

## GROWTH AND DEVELOPMENT OF SME IN INDIA : A STUDY

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### Abstract :

*The recent years have witnessed a dramatic expansion in the Small Scale Sector in almost all part of the world. Small and Medium Entreprises (SMEs) are playing very crucial role in India. It has been considered as powerful instrument for achieving economic development of a country. It occupies a place of pride in the Country's Industrial development program. Realising the importance of SME, the Govt. of India took several measures for the development of SME . In the context of Globalisation, they are faced with stiff Competition from large scale units and MNC's Manufacturing similar products. By keeping this in mind, this paper makes an attempt to analyse the growth and development of SME in India in terms of No. of Units Registered, Employment Generation, Production performance and Export performance.*

### INTRODUCTION

SME are playing very important role in India. Since 1951, where post-independence economic planning was initiated on the following premises. Small industries economise on the use of capital and generate employment than large industry. The Industrial Development and Regulation Act legislated by the Central Government because the frame work for the small-scale industrial sector's development. The Act determined licensing policies for the sector and the reservation of products, among several other important provisions.

The small-scale sector has been assigned a place of pride in the country's industrial development program, as it has the capacity to achieve economic growth in small gestation period, high employment potential and relatively limited financial requirements. In a developing nation like India where population is high and incomes are low, it is inevitable to develop the small industrial sector, which absorbs more men with low capital. Because of these, Mahatma Gandhi and his followers favored Small and Medium Entreprises.

## STATEMENT OF THE PROBLEM

SMEs plays an important role in the economic development of our country. They encourage entrepreneurship. The SME has emerged as a dynamic and vibrant sector of Indian economy. It can be an important vehicle for meeting growth and equity objections of developing economies. It is considered as the hub of many economic activities in developing country like India.

## OBJECTIVES

The main objectives of this article is to analyses the growth and development of SME in India in term of Number of units registered, employment generation, production and exports.

## METHODOLOGY

This study is fully relied on secondary sources of information. The variables such as no. of units registered, employment generation, production and exports were used to study the growth and development during 1978-87 to 2008-2012. The study explores the growth pattern of SME in India during the past three decades.

## ANALYSIS AND DISCUSSION

### NO. OF UNITS REGISTERED

After the introduction of the Industrial policy of 1991, with the accent on privatisation and globalisation there has been considerable increase in the number of units registered in India. The following table reveals the growth pattern of number of SME units registered in India during the study period.

**Table 1 - Number of Units Registered**

Year	Units (in Lakhs)
1978 – 1987	103.1
1988 – 1997	588.2
1998 – 2007	1080.5
2008 -2012	1484

**Source :** Compiled from various issues of Economic Survey, Govt. of India

Table – 1 exhibits that the total no. of SME units has steadily increased from 103.1 lakhs

in 1978-87 to 1484 lakhs in 2008-2012. This shows that the development of SME has emerged as a powerful movement in India.

**EMPLOYMENT GENERATION**

SME create more employment opportunities by investing minimum capital which is the need of the hour in our country. To some extent they can solve our unemployment problem. The performance of SME in the employment generation have been indicated in Table No.2.

**Table 2 – Employment Generation**

Year	Employment (in Lakhs)
1978 – 1987	781.4
1988 – 1997	1616.5
1998 – 2007	2525.1
2008 -2012	3571.51

**Source : Compiled from various issues of Economic Survey, Govt. of India**

Table 2 exhibits that the number of employment in SMEs has also increased from 781.4 lakhs in 1978-87 to 3571.51 lakhs in 2008-2012. It can be easily understand that the employment opportunity provided by the SME sector is showing a several increasing trend.

**PRODUCTION PERFORMANCE**

The economic development of any economy is basically measured in terms of production of the country. The output of SME sector during the study period was presented in Table 3.

**Table 3 – Production performance**

Year	Production (Rs. Crores )
1978 – 1987	373000
1988 – 1997	1106297
1998 – 2007	3369229
2008 - 2012	4862893

**Source : Compiled from various issues of Economic Survey, Govt. of India**

It is clear from the table-3 that the production has also increased from 373000 crores in 1978-87 to 4862893 crores in 2008-2012. It indicates the remarkable growth in production during

the study period. This may be due to increase in the no. of units registered during the study period.

### CONTRIBUTION TO EXPORT

SME sector plays a major role in India's present export performance. It's Export promotion has been accorded high priority in Indian Export promotion strategy. It is true that SME account for 45 percent of the country's total export. The export performance during the study period was given in Table – 4.

**Table - 4 – Export Contribution**

Year	Export (Rs. Crores )
1978 – 1987	19900
1988 – 1997	189104
1998 – 2007	746978
2008-2012	1523506

**Source : Compiled from various issues of Economic Survey, Govt. of India**

Table - 4 reveals that there is constant increase in the export performance of SME in India from 19900 crores in 1978 – 87 to 1523506 crores in 2008 - 2012. This clearly indicates that the growth pattern of exports of SSI units in India in terms of Crores. It is due to promotional measures taken by the Govt.

### PROBLEMS OF SME

The problems of SME are multidimensional. The major problem faced by them are listed below :

- ❖ SME are fully depend on unskilled and untrained. There is a lack of skilled and trained labour.
- ❖ The technologies used by SME are outdated one.
- ❖ SME have to face acute competition of large scale and medium Enterprises.
- ❖ Entry of Multi National Company
- ❖ They have to face certain difficulties in marketing of the production due to lack of Advertisement, finance etc.

## FINDINGS

- ❖ The growth of small and Medium Enterprises units in India in the recent past has been very significant.
- ❖ An employment front, the performance of SME in India is found to be very impressive.
- ❖ The production of SME during study period registered a remarkable growth trend.
- ❖ It is surprising to note that the contributions of SME in export has increased by leaps and bounds.

## SUGGESTIONS

The following suggestions are offered to overcome the general problems faced by SME in India.

- ❖ Infrastructure should be strengthened to attract industries
- ❖ Export procedure have to be simplified and they must be made transparent to SME.
- ❖ Extensive skill development facilities and training opportunities for workers to meet shortage of professionals in small scale units must be arranged.
- ❖ Suitable strategies have to be adopted to increase the productivity and to control the cost.
- ❖ Technology upgradation, modernization and expansion of traditional small industrial units into modern competitive units must be need of the day.

## Conclusion

The foregoing analysis of data revealed that Small and Medium Enterprises has performed exceedingly well and enabled the country to achieve a wide measure of Industrial growth and diversification. SME sector has made significant contribution to employment generation and also rural industrialisation. They encourage entrepreneurship and considered harbingers of economic growth and development. The study also found that SME require Technical up-gradation, efficient management, and support from Govt. which would facilitate the fast growth of small sectors.

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