



## Ease of doing business and suitability of medium scale industries in Haryana: A study

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### Abstract

Defines micro, small and medium enterprises under Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. Accordingly, i) a micro enterprise is an enterprise where investment in plant and machinery does not exceed Rs. 25 lakh; (ii) A small enterprise is an enterprise where the investment in plant and machinery is more than Rs. 25 lakh but does not exceed Rs. 5 crore; and (iii) A medium enterprise is an enterprise where the investment in plant and machinery is more than Rs.5 crore but does not exceed Rs.10 crore. Highlights that Haryana is among the highly economically developed and industrialised States of India. with a splendid economic growth, one of the highest per capita income index, sound industrial infrastructure, strong manufacturing base, advanced agriculture sector and vibrant service sector. Describes that new economic policy approach of Haryana' is to identify 'target sectors' in i) Electronics; ii) Automobiles and automobile components; iii) Handloom, hosiery and textile; iv) Food and agro-based industries; v) Amusement parks; and vii) Information technology parks. Describes various types of medium scale industries which have been established in Haryana. Discusses that the problem confronting Medium Scale Industries appears to be similar in most countries whether developing or developed. But the levels of obstacles vary from country to country, industry to industry and depend on firms' characteristics. The reviewed literature demonstrates that medium scale industries are necessary for sustained economic growth and development of any economy including India and state of Haryana. To justify the need of present study, following literature has been reviewed.

**Keywords:** micro, small and medium enterprises development (MSMED), infrastructure

### 1. Introduction

Haryana has been predominately an agricultural state and historically its whole economy has revolved around agriculture. But the structural composition of the state's economy has witnessed significant changes since the formation of the state in 1966. At the time of bifurcation, except a very few pockets, the state was industrially backward. This was mainly due to the lack of infrastructural facilities. After the creation of Haryana as a separate state, initiatives were taken by the state government to attract new industries to add to the existing industries and to create more employment opportunities for the growing work force. Hence various types of industries were established in the state. Undoubtedly Haryana has travelled a long distance in the pursuit of industrial development especially during the last two or three decades. But it is pertinent to examine whether the industrial development was homogeneous or it was concentrated to a few pockets of the state. Another question is whether the industrial development was sector specific or it was observed in all types of industries.

With a splendid economic growth, one of the highest per capita income index, sound industrial infrastructure, strong manufacturing base, advanced agriculture sector and vibrant service sector, Haryana is among the highly economically developed and industrialised States of India. The State has its manufacturing stronghold particularly in sectors like automobile & auto components, light engineering goods, IT & ITES, textile & apparels and electrical & electronic goods.

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. State Government has enacted Industrial Promotion Act 2005, introduced self-certification schemes and made provision for outsourcing of the authority to provide enabling environment for investors. As a result of its investor friendly policies, the State has been successful in attracting huge investments. The State has been acknowledged as a leader in per capita investment for the year 2007 as per the CMIE report. Industrial Policy (IP) 1992, announced in tandem with the economic reforms brought out by the Central Government, was an incentive centric approach to attract investment. IP 1997 adopted infrastructure led approach to industrial development. IP 1999 aimed at promoting industrial growth in the context of overall economic value addition with emphasis on infrastructure development through private initiative. IP 2005 sought to capture these opportunities, leveraging the strengths of the State in agriculture and its established comparative advantage in manufacturing, for promotion of investment and taking industry to front ranks of global competition.

Haryana's manufacturing base, though fundamentally strong, needs innovative policy measures to counter any such global competitiveness and economic uncertainties. To face challenges of global meltdown, there is a need to strengthen

the industrial capacity and diversification of exports. Haryana's manufacturing base, though fundamentally strong, needs innovative policy measures to counter any such global competitiveness and economic uncertainties. To face challenges of global meltdown, there is a need to strengthen the industrial capacity and diversification of exports. There are many industries established in Haryana like agro industries, stone industries, textile industries, automobile industries, IT industries, handloom industries etc. Industries are facing many problems in rural area of Haryana. In future there is a huge scope of establishment of industry in Haryana not only in near about Delhi but other area of Haryana also.

