

India's Microscale Companies: An Assessment of Post-liberalization Effectiveness

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ABSTRACT

In many countries around the world, small enterprises are the driving force behind economic expansion. ' New millennium national growth, particularly in India, has been greatly aided by it. Because of their ability to create jobs, foster entrepreneurship, utilize local resources, and strengthen the industrial backbone of the economy, they are a popular choice with politicians and the general public. More than five decades of industrial growth in India have been attributed to the small-scale sector, particularly through (SSIs), which have been regarded as essential to the country's economic well-being. The Indian SSI sector has made a significant contribution to GDP growth in terms of job creation, foreign exchange profits, and the proportion of industrial output and contribution to national income. The central and state governments of India provide a wide range of advantages and incentives to their citizens. Additionally, the incentives not only motivate entrepreneurs in the SSI sector to create enterprises, but they also contribute to the economy's entrepreneurial foundation. New entrepreneurs face numerous difficulties as a result of a lack of adequate support services and infrastructure.

Keywords: *Distributed generator; Power flow; Microgrid; Non-conventional energy sources.*

1.0 Introduction

India's definition of small business is vague; the only concept that exists is that of a small ancillary or micro industry, which is tied to the purchase of machinery and plant. In certain countries, microbusinesses are referred to as SME's (SME). The number of employees, annual revenue, and fixed investment all play a role in defining a small or medium-sized business (SMB). While this may not always be a reliable indicator of a company's size, it does appear to be a common practice. From Rs.62 L to Rs.3 Cr. in 1997, the investment restrictions for small-scale industries (SSDs) were enhanced. Afterwards, the amount was reduced to Rs.1 crore in 1999. For 41 goods comprising two primary categories of hosiery and hand tools, the investment cap has been raised to Rs.5 crores. Ancillary to large-scale activities, small production units sell at least half of their manufactured goods to one or more industrial units. Despite this, there is a significant distinction between the modern small industry and the older ones. Other historic minor industries, such as sericulture, Khadi and handloom textiles (coir), and handicrafts, are still in existence. Today's small businesses manufacture a wide range of goods, from simple to complex ones, such as television sets and electronic control systems. They are typically utilized as ancillaries to larger enterprises. Modern small enterprises rely on high-tech machinery and equipment rather than traditional small firms' heavy reliance on labor. Many of today's smaller enterprises are referred to as "SSIs."

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Scattered among the company's operations are a few business-related activities as well. To name a few of the commodities made by the SSIs: rubber-plastic-chemical-ceramics-glass objects of mechanical engineering hardware electrical-electronic-components-and-equipment car parts bicycle parts instruments sports goods stationery items and watches The services industry includes rice mills, engineering, maintenance, and well drilling.

In 1991 (the year economic reforms began), the maximum investment for SSIs was Rs. 62 L, Rs. 75 L for ancillary units, and Rs. 51 lakhs for small enterprises. For SSI (Small-scale industry), the investment ceiling was Rs. 1 crore in 2000; Rs. 1 crore for ancillary units; and Rs. 25 lakhs for exporting firms. With the passage of the Micro, Small and Medium Enterprises Development Act of 2006 (MSMED), the terminology of the medium and small sector was changed from MSMB to MSMED, effective October 2, 2006. For the first time, medium-sized businesses (MEs) were given the authority to regulate the media. Investment limitations have also resulted in a distinct divide between service and manufacturing businesses. As a result of this change, the new meaning is as follows:

Plant and machinery investment of less than Rs. 25 lakhs is considered to be a micro-enterprise; A small firm that invests more than Rs. 25 lakh but less than Rs. 5 crore in equipment and machinery. Microbusinesses with a capital investment of less than Rs. 10 lakhs are considered microbusinesses. An investment in equipment that surpasses Rs. 10 lakh but falls short of Rs. 2 crore in a small firm; and Investment in equipment of more than Rs. 2 crore but less than Rs. 5 crore is considered medium-sized firm.

