

# PRODUCTION OF SMALL- SCALE ENTERPRISES IN HARYANA

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## ABSTRACT

*Small Scale Enterprises have been playing an immense role for development of the Economy. These Enterprises not only help to increase product in the economy but also generate employment opportunities, incomes, investments and savings in the economy. These enterprises also help in eradicating poverty, unemployment; socio economic inequality etc. in the economy. Haryana is one of India's most industrialized and economically developed states. Gurgaon, Faridabad, Panipat and Panchkula are the main industrial hub of Haryana. The state has always tried to create and maintain a conducive environment for investors and made sustained effects in removal of any bottlenecks in smooth operations of industries. This paper tries to analyze the situation current scenario of production in Haryana and tried to analyze the problems particularly relating to labour raw material and marketing. The main target of this paper is to find out the reasons behind these problems and create attention towards these problems. So Government should make policies to remove these problems such that our entrepreneurs can compete in National as well as International markets.*

## INTRODUCTION

The small scale sector has emerged as a resonant and vigorous constituent of the economic structure of the country and an engine of growth in Indian economy. The sector has been a prime contributor to the overall growth of the industrial sector In India. Small Scale industries contribute significantly to social and economic development objectives such as labour absorption, income creation, rural development, poverty eradication, regional balancing and promotion of entrepreneurship in a developing economy. Its development creates vast employment opportunities for the people, effects decentralization of industries by the creation of industrial estates and makes possible a redistribution of economic power and income.

The definition of SSI varies from country to country and has been modified time to time from 1954. The first official definition of SSI dates back to the second five year plan when it was in terms gross investment. Then SSI is defined in terms of investment ceiling on the original value of the installed plant and machinery. These enterprises were fragmented across various ministries / departments of the govt. of India for the purpose of development schemes and concessions. Sectors like handloom, power loom, handicrafts, khadi, coir, suffered greater neglect than other manufacturing and service based enterprises. In order to correct these discrepancies and neglect, Micro, Small and Medium Enterprises Development Act, was enacted on June 16, 2006; this act provides the first-ever legal framework recognizing the concept of enterprise (Comprising both manufacturing and service), defining medium

enterprises and integrating the three tiers of these enterprises, namely micro, small and medium. This act defines enterprise instead of industry to give due recognition to the service sector. According to this act, in case of manufacturing enterprises the investment limit is 25 lakhs, 5 crores and 10 crores in case of micro, small and medium enterprises but in case of service enterprises the limit is 10 lakhs, 2 crores & 5 crores.

At the beginning, small scale enterprises found it difficult to survive but presently, the economic environment has changed in favour of MSMEs. Today, these industries occupy a position of strategic importance in the Indian economic structure due to its significant contribution in terms of output, export and employment.

## REVIEW OF LITERATURE

**Desai, Vasant (1983)**, discussed the problems and prospectus of Small-Scale industries in India. This study explained that small – scale industries face certain problems at each and every stage, right from selection of a product to marketing of goods, and realization of returns. Moreover, inadequate management training and planning had also contributed to their downfall. In addition, the study also analyses the unique role of Industrial Estate and District Industrial Centers, in enhancing the speedy development of Small-Scale Industries. In spite of acute problems, the prospects for Small-Scale industries in India were quite bright. Rapid Industrialization in India depends on the growth of Small-Scale industries. One hand, this study discuss various important issues but on the other hand fails to suggest clear and definite steps to implement various improvements.

**Subrahmanian, K. K. and P. Mohanan Pillai (1994)**, studied comparative performance analysis of SSI sector of Kerala with other states. The performance is measured in terms of changes regard to such indicators as number of units, value of production, net value added and employment. The study makes an attempt to review the relative growth and structural changes of small industry in Kerala. The major problems faced by small industry in Kerala are small size low capacity utilization, low factor productivity, unfavourable wage productivity relationship and industrial sickness due to severe financial and marketing problems. The study indicates that a change in the growth strategies is therefore needed. The introduction of liberal policy regime at the centre has added the urgency to change the existing process in Kerala and task of designing new growth strategies for Kerala.

