Small Scale Industries

Why in news?

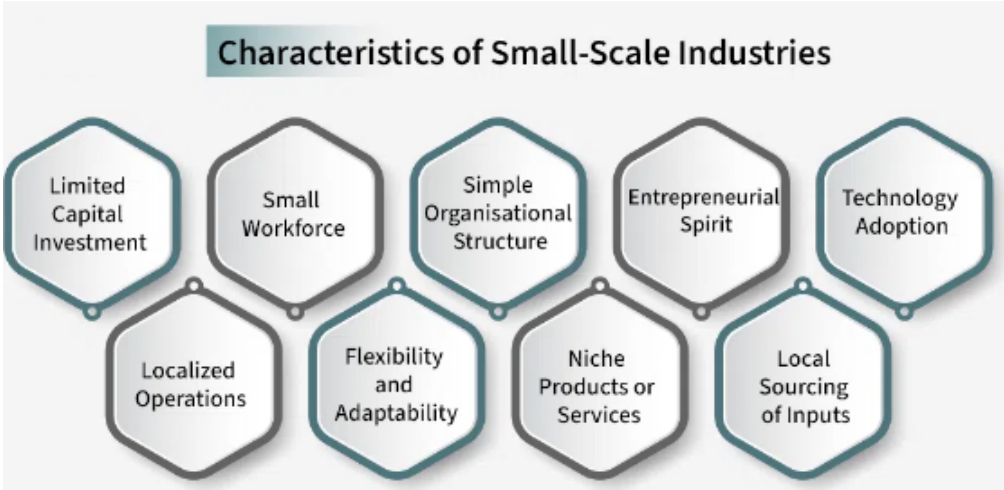
Small Industry Day is observed in India every year on August 30 that recognises the contributions of small businesses and industries to the economy.

What are small scale industries?

- The terms Small Scale Industry (SSI) and micro, small, and medium enterprise (MSME) are often used interchangeably.
- The ***MSME Development Act of 2006*** was created to help the growth, expansion, and competitiveness of MSMEs or SSIs.
- It has classified industries based on the amount of investment and annual turnover as provided below

Classification of Industries			
Classification	**Micro**	**Small**	**Medium**
Investment	Not more than Rs.1 crore	Not more than Rs.10 crore	Not more than Rs.50 crore
Annual Turnover	Not more than Rs. 5 crore	Not more than Rs. 50 crore	Not more than Rs. 250 crore

- **Responsibility** - The State Governments have the primary duty for the development and promotion of these small industries.
- **Characteristics**



- **Village and Small Industry (VSI)** – It is the colloquial term for unorganised traditional sectors and small-scale industries.
- The seven sub-sectors that make up the VSI sector are handicrafts, handlooms, Khadi and Village Industries, Coir, Sericulture, Power Looms, and Small Scale Industries.

The United Nations General Assembly officially designated June 27 as MSME Day to increase public awareness of the vital role that MSMEs play in promoting sustainable development and contributing to the global economy.

What is the role of small industries in the Indian Economy?

- It form a significant part of the economic structure of the nation.
- **Supports wide range of industries** – It includes modern small-scale industries, unorganised traditional industries, and organised big and medium-sized businesses.
    - SSIs make up *about 95% of all industrial units*.
- **Growth of entrepreneurial activities** - Small industries' innovative business practices have aided in expanding the influence of entrepreneurial activities.
- **Generates employment** – creating large employment opportunities at a significantly lower capital cost than large industries.
    - According to MoSPI, it *employs about 175 lakh people*.
- **Promote market growth** – They offer a wider variety of goods and services satisfying both local and international consumer needs.
- **Industrialisation of rural and underdeveloped areas** - They have lowered regional imbalances and ensured a more equitable distribution of wealth and income across the country.
- **Boosts economic growth** - At present, SSIs contribute *nearly 40% of the gross industrial value* added to the Indian economy.

Mahatma Gandhi said that "The salvation of India lies in cottage and small scale industries".

