

# Indian Economy and Small Business Administration

Umbrella Cover to SSI Sector.

## AUTHORS

Ruchi Tyagi  
Lecturer, MIET,  
Meerut

Tanuj Sharma  
Lecturer, MIET  
Meerut.

### ABSTRACT

The present work throws light, in general, on Small Scale Industry in India and role of Government to enhance the SSI sector; the present work will discuss the role of SSI along with general economy of the country. Further the paper present the factors contributing in marking global presence of Indian sports goods industry which falls under the purview of SSI .Indian sports Goods Industry is mainly concentrated in Jalandhar and Meerut. The Sports Goods Industry in India has made its global presence with its export. The present work outlines the factors, which have contributed to such a global presence.

## 1. INTRODUCTION

An estimated investment of 1 million rupees in fixed assets in the SSI sector produced 4.62 million rupees worth of goods or services with tremendous value addition. During the various plan periods the number of small scale units has substantially increased from an estimated 0.87 million in 1980-81 to over 3 million in 2000 playing major role in the present export performance of the country by contributing about 45%-50% in total exports. The small scale industry (SSI) is a vital constituent of India's industrial sector. It contributes significantly to India's gross domestic product and export earnings besides meeting the social objectives including that of providing employment opportunities to millions of people across the country (Misra and Puri 2007). The definition of SSI is based on the criterion of original value of plant and machinery. A small scale industry cannot be owned, controlled or be a subsidiary of another industrial undertaking. The investment limit for a small-scale industrial

: undertaking is Rs. 1 crore. For tiny  
: enterprise, the investment ceiling is Rs.25  
: lakh while for a small- scale service  
: business enterprise; the investment ceiling  
: is Rs 10 lakh . A unit is classified as a  
: small scale unit if the maximum investment  
: in the plant is Rs 5 cr (Business standard;  
: 1 mar 2007).

TABLE 1  
CENSUS CONDUCTED ON SSIs OF  
THE GOVERNMENT OF INDIA

Census Year	No. of SSI units (in lakh)	Registered Upto
1973-74	2.58	30.11.1973
1990-91	9.87	31.3.1988
2002-03	13.75 (registered) 91.46 (unregistered)	Reference year

Source: GOI, Third All India Census of Small Scale Industries, 2001-02, New Delhi, 2004, pp.4-5.

## 2. POTENTIAL IN SMALL SCALE INDUSTRIES

The SSI sector is supporting India to achieve a wide measure of industrial growth and diversification .This sector is

ideally suitable to build on the strength of Indian traditional skills and knowledge, by infusion of technologies, capital & innovative marketing practices. The diversity in production systems and demand structures will ensure long term coexistence of many layers of demand for consumer products, technologies and processes. The present status of SSI in India show 32.25 lakh units, having production of 530,000 cr/yrs with an employment opportunity of 171 lakh, with only 10% sick units. The total export from SSI is of 50,000 cr/yr.

**TABLE 2  
POTENTIAL IN SSIs**

Base	Present Status	Target for 2020
No. of Units	32.25 lakh	150 lakh
Sick Units	10%	3%
Production	530,000 cr/yrs	2500,000 cr/yrs
Employment	171 lakh	300 lakh
Export	50,000 cr/yr	1000,000 cr/yr
Remarks	Even though 50,000 cr/yr export is there it involves major import of raw materials and equipments.	Import content towards exportable goods has to be reduced as in the case of IT

Source : envisioning an empowered nation, Kalam with Pillai; pg 72

The growth profile of the small scale industries from 1993 -1999 suggest that the SSI sector has grown rapidly with impressive growth rates during the various plan periods the number of small scale units has substantially increased from an estimated 0.87 million in 1980-81 to over 3 million in 2000 playing major role in the present export performance of the country by contributing about 45%-50% in total exports. The non-traditional products account for more than 95% of SSI exports.

The SSI sector is re-orienting its export strategy towards the new trade regime being ushered in by the World Trade Organization (WTO). The SSI sector has tremendous potential because of the following reasons- less capital incentive, extensive promotion and support by government, funding finance and subsidies, reservation for exclusive purchase by government, export promotion. The non-traditional products account for more than 95% of SSI exports. In a period of 5 years the employment potential in the SSI sector has increased from 140 lakh-170 lakh. The Sports Goods Industry (comes under SSI) in India has made its global presence with its export.

