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GROWTH AND PERFORMANCE OF SMALL SCALE INDUSTRIES IN INDIA

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Growth and Performance of Small Scale Industries in India

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Abstract – The small sector in India has progressed from the production of consumer goods to the manufacture of many sophisticated and precision products like electronics control system, micro ware components, and electro-medical equipments.

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The small sector in India has progressed from the production of consumer goods to the manufacture of many sophisticated and precision products like electronics control system, micro ware components, and electro-medical equipments.

The small scale sector is the most important vehicle for inclusive growth with 8.72 percent of the country's GDP, 45 percent of the manufacturing and 40 of its exports. It is providing employment at about 80 million persons through 36 million enterprises spread through the length and breadth of the country.

Prior to the MSMED Act 2006 the Sector was defined as per the provisions of Industrial Development and Regulation Act 1951, as Small Scale Industries and its constituent tiny and auxillary units. The Micro Small and Medium Enterprises Development Act has broadened the definition as well as coverage of the micro and small enterprises. The sector includes Service enterprises .The Act has first time defined medium enterprises.

In India the enterprises have been two types those engaged in manufacturing and those engaged in providing or rendering of services. In accordance with the provisions of MSMED (Micro Small and Medium Enterprises Development) Act the enterprises are classified as follows (table 1):

Table 1. Classification of enterprises

Enterprises	Investment in Plant & Equipment of Manufacturing unit (Rs)	Investment in equipment of Service unit (Rs)
Micro Enterprises	> 25 Lakh Rupees	>ten lakh Rupees
Small enterprise	25 lakhs to below five core	10lakh rupees to less than 2 crores
Medium	Five core rupees	2 crores to less

enterprises	to less than ten crore rupees	than five crore
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Source: Micro Small & Medium Enterprises Development (MSMED) Act 2006.

The performance of the sector is assessed by the periodic All India Census of the sector. The latest census conducted was Fourth All India Census of MSME with reference to 2006-2007 for which the data was collected till 2009 and the results was published in 2011-12.The survey has concluded that the number of registered enterprises are estimated to 13e 361.76 lakhs annual compound growth rate (CGR) of 28.02% with total employment of 805.24 lakh and CGR 26.42%. 67.10% of the enterprises were engaged in manufacturing, where as 32.90% were engaged in service activities.

The Government is conducting a number of programmes for skill development through National Level Entrepreneurship Development institutes, M SME Development Institutes, MSME Tool Rooms, MSME Technology Development Centers.

Table 2: Performance of Small scale industries

Year	No of units in lakhs	Annual increase	%change
2001 -2002	105.21		
2002-2003	109.49	4.28	4.068
2003-2004	113.95	4.46	4.073
2004-2005	118.59	4.64	4.072
2005-2006	123.42	4.83	4.073
2006-2007	261.01	137.59	111.481
2007-2008	272.79	11.78	4.513
2008-2009	285.16	12.37	4.534
2009-2010	298.08	12.92	5.530
2010-2011	311.52	13.44	4.508
2011-2012	447.73	136.21	143.72
STD	222.45	34.252	29.057
CV	114.555	54.236	58.848
CAGR	51.4969	158.344	202.526

STD	14.07	41.34	
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Source: MSME Annual Report 2010 – '11 and 2012-'13

The above table 2 shows the performance of SSI in terms of number of units during 2001-2012. From the table the numbers of SSIs have increased from 105.21 lakhs during 2001-2002 to 447.73 lakhs during 2011-2012, which comes to an increase of 34.252 lakh it indicates that the SSI has made progress during the period of study. The numbers of units registered are at an average of 222.45. The average increase of units is increasing at 34.252. The annual growth rate is decreased from 5.30 2009-2010 to 4.508.2010-2011. The average annual growth rate is 29.057. Thus the average growth is greater than average annual increase in the number of units. Standard Deviation of units is less than the mean value of the units registered. The compound annual growth rate is 14.07 and coefficient of variance is 51.4969.

