

# Impact on small scale Industries an Association with Co-operative Sector

Dr. V.KALAISELVI, Assistant Professor in **Economics**, Arignar Anna Govt Arts College, Villupuram, Deputed from **Annamalai University**, Annamalai Nagar,Chidambaram TN

## Abstract

**In this study focuses on** Small-scale industries play a vital role in the country's economy despite the phenomenal growth in the large-scale sector. Cooperative societies from their antecedents have not only contributed to the development of small scale business but are in themselves small scale businesses. Cooperatives have always promoted small business development through entrepreneurial development, funding, provision of entrepreneurship, promotion of establishment of small scale industries, promotion of small holder agriculture, etc. The co-operative banks are an important constituent of the Indian Financial System, judging by their role assigned to them, the expectations they are supposed to fulfil, their number, and the number of offices they operate. The co-operative movement was originated in the west, but the important that such bank have assumed in India is rarely paralleled anywhere else in the world. Co-operative banks in India are registered under the Co-operative Societies Act. The efforts of the government have resulted in the phenomenal increase in the number of units in the SSI. The government also introduced various schemes and incentives for the promotion of SSIs. Mostly this sector exhibited positive growth trends even during periods when other sectors of the economy experienced either negative or nominal growth. It is a well-recognized fact that a vibrant small-scale sector holds the key to economic prosperity in an economy like India. In this context, pertaining study to highlight the over all growth and importance of SSI in Indian economy.

**Key Words:** Entrepreneurship, Exhibited, Economic prosperity, development.

## Introduction

The co-operative banks in India have a history of almost 100 years. The co-operative banks are an important constituent of the Indian Financial System, judging by their role assigned to them, the expectations they are supposed to fulfil, their number, and the number of offices they operate. The co-operative movement was originated in the west, but the important that such bank have assumed in India is rarely paralleled anywhere else in the world. Their role in rural financing continues to be important event today, and their business in urban areas also has increased phenomenally in recent years mainly due to the sharp increase in the number of primary cooperative banks. Co-operative banks in India are registered under the Co-operative Societies Act. The Government of India had been encouraging and supporting the promotion of Small-Scale Industries through deliberate policies such as protection from large-scale industries, capital subsidies, differential tax treatment, reservation etc.,. India has also been striving to develop the country's industrial base since independence. It has framed various policies aimed at development of industries in the public and private sectors. Special emphasis has been laid on SSI. Cooperatives are formed to meet peoples' mutual needs. They are based on the powerful idea that together, a group of people can achieve goals that none of them could

achieve alone. For over 160 years now, cooperatives have been an effective way for people to exert control over their economic livelihoods. They provide a unique tool for achieving one or more economic goals in an increasingly competitive global economy. As governments around the world cut services and withdraw from regulating markets, cooperatives are being considered useful mechanisms to manage risk for members in Agricultural or other similar cooperatives, help salary/wage earners save for the future through a soft-felt monthly contribution that is deducted from source, own what might be difficult for individuals to own by their efforts, strengthen the communities in which they operate through job provision and payment of local taxes. Cooperatives generally provide an economic boost to the community as well.

In a number of ways, cooperatives play important role in global and national economic and social development. With regard to economic and social development, cooperatives promote the “fullest participation of all people” and facilitate a more equitable distribution of the benefits of globalization. They contribute to sustainable human development and have an important role to play in combating social exclusion. Thus the promotion of cooperatives should be considered as one of the pillars of national and international economic and social development.

### Concept

**Small-Scale Industries:** These are the industrial undertakings having fixed investment in plant and machinery, whether held on ownership basis or lease basis or hire purchase basis not exceeding Rs. 1 crore.

