

# Executive Summary:

## Role of Medium Scale Industries in the Industrial development of Tumkur-A Study

Submitted by

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Introduction:

## Small and Medium Scale industries in the World:

Small and medium-sized enterprises (SMEs; sometimes also small and medium enterprises) or small and medium-sized businesses (SMBs) are businesses whose personnel numbers fall below certain limits. The abbreviation "SME" is used in the European Union and by international organizations such as the World Bank, the United Nations and the World Trade Organization (WTO). Small enterprises outnumber large companies by a wide margin and also employ many more people. SMEs are also said to be responsible for driving innovation and competition in many economic sectors.

Petrakis and Kostis (2012) explore the role of interpersonal trust and knowledge in the number of small and medium enterprises. They conclude that knowledge positively affects the number of SMEs, which in turn, positively affects interpersonal trust. Note that the empirical results indicate that interpersonal trust does not affect the number of SMEs. Therefore, although knowledge development can reinforce SMEs, trust becomes widespread in a society when the number of SMEs is greater.

### **Definition around the world**

## European Union

The criteria for defining the size of a business differs from country to country, with many countries having programs of business rate reduction and financial subsidy for SMEs. According to European Commission, the SME are the enterprises that follow this definition:

Table 1:

<b>Company category</b>	<b>Employees</b>	<b>Turnover</b>	<b>Balance Sheet Total</b>
Medium-sized	< 250	≤ €50 m	≤ €43 m
Small	< 50	≤ €10 m	≤ €10 m
Micro	< 10	≤ €2 m	≤ €2 m

The above table gives the details of Company category, employees, turnover, balance sheet total.

**Table: 2**

## Business Size definitions

	<b>AUS</b>	<b>US</b>	<b>EU</b>
Minute/Micro	1-2	1-6	<10
Small	<15	<250	<50
Medium	<200	<500	<250
Large	<500	<1000	<1000
Enterprise	>500	>1000	>1000

The above table gives the information about definition of minute/micro,small,medium,large and enterprise in Australia,USA and EU.

### **Egypt:**

The data is part of Egypt's 2012/13 economic census on establishments ranging from small stalls to big enterprises. Economic activity outside the establishments – like street vendors and farmers, for example – were excluded from the census.

The results show that Egypt is greatly lacking in medium-sized businesses.

Seventy percent of the country's 2.4 million businesses have only one or two employees. But less than 0.1 percent – only 784 businesses – employ between 45 to 49 people.

### **Kenya**

In Kenya, the term is MSME stands for "micro, small and medium enterprises".

Maximum number of employees = 10000.

Micro Enterprises = up to 10 employees Small = 10 to 50 Medium = 150 to 1000

## **Nigeria**

The Central Bank of Nigeria defines small and medium enterprises in Nigeria according to asset base and number of staff employed. The criteria are an asset base between N5 million and N500 million, and a staff strength between 10 and 100 employees.

## **Somalia**

In Somalia, the term is SME (for "small, medium and micro enterprises"); elsewhere in Africa, MSME stands for "micro, small and medium enterprises".  
Maximum number of employees and maximum revenue it generates.

## **South Africa**

In the National Small Business Amendment Act 26 of 2003, micro-businesses in the different sectors, varying from the manufacturing to the retail sectors, are defined as businesses with five or fewer employees and a turnover of up to R100

000 ZAR. Very small businesses employ between 20 and 50 employees, small businesses employ between 21 and 50 employees. The upper limit for turnover in a small business varies from R1 million in the Agricultural sector to R13 million in the Catering, Accommodation and other Trade sector as well as in the Manufacturing sector, with a maximum of R32 million in the Wholesale Trade sector.

Medium-sized businesses usually employ up to 200 people (100 in the Agricultural sector), and the maximum turnover varies from R5 million in the Agricultural sector to R51 million in the Manufacturing sector and R64 million in the Wholesale Trade, Commercial Agents and Allied Services sector.

