

Performance and Prospects of Small Scale Enterprises in India -A Macro Economic Study.

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Abstract:

It is very clear that the small scale sector plays a pivotal role in the Indian economy in terms of employment, output and exports. The growth in this sector has resulted into wider dispersal of industrial and economic activities and ensures better use of local resources. The small sector covers a wide spectrum of industries and small scale services and business enterprises and thus is referred to as small scale Enterprises (SSEs). SSEs include modern small scale industries (SSIs), tiny enterprises, small scale service enterprises and village and cottage industries. Modern SSEs are capital-intensive and involves high-tech in the production. These are generally concentrated in the urban areas and may procure raw materials from distant places and produce sophisticated goods that are sold both in national and international markets. These industries produce sophisticated goods. The overall objective of the study is to examine the performance and prospects of small scale Enterprises in India. The specific objectives of the study are to examine the role of Small scale Enterprises, to examine the progress of small scale Enterprises in India, to examine the problems of public sector enterprises in India, to examine the Government initiatives to reduce the problems of Small Scale Enterprises, to examine the opportunities and performance of small scale enterprises in India, to examine the employment generation by small scale enterprises, to examine the investment of Small scale enterprises, Top 10 states in terms of number of MSME establishment, to examine the exports of Small Scale Enterprises in India, to examine the challenges faced

by Small Scale Units. SSEs enjoy inherent advantages over their larger counterparts in terms of generation of employment opportunities, equality of income and wealth and greater export potential. The globalize economy has ushered in greater accessibility to the market, need of greater linkage of SSEs with larger companies and improved manufacturing techniques. The measure adopted by Government have been attempted to alleviate the problems of SSEs. The recent initiatives have changed the outlook of business from protection to liberalization. It has created a sense of competition amongst SSEs which has helped a lot to enhance efficiency, productivity, competitiveness, profitability of Small Scale Enterprises. SSEs enjoy inherent advantages over their larger counterparts in terms of generation of employment opportunities, equality of income and wealth and greater export potential. The globalize economy has ushered in greater accessibility to the market, need of greater linkage of SSEs with larger companies and improved manufacturing techniques. The measure adopted by Government have been attempted to alleviate the problems of SSEs. The recent initiatives have changed the outlook of business from protection to liberalization. It has created a sense of competition amongst SSEs which has helped a lot to enhance efficiency, productivity, competitiveness, profitability of Small Scale Enterprises.

Key words: business enterprises, modern small scale enterprises, GST Network, export earnings, dispersion of industries.

Role of MSMEs in India's Development

Introduction:

It is very clear that the small scale sector plays a pivotal role in the Indian economy in terms of employment, output and exports. The growth in this sector has resulted into wider dispersal of industrial and economic activities and ensures better use of local resources. The small sector covers a wide spectrum of industries and small scale services and business enterprises and thus is referred to as small scale Enterprises (SSEs). SSEs include modern small scale industries (SSIs), tiny enterprises, small scale service enterprises and village and cottage industries.

Small-scale industry takes place at the low end of the business spectrum, where companies and the revenues they generate are small. The very smallest of all are referred to as cottage industries, with production work actually taking place in their homes with the help of their family members. That can be as simple as making jams to sell at the local farmer's market or as formal as doing piecework like sewing, welding or woodworking, which is then passed on to a larger company to be incorporated into a finished product.

Since 1950s Small Scale Industries (SSIs) and later MSMEs have been traditionally defined based on their investment in plant and machinery for manufacturing units, and investment in equipment for service enterprises, and now the new definition define them based on their annual turnover. This decision, which came on the heel of the Budgetary proposal to reduce corporate tax to companies having turnover up to Rs 250 crore, is a welcome one.

According to the new definition, a micro enterprise is a unit where the annual turnover does not exceed Rs. 5 crore, a small enterprise is one where annual turnover is between Rs. 5 crore and Rs 75 crore, and a medium enterprises is where the turnover is more than Rs 75 crore but does not exceed Rs 250 crore. In order to give this new MSME definition into effect, the Section 7 of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 will be amended in the coming days.

It is clear from the secondary data and information that the move also aligns the definition with GST regime. It will be easier now for authorities to verify claims of businesses using the sales data they have from the GST Network. This will eliminate the need for inspections, make the classification system progressive, and contribute to ease of doing business as well. It is also expected that with this new definition the Government will do away with those clauses that exclude medium sector from various promotional schemes for the sector.

