

SME SECTOR IN INDIA: WITH SPECIAL FOCUS ON ALIGARH LOCK INDUSTRY

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ABSTRACT

SME sector is one of most important sector in India. In recent years, the micro, small and medium-sized sectors have emerged as a competitive and vibrant sector of the Indian economy, showing exceptional growth in production, jobs and distributed development in general and exports in particular. The current paper talks about importance of SME sector in India with special focus on Aligarh lock industry.

Keywords: Lock Industry, SME, Small Business, Competitive Advantage of India.

INTRODUCTION

Micro, small and medium-sized enterprises play a dominant position in both developed and developing countries' economic growth. Cottage and small-scale industries play an important role in creating employment opportunities, equitable distribution of national income, balanced regional growth and development of rural and semi-urban areas. This sector, in particular in developing countries such as India, is considered to be a driver of growth because of its contribution to income generation, jobs and GDP.

Micro, small and medium-sized companies are demonstrating their effect on national and regional economies worldwide. They have been recognised as an important tool for generating job opportunities with a limited amount of capital expenditure in both developed and developing countries.

Small-scale and cottage industries also play an important role in reducing regional disparities. Only the rapid growth and promotion of small-scale manufacturing in a backward area will achieve industrial development Burra (1987).

Khadi and Handloom, Handicraft, Village Industries, Bamboo Based Industries, Sericulture and Lock, etc. are traditional small scale industries GoI (2006). A wide range of products ranging from relatively simple items to sophisticated products such as television sets, electronic control systems, mixer grinder and various engineering products are produced by modern small-scale industries, particularly as ancillary to large industries GoUP (1981). Traditional small businesses are highly labour intensive, whereas modern small-scale units use highly advanced machinery and equipment Hasnain (2007).

India's SME sector is a central element in its economic growth history. The industry has the potential to spread economic development throughout the nation and can be a major partner in helping to accelerate the process of inclusive growth by employing, in addition to the agricultural sector, 40 percent of the country's workforce Jain (2003); Lelyveld (1978). The model of the socio-economic policies of the Government of India has always been tiny, small and medium-sized companies Louis (2008).

This sector plays a vital role in growing and developing the Indian economy. Moreover, this improvement needs to be sustained as it contributes substantial revenues to the central exchequer Mann (1992).

A large share of industrial production, job creation and GDP contributions is also accounted for by MSMEs Malika (2005). Therefore, it is understood that MSMEs play a crucial role in the development of the country.

Definition of MSME Micro, Small and Medium Enterprises

Micro units

MSMEs will now be called Micro units if they have investments upto Rs 1 crore and turnover of less than Rs 5 crore. The definition earlier was on investment criteria of up to Rs 10 lakh for Service MSMEs earlier and Rs 25 lakh or manufacturing Murtahin (1995); Nayak (1994).

Small units

For an MSME to be defined as a Small unit, its investment limit has been raised from Rs 5 crore to Rs 10 crore with a turnover of less than 50 crore Nevill (1926). This applies to all MSMEs .

Medium units

Enterprises with investments up to Rs 20 crore with a turnover of less than Rs 100 crore will now be called Medium units. Earlier, the investment limit for Medium units was up to Rs 10 crore and Service enterprises up to Rs 5 crore Figure 1.

Existing and Revised Definition of MSMEs



Existing MSME Classification			
Criteria : Investment in Plant & Machinery or Equipment			
Classification	Micro	Small	Medium
Mfg. Enterprises	Investment < Rs. 25 lac	Investment < Rs. 5 cr.	Investment < Rs. 10 cr.
Services Enterprise	Investment < Rs. 10 lac	Investment < Rs. 2 cr.	Investment < Rs. 5 cr.
Revised MSME Classification			
Composite Criteria : Investment And Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing & Services	Investment < Rs. 1 cr. and Turnover < Rs.5 cr.	Investment < Rs. 10 cr. and Turnover < Rs.50 cr.	Investment < Rs. 20 cr. and Turnover < Rs.100 cr.

FIGURE 1
MICRO SMALL AND MEDIUM ENTERPRISES

Source: Ministry of MSME.

Role of SME

In the global economy, micro, small and medium-sized enterprises play a crucial role, and they are considered the engine of growth in most countries. MSMEs ensure a more equal distribution of national income, fuel balanced regional industrial growth, serve as a nursery for entrepreneurship and promote the mobilisation of local capital and otherwise unused skills.