## 2. Definition of Micro, Small and Medium Enterprises

The Government of India has enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 in terms of which the definition of micro, small and medium enterprises is as under:

- (a) Enterprises engaged in the manufacture or production, processing or preservation of goods as specified below:
  - (i) A micro enterprise is an enterprise where investment in plant and machinery does not exceed Rs. 25 lakh;
  - (ii) A small enterprise is an enterprise where the investment in plant and machinery is more than Rs. 25 lakh but does not exceed Rs. 5 crore; and
  - (iii) A medium enterprise is an enterprise where the investment in plant and machinery is more than Rs.5 crore but does not exceed Rs.10 crore.

In case of the above enterprises, investment in plant and machinery is the original cost excluding land and building and the items specified by the Ministry of Small Scale Industries vide its notification No.S.O.1722(E) dated October 5, 2006.

- (b) Enterprises engaged in providing or rendering of services and whose investment in equipment (original cost excluding land and building and furniture, fittings and other items not directly related to the service rendered or as may be notified under the MSMED Act, 2006 are specified below.
  - (i) A micro enterprise is an enterprise where the investment in equipment does not exceed Rs. 10 lakh;
  - (ii) A small enterprise is an enterprise where the investment in equipment is more than Rs.10 lakh but does not exceed Rs. 2 crore; and
  - (iii) A medium enterprise is an enterprise where the investment in equipment is more than Rs. 2 crore but does not exceed Rs. 5 crore (MSMED Act, 2006).

## 3. Industrial Progress in Haryana

Haryana state is small in size, covering only 1.37 percent of the total land area of the country and less than 2 percent of the population but have impressive infrastructural facilities and communication network. Within the State, the cities of Panipat, Rohtak, Gurgaon, Faridabad and Sonapat have special potential for accelerated socio economic development. Geographical location of the state provides easy and inexpensive access to domestic consumer markets. Moreover, the availability of land suitable for industrial use makes Haryana an ideal location for industry. Haryana's relatively small size makes it easier to govern, and its efficient and

responsive administration ensures a minimum of red tape and bureaucratic interference. Moreover, Haryana's new economic policy approach is to identify 'target sectors' in the following industries: i) Electronics; ii) Automobiles and automobile components; iii) Handloom, hosiery and textile; iv) Food and agro-based industries; v) Amusement parks; and vii) Information technology parks.

On the production front, Haryana produces four-fifths of the passenger cars, two-thirds of the tractors and motor cycles, one-half of the refrigerators, one-fourth of the sanitary ware and one out of every four bicycles manufactured in India (Statistical Abstract of Haryana, 2009). Further, State has adopted a farsighted industrial policy under which special incentives are offered to the agro based, food processing, high tech and export oriented industries. Due to its attractive industrial policy, Haryana is a favoured destination for foreign investments.

### 3.1 Types of Medium Scale Industries

There are various types of medium scale industries but some of these are as under:

- A. Agro-based, Food Processing and Allied Industry
- B. Automobile & Automotive Components
- C. Education & Skill Development
- D. Electronics, Information & Communication Technology
- E. Footwear and Accessories
- F. Handloom, Hosiery, Textile and Garments Manufacturing
- G. Health and Healthcare
- H. Pharmaceutical Industry
- I. Research & Development and Frontier Technologies
- J. Transport Network and Services
- K. Waste Processing and re-cycling Industry

### 3.2 Nature of Problem Under Study

The medium scale enterprises are suffered with many severe problems, which are mainly depending on the level of economic and social development of the country. India as a developing country is not an exceptional one to the above condition. Though, there are unlimited problems connected with medium scale enterprises. The problem confronting Medium Scale Industries appears to be similar in most countries whether developing or developed. However, the levels of obstacles vary from country to country, industry to industry and depend on firms' characteristics. The following are some of the obstacles that are being faced by Medium Scale Industries in Haryana:

1. People generally don't want to take risk and they don't want to put pressure on mind to think about future opportunities in establishing industries. Due to lack of business training schools there is low capacity of entrepreneurship in people. Decision-making skills, sound management and accounting practices are very low among Haryana Medium Scale Industries operators.
2. Inadequate access to credit particularly on moderate terms. This has negatively affected the growth of Medium Scale Industries and their development in Haryana.
3. Difficulties in obtaining credit, competing with imported products, identifying appropriate technology & technical assistance, investment promotion and maladjusted project preparation and evaluation.

