
Indian Small Scale Industries : Global and Economical Growth Aspects

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Introduction

The role of small-scale enterprises is significant in many countries. The flexibility to adapt to the environment is markedly pronounced in the small business as compared to large business. Half to two thirds of business all over the world is small and medium enterprises, which have traditionally been known for the agility of their response to changing environment. 1 According to Singer "even in terms of productivity small industries (less than 100 employees) produce about 90 % of the average industrial output per person in the United States and about 85 % in the United Kingdom". 2 Japanese businesses in the small manufacturing sector is attributed to its long term planning for structured changes and efficient allocation of resources in the economy. 3 Japan known for its unique style in management has developed an integrated system of subcontracting, whereby the small producers stand to benefit from large volumes of marked potential. United Kingdom considers the small firms are crucial to the development of the country. These firms are regarded as breeding ground for new entrepreneurial talent and new ideas with inbuilt flexibility to adapt to dynamic business environment. Over the last 20 years there has been marked increase in the number of small business in the economy of the U.K. From 1980-1993 the number of small firms grew around 8 lakh, the vast majority of registered business is small. 96 % of the firms have less than 20 employees. Firms with less than 100 employees account for 50 % of employment. ⁴

The SSI's:

- 1) Small-Scale Industrial Undertaking (SSI)
- 2) Ancillary Industrial Undertaking (ANC)
- 3) Tiny Enterprise
- 4) Women Entrepreneurs' Enterprise:
- 5) Small-scale Service and Business (Industry Related) Enterprise (SSSBE):
- 6) Export Oriented Unit (EOU)

Government of India's Different Plans for Small-Scale Industries

In the First Five Year Plan (1951-1956) it was outlined that the supply of the basic raw materials should be assured, a sphere of production ear-marked and perhaps a small chess enforced on large-scale industry with a view to reducing the difference in the cost of production or merely with the object of providing funds for improving the efficiency and organisation of small-scale units. From the experience of the first five-year plan, it was recognised that satisfactory arrangements for meeting the required amount of finance have a vital role to play in the development programmes for small industries.

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The Second Five Year Plan (1956-61) stressed the need for a "coordinated policy based on close collaboration between the Reserve Bank of India, the State Bank of India, State Financial Corporation and Central Co-operative Bank"¹⁰ During the Second Five Year Plan period as many as 60 industrial estates were established. Certain items were reserved for exclusive production in small-scale sector.¹¹

During the Third Five Year Plan (1961-1966) Small-Scale Industries Board (SSIB) constituted a working group to formulate a plan for the development of small-scale industries. Intensive development of these industries was taken up in selected areas known as "rural industries projects" Among other developments in the field of small-scale industries proposed in this plan reference may be made to the proposed development of depots for stocking raw materials, which are in short supply, to be made available to small units with a view to assisting in the fuller utilization of existing capacity. It was also proposed to set-up an industrial design institute and about more than 300 new industrial estates (apart from 60 already established) of various sizes and types during the third plan period.¹²

The Fourth Five Year Plan (1969-1974) document stated as follows "The main aims of the development programmes for small-scale industries was fuller utilization of the capacity already established, intensive development of selected industries including ancillaries and industrial co-operatives and subject to criteria of feasibility, promotion of industries in semi urban, rural and backward areas"¹³ During this period, the Administrative Reforms Commission made several recommendations for the development of small-scale sector. Stress was laid on training and common service facilities, quality marketing and credit facilities.

The Fifth Five Year Plan (1974-1979) stressed the development of different small industries so as to remove poverty, generate employment and reduce inequalities. The broad strategy proposed to be followed in the Fifth Plan was to entail a considerable enlargement of the development programmes for providing assistance and facilities in various forms to these industries.¹⁴ Some of the important measures proposed to be initiated were:

- a) Package and consultancy service
- b) Technical employment and research
- c) Dispersal of industries.

It was decided to expand the activities of Central Small Industries Organization, National Small Industries Corporation, Small Industry Extension Training Institute and Small Industry Service Institutes to facilitate the small industry sector. It was emphasized that small-scale entrepreneurs should get all facilities under the same roof. Accordingly setting up of District Industries Centre was recommended for the development and growth of small-scale and village industries.

