

International Multidisciplinary  
Research Journal

Golden Research  
Thoughts

Chief Editor  
Dr.Tukaram Narayan Shinde

---

Publisher  
Mrs.Laxmi Ashok Yakkaldevi

Associate Editor  
Dr.Rajani Dalvi

Honorary  
Mr.Ashok Yakkaldevi

---

## Welcome to GRT

RNI MAHMUL/2011/38595

ISSN No.2231-5063

Golden Research Thoughts Journal is a multidisciplinary research journal, published monthly in English, Hindi & Marathi Language. All research papers submitted to the journal will be double - blind peer reviewed referred by members of the editorial board. Readers will include investigator in universities, research institutes government and industry with research interest in the general subjects.

### *International Advisory Board*

Flávio de São Pedro Filho Federal University of Rondonia, Brazil	Mohammad Hailat Dept. of Mathematical Sciences, University of South Carolina Aiken	Hasan Baktir English Language and Literature Department, Kayseri
Kamani Perera Regional Center For Strategic Studies, Sri Lanka	Abdullah Sabbagh Engineering Studies, Sydney	Ghayoor Abbas Chotana Dept of Chemistry, Lahore University of Management Sciences[PK]
Janaki Sinnasamy Librarian, University of Malaya	Ecaterina Patrascu Spiru Haret University, Bucharest	Anna Maria Constantinovici AL. I. Cuza University, Romania
Romona Mihaila Spiru Haret University, Romania	Loredana Bosca Spiru Haret University, Romania	Ilie Pinteau, Spiru Haret University, Romania
Delia Serbescu Spiru Haret University, Bucharest, Romania	Fabricio Moraes de Almeida Federal University of Rondonia, Brazil	Xiaohua Yang PhD, USA
Anurag Misra DBS College, Kanpur	George - Calin SERITAN Faculty of Philosophy and Socio-Political Sciences Al. I. Cuza University, Iasi	.....More
Titus PopPhD, Partium Christian University, Oradea,Romania		

### *Editorial Board*

Pratap Vyamktrao Naikwade ASP College Devrukh,Ratnagiri,MS India	Iresh Swami Ex - VC. Solapur University, Solapur	Rajendra Shendge Director, B.C.U.D. Solapur University, Solapur
R. R. Patil Head Geology Department Solapur University,Solapur	N.S. Dhaygude Ex. Prin. Dayanand College, Solapur	R. R. Yalikal Director Managment Institute, Solapur
Rama Bhosale Prin. and Jt. Director Higher Education, Panvel	Narendra Kadu Jt. Director Higher Education, Pune	Umesh Rajderkar Head Humanities & Social Science YCMOU,Nashik
Salve R. N. Department of Sociology, Shivaji University,Kolhapur	K. M. Bhandarkar Praful Patel College of Education, Gondia	S. R. Pandya Head Education Dept. Mumbai University, Mumbai
Govind P. Shinde Bharati Vidyapeeth School of Distance Education Center, Navi Mumbai	Sonal Singh Vikram University, Ujjain	Alka Darshan Shrivastava Shaskiya Snatkottar Mahavidyalaya, Dhar
Chakane Sanjay Dnyaneshwar Arts, Science & Commerce College, Indapur, Pune	G. P. Patankar S. D. M. Degree College, Honavar, Karnataka	Rahul Shriram Sudke Devi Ahilya Vishwavidyalaya, Indore
Awadhesh Kumar Shirotriya Secretary,Play India Play,Meerut(U.P.)	Maj. S. Bakhtiar Choudhary Director,Hyderabad AP India.	S.KANNAN Annamalai University,TN
	S.Parvathi Devi Ph.D.-University of Allahabad	Satish Kumar Kalhotra Maulana Azad National Urdu University
	Sonal Singh, Vikram University, Ujjain	

Address:-Ashok Yakkaldevi 258/34, Raviwar Peth, Solapur - 413 005 Maharashtra, India  
Cell : 9595 359 435, Ph No: 02172372010 Email: ayisrj@yahoo.in Website: www.aygrt.isrj.org

IMPACT OF NEW INDUSTRIAL POLICY ON MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES) IN INDIA



C. BharathaJyothi

Research Scholar, Dept.of Economics, S.V.University, Tirupati(A.P).



Short Profile

C. BharathaJyothi is Research Scholar at Department of Economics in S. V. University, Tirupati (A.P).

Co - Author Details :

K. Srinivasulu Naidu

Professor (Rtd) Dept.of Economics, S.V.University, Tirupati (A.P).



