

Role of Indian Small Scale Enterprises Sector in Exports: An Analysis

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ABSTRACT

Micro, Small and Medium Enterprises occupy a very important place in the entire economy of the country. This is the fact that the small-scale sector has increased its 40-percentage share in total manufacturing and almost 49 percentage shares in the total exports of the country. The Small-Scale sector plays an important role in making the country self-reliant and substituting significant imports. The goods manufactured by small scale industries are helpful in speeding up the process of export promotion. The country can increase the production of important and essential items of its requirement in a short time period under the small sector and can provide employment opportunities to the people of the country. Currently, this sector is providing employment to about one crore people and the MSME sector accounts for about 30 percentage of India's total GDP. The importance of small-scale sector enterprises in the country is going to be even more important as India is promoting manufactured products in the country. The Prime Minister of our country gave an important call for the role of small-scale industries by giving the slogan of 'Vocal for Local'. This will promote export promotion and import substitution from our country.

Keywords: MSMEs, Enterprises, Exports, Imports, Manufacturing, GDP, Employment, Import Substitution, Export promotion, 'Vocal for Local'

INTRODUCTION

At present, the export of products manufactured by small enterprises from India is exported to almost all countries of the world. India manufacturing has also reached 418 USD in fiscal year 2021-22. India is the fifth largest economy in the world, but our share in world GDP is only 3.1 percent and just 1.6 percent share in world trade. This needs to be further increased.

Major items of Indian Exports: Petroleum products, Jams and Jewellery, Agricultural products, Engineering products, Textiles and Apparels, Pharmaceuticals, Handicrafts etc.

The Indian SSIs sector is constantly changing in the quantity, direction and composition of exports. Among the goods exported from India, the quantity and value of manufactured goods and services have increased. The main contributors to India's exports are USA, Arab Emirates, Germany, Nepal, Bangladesh, UK and many developed and developing countries.

REVIEW OF RELATED LITERATURE

In order to estimate the relevance and need of the research topic, it is necessary to review the literature related to the particular topic. Various studies of related literature shows that small and cottage enterprises are important in providing employment along with economic growth. The following studies have been included from the point of view of reviewing the particular related literature.

- Jahra, V.D. (2000) highlights in his research, 'Export promotion for small and medium enterprises' the importance of small sector enterprises for export promotion. He described that in a country like India, the restrictions lifted by the WTO should turn into an opportunity. New markets are opening up for exports, we have to develop competition in our country.
- Bhawani, T.A. (2002) described small scale industries during globalization period, she concluded that further reforms have had both positive and negative impact on small scale industries. As a result of globalisation, Indian industries can take advantage of the global market, but for this, they have to develop their backward technology and competitive ability. This research paper focuses on analysing the changing business environment and their effects on SSI units. India can benefit in these circumstances by strengthening its small sector.
- Chaudhary, Mamta and Saini, Anjali (2015) have made it clear from the findings of their research that small enterprises have been affected in the era of globalization and they have faced a lot of problems in running their business. As a result of globalization, the competition among the small-scale industries have increased, marketing problems have increased, the quality of goods produced has increased and the quantity of imports from other countries has increased. The Indian small-scale industries are still facing a lot of problems. The major problems are the problem of finance, the problem of marketing, the problem of being able to meet the growing and changing demand pattern etc.
- Devdas, Rakshit and Paul Ananya (2020) have concluded in their research study that Micro and small industries are the basis of Indian economy and it has a capability of taking the economic environment to a height. MSMEs can be considered as the growth driver of Indian economy due to their huge contribution in employment generation, GDP, exports and production.
- Wasim Khan (2020) in his research study has concluded that industrialization is very important for the economic development of any country. Studies of various countries have shown that the industrial sector, especially small industries, have played an important role in their economic development. This mainly includes Britain, Australia, New Zealand, Japan and China.

