



## Prospects and problems of small scale industrial units—A case study of Ghaziabad District, Uttar Pradesh

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### Abstract

The Small Scale Industrial Sector occupies a special place in the growth of Indian Economy. Government of India always focused this sector importantly in the frame work of economic planning. The rapid growth of the small scale industries has a great relevance in our national economic policies. As far as the Indian economy is concerned, it contributes almost 40% of the gross industrial value. It has been estimated that a million Rs. of investment in fixed assets in the small scale sector produces 4.62 million worth of goods or services with an approximate value of ten percentage points.

Manufacturing enterprises constitute 31.8 per cent of the micro, small, and medium enterprises (MSME) sector and service enterprises account for the remaining 68.2 per cent. About 55.3 percent of these enterprises are located in rural areas. SSI Sector plays a major role in India's present export performance. 45%-50% of the Indian Exports is contributed by SSI Sector. This research paper is an attempt to identify the problems relating to the Indian small scale industries and the impact of Small Scale Industries in Ghaziabad-Uttar Pradesh.

**Keywords:** Indian small scale industries, employment generation and growth, capital investment, ROCE

### Introduction

The Small Scale Industrial Sector occupies a special place in the growth of Indian Economy Government of India always focused this sector importantly in the frame work of economic planning. In India in comparison the manpower capital is relatively scarce. Small Scale Industries should be labour intensive. It contributes almost 40% of the gross industrial value added in the Indian economy. It has been roughly calculated that a million Rs. of investment in fixed assets in the small scale sector produces 4.62 million worth of goods or services with an approximate value of ten percentage points.

Direct exports from the SSI Sector account nearly 35% of total exports. Besides direct exports, it is estimated that small-scale industrial units contribute around 15% to exports indirectly. This takes place through merchant exporters, trading houses and export houses. They may also be in the form of export orders from large units or the production of parts and components for use for exportable goods.

Manufacturing enterprises comprise 31.8 per cent of the micro, small, and medium enterprises (MSME) sector and service enterprises account for the remaining 68.2 per cent. About 55.3 per cent of these enterprises are located in rural areas. The MSME sector showed consistent growth of more than 11 per cent every year till 2010- 11, whereas in 2011-12 the growth rate was 19 per cent and in 2012-13 about 14 per cent.

In the recent past the Prime Minister's Task Force on MSMEs and the Twelfth Plan Working Group on MSMEs

have discussed issues related to the MSME sector. The Twelfth Five Year Plan policy framework is controlled by the recommendations of these key committees. The Plan covers various aspects of the MSME sector and its key recommendations fall under six broad verticals:

Finance and credit, (ii) technology, (iii) infrastructure, (iv) marketing and procurement, (v) skill development and training, and (vi) institutional structure.

### Economic growth and concept of SSI in India

Small Scale Industries is quite worth mentioning for the growth of Indian economy with creation of employment, exports promotion, alleviation of poverty, national income improvement in living standard and industrialization development. The number of small scale industries has been increasing in a comprehensive manner in recent years, more particularly after economic reforms.

Performance of the small scale industrial sector is based on the final result of Fourth All India Census of Micro, Small & Medium Enterprises (MSME). As per the results, the sector contributes significantly to the number of enterprises, employment and output of the country. Based on the data sets of Third and Fourth All India Census of SSI / MSMEs, coupled with data sets of EC, 2005 and growth rate observed during Fourth (1998) and Fifth (2005) Economic Census the performance of SSI/MSME Sector is summarized as below. It may be noted that for both the Third and Fourth All India Census of SSI/MSMEs, unregistered sector was assessed by conduct of sample survey of the sector

**Table 1:** Performance of Micro and SSI Units in India

Year	Total Working Enterprises (in Lakh)	Employment (in Lakh)	Market Value of Fixed Assets (Rs. In Crore)
2001-02	105.21	249.33	154,349.00
2002-03	109.49 (4.06)	260.21 (4.36)	162,317.00 (5.16)
2003-04	113.95 (4.07)	271.42 (4.30)	170,219.00 (4.87)
2004-05	118.59 (4.07)	282.57 (4.10)	178,699.00 (4.98)
2005-06	123.42 (4.07)	294.91 (4.36)	188,113.00 (5.27)
2006-07	361.76 (193.11)	805.23 (173)	868,543.79 (361.71)
2007-08 #	377.36 (4.31)	842.00 (4.56)	920,459.84 (5.98)
2008-09 #	393.70 (4.33)	880.84 (4.61)	977,114.72 (6.15)
2009-10 #	410.80 (4.34)	921.79 (4.65)	1,038,546.08 (6.29)
2010-11 #	428.73 (4.36)	965.15 (4.70)	1,105,934.09 (6.49)
2011-12 #	447.66 (4.41)	1011.80 (4.83)	1,183,332.00 (6.99)
2012-13 #	467.56 (4.44)	1061.52 (4.91)	1,269,338.02 (7.27)

