

Growth and Structure of Micro, Small, and Medium Enterprises (MSMEs) in Kerala

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Abstract

This paper aims to draw a complete picture of Micro, Small, and Medium Enterprises' (MSMEs) structure and growth in Kerala by analysis all India censuses of MSMEs starting from 1973. The MSME sector in Kerala has been neglected in the past due to political, economic, and social reasons. This paper emphasizes the stature of the small business in the state by comparing principal characteristics of the sector with neighbouring states and all India averages. There is a tremendous growth opportunity for IT and tourism along with traditional industries like handicrafts, handloom, Khadi, food-processing industries, garment making, and textile industries in the state. Promotion of the sector would stimulate industrialization, solve the problem of slow growth, unemployment among educated youth, and the issues arising from the unprecedented return of migrates. This paper also analyzes the catalytic role of MSMEs in industrialization of rural and backward areas; targeting youth and socially disadvantaged group such as SCs, STs, and women. Most of the literature is focused on issues and credit crunch of the sector by oversimplifying the key role of MSMEs on state's development. The important finding of the study is: Kerala is far below in terms of area, population, and infrastructure facilities among Indian states, but in turn MSMEs' performance is the state stands among the top contributing state of the country.

Keywords: All India Census of MSMEs, Employment, Industrialization, Investment, MSMEs, Production

Introduction

The motive of this paper is the paradox in the development of Kerala, the Indian state. The state of Kerala well known for its remarkable social achievements and relative industrial backwardness. The State has attracted widespread and well-deserved international attention for its remarkable achievements in social spheres; its development indices are far above from Indian states' and

they are comparable with developed nations, although the Kerala model of development is often questionable because of its low per capita income and the industrial sector's less contribution. Further, the state also faces problems like increased unemployment rate of educated youth, the slowdown in emigration of labour, particularly the south east of Asia, also their unprecedented return due to unrest in the foreign nations. To avoid the worst of these crises, policy makers and researchers should pay keen attention to develop the small business segments. There is an increasing realization in recent years that the industrialization process should be stimulated in the state to solve the problem of slow growth and worsening unemployment. The small business is often termed as a cradle for big business and a panacea for various socio-economic issues. The Micro, Small, and Medium Enterprises (MSMEs) play a pivotal role in the economic and social development of every economy, often acting as a nursery of entrepreneurship. They also play a key role in the development of the economy with their effective, efficient, flexible, and innovative entrepreneurial spirit. The MSME sector contributes significantly to the economic indices, such as manufacturing output, employment and exports, and impetus to a highest employment growth as well as accounts for a major share of industrial production and exports. The credibility of MSME sector across the world is that of an engine of economic growth; it's a key instrument for promoting equitable development. The major advantage of the sector is its employment potential at low capital cost. The labour intensity of the MSME sector is much higher than that of large enterprises. MSMEs constitute more than 90% of total enterprises in most of the economies, are credited with generating the highest rates of employment growth, and account for a major share of industrial production and exports. The MSMEs produce more than 7,500 products

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and also contribute to about 35% of the India's exports. MSMEs contribute 8% of the country's GDP, 45% of the manufactured output, and 40% of exports (Prime Minister's Task Force on MSME, 2010).

Kerala is a small state which accounts for only 1.2% of the total geographical area of the country and accommodates 2.76% of India's population (Census, 2011). But Kerala claims 13.71% of the gross output and ranks second behind West Bengal (14.06%), and is at fourth rank in employment generation (Fourth All India Census, 2007). The expansion of the small business segment would help to curtail structural issues of the state and provide impetus to the economic development. Most of Kerala's industrial regions are concentrated around major cities like Cochin, Kozhikode, and Trivandrum. However, MSMEs are spread across the State. The MSME units are in sectors like Information Technology, tourism, agro-based business, including food processing, ready-made garments, light engineering, biotechnology, and rubber. MSMEs produce more than 2500 different products. Strengthening the state's economy by promoting industries have been discussing the topic among academicians and policy makers for mitigating the recently driven issues, particularly after economic crisis 2008. The small industries in the state, how they are functioning and what is the position of state's small-scale industries compared with neighbouring states and at all India level are the questions driving the recent research.

Therefore, it is necessary to analyze the real industrial condition of the state. The detailed analysis of the performance of the MSMEs is relatively important in Kerala's context, because a much propagated Kerala model of development going to dim and Kerala economy struggle for improving.

