

## An evolutionary study of SSI (Small Scale Industry) in Uttar Pradesh

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**Abstract**

*The Small Scale industries play a significant role in boosting the economic growth of an economy. The small scale industries set up by the innovative entrepreneurs in different States of India have contributed to the increased shares in the overall production, fixed investment, export, employment and capacity utilization of SSI units. The importance of SSI sector in providing significant employment is of paramount importance. The policy framework right from First five years plan has highlighted the latent need for the development of SSI sector keeping in view its strategic importance in the economic development of country. In this chapter, the performance of Small Scale sector has been analysed on the basis of the different parameters & indicators. The overview of MSME in India, institutional and Government support system for SSI Units, entrepreneurship in SSIs, role of SSIs in the economic system, demographical /Socio -Economic analysis of Uttar Pradesh and Kanpur, sector wise industrial profile of UP & Kanpur etc. are dealt with in this chapter.*

### I. Introduction

**THE INDIAN MSME SECTOR**

The MSME sector is a significant contributor to the Indian economy. Based on official figures from the Ministry of MSME, November 2010, this sector contributes 8% of National GDP, comprises 50% of India’s total manufactured exports, 45% of India’s total industrial employment and 95% of all industrial units. The SME sector in India, however, has been changing over time, mostly through changes in government policy. In this section we will highlight the definition, profile, size, composition and performance of this sector. Despite its relevance, the MSME sector has for long faced various obstacles to growth. In recognition of these difficulties and succumbing to a long sustained lobbying, the Government of India passed the MSME Development Act of 2006 which brought about major changes in this sector. The basic achievement was a clear and decisive definition of units that fall under micro, small and medium category. The definitions are based on total investment in plant and machinery for manufacturing units and investment in equipments for service units. The new definitions have expanded the plant and machinery limits and now each enterprise level includes larger investments than before. There are also allowances for smaller investments in service enterprises. Currently, the definition used by the Ministry of Micro, Small & Medium Enterprises is described in Table.

**Table 3: Definition of Micro, Small and Medium Enterprises**

| Manufacturing Sector | Investment in plant & machinery                               |
|----------------------|---|
| Micro                | Less than Rs. 2.5 million                                     |
| Small                | Rs. 2.5 to Rs. 50 million Rs. (Before 2006: 2.5 – 10 mil Rs.) |
| Medium               | Rs.50 million to Rs.100 million (Not defined before 2006)     |

| Service Sector | Investment in plant & machinery                   |
|----------------|---|
| Micro          | < 1 million Rs.                                   |
| Small          | 1 – 20 million Rs. (Before 2006: < 1 million Rs.) |
| Medium         | 20 – 50 million Rs. (Not defined before 2006)     |

There were no definitions for ‘medium’ manufacturing and service units until 2006. The old definition of small enterprises applied to Small Scale Industrial Undertakings (SSIs) where investment in plant & machinery was less than Rs.10 million. The old definition also applied to Small Scale Service and Business

(Industry Related) Enterprises SSSBEs) where investment in fixed assets, excluding land and building was less than Rs.1 million. Looking at the size and significance of MSME sector in Indian economy (Table), we note that as of 2004, there were a total of 130 lakhs micro and small firms in India. The number of firms in the MSEs sector comprises a staggering 65% of all industrial units in India. Together they employ more than 8% of the total Indian labour force of 509 million individuals. This amounts to a significant 41 million people who are currently employed in this sector. The MSME sector is a significant contributor to India's exports amounting to 40% of the total share. It also comprises a lion's share (45%) of the total manufacturing output of the country.

### Growth & Performance of MSME Sector

Performance of Micro, Small & Medium Enterprises (MSME) sector is assessed by conducts of periodic all India Census of the Sector. The latest census conducted was **Fourth All India Census** of MSME. The Census was conducted with reference year 2006-07, wherein the data was collected till 2011 and results published in the year 2013, fourth *all India Census of MSME* is the first census conducted post implementation of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. Prior to implementation of MSMED Act 2006, the sector was defined as per the provision of Industrial Development and Regulation Act 1951 as Small Scale Industries (SSI) sector and its constituent, tiny and auxiliary units as per periodic revision of criteria for defining such units. The scope and coverage of the MSME sector were broadened significantly under the MSMED Act, 2006, which recognized the concept of "enterprise" and to include both manufacturing and services sector, besides defining the medium enterprises under the MSME sector. Thus, the entire non-agricultural sector of the economy was brought under the coverage of MSME sector subject to the revised criteria prescribed for defining Micro, Small and Medium Enterprises separately for manufacturing and services sectors.