Meanwhile, in another positive development, the RBI has recently gave MSMEs an extension of up to 180 days to clear their loans to banks. Now, they shall continue to be classified as a standard asset in the books of banks and NBFCs subject to amount from the borrower overdue as on September 1, 2017 and payments from the borrower due between September 1, 2017 and January 31, 2018 are paid not later than 180 days from their respective original due dates. No doubt, this move will help MSMEs to adjust to the new formalised business environment under the GST.

Because small businesses contribute so much to the economy, the federal government dedicates an entire agency - the Small Business Administration - to providing the tools you need to be successful. The government also gives preferential treatment to small businesses in a number of other ways, from reduced oversight in some industries to contracts that only small businesses can bid on. The standards of small industries are different from one industry to another since the industries themselves are different. A farm is considered small at up to \$750,000 in annual revenues, for example, but if you're a home builder your business is still small at anything under \$36.5 million.

The Research Methodology:

The overall objective of the study is to examine the performance and prospects of small scale Enterprises in India. The specific objectives of the study are to examine the role of Small scale Enterprises, to examine the progress of small scale Enterprises in India, to

Role of MSMEs in India's Development

examine the problems of public sector enterprises in India, to examine the Government initiatives to reduce the problems of Small Scale Enterprises, to examine the opportunities and performance of small scale enterprises in India, to examine the employment generation by small scale enterprises, to examine the investment of Small scale enterprises, Top 10 states in terms of number of MSME establishment, to examine the exports of Small Scale Enterprises in India, to examine the challenges faced by Small Scale Units.

Analysis of the results:

Modern vs. Traditional Cottage SSEs

Traditional SSEs are labor-intensive, requires specialized skills and craftsmanship which are often handed down from one generation to another. The cottage industries are generally located in the rural areas, mostly make use of local resources and cater to the local demands. These industries involve the production of conventional goods.

Modern SSEs are capital-intensive and involves high-tech in the production. These are generally concentrated in the urban areas and may procure raw materials from distant places and produce sophisticated goods that are sold both in national and international markets. These industries produce sophisticated goods.

Role of Small Scale Enterprises:

SSEs have surely acquired prominent role in the industrial and economic development. It has contributed significantly to the socio-economic welfare of the country. The SSEs continue to be a vibrant sector of the Indian economy. It contributes significantly to the growth of Gross domestic product (GDP), employment generation, exports and creation of entrepreneurial base. It is very much clear that the secondary data source information that increasing importance of small scale industries.

1 Employment Generation: The small scale sector contributes about four-fifth of

manufacturing employment in India. The SSEs are generally labor-intensive and thus create more employment for the given amount of capital. SSEs provide employment to locally available semi-skilled and unskilled workers who would otherwise be unemployed.

Apart from this, SSEs develop self-employment and entrepreneurial base in the country. Given the acute unemployment problem in India, creation of employment opportunities largely depends upon the development of SSEs.

During Xth plan period (2002-07), SSEs register around 4.57 percent growth in employment where as large industries growth was around 0.85 percent. It is the segment which provides employment next to agriculture. The growth in employment in this sector is much above the population growth of India (i.e. 1.5 percent) The employment intensity of this sector can be judged from the fact that 1 person is employed for every Rs. 1.49 lakh rupees invested in fixed assets of SSEs as against 1 person for every Rs. 5.56 lakh in the large organized sector.

2 Equitable distribution of Income and wealth:

The equitable distribution of income and wealth emerged as the large numbers of SSEs are dispersed in wide range of regions and is held by large number of people. The number of SSEs account for more than 95 percent of total industrial units in the country. Large scale industries on the other hand are owned by few big owners and so led to concentration of income and wealth in the hands of few. Further, SSEs possess much larger employment potential as compared to large enterprises. Small sector thus enable a vast majority of people to derive the benefits of economic development.

3 Mobilization and utilization of local latent resources:

SSE mobilizes the latent i.e. unused or idle resources in terms of surplus labor, idle capital and deploys these resources in the productive activity. The SSEs provide

Role of MSMEs in India's Development

opportunities to develop entrepreneurial skills and encourage the innovations at the grassroots level. It provides large amount of supply links by sourcing inputs from the local areas and so have greater local multiplier effect than large enterprises. This is a definite gain to the society as a whole.

