

# Role of Industrial Estates Programme in Nurturing MSMEs-A Study of Davangere Zone

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**Abstract:** This research examines whether the Industrial Estates Programme effectively performing their role in arranging required facilities for the industrialisation in industrial estates of Davangere Zone. The role of industrial estates programme is timely arranging ample infrastructures for MSMEs which the entrepreneurs would like to house their business units in industrial estates. MSMEs need sophisticated and agglomerated infrastructure facilities which can induce business growth and development. Infrastructure builds more efficient operating model over the long term for the MSMEs. More efficient infrastructure not only supports to fulfil the current needs of the MSMEs, but will also prosper throughout all phases of the business cycle. Entrepreneurs themselves arrangement of required infrastructure facilities like land, building, roads, warehouse, financing for equipment, market etc. are very difficult phenomena for the entrepreneur whether they are individual or group of entrepreneur. A world economy that knows starts to develop the infrastructural facilities to the MSMEs through industrial estate, industrial park, industrial area act. In India, SSIDC, IADB and other Governmental agencies have been taking initiative to arrange and develop the facilities for the industrialisation in Indian economy.

**Keywords:** Industrial Estates Programmes, Entrepreneurship, MSMEs,

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## I. INTRODUCTION

Industrialisation is the tool and mechanism which foster the economic development. Acquaint of industrialisation develops manufacturing consumer goods and capital goods and of infrastructure in order to provide goods and services for both individuals as well as businesses. However, industrialisation is considered as an effective mechanism of accelerating the tempo of economic development and raising the standard of living of the people.<sup>1</sup> Industrialisation of most developing countries are characterised by coexistence of entrepreneurship development and infrastructural facilities. The coexistence of these two factors promotes countries economy. "Every Economy whether it is agrarian, industrial or post-industrial, needs suitable levels of infrastructure such as—power, transportation and communication. Without their healthy presence and expansion, no economy can grow, and develop".<sup>2</sup>

## II. REVIEW OF LITERATURE

R.K. Bharti<sup>3</sup> in her study on 'IEs in developing economies' conducted in Madhya Pradesh has highlighted some significant factors for the utter failure of the IEP programmes in Madhya Pradesh viz., Locational disadvantages, faulty applications of production techniques which lead to underutilisation of production capacity, lack of infrastructure facilities etc.

P. Seetha<sup>4</sup> has evaluated the working of Industrial Estates in Assam State by selecting 8 Industrial Estates. The study found that the demand for sheds was more in urban estates than in rural estates. The generation of employment opportunities in the Industrial Estates was not as expected.

R. L. Sanghvi<sup>5</sup> the study found that the organisers of Industrial Estates in India as well as those in Gujarat did not follow a rational industrial policy. Urban estates were found to be more successful than the rural areas. Moreover, the units located in the Industrial Estates were economically more viable than those located outside the estates.

Anil Mehta<sup>6</sup> The study reveals that Industrial Estates are facing many problems viz., they do not have enough factory sheds which in turn leads to inconvenience in storing raw materials and/or finished goods, lack of marketing research, lack of adequate finance, etc.

Meera Bai M<sup>7</sup> The programmes of Industrial Estate are assessed through, promotion of SSIs, employment generation, entrepreneurship development, utilization of local resources and income generation. Facilities for technical guidance are not provided in any of the estates in Kerala. The absences of many common

facilities in some estates in Kerala are due to the small size and, therefore, they are deprived of much economies of scale.

#### Objectives of the study

- To know the role of Industrial Estates Programmes for the MSME in Karnataka
- To know the efficiency of the IEPs in Davangere Zone

#### Statement of problem

The review of literature acknowledges that many studies in India were done on Industrial Estates and those researches revealed the role of Industrial Estates in industrialisation of MSME sector which were established in Industrial Estates. The majority of the studies were relatively concerned with problems of industrial units in Industrial Estates, economic evaluation of Industrial Estates, Industrial Estates and entrepreneurial development, etc. A few studies on role of Industrial Estates in industrial development relating to infrastructural facilities which promotes the SSIs have also been done.

### III. SOURCES OF DATA AND METHODOLOGY

The study selected 5 Industrial Estates, and there were 562 sheds and plots. Hence, the field selected for the research. 76 samples units were selected out of 562 units. For analyse the effectiveness of the Industrial Estates Programmes to MSMEs in the industrial estates the descriptive analysis methodology is used.

