



Karnataka Budget for MSMEs: Driving Ease of Doing Business and Growth

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ABSTRACT

Capital of Karnataka, Bengaluru, serves as the central hub for technological advancement and growth. Over the past five years, the state has made an extensive investment of approximately ₹4 lakh crore, aligning itself as the fourth largest contributor to industrial growth in the country and plans to second place nationally by 2025. More than 3,500 MSMEs are in Peenya Industrial Area in Bengaluru, which is one of the largest industrial hubs in Asia. Women entrepreneurs are making strong progress, with Karnataka accounting for 7.56% of all women-owned MSMEs in the country. Key efforts like upgrading SKSJTI into a Smart Textile Centre, launching the 'Asmithe' platform to support women's self-help groups, and hosting the "Invest Karnataka 2022" summit show the state's focus on inclusive growth. Multiple textile Parks and industrial parks are established. The government has also released ₹22 crore to build shared facilities under the MSME Cluster Development Scheme and introduced "Weavers Package 2.0" to improve the lives and financial stability of traditional weavers



Introduction

Karnataka is home to around 1.2 million MSMEs, playing a vital role in its innovation-driven economy. Capital of Karnataka, Bengaluru serving as the central hub for technological advancement and growth. Bengaluru also called Silicon City, due to IT industries and startups. Startup ecosystem and government support help in the growth and boost exports. Nearly 60% of India's IT exports originate from the southern states, with Bengaluru alone contributing a substantial \$64 billion to the total. Karnataka got 40% of Foreign Direct Investment in April – December 2021 and stands at the first place in the Country. But in FY 2024–25, it is reduced to 13%. Bengaluru having 34 unicorns, which proof for start-up friendly environment of the State.

More than 8.5 lakh MSMEs are there in Karnataka, which generate jobs to more than 55 lakh people. Over the past five years, the state has made a extensive investment of approximately ₹4 lakh crore, aligning itself as the fourth largest contributor to industrial growth in the country and plans to second place nationally by 2025. More than 3,500 MSMEs are in Peenya Industrial Area in Bengaluru, which is one of the largest industrial hubs in Asia.

Around 70–90% of MSMEs in Karnataka are family-run and usually employ fewer than 10 people, as per World Bank. In 2022, the state ranked among India's top exporters, driven by its robust IT sector and world-class tech parks that attract global investment.

Research Objectives

- Evaluating the Role of Karnataka's Annual Budgets (2020–21 to 2024–25) in Advancing MSME Growth.

Methodology

The study completely depends on secondary data which is obtained from the government website, news articles, journal and books.

Karnataka State government budget 2021-2025

2021-22 Budget summary

- A food park set up in Ittangihal, Vijayapura, below the Atma Nirbhar Bharat Abhiyan to promote agro-based startups and local product processing. CM Mega Integrated Industrial Townships will be developed in the Bengaluru–Mumbai and Bengaluru–Chennai corridors on 500+ acres each,



attracting ₹10,000 crore investment and generating 5 lakh jobs through PPP with KSIIDC and KSSIDC. An industrial township in Peenya will be developed with ₹100 crore investment to boost manufacturing. A separate property tax slab will be introduced for industries in urban local bodies to encourage industrial growth.

- ‘Nekarara Sammana Yojane’ will continue, offering ₹2,000 assistance via DBT to struggling handloom weavers. A Textile Park will be established in Guledagudda (Bagalkote) through PPP to support local employment and reduce seasonal migration. A Smart Handloom Design Studio will be set up in North Karnataka to promote modern design awareness and boost weaver incomes.
- A new State Mineral Policy (2021–2026) will be introduced to align with national standards. A single-window system and mining adalats in four revenue divisions will streamline quarry licensing. A 500 MW Solar Power Park will be developed in Kalaburgi by private players on PCKL land for interstate energy sale. KPCL’s sub-centres are being modernized in 1st phase, Phase 2 will begin with ₹100 crore after central approval. KPTCL will automate electricity, metering and audit functions under the SAMAST system for better synchronization of open access transactions. With ₹4,000 crore private investment, to ensure a clean energy supply 1,000 MW Pumped Hydro Storage Plant will be launched.
- Karnataka’s Startup Policy will be revised to foster innovation, job creation, and economic growth. A special incentive scheme for the ESDM sector includes capital subsidies and full reimbursement of stamp duty, registration, and land conversion fees, expected to bring ₹5,000 crore investment and 43,000 jobs. An Advanced Bio-tech Innovation Centre for Aqua-Marine will be set up in Mangaluru with ₹6 crore to support biotech startups and marine-based food innovation. A ₹100 crore Venture Capital Fund will be created to support emerging tech institutes, with ₹25 crore from the state and ₹75 crore from various institutions.

