

INSTITUTIONAL NON-FINANCIAL SUPPORT TO MSME WITH SPECIAL REFERENCE TO KARNATAKA: AN OVERVIEW

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ABSTRACT

Micro, Small and Medium Enterprises (MSME) sector has emerged as an extremely exciting and active sector of the Indian economy. MSMEs not only play a crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in the industrialization of rural & backward areas, thereby, dropping regional imbalances, assuring more equitable allocation of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the social-economic development of the country. Flourishing amidst a challenging environment, the Small and Medium Enterprises (SMEs) of India experienced several highs and lows in the past few years. With the Indian economy expected to emerge as one of the leading economies in the world and likely to become a \$5 trillion economy by 2025, the major impetus is being given to strengthening the backbone of our economy - the SME sector.

The role of various institutional supports to promote the growth of MSME is unique. A small entrepreneur gets many types of assistance from different institutions for varied purposes. This paper focuses on the identification of institutional non-financial support to MSME in Karnataka.

Keywords: *Entrepreneurs, Institution in Karnataka ,MSME, Non-Financial Supports,*

1. INTRODUCTION

Economic development is the main priority for any country. Economic development means a process of upward change that is whereby the real per capita income of a country increases over a period of time. To accelerate the economic development we have to use the entrepreneurship as a tool. The entrepreneurs play an important role in contributing to the development of an economy of a nation. It is all the more in a developing world where there are ample opportunities for innovations to exploit the available resources and initiate entrepreneurial ventures.

The importance of Micro, Small and Medium Enterprises (MSME) sector is well recognized from its significant contribution to the socio-economic objectives of growth in generation of employment, output, exports and fostering entrepreneurship. It play a strong role in the growth of the country and can be rightly referred as backbone of the Indian economy, and it is seen that worldwide, MSMEs have been recognized as the engines of economic growth. The MSMEs constitute over 90% of total enterprises in most of the economies and are recognized with generating the highest rates of employment growth and registered a major share of industrial production and exports. In recent years the MSME sector has consistently registered higher growth rate compared to the overall industrial sector. With its agility and vitality, the sector has shown admirable innovativeness and adaptability to survive the recent economic downturn and recession.

India is relatively fortunate among the developing countries as it felt the need to have appropriate institutions at the central and at the state level for the growth of the small scale industries much earlier. It has set up, over the years, a broad-based institutional structure for the promotion of these industries. At the heart of all the institutions, we have the Central Small Industries Organization (CSIO), renamed as Small Industries Development Organisation (SIDO) and at present it is the Office of the Development Commissioner (Micro, Small and Medium Enterprises) under the Ministry of the Micro, Small and Medium Enterprises (MSMEs).

The government is changing the criteria to define micro, small and medium enterprises (MSMEs), to make these in sync with the goods and services tax (GST) regime, by making the norms common for Good and services.

The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 will accordingly be amended to define units producing goods and rendering services in terms of annual turnover as follows:

- A micro enterprise will be defined as a unit where the annual turnover does not exceed Rs 5 crores,
- A small enterprise will be defined as a unit where the annual turnover is more than Rs 5 crore but does not exceed Rs 75 crore,
- A medium enterprise will be defined as a unit where the annual turnover is more than Rs 75 crore rupees but does not exceed Rs 250 crore.

Table-1
Classification of MSMEs

Classification of the MSME	New Classification (annual turnover)	Previous classification - Ceiling on Investment in Plant and Machinery (in Rs)
Micro	Not exceeding Rs 5 crores	Below 25 lakhs
Small	Between Rs 5 crores to Rs 75 crores	25 lakhs to 5 crores
Medium	Rs 75 to Rs 250 crores	5 crores to 10 crores

(Source: Ministry of Micro, Small & Medium Enterprises)

2. OBJECTIVE OF THE STUDY:

To analyse the flow of non financial institutional supports to the MSME units in India, to conclude and suggest measures to ensure more flow to the MSME units on the basis of findings of the study.

