

Role and contribution of small scale industries in economic development in India

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Abstract

Industry is the segment of economy concerned with production of goods. Small scale industry (SSI) is a term which applies to the small entrepreneurs who are engaged in manufacture and production on a micro scale. The SSI sector continues to remain an integral part of Indian economy with significant contribution to GDP, industrial production and employment generation in India. Worldwide, the SSIs have been accepted as the engine of economic growth and for promoting equitable development. The importance of MSME has been recognized in recent years in both developed and developing countries for its significant contribution in gratifying various socio-economic objectives such as higher growth of employment, output, promotion of exports and fostering entrepreneurship. They play a crucial role in the industrial development of any country. The MSME sector is an important pillar of Indian economy as it contributes greatly to growth of Indian economy. This sector even assumes greater importance now as the country moves towards a faster and inclusive growth agenda. Moreover, it is the MSME sector which can help realize the target of proposed National Manufacturing Policy of raising the share of manufacturing sector in GDP from 16% at present to 25% by the end of 2022. The present paper is an attempt to focus the present status of performance of MSMEs in India & future prospects. It is concluded that this sector contributes significantly to manufacturing output, employment, exports of the country.

Keywords: MSMEs, MoSPI, GDP, SSI, employments, finances, growth, opportunity

Introduction

Industry is the part of economy concerned with production of goods. Small scale industry (SSI) is a term which applies to the small entrepreneurs who are engaged in manufacture and production on a micro scale. It mainly refers to agro- based rural industry which doesn't require huge capital influx and large infrastructure. These SSI also include the indigenous cottage industry and the handicrafts industry. The development of small scale industries is very important for a country like India which has mainly rural economy. These SSI which are mainly agro- based in nature would provide job for millions of Indians and would contribute largely to the overall growth of the Indian economy. The SSI sector continues to remain an integral part of Indian economy with significant contribution to GDP, industrial production and employment generation in India. Worldwide, the SSIs have been accepted as the engine of economic growth and for promoting equitable development. The major advantage of the sector is its employment potential at low capital cost.

It is estimated that this sector has been contributing about 40% of the gross value of output produced in the manufacturing sector and the generation of employment by the small-scale sector is more than five times to that of the large-scale sector.

This clearly shows the importance of small-scale industries in the economic development of the country. The small-scale industry have been playing an important role in the growth process of Indian economy since independence in spite of stiff competition from the large

sector and not very encouraging support from the government.

The following are some of the important role played by small- scale industries in India.

1. Employment generation

The basic problem that is confronting the Indian economy is increasing pressure of population on the land and the need to create massive employment opportunities. This problem is solved to larger extent by small-scale industries because small- scale industries are labour intensive in character. They generate huge number of employment opportunities. Employment generation by this sector has shown a phenomenal growth. It is a powerful tool of job creation.

2. Mobilisation of resources and entrepreneurial skill

Small-scale industries can mobilize a good amount of savings and entrepreneurial skill from rural and semi-urban areas remain untouched from the clutches of large industries and put them into productive use by investing in small-scale units. Small entrepreneurs also improve social welfare of a country by harnessing dormant, previously overlooked talent.

Thus, a huge amount of latent resources are being mobilised by the small-scale sector for the development of the economy.

3. Equitable distribution of income

Small entrepreneurs stimulate a redistribution of wealth, income and political power within societies in ways that

are economically positive and without being politically disruptive.

Thus small-scale industries ensures equitable distribution of income and wealth in the Indian society which is largely characterised by more concentration of income and wealth in the organised section keeping unorganised sector undeveloped. This is mainly due to the fact that small industries are widespread as compared to large industries and are having large employment potential.

4. Regional dispersal of industries

There has been massive concentration of industries in a few large cities of different states of Indian union. People migrate from rural and semi urban areas to these highly developed centres in search of employment and sometimes to earn a better living which ultimately leads to many evil consequences of over-crowding, pollution, creation of slums, etc. This problem of Indian economy is better solved by small-scale industries which utilise local resources and brings about dispersion of industries in the various parts of the country thus promotes balanced regional development.

5. Provides opportunities for development of technology

Small-scale industries have tremendous capacity to generate or absorb innovations. They provide ample opportunities for the development of technology and technology in return, creates an environment conducive to the development of small units. The entrepreneurs of small units play a strategic role in commercialising new inventions and products. It also facilitates the transfer of technology from one to the other. As a result, the economy reaps the benefit of improved technology.

6. Indigenisation

Small-scale industries make better use of indigenous organisational and management capabilities by drawing on a pool of entrepreneurial talent that is limited in the early stages of economic development. They provide productive outlets for the enterprising independent people. They also provide a seed bed for entrepreneurial talent and a testing round for new ventures.

7. Promotes exports

Small-scale industries have registered a phenomenal growth in export over the years. The value of exports of products of small-scale industries has increased to Rs. 393 crores in 1973-74 to Rs. 71, 244 crores in 2002-03. This contributes about 35% India's total export. Thus they help in increasing the country's foreign exchange reserves thereby reduces the pressure on country's balance of payment.

8. Supports the growth of large industries

The small-scale industries play an important role in assisting bigger industries and projects so that the planned activity of development work is timely attended. They support the growth of large industries by providing, components, accessories and semi finished goods required by them. In fact, small industries can breath vitality into the life of large industries.

9. Better industrial relations

Better industrial relations between the employer and employees helps in increasing the efficiency of employees and reducing the frequency of industrial disputes. The loss of production and man-days are comparatively less in small-scale industries. There is hardly any strikes and lock out in these industries due to good employee-employer relationship.

Of course, increase in number of units, production, employment and exports of small-scale industries over the years are considered essential for the economic growth and development of the country. It is encouraging to mention that the small-scale enterprises accounts for 35% of the gross value of the output in the manufacturing sector, about 80% of the total industrial employment and about 40% of total export of the country.

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