A comprehensive definition of an SME in South Africa is therefore any enterprise with one or more of the following characteristics:

- Fewer than 200 employees
- Annual turnover of less than R64 million
- Capital assets of less than R10 million
- Direct managerial involvement by owners

### **Small and Medium Scale Industries in India:**

**Asia**

## India

Under section 7 of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, the Indian government defined the size of micro, small, and medium enterprises as:

- (a) In the case of the enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951, as---
- (i) A micro enterprise, where the investment in plant and machinery does not exceed twenty-five lakh rupees;
  - (ii) A small enterprise, where the investment in plant and machinery is more than twenty-five lakh rupees but does not exceed five crore rupees; or
  - (iii) A medium enterprise, where the investment in plant and machinery is more than five crore rupees but does not exceed ten crore rupees.
- b) In the case of enterprises engaged in providing or rendering of services, as----

Businesses that are declared as MSMEs and within specific sectors and criteria can then apply for "priority sector" lending to help with business expenses; banks have annual targets set by the Prime Minister's Task Force on MSMEs for year-on-year increases of lending to various categories of MSMEs.

## European Union

In July 2011, the European Commission said it would open a consultation on the definition of SMEs in 2012. In Europe, there are three broad parameters which define SMEs:

- Micro-enterprises have up to 10 employees
- Small enterprises have up to 50 employees
- Medium-sized enterprises have up to 250 employees.<sup>[7]</sup>

The European definition of SME follows: "The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro."

EU member states have had individual definitions of what constitutes an SME. For example, the definition in Germany had a limit of 255 employees, while in Belgium it could have been 100. The result is that while a Belgian business of 249 employees would be taxed at full rate in Belgium, it would nevertheless be eligible for SME subsidy under a European-labelled programme.

According to German economist Hans-Heinrich Bass, "empirical research on SME as well as policies to promote SME have a long tradition in [West] Germany,



dating back into the 19th century. Until the mid-20th century most researchers considered SME as an impediment to further economic development and SME policies were thus designed in the framework of social policies. Only the ordo-liberal school, the founding fathers of Germany's social market economy, discovered their strengths, considered SME as a solution to mid-20th century economic problems (mass unemployment, abuse of economic power), and laid the foundations for non-selective (functional) industrial policies to promote SMEs."

### **Review of literature:**

- 1) The study focused on Small and Medium Scale Enterprises and Nigeria's economic growth from 1970 – 2012. The benefits of SMEs to any economy are easily noticeable. These includes: creation of jobs, provide a vehicle for reducing income disparities, increase the output of goods and services produced in the economy etc. The main objective of this project is to examine the impact of SMEs on economic growth in Nigeria.

In order to achieve this objective, the study polled 84 SMEs for primary data collection as well as statistical records for years 1975-2012 as secondary data. The ordinary least square, co-integration and error correction model was used to estimate the data collected during the period of this study. The variables used include Gross Domestic Product as the dependent variable and Finance Available

to Small and Medium Enterprises, Interest rate and Inflation rate as the independent variables. Our result showed that Finance Available to SMEs showed a positive relationship with economic growth while Interest rate and Inflation rate showed a negative and positive influence on economic growth respectively. Thus, we concluded that the independent variables play an important role in determining the impact of Small and Medium Scale Enterprises on economic growth in Nigeria. Based on this, it was recommended that the Nigerian Government should organize a national enterprise forum, which would focus on the contributions of SMEs in national development objectives; the Federal/State Ministries of Industry in collaboration with the National Association of SMEs should work out strategies for an annual report of SMEs operating in Nigeria and the Government should adopt policy measures to maintain a favorably low commercial banking lending rate as this will accelerate high investment in Small, Medium and large-scale businesses and subsequently in the long-run contribute significantly to economic growth (Small and Medium Scale Enterprises and Economic Growth in Nigeria 1975-2012: Imoisi Anthony Ilegbinosa<sup>1</sup> & Ephraim Jumbo:: College of Social & Management Sciences, McPherson University, Ogun State, Nigeria).

2) The Ministry of SSI accounts for almost twenty million jobs in India and contributes up to 40% of the total exports providing the highest value addition in the manufacturing sector. Problems with lack of credit, raw materials, marketing, and keeping up with technological developments are areas which have continued to confront this sector. In addition, the impact of the WTO (World Trade Organization) which led to the opening -up of the Indian economy, removal of tariff barriers and access to the Indian market by international manufacturer.(Small Scale Industry decision making and value system,An Indian civil service perspective,leadership challenges in government departments are unique in nature and civil services prepare the officers to come true to these challenges.( Ashok Pradhan, Small Scale Industry, decision - making, and value system:An Indian Civil Servant's perspective Leadership challenges in government departments are unique in nature and Civil Services prepare the officers to come true to these challenges).