### Review of Literature

**A.K Sengupta(2006)said** that should pave the way for greater corporatization of the Small and Medium Enterprises- thereby enhancing their access to equity and other funds from the market of these products in keeping with the global standards. The Ministry of Micro, Small and Medium Enterprises has drawn up a road map and has been holding detailed consultations with stakeholders to generate condenses on further trimming this list should pave the way for greater corporatization of the Small and Medium Enterprises- thereby enhancing their access to equity and other funds from the market of these products in keeping with the global standards. The Ministry of Micro, Small and Medium Enterprises has drawn up a road map and has been holding detailed consultations with stakeholders to generate condenses on further trimming this list pave the way for greater corporatization of the Small and Medium Enterprises- thereby enhancing their access to equity and Micro, Small and Medium Enterprises has drawn up a road map and has been holding detailed consultations.

### Objectives

- 1 To Examine the Small Scale Industries Economic Development and Growth**
- 2. To Construct the Impact on Small Sector in Indian Economy**
- 3.. To Suggest policy measure to improving of Small Scale Sector in India**

### Co-operative bank improving small scale sector

Cooperative societies are based on the principles of cooperation, - mutual help, democratic decision making and open membership. Cooperatives represented a new and alternative approach to organisation as against proprietary firms, partnership firms and joint stock companies which represent the dominant form of commercial organisation.co-operative credit societies, in their formative phase came to be organised on a community basis to meet the consumption-oriented credit needs of their members. Salary earners" societies

inculcating habits of thrift and self-help played a significant role in popularising the movement, especially amongst the middle class as well as organized labour. From its origins then to today, the thrust of UCBs, historically, has been to mobilise savings from the middle- and low-income urban groups and purvey credit to their members - many of which belonged to weaker sections.

### **Small scale Industries Economic Development and Growth**

**Employment Generation:** The basic problem that is confronting the Indian economy is increasing pressure of population on the land and the need to create massive employment opportunities. This problem is solved to larger extent by small-scale industries because small-scale industries are labour intensive in character. They generate huge number of employment opportunities. Employment generation by this sector has shown a phenomenal growth. It is a powerful tool of job creation.

**Mobilization of Resources and Entrepreneurial Skill:** Small-scale industries can mobilize a good amount of savings and entrepreneurial skill from rural and semi urban areas remain untouched from the clutches of large industries and put them into productive use by investing in small-scale units.

**Equitable Distribution of Income:** Small entrepreneurs stimulate a redistribution of wealth, income and political power within societies in ways that are economically positive and without being politically disruptive. Thus small-scale industries ensure equitable distribution of income and wealth in the Indian society which is largely characterized by more concentration of income and wealth in the organized section keeping unorganized sector undeveloped. This is mainly due to the fact that small industries are widespread as compared to large industries and are having large employment potential

### **Recent Developments**

The term Urban Co-operative Banks (UCBs), though not formally defined, refers to primary cooperative banks located in urban and semi-urban areas. These banks, till 1996, were allowed to lend money only for non-agricultural purposes. This distinction does not hold today. These banks were traditionally centred around communities, localities work place groups. They essentially lent to small borrowers and businesses. Today, their scope of operations has widened considerably. The Cooperative Credit System in India consists of Short Term and Long Term credit institutions. The short-term credit structure which takes care of the short term (1 to 5 years) credit needs of the farmers is a three-tier structure in most of the States viz., Primary Agricultural Cooperative Societies (PACCS) at the village level, District Central Cooperative Banks at the District level and State Cooperative Bank at the State level and two-tier in some States viz., State Cooperative Banks and PACCS. The long term credit structure caters to the long term credit needs of the farmers (up to 20 years) is a two-tier structure with Primary Agriculture and Rural Development Banks (PARDBs) at the village level and State Agriculture and Rural Development Banks.

### **The Role of Cooperatives in Economic Development**

Cooperatives are community-based, rooted in democracy, flexible, and have participatory involvement, which makes them well suited for economic development (Gertler, 2001). The process of developing and sustaining a cooperative involves the processes of developing and promoting community spirit, identity and social organisation as cooperatives play an increasingly important role worldwide in poverty reduction, facilitating job creation, economic growth and social development (Gibson, 2005).