3. METHODOLOGY:

The present study is descriptive and analytical in nature. The data used for the study is secondary in nature and has been collected from annual reports of Ministry of Micro, Small and Medium Enterprises, NSIC, MSME-DIs, websites, various journals, newspapers, economic census, reputed books and web sites.

4. Discussion:

In order to help MSME sector to integrate with the industry at large within liberalized economic framework, the government of India has announced new policy measures. The Act on Delayed Payments to Small and Ancillary Enterprises has been promulgated. Under this act, buying/mother units will be required to pay interest on delayed payments for supplies bought from SSI units if the payments are delayed beyond the negotiated and agreed upon time period. Small and Medium industries continue to remain significant sector of the Indian economy. On seeing the contribution of this sector the government is extending various non-financial assistances to these industries. In the era of globalization these industries have to face the competition directly from the large industries. In this process some of the units become unviable and sick. As the governments is always for reinforcing small and Medium scale industries it not only ensures regular supply of credit but also extends various non-financial assistances by establishing different specialized institutions

4.1. THE INSTITUTIONAL SET UP

The institutional set up is the primary factor for the growth and success of any Micro, Small and Medium Enterprises. Government planned well in this sphere to meet the requirements of the rapidly growing small scale industries sector. The role of various institutional supports to promote the growth of MSME is unique. A small entrepreneur gets many types of assistance from different institutions for varied purposes. The support systems help the entrepreneurs to establish the business, overcome the problems and to run the business efficiently. In order to accelerate the small industries development, a number of institutions have been set at the central and state levels. The main institutions are;

a. The Office of the Development Commissioner (Micro, Small and Medium Enterprises): Office of Development Commissioner (SSI) was established in 1954 on the basis of the recommendations of the Ford Foundation. Over the years, it has seen its role evolve into an agency for support, hand holding and facilitation for the small industries sector. It has over 70 offices and 21 autonomous bodies under its management. These autonomous bodies include Tool Rooms, Training Institutions and Project-cum-Process Development Centres. Office of the Development Commissioner (MSME) provides a wide spectrum of services to the Micro, Small and Medium Industrial sector. These include facilities for testing, tool making, training for entrepreneurship development, preparation of project and product profiles, technical and managerial consultancy, assistance for exports, pollution and energy audits etc. Office of the Development Commissioner (MSME) provides economic information services and advises Government in policy formulation for the promotion and development of SSIs. The field offices also work as effective links between the Central and the State Governments.

Types of non-financial support provided by the Office of the Development Commissioner (Micro, Small and Medium Enterprises) like Technical Services, Marketing, Training/skill formation, Development of Entrepreneurship, Common facility Centre, and Information and consultancy services etc.

b. The Micro, Small and Medium Enterprises Development Institute (MSME-DIs): Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last six decades. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. Ministry of Micro, Small & Medium Enterprises (M/o MSME) envision a vibrant MSME sector by promoting growth and development of the MSME Sector. Office of the Development Commissioner (Micro, Small & Medium Enterprises) provides a wide range of services & schemes for the promotion and development of MSME sector through 30 Micro, Small and Medium Enterprises-Development Institutes (MSME-DIs); 28 Branch MSME-DIs located across the country. MSME-Development Institute, Bangalore was set up during 1956-57. This Institute assists MSMEs financially through the schemes and improve their technical skills through skill upgradation / training programmes. This institute also focuses on creating young entrepreneurs through various Industrial motivation & Entrepreneurship development programmes.

4.2. ACHIEVEMENTS

2014-15 & 2015-16 -14,517 MSMEs Registered on Udyog Aadhaar Memorandum 4,571 Projects with employment component of 39,109 Utilising Rs.123.77 Cr. Margin money under PMEGP 88,292 Credit Proposals Approved Without Collateral for Credit worth Rs. 4,593.28 Cr. to MSMEs 809 MSMEs Provided Credit Linked Subsidies Worth Rs.43.13 Cr. for Technology Upgradation 61 Vendor Development Programmes Organised 158 ISO 9000/14001/HACCP Certification Reimbursed 45 MSMEs Benefitted Under Marketing Assistance and Technology Up-gradation 9,074 Persons Trained Under Entrepreneur Development Programme 80 Women Got Assistance for Self Employment under TREAD 148 MSMEs Got Benefit Under Bar Code Scheme.

