



Performance Small Scale Industries in India

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Abstract:

Small Scale Industries (SSIs) plays a vital role in the economic development and is considered as the most predominant component of the development strategies in the developing countries. In these countries development economists recognized SSIs as an engine of economic growth. Because diversification in economy is possible only through rural industrialization and rural industrialization is possible by promoting SSIs in the country. In India, SSIs contributing in economy through many ways i.e. employment generation, export earning, use of surplus labour from agricultural sector etc. in these context Indian economists advocate the promotional measures for SSIs since independence.ⁱ Since the announcement of the Industrial Policy Resolution of 1948, SSIs has given prominent place in the strategy for the industrial development.ⁱⁱ

Keywords: *Economist, Development, Performance, SSIs*

1. Importance of small scale industries

The main arguments in favour of small industries are the following:

1. **Personal Motivation:** Self-employment in a SSI is an important morale booster as it means a sense of independence. A small entrepreneur is directly in touch with his enterprise and can take quick decisions regarding his enterprise. He is motivated to work harder because of almost direct relationship between his hard work and profits.ⁱⁱⁱ
2. **Easy of Formation:** SSI requires a relatively low amount of capital than Large Scale Industry (LSI). And this type of industry is more suitable for all those countries which are facing scarcity of capital like India.^{iv}
3. **Greater Flexibility:** SSI can adjust with the changes in fashions and technology very quickly, and pick the advantages of new market and technology. Since the capital investment is small, there will be less wastage in adapting to changes.
4. **Limited Market:** When the market for a product is limited, it is preferable to operate on small scale. SSI can start production quickly and also adapt itself to change required due to change in the size and composition of the market.
5. **Introduction of New Ideas or Products:** When new ideas or products are to be tried out, it is preferable to start on a small scale because the new idea or product requires sufficient market testing and this opportunity can be provided by SSIs. The management and financial requirements are uncertain and unknown during the initial period of an industry engaged in new products.
6. **Personal Services to Customers:** Where personal services are important from the point of view of the customers, SSIs are more suitable. In television repairing, interior decoration, photography, painting, etc., SSIs allow personal contact with the customers. The proprietors of a SSI can know their customers and emphasize personal service which may not be possible in case of large enterprise.
7. **Complementary to Large Firms:** Small industries act as complementary role in the growth of LSIs. It is very common that the large producers or manufacturers get the supply of small components from SSIs, which they cannot manufacture economically.^v

8. **Employment:** SSIs provide maximum employment next only to the agricultural sector. SSIs use labour intensive techniques therefore, large number of employment generated by less capital investment. In India, labour is easily available; SSIs continue to survive even with the help of labour-intensive techniques. SSIs are also a supplementary source of employment for the agricultural laborers who remain out of work during lean period of agricultural season.^{vi}
9. **The Equality:** The equality argument suggests that the income generated in a large number of SSIs is dispersed more widely in the community than income generated in a few LSIs. In other words, a large population derives the income benefit of SSIs while LSIs encourage more concentration of economic power. In this way, SSIs bring about greater equality of income distribution.
10. **Relations with Employees:** The proprietors SSI is more closer with his employees he can know the problems of them from daily contacts and can take corrective measures without any delay. This relationship between the workers and the employer are more harmonious in SSIs than in LSIs.^{vii}
11. **Utilisation of Latent Resources:** An important argument in favour of SSIs is that these make it possible to use latent resources which otherwise would lie unused. Thus, SSIs utilize the scattered savings into industry. This is demonstrated by pointing out that many of the very small units are financed by the owners themselves or by borrowing from friends and relatives.
12. **Regional Balanced Industrial Development:** Development of SSIs is used as an instrument to remove the regional imbalances. Anderson and Leiserson (1980)^{viii}, who attempted to assess the magnitude and growth of rural non-farm employment in fifteen selected developing countries including India found that most rural non-farm employment is in small scale and highly dispersed enterprises.
13. **Contribution to Export and Generation of Foreign Exchange Resources:** SSIs are also important from the view of balance of payments. As they do not require much foreign exchange resources for their establishment, but these industries contribute in the earning of foreign exchange through adding to the exports. In so far as Indian economy is concerned, the export performance of this sector has been creditable and exports of sport goods, processed tobacco, snuff, readymade garments, marine products, finished leather and leather products, woolen garments and a wide range of engineering goods from SSIs.

