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GROWTH AND DISTRIBUTION OF SMALL SCALE INDUSTRIES IN INDIA



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Short Profile

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ABSTRACT:

Industrial sector is a pressing need of developing countries like India. Because of scarcity of capital, underutilization of natural resources, population explosion, under developed infrastructural facilities, low level of technology, political instability, excessive dependence on agriculture, excessive dependence on imports

and social attitude the growth is very slow. An effective development policy is to be farmed to attempt to increase the use of labour, relative to capital to the extent that it is economically efficient. Industrial development is possible by providing adequate infrastructure and other facilities. It may also be necessary to have well conceived programme of industrial development appropriate to situations. Since independence, India has started massive planned programme of fast industrialization. The country's industrial plans lay emphasis on the development of important heavy industries and of those in the small scale industrial sector. Small scale industrial sector plays a vital role in the industrialization of developing counties. They provide immediate large scale employment with lower capital ratio. They need only a short gestation period and relatively smaller market to be economic. Small scale industries need only lesser amount of capital. But, they offer a method of ensuring a more equitable distribution of national income and facilitate an effective transformation of capital and skills which might otherwise remain unutilized Small scale industries stimulate the growth of industrial entrepreneurship and promote more different patterns of ownership and location. Empirical studies have shown that small scale enterprises are an important engine for economic growth and equity with social justice.

KEYWORDS

*Capital, Underutilization, Industrialization, Employment, National income, Entrepreneurship, Social justice.*

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**INTRODUCTION :**

Industrial development has played a crucial role in the process of economic development of all countries of the world, including India. Industrialization of developing countries and its role in economic transformation is essential in order to attain economic and social growth. They play an important role in employment creation, resource utilization and income generation and help promote changes in a gradual and phased manner. They have been given an important place in the framework of Indian planning since the beginning, both for economic and ideological reasons. The reasons are obvious. Rapid industrial development contributes to the process of accelerated economic growth and welfare. Indian economy is one of the thresholds of change today consequent upon the economic reforms initiated in 1991. The reforms in different spheres of economic activity have led to changes in various ways. It is the production of industrial goods that helps and sustains the momentum of growth in a developing economy.

Father of our nation Mahatma Gandhi had strongly advocated the “development of Indian villages by making them financially viable through small and village industrial units”.

Our first Prime Minister Jawaharlal Nehru stated “Without industrial development there cannot be any standard living for our people”.

Our late Prime Minister Indira Gandhi once remarked “Small scale industries offer many opportunities besides adding to production, they broaden the industrial base. They enable the process of modernization as well as entrepreneurship to spread to more regions and layers of society”.

Small scale industries and village industries and modern small enterprises have been given an important place in India's economic planning for ideological and economic reasons.

The small scale and cottage industrial sector have found their economic rationale in Mahalanobis model of “Economic development, which was the basis for India's second and subsequent Five Year Plans. This sector has emerged as a vibrant and dynamic sector of Indian economy, which contributes nearly 40 per cent of the total industrial production and over 34 per cent of the national exports by providing employment to over 250 lakh persons”. This sector enjoys the pride of being the second largest employer in the country and offers a wide variety of products.

**1.2. Small Scale Industries (SSI):**

The definition of Small Scale Industry may vary from country to country, year to year, from period to period and from time to time and according to the level of economic development prevailing in a country. Sometimes it is defined in terms of number of workers employed and on the use of electric power and also in terms of investment made. Generally the definition of small-scale industries (SSI) is largely in terms of fixed capital investment. An SSI in India is currently defined in terms of which investment in fixed assets such as plant and machinery which, does not exceed Rs. 5crores. In general, small scale industries are located in urban areas and produce goods employing hired labour and using mechanized equipments. SSI is considered an important factor in realizing the objectives of economic growth and equity in the distribution of income and wealth. Hence, on account of its capacity to generate employment opportunities in addition to its favorable impact on equitable distribution of income and wealth, governments in India have been supporting the Small Scale Industries. The preferential policies of the Governments in India include financial assistance from commercial banks,

development financial institutions, tax exemption, reservation of items for Small Scale Industries, preferences in the purchase of products by Government agencies, preferential access to materials and provision of infrastructural facilities.

### 2.1. Need for the study:

The development of any area can never be a smooth process and particularly the small industries have to face numerous problems within the changed environment. These problems vary from region to region depending upon the stage and level of economic development.

The Government is offering a wide range of incentives and introducing favorable policies and programmes to promote small scale industries. However, the growth of this sector has been relatively slow and not encouraging. Hence, this study is being under taken and designed to analyze the small scale industries growth pattern, and state wise distribution of small scale industries, and strengths, weaknesses, opportunities and threats are identified for Indian SSIs and other problems of small scale industries.