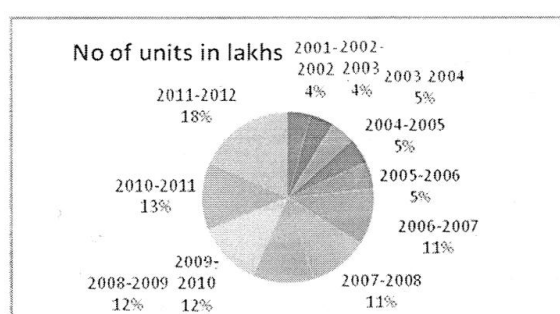


Table 3 Performance of SSIs by fixed assets investment

Year	No of units in lakhs	Annual increase	%change
2001 - 2002	1,54,349		
2002-2003	1,62,317	7968	5.162
2003-2004	1,70,219	7902	4.868
2004-2005	1,78,699	8480	4.981

2005-2006	1,88,113	9414	5,268
2006-2007	5,00,758	312645	166.200
2007-2008	5,58,190	57432	11.469
2008-2009	6,21,753	63563	11.387
2009-2010	6,93,835	72082	11.593
2010-2011	7,73,487	79652	11.479
2011-2012	11,76,939	403452	52.160
AVG	470787.18	92963	28.456
CAGR	20.28	20.28	

Source: MSME Annual Report 2010-'11 and 2012-'13

Table 4. Performance of small scale industries with regard to production

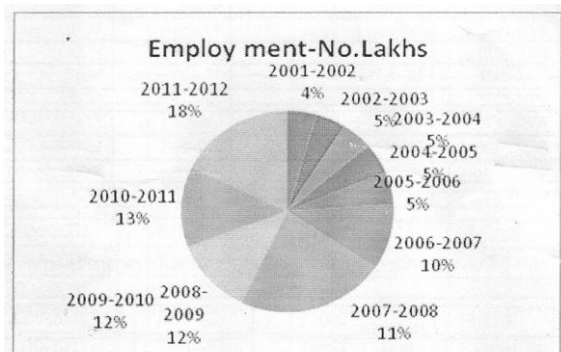
Year	Production in crores	Annual increase	% annual increase
2001 - 2002	2,82,270		
2002-2003	3,14,850	32580	11.54
2003-2004	3,64,547	49697	15.78
2004-2005	4,29,796	65249	17.89
2005-2006	4,97,842	68046	15.83
2006-2007	7,09,398	211556	42.49
2007-2008	7,90,759	81361	11.46
2008-2009	€80,805	90046	11.38
2009-2010	9,82,919	102114	11.59
2010-2011	10,95,758	112839	11.47
2011-2012	18,34,332	738574	67.40
AVG	743934	155206.2	21.683
CAGR	18.55	18.55	18.55

Source: MSME Annual Report 2010-'11 and 2012-'13

Table 5 Performance of small scale industries with regard to employment

Year	Employment No Lakhs	Annual growth	% increase in annual growth
2001 - 2002	249.33		
2002-2003	260.21	10.88	4.363
2003-2004	271.42	11.21	4.308
2004-2005	282.57	11.15	4.108
2005-2006	294.91	12.34	4.367
2006-2007	595.16	300.25	101.810
2007-2008	626.34	31.18	5.238
2008-2009	659.35	33.01	5.270
2009-2010	695.38	36.03	5.464
2010-2011	732.17	36.79	5.290
2011-2012	1,012.73	280.56	38.318
AVG	516.325	76.34	17.853
CAGR	13.59	13.59	13.59

Small Scale Sector is playing a vital role in increasing the employment in the economy. The employment generation of the sector is 249.33 lakhs during 2001 - 2002. By 2011-2012 the employment is increased to 1012.13 lakhs. The average annual growth of the employment is 138.8, whereas the percentage annual growth is 17.853. Average employment in the sector is 516.325 and Standard Deviation is 257.753. Compound annual growth rate is 13.59.



The below table 6 shows that the export potential of the Small Scale Sector is increasing from 71244 crores to 2,02,017 crores by the end of 2007-2008 Whereas the annual growth rate is decreased during 2003- 2004 and 2007-2008. This is due to the change in the classification of the industries in this Sector. The average annual growth rate in exports is 3763.

