

SMALL SCALE INDUSTRIES IN INDIA: ACHIEVEMENTS AND CREDIT FLOW

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Received: 28 Sep 2018

Accepted: 03 Oct 2018

Published: 12 Oct 2018

ABSTRACT

India followed mixed economic planning as a method to achieve economic development, since independence. Industrial policies are focused to promote Small Scale Industries (SSI) through various incentives related to financial, fiscal and infrastructure measure, along with a heavy industrial base. On the other hand banking sector being a sound element of the financial system is the lifeblood of any modern economy. Scheduled commercial banks are the pioneer to provide financial services to small-scale industries. The main objectives of the study are to study the achievements of small-scale industries during the pre and post-globalization era in India, to find out the flow of credit from commercial banks to SSI and to analyze the problems of SSI.

KEYWORDS: *Small Scale Industries, Globalization, Credit, Performance, Problems*

INTRODUCTION

In Asia, there are mostly developing countries with high population. India is situated in Asia continent and also a developing country. In underdeveloped economies, Small Scale Industries (SSIs) play a vital role in terms of employment opportunities and increasing the national income, facilitate the growing the industrial sector and improvement of rural as well as semi-urban areas. The concept of 'small-scale industry' is not new for India because it was using in the ancient period. The definition of small-scale industry is changing time to time. In 2006 these units have been merged with "Micro Small and Medium Enterprises" (MSME). According to MSMEs Act, 2006 firms are classified into two categories, namely, manufacturing industries that are engaged in the manufacturing of production of goods related to any industry, and service industries that are engaged in delivering of services. The MSMEs of manufacturing and service enterprises have been divided into micro, small and medium enterprises based on the amount of investment in plant and machinery as follows:

Table 1

Description	Amount in Rs.	
	Manufacturing Enterprises	Service Enterprises
Micro enterprises	Up to 25 lakh	Up to 10 lakh
Small enterprises	Above 25 lakh & Up to 5 crores	Above 10 lakh & Up to 2 crores
Medium enterprises	Above 5 crores & Up to 10 crores	Above 2 crores & Up to 5 crores

Source: MSME Act 2006.

Globalization is the step of integration and interaction between people, enterprises and the government of other countries. It is focused on the union of the international market for goods, services, technology, finance, and labor. Essential revolution came in the economic, social and political situation in the world economy due to globalization. In the

sense to reveal additional intensity and development to small-scale segment, a distinguish policy is declared for small, tiny and village enterprise on sixth August 1991. It absolutely was the primary and separate policy of the govt. for small and localized zone. This policy suggested some effective measures to reduce the disadvantages which were faced by SSIs. Major characteristics of the Small Scale Industrial Policy of 1991:-

- Priority to shift to adequate credit.
- Other undertakings were allowed to equity participation up to 24 %.
- Separate series of banks were set up.
- Mass consumption of goods under the common brand name was allowed for retailing.
- Establishment of exchanges of sub-contracting.
- Technology development cell and quality counseling centers were founding.
- Programmes for new technology up gradation.

REVIEW

Sonia and Rajeev K. (2009) in their study analyzed the impact of globalization on SSIs in India and to evaluate the achievements of SSIs the study concluded that pre- and post-globalization period had an adverse impact on the progress of SSIs, which was measured in terms of no. of enterprises, employment, export, and production.

Garg, D. K. (2013) in his study made an attempt to describe the performance and challenges of small-scale industries in India. The paper concluded that SSIs play an meaningful role in the development of developing countries like India and also provide employment to backward class people and women also.

Garg I. and Walia N. (2014) in their study analyzed growth and performance of micro, small and medium enterprise (MSMEs) in the Indian economy. The study found that MSMEs were working as the engine of growth in the Indian economy. In long run to face, the competition MSME sector needs to improve their product's quality and decrease costs.

Patil S. G. and Chaudhari P.T. (2014) in their study highlighted the problems of SSIs of India. The study found that in India small-scale industries were facing a lot of problems when they competing with other big industries. Indian economy's problems could be dissolved only by the boost of small-scale industrial sector.

R. T. Koti (2008) in his study analyzes the problem and prospectus of small skill industries in India. The study concluded that in small-scale industries there were mostly financial related problems. It was a big obstacle in the development of SSIs.

L. S. Packia (2013) in his study evaluates the achievements of SSIs in India. The study concluded that SSIs play a vital role to expand exports, industrial productivity, generating more employment opportunities and rise in GDP also.

OBJECTIVES OF THE PAPER

- To study the achievements of small scale industries in the pre and post globalization era in India.
- To find out the flow of credit from commercial banks to Small Scale Industries and to analyze the problems of Small Scale Industries in India.

RESEARCH METHODOLOGY

The present paper is based on secondary data analysis by referring annual reports of SSI issues by Ministry of Small Scale Industries and RBI and various published and unpublished journals, books, reports, and articles available in various websites etc. The study covers a period from 1980-81 to 2014-15. Four parameters namely No. of units, production, employment, and export have been used for performance analysis of SSIs during pre and post-globalization period.

