

Status, Significances, and Problems of Small-Scale Industry (With Special Reference to the State of Uttar Pradesh)

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ABSTRACT

Small Scale Industries (SSI) are fundamental for converting the raw inputs into the finished output. They are the epicenter of the growth and prosperity of the country. It provides the base for the nation's development and also helps reduce unemployment and regional imbalances. SSI significantly contributes to about 40 percent of total Gross Industrial Value (GIV). According to the annual report (2020-21) published by the Ministry of Micro Small Medium Enterprises (MSME) - Uttar Pradesh has topped the list with the estimated MSME accounting for 14.20 percent of the total MSMEs in the country.

A positive trend has been witnessed in the number of SSI due to the various supportive policies of the government. SSI acts as a medium through which welfare can be ensured in the economy because it provides astounding support to the marginalized section of society. However, despite all this, SSIs are still facing numerous challenges that affect their functioning and their existence in the long run. The paper sheds the light on the status, significance, and challenges of SSIs. It also highlights some of the major schemes of the UP-state government and also suggests some measures for promoting the sustainability of such industries in the long - run.

Keywords: Small-scale industry (SSI), Epicenter, MSME, Employment generation, Gross -Industrial Value (GIV)

INTRODUCTION

India is the second most populous country in the world where the majority of the population depends on agriculture for their livelihood. Agriculture comes under the primary sector which acts as the provider of the basic inputs. For converting the available inputs into output the presence of the industrial base is the prerequisite. The industry is the backbone for the flourishing of the growth and development of the nation. It provides a means through which production seems to be possible by the effective use of the available resources. Based on the scale of operation, industries are classified into: Large- scale Industry (LSI) and Small-Scale Industries (SSI).

Small - Scale Industries (SSI) are those industries that involve the manufacturing of goods and rendering services by utilizing limited capital and available manpower. SSIs are very essential for developing countries like India because such industries rely on labor-intensive technology which significantly contributes to reducing the problem of unemployment and economic disparities by providing a source of occupation to the marginalized section of the society, who are not well qualified to work under the service sector. Some of the basic characteristics of SSI are as followed:

1. The management in SSI is found to be effective because management and ownership are not separated. The owner himself actively managed the usual operations.
2. SSI provides the medium to channel the available resources and make effective utilization of them by fulfilling the demands of the local people.
3. Such industries are generally seeming to be concentrated in rural areas which promotes the growth of such areas by reducing regional imbalances.
4. SSI is flexible in its working because it usually commences its function with the little fund because of which they are unable to make use of sophisticated technology which restricts its scale of operation and obstruct it from incorporating the market changes more easily than large-scale industry.

SSI can start its functioning either as micro, small, or medium enterprises depending upon the investment made in the plant and machinery. SSI is regulated by the Ministry of Micro, Small, and Medium Enterprises (MSME) which facilitates its registration, functioning, and further expansion. According to **Micro Small Medium Enterprise Act 2006**, MSMEs are classified into Manufacturing Enterprises and Service Enterprises. They further categorize into micro, small, and medium enterprises based on their investment in plant and machinery (not including the investment in land & building)

Their classification is as follows:

Types of Enterprises and its Eligibility	Manufacturing Enterprises	Service Enterprises
Micro Enterprise	Up to Rs. 25 Lakh	Up to Rs. 10 Lakh
Small Enterprise	Up to Rs. 5 Crore	Up to Rs. 2 Crore
Medium Enterprise	Up to Rs. 10 Crore	Up to Rs. 5 Crore

But after the recent amendment, the distinction between the manufacturing and service sectors is ruled out by making the investment amount and turnover the same for the enterprise engaged in both manufacturing and the service sector.