The Sixth Five Year Plan (1980-1985) for India has emphasized the shift from industrial development through publicly owned large industrial units to assist for the expansion of small-scale private industries units.¹⁵ The objectives of this plan were to improve the levels of production and earnings of artisans by upgrading their skills and technologies, creation of additional employment opportunities on a dispersed and decentralised basis, establishment of wider entrepreneurial base by providing training and package of incentives, creation of a viable structure of the village and small industries sector so as to progressively reduce the role of subsidies and to expand efforts in export promotion.

The seventh Five Year Plan (1985-1990) laid stress on technology up gradation, increased ancillarisation, design and testing facilities and comprehensive marketing support to small-scale industries. During the Seventh Plan the policy would aim at rationalization of fiscal regime to ensure the rapid growth of village and small-scale industries. Infrastructure facilities would be strengthened at various levels. Adoption of modern management and technique will be encouraged. Development and dissemination of appropriate technology to reduce drudgery, improve productivity and quality and lessen the dependence on subsidies would receive due emphasis. The overall objective is to improve the intensity of employment income quality of products and level of living of artisans.¹⁶ During the Seventh Plan the number of items reserved for exclusive manufacture in small sector was increased to 847. Items reserved for exclusive purchase from small industries stood at 409.

In the eighth Five Year Plan (1992-1997) the following measures were proposed for the development of small-scale industries

- a) Timely and adequate availability of credit.
- b) Technological upgradation through tool room and training institutes.
- c) Growth centres to encourage dispersal of industries and establishment of functional industrial estates
- d) Integrated infrastructure development centres for tiny units in rural and backward areas.
- e) Incentives for the development of village/house hold industries including Khadi and Village Enterprises, Handlooms, Handicrafts, Sericulture etc...
- f) Continuation of reservations and subsidies.

The overall thrust of the eighth plan will be to ensure that small-scale sector should result in the generation of an entrepreneurial revolution in the community as a whole in addition to serve as a source of productive employment.¹⁷

According to the Ninth Five Year Plan (1997-2002) the major problems faced by the SSI sector are:

- 1) Inadequate flow of credit
- 2) Use of obsolete technology in machinery and equipment.
- 3) Poor quality standards and
- 4) Inadequate infrastructure facilities.

In order to increase the flow of credit, the government has started setting up specialised branches of banks exclusively meant for providing credit to SSIs. For the purpose of improving the technology of SSIs, SIDBI has already set up a technology development and modernization fund with a corpus of Rs.200 crores. The government has also set. Technology Trust Fund with contribution from state governments and industry associations for the transfer and acquisitions of the latest technologies. Under the scheme of Integrated Infrastructure Development Centers (IIDCs) infrastructure facilities are being developed in backward rural areas. To help the SSI sector, the government has taken a number of policy initiatives like allowing 24 % of equity participation in large and medium SSI units. With a view to provide technological support and training to the small-scale sector, tool rooms with German, Danish and Italian assistance are being set up at Indoor, Ahmadabad, Bhubaneswar, Jamshedpur and Aurangabad. The credit provided to the SSI sector by the financial institutions is considered credit to 'priority sector'.¹⁸ Government Support to Small-Scale Industries

Growth of Small Scale Industries in India

Small-scale units, though small, can undoubtedly serve the economy in a big way. The small-scale industrial sector has played a vital role in shaping the destiny of the nation since independence. From the days of Mahatma Gandhi the small industry movement has been largely regarded as a vehicle for up-lifting the weaker sections of the population. After independence, when the problem of regional imbalances began to appear, small industry was considered as the natural vehicle for redressing such imbalances. More recently when the problem of unemployment has begun to take an acute form, the ability of small industry to provide job at a comparatively lower cost has made it an attractive pattern of economic development for the planners and administrators. The range of products of SSI is so wide that there is hardly any product we see around in our day-to-day life, which is not produced either directly or indirectly by the SSI sector. It manufactures more than 7500 products.

The small industries covering a wide spectrum of industries in small tiny and cottage sector occupy an important position in the planned development of the Indian economy and have grown to be the most vital sector of our nation. The small-scale sector has emerged as a dynamic vibrant sector of the Indian economy. The sector amounts for 40 % of the industrial production, 33 % of total exports and employs about 192 lakh persons in about 34.40 lakh SSI units in the country. The sector acts as a nursery for the development of entrepreneurial talent. It caters to the sophisticated requirements of consumers at the upper income level and advanced technological requirements of industries both in India and abroad.