DISCUSSION AND ANALYSIS

Table 1: Achievements of SSIs in India in Pre-Reform Era

Year	Units (Million Nos.)	Growth over Previous Year (%)	Production		Employment (Million Nos.)	Growth over Previous Year (%)	SSI Export	
			At constant Prices (Rs. Crore)	Growth Over Previous Year (%)			(Rs. Crore at Current Prices)	Growth Over Previous Year (%)
1980-81	0.87	.....	72200	8.73	7.10	.....	1600	....
1981-82	0.96	10.34	78300	8.45	7.50	5.63	2100	31.25
1982-83	1.06	10.42	84700	8.17	7.90	5.33	2000	-4.76
1983-84	1.16	9.43	93500	10.39	8.42	6.58	2200	10.00
1984-85	1.24	6.90	104600	11.87	9.00	6.89	2500	13.64
1985-86	1.35	8.87	118100	12.91	9.60	6.67	2800	12.00
1986-87	1.46	8.15	133600	13.12	10.14	5.63	3600	28.57
1987-88	1.58	8.22	150500	12.65	10.70	5.52	4400	22.22
1988-89	1.71	8.23	169900	12.89	11.30	5.61	5500	25.00
1989-90	1.82	6.43	189900	11.77	11.96	5.84	7600	38.18
1990-91	6.79	273.08	84728	-55.38	15.83	32.36	9664	27.16

Source: RBI (2009)

Table 1 reveals that the number of SSI units have been increasing during the period 1980-1990. But there was a great increase in the number of SSI units in the year 1990-91. In 1990-91 the growth over the previous year was 273.08%. In terms of production of these manufacturing and service units, there was also a great increase. There was an adequate reduction in the year 1990-91 was due to data instability. In terms of employment SSI units generates more and more employment opportunities that were 7.10 million in 1980-81 and increased by 15.83 million in 1990-91. It helps the government of India to reduce the rate of unemployment. In terms of SSI unit's exports, the available data shows that exports of SSI units were Rs. 16 billion in the year 1980-81 and increased by 96 billion in the year 1990-91, but except the year 1982-83. So, we can say that the overall performance of SSI units in India during the pre-globalization period was quite good.

Table 2: Achievements of SSIs in India in Post-Reform Era

Year	Units (Million Nos.)	Growth Over Previous Year (%)	Production		Employ ment (Million Nos.)	Growth over Previous Year (%)	SSI Export	
			At constant Prices (Rs.Crore)	Growth over Previous Year (%)			(Rs. Crore at Current Prices)	Growth Over Previous Year (%)
1991-92	7.06	3.98	87355	3.1	16.60	4.86	13883	43.66
1992-93	7.35	4.11	92246	5.6	17.48	5.30	17784	28.10
1993-94	7.65	4.08	98796	7.1	18.26	4.46	25307	42.30
1994-95	7.96	4.05	108774	10.1	19.14	4.82	29068	14.86
1995-96	8.28	4.02	121175	11.4	19.79	3.40	36470	25.46
1996-97	8.62	4.11	134892	11.32	20.59	4.04	39248	7.62
1997-98	8.97	4.06	146263	8.43	21.32	3.55	44442	13.23
1998-99	9.34	4.12	157525	7.70	22.06	3.47	48979	10.21
1999-00	9.72	4.07	170379	8.16	22.91	3.85	54200	10.66
2000-01	10.11	4.01	184401	8.23	24.09	5.15	69797	28.78
2001-02	10.52	4.06	282270	53.07	25.23	4.73	71244	2.07
2002-03	10.95	4.09	306771	8.68	26.37	4.52	86013	20.73
2003-04	11.4	4.11	336344	9.64	27.53	4.40	97644	13.52
2004-05	11.86	4.04	372938	10.88	28.76	4.47	124417	27.42
2005-06	12.34	4.05	418884	12.32	29.99	4.28	150242	20.76
2006-07	12.84	4.05	471663	12.60	31.25	4.20	182538	21.50
2007-08	13.37	4.13	532979	13.00	32.23	3.14	202017	10.67
2008-09	39.37	4.31	1375589	15.81	88.08	173.28	....	....
2009-10	41.08	4.34	1488352	8.20	92.18	4.65	391159	....
2010-11	42.87	4.35	1653622	11.10	96.52	4.71	507739	29.80
2011-12	44.76	4.40	1788584	8.16	101.17	4.82	630105	24.10
2012-13	46.75	4.44	1809976	1.20	106.14	4.91	697318	10.67
2013-14	48.86	4.46	.....	.....	111.43	4.98	803941	15.29
2014-15	51.05	4.48	.....	.....	117.13	5.11	849573	5.68

Source: Ministry of Micro, Small & Medium Enterprises, Government of India.