OBJECTIVES OF THE PRESENT RESEARCH STUDY

- To study the contribution of small-scale industries to export trade.
- To study the importance of small-scale industries.
- To review the literature related to the current research area.

RESEARCH METHODOLOGY

Secondary data has been used for this research paper. The main sources of information are the use of various published and unpublished sources for secondary data such as annual reports of MSME, DIC of Government of India and various related research journals. To analyse the performance of SSI, various tools such as average, percentage, ACGR, charts, tables are used.

SHARE OF EXPORTS BY MICRO SMALL AND MEDIUM ENTERPRISES IN INDIA'S TOTAL EXPORTS

The small -scale sector accounts for about 45 percent of India's total exports, but the exports of industrial units in the small- scale sector are only 1.5 percent. On the other hand, foreign companies are capturing the Indian market through their products, especially those coming from China. In such a situation, we need to strengthen our market through indigenous products under 'Vocal for Local'. To face foreign competition,

our small -scale industries need to enrich the quality of their products and reduce the prices of their products.

Table-1: Share of MSMEs in India's total exports

YEAR	Total Value of Exports (in USD Million)	Exports by MSMEs (in USD Million)	Share of MSMEs in Total Exports	Change in MSMEs exports
2012-13	300400	127992	42.61	—
2013-14	314415	133313	42.40	4.16
2014-15	310352	138896	44.75	4.19
2015-16	262291	130768	49.86	5.85
2016-17	275852	137068	49.69	4.82
2017-18	303376	147390	48.58	7.53

Source: Reserve Bank of India Report-2019 on MSMEs

Table-1 shows that the share of exports made by MSMEs in total export trade is constantly increasing. It was 42.61 percent in the year 2012-13 and has increased to about 49 percent by the year 2018. The export value of the MSME sector has seen a growth rate of about 4 percent per year.

