



A STUDY ON SMALL SCALE INDUSTRY: WITH SPECIAL REFERENCE TO INDIA

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ABSTRACT:

Small Scale Industries (SSI) refer to those small entrepreneurs who are engaged in production, manufacturing or service at a Micro Scale. *Small Scale Industries* play a focal role in the economic and social development of India in the post-independence era. Small scale industries constitute the backbone of a developing economy with its effective, efficient, flexible and innovative entrepreneurial spirit. Round the world SSI units have been accepted originator of economic growth and for promoting equitable development. The contribution of SSIs to the Indian economy in terms of employment generation, reducing regional imbalances, promoting inter-sectorial linkages, magnifying exports and fostering equitable economic growth potential has been quite marvellous.

This sector through more than 6000 products ranging from traditional to high-tech, consisting over 36 million units widely dispersed across the country provides employment to over 80 million persons, contributes about 8% to country's GDP beside accounting for 45% of manufactured output and 40% to the export from the country. The SSI sector has the prospective to spread industrial growth round the country and can be a considerable associate in the progress of comprehensive growth. The target of proposed National Manufacturing Policy of enhancing the share of manufacturing sector in GDP to 25% and to create 100 million jobs by end of 2022, as well as to take India from its present 2 trillion dollar economy to 20 trillion dollar economy can be achieved with the help of SSI units. In such a context, the paper attempts to highlight the importance of SSI in Indian economy

Keywords: -*Small Scale Industries, SSI, Economic growth, GDP, Performance of SSIs.*

Introduction:

Small Scale Industries have played a very important role in the development of country. The government in its budget normally emphasizes on the contribution of the small and medium scale enterprises. The role of *Small Scale Industries* has always been supported



in a country like India with various opinions such as employment, equality, latent resource, trickling effect, insurance against social tension, distributive effect, creation of social eco system and decentralization etc. The other arguments in favour of *Small Scale Industries* are making provision for self-employment and capital formation and they are skill light, import light and quick yielding. Analysis of the data on *SSIs* has received different responses from different economists in different studies, right from one of the earliest studies in 1961. The performance of the *Small Scale Sector* has a direct impact on the growth of the overall economy. The performance of the *Small Scale Sector* in terms of parameters like number of units, production, employment and exports will help to understand its role in the economic development of the country.

Small Scale Industries in India and abroad showed significant power and malleability in keeping an unswerving pace of development and work age during the worldwide recession and economic log jam. The Indian economy during the current monetary years has shown impressive development performance by adding to set out job open doors to a great many individuals, in amplifying the fare potential and in expanding the by and large economic development of the country. As an impetus to the financial change of the country, the Small Scale Industries area particularly critical in addressing the public goal of crossing over the provincial metropolitan gap, relieve neediness and producing work for the commendable local area of the country.

Small Scale Industries (SSI) area involves practically about 80% of the absolute mechanical units in the country. In India *SSIs* possess 36 million units, add to 45% of modern creation, 40% to the fare area through in excess of 6000 items going from conventional to cutting edge and gives work to around 80 million people. Subsequently the Small Scale Industries (SSI) in a non-industrial nation like India possess an uncommon spot in the mechanical design. Taking into account the huge capability of Small Scale Industries, the public authority has given this area a significant spot in the system of Indian economic making arrangements for economical just as philosophical reasons.

Small Scale Industries are those industries in which manufacturing providing services, production are done on a Small Scale or Micro Scale. E.g. Napkins, Tissues, Chocolates, Toothpick, Papers, Pens, etc.

Meaning of Small Scale Industries (SSI):

Small Scale Industries (SSI) are those industries where the assembling, creation and delivering of administrations are done on a small or miniature size. These industries make a



one-time interest in hardware, plant, and gear, however it doesn't surpass Rs.10 crore and yearly turnover doesn't surpass Rs.50 crore. Basically the Small Scale Industries are by and large contained those industries which production, produce and render administrations with the assistance of small machines and less labour. These undertakings should fall under the rules, set by the Government of India. The Small Scale Industries are the life saver of the economy, particularly in non-industrial nations like India. These industries are by and large work serious, and consequently they assume a significant part in the making of business. Small Scale Industries are a vital area of the economy both from a monetary and social perspective, as they assist with the per capita pay and asset use in the economy.