### 2.1. Objectives:

The present study is "Growth and Distribution of Small Scale Industries in India" has the following objectives.

- ▲ To analyze Importance of industrial development and small scale Industries in India
- ▲ To analyze the small scale industries of growth pattern, and state wise distribution in India, and strengths, weaknesses, opportunities and threats are identified for Indian SSIs and other problems of small scale industries.

### 2.2. Methodology:

The present study is based on the secondary data. The secondary data covering all the aspects of small scale industries in India accordance with the objectives of the study. The secondary data were collected from the relevant publications of Government of India like Development Commissioner Small Scale Industries, New Delhi, Commissioner, of Industries Government of Andhra Pradesh Hyderabad, District Industries Centre Kurnool, Chief Planning Officer, Kurnool and other related reports and Publications of Small Scale Industries in India .

### 2.3. Hypothesis:

The following hypothesis are formulated to test the validity of the study,

- ▲ The small scale industries in India are confined mostly to the economically and socially developed communities.
- ▲ There is no significant difference between the small scale industries among the different categories of the products of small scale industries.

- ▲ There is no significant difference between among the distribution of small scale industries in India

### 3.1. Growth of Small Scale Industries in India:

One of the important indicators to measure the growth of the economy is the number of SSI units in the country. The number of units from 1990-91 to 2010-11 in India are presented in Table-1.1.

Table – 1.1  
Number of small scale industries in India (1990-91 to 2010-2011)

Sl.No	Year	SSI Units (In Lakhs)	Annual ( In Lakhs)	Percentage in Annual Increase
1	1991-92	70.63	2.67	4.066598
2	1992-93	73.51	2.88	4.077587
3	1993-94	76.49	2.98	4.05387
4	1994-95	79.6	3.11	4.065891
5	1995-96	82.84	3.24	4.070352
6	1996-97	86.21	3.37	4.068083
7	1997-98	89.71	3.5	4.059854
8	1998-99	93.36	3.65	4.068666
9	1999-2000	97.15	3.79	4.059554
10	2000-01	101.1	3.95	4.065878
11	2001-02	105.21	4.11	4.065282
12	2002-03	109.49	4.28	4.068054
13	2003-04	113.95	4.46	4.073431
14	2004-05	118.59	4.64	4.071961
15	2005-06	123.42	4.83	4.072856
16	2006-07	128.44	5.02	4.067412
17	2007-08	132.4	3.96	3.0831
18	2008-09	138.7	3.38	3.8231
19	2009-10	140.3	3.71	3.1347
20	2010-11	141.7	3.87	3.6179
Average		97.22	3.79	4.0093
S.D		45.6296	0.8485	0.6954
C.V		45.5680	25.2538	19.45
C.G.R		3.7821	1.0988	

Source: - Annual Reports SSI, 2011.

Table-1.1 shows the number of units, annual increase, and percentage change in annual increase in India. The small scale industry in India has increased at average annual increase of 3.79 lakh units and the average percentage in annual increase was 4.0093 percent. In 2010-11 there were 141.7 lakh units which were 100 per cent approximately more than 1991-92, when the number of units was only 70.63 lakh units. It indicates that SSI sector has made good progress as far as the numbers of SSI units are concerned. Small scale industry in India has increased at compound growth rate of 3.7821 per cent. The annual growth rate has come down only during the year 2010-11 as compared to previous year as shown in the present study. The annual growth in small scale industry in number of units is more than average annual growth rate after 2000-01 periods.

### 3.2. State-wise distribution of small scale industries in India:

The Small Scale Industries (SSI) Sector is one of the most vital sectors in the economic growth of our country with sustained employment potential. The SSI sector has a major share in production and service as a nursery for development of entrepreneurial talents. Small industry sector has performed exceedingly well and enabled the country to achieve a wide measure of industrial growth and diversification. By its less capital intensive and high labour absorption nature, the SSI sector has made significant contribution to employment generation and also to rural industrialization. This sector, which accounts for 95 per cent of the industrial units, contributes to 40 per cent of manufacturing output and contributes 35 per cent of the national exports. The state wise small scale industries are presented in Table-1.2.