4. Inability to offer liberal credit terms in the sale of their products, obscene of management expertise, under capitalization and bureaucratic red tapism and regulations.
5. Lack of industrial training & skill formation, quality control & testing facilities, proper market promotion both domestic & export, scientific & industrial research, lack of management & reorganization of medium scale enterprises through various schemes and productivity increase through modernization.
6. The lack of time management, Finance and general resource. Skilful labour is very costly and hardly available.
7. Problems of high cost of production and Low availability of raw material is a big challenge for medium industries in Haryana.
8. Protection of domestic trade from foreign countries.
9. Government policy for Industries is also not favourable i.e. Stone crusher industries in Bhiwani is affected due to ban on mining from more than 6 years.
10. Natural Calamities is not supportive for industries in some areas of Haryana i.e. agro industries are not developed in Mahendragarh and Bhiwani district because there is only 40% land is irrigated.

#### 4. Review of related Literature

The comprehensive literature demonstrates that medium scale industries are necessary for sustained economic growth and development of any economy including India. To justify the need of present study, following literature has been reviewed-

##### 4.1 International Perspective

UNIDO (1969)<sup>[1]</sup> in a study based on evidence from a number of developing countries indicated that small enterprises with a lower level of investment per worker tend to achieve a higher productivity of capital than do the larger, more capital intensive enterprises.

Umar (1997)<sup>[2]</sup> the concept of the small size firm is a relative one and it depends mainly on both the geographical location and the nature of economy activity being performed.

Aremu, Mukaila Ayanda (2011)<sup>[3]</sup> It is becoming increasingly apparent to government and policy makers that the role of small and medium scale enterprises is very important to the development and growth of any given economy. Small and medium scale enterprises will ensure efficient use of resources, employment creation, mobilisation of domestic saving and investment. Finance is the most important and cogent key of any enterprises. Small and medium scale enterprises must be financially supported so that they can take off and expand and be able to meet the needs of the Nigerians. Shortage of indigenous entrepreneurs has been identified as a major impediment to economic development. It is also recommended that there is need for supporting and strengthening SMEs' productive capacities and market competitiveness of Small and Medium Scale Enterprises in the country. This therefore calls for the need for establishment of small-scale enterprises as a way of developing and providing a training ground for indigenous entrepreneur. The rural urban drift is due to lack of job opportunities in the rural area. Thus, small-scale enterprises will help to reduce this drift

particularly when they are sited in rural areas.

Finally, government as a matter of urgency, should prioritise the SME sector giving it devoted practical and visible attention with a view to make it virile, vibrant, focused and productive. The era of 'lip service' attention to the sector should be done away with. The employment creation cannot be developed without a vibrant SME subsector, and so government should do all within its arsenal to reverse the situation.

##### 4.2. Indian Perspective

Mali (1998)<sup>[4]</sup> observed that small and medium enterprises (SMEs) and micro enterprises have to face increasing competition in the present scenario of globalization, they have to specifically improve themselves in the fields of management, marketing, product diversification, infrastructural development, technological up gradation. Moreover, new small and medium enterprises may have to move from slow growth area to the high growth area and they have to form strategic alliance with entrepreneurs of neighbouring countries. Data bank on industries to guide the prospective entrepreneurs including investors from abroad is also needed.

Bala Subrahmanya (2004)<sup>[5]</sup> highlighted the impact of globalization and domestic reforms on small-scale industries sector. The study stated that small industry had suffered in terms of growth of units, employment, output and exports. The Researcher highlighted that the policy changes had also thrown open new opportunities and markets for the small-scale industries sector. He suggested that the focus must be turned to technology development and strengthening of financial infrastructure in order to make Indian small industry internationally competitive and contribute to national income and employment.

Bargal *et al.* (2009)<sup>[6]</sup> examined the causal relationship among the three variables GDP, SSI output and SSI exports and also have compared the performance parameters of SSIs in the pre and post liberalization era. The study found that the annual average growth rate of different parameters of SSIs have declined in the period of nineties vis-à-vis the pre-reform years. There is an absence of any lead-lag causal relationship between exports and production in small-scale sector and GDP of Indian economy.