3) Sickness in the industrial units is not a new phenomenon as is evident in the developing countries.Indeed, even in the industrially propelled nations of the world, fluctuating degrees of ailment are found to happen. Occurrence of industrial sickness is a persistent procedure and at a specific time a few units in a specific industry will be running sick regardless of the fact that the industrial

atmosphere is ideal from all perspectives. But sickness assuming an epidemic shape creates concerns to the policy makers and stakeholders. Factual information proposes that small scale businesses are more inclined to sickness when contrasted with medium and large scale commercial ventures.

The major thrust of the present paper is to explore the reasons of sickness in small and medium scale industries in India (Kuldeep Singh, Research Scholar, University Business School, Panjab University, University Business, Chandigarh, Industrial Sickness in small and Medium Scale Industrial Sector in India: Reasons and Remedies).

4) CII hails the Government of India for the launch of the MUDRA bank with a corpus of Rs.20,000 crore to extend credit of up to Rs.10 lakh to small businesses and regulate micro-finance institutions, to promote their growth, add to the country's output and create jobs is the step in the right direction to leverage Indian MSME Sector especially in the Semi Urban and Rural Indiaa(CII Media Releases April 8<sup>th</sup>,2015,,Step in the right direction to leverage Indian MSME Sector:CII Welcomes the launch of MUDRA Bank).

5) In the study titled, Issues, Challenges and Prospects of Small and Medium Scale Enterprises (SMEs) in Port-Harcourt City, Nigeria By Dr. Mba Okechukwu Agwu and Dr. Cletus Izunwanne Emeti was informed by the high rate of

unemployment in the society and the poor performance of SMEs in employment generation. While the research questions addressed the extent to which poor financing, inadequate social infrastructures, lack of managerial skills and multiple taxation constitute major challenges in the performance of SMEs between October 2012 and November 2013, it assumes that government intervention through the provision of financial assistance, social infrastructures and favorable taxation policies will reverse the trend. The study adopted a descriptive research design using 120 randomly selected registered operators of SMEs in Port-Harcourt City. Data collected were analyzed using descriptive statistics while formulated hypotheses were tested using z-test. Results from the data analysis indicated that poor financing, inadequate social infrastructures, lack of managerial skills and multiple taxation were major challenges confronting SMEs in Port-Harcourt City, thus recommended: provision of soft loans to SMEs operators, government guaranteeing of long term loans to SMEs operators, establishment of SMEs funding agency, public/private sector partnership in infrastructural provision, capacity building for SMEs operators and provision of tax incentives for SMEs operators.

- 6) In the study titled Small and Medium Scale Enterprises as A Survival Strategy for Employment Generation in Nigeria Dr. Aremu, Mukaila Ayanda (Corresponding author), Department of Business Administration, Faculty of

Business and Social Sciences, University of Ilorin, Ilorin, Kwara State, Nigeria  
& Dr. (Mrs.) Adeyemi, Sidikat Laraba, Department of Business Administration,  
Faculty of Business and Social Sciences, University of Ilorin, P. M. B. 1515  
Ilorin, Kwara State, Nigeria mentioned that Small and medium enterprises have  
been considered as the engine of economic growth and for promoting equitable  
development. The major advantage of the sector is its employment potential at  
low capital cost. The labour intensity of the SME sector is much higher than  
that of the large enterprises. The role of small and medium enterprises in the  
economic and social development of the country is well established. The sector  
is a nursery of entrepreneurship, often driven by individual creativity and  
innovation.

### **The Research Methodology:**

Objectives of the study:

- 1) To study public sector and private sector enterprises in India.
- 2) To examine small scale, medium scale and large enterprises in India.
- 3) To examine role of medium scale industries and their contribution to economic development in Tumkur district.

