



# A CRITICAL ANALYSIS ON SMALL SCALE INDUSTRIES AND ITS IMPACT ON INDIAN ECONOMY

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## Abstract

Small Scale Industries is Playing main and Crucial Role in Indian Economy. About 60% to 70% of the total innovations in India comes from Small Scale Industries. Many of the big businesses today were all started small and then become into big businesses. In terms of Contributing to the Indian Economy. As per the Ministry of Statistics and Programme Implementation, Government of India, the small-scale industry sector constitutes 95% of the country's Units, providing employment to more than 175 lakh individuals. Small scale industries around 33.4% of manufacturing output in India and contribute over 30% of the GDP. They have become the backbone of the Indian Economy.

According to the 2021-22 Economic Survey. State of the Indian Economy with a GDP of \$ 3.1 trillion, Indian is the world's Sixth Largest economy. The Country has one of the highest GDP growth rates in the world. India's GDP will likely grow by 8% – 8.5% in FY22 with the support of Small-Scale Industries.

Keywords: - Small Scale Industries, Role & Performance, Challenges & Problem, Government Scheme, Impact of SSI on Indian Economy

## Introduction

Small Scale Industries is playing Main & vital Role in Indian Economy. Small Scale Industries help in increasing Employment and Economic Development of India. It improves the growth of the country by increasing urban and rural growth. Role of Small and medium scale enterprises are to help the government in increasing infrastructures and manufacturing industries, reducing issue like pollution, slums, poverty, and many development acts, small scale manufacturing industries and cottage industries play a very important role in the Indian Economy. If any amount of capital is invested in small scale industries it will help in reducing unemployment in India and increasing self-employment. The industry is a sector in which the production of goods is a segment of the economy.

In recent Year India has enjoyed consistently high rates of growth and steady improvement in human development.

We are going to study about importance of Small-Scale Industries and how small-scale Industries help in development of Indian Economy.

What are Challenges & Problems of Small-Scale Industries and How Government Schemes help Small Scale Industries to Grow up and Impact of Small-Scale Industries in Indian Economy.

## Objects of Study

### The Main Object of Study

1. Identify the Role and Important of Small-Scale Industries in Indian Economy.
2. Identify the Challenges & Problem of Small-Scale Industries
3. A Study of Government Scheme for Small Scale Industries.
4. A Study on Impact of Small-Scale Industries on Indian Economy.

### Review of Literature

“Unleashing the development capability of Indian MSME are” had presumed that without a doubt the MSME part has tremendous potential for making latest business enterprise and enormous job opening yet a few issues going up against MSMEs are Lack of skilled human resources, Lack of access to enter the foreign market and Lack of consistent and steady Infrastructure by **Minakshi Paliwal and Sumanjeet Singh (2017)**

Problems and prospects of small-scale industrial Units (a case study of exporting and non-exporting unit in Haryana) has discovered that SSI units are at an evolving stage and more development is required by **Sharma (2012)**

Described the importance of small-scale industrial sector and also the contribution of Indian small-scale entrepreneur in world Economy by **Rathod (2007)**

This Present Topic “**A Critical Analysis on Small-Scale Industries and Its Impact on Indian Economy**” is different from still have been studied Yet. This Research Topic Include Small Scale Industries, role, Important, Challenges and Problem and Specially Impact on Indian Economy.

### Research Methodology

1. The Present Study base of Secondary Data has been collected from different related websites, Magazines, Journals & Newspaper.
2. The study has been conducted with reference to the data related to Performance of Small-Scale Industries in India.
3. The Study is based upon secondary information collected from various annual reports of SSI and Economic Survey 2021-22

### Small Scale Industries Definition

Previously, the definition of small-scale industries depended upon the business's capital and labour, this definition is still used to demarcate between small, medium and large-scale industries.

The Central Government has the authority to determine capital investment requirements for small scale industries. **These requirements are listed under the industries (Development and Regulation) Act, 1951.**

A small enterprise in which investment in plant & Machinery ranges between Rs. 25 lakhs to Rs. 5 crores are a small-scale industry.

Similarly, for industries that provide services, the investment requirement is between Rs. 10 lakhs and Rs. 2 crores.

As per the guidelines issued by the Government of India, Small Scale industries are those industries where the production, manufacturing and rendering of service is done on a small scale. **As per the Micro, Small and Medium Enterprises Act of 2006**, the eligibility criteria to identify small industries are,

- The Investment in the plant, machinery and equipment should not exceed Rs. 10 crore and
- The annual turnover should not be above Rs. 50 crores.

**The main characteristics of small-scale industries** include sole ownership or a small partnership, concentrated management with control resting in the hands of the owner, more flexible toward changing demands of businesses, labour intensive industry and limited operation reach, thereby fulfilling the local demands.