The Examples and Ideas of Small Scale Industries are as under:

- School Stationeries
- Water Bottles
- Leather Belt
- Paper Bags
- Photography
- Wood Making
- Toys Making
- Rice Mill
- Liquid Soap Making.

Small Scale Industries are alluded to as those industries where the way toward assembling, creation and adjusting are done on a Small Scale. The venture on such industries is one time and these speculations are for the most part done on plant and apparatus, the all-out speculation on such industries don't surpass 1 crore. In Small Scale Industries, the assembling of merchandise and delivering of administrations are finished with the assistance of smaller machines and extremely restricted labour. Small Scale Industries or SSIs are known as the life saver of an economy, which is vital for a nation like India. Being a work serious industry, it is exceptionally useful in setting out business open doors for the number of inhabitants in the country. They are likewise a critical piece of an economy from a monetary outlook, as they help in balancing out the per capita pay of the country.

Characteristics of Small Scale Industries:

- *Small Scale Industries* generally have a single ownership, which means it either has a sole proprietorship structure or a partnership.



- The management of the *Small Scale Industries* rests with the owners and therefore, the owner plays an active role in the day to day functions of the business.
- *Small Scale Industries* are very much labour intensive, hence there is limited use of technology.
- *Small Scale Industries* are flexible and adaptable to a changing business environment, unlike the large industries.
- *Small Scale Industries* work in a restricted area which makes them able to meet local and regional requirements.
- *Small Scale Industries* use resources that are local and readily available, which helps the economy fully utilise the natural resources and bear minimum wastage.

Objectives of Small Scale Industries:

- To create job opportunities for the population.
- To help in the development of the rural areas of the economy.
- To play an active role in reducing the regional imbalances in the nation.
- To help in improving the standard of living for people in rural areas.
- To ensure there is equal distribution of wealth and income

Role of Small Scale Industries in the Indian Economy:

- They are the major sources of employment for the people living in rural areas and therefore, play a vital role in generating employment in an economy.
- *Small Scale Industries* account for almost 40% of the total goods and services in India hence, is a very important contributor to the economy.
- *Small Scale Industries* help in promoting the Make in India initiative which helps in increasing demand for local made products.
- Majority of the export materials are provided to the Indian companies from the small scale industries. It is estimated that around 50% of all the material exported are produced from such industries.

REVIEW OF LITERATURE:

Cherunilm (1982), in his Research article states that the village and small industries with their low capital output ratio and high employment potential as well as high export potential of their products occupied a very important place in the Indian economy.



Das and Sirajuddin (1991), in their evaluation of report found that there is a need to take effective measures to expedite the growth of Khadi and Village industries and also for the all-round development of this sector. A committee was constituted under the chairmanship of the Prime Minister of India which proposed an action plan for the development of Khadi and Village Industries.

Aarti Deveshwar (2006), *The Small Scale Industries* sector has emerged as a vibrant and dynamic sector of Indian economy which contributes nearly 40% of the total industrial production and over 34% of the national exports. At present this sector is providing employment to over 250 lakhs people. It also acts as a nursery for promoting entrepreneurial talent and as catalyse of industrial growth through a wide network of more than three million units in the country, according for about 95% of the total industrial units in the country. The world trading system is constantly offering new challenges as well as creating new threats; as tariff and quotas are removed, new technical norms, sanitary and measures and anti-dumping actions are rendering more challenges for business in emerging economics. The WTO is bound to impact every economic activity- the small- scale sector is no exception. WTO Agreements have thrown up a variety of threats and challenges.

Ashok Sharma and kumar (2011), the main aim of this article is to examine the effect of Working Capital on profitability of Indian firms. The finding of researcher shows significantly depart from the various international markets. The result show that Working Capital Management and profitability in positively correlated in Indian companies Research also shows that the inventory of number of day and number of days account. Payment is negatively where as number of days accounts receivable and cash conversion period a positive relationship with corporate profitability.

