

A STUDY ON PERFORMANCE, CHALLENGES AND PROSPECTS OF SC/ ST MSMES IN THE KALYANA-KARNATAKA REGION, KARNATAKA.

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Abstract:

This study aims to identify the performance, challenges and prospects of SC/ST MSMEs in the Kalyana Karnataka region. Karnataka is one of India's most famous industrial sites for establishing businesses. The state has always pursued a progressive vision to adapt to the shifting demands of the state's industry and economy. The state is also among those with an industrialist economy, with sizable public sector industrial projects and privately held businesses like textiles, steel, sugar, etc. This study has adopted secondary data to examine the performance, challenges, and prospects of SC/ST MSMEs in the Kalyana Karnataka region through various annual reports from the Govt of Karnataka and economic surveys of Karnataka. The findings of the study reveal that most of the Schedule Caste and Schedule Tribes (SC/ST) of MSMEs were unable to overcome many challenges and constraints, such as a lack of adequate and timely credit, technology, skills, infrastructure, marketing, and institutional support. Therefore, there is a need for more research and policy interventions to address the issues and challenges faced by SC/ST MSMEs in the Kalyana Karnataka Region and to explore their potential and opportunities for growth and development of the region.

Keywords: *Micro, Small and Medium Enterprise (MSMEs), Schedule Caste and Schedule Tribes, Kalyana Karnataka Region (KKR), Performance, Challenges and Prospects.*

Introduction:

SC/ST MSMEs are micro, small and medium enterprises owned or operated by the Scheduled Castes (SC) and Scheduled Tribes (ST) communities in the Kalyana Karnataka Region. These communities are historically disadvantaged and marginalised in Indian society and face various forms of discrimination and exclusion. SC/ST MSMEs are an essential means of providing livelihood, income, and empowerment to these communities, as well as contributing to the economic and social development of the state.

According to the Economic Survey of Karnataka 2020-21², there are about 1.8 million MSMEs in Karnataka, of which SCs own 9.6% and 3.4% are owned by STs. These SC/ST MSMEs employ about 1.2 million people, accounting for 10.6% of the total MSME employment in the state. The SC/ST MSMEs mainly work in manufacturing, services, and trade sectors and produce various

products and services, such as textiles, garments, leather, food processing, engineering, handicrafts, tourism, education, health, etc.

The Government of Karnataka has launched several schemes and policies to support and promote SC/ST MSMEs in the state, such as the SC/ST Subsidy Scheme¹, the SC/ST Entrepreneurship Development Programme, the SC/ST Industrial Cluster Development Programme, the SC/ST Skill Development Programme, etc. These schemes aim to provide financial assistance, training, mentoring, infrastructure, market linkages, and other benefits to SC/ST MSMEs and to encourage entrepreneurship and innovation among the SC/ST communities. The Government of Karnataka has also reserved 20% of the procurement from MSMEs for SC/ST MSMEs to enhance their market access and competitiveness⁴.

However, despite these initiatives, SC/ST MSMEs still need to overcome many challenges and constraints, such as adequate and timely credit, technology, skills, infrastructure, marketing, and institutional support. They also suffer from low productivity, quality, and profitability and are vulnerable to external shocks and uncertainties, such as the COVID-19 pandemic, which has severely affected their operations and survival. Therefore, there is a need for more research and policy interventions to address the issues and challenges faced by SC/ST MSMEs in Karnataka and to explore their potential and opportunities for growth and development. The lack of marketing resources and financial options hinders the growth of SC/ST entrepreneurs. In addition to these well-established conclusions, there are other matters, such as entrepreneurial concerns, influencing variables, and socioeconomic considerations.

These issues are crucial for businesses. The research study attempts to demonstrate how the MSME sector fosters inclusion, particularly in SC/ST enterprises, in light of these worries. The essay also highlights the issues and challenges that SC/ST entrepreneurs encounter in maintaining their businesses.

A literature review on SC/ST MSMEs in Karnataka is a comprehensive analysis of the existing research and publications on the topic of micro, small and medium enterprises (MSMEs) owned or operated by the Scheduled Castes (SC) and Scheduled Tribes (ST) communities in the state of Karnataka, India. Such a review would identify the current status, challenges, opportunities, and policy implications of SC/ST MSMEs in Karnataka and the gaps and directions for future research.