MSME -Merged Criteria of Investment and Annual Turnover			
Types of Enterprises	Micro Enterprise	Small Enterprise	Medium Enterprise
Manufacturing, Service Sector or Both	Investment less than Rs. 1 Crore and Turnover less than Rs. 5 Crore	Investment less than Rs. 10 Crore and Turnover less than Rs. 50 Crore	Investments less than Rs. 50 Crore and Turnover less than Rs. 250 Crore

For setting the enterprises in any of the above mentioned categories registration is needed to be obtained from DIC (Directorate of Industries) of the concerned State Government. SSI initially gets provisional registration during its pre-operative stage. Through provisional registration, they can get access to working capital and other facilities required. The validity of this registration is only for five years and during this period it must remain in operation for getting permanent registration. The manual procedure of registration sometimes becomes cumbersome and time-consuming but with development of the application like Udyog Aadhaar, SSI registration seems to be a few-click process. With the help of this app, one can get provisional registration by filling in just the Entrepreneur Memorandum.

After getting registration, SSIs become able to get the loan at concessional rates. Registration provides them the legal recognition and they become eligible for various tax exemptions and rebates. They become entitled to get the government tenders and also get the option to carry forward credit of Minimum Alternate Tax (MAT) for up to 15 years.

Literature Review

(Pandey, 2013) SSI acts as the agent of decentralization in urban and semi-urban areas. For fostering their growth there is a high need that the government should strengthen the infrastructural facilities and provide easy access to quality raw materials with the necessary financial support. There is a need that more cooperatives and nationalized commercial banks should be established which will help in meeting the short-term and long-term credit needs of the entrepreneurs. In a state like Uttar Pradesh with a huge population, the state must come forward with this broad vision.

(Mishra, 2016) SSI is essential for a developing country like India because it helps in achieving the goals of equal distribution of wealth by promoting self-employment and entrepreneurship in the economy. For the sound development of MSME, it must be provided with adequate financial support and technical guidance so that it can compete on the global level. There is a need for a positive outlook among the youths so that they make an effort for setting up the SSI which directly paves the way for digitalization.

(Ek & Vaicharik, 2022) It was found that SSI is not an emerging concept, SSI is playing a vital role even since its independence. The number of SSI increases from 0.87 million in 1980-87 to over 3 million in the year 2000. SSI supports the rural economy by providing them a medium through which the available idle resources can be utilized in the best possibilities.

(Shukla & Singh, 2022) SSI significantly contributes to the gross value added of the country and also share a substantial portion of the country's export. It acts as the solution to the problem of unemployment and makes the country self-dependent by undertaking the production of the commodities which were earlier imported. The study found that UP is one of the top-performing states with an estimated 89.99 Lakh MSME. The majority of the workforce employed in these SSI is male workers. However, the number of female workers registered is highest in micro-enterprises and lowest in medium enterprises.

Objectives of the study

- 1- To develop a thorough understanding of the SSI and its significance in the economy.
- 2- To analyze the status of MSMEs in the state of Uttar Pradesh
- 3- To highlight the challenges faced by SSI and some suggestive measures to overcome them.

Significances of SSIs

Small-scale industry accelerated the production possibilities and enable the country to remain self-sufficient on its own. They are significantly contributing to the GDP of the nation and emerge as the key exporter in foreign trade. They are offering several benefits some of which are highlighted below:

- It provides a sound base for growth and development because they alone account for almost 40 percent of the gross value added in the economy. It makes the country self-reliant and reduces its foreign dependency on various goods and services.
- Nearly half of the export of the country is contributed by the SSI. They not only cater to the demand of the local masses but simultaneously contribute to foreign trade as well.
- In a country like India with an alarming population, it was not possible to provide jobs to all the job seekers. SSI will provide a chance for all those job seekers to become job providers with limited funds and resources.
- It improves the quality of life of poor people by providing them with employment. It provides them with a regular and stable source of income which will help them in meeting the basic amenities for their life.
- It reduces the regional and economic imbalances in the nation and promotes social progress.
- Promotes industrialization, because an efficient SSI can in the future transform into LSI. SSI promotes the spirit of entrepreneurship among unemployed youths by emerging as a suitable investment avenue with a limited requirement of resources and a lower gestation period.