Jayshri J Kadam(2011), *Small scale entrepreneurs* face a lot of problem while availing loan facility form commercial banks as well as Government agencies. Financial institutions ask for alot of information& data, state financial corporation takes several months to take decision on extending term loans small scale sector are not in a position to offer guarantee required by the banking sector.

Small and Medium Enterprise:

Small and Medium Enterprise Units with interest in Plant and Machinery in overabundance of SSI limit and up to Rs.10 crore might be treated as medium ventures. The Micro, Small and Medium Enterprise Development Act 2006 has changed in the ideas of



small scale industries. Ventures occupied with the Manufacturing/Production of the merchandise. Ventures occupied with giving/delivering administrations.

Manufacturing Enterprise:

The Manufacturing Enterprise has been characterized as far as interest in plant and apparatus. A unit is called Micro Enterprise if the Investment is up to Rs. 15 lakhs. Concerning Small Enterprise, the venture ought to be above Rs. 25 lakhs and up to Rs. 5 crores. Also, for Medium Enterprise the venture ought to be above Rs. 5 crore and up to Rs.10 Crores.

Service Enterprise:

Service Enterprise for a Micro Enterprise, the ceiling on investment is of Rs. 10 lakhs. Small Enterprise it is more than Rs. 10 lakhs and up to Rs. 2 crore. . In Respect of medium enterprise, the investment should be in the range of Rs. 2 crore or Rs. 5 crore. Indian economy is an under developed economy. Its vast resources are either unutilized or underutilized. A major section of man power is lying idle. The per capita income is low. Capital is shy and scarce and investment is lean. Production is traditional and the technique is outdated. The output is insufficient and the basic needs of the people remain unfulfilled.

The limit for investment in plant and machinery / equipment for manufacturing / service enterprises is shown in Table No. 1.

Table No.: 1.

Enterprises	Investment in plant and machinery / equipment	
	Manufacturing Sector	Service Sector
Micro	< ₹ 25 lakh	< ₹ 10 lakh
Small	> ₹ 25 lakh but < ₹ 5 crore	> ₹ 10 lakh but < ₹ 2 crore
Medium	> ₹ 5 crore but < ₹ 10 crore	> ₹ 2 crore but < ₹ 5 crore

Source: Gupta C.B &Khanka S.S 'Entrepreneurship & Small Business Management (2010).

The Criteria adopted in different countries are shown in Table No. 2.

Table No. 2, Criteria of defining Small Business in various Countries:

S. No.	Criterion	Countries
01	Employment	USA and UK
02	Investment in Plant and Machinery	India, Pakistan, Indonesia
03	Investment and Employment	Japan, Korea, Philippines
04	Employment and Sales turnover	Korea(commerce)
05	Investment and Sales turnover	Malaysia
06	Production / Sales turnover	China, UK(commercial)



Source: Gupta C.B & Khanka S.S.Sultan Chand & Sons, New Delhi, page 2.4:

The *Small Scale Industries* in India whether in manufacturing sector or service sector are split up into five Parts?

Manufacturing Industries, Ancillary Industries, Service Industries:
Feeder Industries, Mining or Quarries Industries:

Bolton Committee (Britain 1971):

The most comprehensive investigation of small firms in the United Kingdom was refined by the Bolton panel (1971). The panel characterized, "a small firm may be characterized comprehensively as one with not in excess of 200 representatives". Notwithstanding, the above definition is just identify with those organizations in the assembling area, consequently, the underneath arrangement are firms working small business and they are as per the following, as characterized by the Bolton board;

Table No.: 3.

S. No.	Industries	Statistical Definition of Small Firms adopted by the Committee
01	Manufacturing	200 Employees or less.
02	Retailing	Turnover £50,000 p.a. or less
03	Wholesale Trades	Turnover £2,00,000 p.a. or less
04	Construction	25 Employees or less.
05	Mining/Quarrying	25 Employees or less.
06	Motor Trades	Turnover £1,00,000 p.a. or less
07	Miscellaneous Services	Turnover £50,000 p.a. or less
08	Road Transport	5 vehicles or less

Source: Bolton (1971)

Objectives of the Study:

1. To Study the needs and importance of Small Scale Industries or MSME.
2. To Focus on the huge growth potential and opportunities available for SSI.
3. To review the performance and challenges faced by SSIs in India.