Table 6 Performance of small scale industries with regard to exports

Year	Exports Rs. crores	Annual Increase	% increase
2001 -2002	71,244		
2002-2003	86,013	14769	20.73
2003-2004	97,644	11631	13.53
2004-2005	1,24,417	26773	27.41
2005-2006	1,50,242	25825	20.75
2006-2007	1,82,538	32296	21.49
2007-2008	2,02,017	19479	10.67
2008-2009	NA	-	-
2009-2010	NA	-	-
2010-2011	NA	-	-
2011-2012	NA	-	32.73
AVG	127451	37363	20.73
CAGR	16.05	4.72	

The Small Scale Sector is playing a vital role in the development of the economy with its tremendous performance. In order to encourage this sector government took a number of measures. Liberalization has brought challenges to this sector with intense competition from the global players in marketing their products also opportunities like technology, outsourcing by larger industries etc. During the period of study the average number of units registered is 222.45. The increase in

Average investment is 470787,18. The Sector has produced an amount of 1834332 crores by 2011-2012. Its average employment provided by this sector is 2446.6 Lakh. The export potential of the Sector is 10.67 percent by 2007-2008. The volatility with respect to the investment, production and investment is less as the mean value is higher than Standard deviation. The risk associated with the sector is less it is suggested that the more concentration to the sector will result. In

this section, we propose to discuss the policy of the government of India towards the small scale and cottage industries. This discussion is divided into the following sub - section:

1. Policy prior to 1991
2. New small enterprise policy 1991
3. Comprehensive policy package 2000 and recent policy measures
4. Critical evaluation of the policy for small scale and cottage industries.
5. North East Industrial and Investment Promotion Policy (NEIIPP) 2007.

PROBLEMS of MSMEs IN INDIAN ECONOMY

The small and medium scale enterprises are suffered with many severe problems, which are mainly depending on the level of economic and social development of the country. India as a developing country is not an exceptional one to the above condition. Though, there are unlimited problems connected with MSMEs, some of them are given below. They are:

- Difficulties in obtaining credit, competing with imported products, identifying appropriate technology & technical assistance, investment promotion and maladjusted project preparation and evaluation.
- Inability to offer liberal credit terms in the sale of their products, obscene of management expertise, under capitalization and bureaucratic red tapism and regulations.
- Lack of industrial training & skill formation, quality control & testing facilities, proper market promotion both domestic & export, scientific & industrial research, lack of management & reorganization of small & medium scale enterprises through various schemes and productivity increase through modernization. Thus, MSMEs are facing multi-dimensional problems. However, this sector in India has been confronted with an increasingly competitive environment due to:
 - (i) Liberalization of the investment regime in the 1990s, favoring foreign direct investment at the international level, particularly in socialistic and developing countries;
 - (ii) The formation of the World Trade Organizations (WTO) in 1995 forcing its member- countries (including India) to

drastically scale down quantitative and non-quantitative restrictions on imports, and domestic economic reforms.

- (iii) The cumulative impact of all these developments is a remarkable transformation of the economic environment in which MSMEs operate, implying that this sector has no option but to, 'compete'. (Garg, et. al, 2012)

CONCLUSION:

Furthermore improvement in productivity can be due to the reason other than capital accumulation. These may include investment in human capital (education and training), emphasis on practical knowledge, better management skills, providing upto date knowledge to the smaller units, better credit and finance facilities and above all the adequate infrastructure facilities. The infrastructure facilities have a big role to play in improving the performance of industries. The small scale industry has been the main victim of unreliable and inefficient infrastructural facilities may it be lack of power, water, roads, transportation and communication, etc Provision of. infrastructure facilities becomes difficult to the scattered units. For efficient provision of infrastructural facilities, these units should only be allowed to come up only in the designated industrial area or estate. In view of this, the government of India has rightly recognised small scale industries as the engine of growth in the present millennium. For sustainable higher growth of the small scale industrial sector, top priority should be given to financial support state and central government should facilitate the growth of small scale industry mainly through creating conducive environment for producing and marketing of products and services of small scale sectors. To face the competition in the long run and to be economically viable, the MSME sector needs to improve its productivity and quality, reduce costs (given the higher qualities) and innovate. Government policy should promote MSMEs by helping them to increase their efficiency and competitiveness within a market driven economy. For this it is essential that these enterprises rip longer follows a protectionary stance, as that has already been shown to be harmful to the sector. In order to prevent the major sickness in MSME sector, new approaches like the cluster approach or harnessing the power of industry associations should be encouraged. Undoubtedly the MSME sector has enormous potential, and is a crucial aspect of the Indian economy. However it is essential on the part of the government to take careful decisions and honest policy implementation to overcome the problems of MSME sector. A technologically vibrant, internationally competitive small and medium industry should be encouraged to emerge, to make a sustainable contribution to national income, employment and exports. It is imperative to take care of MSME sector to enable it to take care of the Indian economy.

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