4 Regional Dispersal of Industries: SSEs are dispersed across wide range of areas and regions. The large scale industries are concentrated in big metropolitan cities as these cities provide an easy access to the basic facilities of power, transport, roads, banking etc. as such it resulted into regional disparities with already well-off states developed faster than other. The small scale industries with localized operations spread in the remote corner of the economy. These industries can be easily set up in different parts of the country and energizes the village industries. This led to reduction of regional economic disparities.

5 Contribution toward GDP and output growth: SSEs contribute around 39 percent of gross manufactured output. The output in Xth plan recorded a growth rate of 8.87 percent p.a.

6 Contributes towards Foreign Exchange: SSEs hold a significant share in exports earnings. The products like handicrafts, gems, jewelry, carpets, silk which is a forte of SSEs possess huge demand in foreign market. These products require low import-content. Further, the financial constraints and small size of SSEs inhibit the sourcing of raw inputs from abroad and greater use of local resources and save foreign exchange. Thus SSEs contribute to the precious foreign exchange of the country. The direct exports from SSEs accounts for nearly 34 percent of total exports. Moreover direct exports SSEs indirectly contribute to the export earnings in terms of production of parts or components for use in exportable goods or export order from large units. Further, the non-

traditional products account for more than 95 percent of total SSEs exports. The products groups' where SSEs dominates are sports goods, readymade garment, processed food and leather products.

7 Arrest Rural-Urban Migration: The rapid increase of population and lack of enough job opportunities in the rural areas has caused migration of rural population to urban areas. This excessive migration has resulted into problems like housing shortage, low level of civic facilities, growth of slums and additional social problems like theft etc. The development of SSEs in the rural areas can provide employment opportunities near the homes of rural people and so reduce rural migration.

Progress of SSEs in India:

The SSEs in India has made progress over past few decades. It has emerged as a very significant sector of the Indian economy with considerable contribution towards GDP, industrial production, employment generation and exports. It has grown tremendously from mere 8.7 lakh units in 1980 to 128.44 lakh units in 2007(Table1). SSEs have also witnessed significant growth in the total production, employment and export earnings.

Table1: Progress of SSEs Sector:

| Year | Units (Lakh nos.) | Production (Rs. crore) At 1993-94 Prices | Employment (Lakh nos.) | SSI Exports Rs. crore |
|---------|-------------------|--|------------------------|-----------------------|
| 1980-81 | 8.7 | 72200 | 71.0 | 1600 |
| 1985-86 | 13.5 | 118100 | 96.0 | 2800 |
| 1990-91 | 67.9 | 84728 | 158.3 | 9664 |
| 1995-96 | 82.8 | 121175 | 197.9 | 36470 |
| 2000-01 | 101.1 | 184401 | 240.9 | 69797 |
| 2005-06 | 123.4 | 418884 | 299.9 | 150242 |
| 2006-07 | 128.44 | 473339 | 312.52 | NA |

NA: Not Applicable

Source: Office of the Development Commissioner (MSME)

Role of MSMEs in India's Development

It is clear from the above table that there is substantial increase in the number of SSI units from 1980-81 to 2006-07. Production of Small Scale industries substantially increased from 1980-81 to 2006-07. Employment of Small scale industries enhanced from 1980-81 to 2006-07. SSI exports increased substantially from 1980-81 to 2005-06.

Problems of SSEs in India

Concurrent with an impressive growth SSEs face number of problems which are manifested in such a way that this sector fails to achieve the required amount of dynamism and growth. The problems of SSEs are discussed below:

