

## **Rural Development and Urban Transformation (With special consideration with MSME)**

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### **ABSTRACT**

*This paper empirically investigates the relationship between rural development and Urban transformation in Karnataka. Karnataka is a state of rich culture, heritage, following 30 districts, 28,848 villages, with this vast resources, manpower still we are developing state and hence rural development is our atmost focused platform. Rapid transformation of rural areas in Karnataka is the major emerging economies of State. Karnataka poses both challenges and opportunities to the sustainability of society. Though economical growth can happen but development of any state or country is effected due to prevailing poverty, unemployment and lack of technological and structural changes because of which inequalities continue to grow, MSME is the key to overcome employment issues, poverty reduction, and economic stability particularly in rural regions of the state, in context to rural development urbanization contributes to overall growth of state. The theme of this paper is emphasizing on the function of MSME which is important for progress and competitive rural-urban transformation. Perspective study approaches various challenges and outcomes with different criteria of MSMEs.*

*Keywords: Rural Development, Urbanization, MSME, Employment, Economic Stability.*

### **INTRODUCTION**

The MSME- Development Institute, Bengaluru is one among the prime Government of India Organization in Karnataka State engaged in the promotion and development of MSME . Industrial development is the key focused area of Karnataka State. It is the fundamental condition for the balanced growth of the economy. Due to this economic instability, both primary and secondary sector of the economy were suffering from backwardness. To overcome this situation, five-year plan was introduced . First five-year plan was centred around primary sector but from second five-year plan onwards, industrial sector was key focus area. But growth of industrial sector during five year plans was not at par with the expected rate of growth. This was due to the unnecessary restrictions on the trading activities and poor performance of public sector enterprises.

Currently Karnataka is one among the highly progressive and industrialized states in the country and is leading States in driving India's economic growth. Economic growth and fast development of any state depends on Industrial relations.

The MSME sector in Karnataka manufactures 6000 products with a high concentration of Micro, Small and Medium units existing in the tract of food, minerals and building materials, drugs and pharmaceutical products, fabricated material, trading and service sectors. Up-to September 2016, there were 4.81 lakh MSME's in Karnataka, providing employment to 28 lakh people along with an investment of Rs.18,635 crore.

### **Micro Small & Medium Enterprises**

Micro Small & Medium Enterprises (MSME's) form an important and growing segment of Karnataka's industrial segment. According to MSME Act 2006, MSME units are categorized widely into segments engaged in manufacturing and those providing /rendering services. Under the Act, Micro Small and Medium Enterprises (MSMEs) are classified as under

Enterprises	Investment in Plant and Machinery (Manufacturing)	Investment in Equipment (Service)
Micro	Up to Rs. 25 lakh	Up to Rs. 10 lakh
Small	Above Rs.25 lakh up to` 5 crore	Above Rs.10 lakh up to Rs.2 crore
Medium	Above Rs.5 crore up to Rs.10 crore	Above Rs.2 crore up to Rs.5 crore

MSME sector is a fastest growing and vital sector of the State economy in terms of employment generation and economic stability. There are nearly 5.81 lakh registered MSMEs in Karnataka as on 25.07.2017 providing employment to over 30 lakh persons with a total investment of around 30,356 crore.

Transformation of the economy is apparent from the marked changes that has occurred in the sector constitution of the output. To be people friendly, its rapid growth path is expected to contribute towards poverty eradication.

With all factors of rural development consideration urbanization is essential to maintain economic stability of state, the stabilization is obtained when poverty reduces, raise in employments, rapid industrial growth, and inequality reduction. As stated above MSME's role is important in industrialization and in turn employment.

### REVIEW OF LITERATURE

Garge and Agarwal(2017), stated criteria which affects the performance of the Micro, Small and medium enterprises in nation includes Finance, Marketing, Human Resource, Infrastructure and Technology etc.