**ABSTRACT:**

Indian small scale industries play an imperative role in the economic expansion of the country and have vast approaching for employment generation. The Increasing small scale sector also results in decentralized industrial development, better distribution of wealth and investment and entrepreneurial talent. The Government has initiated several policies for the growth and development of small scale industries. The ministry of Agro and

Land Rural industries and Ministry of SSI have been merged into a single, Ministry namely, Ministry of Micro, Small and Medium Enterprises (MSMEs). In the present study an attempt has been made to analyze the impact of globalization on the development of MSMEs. The reference period for the analysis of data from 1990-91 to 2012-13, was taken the study period is divided into two parts: pre liberalization (1990-91 to 2000-01) and post liberalization (2001-02 to 2012-13). A comparative analysis of growth rates for pre and post liberalization periods and parameters like number of units, investment, production, employment and export was undertaken the present study is based on both secondary data.

In pre-liberalization period the number of MSMEs increased from 67.87 lakhs to 101.1 lakhs.

Article Indexed in :

DOAJ  
BASE

Google Scholar  
EBSCO

DRJI  
Open J-Gate

the investment raises Rs. 93555 crores to 146845 crores, the production values increased from Rs. 78802 crores to Rs.261297 crores, the employment increased 158.34 lakh persons to 238.73 lakhs and the exports are also increased Rs.9664 crores to 69797 crores during 1990-91 to 2000-01. In post-liberalization period the number of MSMEs increased from 105.21 lakhs to 467.54 lakhs, the investment raises Rs. 154349 crores to 1269338 crores, the production values increased from Rs. 282270 crores to Rs.1380930 crores, the employment increased 249.33 lakh persons to 1061.51 lakhs and the exports are not available during 2001-02 to 2013-14. The MSMEs has maintained a higher rate of growth vis-a-vis the overall industrial sector. It is clear from the data the growth rate of MSMEs has increased from 7.63 per cent in 2001-02 to 13.56 per cent in 2008-09 whereas the growth rate in overall industrial sector has declined from 4.85 per cent in 2001-02 to 7.80 per cent in 2010-11 with many fluctuations during the period. This indicates that the contribution of MSMEs sector has been much higher as compared to over industrial sector in India. The contribution of the MSMEs sector to overall industrial production has increased from 39.74 per cent in 1999-2000 to 44.83 per cent in 2008-09. The contribution of the MSME sector to the Gross Domestic Product (GDP) has increased from 5.86 per cent in 1999-2000 to 8.72 per cent in 2008-09. This indicates that there is significant growth and development of MSMEs in Indian economy. The comparative analysis of growth pattern of key parameters between pre and post globalization period has been studied. The overall performance and contribution of small scale industries to Indian economy is generally described in terms of its absolute growth in units, employment, production and exports. The MSMEs Development Act of 2006 is perhaps the most crucial of these recent policy changes. The period of liberalization and the development the MSMEs sector constituted an important segment of our economy. The MSMEs are a very important segment in the Indian industrial sector and would continue to play a crucial role in the Indian economy in the future. It also brought in huge amounts of foreign investments into the country and provided employment opportunities for many people in the country which in its turn helped reduce the level of poverty in the country. A rewarding feature of economic development in India has been impressive growth of modern MSMEs.

## KEYWORDS

*New Industrial Policy , Micro, Small and Medium Enterprises (MSMEs) , economic expansion , wealth and investment .*

## INTRODUCTION

Indian small scale industries play an imperative role in the economic expansion of the country and have vast approaching for employment generation. The Increasing small scale sector also results in decentralized industrial development, better distribution of wealth and investment and entrepreneurial talent. The Government has initiated several policies for the growth and development of small scale industries. The post liberalization economic conditions have created immense growth prospect for the small scale industries. The MSMEs in India are acting as power and spirit of economic growth in the 21st century. The ministry of Agro and Land Rural industries and Ministry of SSI have been merged into a single, Ministry namely, Ministry of Micro, Small and Medium Enterprises (MSMEs). The small scale sector has played an extremely essential role in the socio economic development of the country during the past 50 years. It has significantly contributed to the overall growth in terms of Gross Domestic

Product (GDP), employment generation and exports. According to MSMEs Act 2006 the enterprises are broadly classified in terms of activity such as enterprises engaged in manufacturing, production and enterprises engaged in services. According to the Micro, Small and Medium Enterprises Development Act, 2006 the MSMEs definitions are the case of the enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the Industries (Development and Regulation) Act 1951 as,

**Micro Enterprise** - A micro enterprise is, where the investment in plant and machinery does not exceed 25 lakh rupees;

**Small Enterprise** - A small enterprise is, where the investment in plant and machinery is more than 25 lakh rupees but does not exceed 5 crore rupees; or

**Medium Enterprise** - A medium enterprise, where the investment in plant and Machinery is more than 5 crore rupees but does not exceed ten crore rupees. The definition of small and medium enterprises varies from country to country. In general, the industries all over the world are defined in terms of number of employees or capital investment or both. The employment potential criterion was dropped from small and medium enterprises definition in India due to the reasons. (1) The employment changes seasonally and hence it is difficult to follow this criterion, an employment limit acts as an incentive to limit employment to remain within small and medium enterprises. (2) The discrimination between labor intensive and techno sophistication. The role of small and medium enterprises in economic development of a country can be explained with relevant parameters. The increase in the number, production, employment and exports over a period of time could be common parameters to adjudge the role played by small enterprises in the country.

