

Opportunities and challenges in small manufacturing industries in India from last decade

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Abstract: Manufacturing sector is the backbone of all developed and developing nations. In the present scenario of competitive age and demand for varieties of product in the market the small manufacturing industries (SMI's) are considered as a prime division for economic growth of the country. SMIs suit the Indian economic environment with less capital investment and more employment intensive in comparison to larger industries. After technological advancement and globalization SMIs improved manufacturing techniques and management process but on other side facing pressure and challenges to sustain in the market. The objective of this paper is to highlight the opportunities and challenges in context of Indian SMIs, nature of pressure, resources, competitive priorities, investment and performance.

Keywords: SMIs (Small Manufacturing industries), manufacturing Sector, economy, SME (Small and medium enterprises)

I INTRODUCTION

Manufacturing has emerged as one of the high growth sector in India from last two decades. India is expected to become fifth largest manufacturing country in the world by the end of 2020[1]. The SMI Sector has the prospective to industrial growth and can be considerable associate in the progress of comprehensive growth. In India SMIs occupy more than 36 million units, contribute to 45 % of industrial production and 40 % to export sector. SMI enjoys certain inherent strength such as lower over head costs, flexibility in production, labors, local resources etc, but now a days for SMI's in India needs to upgrade technologies on a continue basis to remain competitive. Adopting information technology tools to increase productivity [3].

II MEANING OF SMALL MANUFACTURING INDUSTRIES (SMIS)

The definition of small Scale industries varies from one country to another. The most of the countries of the world, the criteria for defining small enterprise is related to the size of employment. The definition of SMIs in India has changed from time to time. It is currently defining in terms of investment ceilings on the original value of the Installed plant in which the investment under fixed assets in plant and machinery or equipment, whether held on ownership term or on lease or hire purchase, does not exceed 10 Crore for manufacturing enterprise [2].

In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) –

Manufacturing Enterprises: The enterprises engaged in the manufacturing or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act 1951 or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use. The Manufacturing Enterprise is defined in terms of investment in Plant and Machinery.

Table 1 Limit for investment in manufacturing sector

Enterprises	Investment in Plant and Machinery (Manufacturing Sector)
Micro	< Rs. 25 Lakh
Small	>Rs. 25 lakh but < 5 Crore
Medium	>Rs. 5 Crore but < Rs. 10 Crore

The small manufacturing industries in India are split up into three parts:

1. Manufacturing industries: These units are producing merchantable articles for direct consumption and also for processing industries, example: khadi industries, food processing industries, power looms, etc.
2. Ancillary industries: The ancillary industries produce parts and components for large industries.
3. Feeder industries: These industries produce certain specialized products like electroplating, casting, welding, etc.

In India small-scale industry refers to manufacturing activity. Recently, it has also come to include to a limited extent, servicing activities such as repair and maintenance shops and few community services. Table II shows the scope of small scale industries in selected countries [3].

Table-2 Scope of Small Scale Industries in selected countries

Country	Terminology	Scope
Japan	Small Enterprise	Manufacturing, Mining, Services, Trading (Wholesale & Retail)
India	Small Scale Industry	Manufacturing, repair & Maintenance , Service
USA/Canada	Small Business	Manufacturing, Service, Trading (Limited)
UK	Small Firms	Manufacturing, Commerce, Construction, Mining, Transport
Korea	Small enterprises	Manufacturing, Mining, Construction, Commerce
Indonesia	Small Industry	Manufacturing Services

Source : SIDBI report on small scale Industries-2000

III OBJECTIVE OF THE STUDY

The proposed study is primary highlight the opportunities and challenges in context of Indian SMIs-

- To examine the policies and practices relating to small scale manufacturing units.
- To focus on the huge growth potential and opportunities available for SMIs and role of government of India.
- To specify the problems in the existing practices for small manufacturing Industries in India.

IV LITERATURE REVIEW

B D Jehra (2000) "Export orientation for small and medium enterprises", discussed the importance of small scale sector in the economy, over the last five decades. The paper also highlights the export orientation for small and medium enterprises in India".

MS Chikara and A Sahay (2008) present the report on contribution of manufacturing enterprises sector as well as analysis of growth pattern of manufacturing medium enterprise sector including the vertical growth of small enterprises to the medium enterprises, and the comparative global trend in the last 10 years.

Reetu Sharma (2012) in "problems and prospects of small scale industrial units (a case study of exporting and non-exporting units in Haryana) had concluded that SSI units are at a developing stage and more expansion is required but some problems need to be solved

Jadhav Mangesh and Sandeep Gaikwad (2013) "Small Scale Industry and its present Scenario in Indian industrialization" discussed the Significance of small scale industries in Indian economy and contribution of SSI sector in overall industrial sector.