The SSIs are very important for the economy on the base of the above mentioned merits viz; employment generation, export, industrial relationship, balanced development, utilization of rural resources, poverty elevation etc. if we think in context of India, India is developing country facing many problems like unskilled labour, unemployment, poverty, shortage of foreign exchange and modern technology. SSIs can play an important role to solve these problems. Government of India (GoI) and State Governments have realized the importance of SSIs in encountering these major problems so, both level Governments are motivating SSIs through various motivating measures. The importance of SSIs in Indian economy can be discussed as follows.

2. Performance and Contribution of SSIs in India

SSIs registered the notable performance in Indian economy. It has contributed to the overall growth of the country through employment generation and export earnings. The performance of SSIs in terms of number of units, investment and production is very impressive. Based on the data of Gross Domestic Product (GDP) published by Central Statistical Office, Ministry of Statistics and Programme Implementation, the contribution of SSI to GDP and total industrial production was estimated to be 8.72% and 44.86% respectively during the year 2008-09. The estimated contribution of Micro, Small and Medium Enterprises (MSMEs) in total exports of the country for the year 2007-08, based on data obtained from Export Promotion Councils, was 30.80%.

The table-1 seems that the number of SSIs was increased from 0.42 million in 1974-75 to 29.81 million in 2009-10 but the rapid growth in establishment is found after 1990-91. The production of

this sector was Rs. 34200 crore at 1993-94 prices (Rs. 7200 crore at current prices) in 1974-75 which was increased to Rs. 532979 crore at 1993-94 prices (Rs. 790759 crore at current prices) in 2007-08. But in context of 1993-94 prices, per unit productivity was decreased during this period which was Rs. 0.81 million in 1974-75 was decreased to Rs. 0.2 million in 2007-08. The contribution of SSIs in employment generation was notable since 1974-74. In 1974-75 the employment opportunities provided by this sector was 3.97 million which was increased to 69.54 million in 2009-10.

Table 1: Performance of SSIs in India (1973-74 to 2009-10)