**Table 4: Performance Of SSI/MSME: Employment & Investments**

| S. No. | Year    | Total Working Enterprises (in Lakh) | Employment (in Lakh) | Market Value of Fixed Assets (Rs. in Crore) |
|--------|---------|-------------------------------------|----------------------|---|
| I      | II      | III                                 | IV                   | V   |
| 1      | 2001-02 | 105.21                              | 249.33               | 154349.00                                   |
| 2      | 2002-03 | 109.49                              | 260.21               | 162317.00                                   |
| 3      | 2003-04 | 113.95                              | 271.42               | 170219.00                                   |
| 4      | 2004-05 | 118.59                              | 282.57               | 178699.00                                   |
| 5      | 2005-06 | 123.42                              | 294.91               | 188113.00                                   |
| 6      | 2006-07 | 361.76                              | 805.23               | 868543.00                                   |
| 7      | 2007-08 | 377.76                              | 842.00               | 920459.00                                   |
| 8      | 2008-09 | 393.70                              | 880.84               | 977114.72                                   |
| 9      | 2009-10 | 410.80                              | 921.79               | 1038546.00                                  |
| 10     | 2010-11 | 428.73                              | 965.15               | 1105934.09                                  |
| 11     | 2011-12 | 447.66                              | 1011.80              | 1183332.00                                  |
| 12     | 2012-13 | 467.56                              | 1061.52              | 1269338.02                                  |

❖ Statistics includes activities of wholesale/retail, legal, education & social services, hotel & restaurants, transport and storage & warehousing (except cold storage) for which data was extracted from Economic Census 2005, Central Statistics Office- MOSPI.

### Contribution of MSME (Manufacturing Sector) In the Gross Domestic Product (GDP)

The table is based on the results obtained from Third and Fourth All India Census of Small Scale Industries/ Micro, Small & Medium Enterprises, in consultation with the Central Statistics Office, Ministry of Statistics & Programme Implementation. The estimated value of manufacturing output of MSME Sector and its share in total manufacturing output & GDP are as noted below:

**Table 5: Contribution of Manufacturing Output of MSME In GDP (At 2004-05 Prices).**

| Year    | Gross Value of output (Rs. in Crore) | Percentage Share of MSME   |                              |
|---------|--------------------------------------|----------------------------|------------------------------|
|         |                                      | Total Manufacturing Output | Gross Domestic Product (GDP) |
| 2007-08 | 1198817.55                           | 42.02                      | 7.73                         |
| 2008-09 | 1322960.41                           | 41.98                      | 7.81                         |
| 2009-10 | 1375698.60                           | 40.79                      | 7.52                         |
| 2010-11 | 1488390.23                           | 39.63                      | 7.49                         |
| 2011-12 | 1655580.60                           | 38.48                      | 7.42                         |
| 2012-13 | 1790804.67                           | 37.52                      | 7.28                         |

#### Source:

1. Fourth All India Census of MSMEs
2. National Account Statistics 2013, CSO, M/O SPI and
3. Annual Survey of Industries, CSO, M/O SPI