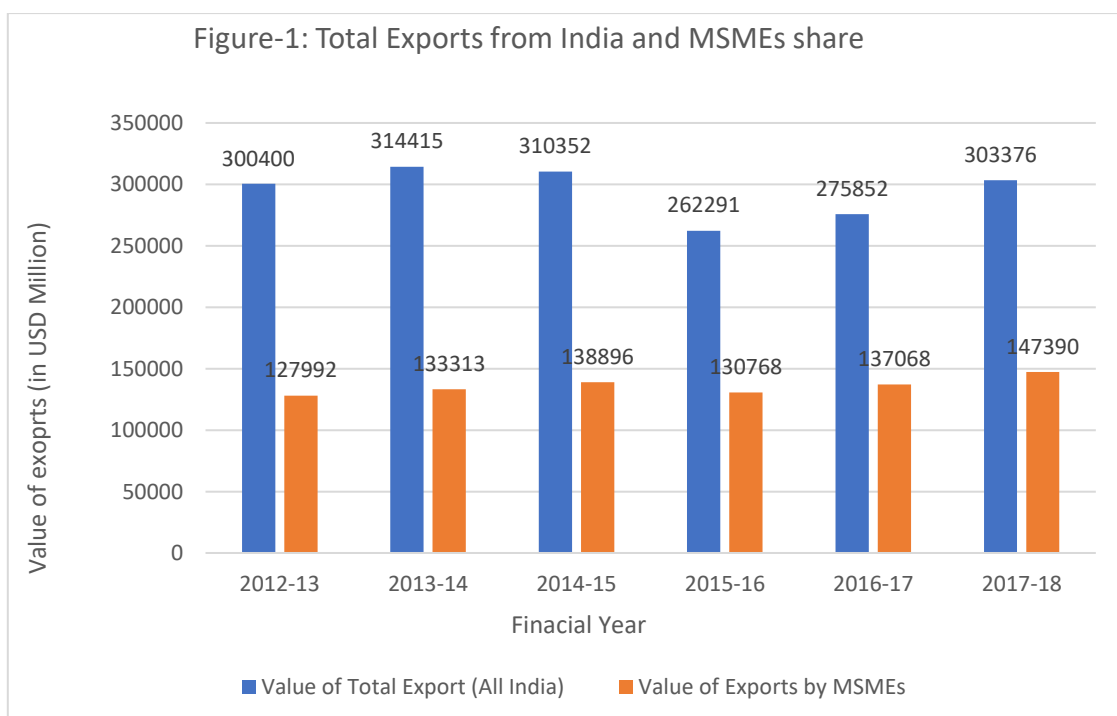
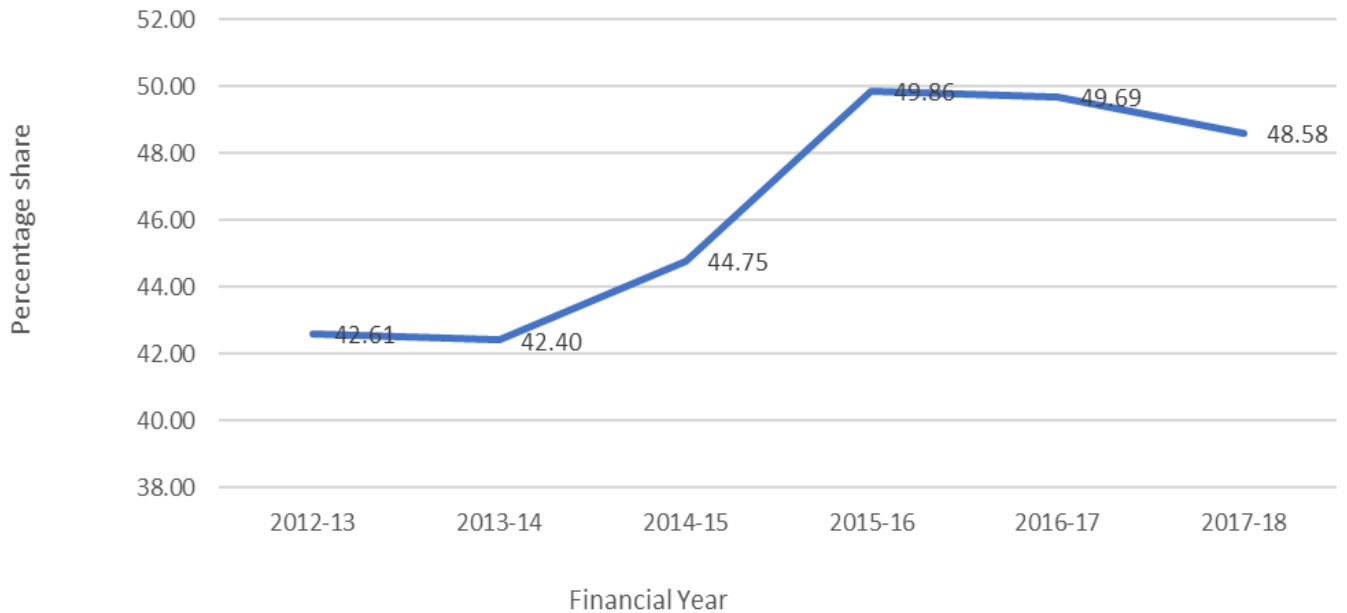