Katyal and Xaviour (2015) [4] wrote in his report about lack of human resource training and development as the hurdles in the growth of the MSME in any country. There is need for conventional human resource function for devising MSME profit destined unit. Skill training is required for initial handle the human resource function in the MSME. Human Resource is one among most critical growth index for organizations at present.

Vani and Chandraiah (2014) concluded that the MSMEs development act (2006) is the much effective of the present-day policy change. This era of liberalization and MSME sector comprise an all-important segment of the country and these sector grow has quickly over the years.

Raghavendra (2013) reviewed the role of rating credit agencies in the circumstance of political economy. He commanded that credit rating agencies play a pivotal role in non-linking politics from the conduct of the economic policy, thus understanding the significant role of the state in the economic reform. Legitimization of credit rating by the concerned state-government has a direct bearing on the fate of rated enterprises and more so in case of SMEs.

### OBJECTIVE

1. To identify the MSME contribution to maintain economy of Karnataka
2. To evaluate the performance of MSME in making rural-urban transformation.
3. To analyze the importance of MSME in employment generation.

### RESEARCH METHODOLOGY

This study is based on secondary data. Required secondary data are collected from the websites of the Ministry of Small and Medium Enterprises, State profile Karnataka, the government of Karnataka and Annual Report of state MSME 2017-18. Registered sector. The study is based on fourth census MSME sector and highlights the Role of MSME sector in Karnataka.

### NECESSITY OF RURAL DEVELOPMENT

Rural development lags behind many factors such as increase in population poverty, inequality, infrastructure, education, agricultural problems. Agriculture was one of the major development in rural areas, due to uneven climatic condition, financial crisis and impact of urbanization made many youngsters to shift

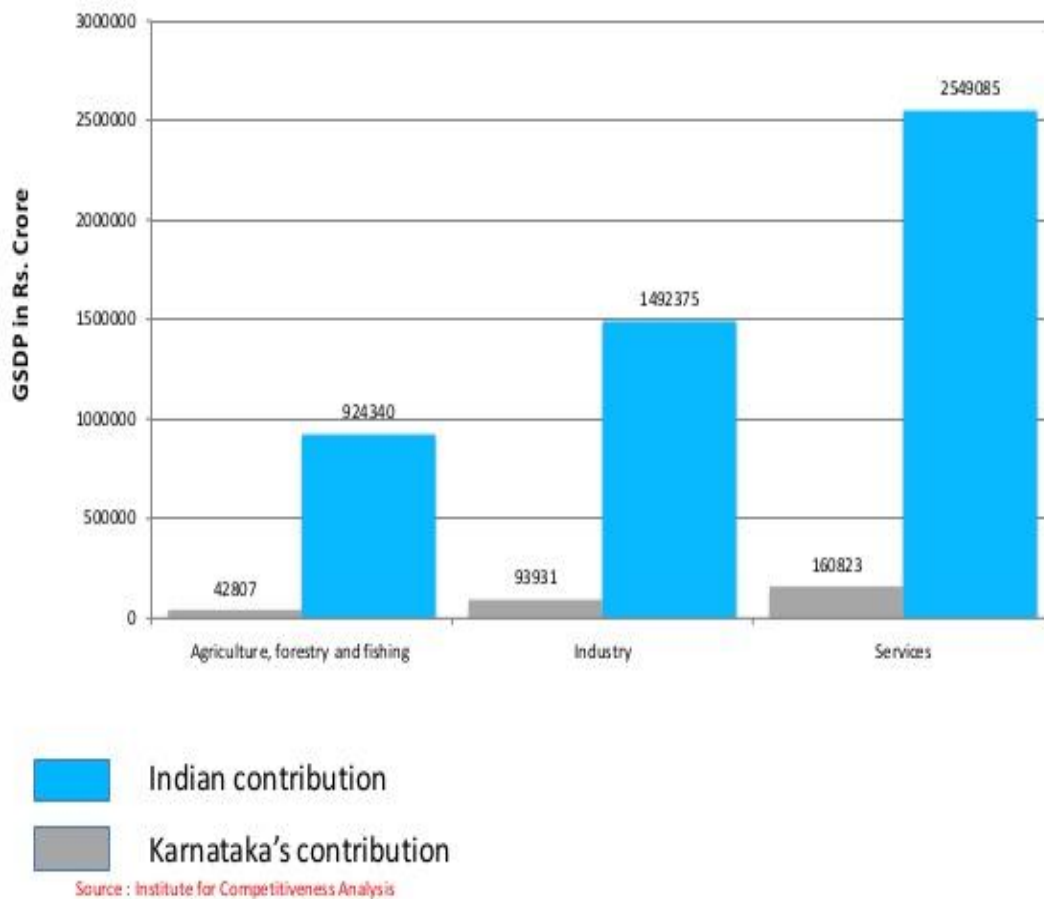
from rural to urban areas in search of jobs which would help them to fulfill their basic needs and demands, this in-turn hindered the agricultural growth in rural areas. And because of this prevailing dependents on agriculture are also facing problems with lack of laborers, natural disasters like floods and droughts which obsoleted agriculture.