### POLICY INITIATIVES IN MICRO SMALL AND MEDIUM ENTERPRISES

India has a long history of conceiving policies of protecting the small industrial units. Since Independence, several policy initiative and measures have accordingly been taken by the Government during the year to enable the micro small and medium enterprises enhance their competitive strength, address the challenges of competition and avail themselves of the benefits of the global market. The main objective of industrial policy resolutions was to promote industrial growth and also determine the pattern of state assistance to small industrial units for fulfilling socio-economic objectives. The industrial development plays a crucial role in India development strategy. The progress of industrialization over the last fifty years has been a striking feature of the Indian economic development. The industrial policies lay stress on the strategy of development. In increasing industrial production, diversifying the base of industrial production as well as increasing employment opportunities, industries have been playing important role in India. The promotion of industries has been regarded as an important element of the development strategy underlying Five Year plans. The industrial policy indicates the respective roles of the public, private, joint and cooperative sectors and also of the large, medium and small scale sector and underlines the national priorities. The advent of planned economy from 1951 and the subsequent industrial policy followed by Government of India, both Government and planners earmarked a particular position of micro, small and medium enterprises in the Indian economy. The Government objectives and intentions towards industry including small scale industry were announced through Industrial Policy Resolutions (IPRs).

These resolutions were announced in 1948, 1956, 1977, 1980, 1990 and 1991 respectively.

### INDUSTRIAL POLICY - 1991

The Government of India, for the first time, tabled the new small enterprise policy titled policy measures for promoting and strengthening and supplementing small, tiny and village enterprises in the parliament on August 6, 1991. In 1991, the Indian Government announced a separate policy for the small and tiny sectors. This policy statement widened the investment limit for the tiny sector, removed the vocational restrictions and recognized business and industry related services as small industrial units on par with the tiny units. The manufacture of items earlier banned in the small industrial units was removed. The small industrial units which employ less than 50 workers with power and 100 workers without power were exempted from licensing. The small and ancillary industries were exempted from licensing for all articles of manufacture, which were not covered by the public sector. The investment of 0.5 million and other location conditions were withdrawn. All industry related services and business enterprises with an investment limit as those of tiny enterprises, irrespective of location, were recognized as small industrial units. A new scheme of integrated infrastructural development for small industrial units was provided with the participation of State Government and financial institutions.

### NEW INDUSTRIAL POLICY – 1999

The emerging economic scenario in the changed liberalized and competitive economic environment necessitated structural and fundamental changes in the policy framework put in place for the development of SSI. The main objective of the Industrial Policy 1999 was to create congenial environment for the small industrial units to cope with the emerging challenges of globalization. To focus fully on the promotion and development of small industrial units, a separate Ministry of Small Industrial Units and Agro and Rural Industries was created. The policy initiatives are:

- ✦ The annual turnover limit for calculation of working capital limit for small industrial units was raised to Rs. 5 crores from Rs. 4 Crores.
- ✦ The maximum ceiling limit for composite loan scheme was increased to Rs. 5 lakhs.
- ✦ To increase flow of credit to small industrial units, a new credit insurance scheme was launched.
- ✦ The small Industrial units producing goods in rural areas are allowed excise exemption on third party branded goods.
- ✦ The definition of small and ancillary industrial units was revised by reducing investment limit in plant and machinery to Rs. 1 crore from Rs. 3 crores.
- ✦ The special packages for the development of small and village industries in north eastern regions were announced. The industrial units in the North Eastern Region were given exemption from excise duty for 10 years from the date of commencement of production and a special emphasis was given for the units which have high export potential.

Through the ministry, Government has brought about changes in policies and development support that have enabled rapid and substantial development of MSMEs in India and given them a



competitive edge over their global countries. Some programmes and policies have been outlined here. The facilities can be categorized into three: Policy initiatives, Institutional support and credit dispensation.