- 1 **Financial Problems:** Finance is the most important aspect for any industrial development. The scarcity of finance and credit is the main obstacle in the growth of SSEs. These enterprises are generally organized in sole-proprietary and partnership concerns and so have no access to the capital market. There exists insufficient equity type institutional support. Delays in institutional finance, unhelpful attitude of banks are the common problems of SSEs. The delay in sanctions of loans occur due to lengthy procedural formalities, insistence upon certificate from local authorities such as village office, block development officers etc and over-emphasis on collateral security. Banks generally avoid financing smaller SSEs due to high mortality rate, low overall recovery performance and high cost of servicing SSEs loans. In this scenario SSEs have to depend upon high interest non-institutional finance.
- 2 **Slow Technological Progress:** Paucity of funds is the major concern for the slow adoption of innovative practices in the business. The unsatisfactory technology delivery mechanism such as arrangement for demonstration of cost and use of new technology also cause low technical progress in SSEs. SSEs especially the cottage and village industries have to depend upon outdated and obsolete production technique. This adversely affects the quality of output and increases manufacturing cost.
- 3 **Marketing -Related Problems:** The problem of marketing products of SSEs generally arise due to small scale production causing high product cost, lack of standardization of product, adequate marketing research, competition from big industrial units and insufficient research and holding capacity. Another related problem is the weak bargaining power of tiny and village industries vis-à-vis large buyers which is causing long overdue from these buyers. SSEs thus fail to obtain fair and timely price for their products. Lack of proper marketing is an important factor causing sickness in SSEs. The inadequate organized marketing support for cottage and village industries also causes low promotion of their products.
- 4 **Lack of Proper Planning:** Planning comprises of the outlay of the quantum of output, time framework of implementation, product and marketing strategies. The performance feasibility study are often neglected by SSEs due to time and cost factors. As a consequence, SSEs face large sickness at early stage of their operation.
- 5 **Sickness:** There exists large level of sickness amongst SSEs. The incipient sickness (ie. Sickness at an early stage of existence) is largely due to lack of planning, professional management and financial problems. The sickness causes wastage of large amount of finances that remain locked into these units. Further, sickness also leads to various socio-economic problems such as lower production, employment and exports.
- 6 **Shortage of Raw Material:** Raw material scarcity caused disruption in the production process. SSEs fail to make bulk purchases and thus have to pay higher price for inputs. The suppliers of scarce raw material give preference to large buyers. SSEs have to depend upon low quality localized high price raw material. Further, SSEs fail to make alternative arrangements for critical inputs such as power due to financial constraints. These factors adversely affect product quality and cost of production.

Role of MSMEs in India's Development

Government Measures

An important place is assigned to SSEs sector in the development policy of the country. Till 90's Government focused more on protectionist policy towards SSEs. The shift in policy paradigm towards this sector occurred since 1991 to impart more vitality and growth-impetus to the sector. The sector has been substantially delicensed. The regulations and procedures have been reviewed and modified to instill competition and efficiency in this sector. The policy initiatives adopted to promote this sector are discussed below:

- 1 Reservation:** The policy of reservation was initiated in 1967 primarily as a promotional and protective measure for exclusive production in SSEs. The number of items reserved is continually revised by Government. In 1967, 47 items were reserved for exclusive production by SSEs which expanded to 873 in October 1984. The rationale of reservation policy was to expand employment opportunities through setting up of SSEs and to protect them from competition by large enterprises. Further it is clear from the secondary data and information that in the new global scenario with WTO agreement Government is required to remove quantitative restrictions on imports of items. A large number of items exclusively reserved for SSEs can now be freely imported. Thus the reservation has lost its relevance so the government has drastically reduced the number of items reserved for exclusive manufacture by micro small and medium enterprises (MSMEs). As on March 2007, the list of items for exclusive production contains 114 items which was further reduced to 35 in February 2008. Non-MSMEs units can undertake manufacture of reserved items only if they undertake 50 percent export obligations.
- 2. Financial Support:** Government has made efforts to ensure adequate and timely availability of financial assistance to SSEs. RBI has issued guidelines to public sector banks to ensure 20 percent growth in credit to SSEs. Small Industries Development Bank of India (SIDBI) which is an apex institution and coordinates the financial assistance availability to SSEs has scaled up and strengthened its credit operations to this sector. The branch network of SIDBI has been increased. In order to improve an access to the capital market, the equity participation by other industrial undertaking not exceeding 24 percent of total shareholding has been allowed. The legislative changes are under way to allow limited liability partnership for SSEs. This would limit the financial liability of some partners who have invested capital. Risk capital fund has been created to provide equity-type long term loans to SSEs. The credit guarantee fund scheme is launched by government in 2000 to allow collateral free credit to SSEs.
- 3. Fiscal Support:** Government has allowed tax concessions in terms of lower excise duty on production, lower sales tax on sales, tax-holiday and extended the time limit for payment of excise duty by SSEs.
- 4. Marketing Support Measures:** In order to provide market support to SSEs, Government has taken following measures:
 - (i) Preferential Purchases and Price Preferences by Government: The Government organizations are statutorily required to make specified level of purchase from SSEs and the same has to be disclosed in their annual reports. At present the number of items for exclusive purchase from SSEs stood at 358. Government also provides price preference to SSEs in their purchases over large scale units.
 - (ii) Financial Assistance is allowed for participation in the international trade fair by representatives of SSEs.
 - (iii) Training Programmes on various aspects of marketing like marketing management, export marketing etc are conducted by Government.
 - (iv) Institutional Marketing Support is provided by National Small Industries Corporation (NSIC) and Small Industries Development Organization (SIDO).