The paper is divided into four sections: first section traces the growth pattern of small business by placing together various all India censuses about small business. The principal characteristics of MSMEs, number of units, employment, investment, and production are analyzed. The second section measures the operational efficiency of the sector in Kerala by comparing the averages of all India and the neighbouring states. Third section discusses the deployment of MSMEs in the State in terms of social groups, geographical base, and the nature of business. Section four fortifies the potential and importance of

giving keen attention for further development of the sector and ends with the conclusions.

Review of Literature

The literature review describes the need of promoting small businesses in general, and their contribution to economic development in particular.

Small business enjoys a tradition of infinite variety and solid achievement. Small business flourished in almost all the ancient cultures. The Arabs, Babylonians, Egyptians, Jews, Greeks, and Romans excelled at it (Nicholas, 1998). SMEs are dominant in numbers in most economies. In First World countries like the United States of America and the United Kingdom, small enterprises play an important role in the economy, accounting for an estimated one third of industrial employment and a lower percentage of output. In Third World countries where SMEs dominate economically active enterprises, the SMEs' prosperity is considered far more important than in First World countries (Rwigema and Karungu, 1999). In the sense of employment creation, it has long been debated that SMEs are pivotal to employment creation and economic growth, particularly in countries such as South Africa which has a high unemployment rate, estimated at up to 40% (Friedrich, 2004; Watson, 2004). The development of SMEs is seen as the way to accelerate the achievement of wider socio-economic goals, including poverty alleviation (Cook and Nixon, 2000). The small business plays with large counter partners for job creation; a well-supported and enhanced small business sector is likely to continue contributing to the economic development process in the same way as large business (Abraham, 2003). The importance of spreading the small business can be assessed as there is no development when the benefits of economic progress are used only by a small number of people, while the majority are being excluded (Todaro and Smith, 2003).

SMEs are also the major growing force behind the fastest growing economy of China, in terms of contribution to the national GDP (accounting for 40%), scale of assets, diversification of products, and the creation of employment. Similarly, the role of SMEs is well acknowledged in other countries such as Japan, Korea, and all other industrialized economies in terms of creating employment, reducing poverty, and increasing the

welfare of society (Horn, 1995; Pang, 2008). Experts and economists are unanimous about the role and importance of SMEs in the development of Pakistani economy. According to the Small and Medium Enterprises Development Authority (SMEDA), SMEs constitute nearly 90% of all the enterprises in Pakistan; employ 80% of the non-agricultural labour force; and their share in the annual GDP is 40%, approximately (Harvie and Lee, 2003; Neumark et al., 2008). According to the statistics, in industrialized countries, SMEs are major contributors to private sector employment. Empirical studies have shown that SMEs contribute to over 55% of GDP and over 65% of total employment in high income countries. SMEs and informal enterprises account for over 60% of GDP and over 70% of total employment in low income countries, while they contribute about 70% of GDP and 95% of total employment in middle income countries (Fida, 2008). Small businesses are more labour intensive than larger firms and have lower capital costs associated with job creation. They play critical roles to ensure income stability, employment, and economic growth (Liedholm and Mead, 1987; Schmitz, 1995).

Jawaharlal Nehru correctly expressed the need when he said, “Real progress must ultimately depend upon industrialisation”. Planners and visionaries have looked upon industrialization as the main vehicle for improving the living standards of the people (Gupta & Singh, 1978). V.P. Singh at the concluding session of the National Development Council meeting on June, 19th, 1990 also expressed the need for development of small sector by saying, “it is the small scale sector which has given a large volume of employment and also boosted our exports”. In the words of Nanjappa, small-scale industry is a “golden mean” which can bring the benefits of modern technology and economic production and emerge as an important plank to tackle the problems of unemployment, underemployment, regional disparities, and economic backwardness.

Small-scale industries have the capacity to achieve economic growth faster in view of their small gestation period, high employment potential, and relatively limited financial requirements. In a developing nation like India, where the population is high and income is low, it is inevitable to develop the small industrial sector, which absorbs more men with low capital. Balanced regional growth is a socio-economic requirement for

