

# Exploration of Current Status of Small and Medium Scale Industry in India

Kapil Soni <sup>1</sup>, Dr. Mool Chand <sup>2</sup>

Independent Scholar <sup>1</sup>, Associate Professor, Dept. of Commerce <sup>2</sup>

Dronacharya Government College, Gurugram (Haryana) <sup>1</sup>

**Abstract:** Small and Medium Scale Industry in India have a crucial role in Indian manufacturing sector and have become engine of economic growth in India. Today, small and medium industry occupies a position of strategic importance in the Indian economic structure due to its significant contribution in terms of output, exports and employment. The small scale industry accounts for 41% of gross industrial value addition and 49% of total manufacturing exports. It is estimated that SSIs and MSIs account for almost 90% of industrial units in India and 41% of value addition in the manufacturing sector. The present paper is a modest attempt to understand basic of SSIs and MSIs, their formation and significance in overall growth in India. Since the outbreak of the financial crisis, the world economy has been working hard for its recovery and health development. This year's global growth rate is expected to be 3.40% and 3.80%, respectively, but India's GDP continues to grow rapidly in the world's major economies. According to the International Monetary Fund, India is expected to grow by 7.80% this year.

**Keywords:** Small-scale industry (SSI), small & Medium Enterprises Development (MSMED), Gross Domestic Product (GDP)

## 1. Introduction

In India, small and medium-sized enterprises (SMEs) are understood as companies investing in plant and machines are equipment is between Rs. 25lakh to Rs.10 crore in case of a manufacturing industry and between Rs. 10 lakh to Rs. 5 crore in case of a service sector enterprise. Small and Medium Enterprises (SME) sector has become a dynamic sector of the Indian economy. SMEs not only play an important role in providing large employment opportunities at relatively low capital costs compared to large industries, but also contribute to the industrialization of rural areas and underdeveloped areas, thereby Reduce regional imbalances and ensure more even distribution. National income and wealth Small and medium-sized enterprises (SMEs) complement large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country. <sup>[1]</sup> SMEs also play a significant role in Nation's development through its high contribution in low investment requirements, operational flexibility, geographical mobility, low-intensive imports, appropriate local technology development capabilities, import substitution, and defense production. It Contributions also play an important role in national development, technology-oriented industries, domestic and export markets, thereby creating new entrepreneurs by providing knowledge, training and skill development. In 2006, the MSMED bill notified the Government of India to address policy issues affecting SMEs and the scope and investment limits of this sector. The Act

seeks to facilitate the development of these companies while increasing their competitiveness. It provides the first legal framework to recognize the "business" concept, including manufacturing and services. It defines for the first time medium-sized companies and is trying to integrate three levels of these companies, namely, micro, small and medium. The Act also provides a statutory advisory mechanism at the national level that equally represents all stakeholders, in particular those of three types of companies, and offers a wide range of advisory functions. <sup>[2]</sup>

### 1.1 Turnover based classification of MSMEs

Therefore, the Small and Medium Enterprise Development Act (MSMED) Act of 2006 is amended to define the units that produce goods and provide services on an annual sales basis as follows:

- Small businesses are defined as units with annual sales of less than 500 rupees.
- Small and medium-sized enterprises are defined as units whose annual sales exceed Rs 5 crore but do not exceed Rs.75 crore billion rupees.
- Medium-sized companies are defined as units with an annual turnover between Rs75 crore rupees and but do not exceed Rs. 250 crore rupees. <sup>[3]</sup>

### 1.2 Small Scale Industries

Small-scale industry (SSI) refers to manufacturing and provides services that create small-scale or micro-scale industries. For example, napkins, paper towels, chocolate, toothpicks, water bottles, small toys, paper, pens, etc. are ideas for small industry. Small-scale industries play an important role in social and economic development in India. These industries make temporary investments in machines, factories, and industries that can be the basis of ownership basis, hire purchase or lease basis. But it does not exceed one Crore. Basically, small-scale industries comprise of small enterprises who manufacture goods and services with the help of relatively small machines and a few workers and employees. Basically, companies have to follow the guidelines set by the Government of India. The restrictions at that time are as follows. In the case of the product manufacturing sector: Investments in plants and machinery should be between 25 lakh and five crores rupees.

**For Service Providers:** Machine investment should be between 10 lakhs and two million rupees. In developing countries like India, these small industries are the lifeblood of the economy. These are usually labor intensive industries, so it create much employment. It also help increase per capita income and resource use in the economy.

### 1.3 Characteristics of Small Scale Industries

**Ownership:** These units are usually single ownership. So that is only ownership, sometimes partnership.

**Management:** Management and control is usually associated with the owner / owner. Therefore, the owners are actively involved in the day-to-day running of the business.

**Limited Reach:** Small-scale industries have only a limited scope of business. Therefore, it meet the needs of the region and the area.

**Labor Intensive:** These small industries often use labor and labor for production activities. Therefore, the reliance on technology is very limited.

