

# INDUSTRIAL STRUCTURE & ROLE OF SSI IN INDIAN ECONOMY

Prepared by,

Dr Neethu S.Arrakal  
Asst Prof. in Economics

# SMALL-SCALE INDUSTRIES SECTOR

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## In 1977

- ▶ Units having investment of less than Rs 10 lakh were defined as small-scale industrial undertakings
- ▶ For ancillary units, the investment limit was Rs 15 lakh
- ▶ Units with investment of less than Rs 1 lakh were defined as tiny enterprises.



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## In 1991 (Year of Economic reforms)

- ▶ Investment limit for small-scale industries was Rs 60 lakh
- ▶ For ancillary units Rs 75 lakh
- ▶ For tiny enterprises Rs 5 lakh



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## In 2000

- ▶ Investment limit for SSI was Rs 1 crore
- ▶ For ancillary unit Rs 1 crore
- ▶ For tiny enterprise Rs 25 lakh



# Micro, Small and Medium Enterprises Development (MSMED) Act, 2006

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## Classification:

- a) Manufacturing Enterprises
- b) Service Enterprises



## a) Manufacturing Enterprises

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- ▶ Micro enterprise

Investment in plant and machinery does not exceed Rs 25 lakh

- ▶ Small enterprise

Investment in plant and machinery is more than Rs 25lakh but does not exceed Rs 5 crore

- ▶ Medium enterprise

Investment in plant and machinery is more than Rs 5 crore but does not exceed Rs 10 crore



## b) Service Enterprises

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- ▶ Micro enterprise

Investment in equipment does not exceed Rs 10 lakh

- ▶ Small enterprise

Investment in equipment is more than Rs 10lakh but does not exceed Rs 2 crore

- ▶ Medium enterprise

Investment in equipment is more than Rs 2 crore but does not exceed Rs 5 crore



# Role and Performance of Cottage & Small Scale Industries in Indian Economy

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1. Expansion of SSI Sector & its share in Industrial Production
2. Employment Generation
3. Efficiency of Small Scale industries
4. Equitable Distribution of National income
5. Mobilisation of Capital & Entrepreneurial Skill
6. Regional Dispersal of Industries
7. Less Industrial Disputes





# Expansion of SSI Sector & its share in Industrial Production

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- ▶ Number of units in the SSI sector stood at 109.5 lakh in 2002-03 .Out of this 16.0 lakh (registered) and 93.5 lakh (unregistered).This rose to 133.68 lakh in 2007-08
- ▶ Output of the SSI sector in 2002-03 was Rs3.06.771 crore and rose to Rs 5.32.979 crore in 2007- 08 (at 2001-02 prices)
- ▶ Rate of growth of output exceeded 12 per cent in 2005- 06, 2006-07 and 2007-08
- ▶ According to Fourth Census of SSI units of 2006- 07 , there are about 260 lakh MSMEs that contribute about 8 per cent of GDP and about 45 per cent of manufactured output



# Employment Generation

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- ▶ SSI sector employed 263.7 lakh people in 2002-03 and this number rose to 322.28 lakh people in 2007-08.
- ▶ If persons employed in the medium enterprises are also included, the number of people employed in the MSME sector presently stands at around 600 lakh
- ▶ Within the manufacturing sector itself, small and decentralised sector contributes about 4/5th of manufacturing employment in India



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- ▶ Rural non-farm sector accounting for about 22 per cent of rural employment can play a crucial role in the further expansion of employment opportunities in the rural areas
- ▶ In urban areas employment potential seems to be the largest in the non-household, tiny sector segment of the manufacturing sector
- ▶ Labour intensity in micro and small enterprises sector is almost 4 times higher than the large enterprises.



# Efficiency of Small Scale Industries

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- ▶ Some studies have pointed out that small-scale industries are more efficient, others point out that large-scale industries are more efficient
- ▶ Dhar and Lydall concluded that modern small-scale industry is fairly capital intensive; that is, these units do not generate more employment per unit of capital than large-scale industry
- ▶ Bishwanath Goldar found that SSIs (compared to the large-scale industries) generally have low labour productivity, high capital productivity, low capital intensity (measured as capital per employee) and low total factor productivity



# Equitable Distribution of National Income

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- ▶ Ownership of small-scale industries is more widespread than the ownership of large-scale industries
- ▶ They possess a much larger employment potential as compared to the large industries



# Mobilisation of Capital & Entrepreneurial Skill

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- ▶ A number of entrepreneurs are spread over small towns and villages of the country.
- ▶ Large- scale industries cannot utilise them as effectively as the small-scale and village industries distributed over the entire length and breadth of the country.
- ▶ Large-scale industries cannot mobilise the savings done by people in areas far flung from the urban centres



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- ▶ But this task can be effectively accomplished by setting up a network of small- scale and cottage industries
- ▶ A large number of other resources spread over the country can be put to an effective use by the small-scale and cottage industries
- ▶ Rapid development of small-scale industries in the post-Independence period is a proof that given the necessary credit, power and technical knowledge, a large quantity of latent resources of the economy can be mobilised for purposes of industrial development.



# Regional Dispersal of Industries

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- ▶ There is concentration of large-scale industries in the states of Maharashtra, West Bengal, Gujarat and Tamil Nadu. Thus, disparities in industrial development have increased.
- ▶ Even within these industrialised states, industries have tended to get concentrated in a few large cities like Mumbai, Kolkata and Chennai.





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- ▶ People migrate in large numbers from villages and lower order urban centres to these centres of industrial development
- ▶ This swells the population of slums and creates various social and personal problems. The whole urban environment gets polluted
- ▶ As against this, the small-scale industries are mostly set up to satisfy local demand and they can be dispersed over all the State very easily. They can also effect a qualitative change in the economy of a State.



# Less Industrial Disputes

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- ▶ Small-scale industries are free from such hazards and there is consequently less loss of output
- ▶ In capitalistic form of production whether the unit is small or large, the mill-owner does exploit the workers. This does lead to tensions and conflicts
- ▶ Labourers working in large- scale industries are organised and resort to collective action (in the form of strike), workers in small-scale industries are not organised and have no way of expressing their resentment.