## AIM OF GLOBALIZATION

The Globalization can be defined as the process of change, increasing interconnectedness and interdependence among countries and economies, bringing the world closer through better world-wide communication, transport and trade links. This process is changing the world dramatically and quickly, affecting economic, social, political and cultural aspects of life. The globalization refers to an advanced stage of development where capital, technology, labour, raw materials, information and transportation, distribution and marketing are integrated or interdependent on a globe scale. The globalization is not a new phenomenon. In the immediate post-World War-II period, globalization was mainly driven by rapid growth in foreign trade while in the 1950 and 1960, foreign direct investment (FDI) started to play an increasingly important role in this process. Over the last three decades and based on a global trend of trade and investment liberalization, the world economy has evolved into a highly integrated system. Today, globalization involves numerous features, but the following three seem to be the main engine driving global economic integration: (A) Internationalization of production accompanied by changes in the structure of production. (B) Expansion of international trade in trade and services and (C) Widening and deepening of international capital flows.

## MERITS AND DEMERITS OF GLOBALIZATION

While globalization is a catalyst for human progress, it is also a chaotic process which offers both benefits and disadvantages to people across the world. The positive consequences of globalization include:

- ✦ Improvements in local productivity can promote prosperity,
- ✦ The movement and sharing of information, knowledge and expertise,
- ✦ The improvement of international standards for variables such as education and health and increases the variety of goods available to the world market and provides a bigger range of markets for internationally sourced products.

The negative consequences of globalization include (I) The loss of employment in manufacturing in developed countries (II) A drift towards a more homogenized culture and society internationally (III) The local economies may be more vulnerable to fast changes in the international economy (IV) Increased centralization of power in the hands of large transnational corporations (V) The location of industry in less developed countries, for many reasons often leads to environmental degradation.

## FIVE YEAR PLANS AND PUBLIC SECTOR IN POST LIBERALIZATION ERA

After the introduction of New Economic Policy of 1991 or the Post Liberalization era the

Government of India had to delay the introduction of Eighth Five Year Plan for two years because of the political changes at centre. Finally there was an Eighth Plan for the period of 1992-97. The total public sector investment was Rs. 361,000 crore of Rs. 798,000 crore (45.2 percent) of the total investment. During this plan the Government focus was on adoption of economic reforms and liberalization of economic and industrial policies. The public sector was to face a tough competition from private sector. India registered a highest annual growth of 6.8 percent during this plan which came as the 1st Five Year Plan in post liberalization era. During the 9th Plan (1997-2002) the Government further reduced the public sector outlay and envisaged an important role for the private sector and other market forces. However the Government came with Navratna and Miniratna status scheme for profit making central public sector undertakings. Investment needs of Ninth Plan were estimated at Rs. 21,70,000 crores out of which the share of public sector was projected at Rs. 7,26,000 crores (33.4 percent) and that of private sector was estimated at Rs. 11,19,000 crores (51.6 percent). The remaining gap of Rs. 3,25,000 crores was to be filled by Foreign Direct Investment (FDI) and disinvestment of Public Sector companies. The profit making public sector companies performed very well but the Government was eyeing on them with its disinvestment policies. The 10th Five year plan (2002-07) was prepared against the backdrop of high expectations arising from growing rate of GDP. The GDP rate of growth rose to about 6.1 per cent in the 8th and 9th Five year plans from an average rate of 5.7 percent during 1980 in pre reforms or pre liberalization era. India had a strong presence of private sector by the time of implementation of this plan against the trends of initial five year plans. The public sector became much less dominant in many areas and the Government policy for disinvesting in public sector continued even with illogical disinvestment in highly profit making central public sector companies. The annual growth rate was proposed to 8 per cent. It looked an ambitious rate of growth as the GDP growth rate had decelerated to 6 percent in the last two years of 9th plan. The Government wanted to increase the per capita income at a faster rate. The 10th five year plan revealed that at 2001-02 prices, public sector plan required a mobilization of Rs. 15,92,300 crores. Although this amount was showing a very high increase in the mobilization resources as per given in 9th five year plan, yet the Government was keen to increase the disinvestment pattern in public sector. The proceeds from the disinvestment are used to fill the gaps created by budget deficits of losses from departmental undertakings and other unproductive Government expenditure.

The National Development Council in December 2006 approved the Approach to the 11th plan document titled Towards faster and more Inclusive growth and directed the planning commission to prepare a detailed plan to assess the resources required to meet the broad objectives set forth in the approach paper. The detailed version for the 11th five year plan (2007-12) was approved by the National Development Council in December 2007. The total resources for public sector were projected as Rs. 36,44,718 crores. The share of public sector investment in 11th five year plan declined to 23 per cent as against 33 per cent in the 9th plan. In fact, the Government of India has given a tremendous boost to private sector in post liberalization and economic reforms era and today it stands very tall in its position in the early years after independence or during the era of Nehru Model. The Government seems to have lot of control over the growth of private sector and other market forces. The political leadership lacks a clear and meaningful vision towards public sector policy. It is a known fact that India is considered among fastest growing economies of the world and has not fallen even after the economic disaster caused by the global recession in 2007. The strong nationalized banking system and the public sector of the country was a great support to Indian economy after recession era. The



Maharatna and Navratna public sector Undertakings of India have been very strong global players and saviours of Indian economy.

