

Small Scale Industries, Msmes and Large Scale Industries

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ABSTRACT

In India, small-scale industries (SSIs) occupy 12.3 million units, contribute to 40 per cent of industrial production and 35 per cent of their exports and provide employment to about 29.5 million people. The SSIs now produce more than 8000 products. By recognizing the importance of SSI units in the development of economy, the government has been continuously attempting to improve the availability of critical input to this sector and create appropriate infrastructural environment.

1. SICKNESS IN SSI

The SSI sector now faces problems such as fierce competition and natural threat to indigenous technology. The process of liberalization, privatization and globalization (LPG) posed several threats and challenges for SSIs in India. As a consequence of this, several SSIs flourished and several became sick. The reason for sickness in SSIs include: (1) Inadequacy of working capital (2) Delay in sanction of working capital and time gap between sanction of term loan and working capital (3) Poor and obsolete technology (4) Problems related to availability of raw material (5) Inadequate demand and other marketing problems (6) Erratic power supply (7) Labour problem (8) Infrastructural constraints (9) Inadequate attention to research and development (10) Inability of the units to face growing competition due to liberalization and globalization (11) Slow technology adaptation in mitigation of environmental management, technology system and lack of enforcement of existing procedure.

2. PROBLEMS OF SMES

Despite of recommendable contribution to the nation's economy, the SSI sector does not get the required support from the concerned Government Departments, Banks, Financial Institutions and Corporate, which become a handicap for more competitive in the National and International Markets. Small-scale industries in India could not progress satisfactorily due to various problems that they are confronted with while running enterprises. In spite of having huge potentialities, the major problems, small industries face are given below.

PROBLEM OF SKILLED MANPOWER

The success of a small enterprise revolves around the entrepreneur and its employees, provided the employees are skilled and efficient. Because inefficient human factor and unskilled manpower create innumerable problems for the survival of small industries. Non availability of adequate skilled manpower in the rural sector poses problem to small-scale industries.

INADEQUATE CREDIT ASSISTANCE

Inadequate and timely supply of credit facilities is an important problem faced by small-scale industries. This is partly due to scarcity of capital and partly due to weak creditworthiness of the small units in the country. Lack of finance is the main obstacle for the development of small-scale industries. The financial problem of small industries is a part of the wider problem of capital scarcity in the economy as a whole and it is partly due to the peculiarity of small industry organization. The creditworthiness of small borrowers is generally weak and therefore they face reluctant creditors who may be induced to lend only at a very high rate of interest.

IRREGULAR SUPPLY OF RAW MATERIAL

Small units face severe problems in procuring the raw materials whether they use locally available raw materials or imported raw materials. The problems arise due to faulty and irregular supply of raw materials. No availability of sufficient quantity of raw materials, sometimes poor quality of raw materials, increased cost of raw materials, foreign exchange crisis and above all lack of knowledge of entrepreneurs regarding government policy are other few hindrances for small-scale sector.

ABSENCE OF ORGANIZED MARKETING

One major problem of small-scale industries is marketing. These units often do not possess any marketing organization and consequently their products compare unfavorably with the quality of the products of large-scale industries. Therefore they suffer from a competitive disadvantage vis-a-vis large-scale units. In the absence of organised marketing, their products compare unfavourably with the quality of the product of large-scale units. They also fail to get adequate information about consumer's choice, taste and preferences of the type of product. The above problems do not allow them to stay in the market.

LACK OF MACHINERY AND EQUIPMENT

Small-scale units are striving hard to employ modern machineries and equipment in their process of production in order to compete with large industries. Most of the small units employ outdated and traditional technology and equipment. Lack of appropriate technology and equipment create a major stumbling block for the growth of small-scale industries.

ABSENCE OF ADEQUATE INFRASTRUCTURE

Indian economy is characterized by inadequate infrastructure which is a major problem for small units to grow. Most of the small units and industrial estates found in towns and cities are having one or more problems like lack of power supply, water and drainage problem, poor roads, raw materials and marketing problem. Thus absence of adequate infrastructure adversely affects the quality, quantity and production schedule of the enterprises which ultimately results in under-utilization of capacity.

COMPETITION FROM LARGE-SCALE UNITS AND IMPORTED ARTICLES

Small-scale units find it very difficult to compete with the product of large-scale units and imported articles which are comparatively very cheap and of better quality than small units product.

OTHER PROBLEMS

Besides the above problems, small-scale units have been of constrained by a number of other problems also. They include poor project planning, managerial inadequacies, old and orthodox designs, high degree of obsolescence, transportation problems, lack of power, and lack of adequate warehousing, lack of information. Due to all these problems the development of small-scale industries could not reach a prestigious stage.