2022-23 Budget summary

- Amrutha Yojane launched to transform SHGs into small enterprises. ₹500 crore allocated for the financial support of ₹1.5 lakh per group and additionally announced ₹50 crore for SC/ST groups. 3.9 lakh women too an advantage of this. To help the women a single-window loan facility will be introduced via NRLM with a public sector bank recognised as anchor bank for this. ‘Asmithe’ market platform developed to promote women's SHG products through branding and packaging. Product



produced by Self help group is prioritized procurement by Government. 200 work godowns built under MGNREGA. 750 more planned for 2022-23. At least one women-run canteen and outlets to be set up in government offices across districts. Micro clusters for local crafts and products will be developed in multiple districts.

- Priority for economically weaker sections in site allotment at new industrial areas by KIADB/KSSIDC. Industrial development encouraged in districts along Chennai–Bengaluru–Mumbai corridor. Karnataka Special Investment Region Act to be introduced. Tumakuru and Dharwad to be notified first. Mega Jewellery Park in Bengaluru to employ 10,000 people. Plug-and-play factory infrastructure to be developed in select districts under TIES scheme. With ₹90 crore central support CIPET to be built in Bidar. “Invest Karnataka 2022” Global Investors Meet held to attract global investments. FMCG cluster planned in Dharwad with special incentives.
- Financial support increased from ₹2,000 to ₹5,000 annually in the scheme “Nekarara Samman”. 8% interest subvention for weavers loans. Mysugar factory restarted with ₹50 crore for machinery repairs, which stopped its operations in 2019-20.
- Proposals for building Mega Textile Parks in Kalaburgi, Vijayapura, and Ballari were sent to Central government. New parks started in Navalgund and Ranebennur, which will create 5,000 jobs. Marketing and design support for Shahabad stone, Ilkal granite, and other local crafts. Bidri art to get a facilitation centre in Bidar.
- Karnataka led in FDI (40%) and has 34 unicorns in Bengaluru. 4th Rank in ESDM sector, contributes 10% to national electronics output and 17% to state GSDP. Incentives for semiconductor manufacturing under India Semiconductor Mission. Elevate – Kalyan Karnataka to support 25 startups in the region. Beyond Bengaluru Cluster Seed Fund to be set up in Mysuru, Mangaluru, and Hubballi with ₹20 crore. Global Emerging Technology Design Centre to be built in Belagavi (₹150 crore). Plug-and-play tech facility at KSOU, Mysuru (₹30 crore over two years). ₹15 crore for AR/VR content at 15 tourist sites, Mysuru Palace as pilot. Karnataka Acceleration Network to be launched with ₹50 crore investment (20 crores from state government). A new small and micro industrial park to be developed in Peenya due to full capacity utilization.

2023-24 Budget summary



- The textile department of SKSJTI, Bengaluru, will be upgraded into a Smart and Technical Textile Centre.
- Additionally, a Business Process Re-Engineering Cell will be set up with ₹3 crore to streamline 100 key Sevasindhu services in line with the Sakala initiative.

2024-25 Budget summary

- With the TReDS providers state government signed an MoU to allow government bodies and MSMEs to use the platform and ease payment delays. 6% interest subsidy will be offered on KSFC loans up to ₹10 crore for establishing or improving micro and small industries.
- To help minority communities silk reelers, KMDC will provide debt facilities and training via Sericulture department. ₹10 crore will be assigned to promote self-employment among minority women through self-help groups. With a fund of ₹39 crores KSSIDC will improve industrial estates of various districts with the partnership of Central Government. Same way with the help of the central government, a 6,000-acre industrial estate will be improved near Dharwad under the Bengaluru–Mumbai economic corridor to boost employment and regional growth.
- For IPO in stock exchanges, financial aid covering up to 50% of expenses up to ₹25 lakh will be provided to small and medium industries.