The impact of obsolete agriculture poverty has elevated in few parts of Karnataka, poverty is again a major drawback of state economy. Economic stability can be raised if poverty level decreases and employment opportunities are created.

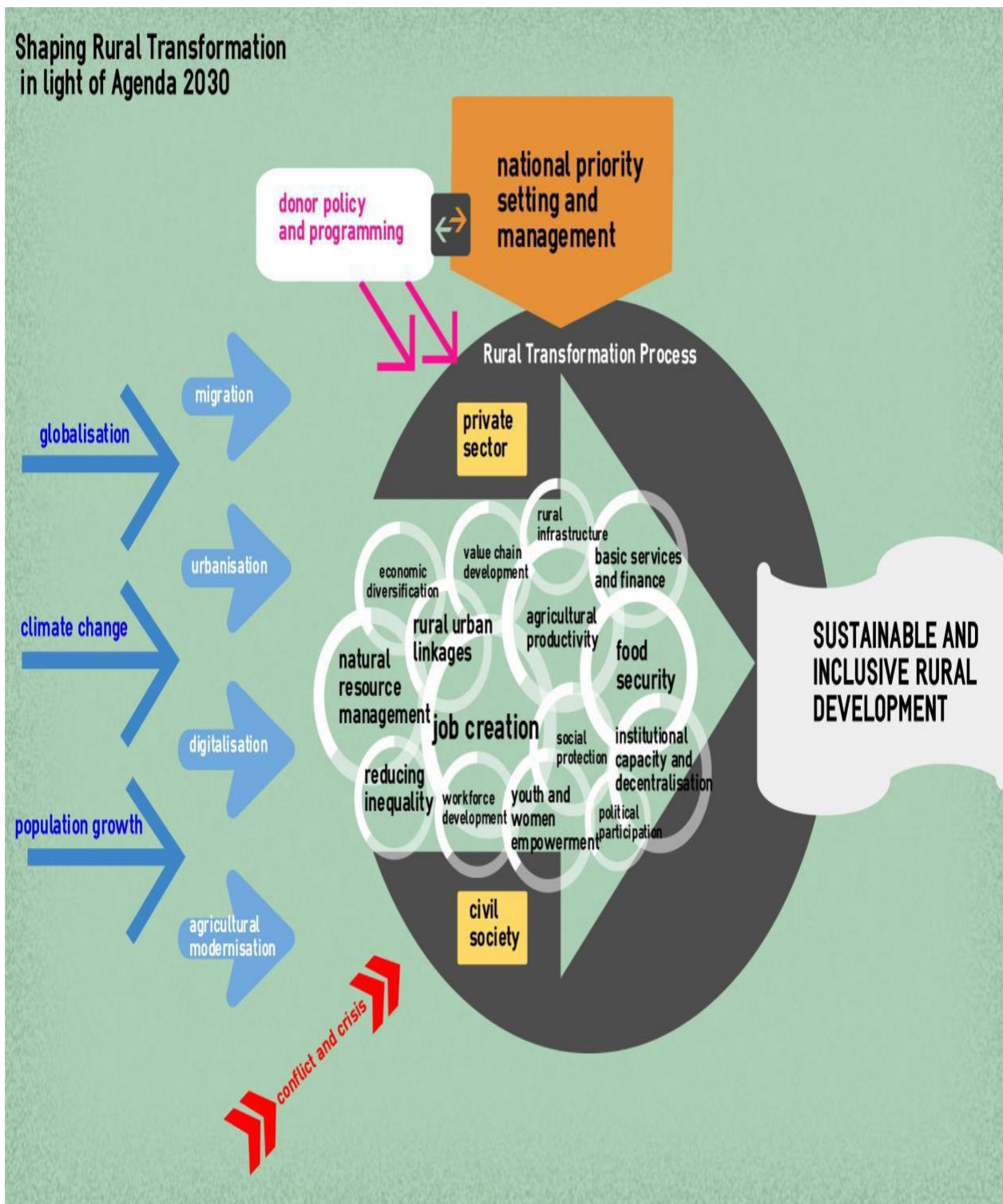
The below chart specifies Karnataka’s contribution to India’s economy though it seems to be very nominal than other states contribution to nations economy.