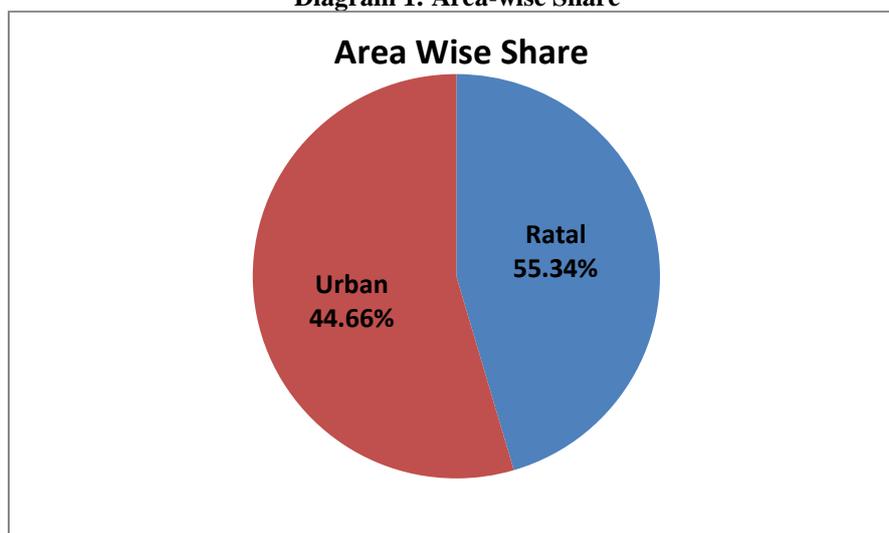
**Table 6: Growth Statistics of the Sector (IV All India Census)**

| S.No. | Characteristics   | Registered Sector | Unregistered Sector | EC-2011           | Total              |
|-------|---|-------------------|---------------------|-------------------|--------------------|
| I     | II  | III               | IV                  | V                 | VI                 |
| 1     | Size of Sector(in Lakh)                                   | 15.64             | 198.74              | 147.38            | 361.76             |
| 2     | No. of Rural Units (in Lakh)                              | 7.70<br>(45.20%)  | 119.68<br>(60.22%)  | 73.43<br>(49.82%) | 200.18<br>(55.34%) |
| 3     | No. of Women Enterprises(in Lakh)                         | 2.15<br>(13.72%)  | 18.06<br>(9.09%)    | 6.40<br>(4.34%)   | 26.61<br>(7.36%)   |
| 4     | Total Employment (in lakh)                                | 93.09             | 408.84              | 303.31            | 805.24             |
| 5     | Per Unit Employment                                       | 5.95              | 2.06                | 2.06.             | 2.23               |
| 6     | Total original value of Plant & Machinery (Rs in Lakh)    | 10502461          | 9463960             | -                 | 19966421           |
| 7     | Per unit original value of Plant & Machinery (Rs in Lakh) | 6.72              | 0.48                | -                 | -                  |
| 8     | Total Fixed Investment(Rs. in Lakh)                       | 44913840          | 24081646            | -                 | 68995486           |
| 9     | Per Unit Fixed Investment(Rs. in Lakh)                    | 28.72             | 1.21                | -                 | -                  |
| 10    | Total Gross Output (Rs. in Lakh)                          | 70751027          | 36970259            | -                 | 107721286          |

**Distribution of Working Enterprises by Area**

Rural areas with 200.19 lakh of working enterprises accounted for 55.34% of the total working enterprises in MSME sector whereas urban area located 161.75 lakh working enterprises accounted for 44.66% of the working enterprises of Sector.

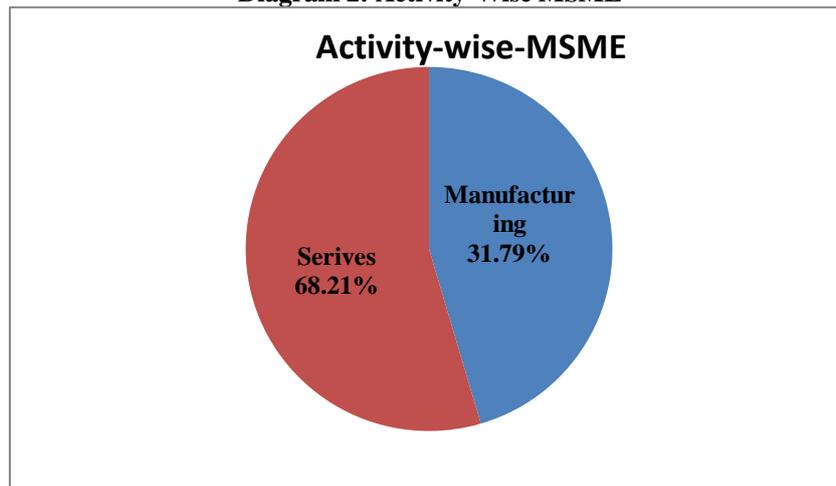
**Diagram 1: Area-wise Share**



**Nature of Activity**

31.79% of the enterprises in the MSME sector were engaged in manufacturing, whereas 68.21% of the enterprises were engaged in the services.