SICK INDUSTRIES IN INDIA

Small scale sector companies play a major role in the development of economy. It will help the economy to create employment, development of entrepreneurial skills for gaining export earnings. The small scale sector produced 48.86 million tons of production in 2013-14. It creates 111.43 million employment opportunities to the rural and urban areas of the country in 2013-14. SSI exported 8495.73 Billion Rupees in 2014-15. The below tables shows number of sick small scale and media scale enterprises in India and the amount of outstanding against them in the books of commercial banks as at the end of 2015.

(AMOUNT IN RS. BILLIONS)

YEAR	SICK (SSI/MSE)		SICK NON-SSI		WEAK NON-SSI		SICK /WEAK TOTAL	
	UNITS	AMOUNT OUT STAN.	UNITS	AMOUNT OUT STAN.	UNITS	AMOUNT OUT STAN.	UNITS	AMOUNT OUT STAN.
2002	177336	48.19	2880	175.91	381	36.55	180597	260.65
2003	167980	57.06	2999	215.18	397	75.91	171376	348.16
2004	138811	52.85	5054	311.66	567	45.31	144432	409.82
2005	138041	53.80	4478	296.44	774	47.83	143293	398.07
2006	126824	49.81	3408	260.13	1132	69.76	131364	379.70
2007	114132	52.67	-	-	-	-	-	-
2008	85187	30.82	-	-	-	-	-	-
2009	103996	36.19	-	-	-	-	-	-
2010	77723	52.33	-	-	-	-	-	-
2011	90141	52.11	-	-	-	-	-	-
2012	85591	67.90	-	-	-	-	-	-
2013	220492	124.42	-	-	-	-	-	-
2014	465492	263.31	-	-	-	-	-	-
2015	528300	253.88	-	-	-	-	-	-

Source: RBI handbook of statistics on the Indian Economy

TABLE NO 1

ROLE OF MSMES IN INDIAN ECONOMY

The role of Micro, Small and Medium enterprises (MSMEs) in the economic and social development of the country is well established. As per the Report of the Working Group on Micro, Small and Medium Enterprises (MSMEs) Growth for 12th Five Year Plan (2012-2017), the sector accounts for 45% of the manufacturing output and 40% of total exports of the country. As per the Fourth All India Census of MSME, 2006, there are over 36 million MSMEs in India contributing 42% to India's manufacturing output, 40% to India's exports, and approximately 8% to India's GDP. Further, nearly 32% of the enterprises are engaged in manufacturing activities, while the remaining 68% are engaged in services. Over 6,000 products ranging from traditional to high-tech items are being manufactured by the MSMEs in the country. The labour to capital ratio in MSMEs and the overall growth in the sector is much higher than in the large industries. The geographic distribution of the MSMEs is also more even.

MSME SECTOR IN TAMIL NADU

There has been a phenomenal growth of MSMEs in Tamil Nadu. The sector produces a wide variety of products in almost all fields, the prominent among them are the Textile, electronic products, engineering products, auto ancillaries, leather products, chemicals, plastics, garments jeweler etc.

There are 12.94 Lakh registered number of units in the State, providing an employment opportunities to about 80.81 Lakh persons. Since 2007-08 around 7.22 Lakh Entrepreneurs have filed EM Acknowledgement Part-II, providing Employment opportunities to about 41.41 Lakh persons with total investments Rs.1,09,074.17 Crore.

Consequent to the introduction of UDYOG AADHAAR MEMORANDUM (UAM) by the Ministry of Micro Small & Medium Enterprises GOI, Tamil Nadu started the UAM implementation w.e.f 21.1.2016. As on 31.3.2016, 41,656 UAMs have been filed in Tamilnadu, comprising of 35,487 Micro enterprises and 6,012 Small Enterprises and 157 Medium Enterprises providing Employment to 2,96,687 with total investment of Rs.6,218.69 Crore.

TREND IN THE GROWTH OF MSMEs IN TAMIL NADU

YEAR	NUMBER OF REGISTERED UNITS	INVESTMENT (RS. IN CRORE.)	PRODUCTION (RS. IN CRORE.)	EMPLOYMENT (NUMBERS)
2007-08	27209	2547.14	8739.95	242855
2008-09	32049	3557.89	13354.86	294255
2009-10	41799	3214.22	10880.01	151743
2010-11	57902	5872.37	12500.86	405233
2011-12	70758	7429.59	15496.00	502381
2012-13	83348	8751.54	17503.08	583436
2013-14	116393	18939.87	16832.25	494990
2014-15	143104	24349.65	59789.70	651180
2015-16 (up to 21.1.2016)	142136	34411.90	59332.19	815315
UAM(as on 31.3.2016)	41656	6218.69	-	296687

TABLE NO 2

EXPORTS COMMODITIES OF SMALL SCALE INDUSTRIES, MSMEs AND LARGE SCALE INDUSTRIES

Disaggregated data on exports of Principal Commodities, in Dollar terms available for the period April-October, 2016-17 (P) as compared to April-October, 2015-16. Exports of the top five commodities during the period April-October, 2016-17 (P) registered a share of 33.99 per cent mainly due to significant contribution from exports of petroleum products; pearls, precious, semi-precious stones; gold and other precious metal jewellery; drug formulations biological; and RMG cotton including accessories.