**Note: Figures in brackets indicate percentage growth over previous year**

-Including activities of wholesale/retail trade, legal, education & social services, hotel & restaurants, transport and storage & warehousing (except cold storage) for which data was extracted from Economic Census 2005, Central Statistics Office, MOSPI.

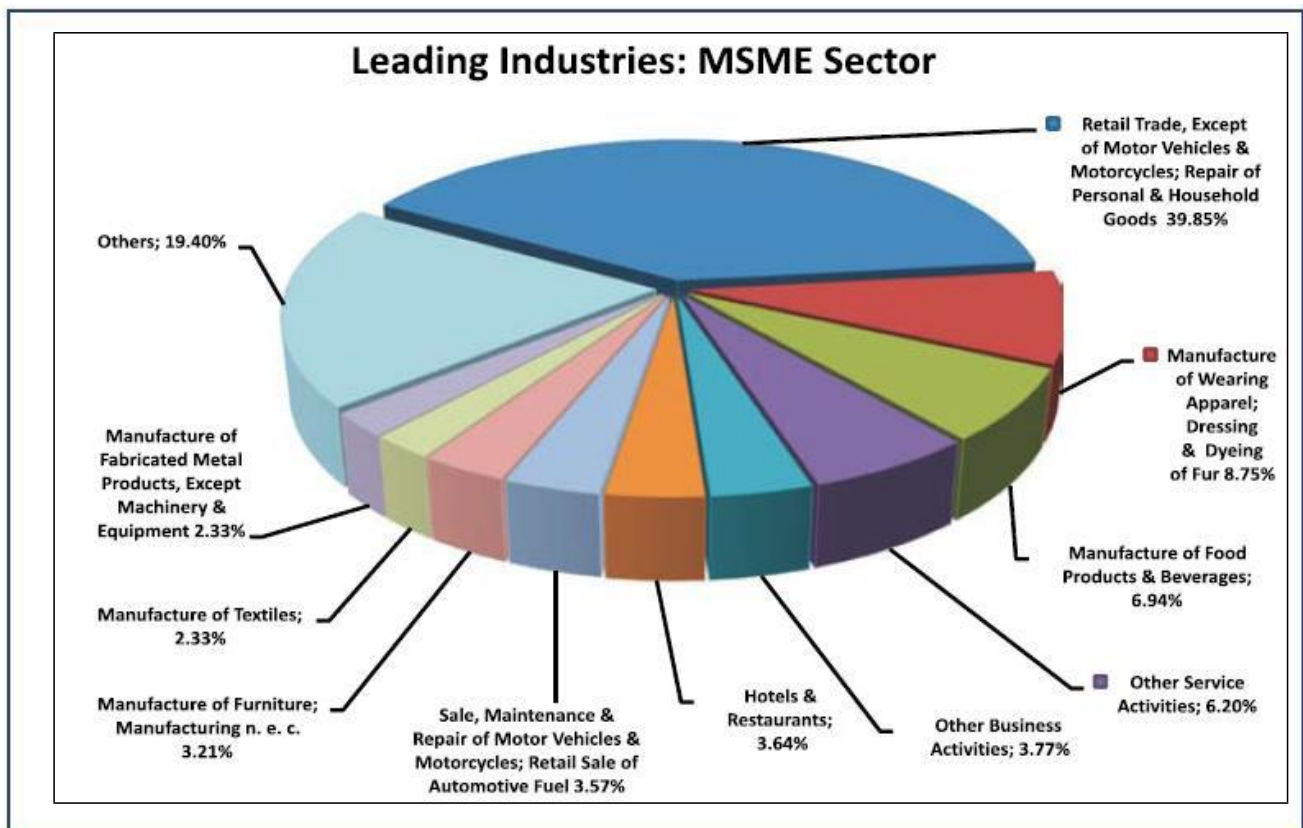
-Estimated on the basis of per enterprises value obtained from sample survey of unregistered sector for activities of wholesale/retail trade, legal, education & social services, hotel & restaurants, transports and storage & warehousing(except cold storage) which were excluded

from Fourth All India Census of MSMEs, unregistered sector .