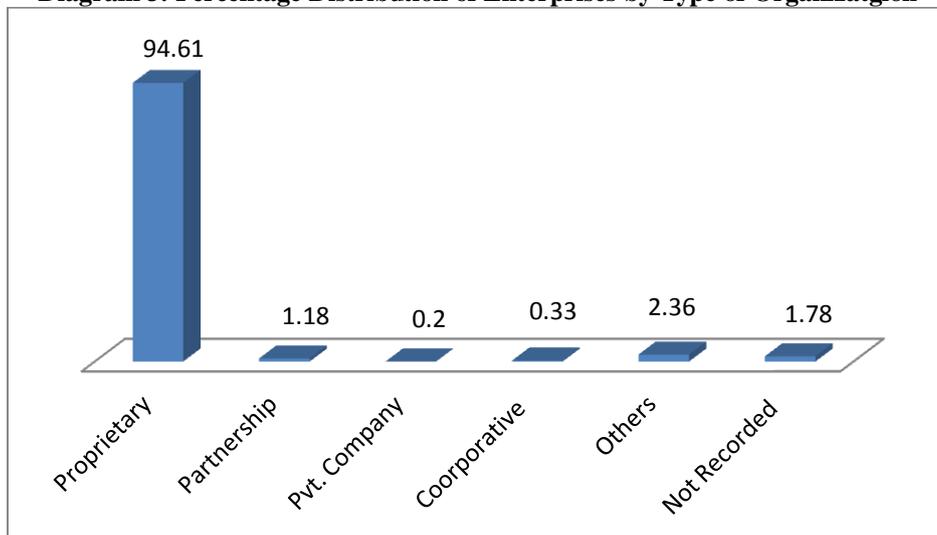
Diagram 2: Activity-Wise MSME



**Type of Organisation**

Results show that 94.61% of the enterprises in the sector were proprietary enterprises. About 1.18% of the enterprises were run by partnerships and 0.2% of the enterprises were run by private companies. The rest were owned by co-operatives/trusts or others.

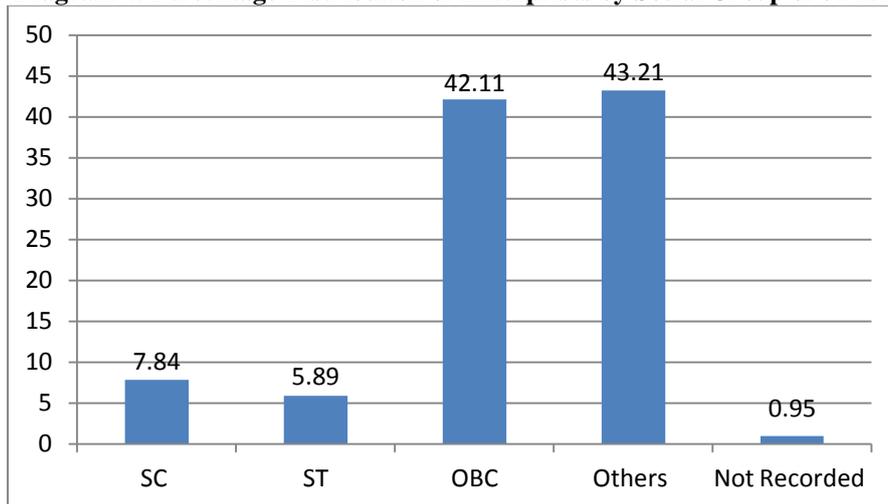
Diagram 3: Percentage Distribution of Enterprises by Type of Organization



**Ownership by Social Category**

According to social group category, 7.84% of the enterprises were owned by Scheduled Caste entrepreneurs. 5.89% of enterprises were by Scheduled Tribe entrepreneurs and 42.11% by entrepreneurs of Other Backward Classes.