Problems of Small-Scale Industry

- 1) **Shortage of funds**—Finance is the lifeblood of the business. It is essential for the effective functioning and development of the business. SSI generally face a shortage of fund because they are started by people with limited sources of fund the low creditworthiness. As a result of which they face numerous difficulties in availing the finance and even if avail gets it an exorbitant rate of interest.
- 2) **Limited resources** – SSI generally has limited availability of funds because of which they depend on local resources and find it unable to tap quality material, and skilled labor from the open market like LSI, which affects the potentiality of effective production.
- 3) **Lack of Technology** -SSIs are located in a rural area and usually uses the available manpower or labor-intensive method for carrying out production operations. Because of the poor availability of financial resources, they are bound to use the outdated method which results in poor productivity. Resource constraints hinder their research abilities and they remain technically backward by using primitive techniques.
- 4) **Inadequate Marketing support** – After production, effective marketing efforts are very essential for tapping the greater market and fetching attractive returns. Sometimes it was observed that SSI doesn't get adequate marketing assistance and because of unplanned marketing efforts they are unable to make direct contact with the customers and remain unaware of their liking and demands.

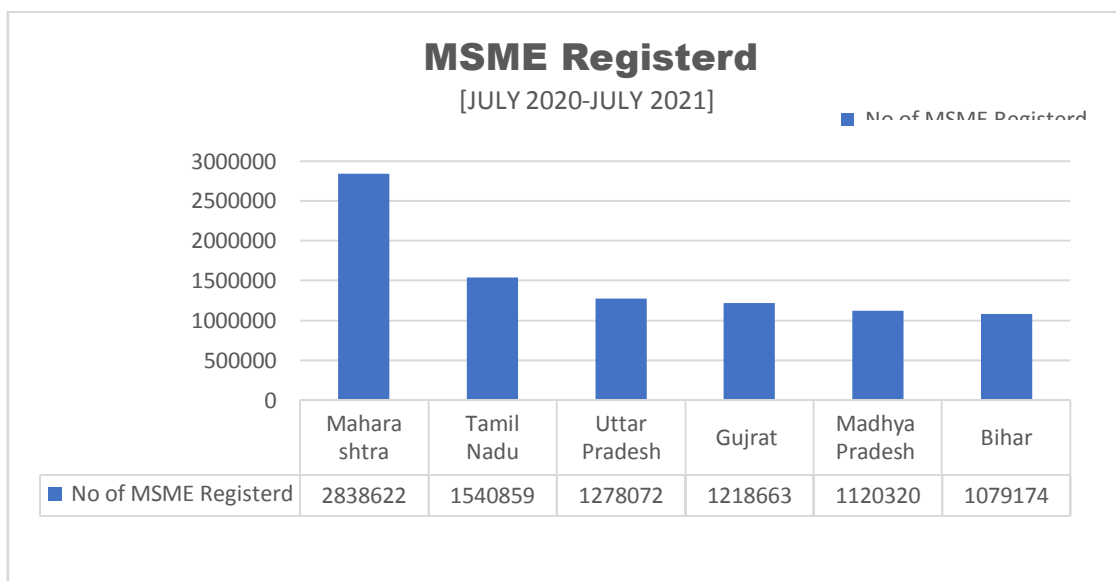
- 5) **Poor infrastructural facilities-** As being located in the outskirts areas they suffer from various problems like transportation issues, unscheduled power cuts, poor connectivity, bumpy roads, etc. The problem of poor connectivity has adversely affected the performance of the SSI because they are unable to make instant and regular contact with their suppliers and customers.