Table - 1.2. State-wise distribution of Small Scale Industries in India (2011-2012)

Sl.No	States	No. of SSI Units	Per Cent to Total
1	Uttar Pradesh	1707977	16.23
2	Andhra Pradesh	875430	8.32
3	Maharashtra	803568	7.64
4	Madhya Pradesh	793552	7.54
5	Tamil nadu	787965	7.49
6	West Bengal	771388	7.33
7	Karnataka	658821	6.26
8	Gujarat	530314	5.04
9	Bihar	519351	4.94
10	Kerala	452826	4.30
11	Rajasthan	441572	4.20
12	Orissa	388277	3.69

13	Punjab	376826	3.58
14	Chhattisgarh	263900	2.51
15	Haryana	223294	2.12
16	Assam	194379	1.85
17	Delhi	177080	1.68
18	Jharkhand	132446	1.26
19	Uttaranchal	106484	1.01
20	Himachal Pradesh	76198	0.72
21	Jammu&Kashmir	73125	0.70
22	Manipur	47999	0.46
23	Tripura	24352	0.23
24	Meghalaya	22520	0.21
25	Chandigarh	22247	0.21
26	Nagaland	13861	0.13
27	Mizoram	11116	0.11
28	Pondicherry	8860	0.08
29	Goa	7097	0.07
30	Andaman and Nicobar	3203	0.03
31	Damman & Diu	3010	0.03
32	Arunachal Pradesh	1252	0.01
33	Lakshadweep	532	0.01
34	Sikkim	368	0.01
35	All India	10521190	100.00

Source: - <http://www.smallindustryindia.com./ssiindia/census>

From Table-1.2 it is observed that the small scale industries are highly concentrated in states like Uttar Pradesh, Andhra Pradesh, Maharashtra, Madhya Pradesh, Tamilnadu and west Bengal in India and less concentrated in states like Karnataka, Gujarat, Bihar, Kerala and Rajasthan and remaining states have the lowest number of industries during the period 2011-2012. In overall the number of small-scale industries is 1,05, and 21,190 in India.



### 3.3. SWOT ANALYSIS OF SMALL SCALE INDUSTRIES OF INDIA

A detailed SWOT analysis lay the foundation stone for taking strategic decisions. It helps to identify the areas where proper care should immediately be taken and at the same time, identifies the areas of competitive edge. The respective strengths, weaknesses, opportunities are identified for Indian SSIs which will form guidelines for the policy makers

### 3.4. WEAKNESSES

The following are some of the weaknesses identified among Indian Small Scale Industries

- ⤴ Encroachment of SSIs by Medium and Creamy layer industries.
- ⤴ Infrastructural problems like high power tariff, insufficient export infrastructure.
- ⤴ Inflexible labour markets.
- ⤴ Regulatory hassles both at entry and exist stages.
- ⤴ Insufficient finance at affordable terms.
- ⤴ Demand for International Quality Standards in the WTO regime, Cost Reduction by Customers and other barriers.
- ⤴ Need of Fund for Modernization and technology up gradation.
- ⤴ Stringent Statutory laws of Government.
- ⤴ Exploitation by major industries.
- ⤴ Increase of MNCs with Modern Technology & machines.

### 3.5. Strengths:

Small Scale Industries are the backbone of the Indian Economy. By considering the employment generation and export generation, the following are some of the strengths of Indian SSIs.

- ⤴ Easy to Start an SSI which requires very less capital.
- ⤴ SSI contributes 45 per cent of manufacturing output.
- ⤴ It creates nearly 6.5 crore employment.
- ⤴ Employs local people, particularly illiterate and semi- literate and reduces the regional imbalances.
- ⤴ Produces goods for downtrodden people, especially for those below the poverty line. Outlook towards the Small Scale Industries is very much important. The premises for such an outlook is essential for Indian SSIs to combat the challenges ahead, are outlined as a) SSIs continue to be the thrust area for Government policies. b) The growing economy and the tremendous market potential of the country depend on the sustained growth of SSIs in the country. c) Avenues for employment and decentralized industrial development. d) SIDBI as the apex institution will continue to play its key role in facilitating timely and adequate credit besides meeting the developmental needs of the sector.

## CONCLUSIONS:

Finally, it may be concluded that although the industrial sector of India has grown after independence, the rate is below expectations, especially after globalization. Thus, the need for accelerated growth can hardly be overemphasized. The government has taken a number of steps to boost business confidence and increase activity. These include fiscal, infra-structure, and FDI reforms. In particular, the Cabinet Committee on Investments, which was created to remove bottlenecks, has met three times and cleared projects in oil and gas, mining, and roads. Added to this, existing policies and programmes, which are specially designed for the growth and development of the industrial sector, should be implemented strictly; this would not only improve the production and productivity of the industrial sector, but also the employment and income levels would improve, in this vital sector, in the years to come. However, sincere efforts and strict supervision would make a balanced industrial development both in public and private sector.

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