### COMPOSITION OF KARNATAKA’S ECONOMY



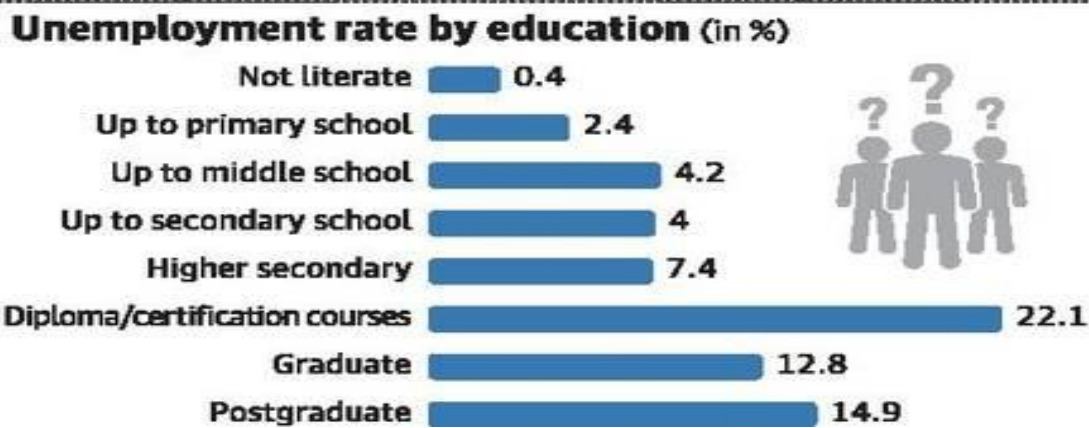
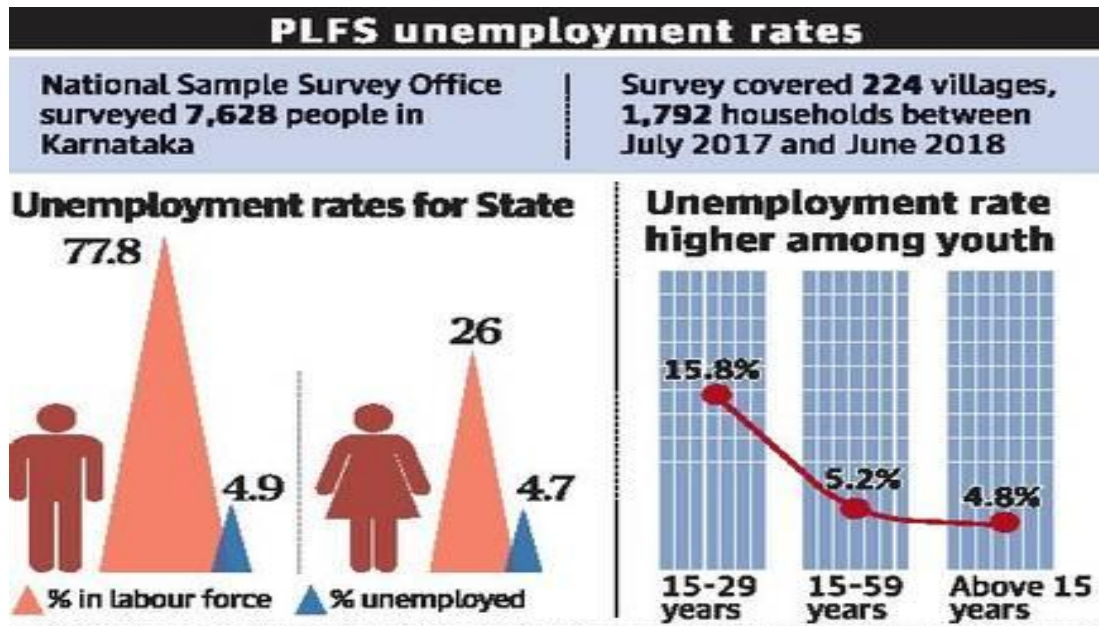
### Future rural to urban transformation by 2030



