

# **Growth Linkages of MSMEs of Kerala-A Study of Micro Small and Medium Enterprises of Ernakulam District**

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## **ABSTRACT**

MSME sector has emerged as a dynamic and vibrant sector of the economy. The Indian economy is expected to grow by over 8 per cent per annum until 2020 and can become the second largest in the world, ahead of the United States, by 2050, and the third largest after China and the United States by 2032. In this context it is very important to examine the role of MSMEs for economic growth of India. Kerala economy is transforming into a service economy with high inward remittance and skilled technical human resources. Development of more micro, medium and small scale enterprises by fortifying the skilled human capital and promoting investments including domestic as well as foreign in all the sectors will promote the total economic development of the State through employment generation and export oriented business. The primary focus of the present study has been on assessing how industrial linkages play an important role in inducing growth of non-agricultural employment and industrialisation in newly emerging areas of economy especially in an industrially backward state like Kerala.

**Key Words:** MSME, Industry, Sectoral linkages, Indian economy

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## **I. INTRODUCTION**

Industrialization plays an active role in guiding the development process and growth of a nation. India is a labour abundant country where small scale enterprises play a major role in boosting industrial production, employment generation and create foreign exchange earnings. On August 6, 1991, for the first time in the history of India, the government announced a separate policy for the small-scale sector, with the objective of promoting this sector. The development of this sector came about primarily due to the vision of Late Prime Minister Jawaharlal Nehru whose aim was to develop the industrial sector of the country through the promotion of small scale enterprises. Small-scale sector in India thus emerged as a dynamic and vibrant sector of the economy. Prior to 2006 these sectors were known as small and village But after the act of Micro, Small and Medium enterprises (MSMEs) Development they are known as Micro, Small and Medium enterprises (MSMEs).

The definition of SMEs varies in different countries and studies. The term SME covers a wide range of definitions and measures, varying from country to country and varying between the sources reporting SME statistics. There is no single and fixed definition for small and medium companies and existing definitions is changed from country to country and from one industrial sector to other industrial sectors. SMEs are defined on the basis of number of employees employed & investment; in most of the countries. In India; Enterprises have been classified broadly into two categories, namely enterprises engaged in the manufacture/production of goods pertaining to any industry; & enterprises engaged in providing/rendering of services. As per "Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 of Govt. of India"; MSMEs are defined in India as follows MSME Sector consists of any enterprises, whether proprietorship, Hindu undivided family, association of persons, co-operative society, partnership or undertaking or any other legal entity, by whatever name called, engaged in production of goods pertaining to any industry specified in the first schedule of Industries Development and Regulation Act, 1951 & other enterprises engaged in production and rendering services. Micro, Small and Medium Enterprises are generally defined in terms of the investment in the plant, machinery and/or equipment, the number of people employed and annual turnover. In India the MSMEs are defined just according to the amount of investment ceiling for Plant, Machinery or Equipment:

**TABLE 1: DEFINITION OF MSME ACCORDING TO MINISTRY OF MSME**

Classification	Investment Ceiling for Plant, Machinery or Equipments* @	
	Manufacturing Enterprises	Service Enterprises
Micro	Upto Rs.25 lakh (\$50 thousand)	Upto Rs.10 lakh (\$20 thousand)
Small	Above Rs.25 lakh (\$50 thousand) & upto Rs.5 crore (\$1 million)	Above Rs.10 lakh (\$20 thousand) & upto Rs.2 crore (\$0.40 million)
Medium	Above Rs.5 crore (\$1 million) & upto Rs.10 crore (\$2 million)	Above Rs.2 crore (\$0.40 million) & upto Rs.10 crore (\$2 million)

Source: MSMED Act,2006

The employment criterion was dropped because the employment trends keep changing seasonally; hence it is difficult to base the definition on them. Also, classification according to number of people employed gives owners the incentive to limit employment to remain within Small and Medium Enterprises. Another reason for dropping this criterion is the possible discrimination between labour intensive and techno sophistication (Dr. P. Uma, 2013). But the Indian definition does not take into account annual turnover or variable costs too and bases the definition solely on fixed costs. This implies that a micro enterprise that initially invested 20 lakh but had a turnover of 10 crore and increased its number of employees by 50% will remain a micro enterprise if it chooses not to reinvest in the plant and machinery. This acts a drawback of the Indian definition of MSMEs. Many researchers also argue that the investment ceilings are too low as compared to other countries. ‘The cap on plant and machinery for the purpose of classifying the units as MSMEs does not encourage Indian MSMEs to move up the value chain. With such low level of investment ceiling, Indian MSMEs are either expanding laterally or engaging themselves in low-tech/low-value products. Since the manufacturing operations are capital intensive, investment ceiling for treatment of medium enterprises may be raised at least in the capital intensive sectors, benchmarking with such ceiling on investment in other countries’ (EXIM Bank, Strategic Development of MSMEs, 2012).

