



“Role And Place Of Small Scale Industry In Indian Economy”

P.E. Vibhute¹ and Mahendra. M. Bembalge²

¹Associate Professor, Head and Research Guide
U.G. P.G. and Research Dept. of Economics, Yeshwant Mahavidyalaya, Nanded.

²(Research Student) Yeshwant Mahavidyalaya, Nanded.
Email:mahendrabembalge@gmail.com

Abstract:

The basic objectives underlying the development of small and medium scale industries are the increase in the supply of manufactured goods, the promotion of capital formation, the development of indigenous entrepreneurial talents and skills and the creation of employment opportunities. In addition, they include such socio-economic goals as the decentralization and dispersal of manufacturing activities from the metropolitan to the non-metropolitan and rural area, the reduction of regional economic imbalances within a country and the diffusion of entrepreneurial and management abilities and skills as well as of technology throughout a country.

KEYWORDS:

Role of small scale industries, Indian Economy, Five years plan, Recent Trends.

INTRODUCTION:

Small scale industries constitute the key link in the process of socio-economic transformation of underdeveloped social structures. It is, no doubt, true that in the case of dominantly rural countries, process of transformation either germinating within the rural segment or bringing the later within its orbit of influence will play a crucial role and should, therefore, occupy an important position in their development strategy. It is, however, equally true that rural and urban processes are inseparably interwoven in the socio-economic fabric. Rural development cannot be operationalised outside the total developmental process straddling the rural-urban continuum. It constitutes a large component of the system is interdependence of vertical shifts of the workforce from the primary to the secondary sector which articulate the total development process. Its contribution to the Industrial development is quite unique.

The Government of India, Union Territories and state governments through different agencies and institutions sponsored by them are pursuing a policy of protecting and promoting small industry. These programmes have become more numerous, varied and detailed which relates to information, consultancy, entrepreneurship, development, training, modernization, technology support, industrial estate, raw materials, marketing, finance, reservation, ancillary development etc.

OBJECTIVES OF THE STUDY :

1. To analyze role of small scale industries in India.

Please cite this Article as : P.E. Vibhute¹ and Mahendra. M. Bembalge², “Role And Place Of Small Scale Industry In Indian Economy” : Review Of Research (Sept; 2012)



2. To highlight on location of SSI in Indian economy.
3. To study recent trends in SSI sector.

STATEMENT OF THE PROBLEM :

In a developing country like India, small scale units have played a significant role in economic development. Besides economic role, small enterprise with their unique economic and organizational characteristics played social and political role in term of creation of local employment, balanced resource utilization, income generation and to promote changes in a gradual and peaceful manner. It is necessary that the importance of small scale industry should bring to the notice of society, due to its socio –economic changes in urban and rural areas as an powerful instrument of decentralization of economic power.

RESEARCH METHODOLOGY AND DATA SOURCES :

For the purpose of this study, the required information were compiled from various issues of Economic survey, Five year plan documents, RBI report on currency and finance. Secondary data has been collected from reference books, text books, Handbooks as an main source. The analytical method is used for the purpose of research paper. A diminutive number of related Journal, articles also reviewed for this purpose.

ROLE OF SMALL SCALE INDUSTRIES :

The promotion of small scale industries as an important element of the development strategy underlying in our five year plans is the basic part. The rationale behind such an approach is that small industries provide substantial scope for increasing employment because of its labour intensive techniques and less capital. They have lesser gestation period and can easily be set up in rural areas or in backward areas. They need relatively smaller markets to be economical and hence they have advantage in set up as an ancillary units. They stimulate growth of entrepreneurship and promote a more decentralized pattern in terms of ownership and location.