There are over 26 million people employed in India's SSI industry, which produces more than 7500 industrial items ranging from the simplest to the most highly advanced. Since the government funds about 90 percent of all industrial units in the country, about 40 percent of total manufacturing production and 35 percent of exports and 7 percent of the GDP, the SSI sector relies heavily on government support. By the end of March 2002, over 3.6 million SSI units made up over 95% of all industrial units in the country, producing a tremendous number and wide diversity of commodities using a wide range of technologies, from traditional to cutting-edge. 19.4 million individuals worked in this industry during this period, which prided itself on being the second largest employer in the country!

Because of its importance in the country's industrialization and economic development, this sector was given significant weight in the national aim of growth with justice. To address the country's capital shortage, widespread unemployment and regional imbalances in industrial development and the uneven distribution of national income, it is rapidly becoming recognized as a solution. Pt Jawaharlal Nehru, India's first Prime Minister, said, "The sky is the limit for small enterprise." India has the largest and oldest SSI development program in the world. Small and local businesses have been emphasized by Mahatma Gandhi, our nation's father. "Khadi" was likened to the "Sun" of the village solar system, and other businesses were referred to as "planets." The promotion and revitalization of domestic industry, according to him, is the essence of true Swadeshi. SSI is a critical component of our national industrial foundation and is the driving force behind our development efforts, according to Dr. Sankar Dayal Sharma, the former President of India. In the course of industrialization, it serves as a vital connection, delivering cutting-edge technology to the masses and ensuring that economic progress is balanced.

The SSI industry has increased in importance over the past five decades in the country's economy. It has contributed significantly to the growth of GDP, employment, and exports. The "Small Enterprise" category includes both Microscale Industrial (SSI) units and Small Scale Service and Marketing Companies (SSSBs). From 2011-12 to 2019-20, the SSI industry's output, jobs, and

sometimes even exports, all increased consistently (till 2020). During this period, the average annual rate of job growth was 4.4%, whereas the yearly rate of unit growth was approximately 4.1%. In addition, the average annual growth in production was 10.6 percent and 7.6 percent, respectively, at current and constant prices. By remaining aware of all policies and programs, SSIs can maximize opportunities as well as overcome hurdles offered by different policy regimes. A number of new programs have been put in place since July 1991 in response to changes in national and state economies, as well as India's WTO responsibilities since January 1995. The significance of the SSI sector cannot be emphasized, given its prominence in the Indian economy and its contribution of more than half of value-added industrial production. This industry is responsible for one-third of all exports and employs the most people in the country. The Indian economy may be likened to two horses pulling the chariot. SSI's ability to innovate, boost operational efficiency, and meet regulatory emission standards is vital to its survival and growth in India's contemporary liberalized economy. When it comes to smaller businesses, there are numerous obstacles that impede them from reaching their full potential. Some of the most pressing difficulties in the business include access to timely and enough credit, marketing restrictions, infrastructure bottlenecks, technical obsolescence, and a profusion of rules and regulations.

2.0 Literature Review

Employees were trained in the use of small-scale and home-based units. Although small-scale manufacturing has the lowest labor-output ratio, its ability to create jobs is eight times greater than that of large sector units, as measured by the SSI. The issue is multifaceted and revolves primarily around the availability of working capital. Financial institutions can't help their customers as a friend, philosopher, and advisor if they don't change their ways and focus on rural industrialisation and balanced regional growth. The entire financial spectrum is available to the industrial sector. After doing some research, he learned a lot about financing options for large, medium, and small-scale enterprises. Financing needs of small-scale businesses, as well as the institutions that can provide it, are discussed. As a part of his research, he examined commercial banks' financial aid programs for the severely disabled. It has become imperative for the government to set up financial institutions for agro-industries in order to deal with the rising costs of industrial raw materials and machinery and equipment. While Kerala has a shortage of skilled workers, he believes that small enterprises may play an important role in promoting economic growth. For rural development, the most important research effort was to identify the prospective rural industries. There were three dimensions to the potentiality that were defined: technological feasibility, economic feasibility, and social desirability (which was nothing but labour capita ratio) Oil, metal, and 'other' industries have all been identified as potential sources of revenue [1].