## DATA BASE AND METHODOLOGY

In the present study an attempt has been made to analyze the impact of globalization on the development of MSMEs. The reference period for the analysis of data from 1990-91 to 2012-13, was taken the study period is divided into two parts: pre liberalization (1990-91 to 2000-01) and post liberalization (2001-02 to 2012-13). A comparative analysis of growth rates for pre and post liberalization periods and parameters like number of units, investment, production, employment and export was undertaken the present study is based on both secondary data. The secondary data were collected from the relevant publications of Government and Non-Governmental organizations like Development Commissioner, Small scale industries, New Delhi, Commissioner of industries. This research is based on the survey and analysis of secondary data.

## DEVELOPMENT OF MSMES: PRE AND POST LIBERALIZATION PERIODS

Since the advent of planning in 1950-51, as discussed above, considerable effective efforts have been made for the development of Micro, Small and Medium enterprises in view of their potential for creating employment. The development of MSMEs in India are presented in Table-I.

TABLE-I  
DEVELOPMENT OF MSMES IN INDIA

Year	No of MSMEs (Lakh Numbers)	Investment (Rs.in Crores)	Production (Rs.in Crores)	Employment (Lakh persons)	Exports (Rs.in Crores)
1990-91	67.87	93555	78802	158.34	9664
1992-93	73.51	109623	84413	174.84	17784
1995-96	82.84	125750	147712	191.41	29068
2000-01	101.1	146845	261297	238.73	69797
POST LIBERALIZATION PERIOD					
2001-02	105.21	154349	282270	249.33	71244
2004-05	118.61	178699	429798	282.59	124419
2009-10	298.09	693836	982919	695.41	N.A
2010-11	311.52)	773487	1095758	732.7	N.A
2011-12	361.76	1183332	1145971	805.24	N.A
2012-13	467.54	1269338	1380930	1061.51	N.A

Source:- Various Annual Reports from 1991 to 2012-13, Ministry of Micro, Small and Medium Enterprises, Govt. of India, New Delhi.

From Table-I reveals that the study divided two parts are pre-liberalization and post-liberalization periods. In pre-liberalization period the number of MSMEs increased from 67.87 lakhs to 101.1 lakhs, the investment raises Rs. 93555 crores to 146845 crores, the production values increased

from Rs. 78802 crores to Rs.261297 crores, the employment increased 158.34 lakh persons to 238.73 lakhs and the exports are also increased Rs.9664 crores to 69797 crores during 1990-91 to 2000-01. In post-liberalization period the number of MSMEs increased from 105.21 lakhs to 467.54 lakhs, the investment rises Rs.154349 crores to 1269338 crores, the production values increased from Rs.282270 crores to Rs.1380930 crores, the employment increased 249.33 lakh persons to 1061.51 lakhs and the exports are not available during 2001-02 to 2013-14.

### COMPARISON OF THE MSMEs WITH THE TOTAL INDUSTRIAL SECTOR

The MSMEs sector has maintained a higher rate of growth vis-à-vis the overall industrial sector as would be clear from the comparative data on growth rates of production for both the sectors during last 10 years as shown in the Table-II.

**TABLE –II**  
**COMPOUND GROWTH RATES MSMEs WITH THE TOTAL INDUSTRIAL SECTOR IN INDIA**

Years	Growth Rate of MSME Sector (%)	Overall Industrial Sector (%)
2001-02	7.63	4.85
2002-03	8.68	5.71
2003-04	9.64	6.92
2004-05	10.88	8.41
2005-06	12.32	8.10
2006-07	12.61	11.5
2007-08	13.01	8.01
2008-09	13.56	8.56
2009-10	-	10.51
2010-11	-	7.81

Source:- Various Annual Reports from 2001 to 2011, Ministry of Micro, Small and Medium Enterprises, Govt. of India, New Delhi.

From the Table-II shows that the MSME sector has maintained a higher rate of growth vis-a-vis the overall industrial sector. It is clear from the data the growth rate of MSMEs has increased from 7.63 per cent in 2001-02 to 13.56 per cent in 2008-09 whereas the growth rate in overall industrial sector has declined from 4.85 per cent in 2001-02 to 7.80 per cent in 2010-11 with many fluctuations during the period. This indicates that the contribution of MSMEs sector has been much higher as compared to over industrial sector in India. Therefore, the Central Government and the State governments should take initiations by giving much priority for the development of MSMEs in making them more competitive.

## CONTRIBUTION OF MSMEs IN THE GROSS DOMESTIC PRODUCT (GDP)

The contribution of MSMEs in the Gross Domestic Product (GDP) is presented in Table-III.