They also play a key role in developing the economy with their strong, profitable, scalable and innovative entrepreneurial spirit. Today, the small scale industry is called Micro , Small and Medium Enterprises, based on their investment. Compared to medium and large scale industry, small industries are small in operational employment, products, energy, technology, etc.

The micro, small and medium-sized sectors have emerged in recent years as a dynamic and vibrant sector of the Indian economy, with exceptional growth in the production , employment and distributed growth sectors in general and in exports in particular. Consequently , the Government of India has encouraged and supported the promotion of small-scale industries through explicit policies such as protection against large-scale industry, capital subsidies, differential tax treatment and reservation, etc.

Aligarh Lock Industry

Aligarh is located approximately 90 miles (140 km) south-east of the capital city of New Delhi. Aligarh is an important business center and is most famous for its lock industry. Aligarh is popularly known as “Tala Nagri’ of India. In Aligarh there are both small and medium units of lock industry. The city is famous for its Rs4000 crore lock industry. Hundreds of miles away in Aligarh, around 5 sq kilometers there is an area from Upper Court to Gonda road where workers and owners of small units are engaged in lock making mostly from Muslim community. According to latest records shared by District Industries Centre there are about 5,000 registered lock-manufacturing units in Aligarh. Some of the large players in Lock Industry are like Edwin Brown Hardware Company, Allen and Alwan Locks, Link Locks. The company manufactures many items like Solid Brass Hardware including Door, Window and Cabinet Fittings, Black Iron, Numerals, Fireplace Furnishing, Curtain Hardware in Brass, Aluminium, Copper, Steel Bronze and Zinc.

Taking about the history of lock industry, the lock industry in Aligarh was established nearly 130 years ago when company named Johnson and Co. started importing locks from England to sell them in Aligarh. Then thousands of manufacturers, exporters and suppliers became involved in the locks of brass, bronze, iron and aluminum.

Aligarh locks are exported across the world in counties USA, U.K, Europe, Midle East, Africa etc. Apart from locks Aligarh is also famous for brass hardware and sculptures. Eighty per cent of Muslims are engaged in the lock industry who are expert in making a variety of locks. There are over 10,000 units in the industry including micro and small firms. The industry earns nearly Rs. 4000 crores as annual turnover. The industry exports its products to various countries like Europe, parts of Asia, USA, Australia, Africa and the UK. Some of the big players of lock industry exports good outside India but the small units usually sell within India.

Another important factor why some lock industries excel is because of concept known as leaning by doing. Learning curve is defined as curve relating unit costs to accumulated volume, which affect future costs and market position.

The traditional method of estimating the learning curve is to estimate the relationship between input use and cumulative output, whereby input units decline with accumulated output.

Spence (1981) models the implications of learning curve on the entry, market shares and profitability of firms. Analogous to economies of scale where the average costs fall slowly relative to output, creating entry barriers; in a similar way, it is in the case of intermediate learning curves where the entry barriers are the greatest. Industries with very slow or very fast learning have low entry barriers with more competition. From the regulation perspective, enforcing competition in industries with moderate learning might reduce technical efficiency. United Nations Industrial Development Organisation (UNIDO) along with the ministry of small scale industries, Government of India, had agreed to implement the National Programme for the Development of the Indian Lock Industry in 2001, with a budget of Rs 5.52 crore spread over two years. The programme had adopted a two pronged approach of technological upgradation and market development for the development of the lock industry.

Challenges faced by Aligarh lock Industry

Aligarh lock industry is facing many challenges and is struggling hard for survival. Availability of major raw material used to make locks such as zinc, brass, copper etc. also plays a vital role in sustaining this lock industry Satyajit (2012); Sharma (2005).