2025-26 Budget summary

- With a strategic focus on the MSME, tourism, and ITBT sectors, the State has taken new measures to increase employment. These programs are effectively drawing in more investment and enabling the creation of new job possibilities by placing a high priority on the building of an ecosystem that is favorable to investors.
- Under the MSME Cluster Development Scheme 22 crores released to built Common Facility Centres. 16 clusters built till now which support 1379 units and generated 26750 employment. To motivate handicraft artisans for raw materials Rs. 1 crore subsidy will be given with reduced rate for Bidariware and sandalwood artisans. Under the Industrial Policy 2020–25 assigned ₹185 crores to support 3,758 MSMEs under the Industrial Policy 2020–25. To support Sustainable Development Goals and reduce regional disparities the government announced new MSME Policy. Revised Sand Mining Rules (2024–25) ensure transparent reverse auctions and uniform sand pricing.



- To streamline mineral transport licensing and inter-departmental coordination ILMS 2.0 software is introduced. For revenue collection ten iron ore blocks auctioned in FY 2024–25 and are predicted to make ₹5,847 crore in future revenue.
- In 2023–24, sugar factories used 585 lakh metric tons of sugarcane and has formed 53 lakh metric tons of sugar. All farmer dues have been cleared by factories. ₹20 crore released for road development in sugar factory zones. ₹70 crore support for 140+ Sugarcane Harvester Hubs to provide rental hi-tech harvesters and reduce labour shortages.
- “Weavers Package 2.0” will unify existing schemes to improve weavers livelihoods and financial independence. Released ₹100 crore to provide free/subsidised electricity to 90,645 weavers. Relaxed limits for 10–20 HP looms. To motivate textiles sector, a new Textile Policy (2025–30) introduced with aim of attracting investment and creating 2 lakh jobs. In Karkala, Ranebennur, Raichur, Kadur, and Chikkamagaluru, textile parks are being developed in PPP mode and PM Mitra Park is being set up in Kalaburgi with central support.

Udyam Registration, including Informal Micro Enterprises on UAP

Udyam Registration Portal is a platform for the online registration of enterprises. Same way Udyam Assist Platform provides online registration for informal micro-enterprises.

Table 1: Udyam Registration including Informal Micro Enterprises on UAP as on 31st December, 2024

	Number of enterprises in Karnataka	Total enterprises in India	Percentage
Micro	37,67,303	5,69,01,755	6.6207
Small	46,510	7,32,782	6.3470
Medium	4,382	69,013	6.3495
Total	38,18,195	5,77,03,550	6.6169

(Source: MSME Annual Report 2024-25, dated September 15th 2025.)

Interpretation

Micro enterprises dominate 98.66 % of total enterprises of Karnataka. Karnataka contributes 37,67,303 micro enterprises, which is 6.62% of total enterprises of India. In contrast, the number of medium

enterprises remains significantly lower compared to micro and small enterprises. To address this imbalance, the government should implement targeted measures to support enterprise growth by helping them attract more investment and enhance the awareness of policies which will help to encourages micro and small enterprises to scale become medium-sized enterprises.