Research Methodology:

The Descriptive Methodology has been used to collect the data, the data collected mostly from secondary sources from various journals, books, articles, government published annuals reports, website of different government agencies.



Opportunities & Performance of Small Scale Industries in India:

Small Scale Industries are the second biggest business of human asset after the agrarian area and produce a wide assortment of items going from customary to cutting edge. SSIs assumes a vital part in the Indian economy as of being work serious, assists with creating work in rustic just as in metropolitan regions. The SSIs had additionally assumed a cardinal part in the development activity of Indian economy since freedom in spite of radical rivalry from the large modern houses and not tremendously advancing help from the public authority.

The following are some of the principal role played by *Small Scale Industries* in India.

1. *Origination of Employment:*

The natural issue that is standing up to the Indian economy is raising pressing factor of populace ashore and requirements to set out gigantic business open doors. This issue can be addressed to a bigger scale by the assistance of Small Scale Industries as Small Scale Industries are work escalated in nature and has shown an exceptional development somewhat recently. The business age by Small Scale Industries is displayed in Table No. 4.

Table No. 4:

Year	Employment Generated (in lakh)	Growth %
2010 – 2011	965.15	4.70
2011 – 2012	1011.69	4.82
2012 – 2013	1061.40	4.91
2013 – 2014	1114.29	4.96
2014 – 2015	1171.32	5.12

Source: Annual report, Govt. of India, Micro, Small and Medium Enterprises (2012-13):

2. *EQUITABLE DISTRIBUTION OF INCOME:*

Small Scale Industries trigger the fair dispersion of abundance and pay inside social orders in manners that are economically certain and without being politically fierce, which is mostly sorted by more centralization of pay and abundance in the coordinated area keeping behind the disorderly area immature.



3. ASSEMBLING OF RESOURCES AND ENTREPRENEURIAL SKILL:

Small Scale Industries can gather a sufficient measure of reserve funds and pioneering ability from semi-metropolitan and provincial regions stay immaculate from the hold of enormous scale modern area, additionally assists with working on the social government assistance in the nation by distinguishing concealed gifts from the more vulnerable part of the general public and contributing the scholarly expertise for delivering or assembling items. The venture by SSIs had expanded throughout the last decade as displayed in Table No. 5.

Table No.: 5.

Investment by Small Scale Industries:

<i>Year</i>	<i>Investment (in crore)</i>
2010 – 2011	1105934.09
2011 – 2012	1182757.64
2012 – 2013	1268763.67
2013 – 2014	1363700.54
2014 – 2015	1471992.94

Source: Annual report, Govt. of India, Micro, Small and Medium Enterprises (2015-16):

4. REGIONAL DISPERSION OF INDUSTRIES:

There has been a huge agglomeration of industries in not many metropolitan urban areas of various territories of India. Individuals looking for work relocate from semi-metropolitan and rustic to these created metropolitan urban areas to acquire a superior way of life which at last prompts vindictive result of over-populated, contamination, production of ghettos, and so forth

Small scale industries can defeat this issue of Indian economy by using neighborhood recourses as far as crude material, venture, scholarly expertise, and so forth, consequently achieves scattering of industries in different pieces of the nation and advance equilibrium territorial turn of events.



Table No.: 6:

Top 10 States in terms of number of MSME establishment:

<i>Rank</i>	<i>State</i>	<i>Number of Establishments</i>
01	West Bengal	5269814
02	Uttar Pradesh	5238568
03	Maharashtra	4545581
04	Tamil Nadu	3282197
05	Andhra Pradesh	2781291
06	Kerala	2364085
07	Rajasthan	2270936
08	Gujarat	2218464
09	Karnataka	2188860
10	Madhya Pradesh	1958550
<i>Total</i>		32118346
<i>All India</i>		45363786

Source: Annual report, Govt. of India, Micro, Small and Medium Enterprises (2015-16):

5. EXPORT ENHANCEMENT:

Small Scale Industries have enlisted a superb development in send out throughout the long term. The worth of items sent out by the SSIs has expanded from 155 crores in 1971-72 to 124417 crores in 2004-05. The Small Scale Industries units contributes about 40% of India's absolute fare, hence this aides India in expanding the unfamiliar trade hold and lessens the tension on nation's equilibrium of instalment.