Source: Internal Working Document, GIZ Sect-oral Project Rural Development (2016)

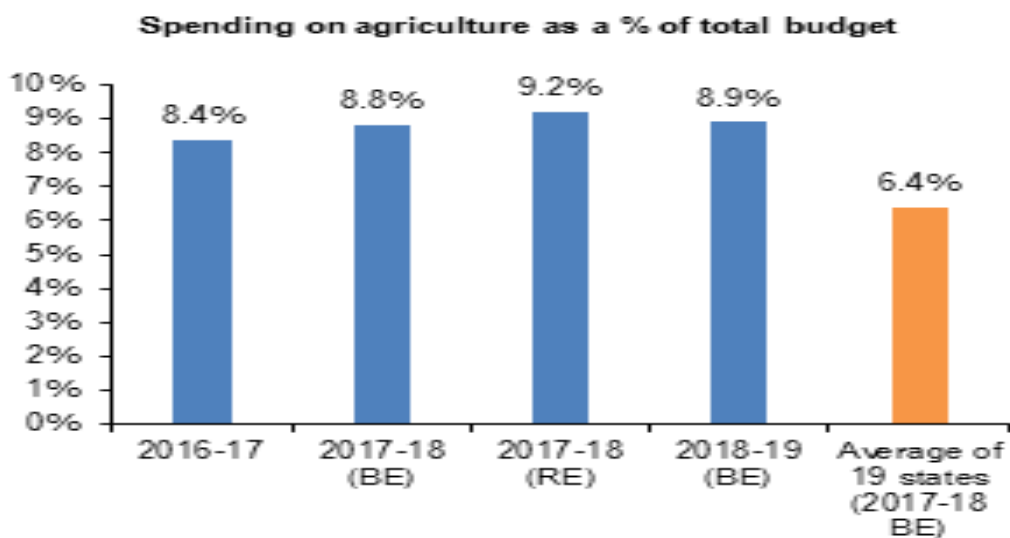
Figure depicts the need and process of Rural transformation resulting in sustainable rural development.

Due to urbanization education level improves due to which employment gradually increases and individual financial stability raises this accounts to state economic stability.