V SMIs IN INDIA

Small Industries have certain unique features, which make it differ from large scale sector. In most small businesses the owners themselves are managers and so they can operate independently. Small business can respond quickly to environmental trends. SMIs allow small entrepreneurs to understand market conditions and rapidly respond to changes. Small businesses have tremendous capacity for employment generation through their labour intensive techniques. Small businesses actually create more jobs than big businesses [5]. This feature of a small-scale unit is of great significance in a country like India where the number of unemployed people is phenomenal. In the current Scenario large scale sector requires colossal investments whereas the small sector is just the opposite. Not only is the employment capital ratio high for the SSI but the output capital ratio is also high. SSIs are helpful in balanced regional development.

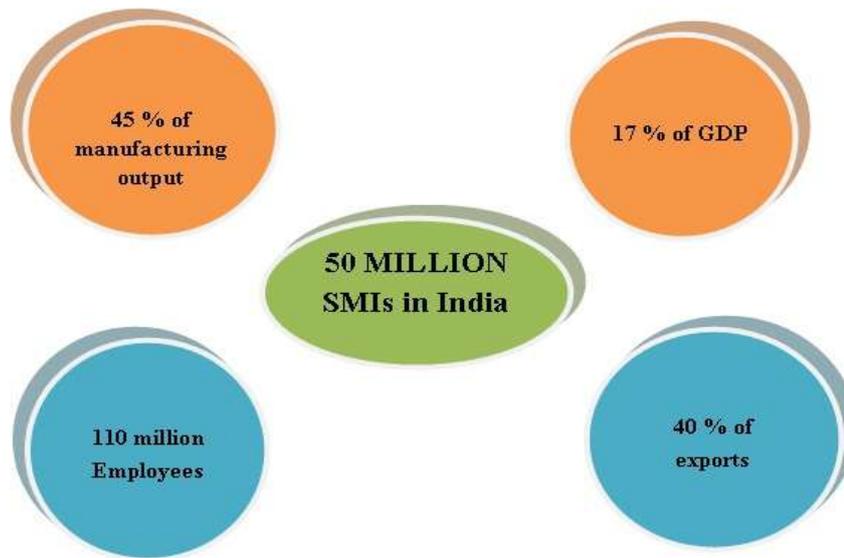


Figure-1 SMIs and their contribution to growth in India
(Source: Small & medium business development chamber of India)

There are some of the important role played by small- scale industries in India-

5.1 Employment Opportunity

Labor intensive small Manufacturing industries create employment opportunities at larger extent. Employment generation by this sector has shown a phenomenal growth. It is a powerful tool of job creation.

As per the National Sample Survey (NSS) 73rd round, conducted by National Sample Survey Office, Ministry of Statistics & Programme Implementation during the period 2015-16, there were 633.88 lakh unincorporated non-agriculture MSMEs in the country engaged in different economic activities 196.65 lakh in Manufacturing.

Table-3 Estimated Number of MSMEs & Employment

Activity Category	Estimated number of Enterprises (in Lakh)			
	Rural	Urban	Total	Share (%)
Manufacturing Unit	114.14	82.50	196.65	31
Employment (in Lakh)	186.56	173.86	360.41	32

Source: MSME Annual Report-2018-19

It is seen that 31% MSMEs were found to be engaged in manufacturing activities that plays a crucial role by providing large employment opportunities at comparatively lower capital cost than large industries as well as through industrialization of rural & backward areas.

MSME sector has been creating 11.10 Crore jobs 360.41 lakh in Small Manufacturing Sector.

5.2 Entrepreneurial Development

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. Small entrepreneurs also improve social welfare of a country

The Micro sector with 630.52 lakh estimated enterprises accounts for more than 99% of total estimated number of MSMEs. Small sector with 3.31 lakh and Medium sector with 0.05 lakh estimated MSMEs accounts for 0.52 % and 0.01 % of total estimated MSMEs, respectively. Out of 633.88 estimated number of MSMEs. Out of 633.88 lakh MSMEs, 608.41 lakh (95.98%) MSMEs were proprietary enterprises [1].

5.3 Regional Development & Industrial Dispersal

There has been large diversity in industrial employment availability in India, people migrate from rural and semi urban areas to these highly developed centers in search of employment and sometimes to earn a better living, it creates a burden on some particular area causes overcrowding, pollution, slums etc. This kind of problem is better solved by small- scale industries which utilize local resources and brings about dispersion of industries in the various parts of the country thus promotes balanced regional development.