PLANTATION CROPS

Export of plantation crops during 2016-17 (April-October) (P), decreased by 0.43 per cent in US\$ terms compared to the corresponding period of the previous year. This is mainly due to contraction in natural rubber by 89.04 per cent and tea exports by 1.02 per cent in 2016-17 (April-October) (P).

AGRICULTURE AND ALLIED PRODUCTS

Agriculture and Allied Products as a group Rice-Basmati; Non-Basmati; other cereals; pulses; tobacco; cashew; meat; fresh fruits & vegetables, etc. During 2016-17 (April-October) (P), export decreased to US\$ 13,420.44 million from US\$ 14,047.20 million in the previous year registering a negative growth of 4.46 per cent. This is mainly because, out of 40 commodities under this commodity group, only 14 registered a positive growth during the said period.

MARINE PRODUCTS

During 2016-17 (April-October) (P), export of marine products registered a positive growth of 19.44 per cent reaching a value of US\$ 3,467.62 million from US\$ 2,903.24 million in the corresponding period of the previous year.

ORES AND MINERALS

During 2016-17 (April-October) (P), export of ores and minerals increased to US\$ 1,412.08 million from US\$ 1,113.65 million in the corresponding period of the previous year registering a positive growth of 26.80 per cent. This is mainly due to positive growth in iron ore exports by 629.59 per cent and other crude & minerals by 21.14 per cent.

LEATHER AND LEATHER MANUFACTURES

Export of Leather and Leather Manufactures recorded a negative growth of 6.08 per cent during 2016-17 (April-October) (P) as the value of exports decreased to US\$ 3,157.38 million from US\$ 3,361.63 million in the corresponding period of the previous year. All the commodities in this group have reflected a negative growth.

GEMS AND JEWELLERY

Export of Gems and Jewellery increased to US\$ 26,457.94 million in 2016-17 (April-October) (P) from US\$ 23,196.29 million in the corresponding period of the previous year registering a

positive growth of 14.06 per cent, while export of gold and other precious metal jewellery decreased by 3.85 per cent and 20.95 per cent respectively. Pearl, precious, semiprecious stones, Silver and Gold & Other Precious Metal Jewellery registered a positive growth of 16.15 per cent, 44.15 per cent and 20.90 per cent respectively.

SPORTS GOODS

During the period 2016-17 (April-October) (P), the export of Sports Goods decreased to US\$ 144.74 million from US\$ 147.60 million in the corresponding period of the previous year registering a negative growth of 1.94 per cent.

CHEMICALS AND RELATED PRODUCTS

During the period 2016-17 (April-October) (P), the export of Chemicals and Related Products decreased to US\$ 18,740.56 million from US\$ 18,877.83 million in the corresponding period of the previous year registering a negative growth of 0.73 per cent. This is mainly due to negative growth in exports of organic chemical by 6.62 per cent, Bulk Drugs, Drug Intermediates by 9.45 per cent and drug formulations, biological by 0.50 per cent.

PLASTIC & RUBBER ARTICLES

During the period 2016-17 (April-October) (P), the export of Plastic & Rubber Articles decreased to US\$ 3,682.56 million from US\$ 3,784.11 million in the corresponding period of the previous year registering a negative growth of 2.68 per cent. All the commodities in this group have reflected a negative growth.

ARTICLES OF STONE, PLASTER, CEMENT ASBESTOS, MICA OR SIMILAR MATERIALS, CERAMIC PRODUCTS, GLASS AND GLASSWARE

During the period 2016-17 (April-October) (P), the export of goods in this category increased to US\$ 2,370.22 million from US\$ 2,313.11 million in the corresponding period of the previous year registering a positive growth of 2.47 per cent. While Granite, natural stone & product and Glass & Glassware recorded a negative growth of 3.28 per cent and 8.39 per cent respectively. Cement, Clinker & Asbestos Cement and Ceramics & Allied Products registered positive growth of 14.22 per cent and 18.10 per cent respectively.

PAPER & RELATED PRODUCTS

During the period 2016-17 (April-October) (P), the export of Paper & Related products marginally increased to US\$ 1,421.64 million from US\$ 1,419.38 million in the corresponding period of the previous year registering a positive growth of 0.16 percent. This is mainly because all commodities in this group have shown a positive growth except other wood & wood products and pulp & waste paper.