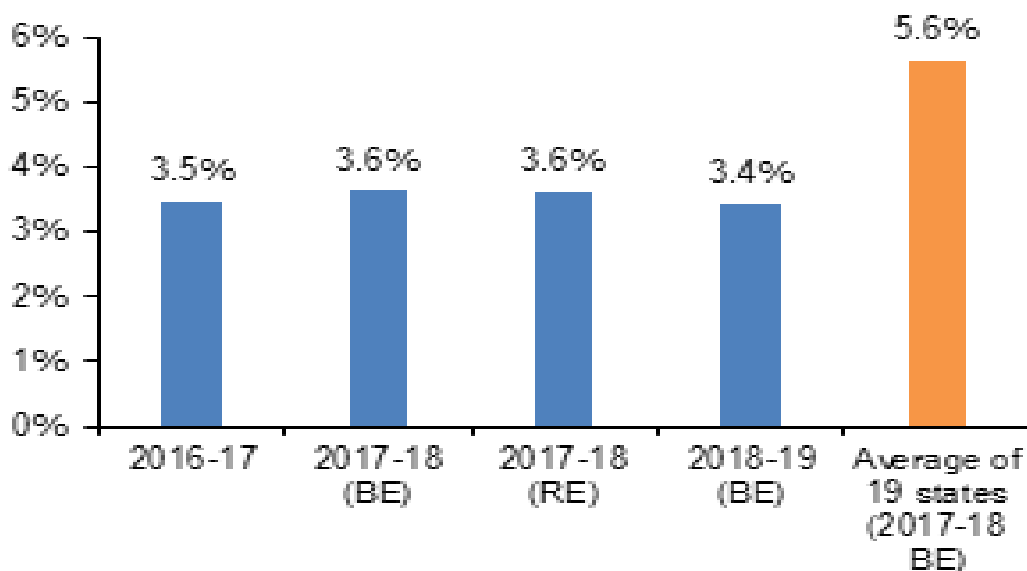
Source: Ministry of statistic and program implementation with services contribution.

**Agriculture and allied activities:** State-Government has allotted 8.9% of total budget to agriculture and allied activities.