# - Projected.

**Source: Ministry of Small Scale Industry and Economic Survey, 2013-14, p.23 1**

Besides providing wide range of services, the MSME sector manufactures over 6000 products ranging from traditional to high-tech items. The leading industries with their shares are as depicted below:



**Fig 1:** Leading Industries: MSME Sector

It is well known that the MSMEs provide the maximum opportunities for both self-employment and jobs after agriculture sector.

**Review of Literature**

This study is an experimental study based on the data collected from small scale industries situated in Ghaziabad District. Some researchers have been undertaken on various programmes and incentives to small scale industries,

promotional activities undertaken by District Industries Centers, problems associated with the implementation of the promotion of institutions and problems faced by the entrepreneurs. Government of India, Planning Commission, and the committee on the Village and Small Scale Industries in its report has stressed that the setting up of small scale industries will provide employment to the people in the rural areas.

“Growth and Prospectus of Small Scale Industries- A Case Study of Ghaziabad-District” by Dr A K Verma (1996) numeral1., in his study observed that the main reasons for non-proliferation of modern marketing concept in India is excessive dependence on agriculture and excessive demand in relation to the supply of products. S.K.Gupta (1999) numeral2., in his study entitled, “Industrial development in Uttar Pradesh Regional Structure and Strategy for employment Oriented Industrialization” has suggested that the strategy of employment oriented industrialization should aim at the development of SSI in rural areas. R.L.Mishra (2000) numeral3 in his study entitled, “Employment Generation through Small Scale Village and Cottage Industries – A case study in Uttar Pradesh” has also reported that unique case of growing unemployment and poverty amidst plenty. He was in favour of only small and village industries which make optimum use of indigenous resources and techniques. According to him, there are large number of components/products which can be produced in rural and in small scale industrial units more economically in comparison to a large sector. Bhagavathi committee (1997) numeral4 in its “Report of Unemployment” opposes fast introduction of mechanization designed to replace human labour but at the same time recommends introduction of sophisticated technology in certain selected areas. In order to generate employment in the industrial field, the committee advocates reduction to the maximum extent possible in the installed capacity in various industries. The committee virtually favours creation of employment at any cost without going into economics of the scheme. Gupta Swati (2002) numeral5, in his study entitled, “Poverty Alleviation through Rural Industrialization in Uttar Pradesh” suggested that appropriate technology should be developed to promote the rural small industries. Rethnam N.V., in his study entitled, “Rural Industrialization and IRDP” opined that infrastructure development for industrialization in the rural areas and investment in basic services designed to realize the full potential of human resources in the rural areas should receive a high priority. Sinha P.K.(2005) numeral6, in his study entitled, “Entrepreneurship in SSI units of Kanpur District-Uttar Pradesh”, come out with findings like provisions of incentives to poor people by establishing small scale industries and government facilities to all. Sheetal Rani (2010) numeral7, in his study entitled, "Role of Institutional finance for Industrial development of Uttar Pradesh Since- 2002-A case study of Ghaziabad District.", analyzed the details to problems of institutional finance for small scale industries on the state of Uttar Pradesh. The enquiry is limited to a case study of District Ghaziabad.

S.N.Mishra (2011) numeral8, in his study entitled, "Role of Small Scale Industries for Industrial development of Uttar Pradesh -A case study of Allahabad District”, analyzed the details to problems and prospectus of SSI for industrial development in Uttar Pradesh with special reference to District- Allahabad. Baseline Survey of Minority

Concentration District Ghaziabad-U P (2008), Commissioned by Minsitry of Minority Affairs, Government of India , in his study , analyzed industrial growth and development with religious involvement.

### Scope/Objective of the Study

The main purpose of the study is to identify the problems encountered by small scale industries and thereby to suggest some measures that would resolve the problems. This study aims to achieve the following objectives:

- To examine the problems and prospectus of small scale industrial sector along with a description of the role played by the Central and State Governments in financial assistance.
- To analyze the financial structure of small scale industries
- To investigate the reasons for sickness in the small scale industrial sector in District Ghaziabad in order to suggest suitable measures for the revival of such units.
- To bring out the need for industrial development and employment generation.