**Flexibility:** These units are better suited to changing business environments. It is therefore flexible enough to adapt and continue, even in the event of sudden changes or unexpected developments. Large scale industries do not have this advantage.

**Resources:** It use local and ready-made resources. It also helps the economy make better use of natural resources and reduce waste.

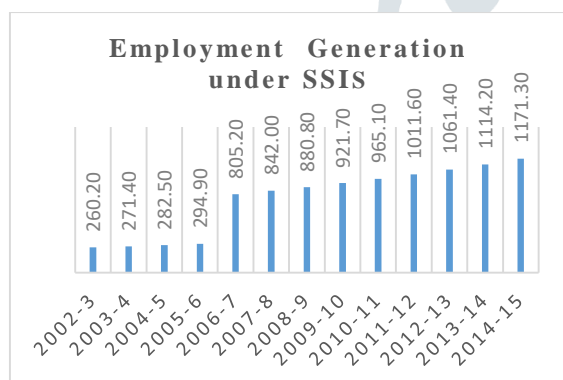
### 1.4 Role of Small Scale Industries in the Indian Economy

#### Total Production

These companies account for nearly 40% of the total goods and services produced by the Indian economy. It are one of the main reasons economic growth and strengthening.

#### Employment

These small industries are the main source of employment in the country. The entire workforce cannot find work in a formal sector of the economy. As a result, these labor-intensive industries provide a living for most of the workforce.



**Fig 1:** Employment generation Under SSIs (X-Year, Y-Numbers in lakhs)

**Source:** Annual report, Government of India, Micro, Small and Medium Enterprises (2012-13) & (2015-16).

#### Contribution to Export

Almost half (45-55%) of the goods exported from India are produced by these small enterprises. About 35% of direct exports and 15% of indirect exports are from small-scale industries. Therefore, India's export industry relies mainly on these small-scale industries to promote its growth and development.

#### Welfare of the Public

In addition to economic reasons, these industries are also important for the development of society and our country. These industries are usually started by middle- class public. It

have the opportunity to earn wealth and other people among the staff. It contributes to income distribution and contributes to the progress of society.

### 1.5 SME Sector in India – Statistics, Trends, Reports

Since the onset of the financial crisis, the world economy has been working hard for its vitalization and sound growth. Global growth rates last year and this year are expected to be 3.40% and 3.80%, respectively, but India's GDP continues to grow rapidly over the world's major economies. According to the International Monetary Fund, India is expected to grow 7.80% this year.

(Source: Ministry of Commerce, Government, India.)

With no debate, SMEs are one of the key drivers behind this growth story. Industries such as manufacturing, infrastructure, services, food processing, packaging, chemicals and IT have been the most dynamic and dynamic drivers of India's economic growth over the past few decades. These self-funded self-employed companies, private cooperatives, private self-help groups, Khadi, Village and Coir industries not only provide huge employment opportunities but also bring regionalization by bringing industrialization to rural backward areas. Secure (about 20% of MSMEs operate out of rural & backward areas). To convey the importance of the small business sector, this paper share with you some important small business statistics, trends and reports.

- **Number of SMEs in India:** This number is estimated at 42.5 million and is registered and unregistered. It occupies 95% of the whole country.
- **SME & Employment opportunity:** It is about 160 millions, people that make up 40% of the working population in India. Next to the agriculture sector.
- **Products:** Production of more than 6000 products
- **GDP Contribution:** It currently accounts for 6.11% of manufacturing GDP and 24.63% of service GDP.
- **SME Output:** 45% of total production in India
- **SME Exports:** It accounts for 40% of the total exports.
- **Bank Lending:** It accounts for 16% of bank loans.
- **Fixed Assets:** The current fixed asset is INR 1,471,912.94 crore.
- **SME Growth Rate:** Has maintained an average growth rate of over 10%.

(Sources: msme.gov.in/KPMG/CRISIL/CII.)

The Government of Indian sector's contribution to employment, gross domestic product (GDP), innovation and entrepreneurship and has launched a number of initiatives to promote SMEs business. The following is a chart of the performance of several key schemes:

### 2. Challenges and opportunities for Indian SMEs in 2018

There are more than 50 million small and medium enterprises, and over the past 50 years, the small and medium enterprise sector has grown dramatically by contributing 40% of the country's exports and creating millions of jobs each year. In the next few years, the SME sector has great growth potential in job creation, entrepreneurship and innovation. However, the department is working hard to bear the task. Unfortunately, the trend of challenges for the next fiscal year seems to be decreasing.

2.1 The challenges are following SMEs in 2018 are:

### Inadequate access and marketing platform

SMEs in India have been subjected to weak marketing linkages. With the lack of government support and the lack of appropriate marketing facilities, the path to marketing and selling SME products will continue to be a challenging one in future. In the marketing of international products and services, SMEs are resources always limited due to lack of budget, which limits their growth.