**Diagram 4: Percentage Distribution of Enterprises by Social Group of owner**

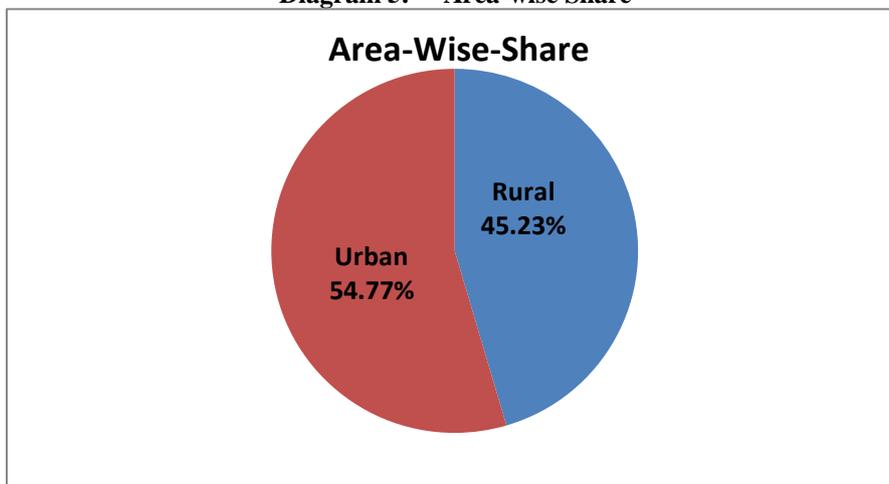


**Estimates of Registered Sector**

**Distribution of Working Enterprises by Area**

Urban areas with 8.57 lakh of working enterprises accounted for 54.77% of the total working enterprises in Registered MSME sector whereas rural area located 7.07 lakh working enterprises accounted for 45.23% of the working enterprises.

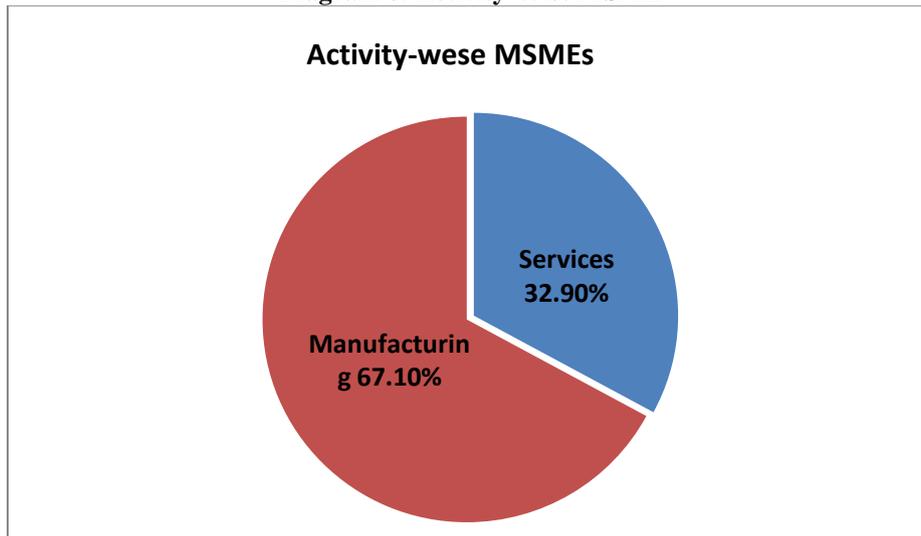
**Diagram 5: Area-wise Share**



**Nature of Activity**

67.10% of the enterprises in the Registered MSME sector were engaged in manufacturing. Whereas 32.90% of the enterprises were engaged in the services activities.

