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## A study of small scale entrepreneurship in India: a current scenario of India

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### Abstract

Industrial development plays a crucial role in a country's development particularly with regards to the objectives of structural diversification, modernisation and self-reliance. The progress of industrialisation over the last forty-nine years in India has been a striking feature of Indian economic development. Moreover, Government has been laying tremendous stress on the strategy of development through the SSI sector. The promotion of industries has been regarded as an important element of development strategy during our Five Year Plans. The modern small sector is akin to the large and medium industries sector in terms of technology in use, production facilities, labour intensity, capital intensity etc. The traditional industries include segments like handlooms, khadi and village industries, handicrafts sericulture, coir etc. The SSI sector has been receiving special attention from the policy makers in addressing its requirements of credit, marketing, technology, entrepreneurship development, fiscal and infrastructural support etc. It enjoys the status of priority sector for seeking financial assistance.

**Keywords:** Entrepreneurship development, small scale, industries.

### Introduction

The Small-Scale Industries (SSI) have a crucial role in a developing economy like India. They play a strategic role in the progress of the country. These industries by and large represent a stage in economic transition from traditional segments to modern segments. The traditional nature of this process is reflected in the diversities of these industries. Some small scale units employ simple skills and mechanism while many other units use modern and sophisticated technology. Now, our economy is facing a challenge of economic growth. It has to accelerate the productivity of many important areas like agriculture and industry by improving their techniques of production. SSIs have been assigned to fulfil these expectations in more economic and diversified way.

### Meaning and definition of small scale industry

Small-scale industry comprises of a variety of undertakings. The definition of small-scale industry varies from one country to another and from one time to another in the same country depending upon the pattern and stage of development, Government Policy and administrative set up of the particular country. As a result, there are nearly 50 different definitions of SSIs found and used in 75 countries. All these definitions either relate to capital or employment or both or any other criteria. We trace here the evolution of the legal concept of small-scale industry in India. There can be two bases for defining small business and these are:

i) **Scale of Business:** The size or scale of business can be measured in various ways like:  
**Investment on plant and machinery**

- i). Employment generation.
- ii). Investment and Employment.
- iii). Volume and/or value of production
- iv). Volume and/or value of sales.

i) **Qualitative Aspects:** These can be:-

- i. Ownership of small business is in the hands of an individual or a few individuals.
- ii. Management and control of small-scale firm is with the owner or owners.

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- iii. Technology adopted in small-scale unit is normally labour intensive.
- iv. Small-scale business is normally carried on in a limited or local area.

Before Second World War a small concern was defined as a unit having capital invested upto Rs. 30,000 and those concerns having capital in excess of that amount were classified as large scale units. The definition of small-scale enterprise has undergone changes over years with the ceiling raised to take into account the rising cost of machinery as well as falling value of rupee. Various definitions of small-scale unit are as under:

According to Government of India, 2000 "An undertaking having an investment in plant and machinery of not more than Rs. 1 crores". It is evident from the above definitions that there was an upward revision in the investment limit on plant and machinery in small scale sector from Rs. 5 lakhs to Rs. 3 crores over years but this limit has been reduced to Rs. 1 crore in the year 1999-2000.

### **Tiny Industries**

Very small industries with an investment of less than Rs. 25 lakhs are included in the category of tiny industries. Capital investments for this purpose means investment in plant and machinery. The location restrictions or the setting up of Tiny Units have been removed by Small Industries Policy of 1992. The number of persons employed in these units must be less than 50. These units are normally operated under sole proprietorship form of ownership. These units are managed by family members and not professionals which result in lower profit generation.

### **Ancillary Units**

Industrial units having an investment in plant and machinery, whether held on ownership or by lease or by hire purchase does not exceed Rs. 1 crore and engaged or is proposed to be engaged in the manufacture or production of parts, components, sub-assemblies, tooling and intermediaries, or the rendering of service and supply or render at least 50 per cent of its production or services as the cases may be to one or more other industrial undertakings.

### **Cottage Industries**

These are also called household industries. They are organised by individuals' and with the help of members of the household (including family labour) and are pursued as full time or part time occupation. The capital investment is small and the components used are simple. These industrial units normally use local resources and local skills. The output produced in each industrial unit is generally sold in the local market.

### **Features of small scale industries**

The following are the feature of small scale industries:

#### **1. Ownership**

Ownership of small-scale unit is with one individual in sole proprietorship or it can be with a few individuals in partnership.

#### **2. Management and Control**

A small scale unit is normally a one man show and even in case of partnership the activities are mainly carried out by the active partner and rest are generally sleeping partners.