#### MSMEs in India

“India’s Micro, Small, and Medium Enterprises (MSMEs) base is the largest in the world after China. The sector provides a wide range of services and is engaged in the manufacturing of over 6,000 products – ranging from traditional to hi-tech items. Given the government of India’s latest ‘Make in India’ push, along with a significant jump in the FDI flows, the Indian MSMEs sector is poised for rapid growth and integration with major global value chains. As per the official estimates, there are about 63.05 million micro industries, 0.33 million small, and about 5,000 medium enterprises in the country.”<sup>8</sup>

#### Definition<sup>9</sup>

As per the MSMED Act 2006, (02/10/2006) definition on MSME is:

Enterprises	Manufacturing Sector (Investment in Plant & Machinery)	Service Sector (Investment in Equipment’s)
Micro	Does not exceed twenty five lakh rupees	Does not exceed ten lakh rupees:
Small	More than twenty five lakh rupees but does not exceed five crore rupees	More than ten lakh rupees but does not exceed two crore rupees
Medium	More than five crore rupees but does not exceed ten crore rupees	More than two crore rupees but does not exceed five crore rupees

The MSME Development (Amendment) Bill, 2018, introduced new definition is:

Enterprises	Business Turnover is the base to classify the MSME, the enterprises either manufacturing or service sector.
Micro	Up to ₹5 crore
Small	₹5-75 crore
Medium	₹75-250

“It has been felt necessary to change the criteria for the classification in order to align it with the needs of current times and changing business ecosystem,” said the Bill’s statement of objects and reasons. The statement also said the criterion of investment entails physical verification, bringing with it transaction costs. It also incentivises promoters to keep the investment size small to retain the MSME tag. On the other hand, if the annual turnover is the criterion, the information available with the GSTN Network and other sources can be used. “Overall, the turnover based classification will promote the ease of doing business and will put in place a non-discretionary, transparent and objective classification system,” the statement said.<sup>10</sup>

#### Industrial Estate Programme

The word Industrial Estate revolves around industrialisation and is screening about essential requirements for the micro, small and medium enterprises. Accelerated economic development of the nation always would be persuaded by level of the industrialisation. Industrialisation is the process of creation and expansion of industries and in that modern technology is used for the production. Industrialisation induces the concept of optimum utilisation of resources for economic development of the nation. The Industrial Estate’s concept has 120 years of history and it has been exercised by developed and developing countries to encourage the industries through a stipulation of facilities which would become cost effective. It was the grandiose induction decision to introduce the Industrial Estates for industrialisation in the economy. The term "Industrial Estate" is derived in the United Kingdom in the late 19th Century. Later during the Second World War, the economy placed the Industrial Estates program to play a significant role in promoting the industrialization in the world.

According to William Bredo, who has defined this term for the first time in 1960, "an Industrial Estate is a tract of land which is subdivided and developed according to a comprehensive plan for the use of a community of industrial enterprises. The plan must make detailed provisions for streets and roads, transportation facilities and installation of utilities".

In 1963, P • C. Alexander defined the term Industrial Estates with a few differences. According to him, "an Industrial Estate is a group of factories constructed on an economic scale in suitable sites with facilities of water, transport, electricity steam, bank, post office, canteen, watch and ward and first-aid, and provided with special arrangements for technical guidance and common service facilities".

According to the United Nations: Industrial Estate is defined as, "a planned clustering of industrial enterprises, offering developed sites, pre-built factory accommodation and provision of services and facilities to the occupants."

In the words of the ADB: ... "They stimulate growth of indigenous enterprises, promote balanced growth, lead to diversification of the industrial structure and contribute to a reduction of unemployment and alleviation of poverty" comprehensive IEPs are stated below:

With a view to meet the pressing needs of SSI sector for centralized infrastructure facilities, the successive Governments at Centre and State levels under various economic plans and special programmes have made efforts in establishing industrial estates. The industrial estates activities that are involved from the stage of acquiring and developing land and plots for housing small industrial units maintaining of infrastructure and industrial services on a regular basis and not merely on a time bound basis etc. These industrial estates are basically growth centres or can be called as "Incubators", protecting the SSI units from operational problems and ensuring their growth and continued prosperity. The basic objective of such estates is to give a place for urban intellectuals and creative individuals to exhibit their talents and in-built qualities. The details of IEPs in Davangere and Chitradurga industrial estates are as follows.

**Table -1**

Facilities Unavailable	Facilities Available
Banking	Quality of building
Telecommunication	Water Supply
Post and Telegraph office	Transportation
RM Supply link	Electricity Power
Warehouse	Railway
Heat treatment Plants	Credit facilities
Foundries	
Tool Rooms	
Wide area street for free transportation	
Sewage/Sanitation facilities	
Waste resources destruction	

The SSI/MSME sectors growth and development depends on certain key operating forces especially the "Infrastructure". IEs Infrastructure is the sum total of all facilities provided in the form of Water, Internal Roads, Warehousing, Industrial Plots and Sheds, Provision for Streets, Electricity, Finance, Raw-Material supply, Quality Testing, Marketing Aids, Public Utilities, Waste Resource Destruction, Tool Rooms, Telecommunication, Heat Treatment Plants, Sewage and Sanitary Facilities, Foundry, Post and Telegraph Office, Railway etc. The idea of establishing IEs as a measure for the development of small-scale industries the essence is one of the entrepreneurship development programmes. The entrepreneurs' level of satisfaction was measured with the parameters of Excellent, Average and Poor.

#### **Quality of the Building Provided by the IEs**

Any entrepreneur, who wants to start his business in a building provided by the IE, would certainly expect the building to be in a moderately good condition. Because, they would be investing huge money and moreover the business is for lifetime. The following table gives the survey feedback.