TABLE –III  
CONTRIBUTION OF MSMEs IN THE GROSS DOMESTIC PRODUCT (GDP) IN INDIA

Years	Contribution of MSMEs (%) at 1999-2000 prices in	
	Total Industrial production	Gross Domestic Product (GDP)
1999-00	39.74	5.86
2000-01	39.71	6.04
2001-02	39.12	5.77
2002-03	38.89	5.91
2003-04	38.74	5.79
2004-05	38.62	5.84
2005-06	38.56	5.83
2006-07	45.62	7.21
2007-08	45.24	8.01
2008-09	44.83	8.72
2009-10	N.A	N.A
2010-11	N.A	N.A
2011-12	N.A	N.A
2012-13	N.A	N.A
2013-14	N.A	N.A

Source:- Various Annual Reports from 1999 to 2013-14, Ministry of Micro, Small and Medium Enterprises, Govt. of India, New Delhi.

From the Table-III reveals that the contribution of the MSMEs sector to overall industrial production has increased from 39.74 per cent in 1999-2000 to 44.83 per cent in 2008-09. The contribution of the MSME sector to the Gross Domestic Product (GDP) has increased from 5.86 per cent in 1999-2000 to 8.72 per cent in 2008-09. This indicates that there is significant growth and development of MSMEs in Indian economy.

## SCHEMES FOR FINANCING MICRO, SMALL AND MEDIUM ENTERPRISES

In the post-World Trade Organization (WTO) environment, it has become very clear that small industrial units have to be cost competitive and produce quality goods to remain in business. The ministry of SSI proposed to help small industrial units by giving incentives for taking ISO-9000 certification, introduce a Credit Linked Capital Subsidy Scheme (CLCSS), Technology up gradation Scheme and Credit Guarantee Fund Trust (TGSCGPT) for Small Industries.

## REIMBURSEMENT FOR ISO-9000 CERTIFICATION SCHEME

The scheme was started in March 1994 and it provides up to Rs. 75,000 per small industrial unit

which acquired ISO-9000 Certification. Since the inception of the scheme of ISO-9000 reimbursement, 4101 small industrial units to the tune of Rs. 1944 crore have been benefited up to Nov 2006.

#### LAGHU UDYAMI CREDIT CARD SCHEME

LaghuUdyami Credit Card Scheme (LUCCS), introduced in November 2001, has been implemented by the banks for providing borrower friendly credit facilities to small business, retail traders, artisans, small entrepreneurs, professionals and other self-employed persons including those in the tiny sector. Credit limit per enterprise under the scheme has been increased from Rs. 2 lack to Rs. 10 lack for borrowers with satisfactory record.

#### SWAROJGAR CREDIT CARD SCHEME

Swarojgar Credit Card Scheme (SCCS) has been launched since 15th August 2003 and banks are providing working capital to self-employment persons to the extent of Rs. 25000 lakhs per card. Credit flow from the formal system to small borrowers, especially persons of small means, has not been satisfactory which has been confirmed by various studies. Various credit delivery innovations in the form of SHG Bank Linkage Programme for making financial services available to the poor, Kisan Credit Card Scheme (KCCS) for meeting the production credit needs of the farmers for small industrial sector have been introduced. However, tiny and cottage village industries sectors and self-employed persons were left out from credit card schemes.

#### CREDIT GUARANTEE FUND TRUST SCHEME FOR MICRO AND SMALL INDUSTRIES (CGFTSI)

The scheme covers collateral free credit facility extended by eligible lending institutions to new and existing Micro and Small Enterprises up to Rs.50 lakh per borrowing unit. Under the Scheme, 73431 Proposals amounting to Rs. 197L33 crore have been approved. The credit guarantee fund trust for micro and small industries helps small entrepreneurs to realize their dreams of making it big and successful.

#### CREDIT LINKED CAPITAL SUBSIDY SCHEME (CLCSS)

The scheme was started in October, 2000 for a period of 5 years for encouraging the small industrial units for technology up gradation by installing new machinery and equipment for increasing productivity, quality up gradation and machinery for packaging or for environment protection. Initially 13 items were shortlisted under this scheme, providing 15 per cent upfront capital subsidy with effect from the 29.09.2005 to Micro, Small and Medium Enterprises. A provision for giving subsidy of Rs. 600 crores was made under this scheme. Recently the list of items has been enhanced to 30 items, so that more number of units can become technically advanced.

#### NATIONAL EQUITY FUND SCHEME (NEF)

The objective of NEF Scheme is to provide equity type support to entrepreneurs for setting up

new projects in tiny / small industrial sector for undertaking expansion, modernization, technology up gradation and diversification of existing tiny, Small Industries and Service Enterprises and for rehabilitation of viable sick units. In this scheme the cost should not exceed Rs. 50 Lakhs for new projects.