These units are managed in a personalised fashion. The owner is actively involved in all the decisions

### **3. Gestation Period**

Gestation period is that period after which teething problems are over and return on investment starts. Gestation period of small-scale unit is less as compared to large scale unit.

### **4. Area of Operation**

The area of operation of small scale unit is generally localised catering to the local or regional demand. The overall resources at the disposal of small-scale units are limited and as a result of this, it is forced to confine its activities to the local level.

### **5. Technology**

Small industries are fairly labour intensive with comparatively smaller capital investment than the larger units. Therefore these units are more suited for economies where capital is scarce and there is abundant supply of labour.

### **6. Resources**

Small scale units use local or indigenous resources and as such can be located anywhere subject to the availability of these resources like labour and raw materials.

### **7. Dispersal of Units**

Small-scale units use local resources and can be dispersed over a wide territory. The development of small scale units in rural and backward areas promotes more balanced regional development and can prevent the influx of job seekers from rural areas to cities.

### **8. Flexibility**

Small-scale units as compared to large-scale units are more change susceptible and highly reactive and responsive to socio-economic conditions. They are more flexible to adopt changes like new method of production, introduction of new products etc. concerning business.

### **Role of small scale industries in India**

Small-scale and cottage industries have been playing an important role in Indian economy in terms of employment generation and growth. It is estimated that this sector has been contributing about 47 per cent of the gross value of output produced in the manufacturing sector and the generation of employment by the small-sector is more than five times to that of large-scale sector. The following are some of the important roles played by small-scale industries in India:

#### **1. Number of Units**

Total number of registered small-scale and cottage units has been increasing rapidly from 16,000 in 1950 to 36,000 in 1961 and 8.53 lakh units in 1985-86 to 14.96 lakh units in 1991-92. Moreover, there were about 5.84 lakh unregistered small-scale units in India. In 2000-01 the total number of small-scale and cottage units further increased to 33.7 lakh. But as per the census of SSI units, about 30 to 40% of these registered units might be non-functional. The Second All India Census of registered small-scale industrial units was conducted by Small Industries Development Organisation in 1987-88. Findings of the census also give

added empirical support to the generally accepted hypothesis about the distinct characteristics of the SSI sector compared with those of the large and medium sector, namely lower capital base, lower capital/labour ratio, lower productivity of labour and higher productivity of capital and lower wage rates. These small-scale industries are also producing various types of commodities starting from simple consumer goods to the manufacture of sophisticated electronic goods.

## 2. Employment Generation

Small-scale industries are labour-intensive and thus are generating a large number of employment opportunities. Total employment generated by these small-scale industries has increased from 39.7 lakhs in 1973-74 to 96 lakhs in 1985-86. Employment of the small-scale sector has again increased from 129.8 lakh in 1991-92 to 219.7 lakh in 2004-05, showing an increase of about 4% over the previous year.

## 3. Investment

Investment in the small-scale sector has been increasing at a faster rate. As per the statistics made available by SIDO, total amount of investment in the small-scale units of India has increased significantly from Rs. 2233 crores in 1972-73 to Rs. 4431 crores in 1978-79 and then to Rs. 14,730 crores in 2004-05. Fixed investment per employee which was Rs. 6.4 thousand in 18 1972 as per SSI census gradually rose to Rs. 92.07 thousand in 2004-05 as per the results of Annual Survey of Industries (ASI).

## 4. Output

Total production of the small-scale units has increased from Rs. 7200 crores in 1973-74 to Rs. 57,100 crore in 1985-86. The value of output of the SSI sector in 2004-05 is at Rs. 7,89,620 crores showing an increase of 10.2% over the output of Rs. 5,72,887 crores in 1999.

## 5. Contribution to Exports

The contribution of SSI sector towards export has been increasing at a faster rate. The value of exports of the products produced by the small-scale sector has increased from Rs.393 crore in 1973-74 to Rs. 9,100 crore in 1990-91 and then to Rs. 68,280 crore in 2004-05. Again in dollar terms, the value of exports from SSI sector has also increased from Dollar 8.87 billion in 1993-94 to Dollar 15.18 billion in 2004-05. The share of export from small-scale sector in the total export has increased from 9.6% in 1971-72 to 42% in 2004-05.

## 6. Equitable Distribution of Income

Small-scale and cottage industries has been resulting more equitable distribution of national income and wealth. This is mainly due to the fact that the ownership of small-scale industries is quite widespread as compared to large-scale industries and small-scale sector is having a higher employment potential than that of large-scale sector.

## 7. Mobilisation of Capital and Entrepreneurial Skill

Small-scale industries can mobilise a good amount of savings and entrepreneurial skill from rural and semi-urban areas which remained untouched from the clutches of large-scale sector. Thus, a huge amount of latent resources are being mobilised in the SSI sector for the industrial development of the country.