Currently, there are 44.7 million Enterprises spread across the country employing 40% of the total population. 10.6 million People were working in this sector during 2001-02 whereas the number grew to 101 million people in 2012-13. More and more people are getting employed through new MSMEs every year, currently making up for largest workforce after the agricultural sector. MSMEs are responsible for production of more than 6000 different products and services. They cater to a large band of customers by producing from traditional to high-tech products. The leading industry in the MSME Sector is Retail trade constituting 39.85% of industries followed by Manufacture of Wearing Apparel (8.75%), Manufacture of Food Products and Beverages (6.94%) etc.

### STATEMENT OF THE PROBLEM

Kerala, high on social indices and low on economic indices, has been an enigma to scholars. Kerala economy is transforming into a service economy with high inward remittance and skilled technical human resources. Development of more micro, medium and small scale enterprises by fortifying the skilled human capital and promoting investments including domestic as well as foreign in all the sectors will promote the total economic development of the State through employment generation and export oriented business . The primary focus of the present study has been on assessing how industrial linkages play an important role in inducing growth of non-agricultural employment and industrialisation in newly emerging areas of economy especially in an industrially backward state..

### OBJECTIVE

1. To examine the growth and performance of Micro, Small and Medium enterprises (MSMEs) of Kerala
2. To study the potential growth linkages of MSMEs in the study region.
3. To analyse the major challenges faced by MSMEs in the study region.

## II. METHODOLOGY AND DATA SOURCES

The methodology is based on an empirical approach deriving a framework of analysis from the existing literature. At an aggregate level, secondary sources of information are used to study the growth and performance of MSME sector and also the extent and nature of economic diversification, particularly towards manufacturing. The main source of secondary data was Annual Survey of Industries of both India and Kerala, MSME annual reports and Kerala Economic Review. Moreover to substantiate studies journals, government

records, websites of various Government departments were also used. Ernakulam district, which is the industrial capital of Kerala, is taken as the study region. An appropriate picture of industrial linkage with other sectors was made on the basis of available secondary data from District Industries Centre, Ernakulam. For field survey two distinct industrial areas are selected. Data on these units was generated through a well-structured interview schedule relating to the socio economic characteristics of the entrepreneurs and the significance of local linkages. A total of 18 units constituted the sample i.e. 14 units from industrial estate of Kalamassery and 4 units from Cochin Special Economic Zone, Kakkanad. Appropriate statistical tools like averages, percentages were used to analyse data. In order to analyse growth of MSME sector exponential growth function has been used.

**GROWTH OF MSME SECTOR IN INDIA**

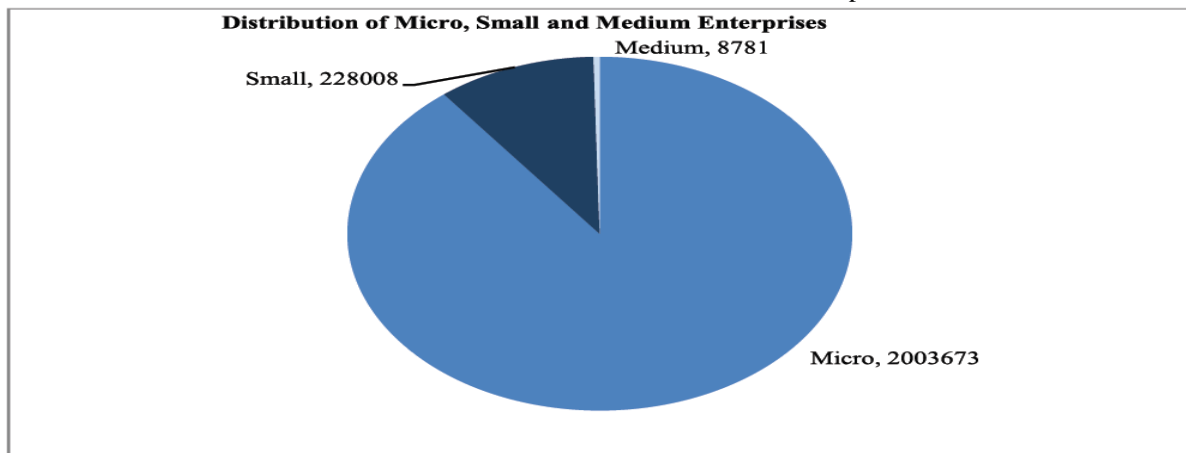
There were 15.23 million non-agricultural establishments with at least one hired worker in the country, which constituted 33.57% of the total non-agricultural establishments. It is revealed that ‘retail trade’, ‘manufacturing’ and ‘education’ were the three most significant major activities that shared 58.12% of the total non-agricultural establishments.

