



Performance of Small Scale Industries in India

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Abstract

Over the past 60 years, Small Scale industries have contributed significantly in the development of national economy. In a developing country like India, the development of as Small-Scale Industries (SSI) and their close relationship with the Large Industrial units are considered very much essential in any scheme of industrialization. The sector has characterized by low investment, operational flexibility, location wise mobility and import substitution. The Sector has been undergone a metamorphic change in the era of globalization. Many changes have taken place both national and international markets. The sector is playing a prominent role in ensuring the inclusive growth and regional balance. The sector is consistently registered a higher growth rate than the rest of industrial sector. There are over 6000 products ranging from traditional to high-tech items manufactured by this sector. Besides, the sector is facing challenge in the form of competition and opened opportunities due to improved technology, collaborations government intervention. In this, view, the present paper has made an attempt to evaluate the performance of Small Scale Industries in terms of number of units registered, investment in fixed assets, and employment.

Key words: Economic development, technology, employment, opportunities



Introduction

Majority of people living in rural areas draw their livelihood from agriculture and allied sectors. However, the growth and balanced development of other sectors such as industry and services is also necessary to sustain the growth of Indian economy in an inclusive manner. The Government of India is striving to improve the economic and social conditions of rural population and non-farm sector through a host of measures including creation of productive employment opportunities based on optimal use of local raw materials and skills as well as undertaking interventions aimed at improving supply chain; enhancing skills; upgrading technology; expanding markets and capacity building of the entrepreneurs/artisans and their groups/collectives.

Economic development of a country is directly related to the level of industrial growth. The expansion of industrial sector leads to a greater utilization of natural resources, production of goods and services, creation of employment opportunities and improvement in the general standard of living. India has also been

striving to develop the country's industrial base since independence. It has framed various policies aimed at development of industries in the public and private sectors. Special emphasis has been laid on small-scale industries. Small scale industries play a key role in our planned development with its advantages of low investment, high potential for employment generation, diversification of the industrial base and dispersal of industries to rural and semi urban areas. The small-scale industries sector has been appropriately give a strategic position in our planned economy towards the fulfillment of the socio economic objectives particularly in achieving equitable growth.

The Small Scale Sector has emerged as a highly vibrant and dynamic sector of the Indian economy over last five decades. It not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural and backward areas, thereby reducing regional imbalances , assuring more equitable distribution of national income and wealth.



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 wave 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 (table1):

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	10 lakh rupees to less than 2 crores
Medium enterprises	Five core rupees to less than ten crore rupees	2 crores to less than five crore

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 be 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
AVG	222.45	34.252	29.057
STD	114.555	54.236	58.848
CV	51.4969	158.344	202.526
CAGR	14.07	41.34	

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.

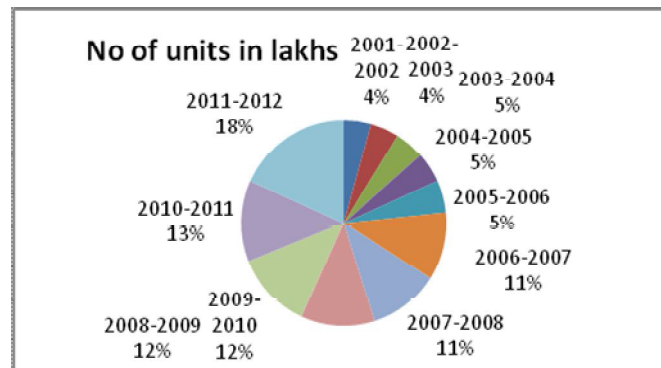


Table 3 shows the investment in Small Scale Industries Rs1176939 crores during 2011-12. which is an increase of Rs 92963 when compared to 2001-2002. The average annual increase is 28.456. the investment in Small Scale Industry is at an increasing trend. Standard deviation is less than the mean value of investment which shows that there is

less volatility of investment in the sector during the period. The compound annual growth rate is 20.28 which are greater than the compound annual growth rate of number of units registered. The table 4 shows the production of Small Scale Sector during 2001-2012. The production is Rs.282270crores in 2001-2002. It has increased to



Rs.1834332Crores by 2011-2012. Production is at an average of 743934Crore which is less than the average annual growth rate of Rs.155206Crores. On an average the percentage annual growth rate is 21.68. Standard Deviation is 526027 which is less than the mean value. The Compound annual growth rate (CAGR) is 18.55. Coefficient of variance is 70.70.

Table 3 Performance of SSIs by fixed assets investment

Year	Investment in crores	Annual increase	% annual increase
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
STD	3.1622	259.457	50.415
CV	6.716	0.2791	177.168
CAGR	20.28	48.068	

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	8,80,805	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
STD	526027	210730	18.637
CV	70.70	135.77	85.95
CAGR	18.55	36.63	19.30

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

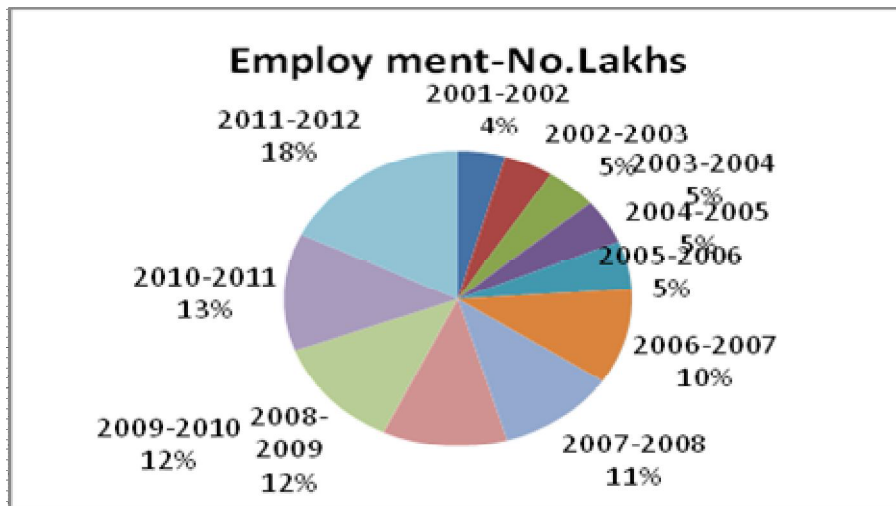
Table 5 Performance of small scale industries with regard to employment

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
STD	257.753	114.211	31.326
CV	49.920	149.608	175.466
CAGR	13.59	38.40	24.28



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, where as 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 71,244 crores to 2,02,017 crores by the end of 2007-2008. Where as 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 Rscrores	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	-	-
AVG	127451	37363	32.73
CAGR	16.05	4.72	

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

Conclusion

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 more development .Thus the performance of the Small Scale Sector is progressive during 2001-2012.

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