In recent years, the small scale industries have maintained a high rate of growth and i.e. not been matched by the large scale industrial sector. Even though there has been a big leap in the number of small scale units, in employment and in the range and quality of items manufactured. In fact, according to the midterm appraisal of the Sixth five year plan, the actual performance of this sector has bettered targets during the first three years of the plan and it is virtually certain that, this impressive track record would be maintained in the coming years. The most significant aspect of small scale industries in economic development is that this sector has stimulated economic activity of a far reaching magnitude and has created a sense of confidence among a huge number of small entrepreneurs about their strength and vitality. The small scale industries have been growing during the last three decades on account of their significant role in attaining the major objectives are as under :

- Removal of economic backwardness of the rural people and underdeveloped segments in the country as a whole in the country.
- Attainment of self-reliance.
- Reduction of regional imbalance.
- Reduction in disparities in income, wealth, consumption & standards and to facilitate mobilization of resources, capital and skills and optimum utilization.
- Create large employment opportunities and raise levels of output, income and standard of living.
- Meet substantial part of the economy's requirement of consumer goods and producer goods.

For a developing country like India, the growth of small scale industries is of great significance. For their increased production and the growth of small scale industries helps to serve as an important milestone in the country towards democracy. This movement has to be fostered by all round efforts, so that a new class of talented entrepreneurs endowed with their initiatives and enterprises comes to the force in this country.

SIGNIFICANCE OF SMALL SCALE INDUSTRIES IN INDIAN ECONOMY :

Small scale industries play a strategic role in the progress of the whole country. These industries,

by and large, represent a stage in economic transition from traditional to modern technology. The transitional nature of this process is reflected in the diversity of these industries. Some small scale units use simple skills and machinery, while many other units use modern and sophisticated technology. The challenge of economic growth is to accelerate the productivity of agriculture and industry through their techniques of production, this will improve the adoption of a progressively superior technology, in semi-urban and rural areas particularly.

Basically, small scale industries are important for national development programmes because they can make a definite contribution to the realization of the central purposes and to bring about an efficient utilization of natural, human and capital resources of the country for the achievement of pre-determined ends.

The basic issues confronting the planning commission at present are : the rapid growth of population, increasing labour force, large scale under-employment and unemployment, growing pressure of population on land which leads to a more precarious existence for a large number of small landowners and agricultural workers. Constant search of millions of people for jobs in which a small investment can assure themselves a certain minimum level of income through SSI.

The small scale industry has emerged as the most dynamic sector of Indian industrial economy accounting for over 55 percent of the total value of industrial production. Over 30 percent of the total country's exports and more importantly providing employment opportunities to over 12 millions people. All among, it has shown the growth spirits of entrepreneurship. A brief panoramic macro view of the small scale industries is covered in the following table No. I.

**TABLE NO. I
GROWTH OF SMALL SCALE INDUSTRIES**

| Year | No. of Units (Lakhs) | Employment (Millions) | Production at current prices (Rs. Crores) | Exports (Rs. Crores) | Exports as a %age of production. |
|---------|----------------------|-----------------------|---|----------------------|----------------------------------|
| 1976-77 | 5.86 | 5.6 | 12,400 | 766 | 6.17 |
| 1977-78 | 6.63 | 5.9 | 14,300 | 845 | 5.91 |
| 1978-79 | 7.34 | 6.4 | 15,790 | 1,069 | 6.77 |
| 1979-80 | 8.05 | 7.0 | 21,635 | 1,226 | 5.67 |
| 1980-81 | 8.74 | 7.1 | 28,060 | 1,643 | 5.85 |
| 1981-82 | 9.62 | 7.5 | 32,600 | 2,070 | 6.35 |
| 1982-83 | 10.55 | 7.9 | 35,000 | 2,095 | 5.99 |
| 1983-84 | 11.50 | 8.4 | 41,300 | 2,350 | 5.69 |
| 1984-85 | 12.42 | 9.0 | 50,520 | 2,563 | 5.07 |
| 1985-86 | 13.56 | 9.6 | 61,282 | 2,785 | 4.55 |
| 1986-87 | 14.64 | 10.1 | 72,250 | 3,631 | 5.03 |
| 1987-88 | 15.86 | 10.7 | 87,300 | 4,535 | 5.19 |
| 1988-89 | 17.12 | 11.3 | 1,06,400 | 5,681 | 5.34 |
| 1989-90 | 18.27 | 12.0 | 1,18,210 | N.A. | N.A. |

Source : RBI, Report on currency and finance, 1979-80, 1985-86 & 1989-90.

