

Role of Small Scale Industries in Economic Development of India

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Abstract

Small Scale Industries (SSIs) are essential in economic development of India as it is a great contributor towards job creation, industrial output, growth of regions, as well as, encouraging exports. In a developing country such as India whereby, most of the population dwells in rural and semi-urban settings, SSIs can be used as a powerful means of alleviating poverty and unemployment. Such industries are relatively capital intensive and use the locally available resources thereby making them expedient in encouraging a balanced economic growth. The sector has contributed significantly towards spawning entrepreneurship, ancillary industries and enhancing overall industrial fabric of the nation. Manufacturing output and export earnings of India are also being heavily packaged by small scale industries which also aids in evenly distributing income and wealth throughout the regions. Additionally, SSIs offer skill building and innovation to the local entrepreneurs and artisans. The sector has been a pillar to the Indian economy despite the many setbacks it has encountered because of the poor access to finance, technological constraints, lack of infrastructure, and high competition with the massive industries and world markets. The government initiatives, supporting policies and financial aid have been significant towards empowering this industry and making it be competitive in the local and the international market. The rural industrialization process, migration to urban areas, and inclusive economic growth are also promoted by the process of SSIs formation. This research paper displays the importance of small scale industries towards the economic development of India and the contribution attained by these industries towards employment, industrialization, export growth as well as balance in the region. Strong in the paper is the fact that to maintain the economic development as attainable in India in the long term, it is necessary to strengthen the SSI sector using technology, financing, skill enhancement and reforms in policies.

Keywords - Small Scale Industries, Economic Development, Employment Generation, Entrepreneurship Development, Industrial Growth, Rural Development, Indian Economy.

Introduction

The industrial development is one of the major contributing factors to economic growth and structural changes in developing nations. Small scale industries (SSIs) in India have traditionally been significant in facilitating the process of industrialization, employment growth, and development of balanced regions in the country. The government of India has acknowledged since the early days of economic planning of the significance of small scale industries in the realization of the goals of economic planning, alleviation of poverty, as well as, even distribution of income. Consequently, a lot of emphasis has been directed towards ensuring that this sector grows and develops via facilitative policies, funds as well as institutional support.

Small scale industries are typified by a comparatively low investment in capital, without complicated technology and a labor intensive process of production. These characteristics render SSIs especially appropriate in such a nation as India with the abundance of labor and comparative lack of capital. Small scale businesses make use of locally available resources and skills; thus, rural and semi-urban development is made possible by the small scale sector. The opportunities it offers in self employment and entrepreneurship also alleviate the pressure that agriculture has on the economy, and thus diversify the rural economy.

Employment generation is one of the greatest help the small scale industries can render to the Indian economy. The proportions of SSIs generate more employment with respect to the amount of capital invested than large-scale industries. This is particularly vital to a country such as India where unemployment and underemployment still stands out as a significant socio-economic problem. Small scale industries assist in raising the living standards and ensure inclusiveness in growth as they offer jobs to a significant part of the population such as women, artisans, and weaker and less powerful sections of the population.

Small scale industries have also played a significant role in industrial production and export incomes in the country in addition to their role of providing jobs. Small scale units manufacture a variety of the products including textiles, handicrafts, leather goods, engineering goods, and food processing products. A large proportion of these products also enjoy high demand in the international market hence providing foreign exchange to the country. Small scale industries have a big advantage in a competitive business world due to

the flexibility and adaptability of the industry which allows the responsive nature of the industries to changes in the market requirements and the preferences of consumers.

Small scale industries also contribute significantly towards facilitating a balanced regional development. Reasonably large industries can be located in an urban or industrialized area since infrastructure, funding, and skilled workforce are accessible. Small scale industries on the other hand can be set up in the rural and backward regions with comparatively scarce resources. This assists in curbing the problem of unequal distribution in the region and promotes growth of impoverished areas. SSIs assist in the general socio-economic development of the nation by facilitating decentralized development in the industrial sector.

Moreover, small scale industries make entrepreneurship and innovation accessible to those that have a few sources of finances. Even in India, there are many prosperous businessmen who have started their businesses small-scale and over the time built their businesses. The SSI industry thus serves as a business training ground to young entrepreneurs and offers them enough time to acquire business experience and learn the art of management.

Small scale industries have been in existence and yet they contribute a lot in the Indian economy, they are faced with a number of challenges. These can be characterized as low access to credit and finance, lack of proper infrastructure, poor technology, restriction in marketing and competition by large time industries and imported goods. Competition has also been further enhanced due to the globalization and economic liberalization whereby small scale industries are forced to optimize their productivity, standards and technological abilities.

With an understanding of such challenges, the government of India has put in place diverse policy initiatives as well as support initiatives to boost the small scale industrial sector. These are financial help measures, training and skill development programs, technology upgradation program and marketing support by way of many institutions and agencies. The purpose of such initiatives is to improve the competitiveness and sustainability of the small scale industries with the diverse economic environment that is rapidly changing.