According to the results of his research, small businesses endure an unfair amount of pressure from the government when it comes to economic policy. According to him, inflation-free growth may be achieved through economic dynamism. Concessional financing's effect on industrial development in backward regions. For the construction of new units in underdeveloped areas, he found this to be crucial. suggested creating a state-level body to provide financial support for small businesses with microscopes. As a result of this, he favored project-based loans rather than those based on security. Cites concerns such as inadequate technical knowledge upgradation in small-scale facilities as the primary cause of their disease. The EPA and the Government, for example, usually fail to provide proper consultation services when they control pollution. As a result, small businesses are unable to

keep up with advances in technology and management. According to a review of Haryana and Punjab's industrial stimulus programs, these policies and programs have been successful in stimulating and accelerating the growth of rural industries. This small-to-medium-sized business (SME) had a lot of technological ingenuity and resourcefulness. New technology and substantial economic growth are aided by these efforts. As a result, fewer people are looking for work. It's also commendable that SSI units have better and more current marketing trends, as well as suitable training programs established by various institutes, because they serve as their own autonomous regional regeneration vehicle. He advocated for the establishment of national marketing institutes to promote these products [2].

It has taken the previous 25 years for a new set of policies and institutions to emerge, but not all of them have been successful. Small and cottage industries now have a clear path to success thanks to these initiatives. the changes in Andhra Pradesh's institutional lending to small businesses from 1970 to 1980. Concerns for increasing needs and funds to noncommercial and non-governmened economic jointness are frequently severe to those small units because they are still establishing themselves. To provide specifics on why microscale industries in mountainous locations are growing slowly. Lack of technological obsolescence, insufficient raw materials, limited marketing channels, and a lack of knowledge of the market environment in urban areas are some of the reasons these units in rural and suburban areas are struggling, he said. The creation of udyogs on a small and large scale in India's northeastern region. He explained that because multiple cropping in better conditions is impossible in this location, residents in mountainous areas can benefit more economically from labor-intensive small-scale companies. economic growth in a less developed region would be impossible without first achieving industrial development. Economic development in small and medium-sized businesses and cottage industries would play an important role in states like Manipur [3]. Cooperatives with cooperative industrial states in linked domains were favored as effective means for transforming underdeveloped regions into developed ones.

Concessions and subsidies are not being given effectively or punctually, according to a task committee report from 1984. The government's assistance to the needy is being delayed because of a lack of improper orders being issued, a lack of budgetary resources, and other issues.

Kerala Financial Corporation's efforts with banks were deemed unsatisfactory in 1984 by a "High Level Committee Report on Trade and Power" as a result of numerous obstacles and delays. The current system does not work because of the lack of coordination among the implementing agencies, the lack of initiative on the part of DICs, and the absence of key agency services. A fresh take on SSI's position in the industry, such as creating new jobs, boosting output, and opening up new avenues for income. In addition to providing an overview of the role played by rural and urban industry in Sierra Leone, they looked at the supply and demand for SSI products. In order to continue and satisfy the expansion of the rural industrial program, it will be necessary to provide ongoing assistance, appropriate training, and marketing infrastructures in rural areas [4].

Because of the disruptions to productivity caused by the introduction and adaptation of new technology, India's industrial progress has been hampered. it was possible to develop an objective assessment of "Bihar state Industrial Development Corporation's" overall performance by looking at both its financial results and its operational challenges in detail. financial institutions for the expansion of the small-scale sector after evaluating various aspects of how they operate from a variety of perspectives. Because banks and other financial institutions are concerned about the borrower's ability to repay the loan, business financing is a major issue for SSIs. Risk taking ability

- i. Awareness for opportunity
- ii. Innovative

- iii. Calculative
- iv. Systematic

It shed light on the many short-term and long-term funding options available to businesses, as well as the problems they face in obtaining these financing options. As a follow-up question, he inquired about the financial policies and procedures of smaller organizations. In a huge number of sectors, that recent small-scale department is inefficient compared to the larger part. SSIs in the Jodhpur district’s advertising woes. For example, he observed that the market situation is constantly changing due to the external environment of business, which at times provides opportunities in terms of growth for the enterprise, while at other times the market creates threats to its existence. To adapt and take correct business decisions in accordance with this changing market scenario is essential for managing market dynamics [7].