Dixit and Pandey (2011)<sup>[7]</sup> applied co-integration analysis to examine the causal relationship between SMEs output, exports, employment, number of SMEs and their fixed investment and India's GDP, total exports and employment (public and private) for the period 1973-74 to 2006-07. Their study revealed the positive causality between SMEs output and India's GDP.

Kumar, Nalla Bala Kalyan (2012)<sup>[8]</sup> in this study, an attempt has been made to analyze the impact of globalization on the growth of small scale industries. The comparative analysis of growth pattern of key parameters between pre and post globalization period has been studied. The overall performance and contribution of small scale industries to Indian economy is generally described in terms of its absolute growth in units, employment, production and exports. The MSMEs Development Act of 2006 is perhaps the most crucial of these recent policy changes. The growth of small scale

industries can be evaluated into two ways: To compare the growth rates of units. Employment, output and exports of Small scale industries in 2000 with that of 1990s. To ascertain the change in the relative contribution of Small Scale industries to GDP, Exports and Organized Sector employment in the 2000s with that of 1990s. The small scale sector has grown rapidly over the years. The period of liberalization and the development the MSMEs sector constituted an important segment of our economy. MSMEs are a very important segment in the Indian industrial sector and would continue to play a crucial role in the Indian Economy in the future. It also brought in huge amounts of foreign investments into the country and provided employment opportunities for many people in the country which in its turn helped reduce the level of poverty in the country. A rewarding feature of economic development in India has been impressive growth of modern MSMEs.

Singh *et al.* (2012)<sup>[9]</sup> analyzed the performance of Small scale industry in India and focused on policy changes which have opened new opportunities for this sector. Their study concluded that SSI sector has made good progress in terms of number of SSI units, production & employment levels. The study recommended the emergence of technology development and strengthening of financial infrastructure to boost SSI and to achieve growth target.

Venkatesh and Muthiah (2012)<sup>[10]</sup> found that the role of small & medium enterprises (SMEs) in the industrial sector is growing rapidly and they have become a thrust area for future growth. They emphasized that nurturing SME sector is essential for the economic well-being of the nation. The above literature highlights the various aspects viz. performance, growth & problems of MSMEs in Indian economy and induces for continuous research in this field.

Anil Kumar (2013)<sup>[11]</sup> Since SME's contribute significantly to the economy and are geographically widely spread in a country like India, their adoption of CSR and Ethical practices is crucial to a balanced development. There is a paucity of academic research in this area. In a vast country like India, comprising of 28 states which are economically at different stages of development, a study of the intra country similarities and differences in adoption of CSR practices in SME's could be a valuable exercise for policy makers.

Research paper of Sonal, S. Yadav and Mita H. Suthar<sup>[12]</sup> revealed that the Medium and Small Scale sector has an important contribution to make in enhancing the competitive strength of Indian industries increase an avenue for new employment and harness the entrepreneurial skills available in abundance in the economy. Considering the significant growth trends in the production and export earnings of the MSMEs, the most important challenge is to recognize the relative significance of labour and capital productivity. At the same time this sector has also been facing some problems which relate to appropriate choice of technology, poor and inadequate infrastructure, low level of technology, limited exportability, wage and labour welfare issues, labour skill building, etc. All these factors hinder the progress of Indian MSMEs. In order to enable this sector to avail the opportunities and play its role as an engine of growth, it is essential to address these issues effectively and urgently. Further, these enterprises need to be supported through

appropriate programmes/schemes with focus on skill development and technology up gradation for improving the factor productivity and quality of their product and exports.

#### 4.3 Haryana Perspective

According to Gulshan Kumar (2011)<sup>[13]</sup>, Haryana was a backward part of Punjab before its formation in 1966 so far as industrial development is concerned. The state has made valiant efforts in all the spheres of development after its inception. As a result, it has recorded high industrial growth. Furthermore, the industrial growth is highly concentrated in the surrounding districts of National Capital such as Gurgaon, Faridabad and Sonapat leaving a little scope for the far off districts such as Mahendergarh, Sirsa, Fatehabad, Kaithal, Bhiwani, etc. Due to this patchy growth, high regional variations have emerged and remedial steps must be taken by the state government to reduce these regional variations up to an acceptable limit. The other cause of concern regarding industrial development in the state is the high rate of de-registration (closure) of industries which put negative impact on the industrial development. There is an urgent need to look into the reasons behind this phenomenon and to take appropriate measures accordingly.