**TABLE1: PERFORMANCE OF SSI/MSME UNITS, EMPLOYMENT, INVESTMENTS AND MARKET VALUE OF FIXED ASSETS**

Sl.No	Year	Total Working Enterprise (Lakhs)	Employment (Lakhs)	Market Value of Fixed Assets (Crore)
1	2001-02	105.21	249.33	154349.00
2	2002-03	109.49	260.21	162317.00
3	2003-04	113.95	271.42	170219.00
4	2004-05	118.59	282.57	178699.00
5	2005-06	123.42	294.91	188113.00
6	2006-07	361.76	805.23	868543.79
7	2007-08	377.37	842.23	917437.46
8	2009-10	393.70	881.14	971407.49
9	2010-11	410.82	922.19	1029331.46
10	2011-12	428.77	965.69	1094893.42
11	2012-13	467.54	1061.40	1268763.67
12	2013-14	488.44	1114.29	1363700.54
13	2014-15	510.57	1171.29	1471912.94

Source: All India sixth Economic Census ,Government of India

FIG1. Distribution of Micro Small and Medium Enterprises



Source: All India sixth Economic Census ,Government of India

From the above figure it is clear that Micro enterprises constitute a major portion which is followed by small and medium industries. The establishment of micro industries increases over the years mainly because of the low investment and most of them are family enterprises compared to the Small and medium enterprises.

Table 2 Distribution of top ten states in the number of MSME establishments

Rank	State	Number of Establishments	% Share
1	West Bengal	5269814	11.62
2	Uttar Pradesh	5238568	11.55
3	Maharashtra	4545581	10.02
4	Tamil Nadu	3282197	7.24
5	Andhra Pradesh	2781291	6.13
6	Kerala	2364085	5.21
7	Rajasthan	2270936	5.01
8	Gujarat	2218464	4.89
9	Karnataka	2188860	4.83
10	Madhya Pradesh	1958550	4.32
	Total	32118346	70.80159
	All India	45363786	100.00

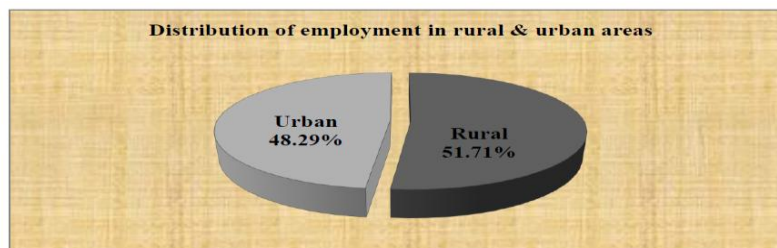
Source: MSME annual report 2016-17

As per the table ,the first ten states account for more than seventy percentage of MSME establishments .Among the states West Bengal stood first with 11.62% of total share of establishments.

**EMPLOYMENT**

About 131.29 million persons, 67.89 million (51.71%) in rural areas and 63.40million (48.29%) in urban areas were reported to be employed in the establishments found during the census. Five states, namely, Maharashtra with 14.51 million(11.05%), Uttar Pradesh with 14.12 million (10.75%), West Bengal with 11.90 million(9.07%), Tamil Nadu with 11.69 million (8.91%) and Gujarat with 9.60 million (7.32%) have the combined share of about 50% in total employment. About 108.41 million workers constituting 82.57% of total employment worked in non-agricultural establishments and 22.88 million (17.42%) worked in agricultural establishments. The results revealed that there are around 73.14 million persons (55.71%) working in establishments with at least one hired worker in the country and the rest 58.15 million(44.29%) persons are working in own account establishment