Table 2 shows that the number of SSI units has been increasing in the post-globalization period but the growth rate was very low as compared to pre--globalization period. It is due to the competition of India's SSI units with foreign countries firms. In terms of production, it can be stated that the growth rate of SSI units is almost relatively reliable and improved during a pre-globalization period as compared to the achievements in post-reform time. In terms of employment, this sector has been improving its achievement and generates employment of 16.60 million in 1990-91 which increased by 111.43 million in 2013-14. The growth rate of employment has been around 3 per cent during the post-reform period. But the employment growth rate is better in the pre-reform period. In terms of exports of SSI units we can say that achievement is significantly good in the starting years, but in the later years, it is comparatively poor. And the achievements are also poorer as compare to the achievement of the pre-reform period.

Table 3: Out Flow of Credit from all the Banks (Rs. in Crore)

As on last reporting Friday of March	Public Sector Banks	Private Sector Banks	Foreign Banks	All Scheduled Commercial Banks
1	2	3	4	5
2005	67,800	8,592	6,907	83,498
2006	82,434 (21.6)	10,421 (21.3)	8,430 (22.1)	1,01,285 (21.3)
2007	1,02,550 (24.4)	13,136 (26.1)	11,637 (38.0)	1,27,323 (25.7)
2008	1,51,137 (47.4)	46,912 (257.1)	15,489 (33.1)	2,13,538 (67.7)
2009	1,91,408 (26.6)	46,656 (0.0)	18,063 (16.6)	2,56,127 (19.9)
2010	2,78,398 (45.4)	64,534 (38.3)	21,069 (16.6)	3,64,001 (42.1)
2011	3,76,625 (35.3)	87,857 (36.1)	21,535 (2.2)	4,86,017 (33.5)
2012	3,96,343 (5.2)	1,10,514 (25.8)	21,760 (1.1)	5,28,617 (8.8)
March 31, 2013	5,02,459 (26.8)	1,54,732 (40.0)	30,020 (37.9)	6,87,211 (30.0)
March 31, 2014	6,20,139 (23.4)	2,00,840 (29.8)	29,491 (-1.76)	8,50,469 (23.8)
March 31, 2015 (Provisional)	7,01,571 (13.1)	2,32,171 (15.6)	30,837 (4.6)	9,64,578 (13.4)
March 31, 2015 (Latest Available)	6,66,931 (-4.94)	2,45,660 (5.81)	24,729 (-19.8)	9,37,319 (-2.8)

Source: MSMEs Annual Report 2015-2016.

In India, credit to small -scale industries have been always preferred for the policymaker. Among the approved financial institution's commercial banks are the largest source of financial services to small-scale industries. Over a period of last few years the contribution of commercial banks in credit assistance is continuously going up and down; in the year 2006 growth in credit facility has 21.3%, in the year 2008 highest growth has 67.7%, but in the year 2012 growth has only 8.8% that is lowest in the time period, in the year 2013 and 2014 growth has 30.0% and 23.8% respectively. And in the year 2015 growth has 10.6% according to the latest available data. It indicates the Indian small-scale industry suffers from credit assistance.

Problems

Small-scale industries face many problems in their day-to-day activities. Indian small-scale industries are a diverse and heterogeneous group; they face some common problems, which are: marketing-related problems, financial problems, transport related problems, problems regarding raw material, power shortage and labor problem etc. Besides these problems, small-scale industries have been strained by a number of other problems also. They include logistic problem, managerial problem, machinery and equipment problem, production problem, poor project planning, scarcity of adequate warehousing, infrastructure bottleneck and insufficiency of information. The development of small-scale industries cannot reach at a reputable level due to all these problems.

CONCLUSIONS

SSIs are making an essential role in the development of the economy with an increase in employment, production, export and reduce income equality. The study reveals that globalization had an inverse impact on the growth and development of the SSIs measured in term of a number of enterprises, production, employment, and exports. The recent trends of growth of SSI sector showed the negative impact on the growth of SSI. The main cause of negative impact is the inadequacy of infrastructural and operational facilities in comparison with large, medium and abroad companies. There is a lack of clear policies related to human resource management and marketing. Enterprises working at the small stage are lacking behind in obtaining relevant international quality certification which is restricting their doorway into abroad

markets. In India, commercial banks are the largest source of financial services to small-scale industries among the approved financial institutions. Data indicates that small-scale industry suffers from credit assistance in our country.

In the present time of proliferation, it is necessary for the development of India's economy to enhance the achievements of SSI by providing adequate financial help, infrastructural facilities, to enlarge skill-development and innovation that may enhance the quality of the goods of SSIs. Hence this study indicates the need for granting the special focus on policies for SSIs. Hence this study indicates the need for granting the special focus on policies for SSIs. There is a great need for the development of infrastructure such as electricity, roads, railways, and technology up gradation for the development and endurance of the small-scale segment.

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