Stable Institutional Development Corporations in India are essential for monitoring progress toward goals. In addition, he explained why some students perform better than others. SSI and their significance in industrial strategy as bricks for the Indian development process and the structural changes in the industry of small business growth.. Businesses of all sizes face the difficult problem of recruiting and retaining top-notch employees while also developing rules that encourage them to stay and help them accomplish their goals. Orissa’s Balasori district was studied as part of an effort to understand the operational issues that arise when launching SSI units. The entrepreneur’s strategy is disrupted by the delay in implementing the policies, which causes the production process to be halted. In both Nigeria and India, SSIs operate with the same frequency and in environments with the same characteristics favorable to progress [8].

3.0 Methodology

It’s a mathematical strategy that allows you to fit a trend line to your data. Parabolic trend or straight line trend can be fitted using this method. The equation represents the straight line trend.

$$Y_0 = A + BX$$

Y_0 = trend value

A = y intercept value

B = slope of the trend line

X = variable

Table 1: ANOVA Model Two Way

Variation Sources	Sum of Squares	DOF	Sum of Squares Mean
Between samples Size in no. columns (L)	SSL	(L-1)	MSL=SSL/(L-1)
Between sample size no. of rows (N)	SSN	(N-1)	MSN=SSN/(N-1)
Residual or Error check in sampling (R)	SSR	(L-1) (N-1)	MSR=SSR/(L-1) (N-1)
Total(T)	SST	T-1	

The sum of the squares for origin of residuals was calculated by removing the sum of squares between columns and rows from the overall sum of the squares, i.e.,

$$SSR = SST - (SSL + SSN)$$

The F values have been calculated as follows:

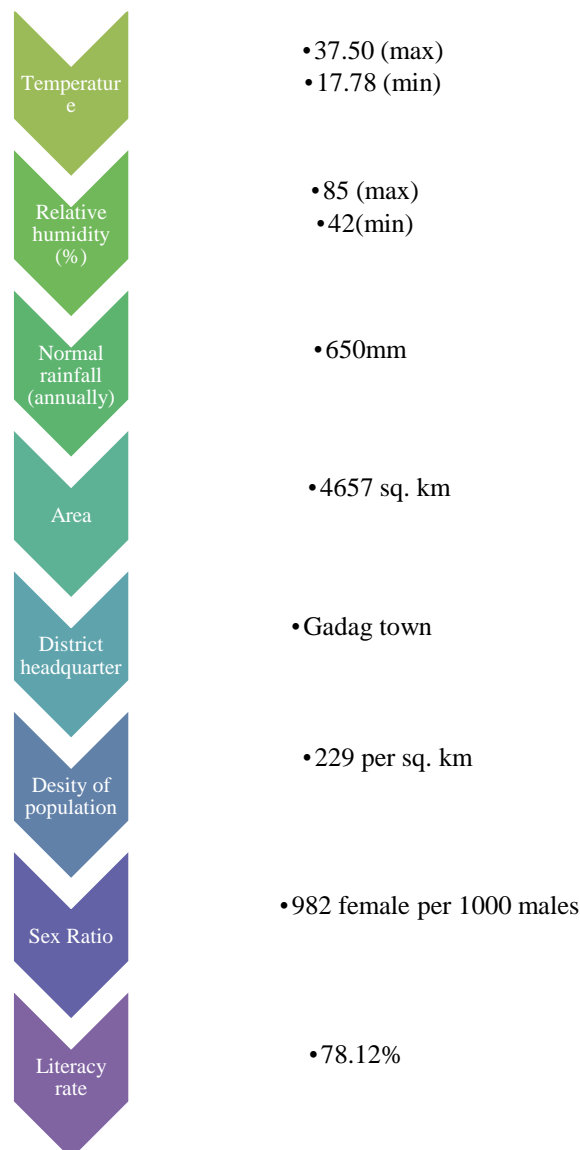
$$F(\zeta_1 \zeta_2) = \frac{MSN}{MSR}$$

Where $\zeta_1=(L-1)$ and $\zeta_2 = (L-1) (N-1)$

Note that the value F will not be the same and logical conclusion are drawn.