### INTEGRATED INFRASTRUCTURE DEVELOPMENT SCHEME (IIDS)

IIDS was launched in 1994 with the objective of providing basic infrastructural facilities like Power distribution network, water, roads, telecommunication, drainage and pollution control facility, banks, storage and marketing outlets, common service facilities and technological back up services etc. The estimated cost to set up an IID centre is Rs. 5.00 crore. Central Government provides up to 40 per cent or Rs. 2 crore in the case of general states and 80 per cent or Rs.4 crore for northeast Region, Jammu & Kashmir, Himachal Pradesh and Uttarakhand.

### TECHNOLOGY DEVELOPMENT AND MODERNIZATION FUND SCHEME (TDMF)

The main objective of the scheme is to encourage existing industrial and small industrial units to take up modernization of their production facilities and adoption of improved technology. The scheme was initiated in 1995 and extended up to 2003.

### SWOT ANALYSIS OF MSMEs OF INDIA

A detailed SWOT analysis paves 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 and threats are identified for Indian MSMEs which will form guidelines for the policy makers.

### STRENGTHS

The major strength of Small Medium Enterprises observed are flexibility, owner management, inexpensive labor, less overhead and favorable capital- output ratio.

#### Flexibility

Small and Medium Enterprises can easily absorb new innovation and adapt new method. The cost of changing the existing system is also relatively less.

#### Owner management

In Small and Medium Enterprises owner management is a possibility, which ensures quick decision making. This ensures speed and reduces red tapism.

### Inexpensive labor and less over head

The main reason for sickness of large scale industry is its labor problem and escalating wage bill. Small and medium enterprises strength is its cheap labor and less overhead.

### Favorable capital- output ratio

Small and medium enterprises are labor intensive. Through proper utilization of resources Small and medium enterprises can keep low level of capital investment per unit of output.

## WEAKNESSES

### Lack of quality consciousness

It is the major weakness of the small industries. Small and Medium Enterprises pay less attention to total quality programme and hence importance is less felt leading to quality problem (Derrick). Study reports show that under utilization capacity lead to reduction in level of productivity in Small and Medium Enterprises sector in India.

### Lack of Financial Strength

The Small and Medium brand image and hence mobilizing capital through other sources is a challenge. Enterprises depend largely on banking finance. They don't have corporate image.

### Lack of Industrial Work Culture

The labour gives more weight-age to their personal work and don't maintain regularity, discipline in reporting on time. Getting and continuing with trained workers and satisfying them is difficult. Study reports show that in India many small and medium enterprises are sick and some are closing down. The main reason is lack of quality and increasing competition. It is necessary for Small and medium enterprises to face new challenges by adopting best strategies, hence the SMEs should take immediate step to create quality awareness, and adoption of continuous improvement techniques.

## OPPORTUNITIES

After the introduction of trade liberalization and globalization, increased competitive pressures and reduced direct subsidies and relaxed protectionism from the clutches of Governments, strengthening of SSIs for export competitiveness becomes the dire need in the developing countries like India. No doubt, in India the MSMEs with their dynamism, flexibility and innovative drive increasingly focusing on improved production methods, penetrative marketing strategies and management capabilities to sustain and strengthen their operations. Their performance in items like readymade garments, Leather goods, processed food and engineering items has been commendable



both in terms of value and their share within the MSMEs sector, than the other sectors. In view of this, export promotion from the MSMEs sector has been accorded high priority in India's export promotion strategy, which includes simplification of procedures, incentives for higher production of exports, preferential treatments to MSMEs in the market development fund and simplification of duty drawback rules. They are thus poised for global partnership to absorb and more importantly to impart latest technologies in diverse fields. Drawing from the experiences of countries that have successfully promoted the export competitiveness of SSIs the points lay down the strategy for Indian MSMEs to achieve their export potential and make them increasingly export oriented. Promoting the export competitiveness of MSMEs needs the active involvement of various stakeholders like Government, the private sector and the International community.

## THREATS

The constraints for the MSMEs in India for export competitive include product reservations, regulatory hassles-both at the entry and exit stages, insufficient finance at affordable terms, inflexible labor markets and infrastructure related problems like high power tariff, and insufficient export infrastructure. The following were identified as the greatest obstacles to the internationalization of MSMEs by UNICEF.

- ✦ Lack of entrepreneurial, managerial and marketing skills.
- ✦ Lack of accessibility to investment.
- ✦ Lack of Government incentives for internationalization of MSMEs.
- ✦ Lack of accessibility to information and knowledge.
- ✦ Competition of indigenous MSMEs in foreign markets Difficulties accessing financial resources/Lack of capital.
- ✦ Non-conformity of standardization, lack of quality awareness and lack of mutual recognition schemes.
- ✦ Inadequate behaviors of multinational companies against domestic MSMEs /Lack of Government supply-supporting programs.
- ✦ Product and service range and usage differences.
- ✦ Risks in selling abroad.
- ✦ Language barriers and cultural differences.
- ✦ Complexity of trade documentation including packaging and labeling.
- ✦ Inadequate intellectual property protection.

