures for the exponential growth of Micro, Small and Medium scale industries.

SCOPE

The current study is mainly concerned to know the current position of the small and medium scale enterprise in Ramanagara district and what all the problems are in the MSMEs in Ramanagara district. The study also intends to find out MSMEs role in economic development.

Review of Literature

Sudan, F. K. (2005) described the challenges in Micro and Small Scale Enterprises Development and policy issues by arising different questions related to Micro and Small Enterprises. The study explained the meaning, advantages, problems and policy options of MSE sector. The study concluded that all the policies which were opted by GOI were the efforts to form a dynamic MSE sector and a diversified economy providing expanded employment opportunities to absorb all new labor force and offer exciting career opportunities.

Saxena.H.M. (2002) has studied the factors underlying the growth of marketing system as a result historic economic reforms and is linked to the growth of human civilization, specifically to the economic development, population growth and urbanization. The study

emphasized on understanding the behavior of the market participants the behavior of market participants due to market dynamics and concluded with a suggestion as to how the development of markets and their efficiency could be strategized.

J.M.Keynes (1936) identifies the forces that influences formulation of employment policy during industrialization. He propounds the theory of entrepreneurship that will offer the quantum of employment that can be created to maximize the output and profitability. He further, stresses that the productivity of labors determinant factor of the level of employment.

Statement of the Problem

Despite its strategic importance in any industrialization strategy, the opportunities that the Indian landscape presents and its immense potential for employment generation, the MSME sector confronts several challenges. They face problems at every stage of their operation, whether it is buying of raw materials, manufacture of products, marketing of goods or raising of finance. Some of the challenges Indian MSMEs face have been discussed below:

- i. Problems in supply to government departments and agencies
- ii. Procurement of raw materials at a competitive cost
- iii. Low technology levels and lack of access to modern technology
- iv. Lack of skilled manpower for manufacturing, services, marketing, etc

Analysis and Interpretation of the Data

Table-01-Ownership pattern of the unit

Sl.No	Ownership Pattern	Response
1	Sole proprietorship	24
2	Private Limited	45
3	Partnership Firm	27
4	Public	4
5	Others	0
	Total	100

Source: Primary Data

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This table reveals that study area of Ramanagara district has most of private firms are participating by this we can see the organizations having the private owners. Partnership firm and sole proprietorship firm showing little bit equal participation. But the study area of Ramanagara public organization is very less to other type organizations, so Ramanagara area organizations having ownership pattern most of all is private.

Table-02

The Table Showing Registered Organization Respondents

Sl.No	Registered	Response
1	Yes	100
2	No	00
	Total	100

Source: Primary Data

We can see that every organization has got the registration. The study area Ramanagara District has various types of industries in that all industries has got registration which we have surveyed.

Table-03

The table showing role of organization playing in economic development of Ramanagara District

Role of organization in Economic Development	Yes	No
Creating Employment Opportunities	93	7
Enhancing Standard of Living of People	31	69
Contributing to Development of Social Infrastructure	40	60
Social Responsibility for providing for Common good	24	76
Other please specify	9	91

Source: Primary Data

Above table reveals that in total Ramanagara MSMEs playing role in economic development activity. That is first they are playing to create employment opportunity for unemployed educated people, the second role

contributing to social development infrastructure. Enhancing standard of living of people and social responsibilities for providing for common good role is playing in economic development of Ramanagara district. So MSMEs provide better help to Ramanagara people to develop their economic condition.

Table-04

The table showing the important measures for the growth of MSMEs

Measures that would steer the growth of MSMEs	Yes	No
Financial Assistance	55	45
Government Assistance	43	67
Reducing tax deductions	60	40
More availability of raw materials	50	50
Improve the technology	33	67
Innovations	18	82
Improve the production capacity	64	36
Fulfill employee incentives	44	56

Sources: Primary Data

The above table reveals that effective measure to growth of MSMEs by their opinion is improve the production capacity, Reducing tax deductions, Financial assistance, More availability of raw material, Fulfill employees incentives, Government assistance, Improve the technology, Innovations are the measures they need for growth of MSMEs but first is Improve the production capacity, financial assistance, and more availability of raw material are more important factors to develop the MSMEs.

8. CONCLUSION

The study area Ramanagara district has various MSMEs to improve the economic condition of the country. The MSMEs role is most important in Ramanagara district area to improve the life style of people and these MSMEs also having social development activity. MSMEs are providing employment opportunity to unemployed people.

Role of MSMEs in India's Development

MSMEs having the relationship with other country to sell their product by this activity Ramanagara district got good identity.

Nowadays MSMEs are facing lots of problem because of various reasons that may be finance, employees, technology, and innovation problems etc. MSMEs having the social development activity to improve the present economic condition of the Ramanagara district. The role of MSMEs in economic development is first and foremost thing is providing employment opportunity to unemployed people. The study area Ramanagara district is very comfortable to open more MSMEs because of this area is having required and enough raw materials to related industries and this area having comfortable market.

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