

# The Growth of Small Scale Industries in India

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## Abstract

*Small-scale industries in India and abroad exhibited with proficient lustiness and Adaptability in maintaining an unswerving rate of growth and employment accentuation during the global recession and economic slowdown. The Indian economy during the current fiscal years has shown considerable growth performance by contributing to creating livelihood facilities to millions of people, in amplifying the export potential and in enhancing the overall economic growth of the country. As a catalyst to the socio-economic transformation of the country, the SSI dynamically paramount in addressing the national objective of bridging the rural-urban divide, alleviate poverty and generating employment for the deserving community of the country. SSI sector encompasses almost about 80% of the total industrial units in the country. In India, SSIs occupy 36 million units, contribute to 45% of industrial production, 40% to the export sector through more than 6000 products ranging from traditional to high-tech and employs to about 80 million persons. Hence the small scale industries (SSI) in a developing country like India occupy a distinct place in the industrial structure. Given the vast potential of small-scale industries, the government has given this sector a significant place in the framework of Indian economic planning for economical as well as ideological dimensions.*

*Definition of SSI: as a unit employing less than 50 employees, if using power, and less than 100 employees without the use of power and with a capital asst not exceeding rs.5 lakhs*

**Keywords: Small and Medium Enterprises (SME), SSI, Economic development**

## Introduction

In India, Small and Medium Enterprises (SME) is a generic term used to describe Small-Scale Industrial (SSI) units and medium-scale industrial units. "Any industrial unit with a total investment in its fixed assets or leased assets or hire-purchase asset up to Rs.10 million is considered as a SSI unit and investment up to Rs.100 million is considered as a medium unit"<sup>1</sup>. Also an SSI unit should neither be a subsidiary of any other industrial unit nor can it be owned or controlled by any other industrial unit. The SSI sector produces a wide range of industrial products such as food products, beverage, tobacco and tobacco products, cotton textiles, wool, silk, synthetic products, jute, hemp & jute products, wood & wood products, furniture and fixtures, paper & paper products, printing publishing

and allied industries, machinery, machines, appliances and electrical machinery. SSI sector also has a large number of service industries. The small-scale sector in India embracing of a diverse range of units from traditional crafts to high- tech industries. The number of SSI working units (registered & unregistered) in India totaled 11.4 million in 2003-04-80.5 percent of which are proprietary concerns and 16.8 percent are partnership firms and private limited companies.

**Review of Literature**

(Kumar, Selvaraj, & Balaji, 2015) In his article “A study on the development of small-scale industries in Tamilnadu, India” studied the performance of small scale industries regarding the number of units, employment, and investment. He suggested that the lead banks in all districts had a periodical meeting with DIC and SSI associations to assess the nature and type of loan required.

**Objectives of the Study**

1. To study the Contribution of MSMEs in Country’s Economy at Current Price
2. To find out the policy measurement and new policy of SSI in India.

**Importance of SSIs**

Economic development of a country is directly affiliated to the level of industrial growth. India has also been striving to enhance the country’s industrial base since independence. The dilation of the industrial sector also leads to transformation in the general standard of living. SSIs have played a vital role in planned development with its strategic advantages of low investment and high potential for employment accentuation. The development of SSIs is being given due importance by the government to achieve the following objectives: 1. to facilitate additional employment opportunities 2. To channelize resources of capital and skills from various parts of the country 3. To provide more equitable distribution of national income 4. To provide an assisting hand to large industries and facilitate them in their work

**Category-wise Definition of SSIs in India**

Classification	Manufacturing Enterprises	Service Enterprises
Micro	Rs. 2.5 million / 25 lakh	1 million / ` 10 lakh
Small	50 million / ` 5 crore	20 million / ` 2 crore
Medium	100 million / ` 10 crore	50 million / ` 5 crore

**Source:** Annual Reports, Commissioner, SSI Development Board (2007-2012) \* outlay bound in Plant & Machinery

**Policy Measurements**

- SSIs should concentrate more on internal and specific environment. This means giving observance for heightening accounting procedures, technology up gradation, product promotion and modernization of work culture, etc
- The Government should buy the minimum of 15% of its requirement from SSIs sector
- Reinvest government agencies like SCIDO, TIIC, SIDBI, etc. By rejuvenating their roles
- Technology support for SSI should be reinforced and government assistance for export marketing should be vitalized.
- All rules and regulations relating to SSI should be simplified and comprehensive policies and legislations should be enacted.