### 3. BRIEF GENESIS OF THE SPORTS GOODS INDUSTRY IN INDIA AND THE CURRENT STATE

The Sports Goods Industry was well established in its modern shape in the beginning of the 20<sup>th</sup> century. (The credit to establish this industry in India goes to Sardar Gaiinda Singh Proprietor M/S Oberoi Ltd, Sialkot (Pakistan) he has taken the knowledge of this industry from entrepreneurs of Europe and started manufacturing sports goods, for this he imported machinery and other essential items from England, this inspired other entrepreneurs and thus Sialkot became centre of sports goods .When India was partitioned in 1947, many of Sialkot's skilled Hindu craftsmen migrated across the border into Punjab, settling in Jalandhar, where the Indian Sport Goods Industry (SGI) is now based thus the sports goods industry in India has its roots in Sialkot, Pakistan. The Indian SGI has expanded to include the areas of Meerut, (UP) and Gurgaon, (Haryana).

(Based on interview with Shri Khanna of M/S Khanna Pvt. Ltd.)

**TABLE 3**  
**CENSUS CONDUCTED ON SSIs OF THE GOVERNMENT OF INDIA**

1935-40	Meena families of Rajasthan manufacturing football after partition shifted to Meerut.
1949	SGI in Meerut started in unorganized way by 6 people out of these 4 were from Sialkot & Rawalpindi to organize it.
1950	Federation of Sports Goods manufacturers was framed under All India Sports Goods Manufacturer Federation.
1953	Pratap Singh the Chief Minister of Punjab offered more facilities as a result many manufacturers shifted from Meerut to Punjab.
1950-60	Sports hosiery, anklets, kneecaps started.
1970's	Several units were started.
1972	India Trade Promotion Organization was established.

Meerut town in Northwestern Uttar Pradesh state lays Northeast of Delhi and it is in between Ganga and Yamuna which make the land more fertile, the industry was established in 1947-50 as a cottage industry, with about 1000 industrial units out of which 415 units are registered as Labor intensive industry and 90% of labor is from weaker sections of society, and lower sections of society (on the basis of caste) doing mainly leather work and women. There are 42% skilled workers and 58% unskilled workers employed in sports goods industries in Meerut.

**TABLE 8**  
**DISTRIBUTION OF SPORTS GOODS UNITS OF MEERUT ACCORDING TO THE WORKERS EMPLOYED**

Workers employed	No. of workers
Skilled workers	8,000
unskilled workers	11,000
TOTAL	19,000

Source : Personal Survey

In Meerut three kinds of establishments are usually found:

**Big Establishments:** They are generally geared to export besides catering to the domestic market.

**Small Establishments:** These usually manufacture Sports Goods for the domestic market. Both the Big Establishments as well as the Small Establishments are registered under the Factories Act, 1948 or under the Shops or Establishment Act of the State of U.P

**The Unregistered Units:** These are found particularly in the urban pockets of Meerut. These units are mostly small home based units which are usually run by the family members. These units do not have a direct access to Market. It has been seen that many a times when the Big Establishments-especially exporters—are not able to cope with their foreign clients, distribute a share of the production to these small unregistered units.

**TABLE 9**  
**DISTRIBUTION OF SPORTS GOODS UNITS OF MEERUT ACCORDING TO THEIR STATUS**

Status of the units	Number of units
Proprietary units	418
Partnership Firms	570
Companies	12
Co-operatives	NIL
TOTAL	1000

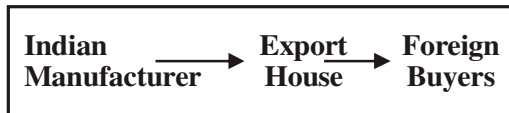
(Among the thousand units thirty are engaged in Export Business) Source : Personal survey

Further in Meerut about one thousand units are registered doing total production of 600 Crore Rs. Out of which 500 crore is home production and the remaining is exported while there are only six hundred registered units in Jalandhar doing total production of 900 Crore Rs. Out of which 500 crore is home production and the remaining is exported. (Danik Jagaran, Meerut, April 1, 2006.)

### 10. INTERNATIONAL MARKETING CHANNELS

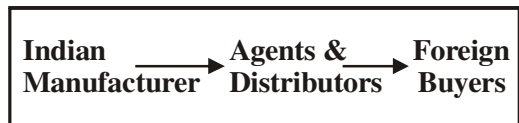
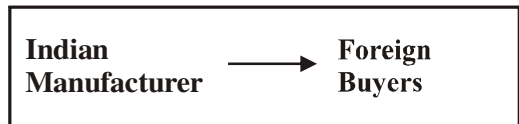
The Sports Goods Industry of Meerut exports more than 70% of its production (in value) to different countries of the world. The different marketing channels, which are being used for international marketing of sports goods manufacturers of Meerut includes-Indirect exporting through export houses and selling to visiting foreign traders, and direct exporting by manufacturers themselves or by appointing agents and distributors in other countries or through manufacturers and traders of foreign countries or with the help of Sports Goods Export Promotion Council.