FIG:2 Distribution of Employment in Rural and urban areas



Source: Source: All India sixth Economic Census ,Government of India

**EMPLOYMENT IN ESTABLISHMENTS BY MAJOR ACTIVITY GROUPS**

Among the agricultural activities, the maximum employment was found under the activity group ‘livestock’ with 19.42 million workers constituting 84.86% of the total employment in the agricultural sector. In non-agricultural activities, the maximum number of workers was found engaged in ‘manufacturing’ with 30.36 million workers (28%) followed by ‘retail trade’ with 27.19million (25.08%) and ‘education’ with 10.60 million (9.77%). These three activity groups, taken together accounted for about 63% of the total employment in non-agricultural sector. Considering sector-wise, a similar trend of employment was also observed in rural establishments. The percentage share of employment in these three activity groups viz manufacturing, ‘retail trade’ and ‘education’ in rural area was 29.13%, 23.92 % and 14.14%respectively. In urban areas, activity group ‘manufacturing’ employed the maximum number of persons (27.15% of total urban employment), followed by ‘retail trade’ (25.98%) and ‘education’ (6.45%).Amongst the own account establishments, the total employment in the non- agricultural activities was dominated by ‘retail trade’ with 38.18 % (14.99 million) share. However, in case of establishments with at least one hired worker, it is ‘manufacturing’ which dominated with28.93% (20.00 million) of total employment.

**NUMBER OF ESTABLISHMENTS/PERSONS EMPLOYED**

Distribution of total number of non-agricultural establishments by State/UT by sector(Rural/Urban/Combined) by type of establishment (Without hired worker/ with at least one hired worker) is given in **Table 3.9.4 (A) & (B)** and the corresponding distribution in terms of total number of persons employed is presented in the tables.

**Table 4A and B** Top ten States in terms of their share in total number of establishments/persons engaged are as under

<b>A. Number of non-agricultural establishments</b>			
<b>Rank</b>	<b>State</b>	<b>Number of Establishments</b>	<b>% Share</b>
1	West Bengal	5269814	11.62
2	Uttar Pradesh	5238568	11.55
3	Maharashtra	4545581	10.02
4	Tamil Nadu	3282197	7.24
5	Andhra Pradesh	2781291	6.13
6	Kerala	2364085	5.21
7	Rajasthan	2270936	5.01
8	Gujarat	2218464	4.89
9	Karnataka	2188860	4.83
10	Madhya Pradesh	1958550	4.32
All India		45363786	100.00

Source: All India sixth Economic Census ,Government of India

<b>B. Number of persons engaged in non-agricultural establishments</b>			
<b>Rank</b>	<b>State</b>	<b>Number of Establishments</b>	<b>% Share</b>
1	Maharashtra	11873493	10.95
2	Uttar Pradesh	11396965	10.51
3	West Bengal	10915626	10.07
4	Tamil Nadu	8680482	8.01
5	Gujarat	6193307	5.71
6	Andhra Pradesh	6157909	5.68
7	Karnataka	5804767	5.35
8	Kerala	5592165	5.16
9	Rajasthan	5156768	4.76
10	Telangana	5007177	4.62
All India		108411367	100.00

Source:All India sixth Economic Census ,Government of India

**Table 3.9.6 Growth rate of establishments and employment as per fifth and sixth economic census.**

Sector	Item	Fifth EC* (2005)	Sixth EC (2013)	CAGR(%)	Total Growth (%)
Rural	Establishments	19437178	22710545	1.96	16.84
	Employment	40198855	46838101	1.93	16.52
Urban	Establishments	15736469	22653241	4.66	43.95
	Employment	43941551	61573266	4.47	40.13
Combined	Establishments	35173647	45363786	3.23	28.97
	Employment	84140406	108411367	4.12	28.85

Source: All India sixth Economic Census ,Government of India  
Growth rates of establishment and employment among states of India