### **Nature and Source of data:**

The study rely upon Primary as well as Secondary data. Secondary data obtained from Office of Joint Director, District Industries Centre, Tumkur, Economic survey, Census data, Directorate of Economics and Statistics, RBI Bulletin, Government of India and Government of Karnataka Reports, Indian and foreign journals and internet.

Primary data obtained through pretested Interview Schedule. Total number of Registered Medium Scale Industries are Fourteen in Tumkur District. In the Month of July, August and September 2015 all the Medium Scale Industries in Tumkur District visited and made personal Interview to the officials of Companies.

### **Need of the study:**

Role of Medium scale industries played pivotal in achieveing economic development and economic growth of all types of the economy. In Indian economy also role of Medium scale industries really enormous in achieveing faster economic development and growth. Though the number of Medium Scale Industries are relatively less in comparison with small and large industries in Indian economy the contribution of Medium Scale Industries

really enormous in enhancing industrial development of India, Karnataka and Tumkur District in specific, because the products manufactured by these Medium Scale Industries are much useful for domestic consumers and even foreign consumers. Majority of the studies made on small scale industries and large scale industries in different areas. But none of the studies focused on Medium scale industries. Hence the study on Role of Medium Scale Industries in Tumkur District made.

**Plan of the Study:**

Preparations: March 2014 to May 2014

Review of Literature: June 2014 to August 2014.

Field work: September 2014 to December 2014.

Analysis of the results: January 2015 to April 2015

Report writing and submission: May 2015 to December 2015.

**Chapter Scheme:**

Chapter 1: Introduction,

Chapter 2: Review of literature

Chapter 3: The Research Methodology

Chapter 4: Results

Chapter 5: Discussion of the Results

Chapter 6: Summary, Conclusions and Suggestions.



### **Implications of the Study:**

With the help of this study, it is possible to know much about the all fourteen registered Medium Scale industries in working condition in Tumkur district. Apart from this it is possible to know much about the location of these Medium Scale Industries, products of these Medium Scale industries and conditions of employees, different departments such as manufacturing industries, marketing, Human Resource, Research and Quality Control. In addition, it is possible to know about the annual turnover of these industries, problems of these industries ,opinions from officials of medium scale industries about Government policies.

### **Limitation of the Study:**

The Study conducted only in Tumkur district in Karnataka. Hence the results are more applicable to those areas where similar conditions prevail.

## **SUMMARY, CONCLUSIONS AND SUGGESTIONS**

Summary:

The study made on these following registered medium scale enterprises in Tumkur district.

M/s Indo Spanish Testy Foods Limited, KIADB Industrial Area,Kunigal,M/s Triveni Aeronautics Private Limited, Antharasanahalli, II Phase,KIADB

Industrial Area,Tumkur,Vectus Industries Limited, Vasanthanarasapura Industrial Area,Tumkur district, M/s Neo Foods Private Limited,KIADB Industrial Area,Antharasanahalli Industrial Area,Tumkur,M/s Karmobiles Limited,Hirehalli Industrial Area,Tumkur,M/s Gem properties Private Limited, Sathyamangala Industrial Area, Tumkur, M/s Gem properties Private Limited, Sathyamangala Industrial Area, Tumkur, M/s Beloorbyir Biotech Limited, Sathyamangala Industrial Area, Tumkur, M/s Godrej Agrovet Limited, A.K. Kaval Village,Gulur Hobli, Tumkur district, Sri Sapthagiri Agro Industry,KIADB Industrial Area, Antharasanahalli,Tumkur, M/s System Consultant Private Limited, AvaragereGrama, B.M.Road, Yadiyur hobli, Kunigal Taluk, Tumkur,M/s Siddaganga Oil Extraction Private Limited, B.H. Road, Tumkur.

Among registered medium scale industries of Tumkur district,except Nethravathi Distilleries Private Limited all the remaining thirteen industries are getting profits.

**Conclusion:**

Infrastructure of all the registered medium scale industries are having good infrastructure facilities and good number of staff and workers.

In the industrial development of Tumkur all the Registered medium scale industries are playing pivotal role.

## **Suggestion:**

The Central and State Governments should provide additional financial facility in the form of subsidy and grants-in-aid. Then only it is possible to expect progress of registered medium scale industries in Tumkur district.

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