all round development of the nation. Large industries have a tendency to cluster around big cities. They create economic and social evils like pollution, slumps, and shortage of civic facilities. These can be eliminated by setting up of SSI Units in underdeveloped areas and providing employment to local people (Jayaram Vyas 1973, 1989). According to Tambunan (2009), SMEs in Asian developing countries such as India, China, Pakistan, Indonesia, Malaysia, Thailand, Vietnam, and Bangladesh can solve the problems of unemployment and poverty. Ayanda and Laraba (2011) studied the performance of SMEs in Nigerian economy. They observed that after the attainment of independence the government of Nigeria gave much importance to SMEs and thus the incidence of poverty and unemployment in Nigeria have reduced to an extent. According to Singh (2009), small-scale industries act as catalysts in the socio-economic development of India. Srinivas K.T. (2013) has studied the performance of MSMEs and their contribution in India’s economic growth and concluded that MSMEs play a significant role in inclusive growth of Indian economy. In Kerala, the MSME sector contributes to the process of economic growth, employment generation, and balanced regional development. It has the potential to emerge as a strong, vibrant, and globally competitive sector in the State’s economy. Kerala, with its excellent connectivity, communication network, availability of highly or average skilled human resources, and developing industrial infrastructure, is best suited for the growth of the MSMEs.

Objectives and Methodology

The general objective of the study is to identify the growth and structure of MSMEs in Kerala, the general objective is specified into the following:

1. To identify the relative role of MSMEs in Kerala’s economy.
2. To compare the growth pattern of small-scale industries in Kerala with neighbouring states.
3. To analyze structure and deployment of MSMEs in Kerala with selected parameters.

Methodology

This paper is mainly focused to evaluate the structural growth of MSMEs in Kerala, but the comparison has been made with all India averages and the performance of

MSMEs in neighbouring states, i.e. Tamil Nadu, Andhra Pradesh, and Karnataka. This study is an analytical and descriptive in nature, and mainly depends on secondary data published by the Ministry of MSMEs Government of India, Results of the Economic survey, Results of various All India Censuses of SSIs/MSMEs, SIDBI Report on MSMEs Sector 2010, Annual Reports on SSIs/MSMEs sector, etc. The central theme of this discussion is to identify the relative role of MSMEs in Kerala and their potentiality for growth. To get clearer picture about functioning of MSMEs in Kerala, data related to MSMEs in neighbouring states and all India have also been taken into comparison. Descriptive statistical tools have been used to analyze the data collected from these sources and thus assessed the structure and growth trend of MSMEs in Kerala.

Growth Trend of MSMEs in Kerala

Database

The government of India conducts all India censuses of small business or MSMEs for assessing the performance of the sector. The census is comprehensive in nature as it considers various parameters of importance, namely, production, capacity, employment, investment, borrowings, the raw material used, fuel consumed, exports, etc. The summary result of the census is a strong base for databank of Indian MSMEs; it helps in framing future promotional policy packages that could stimulate the growth of MSMEs. So far, four censuses have been conducted and fifth is in progress. Small Industry Development Organisation (SIDO) conducted the First All-India census of Small Scale Industrial Units in 1973-74 by covering units registered with the State Directorate of Industries and those falling in the purview of SIDO.

The census covered 1.4 lakh registered SSI units up to December 1970. The Office of DCSSI conducted the Second All-India census of registered SSI units to collect complete data on the working of all registered SSI Units in 1990-91 with reference year as 1987-88. The data collected through this census happen to be the latest available data on the SSI sector. Out of a total number of 9.87 lakh registered SSI units, the census revealed that about 37% of the units were either closed or non-traceable. The Third Census of SSI units was conducted during 2001-02 with the reference year as 2000-01. The Third Census, for the first time, surveyed unregistered SSI sector, in addition to the registered sector. Registered sector covered, on the complete enumeration basis, all units registered permanently up to 31.3.2001. A total of 22.62 lakh units was surveyed; out of which, 13.75 lakh units were found to be working. Fourth all-India census was conducted soon after enactment of the MSMEs Act, 2006. This legislative framework is one of the many important measures by the government of India in its continued effort as a part of its planned approach to nurse and develop the erstwhile SSIs, Cottage and Village Industries. The report highlighted the operational characteristics of the 15.64 lakh enterprises, and their distribution over Sectors and States. For the first time, the detailed features of the Registered MSMEs were brought out in this report. The report was published in the year 2011. Based on four all-India censuses and various annual reports published by the Ministry of MSME, government of India, the performance of the principal characteristics of MSMEs in Kerala has been summarized in Table 1. The number of units, employment, investment, and production has taken as principal characteristics for the study. Results are given in both figures and percentages; percentage indicates the relative share of state into all India totals.