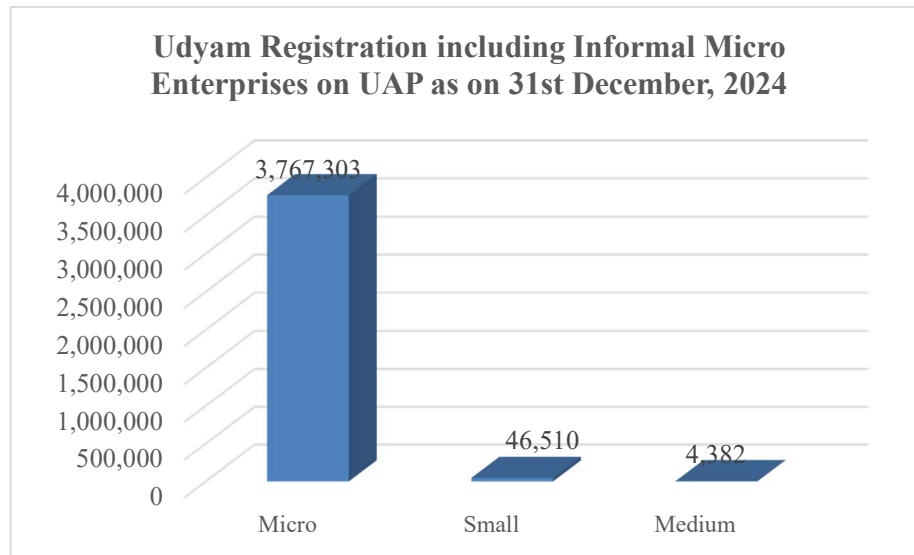


Figure 1. Udyam Registration including Informal Micro Enterprises on UAP

Total women owned MSMEs of registered & classified and their employment, investment & turnover under Udyam

Women-Owned MSMEs are Micro, Small, and Medium Enterprises in India that owned and controlled by women. The data reflects not only the entrepreneurial spirit among women but also highlights the need for continued support to help these businesses.

Table 2: Total women owned MSMEs of registered & classified and their employment, investment & turnover under Udyam from 01/07/2020 to 31/10/2024

	Micro	Small	Medium
Number of enterprises of Karnataka	403293	6137	376

(Source: State wise Total Women Owned MSMEs Registered & Classified and their Employment, Investment & Turnover Under Udyam Since 01/07/2020 to 31/10/2024, dated September 15th 2025.)

Interpretation

From July 2020 to October 2024, the vast majority 98.41% of women-owned MSMEs registered under the Udyam portal were classified as micro enterprises (403,293). In contrast, only 1.5% fell under the small enterprise category (6,137), and a minimal 0.091% were medium enterprises (376). This indicates that most women entrepreneurs remain concentrated at the micro level, with limited progression to larger business scales. To address this disparity, it is essential for the government to enhance access to funding, increase visibility of support schemes, and invest in capacity-building initiatives that empower women-led enterprises to grow and transition into medium-sized enterprises.

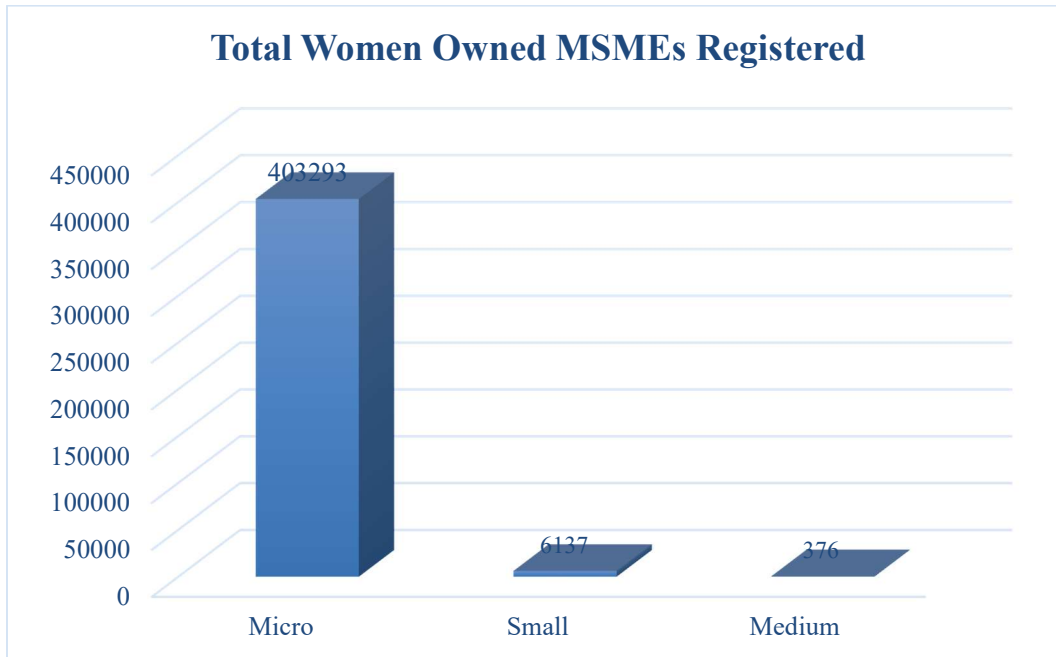


Figure 2. Total women owned MSMEs of registered & classified and their employment, investment & turnover under Udyam from 01/07/2020 to 31/10/2024

Distribution of Proprietary MSME by Gender of Owners

Analysing ownership by gender helps highlight the participation of men and women in business, identify gaps in representation, and guide policy efforts aimed at promoting inclusive growth and gender equity in entrepreneurship.

