



GROWTH AND SICKNESS OF SMALL-SCALE INDUSTRIES IN INDIA

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Abstract- In India S.S.I. sector is used as an efficient tool of progress. The recent data available indicate that the S.S.I. sector of India that accounts for 95% of the country's industrial units with 40% value addition in the manufacturing sector, shares 36% of the country's total export, contributes 9.50% GDP., employs nearly 9 lakhs per annum, registering a sectoral growth rate of 9.20% as against 7.5% of the country's overall industrial growth rate during 2011-12. During the 11th plan 5.7 million new jobs were created by the sector, while 7.6 million additional jobs are expected to be created by the 12th plan.

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Introduction

The small scale industrial sector plays a pivotal role in the Indian economy in terms of employments and growth. A small scale industry is defined as "a unit having investment up to 5 crores in plant and machinery", small scale industries may be classified into three categories:

- Cottage industries;
- Agro-based industries;
- Small-industries.

In developed nations also the employment potential of small scale industries (SSI sector has gained universal recognition). The bulk 66% of new jobs created in the United States during the last two decades were in the small-scale in Great Britain creates more than 2.5 lakh jobs every year. In Germany, Spain and the Netherland the S.S.Es sector is equally important.

In India S.S.I. sector is used as an efficient tool of progress. The recent data available indicate that the S.S.I. sector of India that accounts for 95% of the country's industrial units with 40% value addition in the manufacturing sector, shares 36% of the country's total export, contributes 9.50% GDP., employs nearly 9 lakhs per annum, registering a sectoral growth rate of 9.20% as against 7.5% of the country's overall industrial growth rate during 2011-12. During the 11th plan 5.7 million new jobs were created by the sector, while 7.6 million additional jobs are expected to be created by the 12th plan.

Concept of Micro, Small and Medium Enterprises in India

Micro, small and medium enterprises as per MSMED Act, 2006 are clear based on their investment in plant and machinery (for manu-

facturing enterprise) and on equipment for enterprises providing or rendering services.

The defined limit on investment for enterprises to be classified as Micro, Small and Medium enterprises is as shown in [Table-1].

Table 1- Category-wise Definition of SSIs in India

Classification	Manufacturing Enterprises	Service Enterprises
Micro	₹ 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

Organizational Help for Small Scale Industries

Steady help to SSI sector by the Government in terms of infrastructure development, fiscal and monetary policies have helped this sector to emerge as dynamic and vibrant sector of Indian economy.

- Small Industries Development Organisation (SIDO)
- National Small Industries Corporation (NSIC)
- SSI Board
- National Research Development Corporation (NRDC)
- Small Industrial Bank of India (SIDBI)

The contribution of small scale industries to the field of employments and productions is highly notable. [Table-2] presents the overall performance and augmentation of the S.S.I. segment in India.

[Table-2] reveals that the value of output produced by the SSI has steadily increased from ₹ 7,09,398 crores in the 2007-08 to 11,27,352 crores by the end of the end of March 2011-12. Similarly,

there was tremendous Increase to the level of employment (70 lakh to 172 lakh). It is very clear that overall performance of SSI is quite satisfactory after introduction of the new economic policy in India. The growth of SSI is 272.79 lakhs in 2007-08 and it consistently growth up to 332.12 lakhs in end of March 2011-12.

Table 2- Overall Performance and Growth of the SSI Sector in India

Year	No. of units in lakhs	Production (₹ In crores)	Employment (lakhs)
2007-2008	272.79 (4.47)	7,09,398 (42.49)	626.34 5.15
2008-2009	285 (4.53)	880805 (11.39)	659.38 (5.27)
2009-2010	298.08 (4.53)	9,82,919 (11.59)	695.38 (5.46)
2010-2011	311.52 (4.51)	10,95,758 (11.48)	732.17 (5.29)
2011-2012 (March)	332.12 (2.21)	11,27,352 (8.25)	763 (3.21)
Average growth rate	8.76	27.21	5.35

Source: Annual Reports, Commissioner, SSI Development Board (2007-2012)
Note: Figures in parenthesis percent growth rate for previous year.

In present-day world is confronted by small scale industries amongst which industrial sickness is of paramount importance. The magnitude of industrial sickness is depicted in the [Table-3].

Table 3- Position of Sick SSI Units Financed by SCBs

Year	No. of Sick SSI	Outstanding (₹ In lakhs)
2007-08	3,06,221	4,313.48
2008-09	3,04,235	4,608.43
2009-10	2,49,630	4,505.54
2010-11	1,77,336	4,818.82
2011-12	1,67,980	5,706.35

Source: Annual Reports, Commissioner, SSI Development Board (2007-2012)

From [Table-3] following finds are drawn

- There were 3,06,221 small industries which were affected by industrial sickness, whereas 2,49,630 numbers of small units became sick in 2009-10, thus compared to both years sick SSI decreases, the problem of industrial sickness is more concentrated in small-scale industries. Further, it is revealed that the magnitude of industrial sickness, particularly to small scale industries outstanding has risen from 4,313.48 to 5,706.35 units in 2008 to 2012.
- There were 1, 67,980 no. of small industries which have obtained loans from Bank. Their no. has further increased to 5,706.35 in the year 2012.
- Further, the [Table-3] shows that the problem of industrial sickness of SSI. Is gradually decreased from 5,706.35 lakhs to 1, 67,980 units due to outstanding bank credit. But, the industrial sickness has not been completed to desirable extent.