5.4 Development of Technology

SMIs provide ample opportunities for the development of technology and technology in return, creates an environment conducive to the development of small units. SMIs adopting innovation with Modernization of production processes, Development of machinery and equipments, Product Development and Diversification, Development of Environment Friendly Technologies, Technology Transfer, Incubation etc. As a result overall production output and profit is improved by technology.

5.5 Promote export

Small Scale manufacturing industries now create a better export market. SMIs Sector contributes 40 % to 45% of the Indian exports.

5.6 Supporting Pillars for Big Industries

The SMIs are supporting pillars by providing accessories, components, parts, equipments, and semi finished goods required for big industries.

VI CHALLENGES FOR SMIs

Here, two types of small scale exporter, merchant exporter and manufacturer exporter are taken into consideration. Responses show that maximum (75%) small scale industrial exporting units doing both activities (i.e. merchandising and manufacturing) for their product [6]. Finance problem is largely faced by non-exporting units while exporting units have to face the problems like executive inefficiency, technological lag, problems relating to export etc. In addition to this, terms of payment is also a major problem which is equally faced by both exporting and non-exporting units.

Selection of market is a crucial decision. Various things are kept in mind to select a potential market for their products. It is found out that extent of competition is the most determining factor to select a potential market both by exporting and non-exporting units.

Challenges for SMIs in India

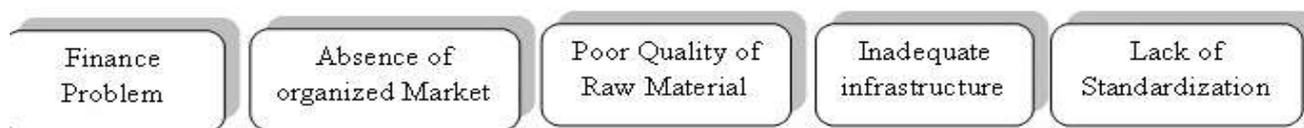


Figure -2 Challenges for Small Scale Manufacturing Industries (SMIs) in India

SMEs employ 40% of India's workforce, but they only contribute 17% to the Indian GDP. Too many firms stay small, unregistered and un-incorporated in the unorganized sector so that they can avoid taxes and regulations. "The firms have little incentive to invest in upgrading skills of largely temporary workers or in investing in capital equipment."

VII INSTITUTIONAL & GOVERNMENT SUPPORT FOR SMIs

Constant support to SMI sector by the Government in terms of infrastructure development, fiscal and monetary policies have helped this sector to emerge as dynamic and vibrant sector of Indian economy

- Ministry of micro, small and medium enterprises (MSME)
- Small Industries Development Organization (SIDO)
- National Small Industries Corporation (NSIC)
- SSI Board
- National Institute of Small Industry Extension Training (NISIET)
- National Institute for Entrepreneurship & Small Business Development (NIESBUD)
- National Research Development Corporation (NRDC)
- Small Industrial Bank of India (SIDBI)

To achieve a manufacturing-led transformation, the Government has launched the 'Make in India' programme to promote the manufacturing sector of India and make India a global manufacturing hub. The initiative seeks to raise the share of manufacturing to 25% of GDP and create 100 mn manufacturing jobs by 2022.

The Ministry of MSME runs various schemes aimed at financial assistance, technology assistance and upgradation, infrastructure development, skill development and training, enhancing competitiveness and market assistance of MSMEs.

The Government of India and various state governments initiated the scheme and programmes by the Ministry and its organizations seek to facilitate/provide:

- adequate flow of credit from financial institutions/banks
- support for technology up gradation and modernization
- integrated infrastructural facilities
- modern testing facilities and quality certification
- access to modern management practices
- entrepreneurship development and skill upgradation through appropriate training facilities
- support for product development, design intervention and packaging
- welfare of artisans and workers

- assistance for better access to domestic and export markets
- cluster-wise measures to promote

VIII CONCLUSION

The small manufacturing Industries sector has performed extremely well in India for employments, GDP and industrial growth. India's small manufacturing is fairly advanced but modernization, diversification and expansion would continue to have competitive edge internationally. Under the changing of economic scenario and competitive edge the business can compete on cost, quality and products at domestic and international level only if ideal investment in technology production process, R&D and marketing are made. Now a day's government and its institutions are playing a very positive and constructive role for strengthening this vital sector. The SMIs should concentrate on greater utilization of physical and technological advancements. Machines, materials and processes with organizational and management planning, budgeting, market and grievances handing.

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