Sharma (2012)<sup>[14]</sup> contended that the ultimate objective of prosperity and happiness of the people can be achieved only through expansion of economic activities, on a massive scale in Tiny, small and large sectors on the basis of the rationality of their complementarities. Therefore, need of the hour is strong and flourish small scale sector. Indian economy will become capable to fulfil needs of the huge population as well as to provide sound base for industrial progress only with the help of strong small scale sector. For strong small scale sector, there is need of primitive measures rather than protective measure.

#### 5. Scope of the Study Area

Haryana<sup>[16]</sup> is a state in north India. It came into existence on 1 November 1966 as a newly created state carved out of the Punjab state on the basis of language. It is bordered by Punjab and Himachal Pradesh to the north, and by Rajasthan to the west and south. The river Yamuna defines its eastern border with Uttarakhand. Haryana also surrounds the country's capital Delhi on three sides, forming the northern, western and southern borders of Delhi. Consequently, a large area of south Haryana is included in the National Capital Region for purposes of planning for development. Haryana is now a leading contributor to the country's production of food grain and milk. Agriculture is the leading occupation for the residents of the state, the flat arable land irrigated by submersible pumps and an extensive canal system. Haryana contributed heavily to the Green Revolution that made India self-sufficient in food production in the 1960s.

Haryana<sup>[17]</sup> is also one of the wealthier states of India and had the second highest per capita income in the country at ₹138,859 in the year 2011–12 (See List of Indian states by GDP) and ₹128,341 in the year 2012–13 including the largest number of rural crorepatris in India. Haryana is also one of the most economically developed regions in South Asia and its agricultural and manufacturing industry has experienced sustained growth since the 1970s. Haryana is India's largest



manufacturer of passenger cars, two-wheelers, and tractors. Since 2000, the state has emerged as the largest recipient of investment per capita in India. The city of Gurgaon has rapidly emerged as a major hub for the information technology and automobile industries. Gurgaon is home to Maruti, India's largest automobile manufacturer, and Hero Motor Corp, the world's largest manufacturer of two-wheelers. Faridabad, Panchkula, Dharuhera, Bawal, Sonipat, Panipat, Yamuna Nagar and Rewari are also industrial hubs, with the Panipat Refinery being the second largest refinery in South Asia. There are also long established steel, plywood, paper and textile industries in the state. Population of Haryana is app. 25353081. Area of Haryana is 17070 sq mi. Density of Haryana is 1480/sq mi.

## 6. Objective of the Study

1. The main objective of the study is to analysis the suitability of Medium Scale Industries in Haryana.
2. To analysis the problems faced by Medium Scale industries in Haryana.
3. To analysis the utilization of resources from the point of view of establishment of Medium Scale industries in Haryana.
4. To analysis the establishment procedure of Medium Scale industries in Haryana.
5. To analysis the Employment generation and enhanced employability through Medium Scale industries development.
6. To analysis the Sustainable development by adopting environment friendly technologies in Medium Scale industries.

## 7. Data Source and Methodology of the Study

The researcher would collect both Primary and Secondary data. Projective technique will be used for collection of primary data. Secondary Data will be collected from

- Internet
- Books
- Magazines
- Newspapers
- Thesis
- Journals
- Publications of Central & States Governments
- HSIIDC, Department of Industries and Commerce etc.

### 7.1 Citation Style of Bibliography and References

References are cited as per American Psychological Association (APA) style.

## 8. Chapterization Plan of the Study

The whole study will be completed in following six chapters:

1. Introduction
2. Conceptual Background and review of Related Literature.
3. Distribution of Medium Scale Industries.
4. Problems of Medium Scale Industries.
5. Remedies of Medium Scale Industries related suitability.
6. Summary, Conclusions and Suggestions.

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Appendices

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