Causes and Consequence of Industrial Sickness in SSIs

Government policy pertaining to production, distribution and price change in the outlay blueprint, subsequent new priorities in the strategy, scarcity of power, transport, raw material and deterioration of industrial relations etc., can result industrial sickness. Indigenous factor such as mismanagement, diversion of funds, wrong dividend policies, excessive overheads, lack of fully responsible for aggravating the situation of industrial sickness in a serve manner. Further, the government policies regarding price distribution, export, import, licensing and taxation are the major factors for industrial sickness.

Industrial Sickness has Brought Disastrous Consequence

- The closure of industrial units leads to aggravation of the problem of unemployment.
- Wastage of huge resources invested in the industrial units
- The closure also leads to wide spread labor unrest, threatening, disturbance in the industrial environment.
- Industrial sicknesses result in huge financial losses for banks and other terms lending financial institutions.
- The closure of industrial units will have adverse impact on the other related units through backward linkages.
- In incurs heavy loss of revenue to center, state and local government.
- Foreign trade is also affected because of such industrial sickness.

The implementation of certain agreements under the "World Trade Organisation" (WTO) has jeopardized the existence of many SSIs. The most important aspect is the complete reservation of SSIs list by 2005. There is an anomaly in the price of raw materials. Steel is sold to the local industries in higher price is much lower. As a result, China buys Indian steel at a cheaper rate and dumps the finished products in the India at higher price, which is quite less than the price of Indian finished goods. The result is very simple, SSIs would be like dinosaurs.

The sickness of SSIs is mainly confined to the north-east and the state like West Bengal, Bihar, Orissa, Madhya Pradesh an Uttar Pradesh. One of the important reasons is lack of credit facility. The overall credit to SSIs has decline from 17.3% in 1998-1999 to 11.1% in 2003-2004. The other reasons are the marketing and location.

The survey conducted by all India Management Association (AIMA) indicates a fall of 5.2% in the sale growth of SSI units in 1998-2002. This was primarily concentrated in North India where sales decline by 18.6% as a contrast, SSIs sale in South India grew 25.8%.

What should be Measure?

- In order to compete with the MNCs and large scale Industries SSIs must concentrate hard on marketing.
- The Finance Minister must ensure that the Loans are extended to SSIs at lower rates of interest as on other countries.
- A certain ear-marked fund for credit must be maintained for SSIs.
- The modernizations and technological up gradation of the SSIs is a must. The government is trying to help SSIs with incentives like subsidies for upgrading technology.
- The must bring legislation to ensure that the government department buy SSIs products.
- The of protection are over but before withdrawing the protection the measures to promote them have to be found out.
- The SSIs must diversify their range of products.
- The government must initiate to launch an awareness programme so that the owners of SSIs can know the implication of WTO and can prepare to prevent the sickness of these SSIs. Therefore, WTO reality for SSIs has its own relevance in terms if their role in export and employment.

Policy Measurements

- SSIs should concentrate more in internal and specific environment. This means giving attention for improving accounting procedures, technology up gradation, product improvement work culture etc.
- Government should buy minimum of 15% of its requirement from SSIs sector.
- Reinvest government agencies like SCIDO, TIIC, SIDBI etc. By reediting their roles.
- Technology support for SSI should be strengthened and government assistance for export marketing should be stepped up.
- All rules and regulations relating to SSI should be simplified and comprehensive law should be enacted.
- In order to disseminate information on technology, market, product etc., a technology information forecasting council has been set up. Efforts should be channelized to leverage maximum benefit out of this exercise.
- Packing of export products is one problem area generating a lot of grievances from exporters. This problem should be addressed by fine-tuning our packaging industry.

New Policy set up for SSIs

After declaring industrial policy in July 1991, the government announced its policy towards the small-scale sector on 6th august 1991. Under this policy investment limits for tiny units have been increased from ₹ 2 lakhs to 5 lakhs, irrespective of the location of the unit. The government again extended this limit to ₹ 25 lakhs accepting the recommendation of AbidHussain Committee.

The Government in its Industrial Policy of July, 1991 has already announced increase in the investment limit in plant and machinery of SSIs. Ancillary units and export oriented units to ₹ 60 lakh, 75 lakh respectively. Again on Feb. 7, 1997 this limit was extended 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 provide reference facilities to State Finance Corporations (SFC) and commercial Bank. Their financial facilities were available under single window scheme of SFCs. Up to loan limits ₹ 50 lakh which was extended up to ₹ 100 lakh in 1996-97 budgets.

Although the several policies have been launched to protect the unhealthy competition of large scale industries with the SSIs, the policy makers as well as the planners are still grappling for the World Trade Organization. Under the reign of World Trade Organization, the integration of Indian Economy with the global economy has brought much confusion over a number of emerging issues like the gap on capital investment Foreign Direct Investment (FDI) ceiling, interest subsidy, de-reservation of items, relations a technology up gradation fund and so on.

For the healthier growth of the small-scale industries (SSIs) sector, top priority should be given to financial support just like the mother protects her children. Similarly India should protect her small scale sector; otherwise the current stalemate of rural employment cannot be tackled.

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