BASE METALS

During the period 2016-17 (April-October) (P), the export of Base Metals decreased to US\$ 10,768.20 million from US\$ 11,486.30 million in the corresponding period of the previous year

registering a negative growth of 6.25 per cent. Under this commodity group, 6 out of 9 commodities have registered negative growth during the period.

OPTICAL, MEDICAL & SURGICAL INSTRUMENTS

During the period 2016-17 (April-October) (P), export of Optical, Medical & Surgical Instruments increased to US\$ 1,061.22 million compared to US\$ 939.29 million in the corresponding period of the previous year registering a positive growth of 12.98 per cent. All commodities in this group have registered positive growth.

ELECTRONIC ITEMS

During the period 2016-17 (April-October) (P), export of Electronic Items increased to US\$ 3,270.27 million from US\$ 3,164.33 million in the corresponding period of the previous year registering positive growth of 3.35 per cent. Computer Hardware, Peripherals and Consumer Electronics have declined by 28.06 per cent and 2.44 per cent respectively.

MACHINERY

Machinery export during the period 2016-17 (April-October) (P) stood at US\$ 11,483.13 million compared to US\$ 10,956.88 million in the corresponding period of the previous year registering a positive growth of 4.80 per cent. Under this commodity group, 8 out of 15 commodities have registered positive growth during the period.

OFFICE EQUIPMENTS

During the period 2016-17 (April-October) (P), the export of Office Equipments increased to US\$ 63.84 million from US\$ 53.30 million in the corresponding period of the previous year registering a positive growth of 19.77 per cent.

TRANSPORT EQUIPMENTS

During the period 2016-17 (April-October) (P), the export of Transport Equipments decreased to US\$ 12,818.00 million compared to US\$ 12,997.18 million in the corresponding period of the previous year registering a negative growth of 1.38 per cent. This is mainly because Aircraft, Spacecraft & Parts and Two & Three Wheelers registered negative growth of 24.29 per cent and 12.12 per cent respectively.

PROJECT GOODS

During the period 2016-17 (April-October) (P), the export of Project Goods increased to US\$ 17.64 million from US\$ 11.37 million in the corresponding period of the previous year registering a positive growth of 55.08 per cent.

TEXTILES & ALLIED PRODUCTS

During the period 2016-17 (April-October) (P), the export of Textiles & Allied Products was US\$ 19,593.95 million compared to US\$ 20,640.11 million in the corresponding period of the

previous year registering a negative growth of 5.07 per cent. During the period, out of 25 commodities under this group, 15 commodities have registered a negative growth.

PETROLEUM CRUDE & PRODUCTS

Export of Petroleum Crude & Products decreased to US\$ 17,596.95 million during 2016-17(April-October) (P) as compared to US\$ 19,487.67 million in the corresponding period of the previous year registering a decline of 9.70 per cent.

TRADE DATA FOR PERIOD 2006-07 TO 2016-17 (P)
(RS CRORE)

S.NO	YEAR	EXPORTS	GROWTH (%)	IMPORTS	GROWTH (%)	TRADE BALANCE
1	2006-2007	571,779	25.28	840,506	27.27	-268,727
2	2007-2008	655,864	14.71	1,012,312	20.44	-356,448
3	2008-2009	840,755	28.19	1,374,436	35.77	-533,680
4	2009-2010	845,534	0.57	1,363,736	-0.78	-518,202
5	2010-2011	1,136,964	34.47	1,683,467	23.45	-546,503
6	2011-2012	1,465,959	28.94	2,345,463	39.32	-879,504
7	2012-2013	1,634,318	11.48	2,669,162	13.8	-1,034,844
8	2013-2014	1,905,011	16.56	2,715,434	1.73	-810,423
9	2014-2015	1,896,348	-0.45	2,737,087	0.8	-840,738
10	2015-2016 (Provisional)	1,716,378	-9.49	2,490,298	-9.02	-773,920
11	April-October 2015-16	998,212		1,501,291		-503,079
12	April-October 2016-17 (P)	1,039,797	4.17	1,396,352	-6.99	-356,554

Data Source: DGGIS. Kolkata

TABLE NO 3

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. They must bring legislation to ensure that the government department buys SSIs 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 of their role in export and employment.

3. CONCLUSION

The promotion of SSI is essential in developing economies like India to achieve equitable distribution of income & wealth, economic self-dependence & entrepreneurial development. To empower the SSI sector to take its rightful place as the growth engine of Indian economy, it is

necessary to support the MSMEs, educate and empower them to make optimum utilization of the resources, both human and economic, to achieve success. The SSIs need to be educated and informed of the latest developments taking place globally and helped to acquire skills necessary to keep pace with the global developments.

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