It is evident from the foregoing that 'Residual' is the gauging rod for the test relevance in matters surrounding two-way categorization. This indicates the strength of variance owing to 'random' factors.

Figure 1: Gadag District Profile



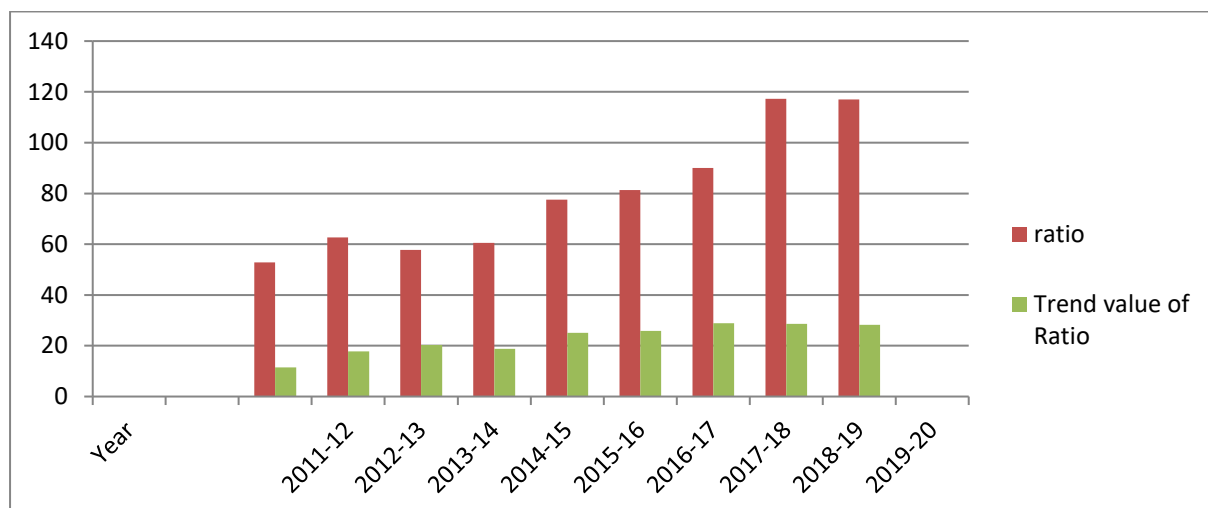
4.0 Results and Discussion

Sales to operating profit ratio for the period 2011-12 to 2019-20 and trend value of ratio from the period 2011-12 to 2019-20 of SSI units is given in the Table 2.

Table 2: Ratio of Sales to Operating Profit

Year	Sales (Rs. In lakhs)	Operating Profit (Rs in lakhs)	Ratio = (Sale + Operating Profit)/Sample	Trend value of Ratio
2011-12	14587.1	4770.4	52.889	11.447
2012-13	17020.8	5924.6	62.692	17.793
2013-14	14787.8	6348.2	57.749	20.270
2014-15	15268.6	6880.8	60.517	18.752
2015-16	20032.2	8353.1	77.555	25.108
2016-17	20351.8	9402.2	81.295	25.851
2017-18	22967.5	9975.8	90.009	28.900
2018-19	31371.1	11525.3	117.203	28.655
2019-20	32563.5	10263.4	117.013	28.212

It finds that there is an increasing trend in sales to operating profits ratio of SSI units. The average sale to operating profit ratio is 79.658.