**Arun Kumar A. V. (1996)**, attempted to analyze the growth and structure of modern small industries in Karnataka. The data was collected from the second all India Census report on Small – Scale industrial units and the survey period was from 1972 to 1988. The objectives of the study were to find at the regional spread of small-scale units and shift in the industrial structure to discuss the promotional policies for the growth of this sector and to give a picture of the industrial scenario. The tools of analysis used were percentage, rank correlation and growth rate. He concluded that SSI's of Karnataka had faced well in terms of basic performance indicators. The analysis indicated a shift in only a few industries and found that the industries were generally concentrated voted in the urban areas and diversification in infrastructure was necessary.

**Neogi & Ghosh (1998)** tried to see the impact of liberalization on performance of four selected industry groups namely textile (135 firms), electrical Machinery (43 firms), Non-Metallic Mineral Products (60 firms) and chemical (38 firms). The firm level data was taken for the period 1989-94. The performance indicators of economic reforms on the firms were growth of value added, capital intensity, labour productivity and total factor productivity. The result indicated that productivity growth and efficiency level had not improved as per expectation during post reform period. The annual average growth rates of value added were much lower in the post reform period. It was found that growth rate for all industries had fallen during post reform except Chemical industry. The level of technical efficiency for all the industries was found to be very low and no significant improvement has been observed during the post reform period. Thus the study concluded that basic purpose of liberalization, to create a competitive environment had not fulfilled.

**Bhavani T. A. (2002)**, focuses on the ongoing changes in the business environment and the analysis of their implications for small-scale units. Specifically, it looks at possible ways of improving the competitive strength and commercial viability of small-scale units in the changing context. The general purpose analysis examines the implications of the changing context with reference to small-scale units in three industries, namely garments, electronics and auto components. The paper is organized in six sections. Sector II analyses the changes in business environment and its implications for the small-scale sector. The next three sections attempt to bring out the important characteristics of the selected industries and the final section summarizes the important results and concluding remarks. Overall, the analysis indicates that in order to withstand competition, Indian industrial units especially the smaller ones need to improve their productivity and quality, reduce costs and to go for higher performance of products and better services. In case of the selected industries, the study finds that specifically garments units have to use high quality power-driven machinery in order to ensure quality and timely delivery of their products. Electronics units are required to get into mechanized production with high quality testing instruments. The adoption of improved organizational methods such as total quality management system is essential for the Small-Scale auto component units to ensure the supply of quality component in time.

**Narayana M. R. (2004)**, attempted to analyze the impact of growth, sickness and closure of production and employment in the small-scale industries of Karnataka. His study has based on primary as well as secondary data. He has analyze the four major industries in SSI's sector and these were Food processing, Textile & Garments, Wood based industries and general engineering products. To show the growth and spatial distribution, indicators of growth of SSI's are used since 1995-96 to 2002-03. He shows the inter district distribution of 17 group of industries in terms of mean and coefficient of variation and finds that relative share of these industries show a decline trend except for textile and garments. He found in his study that inter-district variation is highest regarding distribution of employment variable as compared to the distribution of investment and number of units.

This paper provides the evidence of the main factors for closure and sickness of SSI in this state. For this purpose, primary data have been collected through structured questionnaire and 12 important

reasons were identified for closure of SSI's. The main reasons were finance and marketing problems and sickness was more appeared among those SSI's who located in private places and industrial clustered. Ultimately he found that the pattern of growth of SSI's considerably declined during the study period. There have been inter-district disparities in the state and the largest number of closure was in the past reform period.

## **OBJECTIVES**

1. To find out the current scenario of production in Haryana.
2. To examine the changes which were occurring in last few years
3. To find out the problem relating to labour, raw material and production in selected industries.

## **METHODOLOGY**

This study has been based on primary as well as secondary data. Primary data have been collected through direct contact of 363 entrepreneurs. For this purpose, a well structured questionnaire has been designed. For this purpose Food Manufacturing, Textile, Paper and Paper Products, Chemicals, Cement, Sports and Sports Goods have been taken. Primary data have been collected from the units located in different parts of Haryana. Secondary data have been collected from Development Commissioner, Ministries of Small Scale Industries Haryana.