Table No. II
OUTLAY ON SMALL SCALE INDUSTRIES IN
SUCCESSIVE FIVE YEARS PLAN.

| Plans | Total Small & Village Industries | SSI's (Crores) | % age share of SSI's In total outlet |
|------------------|---|-----------------------|---|
| I (1951-56) | 42 | 5.20 | 12.38 |
| II (1956-61) | 187 | 56.00 | 29.94 |
| III (1961-66) | 241 | 113.06 | 46.91 |
| Annual (1966-68) | 126 | 53.48 | 42.44 |
| IV (1969-74) | 243 | 96.19 | 39.58 |
| V (1974-79) | 612 | 221.74 | 36.23 |
| Annual (1979-80) | 290 | 104.81 | 36.20 |
| VI (1980-85) | 1780 | 616.10 | 34.61 |
| VII (1985-90) | 2754 | 1120.51 | 40.70 |

Source : Five Year plan documents.

Outlay on village and small scale industries increased from Rs. 42 crores in the first plan to Rs. 2754 crores in the seventh plan. The percentage share of small scale industries in total outlay on village and small scale industries increased from 12.38% in the first plan to 40.7% in the seventh plan as depicted in the above Table No. II

RECENT TRENDS IN SSI SECTOR :

The new policy for small, tiny and village industries announced by the government was a major move. The on going revamping of the Indian Industrial policies ended the long standing isolation of small scale industries from joining the mainstream of the Indian industry. The reforms introduced in terms of deregulation, debureaucratisation, better inflow of credit, integrated infrastructural development and participation of industrial undertakings in the small units.

The SSI sector plays a vital role in the total industrial output of the country. At the end of the seventh plan, it accounted 35 percent of industrial output, 40 percent of exports. It also provided employment to around 1.2 crore people. The new policy is expected to fully exploit the potential of the sector and, most importantly, allay to a certain extent the country's perennial unemployment problem.

The most significant feature of the new industrial policy is that the special attention paid to the tiny sector. The investment for the tiny enterprises has increased from to Rs. 2 lakh to Rs. 5 lakh, irrespective of the location of the unit. The hike in the investment limit is expected to broaden the base of the tiny enterprises. The tiny units will also be eligible for additional support on a continuing basis, including easier access to institutional finance, priority in Government purchase programme and relaxation of certain provisions of the labour laws.

CONCLUSION :

Most important of all is that, the small scale industries must not look to various concessions which has been enjoying at present. Such as reservation of items for exclusive production, excise and income tax, concessional loans, tax concessions and tax holidays as permanently available. In the final analysis, all the policies and programmes meant to bring about the growth of SSI would be said to have succeeded in their objective, if they make this sector economically and technologically viable and see that they can successfully stand on their own feet without any concessions and support and successfully compete for all types of markets.

REFERENCES :

- 1.Schumpeter, J.A., 'The Theory of Economic Development', Harvard University press, Massachusetts, Cambridge 1949.
- 2.McClelland, D.C., 'The Achieving society', D. Van Nostrand Co. Princeton, New Jersey, 1961.
- 3.Bhattacharya, S.N., 'Development of Small Scale and Cottage Industries', Metropolitan Book Co., New Delhi, 1986, p.44.
- 4.Dr. Desai, Vasant, 'Organization and Management of Small Scale Industries', Himalaya publishing House, Bombay, 1983, p. VIII
- 5.Government of India, 'Economic Survey', 1995-96.
- 6.Government of India, 'Bureau of public Enterprises', 1995-96.
- 7.Kawaljeet Singh, 'Challenges and Opportunities in Management of Small Industries', in Bhatiya's & Batra's Entrepreneurship and Small Business Management, Deep & Deep publications, New Delhi, 2000, pp.179-184, 189. s