**Table 5 Growth rates of establishment and employment among states of India**

State/UT	Growth in Establishments (%)			Growth in Employment (%)		
	Rural	Urban	Combined	Rural	Urban	Combined
Jammu & Kashmir	65.31	48.95	58.16	74.53	60.98	68.12
Himachal Pradesh	61.22	54.77	59.96	79.04	51.28	71.54
Punjab	58.62	28.54	42.56	62.04	31.62	44.04
Chandigarh	-70.35	44.25	30.53	-67.80	38.16	31.08
Uttarakhand	18.94	30.71	23.52	44.81	70.17	56.14
Haryana	43.58	39.04	41.53	35.26	73.18	53.69
Delhi	-52.78	18.47	15.98	-59.86	-10.19	-11.20
Rajasthan	56.39	41.18	50.56	61.97	48.90	56.24
Uttar Pradesh	90.00	39.94	67.38	97.70	61.25	79.94
Bihar	45.19	31.95	40.99	57.84	38.20	50.75
Sikkim	63.02	190.10	100.07	39.69	148.42	73.62
Arunachal Pradesh	12.54	72.83	33.41	12.26	68.03	32.06
Nagaland	75.90	82.13	78.66	36.87	34.80	35.93
Manipur	151.96	83.31	121.07	115.16	67.07	93.57
Mizoram	18.13	26.90	23.58	41.57	49.07	46.38
Tripura	6.93	84.52	27.67	-1.58	79.46	21.61
Meghalaya	34.83	19.93	29.86	53.56	29.63	44.48
Assam	114.90	92.31	107.99	95.72	76.21	89.32
West Bengal	24.48	74.01	41.36	12.01	39.75	24.09
Jharkhand	22.34	47.31	32.29	33.32	43.42	37.90
Odisha	12.38	28.42	15.73	22.87	29.80	24.60
Chhattisgarh	21.53	29.90	24.17	27.36	39.91	31.83
Madhya Pradesh	27.59	26.44	27.04	23.65	24.44	24.07
Gujarat	79.77	49.18	66.32	82.54	50.29	65.87
Daman & Diu	-67.72	120.85	4.85	-70.68	621.32	35.86
D & N Haveli	-29.87	148.65	35.04	-20.18	216.89	45.54
Maharashtra	59.93	35.85	47.79	43.13	34.30	37.85
Karnataka	9.17	24.81	15.01	7.57	35.06	19.86
Goa	-10.98	77.37	33.03	-17.15	86.83	36.41
Lakshadweep	-59.73	141.54	16.18	-58.34	139.62	20.05
Kerala	-13.53	123.15	20.59	-13.05	114.87	26.48
Tamil Nadu	0.75	39.05	15.58	9.39	37.56	22.49
Puducherry	8.23	29.11	22.04	15.68	36.28	29.08
A & N islands	72.04	107.37	83.64	68.65	81.82	74.33
Telangana	60.46	108.49	77.94	20.58	50.17	35.93
Andhra Pradesh	52.63	55.88	53.46	26.95	35.11	29.39
All India	38.37	47.13	41.79	34.78	41.89	38.13

Source: All India sixth Economic Census ,Government of India

There were positive growth rates in all the States/UTs in terms of number of establishments. Similar trend was observed in employment except for Delhi where it dipped by 11.20% compared to Fifth EC. This was primarily due to the fact that average employment size per establishment in Fifth EC for Delhi was much higher (4.69) as compared to the corresponding average employment size of 3.45 in Sixth EC for the NCT of Delhi. Moreover, number of employed persons as per Sixth EC for Delhi was found to be consistent with the estimate based on NSS 67th round Survey (2010-11). The States, three States from the North-East grew by more than double in terms of number of establishments with the highest growth rate observed in Manipur (121.07%), followed by Assam (107.99%) and Sikkim (100.07%). Nagaland (78.66%) and Telangana (77.94%) were the other two States among the top five States with higher growth in the number of establishments. As far as UTs are concerned, A&N Islands with a growth rate of 83.64% in establishments was at the top followed by D& N Haveli (35.04%) and Chandigarh (30.53%). Similar trend for the top two States was observed for employment growth rates between Fifth and Sixth ECs with Manipur (93.57%) and Assam (89.32%) at the top. Uttar Pradesh (79.94%), Sikkim (73.62%) and Himachal Pradesh (71.54%) completed the list of top five States in terms of employment growth. Among the UTs, A&N Islands showed the highest growth rate in terms of employment with a combined growth of 74.33%. D&N Haveli (45.54%) and Daman & Diu (35.86%) were the other two UTs reporting high growth in employment.

The growing internationalisation and globalisation of production together with a wide spread shift in national development strategies from import substituting industrialisation to export oriented industrialisation have fuelled the growth of industrial capabilities in a wide range of developing countries but the spatial non-allegiance of production networks with increases disintegration and global outreach, coupled with fast changing consumer preferences has already become a concern for developing countries where most of the industries are traditional and resource based.