- To disseminate information on technology, market, product, etc., an information forecasting council has been set up. Efforts should be channelized to leverage maximum benefit out of this exercise.
- Packing of export commodities is one complex area generating a lot of grievances from exporters. This obstacle should be addressed by fine-tuning our packaging industry

### Initiating new policies for SSIs

After consecrating new industrial policy of Rao-Manmohn strategy in July 1991, the government ordained its policy towards the small-scale sector on 6th August 1991. Under this new policy investment limits for tiny units have been reasonably increased from ₹2 lakhs to 5 lakhs, disregarding the location of the unit. The government again extended this limit to ₹25 lakhs with consideration of the recommendation of Abid Hussain Committee. Ancillary units and export oriented-units to ₹60 lakh, 75 lakh respectively. Again on Feb. 7, 1997 this limit was revised and outspread to ₹3 crore for all such industrial unit was abolished. In 1996-97 budget proposals, the Finance Minister had proposed the Small Industrial Development Bank of India (SIDBI) should facilitate reference facilities to State Finance Corporations (SFC) along with commercial Banks. Their financial facilities were available under single window category of SFCs. Up to loan limits ₹50 lakh which was extended up to ₹100 lakh in 1996-97 budgets. Moreover, the different policies and legislations have been launched to protect the unhealthy competition of large scale industries with the SSIs, the policy makers as well as the economic strategists are still engaging for the World Trade Organization. Under the sovereign of World Trade Organization (WTO), the integration of Indian Economy with the global economy has brought much schemozzle over of emerging issues as the gap on capital investment Foreign Direct Investment (FDI) ceiling, interest subsidies, de-reservation of items, technology standardization, etc. For the appropriate growth of the small-scale industries (SSIs) sector, cap priority should be given to financial adherence just like the mother protects her children. Similarly India should shield her small-scale sector; otherwise, the contemporary stalemate of rural employment cannot be restrained.

### The Benefaction of MSMEs in India's Economy at Current Price

Year	MSME GVA	Growth (%)	Total GVA	Share of MSME in GVA (%)	Total GDP	Share of MSME in GDP (in %)
2011-12	2583263	-	8106946	31.86	8736329	29.57
2012-13	2977623	15.27	9202692	32.36	9944013	29.94
2013-14	3343009	12.27	10363153	32.26	11233522	29.76
2014-15	3658196	9.43	11481794	31.86	12445128	29.39
2015-16	3936788	7.62	12458642	31.60	13682035	28.77

**Source:** Central Statistics Office (CSO), Ministry of Statistics & Programme Implementation

### Distribution of Enterprises Category Wise (Numbers in lakh)

Sector	Micro	Small	Medium	Total	share	Share of MSME in GDP (in %)
Rural	324.09	0.78	0.01	324.88	51	29.57
Urban	306.43	2.53	0.04	309.00	49	29.94
All	630.52	3.31	0.05	633.88	100	29.76

**Source:** <https://msme.gov.in/sites/default/files/MSME-AR-2017-18-Eng.pdf>

### **Progression of Small Scale Sector (SSS) in India**

It is a trustworthy consideration of great significance and pride that India has distinct starring landmark of its own amongst the developing economies particularly in the sphere of small-scale sector. India has an immense reservoir of scientific and technical human resources, occupying the third position in the global context in the consideration of technical proficient manpower (TPM). Small scale industrial sector received distinguishing attention towards growth and acceleration in the industrial policy measures, announced on August 6, 1991. These policy measures of SSI sector have given substantial focus and observation towards modernization, technology standardization, total quality consciousness (TQC) and human resources development.

#### **Inclusive Performance assessment (IPA) of SSI Sector**

<b>Year</b>	<b>No. of Units (in lakh)</b>	<b>Products on (Rs. crores) At current Prices</b>	<b>Employment (lakh, nos)</b>	<b>Export (at current Prices) (Rs. crore)</b>
2001-02	105.21	2,82,270	249.09	71,244
2002-03	110.10	311,993	261.38	86,013
2003-04	115.22	3,48,059	273.97	NA

The small-scale industries have shown splendid progression in their quantity, production, employment and exports. The cumulative number of small scale units has increased from 105.21 lakhs in 2001-02 to 115.22 Lakhs in 2003-04.

The above table lucidly explore that there is some proportion of increase compared to previous years. Similarly, the value of Production of Small-Scale units has gone up from Rs. 2, 82,270 crores in 2001-02 to Rs. 2, 48,059 crores in 2003-04.

The number of individuals employed in small scale units too, has gone up from 249.09 lakhs in 2001- 02 to 273.97 lakhs in 2003-04.

Exports from small scale sector account for nearly 35 percent of the gross value of exports from our country. Total value of exports of this sector has increased from Rs. 71,244 crores in 2001-02 to Rs. 86,013 crores in 2002-03.

Small-scale industry is playing a paramount role in the industrial landscape of our country. The growth in employment in this sector over years has been noteworthy. The total value of production of small scale units comes to nearly 40 percent of the total value of industrial output of the country. Over the years an inspiring trend in exports has been observed in the dimension of increase in exports of unconventional products from this sector.

#### **Conclusion**

The SSI has emerged as an ever-changing phenomenon and vibrant sector of the Indian economy. At the national level, this sector has performed extremely well and enabled our country to attain industrial amplification and diversification. SSIs have made a portentous endeavor to increase in employment fortunes and productivity prospects. If the potential of SSI is properly harnessed, it can help in accentuating the pace of socio-economic aggrandizement and balanced regional progress apart from creation of employment opportunities.

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