**Challenges of Cooperative Societies** Cooperatives the world over are in a state of flux. In almost all parts of the world, cooperatives face one or more of the following crises: crisis of ideology, crisis of capital, crisis of credibility and crisis of management (Taimni, 1997). Cheney (1995) identified five challenges facing

cooperatives. These are cultural transformation, competition and expansion, wage solidarity, centralization and reorganization, and programmes to increase productivity and participation.

### **Impact of Small Sector on Indian Economy**

The small scale sector has contributed specifically in the following areas. The SSI sector in India is the second largest manpower employer in the country next only to the agriculture sector. India is characterized by abundant labour supply and is plagued by unemployment and underemployment. Under these circumstances the small-scale sector is a boon. For every Rs.0.1million of investment, the small-scale sector provides jobs to 26 people as compared to 4 jobs created in the large-scale sector (C.B Gupta, S.S Khanka, 2003). It helps in industrialization of rural and backward areas. Many small units produce sub-parts, assemblies, components and accessories for the large scale sector especially in the electronic and automotive sectors. The most significant contribution of the SSI has been in the field of exports. There has been a significant increase in the exports from this sector of both traditional and non-traditional goods including jewellery, garments, leather, hand tools, engineering goods, software etc. Development of entrepreneurship is one of the major objectives of SSI's. Small business taps the latent potential available locally. This way they facilitate the spirit of enterprise, which results in overall growth, and development of all the regions /sectors of the nation.

### **Present Policy**

The act also provides for a statutory consultative mechanism at the national level with balanced representation of all sections of stakeholders, particularly the three classes of enterprises, and with a wide range of advisory functions. It offers the establishment of specific funds for the promotion, development and enhancing competitiveness of these enterprises, notification of schemes/ programmers for this purpose. It also makes provision for progressive credit policies and practices. As said by Prof A.K.Sengupta that government prefers procurements of products and services of the micro and small enterprises, more effective mechanisms for mitigating the problems of delayed payments to micro and small enterprises and assurance of a scheme for easing the closure of business by these enterprises are some of the other features of the act.

This coupled with an expected legislation on Limited Liability partnerships (introduced in the Parliament by the Ministry of Corporate Affairs, 2006) should pave the way for greater corporatization of the Small and Medium Enterprises- thereby enhancing their access to equity and other funds **products in keeping with the global standards** from the market of these.

### **Domestic diversification**

Co-operative banks have diversified away from purely retail and small business banking and have also become active in corporate banking. They have set up businesses in the fields of leasing, factoring, insurance and investment funds. Some co-operative banks formed or acquired specialised subsidiaries, whereas others offered non-banking products to customers/members from third parties. This way, the product range offered by local member banks has been expanded. In some co-operative systems, the subsidiaries are owned and governed by a well-capitalised central institution. In co-operative systems where the central organisation is insufficiently capitalised for these acquisitions, local member banks or their regional organisations are also shareholders of the subsidiaries, which complicates their governance to some extent.

### **Small Scale Sector Policy Implication**

**Policy Support:** .1 the investment limit for the Tiny Sector will continue to be Rs. 25 lakhs. (Annexure-III)

2 The investment limit for the SSI sector will continue to be at Rs. 1 crore. (Annexure-IV).3 The Ministry of SSI & ARI will bring out a specific list of hi-tech and export oriented industries which would require the investment limit to be raised up to Rs. 5 cores to admit of suitable technology up gradation and to enable them to maintain their competitive edge.

3. The Limited Partnership Act will be drafted quickly and got enacted. Attempt will be made to bring the Bill before the next session of the Parliament.