Table No.:7.

Total Exports of the country and share of SSI Sector (Rs. in crores):

<i>Year</i>	<i>Total Export</i>	<i>Export By SSIs</i>	<i>% Share of SSIs In Export</i>
2000 – 2001	202510	69797	34.47
2001 – 2002	207746	71244	34.29
2002 – 2003	252790	86013	34.03
2003 – 2004	291582	97644	33.49
2004 – 2005	361879	124417	34.38

Source: DC (MSME) and Ministry of Commerce & Industry:

6. SUPPORTS THE GROWTH OF LARGE INDUSTRIES:

The *Small Scale Industries* play a pivotal role in serving big industries by providing accessories, components, small parts and semi-finished goods required by big industries.

7. BETTER RELATION BETWEEN EMPLOYER AND EMPLOYEES:

In *Small Scale Industries* better industrial relation between employer and employees helps in increasing employee's efficiency and minimise the chance of industrial dispute, leading to comparatively less loss of production and man-days.

Challenges Faced By Small Scale Industries (SSIs):

Regardless of convenient commitment by the Small Scale Industries towards the Indian economy, Small Scale Industries doesn't get the key help from the concerned Government offices, monetary establishments, Banks, credit social orders and corporate in this way the Small Scale Industries are becoming impediment despite rivalry at public and worldwide business sectors. The serious issues looked by the SSIs are as under:

- *Scanty Credit Assistance,*
- *Uneven and Poor Quality of Raw Material,*
- *Absence of Organised Marketing Process,*
- *Inadequate Infrastructure*

Various organizations for assisting Small and Medium Entrepreneurs:

Various organizations have been set up by the Central and State governments and banks to support the development of the small scale enterprises. The main organizations are as follows: –



1. Central Government:

Small Industries Development Organization (SIDO). National Small Industries Corporation Limited. (NSIC). National Institute for Micro, Small and Medium Enterprises (NIMSME).

2. State Government:

District Industries Centres (DIC) State Financial Corporations (SFCs) State Industrial Development Corporations/ State Industrial Investment Corporations (SIDC/SIIC) State Small Industries Development Corporation (SSIDC) Khadi and Village Industries Commission (KVIC).

3. Financial Institutions / Banks:

Small Industries Development Bank of India (SIDBI) Commercial Banks Regional Rural Banks Cooperative Banks National Bank for Agriculture and Rural Development (NABARD)

4. Organizations promoted by the Government/ Banks/ Financial Institutions:

Technical Consultancy Organization in various states. India SME Technology Services Ltd. SIDBI Venture Capital Ltd. Credit Guarantee Fund Trust for Micro and Small Industries India SME Asset Reconstructing Company (ISARC).

5. Industry Associations:

Consortium of Women Entrepreneurs in India (CWEI) Confederation of Indian Industry Federation of Indian Chamber of Commerce and Industries (FICCI) Associated Chamber of Commerce and Industries in India (ASSOCHAM) World Association of Small and Medium Enterprises (WASME) Federation of Association of Small Scale Industries (FASSI).

CONCLUSION:

History shows that the economic advancement of a nation is achieved by industrialization. Small scale undertakings are explicitly appropriate for the proficient usage of nearby assets and to accomplish independence regarding particular sorts of fundamental customer merchandise like food, craftsmanship things material and agrarian carries out. Various variables assume an essential part in development of small-scale industries. Present investigation targets examining the performance Small Scale Industries, as it would direct the approach creators to get outside and inside business climate of Small Scale Industries trade.

The assistance and progression of Small Scale Industries is fundamental for the improvement of Indian economy to accomplish unbiased circulation of pay and abundance, economic self-reliance and economic supportable turns of events. To help the Small Scale



Industries area with the goal that it can assume merited position in the development component of Indian economy, it is fundamental for help MSMEs by instructing them to make ideal usage of inbuilt ability to be fruitful both under human and economic movement. Some suitable measures to be taken by the public authority in giving monetary assistance at least customs, a stage to be worked by government to help the MSMEs in acquirement of value crude material and train them for coordinated showcasing measure.

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