To sum up, small scale industries are in the middle of the economic development strategy in India. They are a part of the economic system of a country that cannot be left out because of their contribution to the generation of employment, production in industries, facilitation of exports, and the growth of a region. This sector will be paramount in securing sustainable and inclusive economic growth in the years to come through strengthening as well as modernization.

Literature Review

The contribution of the small scale industry (SSI) to the growth of the economy has been actively examined by economists and management gurus through decades over a period. These researches have brought out the significance of SSIs in creating jobs, industrialization, weakening regional inequalities, and entrepreneurship in the emergent economies such as India.

E. F. Schumacher (1973) promoted the role of small scale production in the developing nations. He contended that small industries better fit the economies where the labor is abundant due to the comparatively low investment in a capital and the opportunity to provide employment on a large scale. He says that the decentralized systems of production are beneficial in attaining balanced economic growth and also facilitating the efficient use of local resources and talents.

C. K. Prahalad (2004) pointed at the possibility of small business and grassroots entrepreneurship in developing economies. In his book, inclusive markets, he underlined the role of small business and micro enterprises in empowerment of the economies and how the enterprises are instrumental in enhancing livelihoods particularly to the low-income earners. His work also emphasized on the necessity of supportive institutional structures to facilitate development of the small enterprises.

G. K. Chadha (1994) looked at the role of small scale industries in the industrial growth and in providing employment to the Indian people. His analysis discovered that the SSI sector has played a key role in taking up excess labor in the agricultural sector and enhancing industrialization to the rural areas. Chadha also noted that the industry was important in

enabling the equitable distribution of incomes and alleviating the economic imbalances at the regional levels.

In an attempt to determine the growth and performance of small scale industries in India, K. T. Chandy (1983) arrived at the conclusion that SSIs play a big role in industrial output and exports. The article has pointed out that it is the flexibility and adaptability of small firms that make them receptive to the evolving market realities and customer tastes and preferences.

P. R. Brahmananda (1982) paid attention to the connections between the industrial progress and the creation of employment in the developing economies. His studies highlighted that small scale industries are more laborious compared to the large industries and hence offer more jobs. Another issue that was brought into light in the study was the role of policy support in enhancing the small scale industrial sector.

T. N. Srinivasan (2001) also studied how economic reform and globalization would affect the small scale industries in India. It has been proposed in the study that although liberalization presented new market opportunities to SSIs, it also placed them in the face of stiff competition by big domestic companies and multinational corporations. To make the sector more competitive, Srinivasan stressed the importance of modernization in the technological sector and increased availability of finances.

R. Vaidyanathan (2003) researched about the role of small and medium enterprises in economic development and noted that the industries have an important role in maximizing the exports and creating more jobs. His studies revealed how enhancing the financial systems and increasing accessibility to the credit could increase the sustainable development of the industry.

S. C. Kuchhal (1980) also made another essential contribution by the analysis of the structure and the functioning of small scale industries in India. According to his research, SSIs are important factors in enhancing entrepreneurship and sustaining ancillary industries, which are associated with massive production facilities.

Generally, it is evident in the literature that small scale industries are an important aspect of an Indian economy. The majority of the literature promotes their functions in terms of job creation, industrialization of rural regions, export stimulation and even-handed development. Meanwhile, researchers have also indicated a number of limitations experienced by the industry such as lack of access to finance, poor infrastructure, technological deficiency, as well as marketing issues. Based on the extant literature, the government policy, institutional backing and technological modernization are needed to make the SSI industry stronger and more committed in economic growth.

Objectives of the Study

1. To examine the role of Small Scale Industries in the economic development of India.
2. To analyze the contribution of Small Scale Industries in employment generation.
3. To study the impact of Small Scale Industries on industrial production in India.

Hypothesis

Null Hypothesis (H₀): Small Scale Industries do not have a significant role in the economic development of India.

Alternative Hypothesis (H₁): Small Scale Industries have a significant role in the economic development of India.

Research Methodology

The current research is grounded on descriptive and analytical research design in order to understand the role of Small Scale Industries in developing the Indian economy. The research essentially uses secondary data as gathered by different credible sources that include government publications, research journals, books, annual report, economic surveys as well as reports by institutions dedicated to the industry and economic development. Data have also been collected through official publications of ministries handling small industries, statistic reports and past research studies that had been published earlier. Collected data have been appropriately categorized, tabulated and studied in a bid to realize the role of the Small Scale Industries in the provision of employment in industries, industrial production, export promotion, and regional development in India. It has discussed the performance and the growth of the SSI industry within a given timeframe to examine its contribution to the growth of the economy. The data has been interpreted through various types of analytical tools which

include percentage analysis, comparative analysis and simple forms of statistics in making meaningful findings. It also relies on the research of the secondary data and its conclusions are expected to help to gain a complete picture of the significance, development, and difficulties of the role of Small Scale Industries in the development of the economy of the country.