Table 1: The Growth of MSMEs in Kerala

Census	No. of units		Employment		Investment		Production	
	In thousand	%	In Lakh	%	In Lakh	%	In Lakh	%
First census 1973	6.205	4.44	1.26	7.65	4408	4.17	11565	4.44
Second census 1988	25.717	4.42	1.69	4.61	38751	4.16	113691	2.65
Third census 2001	452.826	4.30	11.14	4.47	702286	4.55	815760	2.89
Fourth census 2007	1294	6.51	26.98	6.59	1068903	11.27	5069908	13.71

Source: Various All-India censuses of MSMEs

Table 1 exhibits the performance of the principal characteristics of MSMEs in four census periods. It is clear that the MSME sector in Kerala contributes to the process of economic growth, employment generation, and balanced regional development. It has the potential to emerge as a strong, vibrant, and globally competitive sector in the State's economy. To have a clear picture of growth and performance of the MSMEs in Kerala, the researcher has depended on the results of four all-India censuses.

Growth in Number of Units

In the first census (1977) showed that the size of the small business was only 6205, i.e., and Kerala contributed 4.44% to national size of small business and had eighth position among other India states. The second census (1988) showed that the number of units had increased to 25,717 but the Kerala's share in national size of MSMEs was only 4.42%; it is 0.2% lesser than first census. It can be interpreted that the small-scale sector in Kerala has grown significantly, but this change was the effect of the general growth trend of small business among all Indian states. So, the drastic growth in number does not bring an improved stand in size of national small-scale industries. The third census (2001), after 12 years of the second census, reveals comprehensive growth of the sector by considering both registered and non-registered units. The number of units reached to 452,826 and accounted for 4.30% share of the working units in India. The growth in the number did not result to change Kerala's account in national size. It could be interpreted that during the second and third censuses periods (1988 to 2001), Indian small-scale sector witnessed a balanced growth in different states. The government's intensive and supportive policies also consolidated growth. As per the latest census 2007 (which is conducted after the enactment of MSME Act 2006), the act reshaped the concept of small-scale sector into MSMEs by adding service sector to the list. The definition in this act gives exhaustive coverage for the segment. The drastic change in the concept also reflected in the census. The number of MSMEs escalated to 12 lakh and also enhanced the share in national size as 6.5, and ranked as seventh in terms highest number of working units in India.

Employment

According to the first census, the registered small-scale unit provides employment to over 1.26 lakh, and it represents 7.65% of all India employment of this sector. The employment creation per unit in Kerala during to the first census period was 20.38. It is much higher than the all India average (13.84) and neighbouring states, i.e., Tamil Nadu (13.44), Karnataka (11.46), Andhra Pradesh (9.72). The total number of employment, according to the second census was 169,300, and it represents 4.61% of all India employment figures of this sector. The per unit employment rate in Kerala in the second census was (6.58) slightly higher than the national level average (6.29); the figure in neighbouring states has shown slight differences, i.e., Tamil Nadu (9.37), Andhra Pradesh (7.04), and Karnataka shows a lesser rate (6.02) than Kerala. According to the third census, the total employment was 11.14 lakh; it represents 4.30% of all India employment of this segment. The employment per unit in Kerala 4.47 and it is just lower than all India average (4.48) but significantly lower with all neighbouring states, i.e., Tamil Nadu (8.09), Karnataka (6.57), and Andhra Pradesh (8.58). It can be interpreted that the increased number of units failed to generate employment. Finally, the latest all India census exhibits an employment of 26.98 lakh which represent 6.59% of national employment in this sector. The per unit employment in Kerala shows 2.08 while the all India average was 2.12; the neighbouring states also show a lower rate, i.e., Tamil Nadu (2.13), Karnataka (2.03), Andhra Pradesh (2.35). It could be concluded that the MSME Act 2006 widened the scope of small business by including the service segment to this sector; as a result, the number of MSMEs increased drastically but employment did not generate accordingly.

Changes in Investment

During the first census, the small-scale industries in Kerala had an investment in fixed asset of 4408 lakh, and accounted for 4.17 of all India investments. The small-scale industries in Kerala maintained an equal proportion of investment with neighbouring states except with Tamil Nadu (10.53); per unit investment in Kerala (71,039) was comparatively less than all India investment (75,562). The MSMEs in the State had an investment of 38,751 lakh in the second census, which constituted 4.61% of national investment. The investment in per

