

**OPPORTUNITIES AND CHALLENGES FOR SELF RELIANCE AND
DEVELOPMENT OF SMALL SCALE INDUSTRIES**

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Abstract:

India is at the crux of transformation from Consumers India to Producer's India along with global influence. Along with the country's growing economic and geopolitical ambitions, the country is balanced to develop its ecosystem and vigorous indigenous manufacturing capabilities to secure its drive towards self reliance in all sectors. To build self-reliant India, the Government has set new turnover and investment limits for Micro, Small, Medium Enterprises. The new limits defined so far will replace earlier definitions which relied on self declared investment on plant and machinery in order to align the industries with good and service tax regime along with encouraging them with ease of doing business. The small and medium enterprises are considered as a key indicator for economic growth and job creation. They account for over 40% of exports, 45% of production output, more than twenty eight percent of GDP and also employ about 111 million people. PM of India, Shri Narendra Modi during his address to nation on Covid-19 pandemic, emphasised about the necessity of self reliant India. There is a need for quality improvement and for domestic supply chains to go forward. There are good changes since the Nehruvian Era – self reliance model and a point of view for Indian self reliance in the areas of Science and technology in a globalized era is long overdue. The Present article discusses about Role, Development and Self Reliance of SSI, its opportunities and recommendations for its development.

Key words: Vocal for Local, Make in India, Intellectual Property Rights, Artificial Intelligence, Internet of Things

Introduction :

Owning, Managing and Operating a business takes abundant amounts of effort and time. Especially small business owners are responsible for managing all the aspects of their organization. They use a mix of knowledge, expertise and education to run their organization. Small and Medium sized enterprises are the strength of economy. Whenever the markets jeopardizes due to external crisis, the small and medium enterprises have been effected with great force.

Small Scale Business Entrepreneurs need to understand about managing employees, accurate report of financial information, acquiring the economic and business assets and taking various business decisions in all conditions of the business. Small business organizations provides opportunities for entrepreneurs, employment and also understanding the needs of community. Small businesses are ingrained in the setting where they grow and they also give back sustenance and vitality. Managing the small business involves taking risks – both qualitative and quantitative; but its running involves taking up greater risks than running a large scale organizations.

As per the updated definition of MSME (May, 2020) , the small scale enterprises are defined as business with an Investment more than Rs.10 crores and less than fifty crores and Turnover with more than fifty crores but less than Rs.250 crores. Small business generates money which helps the economic development of nation. Bakery shops, grocery shops, auto spare part dealers , plumber, Gym, Yoga centres, beauty parlours, cloth stores, shoe stores, repair shops, petrol pumps, computer institutes, Xerox shops, stationary shops, hotels , cyber cafes, gift shops etc. are examples of small businesses. Small business organizations needs less capital than the large scale business. With fewer investments, great outputs can be achieved. Compliance to the changing economic conditions and flexibility are the advantages of small in size. They can change their working style without much loss as compared to large business organizations. They tap the talent which is unnoticed by large scale organizations. Local skills and resources are used to the optimum level by small business. Moreover, the large scale organizations depends on small businesses for finishing their work. Large scale organizations outsource many activities like supply of raw material, spare part manufacturing etc, which is required by the former. The greatest advantage of small scale organizations are they can devote to the needs of customers proficiently as they have personal contacts with them. Small scale businesses help to encourage technical skills and handicrafts. They also earn foreign exchange by exporting their products. As the economic power flows in different

sectors, power is not restricted in fewer hands. They also promote the equitable distribution of national income. They provide income source to the local people by provide meaning to their lives.

Development of Small Scale Industries :

The future of Industrial development of any country depends on the development and growth of potential of SSIs to a large extent. The small scale sector plays a substantial role in the distribution of incomes across the nation through increased profits and investments, productivity and employment of manpower. The quantity of SSI has been increased from 67.6 lakhs (1990-91) to 510.3 lakhs (2014-15). Simultaneously, the employment opportunities has been increased from 158.3 lakhs to 1171.3 lakhs during the above period. The exports has been increased from Rs.9,664 crores to Rs.8,49,248 crores during the same period. The business of SSI product can compete on quality, cost and products at international and domestic level. India manufactures approximately 7500 products. The small scale sector consists of wide spectrum of organizations include tiny, micro, small and cottage industries. Thus the small scale has been emerged as dynamic vibrant sector in the Indian economy.

Self Reliance of SSI:

Due to the concept of Self-reliance in government owned heavy industries and owned strategic sectors during decades following independence, they have placed India amongst the most developing nations. The Indian industries were not enough modernize to climb higher the technological ladders during the periods of 1970-80. The private sector in a secluded market has backed the government owned core sector approach and they are contented with near monopoly situations. To develop contemporary customer products and modernize light industries very little efforts have been made. Thus, the country's eco system was characterized by poor quality, low productivity and low technology and it was globally uncompetitive.

The country has completely missed out the III Industrial revolution, which comprises of micro processors, electronic goods, mobile phones, personal computers and decentralized production and global value chains during the so called lost decades. The country has occupied second largest smart phone market globally. Presently, it can manufacture a small

portions of solar photo voltaic cells and modules which are currently used with ambitious future targets.

When the country is embarked on LPG the concept of self-reliance was twaddled with a faith that it was equivalent to reinvent the wheel of advanced technologies which could be simply bought at free of cost.

The PSU were sluggish and inefficient for the competitive international scenario. To make them to transit to new technological dimensions, no effort was made. Along with many nascent R&D efforts, the scale and capability of PSUs were abandoned or undermined.