### Methodology

This study is empirical in nature. The empirical data have been collected for analyzing problems and prospectus of small scale industries by conducting a survey by using an interview schedule. The secondary data are used to analyze the industrial sickness, growth, average investment and employment performance of exports and gender dominance and community share of small scale industries at District Ghaziabad-Uttar Pradesh. Primary data from these units were collected by using a pre-tested and pre-coded schedule by personal interview with the entrepreneurs by the researcher. Secondary data were collected from published and unpublished sources. These were collected from books, journals, reports and published documents of District Industries Centre, Department of MSME & Export Promotion, Uttar Pradesh, Ministry of MSME, Government of India, Development Commissioner (MSME) Ministry of Micro, Small & Medium Enterprises, GoI, Ministry of Small Scale Industries and Agro Rural Industries, Government of India, New Delhi.

### Sampling Design

The survey was conducted on the basis of sampling method. For developing sample design, the researcher collected the list of small scale industries registered with the District Industries Centre, Ghaziabad. Of the total 14160 small scale industries registered with the District Industries Centers, Ghaziabad 250 samples were selected by using method of simple random sampling technique. The present study covers all the four Blocks of Ghaziabad District Viz, Loni, Rajapur, Muradnagar and Bhojpur. The period of study pertains to 10 years from 2008-09 to 2017-18.

The researcher used interview schedule for the collection of data from Small scale industries. The filled up schedules were checked and edited. The omissions and commissions in the schedule were rectified on the spot. After the completion of data collection filled up interview schedules were edited properly to make them ready for coding.

**Growth of Ssis in District-Ghaziabad  
Growth with Labour Intensive of Small Scale Industries in Ghaziabad:**

The importance and role of small scale industries can be measured through economic growth and employment opportunities. The following table shows the relation with growth and labour intensive. Over the last 10 years, the

small scale industries in District-Ghaziabad are gradually on rise but by the end of the year 2017-18 the growth was 40.64 percent in comparison to 2008-09. Similarly, the related increase in labour has witnessed upward trend. But in comparison to the increase in Small Scale Industries the workers founded were lesser.

**Table 2:** Growth with Labour Intensive

S. No.	Year	Number of Regd. SSI Units	Proportionate change in Regd. Units	No. of Working Employees	Proportionate change in Working Employees
1	2008-09	10039	-	56112	
2	2009-10	10289	2.49	57308	2.13
3	2010-11	10559	2.62	58710	2.44
4	2011-12	10869	2.93	60310	2.72
5	2012-13	11204	3.08	62057	2.89
6	2013-14	11724	4.64	63910	2.98
7	2014-15	12204	4.09	65980	3.23
8	2015-16	12792	4.59	68142	3.27
9	2016-17	13520	5.69	70622	3.63
10	2017-18	14160	5.26	73130	3.55

Source: DIC, Ghaziabad and Researcher’s Compilation

**Average Investment and Employment by Small Scale Industries in Ghaziabad:**

In general, its presumed that through small scale industries will create the more opportunities of employment with less investment. In order to testing this, researcher tries to find

out the relationship between Average Investment and employment opportunities in all the Block/Town (08) area of the district Ghaziabad.

**Table 3:** Average Investment and Employment

S.No.	Name of Block/Town Area	Average Investment Per Unit	Average Employment Per Unit
1	Bhojpur	Rs. 6.5 Lakh	2.15
2	Loni	Rs. 4.5 Lakh	3.92
3	Muradnagar	Rs. 22.45 Lakh	5.65
4	Rajapur	Rs. 7.20 Lakh	1.79
5	Farid Nagar	Rs. 12.60 Lakh	2.23
6	Patla	Rs. 3.20 Lakh	1.89
7	Dasana	Rs. 9.25 Lakh	2.87
8	Niwari	Rs. 4.8 Lakh	2.01

Source: DIC, Ghaziabad and Researcher’s Compilation

**Use of Technology by Small Scale Industries in Ghaziabad:**

Mostly units are using outdated technology of production. 52 percent of the small scale industries were found using intermediate technology while 38.80 per cent units were using traditional technology of production. Only 9.20 per cent units were found using modern technology the proportion of industries using modern technology was found higher in Dasana-Area (17.25 per cent) and lowest in Patla-