Role of MSMEs in India's Development

5. Institutional Support: Government has established various organizations to help SSEs. These institutions assist SSEs in purchase of raw material, marketing of goods, technological and skill improvement and arranging credit. The important organization established are Khadi and Village Industries Commission and commodity specific organizations such as Handloom Board, Cottage Industries Board, Coir Board etc. Specialized financial and consultancy institutions such as SIDBI, NABARD (for supporting rural industries), SIDOs, NSIC has been established to provide financial, marketing and managerial assistance to SSEs.

6. Raw Material Assistance: The institutional support is provided to allow availability of raw material (both indigenous and imported) at fair price. The centers have been established to distribute scarce raw material to SSEs. Buffer stocks are maintained for raw materials. This has helped SSEs to focus on production of quality products.

Recent Government's Initiatives

In view of liberalization and globalization and reduced Government intervention in market-driven economy the protectionist policies has been replaced by supportive policies. The recent measures adopted by government are as follows:

i) Legislative Measures: Micro, Small and Medium Enterprises Development Act, 2006 has been enacted to facilitate the promotion and development of SSEs. This Act seeks to facilitate promotion and development and enhancing competitiveness of these enterprises. It provides the first-ever legal framework for recognition of the concept of "enterprise" (comprising both manufacturing and services) and integrating the three tiers of these enterprises, namely, micro, small and medium. The basic purpose is to develop the consultative mechanism at the national level that represents stakeholders from three classes of enterprises. The act provides for the establishment of specific funds to support SSEs. The progressive credit policy with targetted growth of credit to SSEs

has been incorporated in the Act. The mechanism has been designed to reduce the problems of delayed payment to SSEs.

ii) Support for Cluster-Based Development: The holistic approach is adopted to develop cluster of SSEs so as to provide common facilities in these clusters. The existing industrial infrastructure will be upgraded and new facilities will be created in the public-private partnership mode.

iii) Technology and Quality Up Gradation: The support is provided by establishing training-cum product development centers.

iv) Strengthening of Entrepreneurial and Managerial Development Programmes: Financial assistance is provided to B-schools to conduct tailor-made management courses for SSEs. Entrepreneurial clubs are established in Colleges or Universities.

v) Empowerment of Women-Owned Enterprises: The concessions, marketing and credit facilities on priority basis are provided to enterprises owned and managed by women.

vi) Strengthening of Data base for SSEs: It is decided to collect database on SSEs through annual sample surveys and quinquennial (i.e. happening every five years) census so that policy decisions can be framed for SSEs based on systematic data that provides inputs for systematic policy initiatives.

Small scale industries are the second largest employer of human resource after the agricultural sector and produce a wide variety of products ranging from traditional to high-tech. SSI plays a pivotal role in the Indian economy as of being labour-intensive, helps to generate employment in rural as well as in urban areas. The SSIs had also played a cardinal role in the growth operation of Indian economy since independence despite of drastic competition from the big industrial houses and not immensely enriching support from the government. The following are some of the principal role played by small-scale industries in India.

Role of MSMEs in India's Development

1. Origination of employment: The elemental problem that is confronting the Indian economy is escalating pressure of population on land and needs to create enormous employment opportunities. This problem can be solved to a larger scale by the help of small-scale industries as small scale industries are labour intensive in nature and has shown an outstanding growth in the last decade. The employment generation by Small Scale Industries discussed in detail with the help of the following table.