a. Directorate of Industries (DIs): The Department of Industries and Commerce, Government of Karnataka is one of the oldest institutions set up under the aegis of the Government. Established in the year 1913 under the erstwhile Princely State of Mysore, the Department oversees the Industrial Development in the State. This Department works operates under the Commerce and Industries Department, Government of Karnataka. The Department operates at the State level through the Directorate of Industries and Commerce, at the District level through the network of District Industries Centres, Industrial wing of Zillapanchayath and in coordination with related Boards and Corporations. The Department plays pivotal role in implementation of Schemes and Policies of the State and Union Governments for the promotion of Industrial Development throughout the state.

b. District Industries Centers (DICs): The concept of District Industries Center came during the year 1977, when Government of India announced the new Industrial policy on 23.12.1977. It laid special stress on the development of Small Scale, Village and Cottage Industries and indicated that the "District Industries Centre" would be the main focus agency for promotion of small scale, village and cottage industries. In each district, one agency was created to deal with all requirements of small and village industries.

c.National Small Industries Corporation Limited (NSIC): The National Small Industries Corporation (NSIC) Ltd. an ISO 9001:2000 certified company was established by the Government as a Public Sector Company in 1955. NSIC operates through nine regional offices supported by 21 branch offices and 26 sub-offices for cluster development and 8 technical services and extension centres backed up by more than 500 professionals spread across the country. The main function of the corporation is to promote, aid, and foster the growth of micro and small enterprises in the country, generally on a commercial basis. It provides a variety of support services to micro and small enterprises catering to their different requirements in the areas of raw material procurement; product marketing; credit rating; acquisition of technologies; adoption of modern management practices, arranging for business partners, ensuring technology transfer programmes through missions, delegations and expositions etc.

d.Karnataka State Small Industries Development Corporations (KSSIDCs): Karnataka State Small Industries Development Corporation is the industrial and investment promotion agency of the Government of Karnataka. The growth of Small Scale Industries in our country since independence is rightly regarded as one of the most significant features of planned economic development. The very concept of small-scale industries, as we know, was not in vogue on the eve of independence. Rural and Cottage industries, which constituted the “indigenous sector” of our industries, were wide spread throughout the length and breadth of our country. Various programmes to sustain, modernise and further develop this group of industries were initiated soon after the independence and the modern small-scale industry scheme has gradually emerged out of this programme. The Small Scale Industries have provided opportunities for self-employment to educated young men and experienced technicians from the middle level of society and contributed full to the growth of industrial entrepreneurship in our country. Today small scale industries are regarded as power tool for balanced regional economic development. These achievements are primarily due to the dynamic enterprising spirit of the small-scale industrialists themselves. The Corporation’s principal objective is to promote and develop Small Industries in the State. Construction and utilisation of infrastructure, especially in backward areas, procurement and marketing of Raw Materials, technical support and assistance are means to reach the goals. A concern for results, emphasis on quality and timely work and willingness to understand the problems of entrepreneurs-are the staff creed, and KSSIDC constantly strive for this end. An Industrially prosperous Karnataka is our vision. Concern for results, emphasis on quality and timely work and willingness to understand the problems of entrepreneurs-are the staff creed, and KSSIDC constantly strive for this end. The progress of the industrial estates for the last five-decades increased enormously and the Company as on date has established network of 177 developed Industrial Estates throughout the State in almost all the districts and taluka of Karnataka and constructed 6180 Industrial Sheds, flats, godowns and shops apart from formation of 8258 Industrial Plots.

e.Regional Testing Centers (RTCs/Testing Station): MSME Testing Centres provide testing and calibration facilities to industries in general and MSE's in a particular for raw materials; semi-finished and finished products, manufactured by them. These centres are equipped with the State of art indigenous and important equipments in the disciplines of Chemical, Mechanical, Metallurgical and Electrical Engineering to undertake Performance test, Type test and Acceptance test of semi-finished, finished products etc. These centres are accredited by internationally recognized National Accreditation Board of Testing & Calibration laboratories (NABL) certification as per ISO (17025) and BIS.