What are the initiatives taken to promote small scale industries?

Funding Schemes
• Collateral-Free Credit Provision for MSME • Scheme of Fund for Regeneration of Traditional Industries (SFURTI) • MSME Champions Scheme • Greening MSME

Employment Generation Schemes
• Prime Minister's Employment Generation Programme (PMEGP) • A Scheme for Promotion of Innovation, Rural Industry & Entrepreneurship (ASPIRE) • Entrepreneurship and Skill Development Programmes (ESDP)

- **Collateral-Free Credit Provision** – It is to be offered by the banks and other financial institutions (including NBFCs).
- **SFURTI** - Scheme of Fund for Regeneration of Traditional Industries was launched *in 2005* to create competitive, long-term sustainable employment opportunities
    - For traditional industries & artisans by organising them into clusters.
- **MSME Champions Scheme** – It has been formulated through Standing Finance Committee (SFC) by *merging all 6 components* of erstwhile *Technology Upgradation*

Scheme (TUS).

- It is for a period of ***5 years*** i.e 2021-22 to 2025-26.
- It has been implementing Credit Linked Capital Subsidy and TUS for promoting competitiveness amongst MSMEs.
- It consists of *three parts*
    - MSME-Sustainable (ZED) Certification Scheme
    - MSME-Competitive (Lean) Scheme
    - MSME-Innovative (for Incubation, IPR and Design) Scheme
- **Greening MSME**- It was *launched by SIDBI* (Small Industries Development Bank of India) to provides financial assistance with a maximum limit of INR 20 crores to MSMEs.
- It enable the MSMEs to *implement energy-efficient* and environmentally sustainable technologies.
- **PMEGP** - Prime Minister's Employment Generation Programme was launched *in 2008* implemented by Khadi and Village Industries Commission (*KVIC*).
- It aims to create jobs by *establishing new microbusinesses*, projects, and self-employment endeavours in both rural and urban sections of the nation.
- **ASPIRE** - A Scheme for Promotion of Innovation, Rural Industry & Entrepreneurship to continue from ***2021-2022 to 2025-2026***.
- It aims to reduce unemployment and generate jobs, *encourage India's entrepreneurial culture and innovation* to boost the MSME sector's competitiveness.
- **ESDP** - Entrepreneurship and Skill Development Programmes aims to encourage young people from a *variety of social backgrounds*.
    - It includes women, SC/ST, disabled people, ex-servicemen, and BPL individuals, to think about a career in self-employment or entrepreneurship.

What are the challenges?

- **Lack of financial access** – Indian MSMEs face a total financing shortfall estimated to reach $400 billion.
- **Unorganised nature** - As a result of its fragmented structure and small-scale businesses, they are one of the most susceptible in the country's economy.
    - Millions of MSMEs were closed due to decreased demand brought on by the COVID-19 lockdown.
- **Challenges of green transition** - It is necessary to acknowledge that their exposure to policy and demand uncertainties is greater on the downside than on the upside.
- Majority of them are too *financially and technically limited* to invest in new actions.
- **Lack of regulations** – There is no strategic plan to enable MSMEs to deal with transition risks from traditional base to greener eco-friendly process.

What lies ahead?

- Encourage governments, business groups, civil society organisations, and others to take an active role in raising awareness, sharing best practices, and offering training and resources.
- Provide financial incentives, such as tax breaks, subsidies, grants, and low-interest loans, to encourage MSMEs to adopt sustainable practices or invest in sustainable

technologies.

- Larger firms can help MSMEs implement sustainable practices by providing training, technical assistance, and financing.
- Evaluate environment policies first for their effect on MSMEs before implementing it.
- Encourage SMEs to follow simple compliance by taxing negative externalities and providing subsidies or tax breaks for green expenditures.
- Adopt good practices such as low energy strategies, renewable, waste management, safety of women, and timely wage payment.

References

1. The Indian Express| Role of Small Scale Industries
2. News18| Small Industries Day

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