Figure-1.1 Share of MSMEs Exports in Total Exports of India



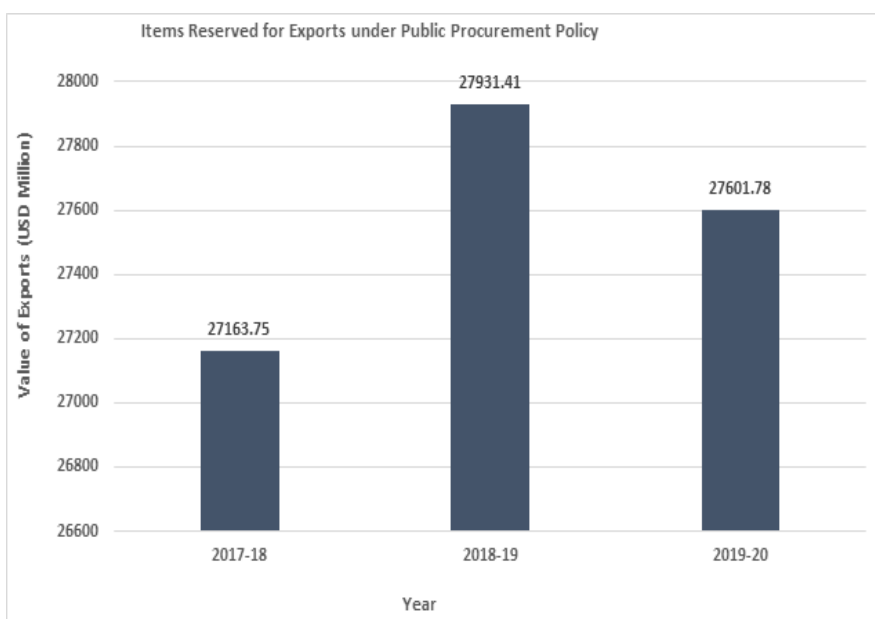
EXPORTS FROM MSMEs UNDER INDIA'S PUBLIC PROCUREMENT POLICY

The Government of India has reserved 358 items for procurement from MSMEs under the Public Procurement Policy. The value of exports made from these reserved items in the last few years is shown in Table-2:

Table-2: The value of exports from Reserved Items

Items Reserved	Year	Value of Exports
358	2017&18	27163-75
358	2018&19	27931-41
358	2019&20	27601-78