Table-2

The Overall performance of MSME-TCs for the year 2015-16

Revenue earned (In lakh)	Recurring Expenditure (in lakh)	No. of Jobs completed	No. of MSME benefitted
569.77	815.91	1,62,392	6106

(Source: MSME-Testing Centre 2016)

f.Khadi and Village Industries Commissions (KVICs): The Khadi & Village Industries Commission (KVIC), established under the Khadi and Village Industries Commission Act, 1956, is a statutory organisation engaged in promoting and developing khadi and village industries for providing employment opportunities in rural areas, thereby strengthening the rural economy. The KVIC has been identified as one of the major organisations in the decentralized sector for generating sustainable rural nonfarm employment opportunities at low per capita investment. This also helps in checking migration of rural population to urban areas in search of employment opportunities. New reform programmes are undertaken which aim at revitalizing the khadi sector for enhanced sustainability of khadi; increasing incomes for spinners and weavers; increasing employment; enhancing artisan's welfare and gradually enabling khadi institutions to stand on their own feet.

Table-3

Khadi production and sales (in Rs. Crores) from the year 2010-11 to 2016-17

Year	Qty	Khadi Production		Khadi Sales	
		Value	% in increase	Value	% in increase
2010-11	85.95	673.01	-	917.25	-
2011-12	88.83	716.99	6.53	967.87	5.52
2012-13	90.98	761.93	6.27	1021.58	5.55
2013-14	93.25	811.08	6.45	1081.04	5.82
2014-15	95.19	879.98	8.49	1170.04	8.23
2015-16	97.45	1065.60	21.09	1510.00	29.06
2016-17	125.22	1404.14	31.77	2007.61	32.95

(Source: Khadi and Village Industries Commissions 2018)

g. Entrepreneurship Development Institute of India (EDII): Entrepreneurship Development Institute of India (EDII), an autonomous and not-for-profit institute, set up in 1983, is sponsored by apex financial institutions - the IDBI Bank Ltd., IFCI Ltd., ICICI Bank Ltd. and the State Bank of India (SBI). To pursue its mission, EDII has helped set up 12 state-level exclusive Entrepreneurship Development Centres and Institutes. One of the satisfying achievements, however, was taking entrepreneurship to a large number of schools, colleges, science and technology institutions and management schools in several states by including entrepreneurship inputs in their curricula.

A vibrant start-up ecosystem characterizes the Southern region of India. Mention South India and what rolls before eyes are images of venture packed states of Karnataka, Kerala, Andhra Pradesh and the like. The region has blossomed as the tech capital of India and has given some of the most contemporary technologies to the country. As a start-up base and a destination that foresees massive foreign investments, it also gradually came forward with the need for training to nurture small businesses and to make more and more local talent follow suit. EDI, as a pivot of entrepreneurship development across the nation, considered it only logical to establish an office in Bangalore and Kerala to cater to the entrepreneurial requirements of southern region.

h. National Science and Technology Entrepreneurship Development Board (NSTEDB): Science and Technology Entrepreneurs' Parks (STEPs) are autonomous bodies registered as societies under the Societies Registration Act or registered as not-for profit companies under the provisions of Section 25 of the Companies Act, 1956. The STEP program was initiated to provide a re-orientation in the approach to innovation and entrepreneurship involving education, training, research, finance and management. STEP create the necessary climate for innovation, information exchange, sharing of experience and facilities and opening new avenues for students, teachers, researchers and industrial managers to grow in a trans-disciplinary culture, each other understanding and other's inputs for starting a successful economic venture.

