



Small Industrial Sector of India and Exports

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Abstract

Small scale industrial units of India are strengthening the economy by contributing up to 40 percent of the total exports of the country. In 1990-91, the share of small sector in the exports of the country was only 29.70 percent which has increased up to 40 percent in 2015-16. The small scale scientific industry of Ambala City in Haryana is world famous for its scientific instruments. According to the data released by Apparel Export Promotion Council (AEPC), India has attained the position of second largest textile exporter after having the more export business more than that of Bangladesh, Italy and Germany.

Key Words: MSMEs, Exports, Foreign Trade.

Introductory View

Industries play important role in the development of any economy. Industries can be divided broadly into three main categories, viz. large scale industries, medium scale industries and small scale industries. Small scale industrial sector is the vital sector which provides opportunities at large. These industrial units require less capital investment for the establishment. These industries are best suited for the optimum utilization of local and unutilized resources. In India, where the problem of unemployment is the big obstacle in the way of progress, this sector can play effective role for generating employment opportunities. Government enacted "The Micro, Small and Medium Enterprises Development Act" in 2006 for promoting this industrial sector in the country. Now this sector is called the Micro, Small and Medium Enterprises (MSMEs). This Act has divided the small industrial sector into micro

units, small units and medium units. These three types of industrial units have also been classified into service and manufacturing enterprises. The Act has defined the manufacturing MSME as follows:

1. A micro enterprise includes those industrial units in which the investment
2. A small enterprise includes those industrial units in which the investment in plant and machinery is more than Rs. 25 lakh but does not exceed Rs. 5 crore.
3. Investment in plant and machinery does not exceed Rs. 25 lakh.
4. A small enterprise includes those industrial units in which the investment in plant and machinery is more than Rs. 25 lakh but does not exceed Rs. 5 crore.
5. A small enterprise includes those industrial units in which the investment in plant and machinery is

more than Rs. 5 crore but does not exceed Rs. 10 crore.

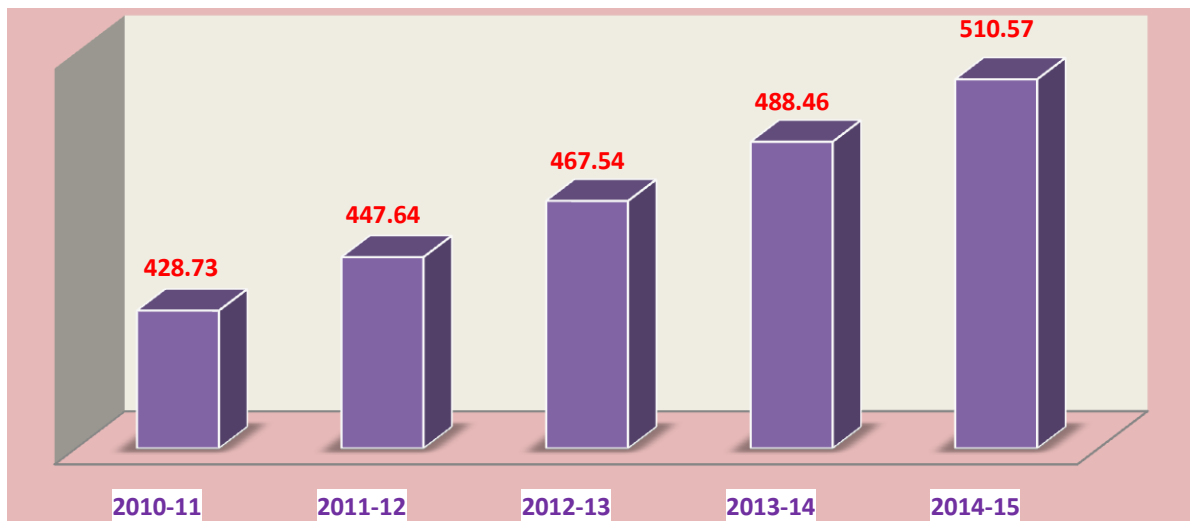
The service providing small industrial units have been defined by the Act as follows:

1. A micro enterprise includes those industrial units in which the investment in plant and machinery does not exceed Rs. 10 lakh.
2. A small enterprise includes those industrial units in which the investment in plant and machinery is more than Rs. 10 lakh but does not exceed Rs. 2 crore.
3. A small enterprise includes those industrial units in which the investment in plant and machinery is

more than Rs. 2 crore but does not exceed Rs. 5 crore.

In 2014, Government has proposed the “Micro, Small and Medium Enterprises Development (Amendment) Bill 2014” in which the investment limits have been proposed for small manufacturing enterprises, more than fifty lakh rupees and up to ten crore rupees and for small service enterprises, more than twenty lakh rupees and up to five crore rupees. Small scale sector provides the employment opportunities next to agriculture in the country. This sector is attaining the growth in the significant manner.