unit in the State (1,51,000) was comparatively lesser than with national average (1,60,000) and neighbouring states. In third census, the State showed an investment of 7,02,286 lakh which accounted for 4.55 of national investment of the sector. The investment per unit in the State was comparatively higher (1,55,089) as against all India investments (1,46,707). The per unit investment of State was highest among all its neighbouring states. The investment in the fourth census accounts comparatively a large amount, 10,68,9.03 crore and constitutes 11.27% of all India; the State MSMEs have a second position in investment after Tamil Nadu (12139.64 crore). Further, the State dominance in terms of fixed asset (11.29) had a third position after Tamil Nadu (14.34%) and West Bengal (11.65%). However, there is only a small difference between the investment shares of Kerala and West Bengal (almost 0.36% points). The per unit investment showed a significant degradation in all states and national level. It is as follows: Kerala (82,604), Tamil Nadu (66,664), Karnataka (72,151), Andhra Pradesh (66,933), and all India (51,373). It could be interpreted that the conceptual change in small business after enacting the MSME Act 2006 added more units in the sector without a proportionate increase in gross investment. It would be balanced in subsequent years.

Growth in Production

The total output according to the first census was 11,565 lakh. It constituted 4.44% of all India production. In the case of per unit output, Kerala and all India show an equal output (1.86 lakh), while comparing with neighbouring states, Tamil Nadu (2.01 lakh) shows an exceeded output. The result from the second all India census showed 1,13,691 lakh output; it accounted for 2.65% of all India

production. Compared to 7.38 lakh production per unit for all India, in Kerala it was only 4.42 lakh. Further, all neighbouring states have shown comparatively higher production than Kerala. According to the third all India census, the production of small-scale sector was 8,15,760 lakh which constituted 2.89% of all India production; per unit production during the period was only 1.80 lakh, which was comparatively lower than all India (2.68 lakh) and all neighbouring states. The total output of registered MSMEs came to 50699.08 lakh, representing 13.71% of all India production in the fourth all India census. Further, the State shares second rank in terms of production after West Bengal. The per unit output during the period in Kerala (3.918) was higher than all India (1.86 lakh) production. The State is also leading among neighbouring states in per unit production.

Operational Efficiency of MSMEs in Kerala

Here, the researcher analyzes the relative position of small-scale industries in Kerala with its neighbouring states, i.e., Tamil Nadu, Karnataka, and Andhra Pradesh. The parameters taken into consideration are: comparing the relative efficiency MSMEs in different states, number of units per unit employment efficiency, per unit fixed investment, per unit original value of plant machinery, per unit production, and the ratio between investment and employment. Efficiency analysis could help to interpret how relatively efficient the MSMEs sector in four states is and what the potential to contribute the state economy is. To analyze the efficiency of MSMEs in Kerala and neighbouring states, the result of fourth all India census (2007) has been summarized in Table 2.

Table 2: Operational Efficiency of MSMEs in Kerala and Neighbouring States

Parameters	Andhra Pradesh	Karnataka	Kerala	Tamil Nadu	All India
No of units (lakh)	14.90	11.12	12.94	18.21	198.74
Per Unit Employment	2.35	2.03	2.08	2.13	2.05
Per Unit Fixed Investment (lakh)	1.40	1.10	2.09	1.89	1.21
Per unit Original Value of Plant & Machinery (lakh)	0.67	0.72	0.82	0.67	0.47
Per unit production (lakh)	1.89	1.37	3.9	2.19	1.97
Ration between Investment and Employment	0.28	0.35	0.39	0.31	0.23

Source: fourth all India census 2007

Table 2 reveals the efficiency of MSMEs in Kerala and its neighbouring states. So far, Kerala has the base 12.94

lakh small business units. It is comparatively higher than Karnataka and less than Tamil Nadu and Andhra Pradesh.

If the industrial environment of the States is considered, the number of units in Kerala is satisfactory, because it's often stated that Kerala is not an industry-friendly state. The per unit employment ratio has shown satisfactory trend with all India average ratios and Karnataka. The Kerala industrial units have a strong base, because per unit fixed investment and the original value of plant and machinery are significantly greater than all India and all neighbouring states including Tamil Nadu, where large industries are functioning. The production capacity of MSMEs in Kerala is higher (3.9 lakh) than the all India rates and neighbouring states. Further, it can be interpreted that small business units in Kerala are more efficient than the small businesses in neighbouring states and all India. The comparative ratio of investment and employment has also shown higher rate in Kerala (0.39), whereas the reference states and all India are far behind to State's ratio. It could be interpreted that the investment of Kerala generates more employment.