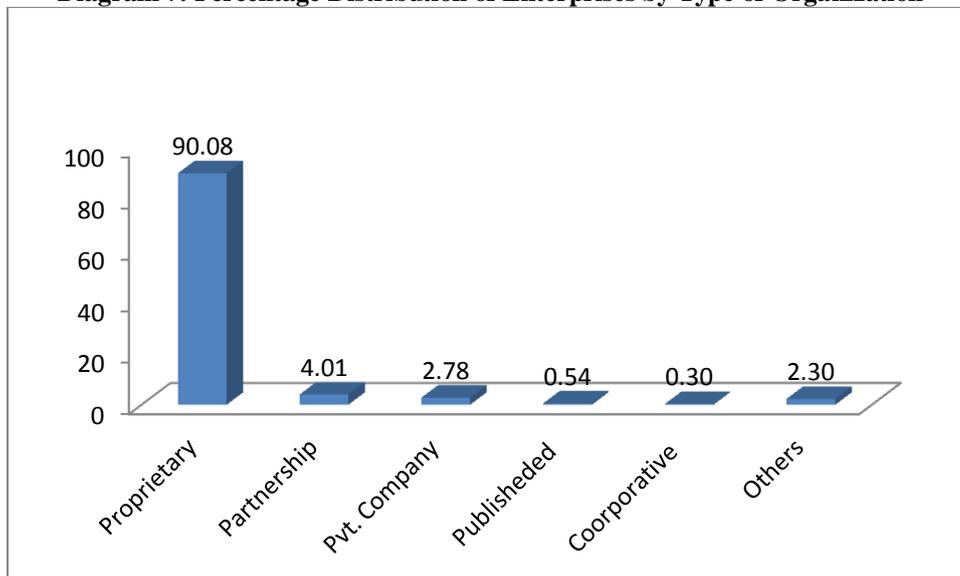
Diagram 6: Activity-Wise MSME



**Type of Organisation**

90.08% of the enterprises in the registered MSME sector were proprietary enterprises. About 4.01% of the enterprises were run by partnerships and 2.78% of the enterprises were run by private companies.

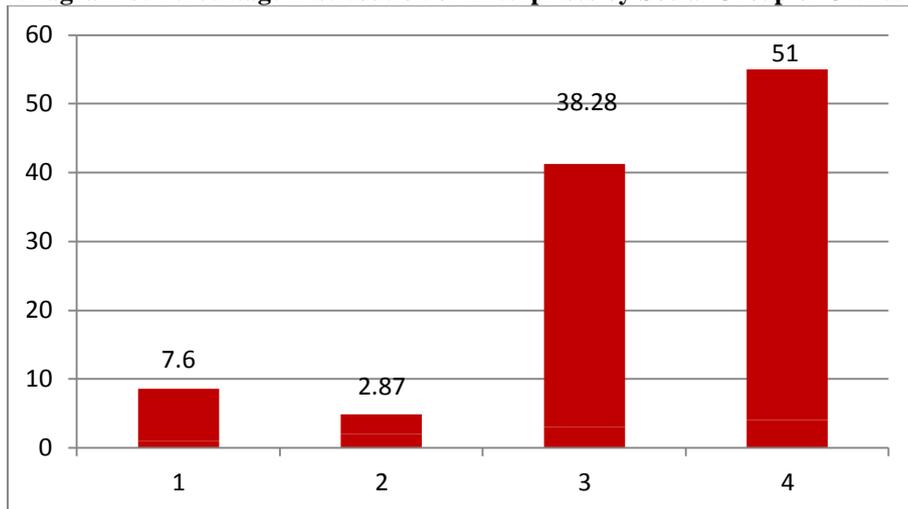
Diagram 7: Percentage Distribution of Enterprises by Type of Organization



**Ownership by Social Category**

According to social group category, 7.60% of the enterprises were owned by Scheduled Caste entrepreneurs. 2.87% by Scheduled Tribe entrepreneurs and 38.28% by entrepreneurs of Other Backward Classes.