Haryana is highly economically developed and industrialized State of India. The state has always strived to create and maintain a conducive environment for attracting investment through investor friendly rules & procedures and timely & smooth delivery of services. It has made sustained efforts in removal of any bottlenecks in smooth operation of industries. Haryana's manufacturing base, though fundamentally strong, needs innovative policy measures to counter the global competitiveness and economic uncertainties.

A number of policy measures have been introduced to increase the growth rate for employment, production, exports, in small scale sector. The biggest challenge for small-scale industries in the emerging market scenario is to fully exploit the benefits of their product and process capabilities as sustainable basis. The strategies involved in the recent years are to help the sector to be competitive in the national and international markets.

The performance of small-scale enterprises can be seen from table 1. The table indicates the production performance of small-scale industries from 1990-91 to 2010-11. It also indicates the annual growth rate of these industries.

In post-liberalization period, production was increased from 277215 lacs to 2316892 lacs. However there are some variations regarding the phases of post liberalization period. In first phase of post-liberalization (1990-91 to 2000-01), production increased from 277215 lacs to 411333 lacs during

1990-91 to 1997-98. But in next two years it decreased up to 215571 and that's why the compound growth rate of production in first post-liberalization period was negative and it was -3.54 percent. In second phase of post-liberalization period (2000-01 to 2010-11), the production increased from 219570 lacs to 2316892 lacs i.e. 2000-01 to 2010-11. In second phase of post-liberalization period, the compound growth rate was also very high and it was 28.10 percent. It indicates that production in small-scale enterprises was continuously increasing and situation of production is getting better day by day.

TABLE: 1

Production Performance of Small-Scale Units in Haryana from 1990-91 to 2010-11		
Year	Production (j in Lacs)	Annual Growth Rate of Production
1990-91	277215	7.32
1991-92	296988	7.13
1992-93	318033	7.09
1993-94	337443	6.10
1994-95	357384	5.91
1995-96	377325	5.58
1996-97	394854	4.65
1997-98	411333	4.17
1998-99	277503	-32.54
1999-00	215571	-22.32
2000-01	219570	1.86
2001-02	222381	1.28
2002-03	397896	78.93
2003-04	456242	14.66
2004-05	642888	40.91
2005-06	645933	0.47
2006-07	824053	27.58
2007-08	1043760	26.66
2008-09	1685348	61.47
2009-10	2066419	22.61
2010-11 (Upto 30.11.2010)	2316892	12.12

Source: Directorate of Industries, Haryana

**Table 2**  
**CLASSIFICATION OF SMALL SCALE INDUSTRIES ACCORDING TO THEIR LABOUR PROBLEMS**

<i>Type of Small scale industries</i>		<i>Lack of Qualified</i>	<i>High Wage Rates</i>	<i>Lack of Hours</i>	<i>Absentees</i>	<i>Other (specify)</i>	<i>Total</i>
(I)	Food Manufacturing (Sugar & Others)	25 (6.89)	10 (2.75)	7 (1.93)	15 (4.13)	-----	57 (15.70)
(II)	Textile (Jute, Cotton & Others)	26 (7.16)	11 (3.03)	8 (2.20)	14 (3.86)	-----	59 (16.25)
(III)	Paper & Paper Products	9 (2.48)	8 (2.20)	4 (1.10)	2 (0.55)	-----	23 (6.34)
(IV)	Manufacture of Rubber Products	10 (2.75)	10 (2.75)	5 (1.38)	4 (1.10)	-----	29 (7.99)
(V)	Cements	2 (0.55)	6 (1.65)	8 (2.20)	1 (0.28)	-----	17 (4.68)
(VI)	Supports & Sports goods	32 (8.82)	35 (9.64)	30 (8.26)	35 (9.64)	20 (5.51)	152 (41.87)
(VII)	Others	8 (2.20)	7 (1.93)	5 (1.38)	4 (1.10)	2 (0.55)	26 (7.16)
(VIII)	Total	112 (30.85)	87 (23.97)	67 (18.46)	75 (20.66)	22 (6.06)	363 (100.00)