Objectives

1. To assess the performance of small scale Industry
2. To study the structure of Organic Fertilizer units and also the socio economic profile of the entrepreneurs of such units.
3. To determine the nature and form of assistance available.
4. To assess the role of various organization in development of Organic Fertilizer Industry.
5. To evaluate the promotional and developmental activities of related Organic Industry.
6. To study the problems of organic fertilizer industries and to suggest the suitable remedies to overcome them.

Hypothesis

On the basis of the objectives the following hypotheses are formulated.

1. Among the financial institutions at the national level, SIDBI has a significant share in industrial financing.
2. The socio economic profile of the entrepreneurs of aided units is similar to other units.

Research Methodology

The study was designed as an empirical one based on survey method. Data have been collected from both primary and secondary sources. Secondary data were collected from Annual reports and other reports of SIDBI and from various publications of central and state governments and reports of IDBI. The research methodology of study is both exploratory and descriptive. While using this methodology only relevant dynamics are used in the research design.

For a primary survey at the beneficiary level a sample of 10 units from three districts of Maharashtra were selected. The selected districts were Ahmednagar, Nashik, Pune; these districts were selected on the basis of the classification made by MFC. MFC has classified the districts of Maharashtra into two categories depending on the level of industrial development achieved by the districts. The tools used for analysis are ratios, percentages, and averages, trend analysis, T. test, Chi-square test and Weighted Score Method.

Growth Trends

Economic growth slowed from an annual average of 9.6 per cent in 2006-07 to 8.7 % in 2007-08 (Table No: – 1.1) Offsetting strong growth in services was a slowdown in industrial growth and a marked decline in agricultural performance.

India has achieved a prominent position in global services, today accounting for 1.4 per cent of global exports in services (India's Sustaining Reforms and Reducing Poverty, 2003 : 56).

Table No- 1.1
Growth Rate in Indian Industry

Particulars	2006-07 (CAGR)	2007-08 (CAGR)
GDP at Factor Cost	9.6	8.7
1. Mining & Quarrying	5.7	3.4
2. Manufacturing	12.0	9.4
3. Electricity, Gas and Power	6.0	7.8
4. Constructors	12.0	9.6
1. Trade, hotels, transport communicators	11.8	12.1
2. Financing, Insurance, Real Estate and other services	13.9	11.7
3. Community, Social and Professional services	6.9	7.0

Source: The Hindu Survey of Industry (2008)

Overall, India's economy performed well in the 1980s, and even better after the reforms of early 1990s. GDP growth accelerated from only 3.5 % a year in 1960s and 1970s to nearly 7 % a year between 1992–93 and 1996–97. Growth was led by industry and services in the 1980s and by services in the 1990s. Importantly, structural reforms stimulated industrial and services growth and investment in the early 1990s (India's Sustaining Reforms and Reducing Poverty, 2003 : 2). The industrial sector grew 7.6 % a year, and manufacturing 9.8 per cent a year, in real terms from 1992–93 to 1996–97. Private investment in industry grew by 20.1 % a year in real terms over the same period. But, the momentum slowed in the second half of the decade, with industrial growth averaging only 4.5 per cent a year and manufacturing growth only 3.8 per cent during 1997–98 to 2001–02. Growth in private investment in industry actually fall 3.4 % a year during 1997–98 to 2000–01. The manufacturing sector in India accounts for only 16.8 % of GDP, compared with 35 % in China and 25–35 % in the South East Asian countries. Importantly, No significant increase in India's penetration of world markets in industrial products has been observed over the decade, with the share of non–agricultural exports in world exports of the same commodities increasing only marginally from 0.5 % in 1990–91 to 0.55 % in 2000–01.

The cumulative number of units as per Small Industry Development Organization estimates from 1974 onwards is given Table No1.2

Table No: 1.2
Number of SSI Units in India from 1974 to 2008

Year (as at end- March)	Cumulative number of units (Lakh)	Year (as at end- March)	Cumulative number of units (Lakh)
1974	4.2	1992	20.8
1975	5	1993	22.5
1976	5.5	1994	23.9
1977	5.9	1995	25.7
1978	6.7	1996	27.2
1979	7.3	1997	28.6
1980	8.1	1998	30.1
1981	8.7	1999	31.21
1982	9.6	2000	32.25
1983	10.6	2001	33.7
1984	11.6	2002	34.4
1985	12.4	2003	35.8
1986	12.5	2004	36.9
1987	14.6	2005	38.5
1988	15.8	2006	39.9
1989	17.1	2007	41.5
1990	18.2	2008	42.9
1991	19.5		