**Table-2: Response towards Quality of Building in which the Unit is Housed**

	Quality of building			Total
	Average	Poor	Not applicable	
Davangere	12	0	10	22
Harihara	6	2	14	22
Chitradurga	2	8	0	10
Hosadurga	2	8	2	12
Hiriyuru	0	0	10	10
Total	22	18	36	76

The above table-2 gives the opinion of entrepreneurs regards the quality of the buildings provided to them. Out of the total 76 entrepreneur, 40 have used the buildings provided to them and 36 have constructed

their own buildings using only the Land/Plot being allotted. Out of the 40 entrepreneur, 22 have opined that the quality of the building they are using in average. And 18 have opined that it is poor. For most of them maintenance of building is also a major menace.

### Water Supply

Water is very precious and requires judicious and conscious usage. Many units located in the IEs require plenty water resources to carry on uninterrupted production especially units like Paper and Plastics, Fabrication, Cattle-Food, Engineering, Paints, Foundry, Food Processing, Table 3 shows the opinion of entrepreneurs regarding the water supply.

**Table-3: Response towards Water Supply (Cross tabulation)**

	Water supply			Total
	Excellent	Average	Poor	
Davangere	0	20	2	22
Harihara	14	4	4	22
Chitradurga	0	6	4	10
Hosadurga	0	0	12	12
Hiriyur	0	0	10	10
Total	14	30	32	76

From the above table it can be observed that 14 entrepreneurs whose units are located at Harihara opined that the water supply to their units in excellent. This is because the Tungabhadra River is adjacent to Harihara. 30 entrepreneurs gave average marking which are located in Davangere, Harihara as well as Chitradurga. 32 entrepreneurs have opined the water supply is very poor and these units are located in almost all the IEs. But the reason for their opinion is their units are in the nook and corner of the IE.

### Internal Roads and Transportation

Normally an IE has an area of 19 acres to 20 acres having around 100 units. Supply of raw-material, loading and unloading of material and for commuting inside the IE itself demands properly constructed internal roads. Good transportation has to be backed by good internal roads. Providing well-constructed roads with properly connectivity is one of the primary objectives of IEP. Hence, the primary survey conducted probed into this issue. The entrepreneur opinions are tabled below:

**Table-4: Responses towards Roads and Transportation (Cross tabulation)**

	Internal Roads and Transportation		Total
	Excellent	Poor	
Davangere	0	22	22
Harihara	16	6	22
Chitradurga	0	10	10
Hosadurga	0	12	12
Hiriyuru	0	10	10
Total	16	60	76

From the above table it can be inferred that out of 76 entrepreneurs, 16 entrepreneurs whose units are located in Harihara opined that the Internal Roads and Transportation are excellent. More surprisingly 60 entrepreneurs rated them to be very poor. Because in many places either roads have not been constructed or they are not in proper conditions due to poor maintenance.

### Power Supply

Industrial units become powerless without proper and uninterrupted power supply. Most of the units surveyed are power-intensive. Uninterrupted power supply to industrial units located in IEs is one of the primary objectives of the IEPs. IEs have to see that entrepreneurs should not suffer due to lack of power supply. Entrepreneurs surveyed were enquired into their opinion about the power supply. The opinions are tabulated below.

**Table-5: Response towards Power Supply (Cross tabulation)**

	Enough power		Total
	Excellent	Average	
Davangere	20	2	22
Harihara	22	0	22
Chitradurga	6	4	10
Hosadurga	4	8	12
Hiriyuru	10	0	10
Total	62	14	76

It can be seen from the above table that 62 entrepreneurs out of 76 opined that power supply is excellent. And only 14 of them opined that it is average. Further 8 units are located in Hosadurga which is a Taluk place and the IE is also in the remote area.

### Railway Connectivity

Good railway connectivity among the places not only helps in easing out mass transportation and commuting but also lessens the burden of transportation cost. Obviously, the units housed in IEs anticipate good railway connectivity to transport their material from raw-material to finished goods when the entrepreneurs were raised with their question they opined as follows.

**Table-6: Response towards Location of Unit and Railway Connectivity (Cross tabulation)**

	Railway		Total
	Excellent	Poor	
Davangere	22	0	22
Harihara	22	0	22
Chitradurga	10	0	10
Hosadurga	0	12	12
Hiriyuru	0	10	10
Total	54	22	76

The table clearly states that 54 entrepreneurs belonging to the Davangere, Harihara, and Chitradurga opined that railway connectivity is excellent and 22 belonging to Hosadurga and Hiriyuru opined that it is poor. Because railway connectivity out of their reach.

### IV. CONCLUSION

MSMEs play vital role in the economy. Role of the government in industrialisation is essential. Hence, Industrial Estates Programmes have to provide all required infrastructure facilities to the units which are established in the industrial estate. A well-established and efficient MSME sector would solve the economic and social problems arising out of poverty, unemployment, social tensions, etc. The modern business requires standard infrastructures because of complexities involved in its operation, competitive forces, changing demand of customers, etc.

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