

Growth Evaluation of Indian Small Scale Industries in the Last Two Decades

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Abstract:

Small Scale industries are the back bone of any economy. Every economy must pay proper attention to insure the growth of its Small Scale Industries. These Industries not only solve the problem of unemployment but simultaneously it contributes to the foreign exchequer by the way of export. In the present paper last 19 year date i.e. from 1990 onwards has been used to identify the growth pattern in term of new establishment, employment and export. Although all the area were growing but the synthesis is missing. All the areas are not growing at the same pace.

Introduction:

Small Scale Industry has played a very vital role in Indian Economy. The importance of Small Industries can be understand easily 99% of enterprises in European Union and about 80% in USA were small enterprises. In India too, SSIs share is as high as 97%. A very significant feature of Indian Economy is that after its independence small industry sector has grown rapidly. Small Industry sector is very important in any economy because of its certain advantages like low capital requirement, high employability, utilization of local resources etc.

This sector produces wide range and large variety of products like micro-processors, mini computers, electronic components, electro medical devices etc.

Table 1.
New Norms for defining SSIs.
Investment in Plant and Machinery/Equipment(Excluding Land & Building)

Nature of Unit	Manufacturing Enterprises	Service Enterprises
Micro	Up to Rs. 25 Lakh	Up to Rs. 10 Lakh
Small Crore	More than Rs 25 Lakh to Rs 5 Crore	More than Rs 10 Lakh to Rs 2

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Medium
Crore

More than Rs 5 Crore to Rs 10 Crore

More than Rs 2 Crore to Rs 5

*source: MSME Annual Report

Shastri et al (2011) has suggested that promotional activities in India need to concentrate on credit flow human resource development, appropriate technology and fund for modernization. The basic policy support of SSI sector had its roots in the Industrial Policy Resolution 1977, laid emphasis on reservation of items. The reservation economically viable and technologically feasible products to be exclusively manufactured by small scale industry began with a list of 47 items which was gradually extended to too many products. At Present 812 items are in the reserved list. K.R.Singh et al (2010) has concluded in his paper that Cost reduction, quality improvement, and delivery in time have emerged as major challenges for SSIs. Market research, welfare of employees, and research and development are found as major areas for investment. Use of information technology, training of employees, and research and development has significant relationship with performance. K.R.Singh et al (2009) conducted their study on Chinese and Indian Small Scale Industries and come out with the conclusion that both the countries are working with different style Indian SMEs give more attention to supplier development, total productive maintenance and the organization's culture. Chinese SMEs pay more attention to relationship management and cost reduction. Human resource development and quality improvement are also highly correlated with competitiveness. Bala Subrahmanya M.H.(2007) has find out in his study that the growth of the SSIs segment of the SME sector in India has slowed in terms of the number of enterprises, level of people employed and production, SSI export performance has been impressive in the globalization period. The SSI sector has grown more towards the international market than the domestic market in the globalization era. Globalization has offered new markets to SMEs primarily through two major developments: the adoption of a complex integration strategy by TNCs for their production network, and the global procurement strategies and global expansion of TNC supermarket chains. Dutta et al (2003) come out with the opinion that Small Scale Industries are the root of the growth of India and its poverty alleviation. Philip A.N (1979) has shown in his study that Small enterprises have a history as long as that of

enterprise itself. However, it is only recently that attention has focused on the wider social goals to which they can contribute.

Methodology:

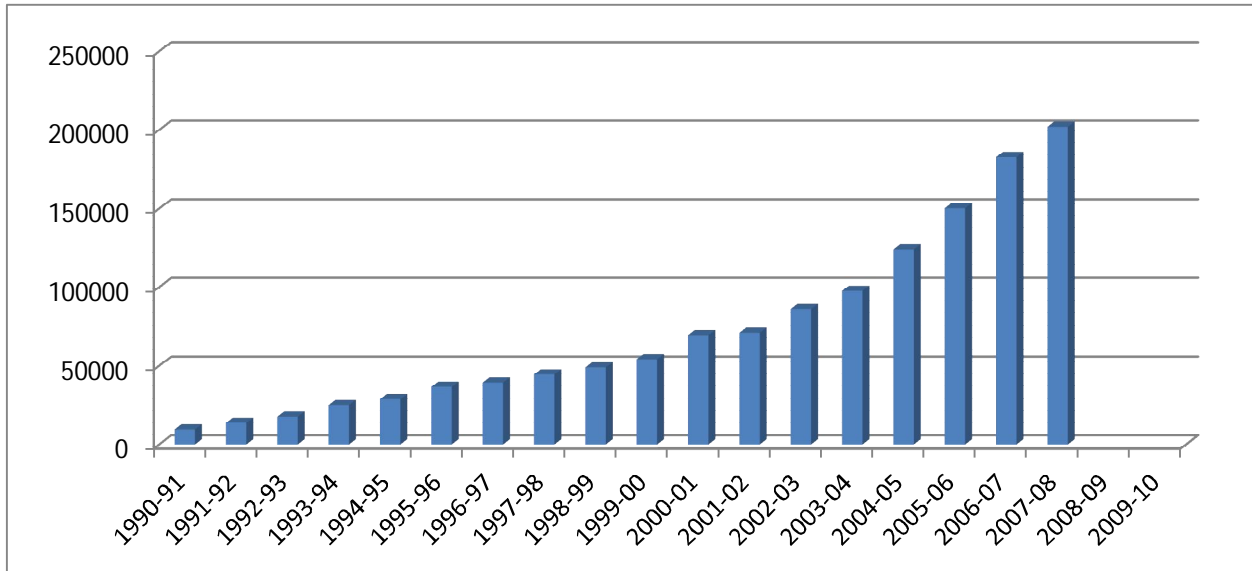
For the purpose of the study secondary data has been used and trend has been identified. The data is collected from various government web sides of last 20 years starting from 1991 to 2010.

S.No	Year	No.(in Lakh)	Employment(In Lakh)	Export (In Crores)
1	1990-1991	67.87	158.34	9664
1	1991-1992	70.63	165.99	13883
2	1992-1993	73.51	174.84	17784
3	1993-1994	76.49	182.64	25307
4	1994-1995	79.60	191.40	29068
5	1995-1996	82.84	197.93	36470
6	1996-1997	86.21	205.86	39248
7	1997-1998	89.71	213.16	44442
8	1998-1999	93.36	220.55	48979
9	1999-2000	97.15	229.10	54200
10	2000-2001	101.10	238.73	69797
11	2001-2002	105.21	249.33	71244
12	2002-2003	109.49	260.21	860.13
13	2003-2004	113.95	271.42	97644
14	2004-2005	118.59	282.57	124417
15	2005-2006	123.42	294.91	150242
16	2006-2007	261.01	594.61	182538
17	2007-2008	272.79	626.34	202017
18	2008-2009	285.16	659.35	NA
19	2009-2010	298.08	659.38	NA

*Source: MSME annual report taken from the web side. &
http://www.rbi.org.in/scripts/bs_speechesview.aspx?id=379

Analysis:

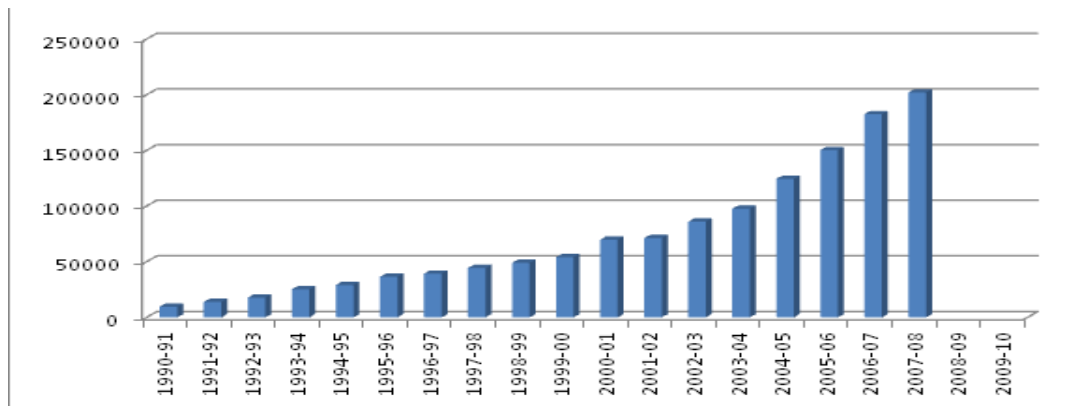
The first column of the table is having No of units established during that period following is the table for that period.