### Lack of access to new technology

Despite recent technological advances, the continued use of low technology by SMEs has resulted in decreased productivity due to the popularity of mobile phones and the Internet. This will make you less competitive in the expanding market. Though SMEs in metropolitan cities have now shown their positive about absorbing technology, but rural destinations are still not advanced. This will continue to be a challenge in 2018.

### Lack of required credit

The most important constraint on SME growth in China is the lack of funds and credit facilities. Over the next year, SMEs are bound to face the situations of complex collaterals by the banks, cumbersome sanctions procedures, late payments, and high interest rates on SME loans. Difficulty in obtaining an easy and timely credit is crucial factor hampering the SME growth.

### Cumbersome regulatory practices

Regulatory practices such as building permits, bankruptcy, mortgage securities / guarantees, and taxes will continue to be a constraint for many small businesses in 2018. Lack of common regulators and inadequate preparation for start-ups will affect the growth of such companies.

## 2.2 Opportunities

From government policy to technological advances, SMEs can expect the following trends in 2018:

- **Leveraging the e-commerce trend:** Today, SMEs can enter the online world through digitization. For many years, the SME sector has suffered intense competition, but digital can provide them the required benefits it need.
- **Adoption of technology:** Small and medium-sized businesses can use these platforms as social media, mobile phones and cloud technologies are now a hot topic in town. Incorporating social and cloud platforms creates significant opportunities for increased revenue and operational efficiencies.
- **Taking advantage of Government schemes:** SMEs need to benefit from government initiatives such as “Made in India”, “Entrepreneur India” and “Indian Skills”. These programs are initiated by the government to promote corporate culture and develop the current state of SME.
- **Abundance of Fintech firms:** As the number of Fintech companies and lenders increases, small and medium businesses will have affordable and affordable financing options available.

The SME loans from traditional lenders, SMEs should always be concerned about cash flow gaps. But now, with the dramatic increase in speed, transparency, and quick SME loan facilities are about to increase significantly. SME loans have always helped the businesses meet all the business needs it need from time to time without difficulty.

### Following are the business needs offered by SME Loan

- Launch of new product line
- Business development
- Pay salaries to employees
- Warehouse needs
- Buy new equipment
- Reputation of marketing and advertising campaigns

Getting an easy loan is not the only defining factor, and many lenders now do not require borrowers to bring their personal or corporate assets online to qualify for financing. Funds are now faster because there is no need to pledge collateral, less paperwork, and minimal need for documentation. The online approach to SME loan further eliminates fog and makes it easy to access commercial loan details online anytime and anywhere.

### 3. Assembling Of Resources and Entrepreneurial Skill

Small scale industries can focus enough savings and entrepreneurial skills from semi-urban and rural areas, which are still new from the perspective of large-scale industrial sectors, and help to improve the social welfare of the country by identifying the hidden talents of the weaker parts. Social and investment intellectual skills in the production or manufacture of goods. In the past decade, investment in small industries has increased as found.

### 4. Export Enhancement

Small scale industries have registered a magnificent growth in export over the years. The value of products exported by the SSIs has increased from 155 crores in 1971-72 to 124417 crores in 2004-05. The SSI units contributes about 40% of India's total export, thus this helps India in increasing the foreign exchange reserve and reduces the pressure on country's balance of payment.

**Table I.** Total Exports of the country and share of SSI Sector (Rs. in crores)

Year	Total Export	Export By SSIs	% Share Of SSIs In Export
1971-1972	1608	155	9.60.
1976-1977	5142	766	14.90.
1981-1982	7809	2071	26.50.
1986-1987	12567	3644	29.00.
1991-1992	44041	13883	31.50.
1992-1993	53688	17778	33.10.
1993-1994	69571	25307	36.40.
1994-1995	82674	29068	35.20.
1995-1996	106465	36470	34.30.
1996-1997	117524	39248	33.40.
1997-1998	126286	44442	35.20.
1998-1999	141604	48979	34.60.
1999-2000	159161	54200	34.00.
2000-2001	202510	69797	34.47.
2001-2002	207746	71244	34.29.
2002-2003	252790	86013	34.03.

2003-2004	291582	97644	33.49.
2004-2005	361879	124417	34.38.

**Source:** DC (MSME) and Ministry of Commerce & Industry

### 5. Conclusion

Based on the above trends, 2018 will be the year when SME sector in India is gradually changing. The remarkable growth of technology and innovation will make the business-friendly atmosphere of SMEs was become a reality. The development of SSI is critical to the up-liftment of the Indian economy for equitable distribution in Income and wealth, economic self-reliance and sustainable economic development. Lift the SSI section so that it can take seriously to establish the mechanism of growth of the Indian economy, it is important to support them the small and medium enterprises. Make maximum use of internal capabilities for success in human and economic activities. Some appropriate measures. A platform for the government to provide minimum financial assistance and assistance from the government. MSME purchases and trains high quality raw materials in an organized marketing process.

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