Figure1: Growth of Small Industrial Units in India (In Lakh)



Source: Annual Report 2015-16, Government of India, Ministry of Micro, Small and Medium Enterprises

Above figure is depicting that in 2010-11, there were only 428.73 lakh small scale units in the country which have increased to 510.57 lakh units in 2014-15. This sector has grown significantly in previous five years. These industrial units can play important role for supporting the Indian economy.

Objectives of the Study

The main objective of this paper is to highlight the contribution of Indian small scale industrial sector in the export trade. Towards this aim, the researcher has tried to find out the role of these units in the export sector. The structure of the paper has been designed according to the objective of the study. A separate talk on the export trade of Indian small scale sector has been involved in the middle part of the paper.

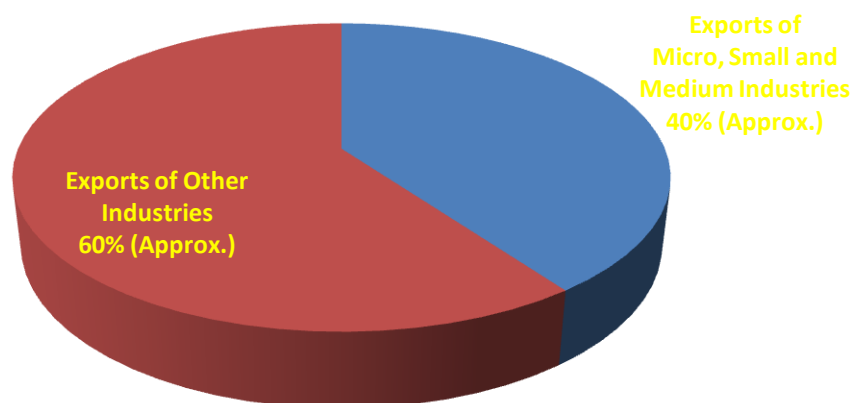
Methodology

Present paper is based on the descriptive study of the small scale sector of India. Entire study is divided into three main segments. First segment involved the introduction, objectives and methodology of this paper. Middle part of the paper includes the contribution of the MSME sector in the export trade. Ending part is based on conclusions. Secondary data have been used for analyzing the impact of exports on the economy. This study is not based on any case study which cannot be applied on any particular industrial unit.

Exports of Indian Small Scale Sector

The term ‘Export’ has been defined under section 2 (l) of the FEMA Act, 2000 as: (i). the taking out of India to a place outside India any goods and (ii). Provision of services from India to any person outside India. This sector contributes significantly in foreign trade and is responsible for about 40 % exports of the total exports of the nation. This sector exports the various products in the significant manner.

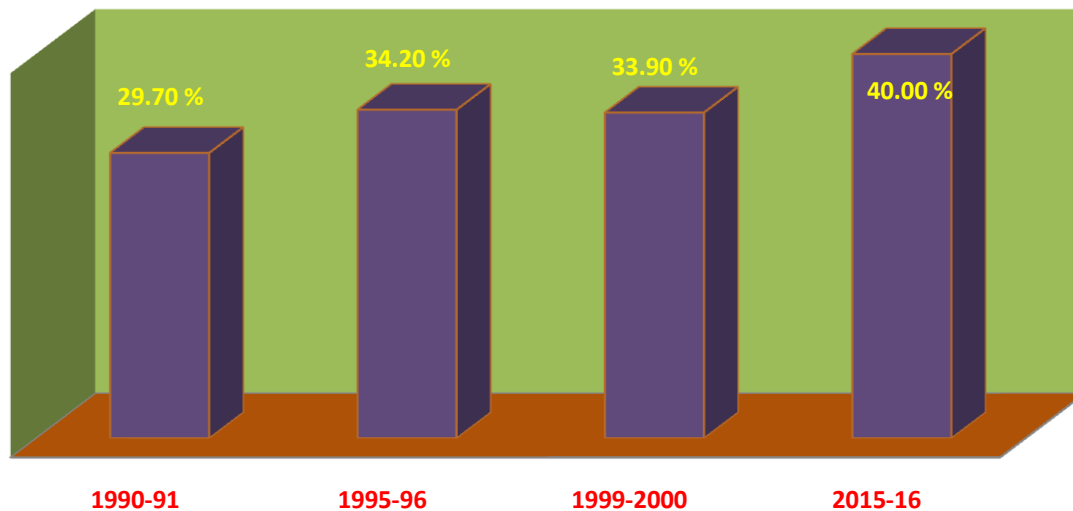
Figure 2: Share of Micro, Small and Medium Industries in the Total Exports of the Country



Source: Annual Report 2015-16, Government of India, Ministry of Micro, Small and Medium Enterprises

Small sector of the country is strengthening the economy by contributing the significant share of about 40 percent of the exports. Export business is required for earning the foreign exchange reserves. The share of small scale industrial in the exports is rising continuously.