No of Units Established (in Lakh)

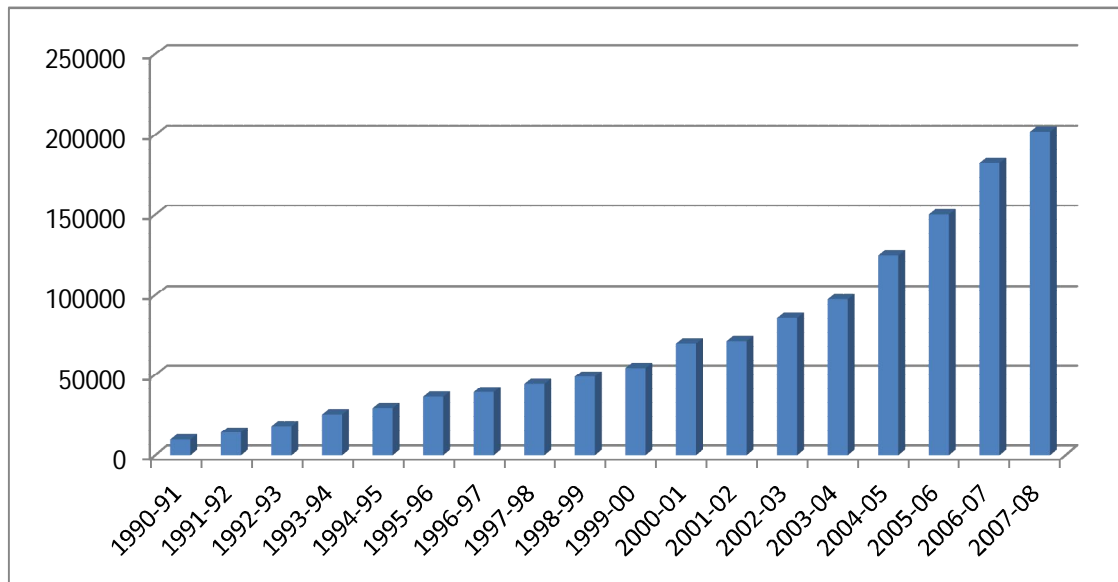
On the basis of the data available in the year 1990-91 the total number of registered units was 67.87 Lakh which increased up to 298.08 Lakh in the year 2009-10. On the basis of the data we can say that the number of units increased is almost 340% from 1991 to 2010. By using the compounded return technique of financial management we can say that compounded growth rate is 6.63% pa.

The second column of the table is having No of units established during that period following is the table for that period. The table below shows that in the year 1990-1991 the person employed were 158.34 lakh which increased to 659.38 lakh in the year 2009-10. On the basis of the data we can say that the number of units increased is almost 316% from 1991 to 2010. By using the compounded return technique of financial management we can say that compounded growth rate is 6.25% pa.



No of Person Employed in Lakh

The third column of the table shows the amount of goods exported.



Exports

The data available for this is up to 2007-08 only. The table above shows that in the year 1990-1991 the exports were of Rs.9664 Crore which increased to Rs 202017 Crore in the year 2007-08. On the basis of the data we can say that the number of units increased is almost 200% from 1991 to 2008. By using the compounded return technique of financial management we can say that compounded growth rate is 4.15% pa.

Conclusion:

Micro Small and Medium Enterprise has shown a significant role in the development of the economy. Though the Micro Small and Medium Enterprise are contributing highly to the economy but there has to be some accord in their different areas like if we can see the three areas of the research, New Enterprise, Employment status and Export to other countries. There is diminishing trend in the industry among each other. Growth rate of registration is 6.63%, growth rate of Employment is 6.25% but the export show growth rate of 4.15% which some where different. There should be some synthesis among them. There must be lot many reasons behind these diminishing trends like Govt. policies, indirect tax structure competition from other countries those having certain advantages. Instead of this entire hurdle this is the area where an economy can use its

local resources very effectively and easily. And with the help of these industries we can solve the huge problem of unemployment easily and strengthen the economy.

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