Based on the web search results, some of the possible sources for conducting a literature review on SC/ST MSMEs in Karnataka are:

1. Compendium of MSME Policies & Incentive Schemes of Karnataka State: This document provides an overview of the MSME sector in Karnataka, its contribution to the economy and employment, and the various schemes and incentives offered by the state government to promote and support MSMEs. It also lists the service enterprises and industrial activities that are eligible or ineligible for incentives and concessions, as well as the zonal classification and recognised laboratories for MSMEs in Karnataka¹.

2. **Micro, Small and Medium Enterprises in Karnataka:** This chapter from the Economic Survey of Karnataka 2020-21 summarises the performance, challenges, and measures taken by the state government for the MSME sector in Karnataka. It also highlights the impact of the COVID-19 pandemic on MSMEs and the relief measures provided by the state and central governments. It also suggests policy recommendations for improving access to capital, productivity, and ease of doing business for MSMEs in Karnataka².
3. **Barriers to and Drivers of the Implementation of Sustainable Practices in MSMEs: A Literature Review:** This paper by the Indian Institute of Management Calcutta reviews the literature on adopting sustainable practices by MSMEs in India and other developing countries. It identifies the barriers and drivers of implementing sustainable practices in MSMEs, such as resource constraints, market pressures, institutional factors, stakeholder expectations, and managerial attitudes. It also discusses the effects of implementing sustainable practices on the economic, environmental, and social performance of MSMEs³.
4. **An Examination of Current Research on MSMEs in Karnataka Using Sustainable Manufacturing Practices:** The literature on MSMEs in Karnataka using sustainable manufacturing practices is reviewed in this research published in the JEMS Research Journal. Sustainable manufacturing is defined as producing manufactured goods using methods that minimise their adverse environmental effects, save energy and natural resources, ensure worker, community, and customer safety, and are cost-effective. It also identifies the research gaps and future research areas in sustainable manufacturing for MSMEs in Karnataka⁴.
5. **Devendra Naik, B. (2017)** examined the role of financial support from the Scheduled Castes Development Corporation and motivational factors in the entrepreneurship development of SC entrepreneurs in his paper "Entrepreneurship Among Marginalized Groups in Karnataka: An Empirical Study of Scheduled Castes with Special Reference to Shivamogga City." He also identified issues facing SC entrepreneurs. The study's data came from in-person interviews, group discussions, and non-participative observation methods conducted in five Shivamogga city areas. It was discovered that a mere 21% of participants were successful in getting bank loans approved, as one of them mentioned: Banks want guarantees. It was found that SC business owners need to be made aware of the programs, lack operating capital, which results in a scarcity of raw materials, cannot charge a competitive price for their goods, and need to receive corporate training.
6. **Vilas Z. Chauhan (2014)** examined the close relationship between caste-based entrepreneurship, economic liberalisation, and social change in his work "Fostering Dalit Entrepreneurship through Social Change and Economic Liberalization" and outlined some empirical data on Dalit entrepreneurship. According to the report, a growing number of Dalit millionaires—partially due to more economic freedom—do not accurately reflect large segments of the SC/ST community. Even in places where OBCs have made significant strides in company ownership, in states where policies towards SCs and STs are pretty progressive, and in urban regions where there is less overt discrimination than in rural India, this underrepresentation seems to be persistent. These results demonstrate that "Caste Does Matter!" due to the caste system, which prevents those born into

particular groups, trades, or castes from escaping the shame associated with their origins or background.

These are some of the possible sources that could be useful for conducting a literature review on SC/ST MSMEs in Karnataka. However, this is not an exhaustive list, and other relevant sources may not be included here. Therefore, conducting a thorough and systematic literature search using appropriate keywords, databases, and criteria is advisable.

Objectives of the Study:

This study has explored two broad objectives, which follow below:

1. To examine the SC/ST MSMEs performance in Kalyana Karnataka Region (KKR) Karnataka.
2. To know the Challenges and Prospects of SC/ST MSMEs in Kalyana Karnataka Region (KKR), Karnataka.