**Indirect exporting:** The manufacturers sell their product in their own country to the parties living abroad and take the responsibility to transfer it to their countries. It can be done in two ways:



**Direct export:** The manufacturers receive the export orders from Sports Goods Export Promotion Council and

thereafter send the goods directly to the importer, thus playing a significant role of market intermediary, though some of the manufacturing units also have their agents and distributors abroad and export the goods through them, the whole procedure and formalities of exporting in this case is looked after by the manufacturers themselves.



Sports Goods Export Promotion Council is the council functioning under the Ministry of Commerce. The council consists of members representing manufacturers and traders along with members appointed by the Government from the Ministry of Commerce. The council is chaired by the Government official of not less than the rank of Under Secretary. The council has a network all over the world to search export markets of sports goods and to receive orders from there further the council permits the manufacturers to keep direct link with exporters. The orders so received are pooled at one place and then tenders are invited with detailed specifications from the member manufacturing units. After screening the quality and price, the orders are extended to manufacturing units, the manufacturing unit fulfill the order under the supervision and inspection of the technical experts of

the council, however the compliance of the order is the responsibility of the manufacturing unit.

Export from Meerut based units mainly started in the year 1980 and the reasons behind it was mushrooming of traders and manufacturers, plus the benefits offered by the government like tax relief and incentives, along with this it was offering an international presence to the industry. The industry imports certain raw material as well as export sports goods, the duty on import is 40-60%. In Meerut about one thousand units are registered doing total production of 600 Crore Rs. Out of which 100 crore production was exported in the year 2002-2003.

The total export of Sports Goods Industry in the year 2002-03 was of Rs.342.30 crore and the contribution of Meerut was of Rs.100 crore. The sector wise export trends in Sports Goods during the year 2002-03 shows that major export is in Europe which comprise 50% of total export and out of total export 19% is in America and 17% in Australia while only 5% in Africa and only 3% in Middle East and Arabian Gulf (Figure 9). The Export Promotion Council Of India awarded ten exporters from Meerut in 2002-03 including-SG, Nelco, Gujral industry, Stag, Vinex, SS, Maxwell, Premier Enterprises, K L Mahajan and Sons, Sport Land (all these export mainly- cricket, T.T, soft leather) also the SG Company of Meerut became the third main exporter of the year 2002-03.

#### **4. CONCLUSION**

Studies have pointed out that small-scale industries are more efficient, others point out that large-scale industries are more efficient. The modern small-scale industries is fairly capital

investment, these units do not generate more employment per unit of capital than large scale industry (Dhar and Lydall). Bishwanath Goldar in 1976-77 compared 37 industries to the three digit level the technical efficiency of small and large scale industries and found that SSI have low labour productivity and their relative efficiency of the SSI varies directly with capital intensity, so that the SSI s cannot be relied upon as a source of efficient employment generation, he further suggest that if the share of small scale sector is excluded from the factory sector, the rate of growth of employment in the factory sector would be much lower than 2.21 percent even, this shows that the employment growth in small-sector at 5.45 percent per annum is considerably higher than the employment growth in the large scale sector. The progress of the sports goods industry is not as expected or what it should be because of several reasons, few of them are:

1. Most products cater only to the low priced segment of European and other foreign markets because the quality criteria do not match with the quality conscious consumers demand.
2. Most manufacturers are not aware of what products to export, to which countries and how, thus there should be some representatives of SGEPC to guide the small manufacturers on it.
3. Most manufacturers are not aware of what documents are required, and how to prepare them, so there should be some guidance from the Government to all those manufacturers who wish to export but could not due to lack of awareness or other hindrances.
4. Lack of organized marketing facilities

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|--|---|---|
| 5. Lack of general and technical education and training.   | : | On the basis of above facts and             |
| 6. The problem of irregular and inadequate power supply  | : | figures we can say that the sports goods    |
| 7. The availability of adequate, cheap and timely finance and information of the same for the manufacturers. | : | industry of Meerut is contributing a lot in |
|  | : | making global presence of Indian sports     |
|  | : | goods further it has potential for better   |
|  | : | ,for this the industry has to look for a    |
|  | : | proactive approach .                        |
|  | : |   |

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