Area and Rajapur, Faridnagar and Niwari small scale industries are related to cottage and handicraft industries. Therefore, in these areas, units are not power/diesel operated. Average cost of land and building has been computed Rs. 10.43 lakhs units it was found higher in the areas Muradnagar and Dasana. Similarly, average cost of tools and equipment has been computed base Rs. 10.84 lakh while it was reported as high as Rs. 17.68 lakh in Patla and Rs. 12.68 lakh in Muradnagar (Table-04)

**Table 4:** Use of Technology

Particulars	Bhojpur	Loni	Muradnagar	Rajapur	Farid Nagar	Patla	Dasana	Niwari	Ghaziabad
Traditional	10 (35.71)	19 (28.78)	17 (54.84)	8 (44.44)	13 (72.22)	14 (34.15)	9 (31.03)	7 (36.84)	97 (38.8)
Intermediate	16 (57.14)	37 (56.06)	10 (32.26)	10 (55.56)	5 (27.78)	25 (60.97)	15 (51.72)	12 (63.16)	130 (52.00)
Modern	2 (7.15)	10 (15.16)	4 (12.90)	-	-	2 (4.88)	5 (17.25)	-	23 (9.20)
Power/Diesel Operated									



Yes	12 (42.86)	23 (34.85)	8 (25.81)	6 (33.33)	5 (27.78)	25 (60.98)	22 (75.86)	7 (36.84)	108 (43.20)
No	16 (57.14)	43 (65.15)	23 (74.19)	12 (66.67)	13 (72.22)	16 (39.02)	7 (24.13)	12 (63.15)	142 (56.80)
Average cost of land and building	9.36	10.82	16.80	8.70	6.50	11.17	12.16	7.92	10.43
Average cost of tool and equipments	7.60	8.40	12.78	10.20	9.60	17.68	11.40	9.10	10.84

Source: DIC, Ghaziabad and Researcher’s Compilation

**Financing of the Establishment of Small Scale Industries in Ghaziabad**

Finance is most important factor for industrial growth and productivity. However, financing of industries has been always a critical issue in developing countries. Almost all the industrial entrepreneurs reported that they managed credit for establishment of industries. It was found more pronouncing in Bhojpur (90.90%) followed by Muradnagar

(90%) and lowest in Faridnagar (76.47%). Small Scale Industries in Faridnagar needed small amount of fund to establish the unit. The main sources of finance are fulfilled by banking institutions (82.02%) however; friends and relatives also provide financial support (14.61%) to invest in industrial developments (Table–05).

**Table 5:** Financing of the Establishment

Particulars	Bhojpur	Loni	Muradnagar	Rajapur	Farid Nagar	Patla	Dasana	Niwari	Ghaziabad
Own Investment									
Yes	20 (90.90)	42 (77.78)	45 (90)	37 (92.5)	13 (76.47)	19 (86.36)	26 (86.67)	13 (86.67)	215 (86)
No	2 (9.10)	12 (22.22)	05 (10)	03 (7.50)	04 (23.53)	03 (13.64)	04 (13.33)	02 (13.33)	35 (14)
Loan Taken									
Yes	15 (68.18)	34(62.96)	42 (84)	30 (75)	12 (70.59)	15 (68.18)	20 (66.67)	10 (66.67)	178 (71.20)
No	7 (31.82)	20 (37.04)	08 (16)	10 (25)	05 (29.41)	07 (31.82)	10 (33.33)	05 (33.33)	72 (28.80)
If Yes,									
Banking Institution	12 (80)	28 (82.35)	35 (83.33)	23 (76.67)	10 (83.33)	14 (93.33)	16 (80)	08 (80)	146 (82.02)
Private Lenders		02 (5.88)		02 (6.67)	01 (8.33)		01 (5)		6 (3.37)
Friends/ Relatives	3 (20)	04 (11.77)	07 (16.67)	05 (16.66)	01 (8.34)	01 (6.67)	03 (15)	02 (20)	26 (14.61)
Miller									
Total	22	54	50	40	17	22	30	15	250

Source: DIC, Ghaziabad and Researcher’s Compilation

**Availability of Quality Infrastructure of Small Scale Industries in Ghaziabad:**

The entrepreneurs were asked to rate the existing facilities provided by the State Government Overall, the response from entrepreneurs was positive, however, 33.60 percent response scores were found poor. The main problems faced by entrepreneurs were related to power and electricity supply. Since most of the entrepreneurs feel that due to poor

and erratic supply of power and electricity they were not able to fill up the requirement of the market and also suffered by higher labour cost. The road condition is also not very good in some Block areas of the Ghaziabad-District and it causes hurdles in transportation of goods and services. Table-06 clearly indicates the availability of quality infrastructure.