The lock manufacturing industry especially small enterprises in the district of Aligarh, Uttar Pradesh, is facing several problems These challenges are posing as hurdles in the growth of lock industry, and hamper the smooth flow of work of some of the units. Some of problems faced by Aligarh Lock industry in recent years are:

Aligarh which was one announced by government as Tala Nagri. Government made available to businessman plots for industrial purpose at low rates but later the government, from a different ruling party sold the plots at a very high rate as if it were real estate business. Even the National Small Scale Industries Corporation, which was established with a view to promote the business of locks in Aligarh, did not add too much value toward this industry's development. Owing to conservative techniques of lock preparation and the unaffordable rate of higher technology lead to downfall of lock industry Saha (2006); Sandhu (2006). Prices of raw material like iron, steel and even labour cost has increased in coming days which has reduced the power to invest in lock businesses Sikand (2004); Wahab (2001); Waheed (2006). To become a globally competitive manufacturing hub, the lock industry needs steady supply of electricity at an economic rate, which is missing in Aligarh. Corruption in the areas of labour, sales tax, electricity and pollution have affected the industry. As a manufacturing hub of 115 years, very less effort was made to increase the awareness of the Aligarh lock industry globally. Neither the government nor the industrialist has generated any systematic brand image development program..High-end technology for innovative products, market development for global awareness needs money. This small-scale industry does not have adequate money

Competition from Chinese Lock

Currently Indian lock market is majorly flooded with Chinese locks import which has majorly effected small and medium scale enterprise manufacturing locks in Aligarh. According to latest estimates only 20 per cent of the Indian market is served by Indian manufacturers, with the rest being accounted for by imports mainly from China and Italy.

The primarily cottage, tiny and small lock factories here not only have to deal with lack of basic necessities like power they are also being squeezed out of the market by the flood of cheap

Chinese locks. Chinese industry price-wise are very competitive and no one in the world, including India can compete them in prices.

Conclusion

Thus we see the famous lock industry of Aligarh is posing very serious problem in recent years. It is the negligence of state or price competitiveness and direct competition from the Chinese locks which has brought this industry to its downfall. Some of big industry players say that Chinese locks are no threat to us because Chinese products are high on aesthetics and finish whereas security needs durability and reliability, that Aligarh lock provides. They also claim that the UP government provides them subsidized raw material, relaxation in taxes, better infrastructure like supply of power and smooth transportation system, which can throw Chinese threat out of the window.

Next generation of the families which are engaged in lock making industry are sending their children from higher studies abroad so that they learn about new technology to make locks and manage the industry. Moreover, they are giving special training programmes to laborers to manufacture locks. Government should start a testing center in Aligarh and a training center at Aligarh to ensure that better quality locks are produced and to motivate youngsters to join the industry

One way to bring about a boom in the industry, is to design locks highlighting its security value. This will also save it from closure. When there is development and profit in the industry, there are still some points that need to be paid heed to, especially when it comes to the aid of the government's end. For the last few years there has been a crisis in the hardware industry and this is due to the illegal copying of designs and selling things without bills. The right and smooth implementation of the schemes and policies of the government alone can bring about lot of reform in the industry. though time-taking, this is the best solution for the industry to prosper. The lock manufacturers of Aligarh have also been demanding development of a Special Economic Zone (SEZ) for them in the town but despite the project being theoretically approved by the Union Commerce Ministry, it has hardly made any headway. The ministry has blamed the Uttar Pradesh government for delaying land marking and acquisition process.

The famous lock industry of Aligarh, encompassing nearly one and half century of long history, is struggling hard to compete with international players in the era of today's globalization. As a result, its exports are almost nil. The small industrialists associated with lock industry in Aligarh are finding it hard to make a living. The industry, which has always provided secure guarantee, now finds itself on the edifice of insecurity. Small scale sector of India contributes 33% of India's export, but Aligarh lock industry cuts a sorry figure in exporting their products range. Even in local market also, 6 to 7% of locks are coming from China, which is a serious concern for Aligarh Lock Industries (Jain 2003).

In 2001 the UN Industrial Development Organization (UNIDO) and the Indian Ministry of Micro, Small and Medium Enterprises agreed to implement a national program for development of the Indian lock industry. Its objectives were technological upgrading to international levels, establishing distribution channels and market intelligence for product design, including introduction of electronics and information technology in design, training the workforce and mechanization of processes (see <http://dcmsme.gov.in/emerger/npdli.htm>). Another objective was development of a marketing network by participating in international and national fairs and conducting vendor development programs. However, the program has not yet been implemented.

Lock industry needs support from the government for survival . Still the dilemma is whether the situation of Aligarh lock Industry will change? Let us hope the Government does what is expected out of it and wakes up soon to save the sinking ship of Aligarh lock Industry.

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