The private sectors have displayed very little interest in heavy industries and shown less appetite for upgrading the technology. Most of the private companies were retreated into collaborations or technology imports due to the entry of foreign corporations. R&D of India is performed by PSUs presently, a smaller but rising quantity of R&D by private sector is organized by foreign corporation in the fields of Pharma, bio technology and information technology. Thus the essentials of self-reliance are government's significant reinvestment in PSUs , research & development etc.,

Vocal for Global :

Through invitation of FDI and production by foreign major companies which could bring novel technologies into the Indian Industrial eco system. It is obviating the necessity for various original efforts towards self-reliance. There is no pledge of absorption of technology with mere set up of production facilities in India. The strategic foreign majors have located their strategic technologies and commercially significant firms in off shore manufacturing base. Neither domestic off shore manufacturing nor external finance is the key problem for self reliance but it is a resolute indigenous endeavour which includes R&D.

The achievements and experiences of other countries viz learnings from Japan ; Post war scenario and the countries like Taiwan, Singapore, south korea, hong kong etc have taken huge strides in industrial and technological aspects during 1970s and 1980s.

For example, South Korea achieved remarkable success and up in the technological ladder and value chains in consumer durables, electronic goods, micro processors, automobiles, heavy machinery and personal computers. Thus, it has been emerge as an international powerhouse of manufacturing and also developed technologies indigenously.

Taiwan is another example of developed manufacturing capacities and technologies in the segment of micro processors and robotics; Hong kong and Singapore has adapted advanced technologies in nice segments.

Thus, the countries like Malaysia, Thailand, Vietnam and Indonesia has focused on off-shore production which will decrease value chain and without having thrust on self reliance. China is unique in its size and in its fortitude to be a super power not only just geo politically but also achieving self reliance in technology and industrial capabilities. It has decided to shift advanced manufacturing and set a target to itself in becoming a world leader by 2035 in super computing, 5G, Artificial intelligence, Internet of Things, bio technology, pharma and other related technologies of IV industrial revolution.

Opportunities for Self Reliance of SSI:

The present pandemic situation of India, is not only a threat but also an opportunity for Indian industries to think strategically and out of box. China is blamed for pandemic, as they failed to stop its international spread. Thus, it is likely that other nations develop distrust towards Chinese government and its policies. China plays a noteworthy role in global supply chains exclusively in electronic equipment and telecom industry.

If the world's continued mistrust against China, will cause some disruption in its supply chain and the nations may vary buying products from China. It will have a short term domino effect. Many nations like Japan have started incentivizing their organizations to shift manufacturing out of China and thus switch over to local supply chains.

Indian companies will also incentivize its organizations to take benefit of this, both for manufacturing and design. It will be difficult for smooth transition during short run. But during the long run, a silver lining for electronics and Indian telecom which can witness a enormous transformations. Indian information technology industries also have moved up its value chain from being a mere centre for back office operations to front end software development.

Due to its demographic dividend and abundance of talent in India, we are able to take up the opportunities. Companies like Foxconn, Apple and Samsung are setting up factories in India. To make India, a self reliant, the following need to be adopted

- Priority to be given to ramp up investments
- Not to rely on Multinational corporations to invest

- Governments to focus on making policies to encourage local MSMEs to ramp up investments
- Indian private organizations to be incentivized to work with domestic SMEs to build globally competitive make and promote local eco system
- Divest the spending on loss making PSUs and funds to be diverted to support Next gen Indian companies which have global capabilities

Make In India :

It is good initiative to ramp up the focus on electronics sector by offering concessions to manufacturers of India to scale up and set up facilities. It is need of hour to invest in innovation also. Through its demographic dividend, the nation can innovate and built an Intellectual Property Rights regime. The other focused area is Telecom and Defence electronics industry which is dominated by foreign companies and PSUs presently. Presently the labs are speckled across the country. These can be merged and a larger establishment can be placed at a single place which can be paired up with MSMEs to build a robust eco system. The Government need to develop a 5 year action plan and strategy while working with sector and consultants. It has to push the MNCs whose focus is not only on building a presence Indian in nature but also in global supply chain.

Way forward for India :

India has self reliant capabilities in fuel cell and electric vehicles, solar cell and modules, electricity storage systems, AI, aircraft including UAVs, robotics and automation, pharma, bio technology and other. Self –Reliance do not happen by itself, there is a need for concerted endeavours in large scale. The Government funded R&D has been included in basic research which is also used by Universities, Research Institutions and PSUs, they need to be scaled up significantly. Given the distinctive position in the eco system, a reoriented and upgraded PSU are also crucial. To have a meaningful participation in manufacturing at the appropriate levels of value chain, the private sector's R&D which is delivery oriented need to be supported. Indian Government's expenditure on education has to be significantly ramped up which includes skill development. A country can achieve self reliance with only mass quality education.

Conclusion :

The small scale sector has empowered and performance well distinctly to achieve diversification and wide quantification of industrial growth. By its high labour absorption nature, less capital intensive, the SSIs have made a significant contribution in rural development, rural industrialization and employment generation. During the changing economic situation. the SSI's product has to compete in the terms of quality, cost and with the products of international and domestic level, only if it has ideal investment in technological production process, marketing and R&D. The promotional activities in SSI of India need to focus on HRD, improved credit flows, funds for modernization and appropriate technology. So, it is an suitable time to set up projects in SSI.

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