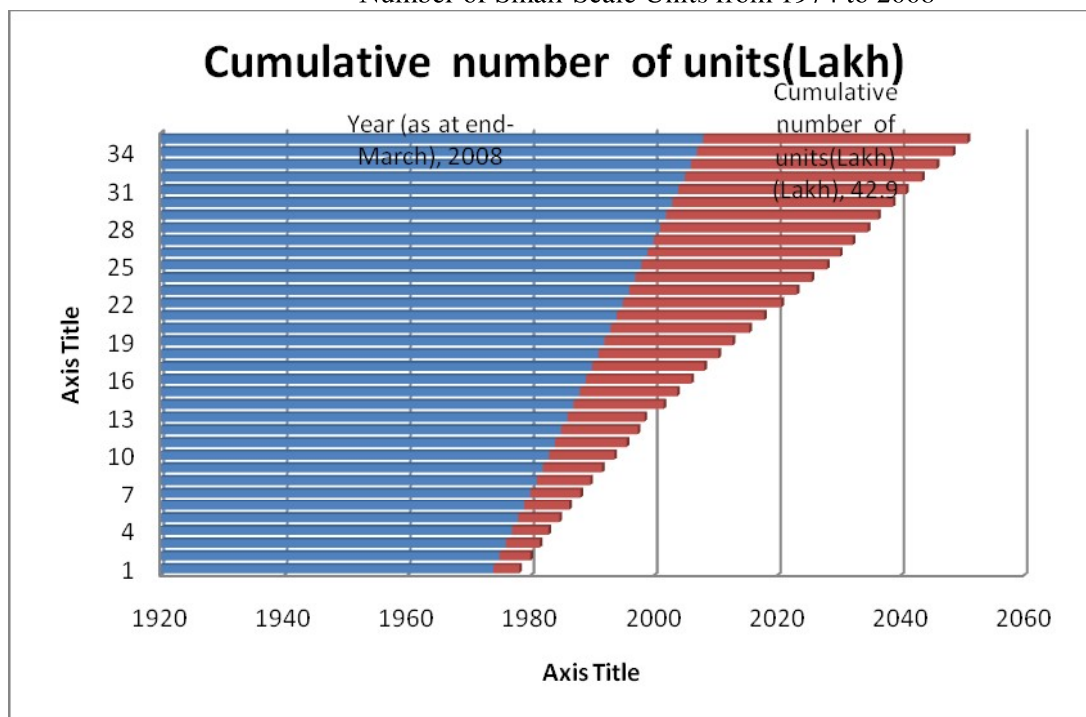
Source: DC (SSI), Ministry of SSI, A&RI.

The number of units in India during 1974 was only 4.2-lakh units, this increased to 34.40 lakh units during the year 2002. There has been more than eight times increase in the number of units in India during this

period. Graph 1.1 shows the trend in the growth rate of number of units. From the chart it can be seen that, there is an average annual growth of 1.13 lakh units per year.

Graph No 1.1

Number of Small-Scale Units from 1974 to 2008



The growth rate in the number of units is above 5 % up to 1995-96 in the year 94-95 witnessed well above 7 %. The high growth rate slipped to 4.88 % in 1996-97. The year 1997-98 has been a turnaround in favour of a high rate of growth of 5.5 % as compared to 4.88 % in the previous year. The growth period was, however short lived as the sector started showing signs of downturn by 1998-99 and this came down to 2.08 % at the end of the period under study. The average annual growth rate in number of units is 4.97 %.

Ownership Pattern:-

Table No: 1.3
Ownership Pattern of SSI Sector

Type of Organization	Registered SSI sector		Un registered SSI sector	
	Enterprises Total	Percentage to Total	Enterprises Total	Percentage to Total
Proprietary	675779	90.09	93725	97.2
Partnership	47683	6.36	1208	1.25
Pvt. Company	15917	2.12	430	0.45
Co-operatives	2355	0.31	118	0.12
Others	8388	1.12	950	0.98

Source: Quick results, third all India census report of small-scale industries (2007-08)

In the registered SSI sector majority (90.09 percentage) are proprietary concerns and partnership concerns rank second. Number of units in the co-operative sector is least (0.31 %). In the unregistered sector also majority (97.2 %) are proprietary concerns. Here also there are only few units in the co-operative sector.