| Year | Units (Million Nos.) | Production (Rs. Crore) | | Production Per Unit (Rs. millions) | | Employment | | Production per Employee (Rs. thousand) | | SSI Exports (Rs. Crore) | Export Per Unit (Rs. Thousand) |
|---------|----------------------|------------------------|-------------------|------------------------------------|-------------------|----------------------|-----------------|--|-------------------|-------------------------|--------------------------------|
| | | At 1993-94 Prices | At Current Prices | At 1993-94 Prices | At Current Prices | Total (Million Nos.) | Per Unit (Nos.) | At 1993-94 Prices | At Current Prices | | |
| 1973-74 | 0.42 | 34200 | 7200 | 0.81 | 0.17 | 3.97 | 9 | 86 | 18 | 400 | 9.52 |
| 1974-75 | 0.5 | 36100 | 9200 | 0.72 | 0.18 | 4.04 | 8 | 89 | 23 | 500 | 10.00 |
| 1975-76 | 0.55 | 42500 | 11000 | 0.77 | 0.20 | 4.59 | 8 | 93 | 24 | 500 | 9.09 |
| 1976-77 | 0.59 | 46800 | 12400 | 0.79 | 0.21 | 4.98 | 8 | 94 | 25 | 800 | 13.56 |
| 1977-78 | 0.67 | 52800 | 14300 | 0.79 | 0.21 | 5.4 | 8 | 98 | 26 | 800 | 11.94 |
| 1978-79 | 0.73 | 58200 | 15800 | 0.80 | 0.22 | 6.38 | 9 | 91 | 25 | 1100 | 15.07 |
| 1979-80 | 0.81 | 66400 | 21600 | 0.82 | 0.27 | 6.7 | 8 | 99 | 32 | 1200 | 14.81 |
| 1980-81 | 0.87 | 72200 | 28100 | 0.83 | 0.32 | 7.1 | 8 | 102 | 40 | 1600 | 18.39 |
| 1981-82 | 0.96 | 78300 | 32600 | 0.82 | 0.34 | 7.5 | 8 | 104 | 43 | 2100 | 21.88 |
| 1982-83 | 1.06 | 84700 | 35000 | 0.80 | 0.33 | 7.9 | 7 | 107 | 44 | 2000 | 18.87 |
| 1983-84 | 1.16 | 93500 | 41600 | 0.81 | 0.36 | 8.42 | 7 | 111 | 49 | 2200 | 18.97 |
| 1984-85 | 1.24 | 104600 | 50500 | 0.84 | 0.41 | 9 | 7 | 116 | 56 | 2500 | 20.16 |
| 1985-86 | 1.35 | 118100 | 61200 | 0.87 | 0.45 | 9.6 | 7 | 123 | 64 | 2800 | 20.74 |
| 1986-87 | 1.46 | 133600 | 72300 | 0.92 | 0.50 | 10.14 | 7 | 132 | 71 | 3600 | 24.66 |
| 1987-88 | 1.58 | 150500 | 87300 | 0.95 | 0.55 | 10.7 | 7 | 141 | 82 | 4400 | 27.85 |
| 1988-89 | 1.71 | 169900 | 106400 | 0.99 | 0.62 | 11.3 | 7 | 150 | 94 | 5500 | 32.16 |
| 1989-90 | 1.82 | 189900 | 132300 | 1.04 | 0.73 | 11.96 | 7 | 159 | 111 | 7600 | 41.76 |
| 1990-91 | 6.79 | 84728 | 78802 | 0.12 | 0.12 | 15.83 | 2 | 54 | 50 | 9664 | 14.23 |
| 1991-92 | 7.06 | 87355 | 80615 | 0.12 | 0.11 | 16.6 | 2 | 53 | 49 | 13883 | 19.66 |
| 1992-93 | 7.35 | 92246 | 84413 | 0.13 | 0.11 | 17.48 | 2 | 53 | 48 | 17784 | 24.20 |
| 1993-94 | 7.65 | 98796 | 98796 | 0.13 | 0.13 | 18.26 | 2 | 54 | 54 | 25307 | 33.08 |
| 1994-95 | 7.96 | 108774 | 122154 | 0.14 | 0.15 | 19.14 | 2 | 57 | 64 | 29068 | 36.52 |
| 1995-96 | 8.28 | 121175 | 147712 | 0.15 | 0.18 | 19.79 | 2 | 61 | 75 | 36470 | 44.05 |
| 1996-97 | 8.62 | 134892 | 167805 | 0.16 | 0.19 | 20.59 | 2 | 66 | 81 | 39248 | 45.53 |
| 1997-98 | 8.97 | 146263 | 187217 | 0.16 | 0.21 | 21.32 | 2 | 69 | 88 | 44442 | 49.55 |
| 1998-99 | 9.34 | 157525 | 210454 | 0.17 | 0.23 | 22.06 | 2 | 71 | 95 | 48979 | 52.44 |
| 1999-00 | 9.72 | 170379 | 233760 | 0.18 | 0.24 | 22.91 | 2 | 74 | 102 | 54200 | 55.76 |
| 2000-01 | 10.11 | 184401 | 261297 | 0.18 | 0.26 | 24.09 | 2 | 77 | 108 | 69797 | 69.04 |
| 2001-02 | 10.52 | 282270 | 282270 | 0.27 | 0.27 | 25.23 | 2 | 112 | 112 | 71244 | 67.72 |
| 2002-03 | 10.95 | 306771 | 314850 | 0.28 | 0.29 | 26.37 | 2 | 116 | 119 | 86013 | 78.55 |
| 2003-04 | 11.4 | 336344 | 364547 | 0.30 | 0.32 | 27.14 | 2 | 122 | 134 | 97644 | 85.65 |
| 2004-05 | 11.86 | 372938 | 429796 | 0.31 | 0.36 | 28.26 | 2 | 130 | 152 | 124417 | 104.90 |
| 2005-06 | 12.34 | 418884 | 497842 | 0.34 | 0.40 | 29.49 | 2 | 140 | 169 | 150242 | 121.75 |
| 2006-07 | 26.1 | 471663 | 709398 | 0.18 | 0.27 | 59.46 | 2 | 151 | 119 | 182538 | 69.94 |
| 2007-08 | 27.28 | 532979 | 790759 | 0.20 | 0.29 | 62.63 | 2 | 165 | 126 | 202017 | 74.05 |
| 2008-09 | 28.52 | - | 880805 | - | 0.31 | 65.94 | 2 | - | 134 | - | - |
| 2009-10 | 29.81 | - | 982919 | - | 0.33 | 69.54 | 2 | - | 141 | - | - |

Source : Reserve Bank of India. (ON224)

It is also seems from the table that the labour intensity of the SSI units were found declining trends during the period. The per unit numbers of employees were declined from 9 workers to 2 workers this indicates that employability of SSIs was declined and they were using less labour intensive and more capital intensive technology for production. Due to these changes the productivity of labour in this sector found increasing trends. In 1974-75 the productivity of labourer in this sector was registered Rs. 86000 at 1993-94 prices (Rs. 18000 at current prices) was increased to Rs. 165000 at 1993-94 prices (Rs. 126000 at current prices) in 2007-08. The contribution of this sector in export earnings also shows increasing trends from Rs. 400 crore in 1974-75 to Rs. 202017 crore in 2007-08. The per unit exports also increased from Rs. 9520 to Rs. 121750 during 1974-75 to 2005-06 but after 2005-06 it was declined.