The industrial economy of Kerala deserves special mention under the above mentioned circumstances as more than 70% of the industrially generated employment in the state belongs to traditional and natural based sector. The most important aspect to be considered is that most of these products command good external markets and are exposed to high value addition on reaching the final consumers. Kerala, with its excellent connectivity, communication network, availability of highly skilled human resources and relatively good industrial infrastructure, is highly suited for the growth of the MSME Sector. The Micro Small and Medium Enterprises sector help in industrialisation of rural & backward areas, targeting youth and socially disadvantaged groups such as SCs, STs, women, and physically challenged persons. This sector contributes enormously to the socio-economic development of the State. And also plays a crucial role in the holistic industrial development of the State. It generates employment and value to products and services through utilizing available resources in the State. Kerala is one of India's most globalized states, with a high dependence on exports, remittances and tourism. The recession in the Euro zone, the weak pace of expansion of the United States and the slowing growth in all emerging countries has dampened Kerala's exports and reduced tourist flows. Fluctuating global commodity prices cause uncertainty for Kerala's exporters. Food and fuel prices have remained high resulting in cost push inflationary conditions. Saudi Arabia's Nitaquat policy has resulted in uncertainty, regarding further opportunities for non-resident Keralities working abroad, and concern over further widening of unemployment. (Report on State Profile of Kerala MSME, 2015). The potential of IT industry in the MSME sector is big as the State offers best connectivity with broadband reach in almost all parts of the State. The industries coming under the MSME sector include handicrafts, handloom, Khadi, food processing industries, garment making and textile industries, industries related to coir, wood, bamboo, plastic, rubber, leather, clay, and electronic/electric components. The Directorate of Industries and Commerce of Government of Kerala acts as a facilitator for industrial promotion and sustainability of MSME sector and potential growth linkages of MSME sector in Kerala (Economic Review 2016)

### **Micro Small and Medium Enterprises (MSME) in Kerala**

Micro, small and medium enterprises (MSMEs) can play a crucial role in promoting equitable development and in nurturing innovation on a small scale. The MSME sector in India is diverse in terms of size, levels of technology employed and products. There are 346.12 lakh units spread across the country employing 805.24 lakh workers.

Micro, Small and Medium Enterprises (MSME) contribute a share of 37.5 per cent to the country's GDP.

The sector has huge potential in addressing structural problems such as unemployment and regional and intersectoral imbalances. Given their comparatively low capital costs and their forward- backward linkages with other sectors, MSMEs can play a crucial role in building a diversified manufacturing sector. Realizing the importance of the MSME sector, the government has undertaken a number of schemes/programmes such as the Prime Minister's Employment Generation Programme (PMEGP), Credit Guarantee Trust Fund for Micro and Small Enterprises (CGTMSE), Credit Linked Capital Subsidy Scheme (CLCSS) for Technology Up gradation,

Scheme of Fund for Regeneration of Traditional Industries (SFURTI), and Micro and Small Enterprises-Cluster Development Programme (MSE-CDP) for the establishment of new enterprises and development of existing ones.

In Kerala the manufacturing sector registered a growth rate of 12.65 per cent at current prices during 2015-16 compared to the growth rate of 2.46 per cent in the previous year. The contribution of income from manufacturing sector to GSDP at constant and current prices during 2012-13 was 7.7 per cent and 7.6 per cent respectively. The income from manufacturing sector to GSDP and its growth rates from 2007-08 to 2012-13 are given in Table 4.2.1. The per centage contribution of Manufacturing sector to GSDP from 2007-08 to 2013-14 did not show a definite trend. A drastic decline can be observed during 2009-10 and after that there was an increase, which again declined intensively during 2013-14 and an improvement is found. This is shown in the table below

**Table1 Growth of Manufacturing Sector in Kerala (GSDP)**

Year	Contribution to GSDP ( crore)		Growth Rate (%)	
	At constant Prices	At current prices	At constant Prices	At current prices
2004-05	10220.58	10220.58	0	0
2005-06	10433.30	10920.95	2.08	6.85
2006-07	11178.76	12294.66	7.12	12.58
2007-08	13164.50	15082.23	17.76	22.67
2008-09	13440.72	17356.90	2.1	15.08
2009-10	13485.02	17569.80	0.33	1.22
2010-11	15078.36	20470.96	11.82	16.51
2011-12	34204.04	34204.04	4.34	15.38
2012-13	38469.15	40541.45	12.47	18.53
2013-14	36680.87	40691.29	-4.65	0.37
2014-15(P)	37581.4	42735.67	2.46	5.02
2015-16 (Q)	42333.72	46700.69	12.65	9.28