Source: Development Commissioner, MSME, Government of India



CLASSIFICATION OF MSMEs ON THE BASIS OF EXPORT TURNOVER

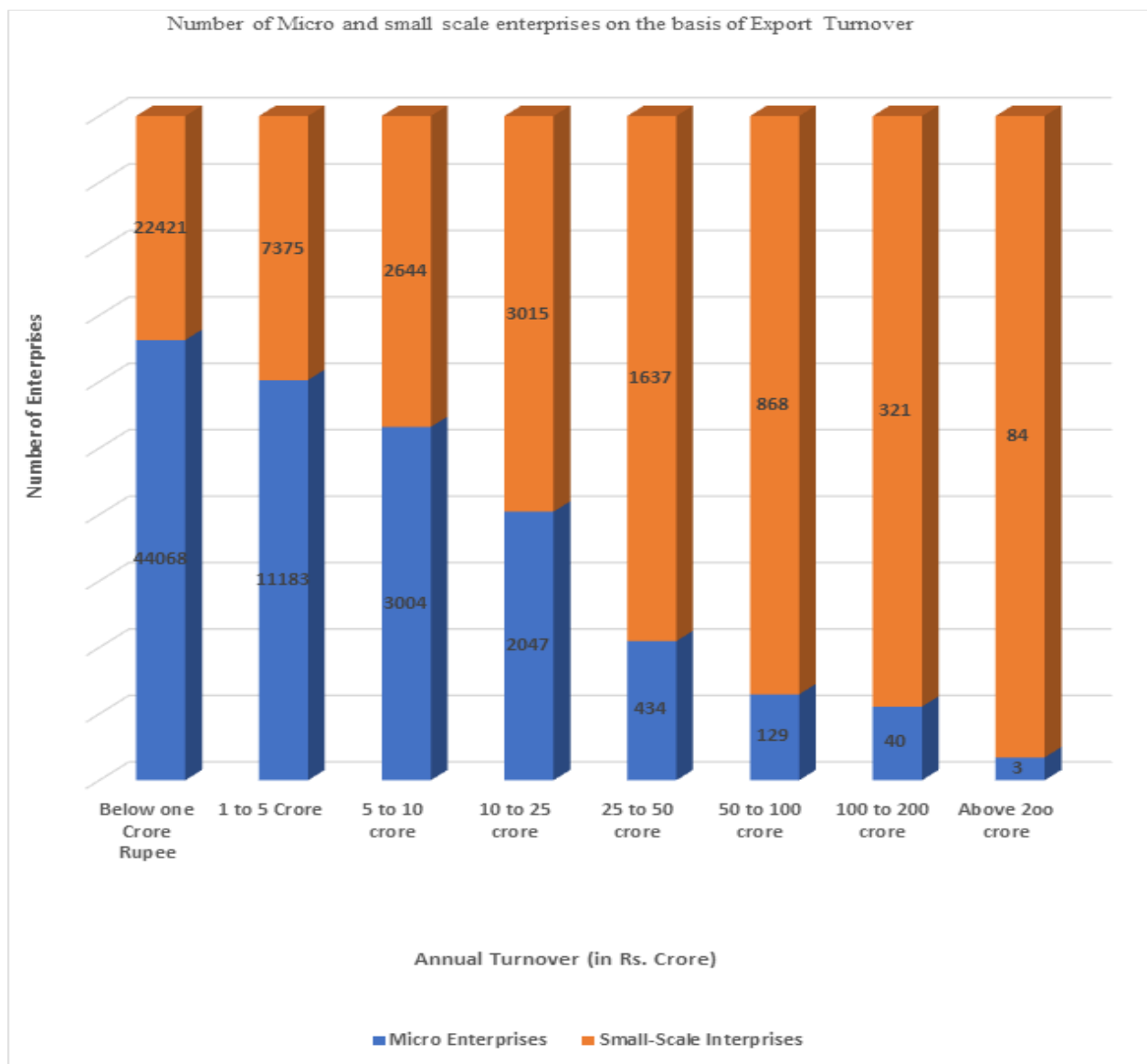
About 49 percent of the total export business of the country is being done by the industries of the small-scale sector. But only 1.36 percent of the total MSME units are engaged in export business, out of which 66.98 percent of the enterprise units have a turnover of less than one crore rupees. The detailed information is shown through the following Table-3: -

Table-3: Number of Micro Small enterprises on the basis of export turnover

Export Turnover	Micro Enterprises	Small Enterprises	Total Units	Share of Micro enterprises in total exports	Share of Small enterprises in total exports	Total
Less than Rs. one Crore	44068	22421	66489	66.28	33.72	66.98
Rupee one Crore to 5 crore	11183	7375	18558	60.26	39.74	18.69
Rs. 5 Crore to 10 crore	3004	2544	5648	53.19	46.81	5.69
Rs. 10 Crore to 25 crore	2047	3015	5062	40.44	59.56	5.10
Rs.25 Crore to 50 crore	434	1637	2071	20.96	79.04	2.09
Rs.50 Crore to 100 crore	120	868	997	12.94	87.06	1.00
Rs. 100 Crore to 200	40	321	361	11.08	88.92	0.30
Rs.200 Crore and above	3	84	87	3.45	96.55	0.09

Total	60908	38365	99273	61.35	38.65	100.00

Source: Udyam Publication 2020-22, MSMEs



It is clear from the table-3 and diagram that 61.35 percent of units of Micro enterprises are engaged in export business out of these 66.28 percent of units are engaged in trading of less than Rs. One crore. Similarly, 33.72 percent of small-scale units are engaged in business less than of Rs. One crore.

CONCLUSION

The share of the small- scale sector in Indian exports is about 45 per cent. But the industrial units of the cottage sector account for only 1.5 per cent of the export sector, while on the other hand, foreign companies are able to capture the Indian markets through their products. In such a situation, we need to strengthen our foreign markets further.' Facing foreign competition, the aim of small industries will be to improve the

quality of their products and reduce the price of their products.

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