Table 2. Employment generation by SSIs

| SI No | Year | Employment Generated (in lakh) | Growth(%) |
|-------|---------|--------------------------------|-----------|
| 1. | 2002-03 | 260.21 | - |
| 2. | 2003-04 | 282.57 | 4.11 |
| 3. | 2004-05 | 294.91 | 4.37 |
| 4. | 2005-06 | 805.23 | 173 |
| 5. | 2006-07 | 846.20 | 4.57 |
| 6. | 2007-08 | 889.08 | 4.61 |
| 7. | 2008-09 | 921.79 | 4.65 |
| 8. | 2010-11 | 965.15 | 4.70 |
| 9. | 2011-12 | 1011.69 | 4.82 |
| 10. | 2012-13 | 1061.40 | 4.91 |
| 11. | 2013-14 | 1114.29 | 4.96 |
| 12. | 2014-15 | - | 5.12 |

Source: Annual report, Government of India, Micro, Small and Medium Enterprises (2012-13) & (2015-16).

It is clear from the above table that the employment generation by Small Scale Industries showed increasing trend. Growth rate of Small Scale Industries showed again increasing trend.

2. Equitable distribution of income: Small scale industries trigger the equitable distribution of wealth and income within societies in ways that are economically positive and without being politically turbulent, which is chiefly categorized by more concentration of income and wealth in the

organised sector keeping behind the unorganised sector underdeveloped.

3. Assembling of resources and entrepreneurial skill:

Small scale industries can assemble an adequate amount of savings and entrepreneurial skill from semi-urban and rural areas remain unblemished from the clench of large scale industrial sector, also helps to improve the social welfare in the country by identifying hidden talents from the weaker section of the society and investing the intellectual skill for producing or manufacturing commodities. The investment by small scale industries had increased over the last decade.

Table 3.

Investment by small scale industries

| SI No | Year | Investment (in crore Rs) |
|-------|---------|--------------------------|
| 1. | 2006-07 | 868546.79 |
| 2. | 2007-08 | 920459.84 |
| 3. | 2008-09 | 977144.72 |
| 4. | 2009-10 | 1038546.08 |
| 5. | 2010-11 | 1105934.09 |
| 6. | 2011-12 | 1182757.64 |
| 7. | 2012-13 | 1268763.67 |
| 8. | 2013-14 | 1363700.54 |
| 9. | 2014-15 | 1471992.94 |

Source: Annual report, Government of India, Micro, Small and Medium Enterprises (2015-16)

4. Regional dispersion of industries: There has been an enormous agglomeration of industries in few metropolitan cities of different states of India. People in search of employment migrate from semi-urban and rural to these developed metropolitan cities to earn a better standard of living which ultimately leads to malicious outcome of over-populated, pollution, creation of slums, etc. Small scale industries can overcome this problem of Indian economy by utilising local resources in terms of raw material, investment, intellectual skill, etc, thus brings about dispersion of industries in various

Role of MSMEs in India's Development

parts of the country and promote balance regional development.

Table 4.

Top 10 states in terms of number of MSME establishment

| Rank | State | Number of establishments |
|------|----------------|--------------------------|
| 1 | West Bengal | 52698142 |
| 2 | Uttar Pradesh | 52385683 |
| 3 | Maharashtra | 45455814 |
| 4 | Tamil Nadu | 32821975 |
| 5 | Andhra Pradesh | 27812916 |
| 6 | Kerala | 23640857 |
| 7 | Rajasthan | 22709368 |
| 8 | Gujarat | 22184649 |
| 9 | Karnataka | 21888601 |
| 10 | Madhya Pradesh | 1958550 |
| | Total | 32118346 |
| | All India | 45363786 |

Source: Annual report, Government of India, Micro, Small and Medium Enterprises (2015-16)

It is clear from the above table that Number of SSI establishment highest at West Bengal followed by Uttar Pradesh, Maharashtra, Tamil Nadu, Andhra Pradesh, Kerala, Rajasthan, Gujarat, Karnataka and Madhya Pradesh.

5. Export enhancement: Small scale industries have registered a magnificent growth in export over the years. The value of products exported by the SSIs has increased from Rs 155 crores in 1971-72 to Rs124417 crores in 2004-05. The SSI units contributes about 40% of India's total export, thus this helps India in increasing the foreign exchange reserve and reduces the pressure on country's balance of payment.

6. Supports the growth of large industries: The small scale industries play a pivotal role in serving big

industries by providing accessories, components, small parts and semi finished goods required by big industries.