Source: (ECONOMICREVIEW, 2016)

#### **District Wise Registered Units**

The number of new enterprises filed Memorandum under MSMED Part II in Kerala during the year 2015-16 up to September 17, 2015 was 7705. Out of these, 301 (3.9%) MSMEs were registered by entrepreneurs belonging to the SC community, 31 (0.4%) by entrepreneurs belonging to ST and 1805 (23.42%) by women. Investment in the sector during the period was 1,29,356.95 lakh while employment generated and the value of goods and services produced were 45407 Nos. and 3,38,001.36 lakh respectively. In 2015, the total number of working SSIs/MSMEs registered in Kerala are 2,57,466. Out of the total SSIs/MSMEs, 3.84per cent were promoted by SC entrepreneurs, 0.72per cent by STs and 24.97per cent by women entrepreneurs. The total investment was 17,98,646.38 lakh while the total value of goods and services produced was 67,65,143.93 lakh and the total number of employment generated was 13,18,666 Nos. The details are given in



District wise number of total working SSI/MSME units Registered in Kerala up to Sep 2015									
Sl. No.	State / District	Number of SSI/MSME units promoted by				Total Investment (lakh)	Value of goods and services produced (lakh)	Employment generated (Numbers)	
		SC	ST	Others	Total				Women
1	Kasargode	189	104	7287	7580	1675	39543.77	73823.05	39579
2	Kannur	228	88	13103	13419	2857	80913.79	227219.32	63137
3	Wayanad	106	168	3839	4113	1524	25864.46	75690.53	20637
4	Kozhikode	643	87	19052	19782	3418	133190.95	434762.45	96629
5	Malappuram	532	97	13923	14552	2277	98555.92	227542.23	65683
6	Palakkad	1421	146	16403	17970	3984	144213.35	448984.99	81275
7	Thrissur	1422	124	31303	32849	6911	185008.35	561216.26	136107
8	Ernakulam	575	202	33720	34497	7539	377620.95	1289572.68	236709
9	Idukki	431	172	5010	5613	2281	51767.9	1294737.06	31567
10	Kottayam	500	187	24084	24771	6788	129716.38	299029.1	86983
11	Alappuzha	562	91	18036	18489	5737	116357.65	252134.8	104622
12	Pathanamthitta	812	50	10274	11136	4226	88041.4	181238.19	61384
13	Kollam	1167	112	16757	18036	6479	127592.5	1018236.24	122186
14	Thiruvananthapuram	1319	240	33100	34659	8597	200259.01	380957.03	172168
	<b>Total</b>	<b>9907</b>	<b>1868</b>	<b>245891</b>	<b>257466</b>	<b>64293</b>	<b>1798646.38</b>	<b>6765143.93</b>	<b>1318666</b>

Source: (ECONOMICREVIEW, 2016)

### Industrial Growth Linkages of MSMEs in Ernakulam district-An Analysis

In this section an attempt has been made to analyse the potential growth linkages of MSMEs in Ernakulam district with other sectors of the economy .In order to understand the potential growth linkages of MSME sector following variables have been taken for study.

- Geographical and sectoral origin of the entrepreneur
- Production linkages both backward ( in terms of raw materials, industrial intermediates and capital used by these units ) and forward (in terms of use of their product by other sectors of the economy)
- Consumption linkages or the source of demand for the final goods produced by units.