**Source :** *Based on Primary Data*

Table 2 revealed various types of labour problems existing in sampled small-scale enterprises. Labour problems have been classified into the following categories:

(i) Lack of qualified labour, (ii) High wage rate, (iii) Lack of hours, (iv) Absentees, (v) others etc. The table revealed that 30.85% sampled small-scale enterprises are unable to find qualified labour. Mostly labourers were engaged as unskilled labour. 23.9% industries felt that labourers demanded high wage rates for their work. 18.46% enterprises had been facing problems relating to working hours. Labourers in these enterprises had not been working according to prescribed hours. 20.66% enterprises had found serious problem about absentees. Thus this table concluded that most of these enterprises have to face lack of qualified workers and many other labour problems with the result that their manufacturing activities are inversely affected.

**TABLE: 3**  
**CLASSIFICATION OF SMALL SCALE INDUSTRIES ACCORDING TO THEIR PROBLEMS**  
**RELATING TO RAW MATERIALS**

<i>Type of Small scale industries</i>		<i>Lack of Availability of Raw Material</i>	<i>Lack of sufficient Raw Material</i>	<i>Lack of Transport &amp; Communication</i>	<i>Lack of Finance</i>	<i>Inferior Quality of Raw Material</i>	<i>Other (Specify)</i>	<b>Total</b>
<i>I</i>		<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>
(I)	Food Manufacturing (Sugar & Others)	10 (2.75)	12 (3.31)	5 (1.38)	12 (3.31)	10 (2.75)	8 (2.20)	57 (15.70)
(II)	Textile (Jute, Cotton & Others)	8 (2.20)	16 (4.41)	3 (0.83)	9 (2.48)	13 (3.58)	10 (2.75)	59 (16.25)
(III)	Paper & Paper Products	1 (0.28)	4 (1.10)	1 (0.28)	8 (2.20)	6 (1.65)	2 (0.55)	22 (6.06)
(IV)	Manufacture of Rubber Products	1 (0.28)	5 (1.38)	2 (0.55)	9 (2.48)	8 (2.20)	3 (0.83)	28 (7.71)
(V)	Basic Industrial chemicals (other than Fertilizers)	0 (0.00)	0 (0.00)	0 (0.00)	3 (0.83)	1 (0.28)	1 (0.28)	5 (1.38)
(VI)	Cement	2 (0.55)	6 (1.65)	2 (0.55)	4 (1.10)	2 (0.55)	1 (0.28)	17 (4.68)
(VII)	Sports & Sports Goods	33 (9.09)	30 (8.26)	6 (1.65)	25 (6.89)	35 (9.64)	21 (5.79)	150 (41.32)
(VIII)	Others	5 (1.38)	6 (1.65)	1 (0.28)	4 (1.10)	6 (1.65)	3 (0.83)	25 (6.89)
Total		60 (16.53)	79 (21.76)	20 (5.51)	74 (20.39)	81 (22.31)	49 (13.50)	363 (100.00)

*Source : Based on primary data*

Table 3 classified sampled small scale industries according to various problems relating to availability of raw materials for manufacturing of their final products. Problems of raw material have been classified into the following categories (i) lack of availability of raw materials, (ii) lack of sufficient

quality of raw materials, (iii) lack of transport and communication, (iv) lack of finance and (v) inferior quality of raw materials and (vi) others etc. The table revealed that 16.53 percent of sampled small scale industries felt that there has been a lack of availability of raw materials. 21.76 percent industries emphasized that there has been a lack of sufficient of quality of raw materials. 20.39 percent of sampled industries felt that there has been lack of finances and 22.31 percent industries felt that they have been getting interior quality of raw materials. Thus, the table concluded that all sampled small scale industries have been facing all these listed out problems of raw materials. So Government should try to do proper arrangement of raw material, financial facilities, transport and communication facilities so that entrepreneurs may increase their volume and quality of production and their products become popular and image of the improved in national and international markets.