## MAJOR PROBLEMS AND CHALLENGES FOR MSMEs COMPETITIVENESS

The ongoing program of economic reform is based upon the principles of liberalization, globalization and privatization. The changes in the international economic scene, including the emergence of the WTO, have brought certain challenges and several new opportunities to the SSI sector. The most important challenge is that of increasing competition, both globally and domestically. At the same time the sector has been facing problems. The problems of MSMEs are divided into two groups internal and external. As obvious, internal problems affecting the micro, small and medium

enterprises related to organization, structure, production channel, distribution channel, technical, training, industrial relation and inadequacy of management. While external problems are those which result factors beyond the control of the industries like availability of power and other and other infrastructure facilities required for the smooth running of MSMEs.

Every industrial and business organization has to take up the responsibility to meet the challenges posed by globalization. Not only the big business, but even a small business enterprise in India has to take up the responsibility to meet the standards, qualities, technological up gradation, skills technical know-how needed in the global market. Forty years ago, Great Economist Ernst Friedrich Schumacher published in Britain his book *Small is Beautiful* in which he argued in favour of human-scale, decentralized and appropriate technologies which small businesses could harness effectively. It means that even a small scale unit operating anywhere in India has to fulfill the standards set by the global giants which operate in India. This is not only in respect of a unit that produces final products but even the one which functions as ancillary or artisan.

In this study, an attempt has been made to analyze the impact of globalization on the growth of small scale industries. The comparative analysis of growth pattern of key parameters between pre and post globalization period has been studied. The overall performance and contribution of small scale industries to Indian economy is generally described in terms of its absolute growth in units, employment, production and exports. The MSMEs Development Act of 2006 is perhaps the most crucial of these recent policy changes. To ascertain the change in the relative contribution of Small Scale industries to GDP, exports and organized sector employment in the 2000 with that of 1990. The small scale sector has grown rapidly over the years. The period of liberalization and the development the MSMEs sector constituted an important segment of our economy. The MSMEs are a very important segment in the Indian industrial sector and would continue to play a crucial role in the Indian economy in the future. It also brought in huge amounts of foreign investments into the country and provided employment opportunities for many people in the country which in its turn helped reduce the level of poverty in the country. A rewarding feature of economic development in India has been impressive growth of modern MSMEs.

## REFERENCES

- 1) Ahluwalia, Productivity and Growth in India Manufacturing, Oxford University press, New Delhi, 1991.
- 2) Bala Subrahmanya. M.H., Small Industry and Globalization: Implications, Performance and Prospects, Economic and Political Weekly, 2004.
- 3) Government of India, Five Year plans, Planning Commission 1951-2012, New Delhi.
- 4) Khanna. S.S., Entrepreneurial development, S. Chand & Company Ltd New Delhi 2009.
- 5) Mathew. P.M, The SME Sector-A Golden Chance in the Waiting, the Hindu Survey of Indian Industry, 2009.
- 6) Ministry of Micro, Small and Medium Enterprises Various Annual Reports from 1991 to 2014, Government of India, New Delhi.
- 7) Sudhavenkatesh, Krishnaveni Muthiah, SMEs in India - Importance and Contribution, Asian Journal of Management Research, 2012.
- 8) Vasant Desai, Small Scale Industries and Entrepreneurship, Himalaya Publishers, Mumbai 2008.

9)www.dcmsme.in

10)www.indiastat.com

11)www.rbi.org.in

12)www.smallindustries.com

# Publish Research Article

## International Level Multidisciplinary Research Journal For All Subjects

Dear Sir/Mam,

We invite unpublished Research Paper, Summary of Research Project, Theses, Books and Book Review for publication, you will be pleased to know that our journals are

### Associated and Indexed, India

- ★ International Scientific Journal Consortium
- ★ OPEN J-GATE

### Associated and Indexed, USA

- EBSCO
- Index Copernicus
- Publication Index
- Academic Journal Database
- Contemporary Research Index
- Academic Paper Database
- Digital Journals Database
- Current Index to Scholarly Journals
- Elite Scientific Journal Archive
- Directory Of Academic Resources
- Scholar Journal Index
- Recent Science Index
- Scientific Resources Database
- Directory Of Research Journal Indexing

Golden Research Thoughts  
258/34 Raviwar Peth Solapur-413005, Maharashtra  
Contact-9595359435  
E-Mail-ayisrj@yahoo.in/ayisrj2011@gmail.com  
Website : www.aygrt.isrj.org