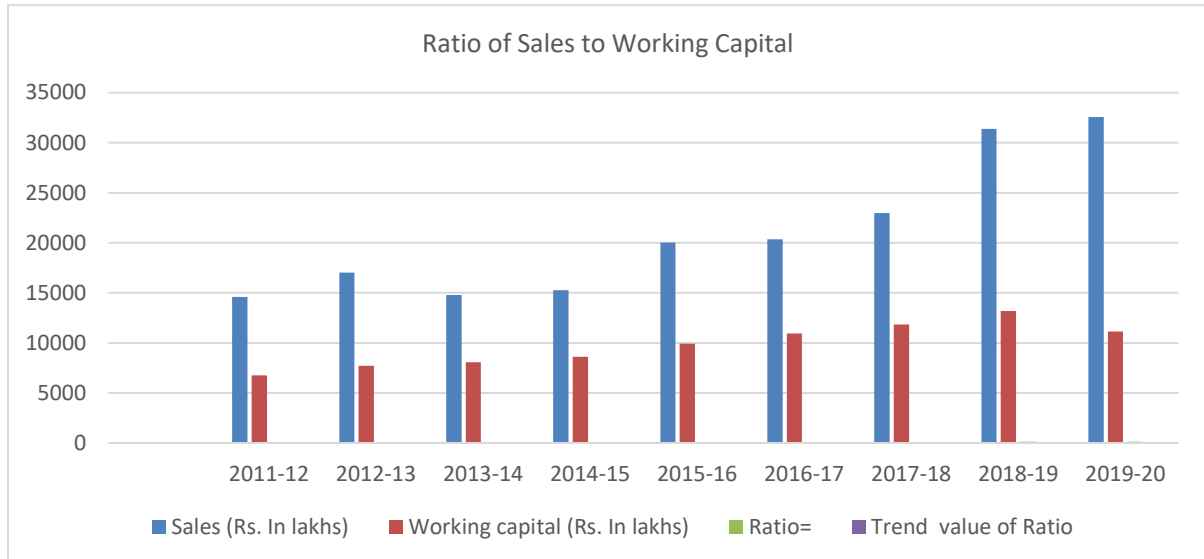
4.1 Ratio analysis of sales to working capital

Ratio of Sales to working capital for the period 2011-12 to 2019-20 and trend value of ratio from the period 2011-12 to 2019-20 of SSI units is given in the Table 3.

Table 3: Ratio of Sales to Working Capital

Year	Sales (Rs. In lakhs)	Working capital (Rs. In lakhs)	Ratio = (Sale + Working capital)/Sample	Trend value of Ratio
2011-12	14587.1	6760.4	58.325	26.548
2012-13	17020.8	7726.6	67.616	24.881
2013-14	14787.8	8075.2	62.467	23.214
2014-15	15268.6	8609.8	65.241	21.542
2015-16	20032.2	9916.1	81.826	19.880
2016-17	20351.8	10960.2	85.551	18.220
2017-18	22967.5	11826.8	95.066	16.546
2018-19	31371.1	13188.3	121.746	14.879
2019-20	32563.5	11145.5	119.423	13.759

It finds that there is decreasing trend in sales to working capital ratio. The average sales to working capital ratio are 84.140.



It is difficult for a small business owner to start and maintain a small-scale business. Small and medium-sized businesses in India face stiff competition. Different brands and colors of the same product are produced by small, medium, and large-scale enterprises. Customers don't care if the product is tiny, medium, or giant scale. However, they want the greatest quality goods at a reasonable price. On the other hand, SSI's product marketability is extremely tough in this competitive atmosphere. Gadag's SSI faces various challenges, particularly in the countryside. More specific issues include a lack of knowledge about starting a business, fear of starting an entrepreneurial venture, a lack of seed cash, difficulties in finding a suitable business location, a shortage of skilled and trained staff, and a lack of raw materials throughout the year. It's a given that small-scale businesses will face issues on a daily basis.

5.0 Conclusion

- For the past few years, production to working capital has been on the decline.
- It appears that sales to working capital are falling.
- Working capital is declining on an average and total basis.
- Working capital and operating profit have a negative relationship.
- Sales and working capital have a negative correlation.
- Production and sales are inversely related.
- SSI units in the Gadag district are influenced by factors such as the availability of labor, proximity to raw materials, and ease of transportation.
- SSI units can only be started by a company with a well-established brand and a broad range of potential customers.
- Power outages and lack of working capital are the most critical issues in manufacturing.
- Employees can be found within a short distance.

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