**Diagram 8: Percentage Distribution of Enterprises by Social Group of Owner**

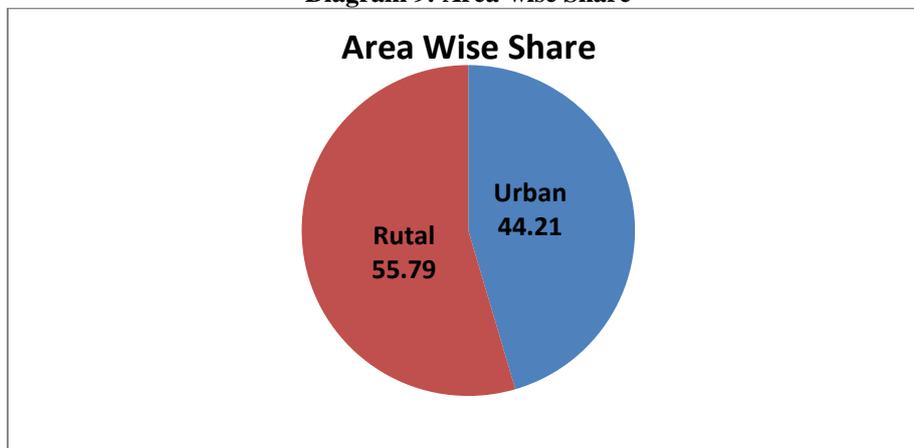


**Estimates of Unregistered Sector**

**Distribution of Working Enterprises by Area:**

Rural area with 193.12 lakh of working enterprises accounted for 55.79% of the total working enterprises in Unregistered MSME sector whereas urban areas located 153 lakh working enterprises accounted for 44.21% of the working enterprises.

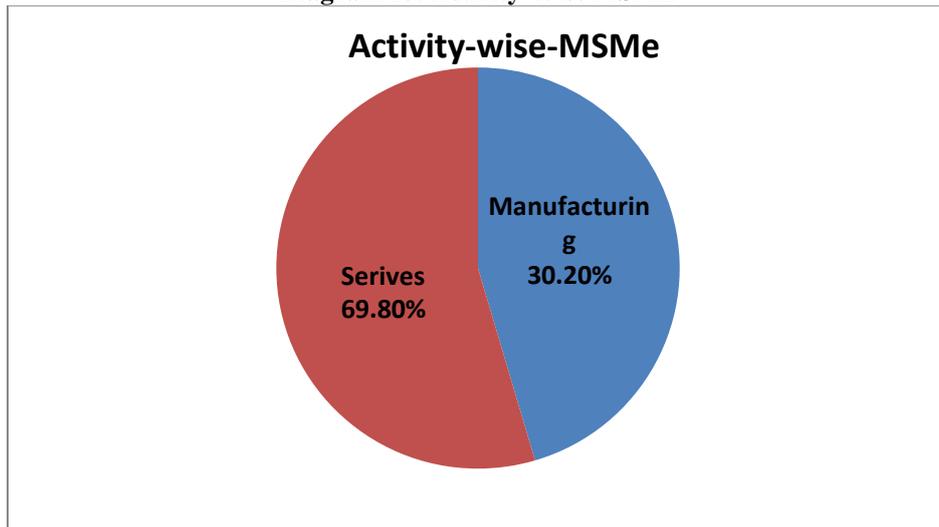
**Diagram 9: Area-wise Share**



**Nature of Activity**

69.80% of the enterprises in the unregistered MSME sector were engaged in services, whereas 30.20% of the enterprises were engaged in the manufacturing activities.

