

“Small Scale Industries and their contribution in Socio –Economic Growth of India :- An Empirical Study”

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Abstract

The role of small-scale industries has always been supported in a country like India with various opinions such as employment, equality, latent resource, trickling effect, insurance against social tension, distributive effect, creation of social eco-system and decentralization etc. The other arguments in favor of this are making provision for self-employment and capital formation. Study of SSIs has received many responses from various economists. The performance of the small-scale sector has a direct impact on the growth of the overall economy in terms of number of units, production, employment and exports. It may help to understand its role in the economic development of the country.

Key Words: SSIs, Employment, GDP

Introduction

Small scale industries (SSI) refer to those small entrepreneurs who are engaged in production, manufacturing or service at a micro

scale. Small scale industries play a focal role in the economic and social

Development of India in the post-independence era. Small scale industries constitute the backbone of a developing economy with its effective, efficient, flexible and innovative entrepreneurial spirit. Round the world SSI units have been accepted originator of economic growth and for promoting equitable development. The contribution of SSIs to the Indian economy in terms of employment generation, reducing regional imbalances, promoting inter-sartorial linkages, magnifying exports and fostering equitable economic growth potential has been quite marvelous. This sector through more than 6000 products ranging from traditional to high-tech, consisting over 36 million units widely dispersed across the country provides employment to over 80 million persons, contributes about 8% to country's GDP beside accounting for 45% of manufactured output and 40% to the export from the country.

The SSI sector has the prospective to spread industrial growth round the country and can be a considerable associate in the progress of comprehensive growth. The target of proposed National Manufacturing Policy of enhancing the share of manufacturing sector in GDP to 25% and to create 100 million jobs by end of 2022, as well as to take India from its present 2 trillion dollar economy to 20 trillion dollar economy can be achieved with the help of SSI units. The paper attempts to discuss the role of small scale industries in developing the economy and explore the various problems faced by it.

Aims and Objectives

1. The aim of the proposed research is to study the role and contribution of small scale industries towards the development of Indian economy, with focus on the question as whether their potential undermined or exaggerated. The research will have task of accomplishing following objectives:
2. To conduct a literature review on the role and contribution of small scale industries towards the development of economy in relation to employment generation and export growth
3. To conduct field study to study the role and contribution of small scale industries towards the development of Indian economy in relation to

employment generation and export growth.

Research Question

1. What is the role and contribution of small scale industries towards the development of Indian economy in relation to employment generation?
2. What is the role and contribution of small scale industries towards the development of Indian economy in relation to GDP?

Reviews of Literature

Thilaka¹⁸ in her study “A Study of Financing of Select Small-Scale Industries by Commercial Banks in Tamil Nadu”, stated that one of the important problems of the small-scale industries was bank finance. Restriction on term on loan facilities small-scale industries acted as a stumbling block in the promotion of SSIs units. She stated that commercial banks provided only 75 percent of the financial needs of the small-scale industrial units. Further the borrowers complained that they had to visit the bank more than ten times for getting their loans.

Khan⁶ in his article entitled “Financing of Small-Scale Industries in Maharashtra”, found that there was an urgent need to review the labour provisions for small units and bring about simplicity and transparency. The issues of

labour laws assumed significance for the small industry. The multiplicity of labour Act and legislation enacted and administered by the State Government had neither proved useful to the workers nor to the industry. He suggested that the Central Government should come out with a single comprehensive labour act for the small sector as a model and the State Government may be asked to implement the same in the place of the existing labour legislation.

Muraliselvam⁹ in his article “Small-Scale Industries for large employment”, mentioned that SSIs sector in India creates the largest employment opportunities for the Indian populace, next only to agriculture and noted that the problems of small-scale industries are problems of finance, lack of adequate raw material, scarcity of power and irregular availability of power poor marketing facilities, problem of technical know-how, poor transport facilities, competition from large scale industries, lack of machinery and equipment.

The Micro , Small and Medium Enterprises (MSMEs) have been contributing significantly to the expansion of entrepreneurial endeavors through business innovations . The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestics as well as global markets. As per the data available with Central Statistics Office (CSO) , Ministry of Statistics & Programme

Implementation, the contribution of MSME sector in country’s Gross Value Added (GVA) and Gross Domestic Product (GDP) ,

Analysis and Finding

- **Role of Small Scale Industries in Indian Economy**

Contribution of MSMEs in country's Economy at current price

Year	MSME GVA	Growth (%)	Total GVA	Share of MSME in GVA (%)	Total GDP	Share in MSME in GDP (%)
2011-12	2583263	-	8106946	31.06	8736329	28.39
2012-13	2977623	15.27	9202692	32.36	9944013	29.94
2013-14	3343009	12.27	10363153	32.26	11233522	29.76
2014-15	3658196	09.43	11481794	31.86	12445128	29.39
2015-16	3936788	07.62	12458642	31.60	13682035	28.77