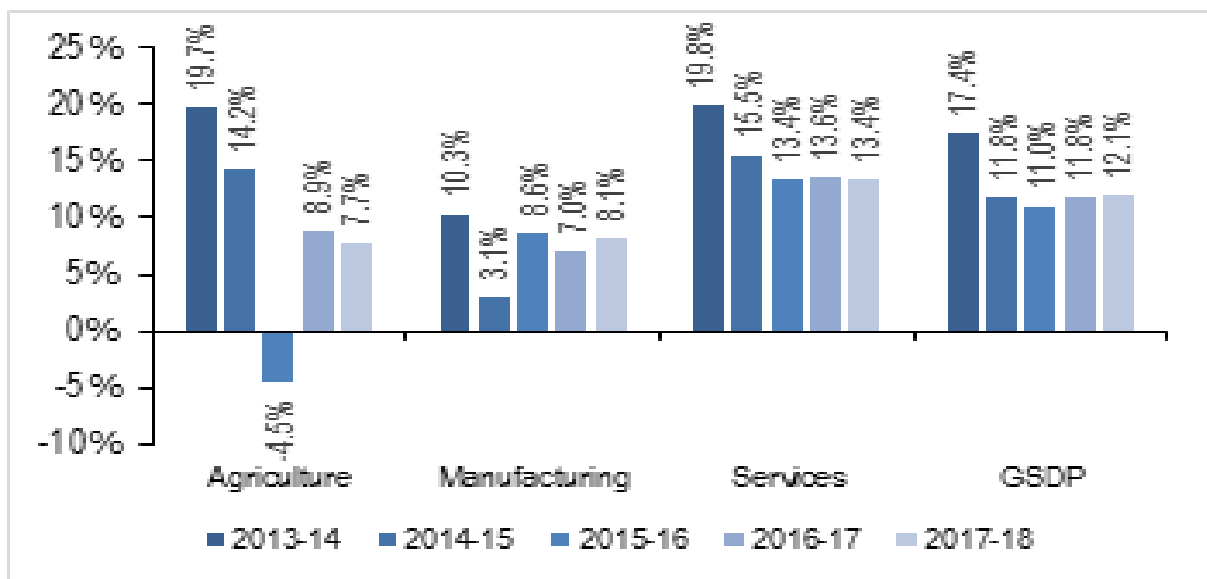


**Rural development:** Karnataka has allocated 3.4% of its expenditure on rural development. This is below average 5.6% of the 18 rest of the states.

**Spending on rural development as a % of total budget**



**State Economy**



Source: Medium Term Fiscal Policy Statement 2018-19, Karnataka Budget Documents; Central Statistics Office; PRS.

- ✓ The GSDP of the state to the present price has been raised at a rate of over 11% since 2013-14. Successively it has grown to 12.1% and still grows consistently in coming years
- ✓ Manufacturing Sectors has increasing growth of 7.0% to 8.1%
- ✓ Manufacturing sector and Service sector well as Agriculture sector contribute to 59%, 19% and 10% of the GSDP. These sectors grew by 8%, 13% and 8% respectively.

**Per Capita Income:** The Per Capita GSDP of Karnataka in 2018-19 (at present-day prices) is expected to be Rs 1,93,409. This is 11% high than 2017-18, when the per Capita GSDP was Rs 1,74,483.

**TUMKUR**

To witness this report, Tumkur is one such live example of Rural to urban transformation.

**Industry Profile of Tumkur District**

Tumkur is a key district in Karnataka and is located about 70 kms to the North west of Bangalore. There are ten Taluks in the District. They are Tumkur Koratagere Sira Gubbi Pavagada Turuvakere Kunigal Madhugiri Tiptur and Chikkanayakanahalli. Headquarter of the district is Tumkur City with 2708 villages.

Sl. No.	Head	Particulars
1	Registered industrial units	23804
2	Total industrial units	26152
3	Registered Medium and Large units	33
4	Estimated average daily workers employed in Small Scale industries	132235
5	Employment in small and medium scale industries	7204
6	No of Industrial Area	7

Source: Government of India , Ministry of MSME

There is abundant scope for new MSME's in the taluks of Tumkur, Kunigal,Tiptur, Sira, in the district.

**Existing Prime Cluster of Micro & Small Enterprise:**

1. Printing cluster at Tumkur
2. Desiccated Coconut powder cluster at Tiptur, Tumkur District
3. Hand loom Cluster at Pavagada, Tumkur District
4. Power loom Cluster at Muniyur, Gubbi Taluk, Tumkur District- 14

**Future Developmental Activities**

- Seven industrial areas and Seven Industrial Estates
- Land Reserve of 9,800 Acres
- Four Projected Industrial Areas - Vasanthanarasapura, Sira, Kunigal and Tiptur
- Four Projected Parks - IT/BT, Textile Park, Food Park and Auto Park
- Five Industrial Estates proposed in Tumkur, Tiptur, Kunigal, Pavagada & Madhugiri
- Projected Drinking water scheme by investing INR 25 crores
- Proposed Tumkur-Rayadurga Railway line
- Proposed Tumkur – Davangere Railway Line via Chitradurga
- Proposed Eight Lane road (Tumkur-Honnar via Shimoga )

**CONCLUSION**

The MSME sector plays very spectacular role in the Rural development and raise economic condition of the state. It acts as main backbone in eradicating poverty and create employment opportunities. The emergence of MSME in Rural areas has been contributing a lot in rural development and urbanization. . Formation of suitable policies to set up MSME's is need of an hour. Setting up favourable operating environment, improvisation in infrastructure, financial assistance, technological guidance, and training facilities to entrepreneurs and to the workers is vital for Rural development and Urban Transformation

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