**Fiscal Support:** 1. to improve the competitiveness of Small Scale Sector, the exemption for excise duty limit rose from Rs. 50 lakhs to Rs. 1 crore. (Annexure-V) 4.0 Credit Support

2. The composite loans limit rose from Rs. 10 lakhs to Rs.25 lakhs. (Annexure-VI)

3. The Small Scale Service and Business (Industry Related) Enterprises (SSSBs) with a maximum investment of Rs. 10 lakhs will qualify for priority lending. (Annexure-VII)

4. In the National Equity Fund Scheme, the project cost limit will be raised from Rs. 25 lakhs to Rs. 50 lakhs. The soft loan limit will be retained at 25 per cent of the project cost subject to a maximum of Rs. 10 lakhs per annum.

### Emerging issues

The small scale sector has increased vastly over the years. During various five year plans the growth rates in SSI has been very impressive. The number of SSI has also risen at a reasonable rate. The SSI sector has em

### Growth of Small Scale Industries in India:

erged during the last five decades as a highly vibrant and dynamic sector of the Indian economy. This sector now accounts for about 95 percent of industrial units and this is contributing about 40 percent of value addition in the manufacturing sector nearly 80 percent of manufacturing employment and around 35 percent of total exports. The SSI sector is having 32 lakhs units which are spread all over the country producing nearly 7500 items, and providing employment more than 178 lakhs persons. The small enterprises not only play a crucial role in providing large scale employment opportunities at lower capital costs than large scale industries but also helps in industrialisation of rural and backward areas thereby reducing not only regional imbalances but assuring more equitable distribution of nation income and wealth SSI units are complementary to large and medium scale units as ancillary units. Before the process of reform began in 1991, the government attempts to close the Indian economy to the outside world.

### Conclusion

The co-operative movements in the world and in India have grown well. It is clear that, though the first documented consumer co-operative was founded in 1769 in a barely furnished cottage in Fenwick, East Ayrshire, the co-operative movement in India is century old.

.. A positive growth in membership and working capital of State Co-operative Banks, Central Land Development Banks, PACBs / PACSs, Co-operative urban banks and Employee credit societies were visible during these years.

Governments are expected to provide a supportive policy, legal and institutional framework, provide support measures based on activities, provide oversight on terms equivalent to other forms of enterprise and social organization, adopt measures to improve access to finance for disadvantaged groups, and topically, to promote the formalization of the informal economy. Government can contribute significantly to improving cooperative performance by facilitating access of cooperatives to support services, particularly support to cooperative human resource development

### References

- Bansal, S. K. (1992), Financial Problems of Small Scale Industries, Anmol Publications, New Delhi.
- Bharathi Dr. G. Vijaya, Subbalakshamma Dr. P. and Reddy P. Harinatha (2011), Promotion of Small Scale Industries: - A Panoramic View" International Journal of Enterprise Computing and Business Systems, <http://www.ijecbs.com/July2011/15.pdf>, accessed on 13.11.2011.

- [2.] Charantimath Poornima (2006), Entrepreneur Development Small Business Enterprise. Darling Kindersley (India) Pvt. Ltd, New Delhi.
- Datt, R. And Sundaram, K. P. M. (1999), Indian Economy, 39th Edition, S. Chand & Company, New Delhi.
- Government of India (1971), Small Scale Industries: A Guide and Reference Hand Book, Nabhi Publications, New Delh.
- Gupta C.B, Khanka S.S. 2003, Entrepreneurship and Small Business Management, 4th Edition New Delhi, Sultan Chand & Sons
- Ministry of Small Scale Industries and Agro & Rural Industries (2007), Package for Promotion of Micro and Small Enterprises [http://dcmsme.gov.in/publications/circulars/GazNot/promotion\\_package\\_english.pdf](http://dcmsme.gov.in/publications/circulars/GazNot/promotion_package_english.pdf) accessed on 07.12.2011
- Ministry of Science & Technology, Department of Scientific & Industrial Research, <http://www.dsir.gov.in/reports/mitcon/chap2.pdf>, accessed on 24.12.2011.
- Mathew, M. (2004), “Small Industry and Globalization”, Economic and Political Weekly, Vol. XXXIX, No. 20, 15 May 2004, and Pg: 1999-2000.