The performance of SC/ST, Micro, Small, and Medium Enterprises (MSMEs) in the Kalyana Karnataka region of Karnataka has depended on various factors, including economic conditions, government policies, infrastructure, access to finance, market demand, and entrepreneurial ecosystem.

One has to look at indicators and characteristics to assess the performance of SC/ST MSMEs in Kalyana Karnataka.

1. **Growth Rate:** Analyzing the growth rate of MSMEs in terms of revenue, employment generation, and market share over a specific period.
2. **Employment Generation:** Examining the role of MSMEs in providing employment opportunities in the region.
3. **Contribution to GDP:** Assessing the contribution of MSMEs to the Gross Domestic Product (GDP) of Kalyana Karnataka.
4. **Export Performance:** Evaluating the extent to which MSMEs engage in exporting goods and services, thereby contributing to foreign exchange earnings.
5. **Technology Adoption:** Understanding MSMEs' technology adoption and innovation level to enhance productivity and competitiveness.
6. **Access to Finance:** Analyzing the availability and accessibility of finance for MSMEs from banks, financial institutions, and government schemes.
7. **Infrastructure and Support Services:** Assessing the adequacy of infrastructure such as transportation, power supply, and market access, as well as the availability of support services like training, marketing assistance, and technology incubation.
8. **Regulatory Environment:** Evaluating the ease of doing business for MSMEs, including regulatory compliance, licensing procedures, and taxation policies.

To obtain specific data and insights into the performance of MSMEs in Kalyana Karnataka, one may refer to reports from government agencies, academic research papers, industry associations,

and local business surveys. Additionally, conducting field studies and interviews with MSME owners and stakeholders could provide firsthand information about the challenges and opportunities MSMEs face in the region.

The study investigates various **challenges SC/ST MSMEs** come across in Kalyana-Karnataka. Some hidden problems are obtaining loans, acquiring raw materials, embracing technology, and expanding one's market reach. Micro, Small, and Medium Enterprises (MSMEs) in the Kalyana-Karnataka region encounter several challenges.

1. **Limited Access to Capital:** MSMEs often need help to secure adequate financial resources for their operations and growth. Improving access to capital through targeted financial schemes and credit facilities is essential.
2. **Infusion of Equity Capital:** Encouraging equity investments can enhance the financial stability of MSMEs. Equity infusion allows businesses to expand, innovate, and withstand economic fluctuations.
3. **Enhanced Productivity through Management Practices:** Efficient management practices are crucial for MSMEs to optimise resources and improve productivity. Training and capacity-building programs can enhance managerial skills.
4. **Ease of Doing Business:** Simplifying regulatory compliance, reducing bureaucratic hurdles, and streamlining processes can make operating easier for MSMEs. A conducive business environment fosters growth and innovation.
5. **Global Competitiveness:** MSMEs face challenges related to global competition due to their smaller production scale. Adopting modern technology, improving product quality, and exploring international markets are essential.
6. **Workforce Skilling and Retention:** Attracting and retaining a skilled workforce is critical for MSMEs. Skill development initiatives and an attractive work environment can address this challenge.
7. **Infrastructure Constraints:** Inadequate infrastructure, including transportation, power supply, and connectivity, affects MSMEs' efficiency. Investment in infrastructure development is necessary.
8. **Market Access and Sales Promotion:** MSMEs need support in marketing their products and accessing broader markets. Collaborative efforts, digital platforms, and promotional campaigns can enhance market reach.

The Government of India recently released a draft MSME policy encompassing eight action areas to overhaul the MSME sector. These measures aim to address MSMEs' challenges and promote sustainable growth in all parts of the country.