**TABLE: 4**  
**CLASSIFICATION OF SMALL SCALE INDUSTRIES ACCORDING TO PROBLEMS OF MARKETING**

<i>Type of Small scale industries</i>		<i>Limited Local Market</i>	<i>Lack of Transport &amp; Communication</i>	<i>Lack of Broker</i>	<i>Lack of Stages</i>	<i>Other (specify)</i>	<i>Total</i>
<i>I</i>		<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
(I)	Food Manufacturing (Sugar & Others)	18 (4.96)	10 (2.75)	10 (2.75)	12 (3.31)	7 (1.93)	57 (15.70)
(II)	Textile (Jute, Cotton & Others)	21 (5.79)	9 (2.48)	11 (3.03)	14 (3.86)	4 (1.10)	59 (16.25)
(III)	Paper & Paper Products	6 (1.65)	7 (1.93)	5 (1.38)	3 (0.83)	1 (0.28)	22 (6.06)
(IV)	Manufacture of Rubber Products	8 (2.20)	9 (2.48)	6 (1.65)	2 (0.55)	3 (0.83)	28 (7.71)
(V)	Basic Industrial chemicals (other than Fertilizers)	1 (0.28)	1 (0.28)	1 (0.28)	1 (0.28)	1 (0.28)	5 (1.38)
(VI)	Cement	5 (1.38)	5 (1.38)	4 (1.10)	2 (0.55)	2 (0.55)	18 (4.96)
(VII)	Sports & Sports Goods	42 (11.57)	34 (9.37)	35 (9.64)	24 (6.61)	15 (4.13)	150 (41.32)
(VIII)	Others	4 (1.10)	4 (1.10)	5 (1.38)	7 (1.93)	4 (1.10)	24 (6.61)
Total		104 (28.65)	79 (21.76)	77 (21.21)	65 (17.91)	37 (10.19)	363 (100.00)

*Source: Based on primary data*

*Note: Percentage indicates in the brackets*

Table 4 percent classified sampled small scale industries according to problems of marketing being faced by entrepreneur in the sampled area. Problems of marketing have been classified into the following categories: (i) limited local market (ii) lack of transport and communication, (iii) lack of brokers, (iv) lack of stages and (v) others etc. This table revealed that 28.65 percent of sampled small scale industries felt that there has been a limited local market, where they are unable to supplying their final products. 21.76 percent of sampled industries have been facing problems relating to sufficient transport and communication facilities. 21.21 percent of sampled industries expressed that there has been a lack of brokers in the market. 17.91 percent of sampled industries expressed that there has been a lack of stages in the market and 10.19 percent of sampled industries phases except than these problems. Thus, the table concluded that the entrepreneurs in the sampled area have been facing various market problems with the result that they are unable to supply their final products in a systematic manner. From the above analysis it is concluded that the major problems face by these enterprises are limited local market and lack of transport and communication because it involved 50.41 percent which is more than 50 percent. So the above data suggested if efforts and taken to solve these problems than the chances of advancement will very high in these enterprises. So the government should try so solve these problems so that these enterprises will strengthen more and stand competitive environment in the market scenario.

## **CONCLUSION**

Thus this paper analyzed the production of Haryana and then analyzed the problems regarding the labour, raw material and marketing. The results indicated that most of the problems felt by sampled industries are due to lack of qualified, high wage rate, inferior quality of raw material, lack of sufficient raw material, limited local market and lack of transport & communication facilities. So government should tried to provide proper training facilities to the workers, spread technical education as well as improve the quality of technical education. So continuous efforts are needed from the Government and the small enterprises for technical dynamism. Technological up gradation & technological innovations need to be encouraged consciously and consistently. Financial infrastructure needs to be broadened and adequate inflow of credit to the sector be ensured taking into consideration the growing investment demand. It is essential to take care of the sector to enable it to take care of the economy. If government and small scale entrepreneurs joined together then performance of the production definitely improved. It is also evident from the past history that combined efforts always laid positive effects, so we also have to try our best so that small scale enterprises of Haryana flourish more and more.

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