## 8. Regional Dispersal of Industries

Small-scale industries are playing an important role in dispersing the industrial units of the country in the various parts of the country. As the large-scale industries are mostly located in some states like Maharashtra, West Bengal, Gujarat, Tamil Nadu, thus dispersal of SSI units throughout the country can achieve the balanced pattern of industries development in the country.

## 9. Better Industrial Relation

The small-scale industries are maintaining better industrial relations between employers and employees and thus can lessen the frequency of industrial disputes. But the large-scale industries are facing the problems of strikes and lockouts and hence good industrial relations in these industries are very difficult to maintain. Thus, the loss of production and mandays are comparatively less in small-scale sector. It is due to the above mentioned factors the growth rate of small-scale industrial sector has remained faster in terms of its number, employment and output.

## Entrepreneurship Development

'Entrepreneurship Development' is the key to economic development of a country. By setting up a new enterprise the entrepreneur not only generates self-employment but also, provides number of employment opportunities to others. Vigorous efforts on the part of the government for decades in making the scarce inputs including raw material, finance, technical and managerial personnel available have failed to make the desired impact on economic development of the country. As a result, development of entrepreneurs which means inculcating entrepreneurial traits in persons, imparting requisite knowledge, developing the technical, managerial, financial and marketing skills and building the entrepreneurial attitudes has gained prime importance in recent years. With the advancement of information technology and the phenomena of global village gathering momentum especially in view of WTO, it has become essential that entrepreneurial skills be developed and people are motivated towards self-employment and self-reliance. India can generate additional economic growth by fostering entrepreneurial activities within the country, particularly within middle class people. Not only has entrepreneurship been found to yield significant economic benefits in a wide variety of nations, but India specifically has reached a point in its development where it can achieve similar results through entrepreneurial efforts. Among other things, India is poised to generate new business startups in the high technology area that can help it become a major competitor in the 14 world economy. It has a strong education and training base suited to entrepreneurial activities, increased inflows of foreign capital aimed at its growing information technology services sector, and a host of successful new business startups. To pursue further the entrepreneurial approach to economic growth, India must now provide opportunities for:

Education directed specifically at developing entrepreneurial skills,

- Financing of entrepreneurial efforts, and
- Networking among potential entrepreneurs and their experienced counterparts.

However, its role overall must be minimized so that the influence of the free market and individual self-interest can

be fully realized. Only time will tell if increased entrepreneurial activities in India will actually yield the economic benefits found in so many other nations of the world. Should India decide to pursue that avenue of economic development, then future research needs to examine the results of India's entrepreneurial programmes.

### **Role of entrepreneurship in developing economics**

In developing economies like India the scope and need of non-pure entrepreneur is higher. An entrepreneur need not necessarily innovate, even if he imitates any technique of production, marketing from a developed country, he is an entrepreneur in his own right and makes a contribution to economic development as long as he starts business, undertakes risk and bears uncertainties. <sup>21</sup> In developing countries entrepreneurship is considered as a form of labour which tells the rest of labour what up do and how to get things done.

Entrepreneurship involves increasing per capita output and income. Entrepreneurship brings about change in the structure of business and society. There is a significant growth in output which further leads to more wealth to be divided amongst the various participants involved in the complete chain of business activities. Innovation is the key not only in developing the product, but it also leads to increase in capacity of the firm due to new investments and the resultants utilizes the new capacity and output hence increases demand. Entrepreneurship revitalizes the various areas of corporate world. Individuals can relate to the concept and see it as a possibility for changing their present situation.

Small firms play a major role in job creation and innovation. Not only this but they play an important role in creating awareness that there are more entrepreneurs than those heralded in the media, as thousands of small cottage are formed. They have increase media coverage and since women are increasingly becoming more active and forming new venture at three themes the rate of their male counterparts the number of families earning two incomes grows. Eventually, it has great impact on both the overall economy and the employment of an area in particular

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S. Jagdish Pandi (2008) undertakes a study on sickness of small scale industries entitled "Incidence of Sickness in Small-Scale Units" highlighted on various factors responsible for sickness of SSI units. He concludes that many of the entrepreneurs lack in managerial competences.

The study also indicates that 56.25 per cent of the units borrowed working capital loans from institutional sources. As far as infrastructure in concern, power cut is one among the reason for low production. Regarding marketing of the product 68.75 per cent of the units were suffered from the problem of mobility constraint. He suggest that a national scheme should be framed to provide employment for the workers which are deployed from closed units, a proper management information system to collect information of various aspects of rehabilitation programme, Need for cluster development programme and setting up Industrial parks, etc.