7. Better relation between employer and employees: In small scale industries better industrial relation between employer and employees helps in increasing employee's efficiency and minimise the chance of industrial dispute, leading to comparatively less loss of production and man-days.

Table 5.

Exports of Small Scale Enterprises in India

| YEAR | Total Export | Export by SSIs | % Share of SSIs in Export |
|-----------|--------------|----------------|---------------------------|
| 1971-1972 | 1608 | 155 | 9.6 |
| 1976-1977 | 5142 | 766 | 14.9 |
| 1981-1982 | 7809 | 2071 | 26.5 |
| 1986-1987 | 12567 | 3644 | 29.00 |
| 1991-1992 | 44041 | 13883 | 31.5 |
| 1992-1993 | 53688 | 17778 | 33.1 |
| 1993-1994 | 69571 | 25307 | 36.4 |
| 1995-1996 | - | 36470 | 34.3 |
| 1996-1997 | 117524 | 39248 | 33.4 |
| 1997-1998 | 126286 | 44442 | 35.2 |
| 1998-1999 | 141604 | 48979 | 34.6 |
| 1999-2000 | 159161 | 54200 | 34.0 |
| 2000-2001 | 202510 | 69797 | 34.47 |
| 2001-2002 | 207746 | 71244 | 34.29 |
| 2002-2003 | 252790 | 86013 | 34.03 |
| 2003-2004 | - | 97644 | 33.49 |
| 2004-2005 | 361879 | 124417 | 34.38 |

It is clear from the above table that the total exports increased from 1971-72 to 2004-05. Percentage share of SSIs in exports again increased from 1971-72 to 2004-05.

Role of MSMEs in India's Development

Challenges faced by Small Scale Industries:

In spite of expedient contribution by the SSIs towards the Indian economy, SSIs does not get the indispensable support from the related Government departments, financial institutions, Banks, credit societies and corporate thus the SSIs are becoming handicap in the face of competition at national and international markets. It is clear from the secondary data and information that the major problems faced by the SSIs are as follows:

1. Scanty credit assistance

Scanty and timely supply of credit is one of the major problems faced by SSIs in India. Scarcity of finance and weak creditworthiness is the main barrier for the development of SSIs in India. The creditworthiness of these small borrowers is generally weak and therefore they face unwilling creditors who may be persuading to lend only at high rate of interest.

2. Uneven and poor quality of raw material

SSI units face extreme problems in procurement of raw materials whether from local or international market. The problems arise due to absence of sufficient quantity of raw materials, poor quality of raw material at exorbitant price. The entrepreneur of SSI units has lack of knowledge about the procurement from foreign market. Large scale industries enjoy economies of large scale operation hence can procure the quality raw material at very reasonable price, thus can sell the products at cheaper price as compared to SSIs.

3. Absence of organised marketing process

SSI units do not have any organised marketing process and even does not appoint any marketing organisation for marketing of products or services and hence their products compare unfavourably with the quality of the products of large scale industries.

They suffer competitive disadvantages in comparison to large scale industries, as large scale industries infuse large amount of money on branding and promotion activities.

4. Inadequate infrastructure

Inadequate infrastructure is a major problem for the SSI units to grow and prosper. Most of the SSI units are located in semi-urban and rural areas where the power supply is inadequate to run big machines and poor road connectivity. Thus absence of adequate infrastructure adversely affects the productive schedule of the enterprise leading to under- utilization of capacity. More over the machineries, equipments and technology employed by the SSIs are out dated, where the large scale organisation enjoys the competitive advantages.

Beside the above mentioned problems SSI like units suffer from a number of other problems also poor managerial capabilities, lack of adequate warehousing for free supply of goods, lack of skilled manpower, lack of appropriate information, etc. Due to all these problems the progress and development of Small scale industries could not reach the distinguished stage.

Conclusion

The advancement of SSIs is very much essential for the development of Indian economy to achieve reduction in poverty, reduction in unemployment level, impartial distribution of income and wealth, economic self-dependence and economic sustainable developments.

It is essential to support MSMEs by educating them to make optimum utilisation of inbuilt capacity to be successful both under human and economic activity. Some appropriate measures to be taken by the government in providing financial assistance at minimum formalities, a platform to be built by government to help the MSMEs in procurement of quality raw material and train them for organised marketing process. So that one can expect more enhanced development of MSME Sector.

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Role of MSMEs in India's Development

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