(*GVA = Gross Value Added)

Figures in Crores

(Source:- Annual Report 2017-18 , Ministry of Micro , Small and Medium Enterprises Government of India)

SSI Contribution in Employment Generation:

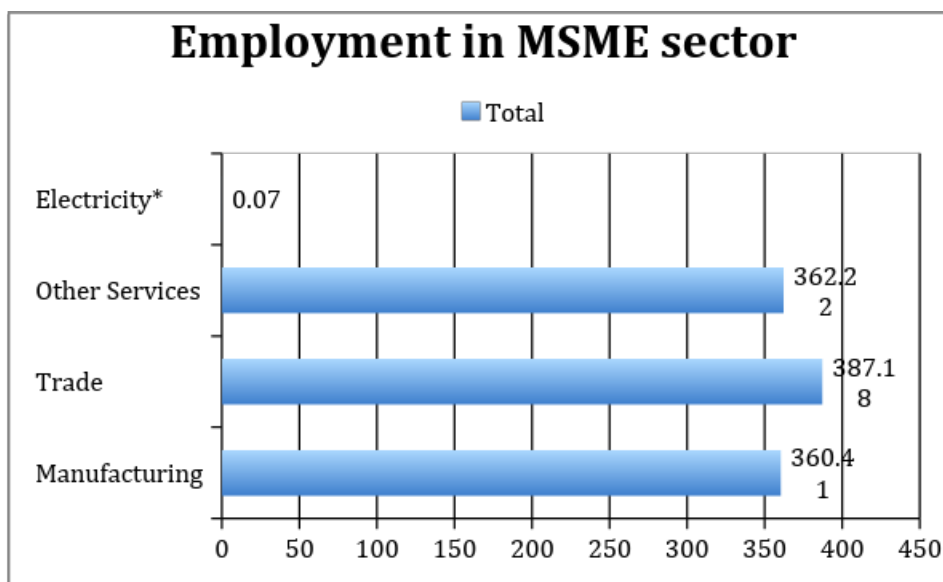
As per the national sample survey (NSS) 73rd round conducted during the period 2015-16, MSME sector had been creating 11.10 crore jobs in the rural and the urban areas across the country .

Broad Activity Category	Rural	Urban	Total	Share (%)
Manufacturing	186.56	173.86	360.41	32
Trade	160.64	226.54	387.18	35
Other Services	150.53	211.69	362.22	33
Electricity*	0.06	0.02	0.07	00
Total	497.78	612.10	1109.89	100

*Non –Captive Electricity generation and Transmission

Figures in Lakh

(Source:- Annual Report 2017-18 , Ministry of Micro , Small and Medium Enterprises Government of India)



Here it is observed that most of the population of India is directly or indirectly associated with agriculture or their allied sector and Small scale Industry provide huge support for busting the employment generation to rural as well as urban sector. Due to small Scale

Industry Approximately 45 million rural women across India are mobilized and start up with their new venture and with this positive gesture Small Sale Industries have empowered them with skills, access to finance, markets, and business development services.

Small Scale Industries serves as a catalyst of economic development of the country. It is one of the largest sections for capital accumulation. In fact economic growth is the result of the efforts taken by the entrepreneurs. Similarly entrepreneurs can

dictate the economic growth by their actions and decisions. Now many have begun to realize that for achieving the goal of economic development, it is necessary to promote SSI both qualitatively and quantitatively in the country.

Conclusion :-

1. SSI uses labour intensive techniques. Hence, it provides employment opportunities to a large number of people. Thus, it reduces the unemployment problem to a great extent. Also SSI provides employment to artisans, technically qualified persons and professionals. It also provides employment opportunities to people engaged in traditional arts in India. SSI accounts for employment of people in rural sector and unorganized sector.

2. SSI does not require sophisticated machinery. Hence, it is not necessary to import the machines from abroad. On the other hand, there is a great demand for goods produced by small scale sector. Thus it reduces the pressure on the country's balance of payments. SSI earns valuable foreign exchange through exports from India.
3. It helps to develop a class of entrepreneurs in the society. It helps the job seekers to turn out as job givers. It promotes self-employment and spirit of self-reliance in the society, Development of small scale industries helps to increase the per capita income of India in various ways. It facilitates development of backward areas and weaker sections of the society.

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