An appropriate picture of industrial linkage with other sectors has been made on the basis of available secondary data from District Industries Centre (This comes under the Nodal agency of SIDO- which give information about the basic information and location of small scale enterprises and product group).In order to asses thee extent of linkages and also the resource flow into the MSME units ,a field survey is needed

**The Study Area:-Socio economic Profile of Ernakulam district and selected industrial areas**

Ernakulam district is the highest revenue yielding district in the state of Kerala and is known as the commercial capital of Kerala. The district comprises of largest metropolitan region of Greater cochin. This district is taken purposefully for study mainly because of two reasons.On the basis of industrial development Ernakulam district is highly advanced district of Kerala. The district has been strategically positioned on international trade routes and has almost all infrastructural facilities required for the development of industrial units. It is linked to sea, air and land routes and almost all villages have been electrified. Raw materials like rubber, spices,fruits,vegetables,etc are easily available. Another important factor to be mentioned is the steady inflow of foreign remittances from the Non-resident Keralities of Kerala. Nearly one fourth of the total large, medium0,micro and small scale enterprises are located in the district .It also has the highly protected CSEZ to promote industrial units in the district. The district is also enriched with highly skilled and competent workforce. The district consists of seven Taluks within which Kanayannur Taluk has been selected for more in depth study of linkages of MSME sector .Kanayannur Taluk has been selected purposively because it contains two major industrial towns Kalamassery and Kakknad which has a greater potential for both local and external linkage. The selection of two areas were purposive to capture recent growth in the MSME sector with apparently different types of linkages.

**Table 6** Inferences based on Geographical and sectoral origin of the entrepreneur and workers

CHARACTERISTICS	INFERENCES
<b>Origin of workers</b>	employment generation capacity of MSME sectors of Kalamassery Industrial area to the local people is very high Greater association between non-local entrepreneurs and workers in CSEZ
Local(within district)	
Non Local(Outside district)	
<b>Mode of Payment</b>	Employees of Kalamassery and almost all units in CSEZ pay their workers monthly

Source: Field Survey

**Table 7** Inferences based on Production linkages

CHARACTERISTICS	PERCENTAGE		INFERENCES
<b>Production Linkage</b>			units of Kalamassery and CSEZ respectively have forward production linkage with service sector followed by other industries and construction sector.FPL with agriculture was very low in both the industrial areas
<b>Forward Production Linkage</b>	Strong with service sector	Strong with service sector	
on the basis of output utilisation by different sectors of the economy	Weak with agricultural sector	Weak with agricultural sector	
<b>Backward Production Linkage</b>			In Kalamassery about 42.85% were agro and natural based industries .But the interesting feature is that most of the raw materials are non-local that is they are procured from outside the district and even from other states
availability of raw materials and other inputs needed for production	Stronger	Weaker	

Source: Field Survey

**Table 8 Inferences based on consumption linkages and export potential**

CHARACTERISTICS	PERCENTAGE		INFERENCES
Consumption Linkage			.Most of the goods produced in Kalamassery units are consumer goods which have high local demand whereas goods produced in CSEZ are mostly electronic goods which contribute significantly to service sector and have high non-local demand
based on the demand for consumer goods	Strong	Weak	
Export Potential			all industries in CSEZ have high export potential whereas only 35 % of the industries of Kalamassery have outward orientation i.e. This is because units in CSEZ are provided with tax concessions , subsidies and export promotion facilities. Most of the units in CSEZ are intermediary units where final demand usually comes from outside the state and country.
	Weaker	Stronger	

Source: Field Survey

### III. RESULTS AND DISCUSSIONS

Micro, small and medium enterprises (MSMEs) sector contributes significantly to the manufacturing output, employment and exports of the country. From the study it was revealed that food industries constitute a greater share in the small scale enterprises of the state. From the study it was analysed there has been significant increase in the overall growth rate of MSME sector. BPL with agriculture has been stronger among the units of Kalamassery .Units of Kalamassery and CSEZ respectively have forward production linkage with service sector followed by other industries and construction sector.FPL with agriculture was very low in both the industrial areas.From the study it is clear that industries of Kalamassery have strong consumption linkage than units of CSEZ.Most of the goods produced in Kalamassery units are consumer goods which have high local demand The study revealed that almost all industries in CSEZ have high export potential whereas only 35 % of the industries of Kalamassery have outward orientation i.e. export to foreign countries From the study it was revealed that 55% Of the agro based industries and 80% of the metal industries in Kalamassery face the problem of high price of raw materials. In CSEZ almost all units face high competition from other similar units especially from outside the country.

### IV. CONCLUSION

Kerala is an industrially backward state. One of the reason for industrial backwardness is non-proper utilisation of MSME sector .From the study it has been revealed that MSME has high potential for income, export and employment generation .Another important problem of industrial backwardness in Kerala is heavy concentration of agro and natural based industries which have less employment generating capacity and export potential. More emphasis should be given to electronics and hardware industries and other heavy industries .With growing service sector potential of these industries also increases.

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