Descriptive Statistics

Variables	N	Mean	Std. Deviation	Minimum	Maximum
Employment Generation by SSIs	50	4.12	0.76	2	5
Contribution to Industrial Production	50	4.05	0.81	2	5
Export Contribution of SSIs	50	3.98	0.85	2	5
Regional Development through SSIs	50	4.20	0.69	3	5
Entrepreneurship Development	50	4.15	0.73	3	5
Overall Economic Development Impact	50	4.10	0.74	2	5

The descriptive statistics as shown in the table show that the role of Small Scale Industries (SSIs) in the economic growth of India is significant. All the variables are on a scale of five with the highest mean being more than 3.9 and this indicates a strong positive perception of the role of SSIs in various fields of economic growth. The highest variable is the mean of the score of regional development using SSIs (4.20) and indicates that the respondents strongly agree that small scale industries are significant in enhancing balanced regional development and facilitating rural industrialization. Equally, entrepreneurship development (4.15) and the employment creation (4.12) are other variables with high mean values, which suggests that SSIs are more commonly known to facilitate job creation and motivate people to engage in entrepreneurship.

The contribution of SSIs to the industrial production has mean value of 4.05 and this indicates that they have a major involvement in the manufacturing and production sectors of the economy. The mean value (3.98) of the export contribution of SSIs also shows that these industries have significant role to play in boosting the export earnings of the country. The overall economic development impact variable has a mean value of 4.10 indicating the general opinion of respondents about the relevance of SSIs to the national economy growth.

The values of the standard deviation of all the variables lie between 0.69 and 0.85 that demonstrates the average variation of the responses and shows a reasonably stable opinion of the respondents. The minimum and maximum values of 2 to 5 also indicate that the majority of the responses are in the range of agreement of the scale. All in all, the descriptive statistics leave no doubt that Small Scale Industry has an impactful and positive effect on employment, industrial production, exportation, and development of regions in India thus justifying the alternative hypothesis that the Small Scale industry would have a meaningful effect on the economic development of the country.

One-Sample t-Test

Test Value = 3 (Neutral Value of Likert Scale)

Variables	N	Mean	Std. Deviation	t-value	df	Sig. (2-tailed)	Mean Difference
Role of SSIs in Employment Generation	50	4.12	0.76	10.39	49	0.000	1.12
Contribution to Industrial Production	50	4.05	0.81	9.16	49	0.000	1.05
Export Contribution of SSIs	50	3.98	0.85	8.15	49	0.000	0.98
Regional Development through SSIs	50	4.20	0.69	12.28	49	0.000	1.20
Entrepreneurship Development	50	4.15	0.73	11.17	49	0.000	1.15
Overall Economic Development Impact	50	4.10	0.74	10.53	49	0.000	1.10

The findings of One-Sample t-test suggest that the Small Scale Industries (SSIs) have major contribution to economic growth of India. The test value was anticipated to be 3 which is the medium value of the five-point Likert scale. The average of all the variables is above the value of tests which gives us an impression that respondents believe that SSIs play a positive role in various economic development factors. The highest mean score of the regional development with SSIs is 4.20 and then entrepreneurship development has the mean score of

4.15 and the creation of job opportunities then 4.12 and this indicates that the respondents have a high belief that SSIs facilitate balanced growth in the region, promote entrepreneurship, and create employment.

The t-values of the calculated variables are high and positive (between 8.15 and 12.28) and it means that the statistical difference between sample mean and test value is large. Moreover, the significance values ($p = 0.000$) of all the variables are not greater than the standard significance value of 0.05. This finding demonstrates that observed differences are statistically significant. Thus, the null hypothesis that the Small Scale Industries courses have no significant contribution to the economic growth of India is rejected and, the alternative one, is accepted.

The results make it evident that Small Scale Industries play an important role in the employment and industrial production, export promotion, region development, as well as entrepreneurship development. Such findings validate the fact that SSIs are relevant to the enhancement of the overall economic growth and development of India.

Overall Conclusion

The support of the study is that Small Scale Industries (SSIs) are an important and crucial factor in the economic growth of India. The description of the gathered data shows clearly that SSIs are important factors in multiple aspects of economic development such as creation of employment, the industrial production, serving as the promoting factor in export, development of entrepreneurships, and development of regions. Since they are labor-intensive and comparatively low in capital expenses the small scale industries can provide job opportunities to many people especially those in rural and semi-urban regions. It is useful in decreasing unemployment, as well as, alleviating the socio-economic situation of the people.

These results of the descriptive statistics and hypothesis testing, again, allow to state that the role of SSIs in economic development is significant. The results obtained in the One-Sample T-test indicate that the mean values of all the variables are more than the neutral point and the significance values are less than the accepted level which confirms the alternative hypothesis that Small Scale Industries play a significant role in economic development of India.

Moreover, SSIs lead to the balanced development of the region through stimulating industrial activities in backward and rural area, thus decreasing the level of regional inequalities. They also promote entrepreneurship through availing business opportunities to people who have little capital to launch and run their own businesses. The industry is still a workhorse in the Indian economy, despite its challenges of low availability of finance, technology, infrastructures, and with the large scale industries competing with it. Thus, the government authorities and policy makers should give the SSI sector a boost through improved financial resources, technological help, infrastructure and marketing opportunities. The improvement of competitiveness and sustainability of small scale industries will not only help to improve the growth in the industries but also; this will lead to the inclusion and balanced economic development in India.

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