Industry Group wise Distribution of SSI Units

Table No:-1.4
State wise Estimates of SSI Units)

States/Units units	Number of Investment Rs	Employment per unit	Fixed per unit	Employment	Investment
			(Million)	(Numbers)	(Rs.000)
A.AndhraPradesh	132.79	837.21	16395	6.3	127
B. ArunachalPradesh	4.6	20.66	7406	5	161
A.Assam	29.83	146.22	14821	4.9	497
A.Bihar	291.17	473.63	8105	1.6	61
B.Goa	5.76	39.43	2191	6.8	380
A. Gujarat	156.73	862.93	55119	5.5	352
A.Hariyana	89.5	504.14	15182	5.6	170
B.Himachal Pradesh	27.25	114.49	5643	4.2	207
B. Jammu &Kashmir	26.1	113.22	NA	4.3	NA
A.Karnataka	208.58	1017.2	38512	4.9	185
A.Kerala	177.38	819.28	26303	4.6	148
A.Madhya Pradesh	286.43	675.87	13509	2.4	47
A Maharashtra	234,94	1562.6	226016	6.7	962
B.Manipur	6.09	30.28	375	5	62
B.Meghalaya	3.27	18.59	247	5.7	75
B.Mizoram	3.9	23.46	580	6	149
B.Nagaland	0.78	3.9	NA	5	NA
A.Orissa	32.44	214.07	8702	6.6	268
A.Panjab	197.34	854	34050	4.3	173
A,Rahasthan	94.26	402.87	24390	4.3	259
B.Sikkim	0.3	2.9	161	9.7	542
A.Tamil Nadu	324.63	2921.64	77910	9	240
B.Tripura	2.01	9.11	145	4.5	72
A. Uttar Pradesh	357.96	1469.18	34880	4.1	97
A. West Bengal	167.13	614.64	NA	3.7	NA

Source: SIDBI Report on Small-Scale industries-(2009)

Conclusion

In the course of the study a large number of drawbacks, shortcomings and problems have come to light. The researcher likes to give the following recommendations for solving then problems. This will help in remolding and reshaping the policies and techniques of operations of the Banks and Organic Industry.

1. More composite loans should be provided to the SSI units, so that the entire requirement of small units is met by single documentation, security and charge creation process. This facility should be extended to all SSI units requiring loans.

2. In order to avoid delay and red tapism the powers of the competent authorities for sanctioning of loan should be enhanced liberally. The expenses to be incurred by the borrower should also reduce.
3. Rate of interest on borrowing by SSI units should be further reduced to bring them on a par with those prevailing in other countries. This will improve the efficiency and performance of units in the international market and home market.
4. Necessary steps are to be taken to reduce the number of installments in releasing the sanctioned amount.
5. Keeping in view the rising price of land, cost incurred for the construction of building and purchase of machinery the limits of loan under various schemes that are being operated by Units should be suitably increased from time to time.
6. Necessary steps are to be taken to avoid the delay caused due to procedural requirements in sanctioning loan. So as to ensure that the projects are implemented in proper time.
7. It has been observed that the banks still believes in security-oriented approach in advancing loans. The most important difficulty faced by the sample units is the difficulty in furnishing security Banks should evolve a need based instead of security based financing policy for assisting the SSI sector.
8. In the event of default the Bank should provide required help to the defaulted units to survive instead of initiating legal proceedings or other hard steps.
9. The changed economic scenario, in the post liberalization phase, SSI units have great weakness in marketing. So it is felt that, there is need to provide more marketing assistance programme to SSI.
10. It has been observed that the Banks and other Institutions charge penalty in case of earlier closing. Necessary steps are to be taken to avoid this penalty.
11. Objectives of the promotion and development programmes can be achieved only if the SSI units are informed about it. So steps should be taken to make the people aware by conducting programmes in association with the SSI entrepreneurs associations in the industrial estates.

A country has to embark upon industrialization for quickening the pace of economic development. The net value of output per person is higher in industry than in agriculture due to the greater scope for internal as well as external economies. Jawaharlal Nehru correctly expressed the need when he said, "Real progress must ultimately depend upon industrialization. The planners and visionaries have looked upon industrialisation as the main vehicle for improving the living standards of the people. In the beginning of this century, M.Viswesvaraya opined, "industrialize or perish"

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