Table- 4

List of Actively Functioning STEPs in Karnataka

SL. No.	Name of the STEP	Thrust area	Year of Establishment	Working Place	No. of Facilities (NF)	No. of Services (NS)	Average Technologies Transferred per year (ATT)
1	Sri Jayachamarajendra College of Engineering (SJCE)	Electronics and IT	1987	Mysore	14	07	25
2	National Institute of Technology-NITK	IT	2004	Surathkal	07	08	17
3	Basaveshwar Engineering College (BEC)	Food Processing, Textiles, Building	1987	Bagalkot	06	06	28

(Source: www.nstedb.com)

i. Innovation and Entrepreneurship Development Centre (IEDC): The Department of Science & Technology, Government of India, had set up Entrepreneurship Development Cells (EDCs) in educational institutions. Already, EDCs have been established in more than 50 Science & Technology institutions. It is now felt necessary to look at the concept of EDCs afresh so that these could meet the challenges posed by the current economic liberalization and globalization era.

In May 2010, Government of India under Ministry of Science and Technology has selected NIE for setting up IEDC with grant of Rs 48 lakhs. IEDC gives grants to five innovative student projects of Rs. one lakh each for five years. NIE signed National Entrepreneurship Network (NEN) membership in 2008 to train and develop entrepreneurs from NIE student community.

The main objectives of IEDC are.....

- To organise Entrepreneurship Awareness Camps, Entrepreneurship Development Programmes, Faculty Development Programmes and Skill Development Programmes in the institution.
- To initiate five innovative student projects each year for new innovative product development.
- To organize Business Plan Competitions every year.
- To guide and assist prospective entrepreneurs on various aspects such as preparing project reports, obtaining project approvals, loans and facilities from agencies of support system, information on technologies, etc.
- To arrange interaction with entrepreneurs and create a mentorship scheme for student entrepreneurs.
- To facilitate creation of entrepreneur’s club in each college to foster culture of entrepreneurship amongst students.
- To act as a Regional Information Centre on business opportunities, processes, technologies, market, etc by creating and maintaining relevant data base.

Table- 5

Non financial support provided by different institutions

Institute	Technology	Marketing	Training	Entrepreneurship Development	Common Facility	Information & Consultancy
MSME-DC						
MSME-DI						
DI						
DICs						
NSIC						
KSSIDCs						
RTCs						
KVIC						
EDII						
NSTEDB						
STEP						
IEDC						

(Source: websites)

5. CONCLUSION AND RECOMMENDATION:

Entrepreneurs are not necessarily born; they can be developed through education, training, and experience. Entrepreneurial talent exists in every society and in all sections of society. In India, the socio-economic environment hinders the emergence of entrepreneurial talent. If it is properly harnessed, it can help accelerate the pace of socio-economic development, balanced regional on the part of planners and policy formulators has resulted in the emergence of the entrepreneurship development programme.

The following recommendations are comprehensive for the better and effective support system. There should be suitable harmonization among different institutions i.e. MSME-DO, MSME-DI, NSIC, KSSIDCs, EDII, KVIC, DIC etc for the various categories of support on time to time. The practice of providing non-financial support should be made simple, clear and less time-consuming. The government should support industry association and different private organizations to play role in the technological boost of small scale units. There should be entrepreneurs who can give great ideas, be able to translate them into reality, influence fellow entrepreneurs and policy makers towards convergence on modification in the policy.

The issue of business support has been at the center of a heated debate among various stakeholders, academics and policymakers. Some argue in favour of business support while others are against the provision of business support, especially non-financial support.

The MSME sector performs a dynamic role and has been considered as an important catalyst for creating employment, poverty reduction, economic development and improved economic performance of developing nations, like India.

Entrepreneurship is not only shaped by institutions, but it also influences them in turn. On the one hand, entrepreneurs choose how to employ their entrepreneurial capacity depending on the incentive structure determined by relevant institutions. In this way, institutions essentially determine the distribution across productive, infertile and destructive entrepreneurial activities. On the other hand, entrepreneurs respond actively to the environment they face, which affects the institutions themselves. Thus, changes in institutions should take into account not only the direct response of entrepreneurs but also the subsequent change of institutions through entrepreneurial feedback.

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