Growth Pattern of MSMEs in Kerala

In this section researcher analyzes the structure of MSMEs in Kerala, i.e., intrastate comparison of how the small businesses are deployed. The industries coming

under the MSME sector in the State 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 MSMEs sector helps in industrialization 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.

The total number MSMEs in Kerala is 12.94 lakh, out of which 99.11% are micro enterprises, small business comprise only 0.85%, and medium enterprises in the State are 0.03% only. The organizational pattern of MSMEs was predominated by proprietary form in the state (95.36%) as well as the country as a whole, followed by partnership form (3.24%). The business activity of small business is dominated with manufacturing (72.01%) followed by the service sector, 19.5% and remaining portion consists of repairing activities. Further, it can be interpreted that the service sector has the potential to grow, because the traditional form of businesses are not profitable in a changing environment. Table 3 shows the deployment of ownership among different social groups, the figure in bracket shows the percentage.

Table 3: Enterprises Promoted by Social Group

	<i>Female</i>	<i>Male</i>	<i>Total</i>	<i>SC</i>	<i>ST</i>	<i>OBC</i>	<i>Others</i>
Kerala (lakh)	2.31 (17.85)	10.63 (82.14)	12.94 (100)	.46 (3.54)	0.06 (0.46)	8.05 (62.21)	4.31 (33.31)
All India (lakh)	18.06 (9.08)	179.74 (90.43)	198.74 (100)	22.61 (11.37)	10.30 (5.18)	91.17 (45.87)	71.39 (35.92)

Source: Fourth all India census of MSMEs 2007

Despite the high sex ratio and higher level of female literacy of Kerala, there are only 2.31 lakh, i.e., 17.85%, woman-owned units as against the all India average of 9.08%. The proportionally higher rate indicates that the women in Kerala highly empowered than any other state and national as whole. Similarly, the proportion of the socially backward groups in small business ownership is not favourable while comparison with national averages. Despite the State topped in social equality, education, and all other social indicators, the scheduled cast owns only 3.54% units as against the all India 11.37%. The proportionate ownership of schedule tribe was more pathetic than SC of the state, the schedule caste owns

59,619, i.e., 0.46% as against the national proportion of 5.18%. Participation of the Other Backward Category (OBC) is satisfactory in Kerala than all India average. This may be due to a lower proportion of schedule caste and schedule tribe in the state population. The OBC in Kerala owns 62.21% of total units as against the all India participation of 45.87%.

Conclusion

The study reveals that the MSMEs in Kerala have emerged as a dynamic and vibrant sector of the economy. The State is well known for its industrial backwardness resulted

from political and geographical reasons; however, the performance of MSMEs in the state has shown a growth trajectory. The small business sector in the state has grown along with the other states of India; the sector also shares a prime stand with highly industrialized states like Tamil Nadu and West Bengal. The state MSMEs have the privilege of strong investment; the sector has second rank after Tamil Nadu. The performance of the principal characteristics of sector, namely, number of units, investment, employment, and output have shown a satisfactory performance with the neighbouring states and all India averages. It can be noted that the amount of investment and the value of production has increased; but, with respect to the amount of employment and the number of enterprises shows marginal growth only. The operational efficiency of MSMEs is much better than the neighbouring states and all India averages. The productivity of small business units in the State is much better than the reference states. The ratio of investment and employment also shows a favouring figure. It could be interpreted that the MSMEs generated employment opportunity with less investment. A major part of the small business in the state is predominated by micro entities and carrying manufacturing activities; similarly, the organizational pattern commanded by sole proprietorship. Despite of higher sex ratio and female literacy, the participation of women in business activity is comparatively less, but better than the national average and the neighbouring states.

The MSMEs have a strong foundation and growth trajectory in the State. Various positive factors in Kerala contribute to the growth of MSMEs. There are enough innovative entrepreneurs with the first-hand experience of developed and middle Asian nations, highly educated and committed workers, deliberated supportive mechanism both government and private, and besides all, the crucial habit of consumerism of State which widens the market for the product. If the potential of the sector is properly harnessed, it can help to solve prevailing economic issues and provide an acceleration to the socio-economic development of the state. It is very essential to develop an entrepreneurial culture for exploring the modern opportunities like IT, tourism industry along with the traditional sectors like coir, textile, etc.; the flourishing of the segment would mitigate the unemployment of educated youth and accommodate the returned emigrates.

The policy makers should give attention to accelerate MSMEs through relaxed norms for startup and justifiable form of credit. The next level of development of state highly depends on the growth of MSMEs and eventually industrialization.

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