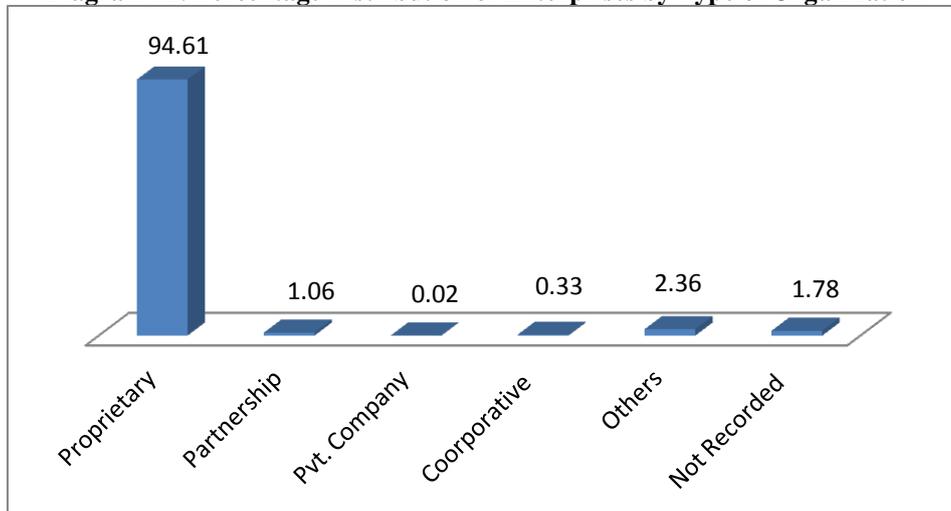
Diagram 10: Activity-Wise MSME



**Type of Organisation**

94.61% of the enterprises in the unregistered MSME sector were proprietary enterprises. About 1.06% of the enterprises were run by partnerships and 0.02% of the enterprises were run by private companies.

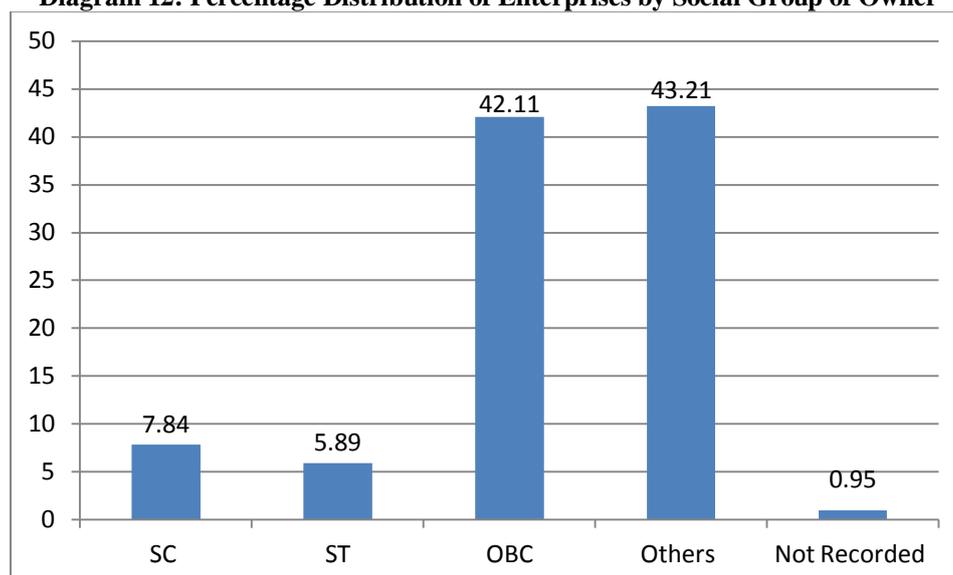
Diagram 11: Percentage Distribution of Enterprises by Type of Organization



**Ownership by Social Category**

According to social group category, 7.84% of the enterprises were owned by Scheduled Caste entrepreneurs. 5.89% by Scheduled Tribe entrepreneurs and 42.11% by entrepreneurs of Other Backward Classes.

**Diagram 12: Percentage Distribution of Enterprises by Social Group of Owner**



## II. Conclusion

Small and medium enterprises (SSIs) have been the backbone of the Indian economy. The SSI sector employing close to 40% of India's workforce and contributing 45% to India's manufacturing output, SSIs play a critical role in generating millions of jobs, especially at the low-skill level. The country's 1.3 million SSIs account for 40% of India's total exports. The bad thing about SSIs in India is poor adoption of technology and marketing practices have led to very poor productivity. Although they employ 40% of India's workforce, they only contribute 17% to the Indian GDP. Now SME's have realized the importance of various marketing practices as now they are utilizing various marketing tools like internet platform, digital advertising in metro cities, mobile applications for customers, CRM and many more.

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