Figure 3: Trends of Share of MSMEs of India in the Exports



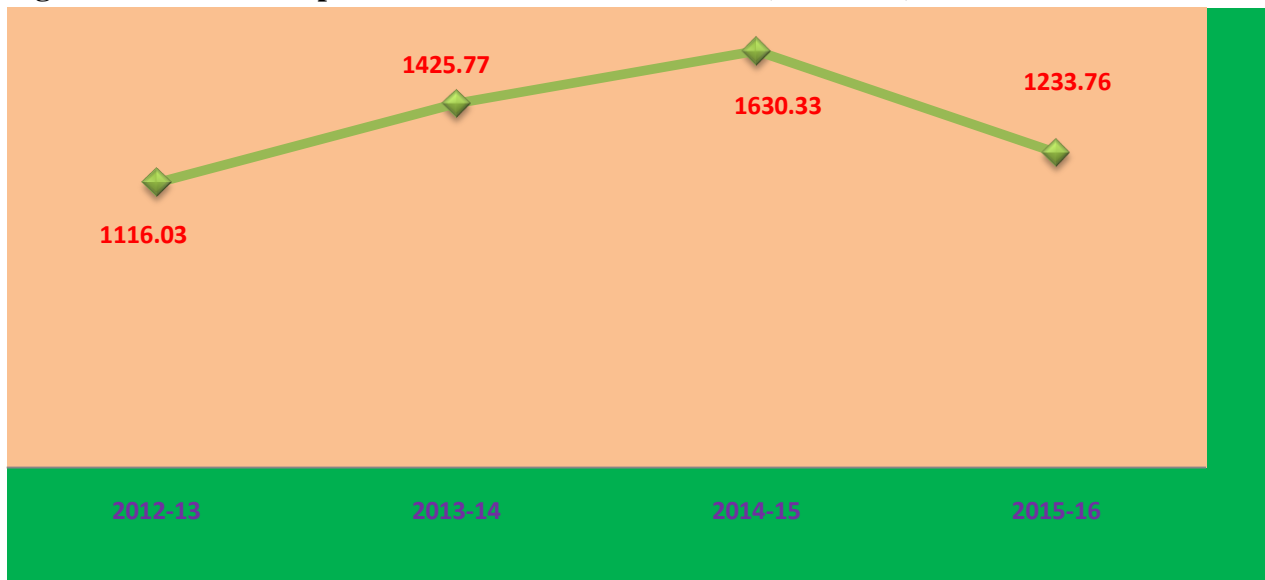
Source: Development Commissioner (MSME), Ministry of Micro, Small and Medium Enterprises and Annual Report 2015-16, Government of India, Ministry of Micro, Small and Medium Enterprises

Figure 3 depicts that in 1990-91, the share of small sector in the exports of the country was only 29.70 percent which has increased up to 40 percent in 2015-16.

Indian small industrial sector is promoting the foreign trade by exporting garments, jewellery products, handloom products, woollen products, knitwear, processed food, plastic products, ICT products, sports goods and scientific products. The small scale scientific industry of Ambala City in Haryana is world famous for its scientific instruments. This industry has supplied the equipments for the Mars Mission of the Government of India. The Small Scale Scientific Industry of Ambala manufactures the 34 % of the total production of scientific instruments produced in the country. This industry of Haryana not only fulfills the demand of the scientific instruments within the country but abroad. Scientific industry of this district exports the scientific instruments to South Africa, the Far East, the Middle East, United States and Europe.

According to the data released by Apparel Export Promotion Council (AEPC), India has attained the position of second largest textile exporter after having the more export business more than that of Bangladesh, Italy and Germany. To promote the foreign trade in the country the Government has started “The Niryat Bandhu Scheme” for the industrial sector. Under this scheme the promotional activities are being organized at MSME clusters. More than 20000 entrepreneurs have been given exposure by the regional offices of Directorate General of Foreign Trade under this scheme. MSME sector has achieved significant growth in the exports of coir and coir products. This sector is the important sector of the small scale sector of India.

Figure 4: Trends of Exports of Coir and Coir Products (Rs. Crore)



Source: Annual Report 2015-16, Government of India, Ministry of Micro, Small and Medium Enterprises

Above figure depicts that the export of coir and coir products are increasing year by year. However in 2015-16, the exports of this sector perceived the decreasing trend but in the previous years the exports have increased continuously.

Discussion

Foreign trade has great importance in the economic development of any nation. Foreign trade is the concrete medium for generating foreign capital. Foreign capital is required for the investment in infrastructure, labour, technology and other capital expenditure. Any country cannot compete at

international level in the modern era of globalization without a developed foreign trade. Small scale industries have been a major source of employment in the country in early times. The products manufactured by the small scale industrial units of India have been world famous from the ancient time. The exports of MSMEs not only rose in

absolute value but also improved their relative share in the total exports from the country. Small scale sector is encouraging the foreign trade of the country by promoting the exports of the various products. Small industrial units are strengthening the economy by manufacturing the products for the foreign market in the significant manner.

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