### **Products reserved exclusive production in the small scale sector**

The reserved items fall under the following broad categories:-

1. Food and allied industries;
2. Textile products including hosiery;
3. Wood and wood products;
4. Paper products;
5. Leather and leather products including footwear;
6. Rubber products;
7. Plastic products;
8. Chemical and chemical products;
9. Glass and ceramics;
10. Mechanical engineering;
11. Electrical machines, appliances etc.;
12. Electronic equipments and components;
13. Transport equipment, auto-parts, bicycle parts and
14. Miscellaneous (sports goods, stationery items etc.)

### **Small Business Promoters Programmes**

1. Entrepreneurship Orientation for Weaker Sections/DWACRA Functionaries.
2. Grassroots' Management Training.
3. Women Empowerment through Enterprise Development.
4. Orientation Programmes for Voluntary Organizations.
5. Small Business Development.
6. Micro-Enterprise for Women/SC/ST/Weaker Section.
7. TRYSEM/ISB Beneficiaries.

### **Objectives of the study**

To study educational and occupational backgrounds of the small entrepreneur.

### **Research methodology**

The present study is based on both the Primary and the Secondary sources, yet it is mainly based on the primary data. The major sources of 31 secondary data are the Information provided by District Industrial Centers, Financial Institutions, Small Scale Industrial Corporation, Population Census, Statistical Reports, Development Indicators of Maharashtra, Annual Survey of Industries, data from District Industry Centers, Joint Director of Industries, Reference books, Research Journals, Libraries, etc.

### **Sample**

Out of the total micro and small units of industrial area, Bela in Muzaffapur district 100 entrepreneurs has been selected on the basis of purposive sampling method for sample study. Muzaffapur district is taken for the detailed study. The study is mainly based on the primary data collected through

field investigation, survey and questionnaire. The entrepreneurs were personally interviewed with the help of structured questionnaire. For this purpose a structured questionnaire was prepared and fills up from them.

## Results and discussion

**Table 1:** Education-wise Classification of Participants

Serial No.	Qualification	Numbers	Percentage
1.	S.S.C.	2	2
2.	H.S.C	11	11
3.	Graduate	39	39
4.	Post-Graduate	31	31
5.	Others	17	17
	Total:	100	100

**Source:** Primary data analysis.

It is realized from the Table No. 1 that the educational background of the selected entrepreneurs are good. The largest group of 39 per cent of the entrepreneurs is graduates. 31 per cent respondents are completed their education as post graduate. 11 per cent and 2 per cent are H.S.C. and S.S.C. holders respectively. 17 per cent respondents having technical qualifications should be encouraged to enter into entrepreneurship because technical qualification helps in improving internal as well as external performances of any enterprise.

**Table 2:** Business Type-wise Classification of Respondents.

Serial No.	Types of Business	Numbers	Percentage
1.	Production	28	28
2.	Service	32	32
3.	Trading	21	21
4.	Commission Agents	11	11
5.	Repairs & Caretaker	8	8
	Total:	100	100

**Source:** Primary data analysis.

It reveals from the Table No. 2 that most of the respondents (32 per cent) are undertaking services activities followed by production (28 per cent), Trading (21 per cent), Commission Agents (11 per cent) and Repairs & Caretaker (8 per cent). Entrepreneurs are not coming forward to manufacturing activity. They are showing interest in only service and trading units. It is natural that the first generation entrepreneurs would prefer to trade first and then manufacturing unless they are assured of a readymade market.

**Table 3:** Business Experience-wise Classification of Respondent.

Serial No.	No. of years	Numbers	Percentage
1.	Below 5	7	7
2.	5 to 10	23	23
3.	10 to 15	35	35
4.	5 to 20	27	27
5.	20 & above	8	8
	Total:	100	100

**Source:** Primary data analysis.

A majority of units were started after 1990 and so they are still two decades old. The units with a great length of life constitute about two third of the total sample units. The Table-3 shows that 35 respondents are having strong business experience i.e 10 to 15 years, followed by 27

percent respondents are having 15 to 20 year experience, 8 respondents are doing business form more than 20 year, 23 respondents are having 5 to 10 year experience and only 7 respondents are having newly business or less 5 years' experience.

**Table 4:** Ownership of Business Place of Respondents.

Serial No.	No. of years	Numbers	Percentage
1.	Own	57	57
2.	Government	15	15
3.	Rental	28	28
	Total	100	100

**Source:** Primary data analysis.

Ownership of the business place is the very important factors for entrepreneurship development. The Table No. 4 reveals that 57 per cent respondents are having their own places for business activities, 28 percent respondent running their business at rental places while 15 per cent respondents are occupied Government allotted places.

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