Table 2: Percentage Growth and Development of SSIs in India (1973-74 to 2009-10)

| Year | Nos. of Units | Production | Employment | Exports |
|---------|---------------|------------|------------|---------|
| 1974-75 | 19.05 | 27.78 | 1.76 | 25.00 |
| 1975-76 | 10.00 | 19.57 | 13.61 | 0.00 |
| 1976-77 | 7.27 | 12.73 | 8.50 | 60.00 |
| 1977-78 | 13.56 | 15.32 | 8.43 | 0.00 |
| 1978-79 | 8.96 | 10.49 | 18.15 | 37.50 |
| 1979-80 | 10.96 | 36.71 | 5.02 | 9.09 |
| 1980-81 | 7.41 | 30.09 | 5.97 | 33.33 |
| 1981-82 | 10.34 | 16.01 | 5.63 | 31.25 |
| 1982-83 | 10.42 | 7.36 | 5.33 | -4.76 |
| 1983-84 | 9.43 | 18.86 | 6.58 | 10.00 |
| 1984-85 | 6.90 | 21.39 | 6.89 | 13.64 |
| 1985-86 | 8.87 | 21.19 | 6.67 | 12.00 |
| 1986-87 | 8.15 | 18.14 | 5.63 | 28.57 |
| 1987-88 | 8.22 | 20.75 | 5.52 | 22.22 |
| 1988-89 | 8.23 | 21.88 | 5.61 | 25.00 |
| 1989-90 | 6.43 | 24.34 | 5.84 | 38.18 |
| 1990-91 | 273.08 | -40.44 | 32.36 | 27.16 |
| 1991-92 | 3.98 | 2.30 | 4.86 | 43.66 |
| 1992-93 | 4.11 | 4.71 | 5.30 | 28.10 |
| 1993-94 | 4.08 | 17.04 | 4.46 | 42.30 |
| 1994-95 | 4.05 | 23.64 | 4.82 | 14.86 |
| 1995-96 | 4.02 | 20.92 | 3.40 | 25.46 |
| 1996-97 | 4.11 | 13.60 | 4.04 | 7.62 |
| 1997-98 | 4.06 | 11.57 | 3.55 | 13.23 |
| 1998-99 | 4.12 | 12.41 | 3.47 | 10.21 |
| 1999-00 | 4.07 | 11.07 | 3.85 | 10.66 |
| 2000-01 | 4.01 | 11.78 | 5.15 | 28.78 |
| 2001-02 | 4.06 | 8.03 | 4.73 | 2.07 |
| 2002-03 | 4.09 | 11.54 | 4.52 | 20.73 |
| 2003-04 | 4.11 | 15.78 | 2.92 | 13.52 |
| 2004-05 | 4.04 | 17.90 | 4.13 | 27.42 |
| 2005-06 | 4.05 | 15.83 | 4.35 | 20.76 |
| 2006-07 | 111.51 | 42.49 | 101.63 | 21.50 |
| 2007-08 | 4.52 | 11.47 | 5.33 | 10.67 |
| 2008-09 | 4.55 | 11.39 | 5.29 | - |
| 2009-10 | 4.52 | 11.59 | 5.46 | - |

Source : Reserve Bank of India. (ON224)

It seems from the table-2 that the percentage growth rate in establishment was around 8 percent upto 1990 but after liberalization it was registered around 4 percent per annum. This situation also found in the growth of production of SSIs. Upto 1990 the production of SSIs was increased average around 20 percent per annum but after 1991 it was increased around 11 percent per annum. Growth in employment generated by SSIs shows mixed trends. It was registered around 5 percent per annum.

3. Conclusion

SSIs plays important role in the economic development of India. The contribution of SSIs in GDP, employment generation and export earnings was notable during the process of development. When we

talk about Indian economy which is basically rural and developing economy with scare means and lots of labour force, SSIs give productive employment opportunity to the excess labour of agriculture sector with the use of latent resources. In this context the development of SSIs is needed more attention.

Endnotes

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