Table 3. Distribution of Proprietary MSME by Gender of Owners [NSS 73rd Round]

	Male	Female	All	Share of State among All MSME with Male Owners (%) of India	Share of State among All MSME with Female Owners (%) of India



Karnataka	2684469	936905	3621374	5.54	7.56
Total in India	48450722	12390523	60841245	100	100

(Source: Bhavan, U. Ministry of Micro, Small and Medium Enterprises.)

Interpretation

Karnataka has a total of 3.62 million proprietary MSMEs, with male owners of 2.68 million and female owners 936,905. While male-owned enterprises dominate nationally, Karnataka contributes a higher share of female-owned MSMEs (7.56%) compared to its share of male-owned ones (5.54%). This suggests that women entrepreneurs in Karnataka are relatively more active in the MSME sector than in many other states, highlighting the state's stronger support and environment for female-led businesses.

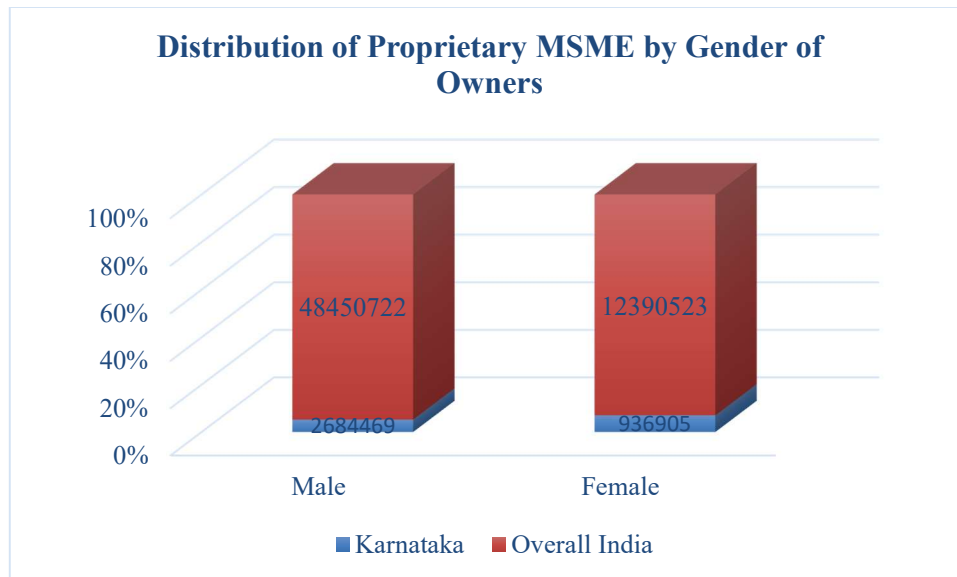


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Conclusion

Karnataka has made remarkable progress in industrial development and MSME growth, with the help of technological and entrepreneurial innovation. The state has attracted big investments and is working hard to become one of the top industrial regions in India by 2025. Although male-owned enterprises dominate across India and within the state, when compared to other states Karnataka stands out for its female-owned MSMEs, which contribute a higher share (7.56%) compared to its share of male-owned ones (5.54%). This means women entrepreneurs in Karnataka are relatively more active in the MSME sector than in many other states, highlighting the state's stronger support and environment for female-led businesses. Most entrepreneurs remain concentrated at the micro level, with limited progression to larger



business scales. To address this disparity, it is essential for the government to enhance access to funding, raise awareness about growth schemes, and support skill development to help enterprises expand into medium-sized enterprises. The government also supports traditional sectors like weavers, and has built many textile parks and industrial parks, and centres to help small business growth. With these efforts, Karnataka is moving toward a stronger and more inclusive economy.

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