The prospects of SC/ST MSMEs (Micro, Small, and Medium Enterprises) in the Kalyana-Karnataka region can be analysed through various lenses, including socio-economic factors, government policies, infrastructural support, and market dynamics. Here are some key points to consider:

1. **Government Initiatives:** The Government of India has introduced several schemes and initiatives to support SC/ST entrepreneurs and MSMEs nationwide. These include the Prime Minister's Employment Generation Programme (PMEGP), the Stand-Up India scheme, and various credit-linked subsidy schemes. These initiatives aim to provide financial assistance, training, and capacity-building support to entrepreneurs from marginalised communities.
2. **Reservation Policies:** In Karnataka, as in other states, reservation policies allocate a certain percentage of government contracts and procurement opportunities to SC/ST entrepreneurs. This can create opportunities for MSMEs owned by individuals from these communities to participate in government projects and contracts.
3. **Access to Finance:** Access to finance remains a critical challenge for many MSMEs, including those owned by SC/ST entrepreneurs. While government schemes aim to address this issue by providing credit support and subsidies, the availability and accessibility of formal credit sources, such as banks and financial institutions, can still be limited in rural and semi-urban areas.
4. **Infrastructure and Connectivity:** The infrastructure and connectivity in the Kalyana-Karnataka region play a crucial role in the growth and development of MSMEs. Adequate infrastructure, including roads, power supply, and telecommunications, is essential for businesses to operate efficiently and access markets beyond local boundaries.
5. **Market Opportunities:** Understanding market demand and identifying niche opportunities is essential for the success of MSMEs. SC/ST entrepreneurs in the Kalyana-Karnataka region should explore potential sectors such as agriculture and agro-processing, textiles, handicrafts, tourism, and services catering to local needs and preferences.
6. **Skill Development and Entrepreneurship Training:** Skill development and entrepreneurship training programs can empower SC/ST youth to become job creators rather than job seekers. These programs should focus on imparting technical skills, business management knowledge, and market-oriented training to equip aspiring entrepreneurs with the necessary tools for success.
7. **Networking and Collaboration:** Building networks and fostering collaboration among MSMEs, industry associations, government agencies, and financial institutions can facilitate knowledge sharing, resource mobilisation, and collective action to address common challenges and seize emerging opportunities.

Overall, the prospects of SC/ST MSMEs in the Kalyana-Karnataka region depend on supportive government policies, access to finance and infrastructure, market dynamics, and the entrepreneurial spirit and resilience of individuals from these communities. Efforts to address

systemic barriers and promote inclusive economic growth can contribute to unlocking the full potential of SC/ST entrepreneurs and fostering sustainable development in the region.

Limitations of the study:

1. The present study has been limited to SC/ST MSMEs in the Kalyana Karnataka Region in Karnataka.
2. The study has adopted and is limited to secondary data.
3. The study has only considered the challenges, prospects and performances of SC/ST MSMEs.

Suggestion of the study to the policy makers:

To overcome these challenges and enhance the prospects of SC/ST MSMEs in Kalyana Karnataka, Karnataka, the following measures are suggested:

- Implementing the state and central governments' MSME policies and incentive schemes effectively and transparently, with a particular focus on SC/ST MSMEs
- Providing adequate and timely credit facilities, equity capital, and subsidies to SC/ST MSMEs through banks, financial institutions, and venture capitalists.
- Promoting the adoption of sustainable practices and technologies by SC/ST MSMEs to improve their productivity, quality, and environmental performance.
- Strengthening the linkages and networks of SC/ST MSMEs with large enterprises, government agencies, research institutions, and civil society organisations to facilitate knowledge sharing, innovation, and market access.
- Enhancing the skills and capacities of SC/ST MSME owners and workers through training, mentoring, and counselling programs.
- Improving the ease of business for SC/ST MSMEs by simplifying the regulatory procedures, reducing compliance costs, and providing online services and grievance redressal mechanisms.

If implemented effectively, these measures can help SC/ST MSMEs in Kalyana Karnataka overcome their challenges and leverage their opportunities, thereby contributing to the state's and nation's inclusive and sustainable development.

Conclusion of the Study:

The performance, challenges and prospects of SC/ST MSMEs in Kalyana Karnataka, Karnataka: SC/ST MSMEs are an essential segment of the MSME sector in Karnataka, as they contribute to the economic growth, employment generation, and social empowerment of the marginalised communities. However, SC/ST MSMEs face challenges that hinder their development and competitiveness, such as a lack of access to finance, technology, markets, infrastructure, skilled workforce, and institutional support. Moreover, the COVID-19 pandemic has adversely affected the SC/ST MSMEs, causing losses, closures, and disruptions in their operations and supply chains.

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