**Table 6:** Availability of Quality Infrastructure

Factors	Very Good	Good	Poor	Total
Power	26 (10.40)	74 (29.60)	150 (60.0)	250 (100.0)
Electricity	31 (12.40)	76 (30.40)	143 (57.20)	250 (100.0)
Roads	103 (41.20)	53 (21.20)	94 (37.60)	250 (100.0)
Transportation	168 (67.20)	49 (19.60)	33 (13.20)	250 (100.0)
Communication	220 (88.00)	30 (12.00)	–	250 (100.0)
Total	548 (43.84)	282 (22.56)	420 (33.60)	1250 (100.0)

Source: DIC, Ghaziabad and Researcher’s Compilation

**Findings and Suggestion**

Industrial/Manufacturing capabilities should be developed to a level where products are competitive across global markets in terms of price, superiority, technology, service

delivery. To raise standard of living through industrial growth, workers should be empowered to shift from lower value added to higher value added jobs. The major

recognized issues of the small scale industries in Ghaziabad may be summarized as: –

#### Issues of Small Scale Industries in Ghaziabad:

Despite various USPs of SSIs, the entrepreneurs in Ghaziabad, Uttar Pradesh are plagued with numerous problems which pose as a severe challenge. Inspire of having major opportunities the small scale industries could not progress satisfactorily due to various problems relating to project implementation, production, marketing, finance, administration etc.

- Non– availability of land at the selected site.
- Troubles in tying up financially with other financial institutions and banks.
- Faulty and irregular supply of raw materials.
- Organizational problems,
- Social and cultural value system,
- Introduction of substitutes through unfair trade practices.
- technological problems,
- Delay in disbursement of assistance due to non– compliance of the major terms and conditions of the loan agreement.
- Non– availability of important infrastructure facilities like power, water, transport etc.
- Old and orthodox designs.
- Poor delivery schedules and lack of proper distribution system.

#### Strategies for Revival of Small Scale Industries in Ghaziabad:

- To support private and govt. participation in industrial and social development.
- To provide industrial friendly ambiance for new industry set up.
- New small scale and tiny units have to be given interest subsidy of 4 % for 5 years on loan from banks/financial institutions.
- District level Shram Bandhu should be established under the Chairmanship of D.M. with members of industries associations and DIC. Complaints should be registered and resolved by Shram Bandhu.
- Monthly teleconferencing/video conferencing must be conducted to enable entrepreneurs throughout the state to interact with senior officers and professionals.
- Small scale and tiny units should be barred from land use change charge for change of agriculture land to industrial purpose.
- Policy guidelines must be to ensure Block/Town area based industrial development.
- A system of providing testing and certification facilities to small scale and tiny units, especially those which want to contribute in the filed of exports, should be set up by the State Government.
- Fiscal incentives should be given to SSIs for technical modernization.
- The following promotional measures are suggested for SSI sector (i) ban on entry of medium and large units into the manufacture of such products which are served for small scale sector, (ii) excise duty and sales tax exemptions/ concession; (iii) government and PSU should make their purchase for SSI sector, (iv) adequate infrastructure facilities like technical consultancy , land and building, and finance, (v) small units can adopt a

group approach to ensure efficient management with a view to reduce the cost of production. (vi) to make U.P. attractive to industrialists for investment.

#### Conclusion

The research study will be useful for researchers for their future research purposes. The study highlights the growth and problems of small scale industries in District Ghaziabad of Uttar Pradesh. From the review of studies presented in this paper, it is quite evident that Small Scale Industries have a strong relationship with economic growth and employment.

In spite of having huge potentialities the district Ghaziabad of Uttar Pradesh could not progress satisfactorily due to these industries are suffering from various problems. If these problems are removed in proper time and spirit, in that case this sector in district Ghaziabad will be able to utilize huge development. This will certainly ensure that this sector will be as one of the most dynamic and vibrant sector of the economy of the country.

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