Status of SSI in Uttar Pradesh

Uttar Pradesh is a state blessed with a large cultural and natural heritage. The state has been divided into 18 divisions and 75 districts. It is the fourth largest Indian state in the terms of geographical area as it comprises 7.3 percent of the total area of the country. It also emerges as the third largest state economy in the country which was endowed with progressive infrastructural support. Though being the agrarian economy, it provides a supportive framework for the development of the industrial sector.

Almost every district of UP is flourished with abundant resources, but some of them are well known for their particular products which will tagged as the geographical indicator for that region and get huge recognition and popularity worldwide. Some popular examples are-

S. N.	Industry	Location
1	Silk Sarees	Varanasi
2	Sports Equipment	Meerut and Agra
3	Bangle industry	Firozabad
4	Carpet industry	Bareilly, Agra, Aligarh
5	Perfumes and fragrance Oil industry	Kanauj, Gazipur, Jaunpur, Lucknow
6	Matchbox Industry	Bareilly, Saharanpur, Allahabad Meerut
7	Clay toys	Agra
8	Handloom and Cotton bTextiles	Meerut, Dhampur, Secundrabad, Tanda,



Source: Lok Sabha

As per the above-given data, Maharashtra has the highest number of registered MSMEs which is more than double that of the MSMEs registered in Uttar Pradesh (UP). Uttar Pradesh has a total of 12,78,072 MSMEs registered and it became the state with the third-largest number of registered MSMEs.

After the launch of a new portal named “Udyam Registration” which was launched by the Ministry of MSME in July 2020 around 39,92,182 MSMEs were registered in the country out of which over 3 lakhs have been registered on the portal from UP. However, on the digital portal, the position of UP is not satisfactory because the state which is top by Maharashtra (8,60,086) followed by Tamil Nadu (4,34,231) and Gujarat (3,51,137) whereas UP holds a fifth position with 3,07,278 registered MSME on Udyam Portal.

Major Schemes of UP Government

The Uttar Pradesh government has taken various initiatives some of which are enlisted below:

- 1) **One District One Product (ODOP)**– it is the extension of the Make in India scheme which was launched to establish a specific manufacturing center across 75 districts of Uttar Pradesh. The scheme facilitates the specialized manufacturing, development, and marketing of the specialized product from that district. Ex- chikankari of Lucknow, Silk sarees of Varanasi etc.
- 2) **UP Startup Policy 2020** – This policy was launched to develop and inculcate entrepreneurial skills from the very beginning. It emphasized promoting the entrepreneurial culture in schools and college students by setting up E-cells, and incubators in colleges or other higher educational institutes.
- 3) **MSME Sathi** - The Department of MSME & Export Promotion Council (UP) has launched this app through which the problem faced by the industrial units in the state get quick responses. It is a platform through which entrepreneur can share their problems and can also give their suggestions for further reforms. MSME Sathi proves immensely beneficial during the covid time and provides a way through which complaints can get registered quickly with the minimum effort.

Suggestions and Conclusion

Small Scale Industry is the fundamental block to the rapid development of a country like India. Industries are the epicenter for the progress of the nation because they not only convert raw inputs into output but also provide a solution to the critical problem of unemployment. SSI employs several people and emerges as the career choice for those who were suffering from the crises of the fund.

Almost every district of UP is flourished with abundant resources but due to various loopholes still, the development of SSI in the state is far behind in comparison to the other developed states. Maharashtra has the highest number of registered MSMEs which is more than double the MSMEs registered in Uttar Pradesh (UP). After the launch of a new portal named “Udyam Registration” which was launched by the Ministry of MSME in July 2020 around 39,92,182 MSMEs were registered in the country out of which only 3 lakhs have been registered on the portal from UP which was not suitable for the such densely populated state of UP because a such number of the MSMEs is not sufficient for generating the full employment for the unemployed youth of the state. Hence, it can be said that sound development of Uttar Pradesh is possible only when individual efforts are properly supplemented by government support

and effective implementation of the policies and initiatives formulated for the comprehensive development of the MSMEs.

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