### Objectives of Small-Scale Industries

- To create more employment opportunities
- To aid improve the rural and less developed regions of the economy.
- To reduce regional imbalances
- To ensure maximum utilization of unexploited resources of the country

- To assure equal distribution of income and wealth
- To solve the unemployment Problem
- To attain self-reliance
- To utilize the latest technology aimed at producing better quality goods at lower costs.

### Types of Small-Scale Industries

Generally, the small-scale industries are classified into 3 types, based on their nature or work.

**Manufacturing Industries:** -These industries specialize in producing finished goods for human consumption or used further in processing industries, usually, such industries have a single ownership structure. Some small-scale industry examples can be food processing units, engineering units power looms etc.

**Ancillary Industries:** -These Industries act as feeder units to the bigger manufacturing industries. Large or medium scale industries generally do not produce all the parts of their products. They buy the required parts from such small-scale industries.

**Service Industries:** -Such Industries are not involved in any type of manufacturing or production, rather are only involved in offering repair and maintains services.

### Role and Importance of Small-Scale Industries

- Increase production
- Increase total exports
- improves the employment rate
- opens new opportunities
- Advances Welfare

### Research Finding

#### Challenges faced by Small Scale Industries

Despite the practical contribution by the small-scale industries towards the Indian economy, small scale industries do not get the essential support from the Government departments, financial institutions, banks, credit societies, and corporate thus the small-scale industries are becoming handicap in the face of competition at the national and international markets. The major problems faced by the small-scale industries are mention below.

- Uneven and poor quality of raw material
- Absence of organized meeting practices
- Inadequate infrastructure
- Scanty credit assistance

#### Problems of Small-Scale Industries

1. Shortage of Raw Material: - Small Producers cannot bear to buy in quantity due to limited funds.
2. Lack of Investment: - They lack the money to raise funds as borrowed capital.
3. Lack of Managerial Abilities: - They lack Managerial skills Since they are operated by single owners.
4. Incompetent Labour: - They cannot afford to pay high wages.
5. Marketing Problems: - A small business can not afford to spend too much on an advertisement, offers, and to get information on customer's changing tastes and preferences.
6. Low quality Products: -They do not have enough resources to invest in quality research and maintain the standards of the industry.
7. No Idle Capacity: - Many small units operate below their capacity.
8. Outdated Technology: - The use of outdated technology also makes them incompetent in the market.
9. Sickness: - Many SSIs are sick due to internal as well as external problems like lack of trained labour, delayed payments, lack of working capital etc.
10. Global Competition: - Due to the policy of LPG (Liberalization, Privatization and Globalization) there is an increased competition on Global Level.

#### Government Schemes for Small Scale Industries

In order to promote the MSME sector in India, the Government has come with various initiatives to support the upcoming industries and businesses in this sector. Various announcements have been made under the 'Atmanirbhar Bharat'

scheme, such as collateral free automatic loans up to Rs. 3 Lakh, disallowing global tenders to offer better opportunities to the MSMEs, and clearing of the MSME dues by the PSUs with 45 days.

**The Credit support initiatives are: -**

- Prime Minister Employment Generation Programme
- Credit Guarantee Trust Fund for Micro and Small Enterprises
- Credit Linked Capital Subsidy for Technology Upgradation

**The Initiatives to support development of Khadi, village and coir industries are: -**

- Market promotion and development scheme
- Revamped Scheme of Fund for Regeneration of Traditional Industries
- Coir Vikas Yojana
- A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship (ASPIRE)

**Impact of Small-Scale Industries on Indian Economy**

Small Scale Industries Play an Important and Vital role in Indian Economy. About 60% to 70% of the total innovations in India comes from the Small-Scale Industries. Many of the big businesses today were all started small and then nurtured into big businesses. The roles of Small-Scale Industries in economic development of the country are briefly explained below.

1. Small Scale Industries Brings Balanced Regional Development: - It removes regional disparities by industrializing rural and backward areas and brings balanced regional development.
2. Small Scale Industries Helps in Mobilization of Local Resources: - It helps to mobilize and utilize local resources like small saving, entrepreneurial talent, etc., of the entrepreneur, which might otherwise remain idle and unutilized. Thus, it helps in effective utilization of resources.
3. Small Scale Industries Facilitates Women Growth: - It Provides employment opportunities to women in India.
4. Small Scale Industries Paves for Optimization of Capital: - It requires less capital per unit of output. It provides quick return on investment due to shorter gestation period. Their pay back period is quite short in small scale industries.
5. Small Scale Industries Promotes Exports: - It does not require sophisticated machinery; Hence, it is not necessary to import the machines from abroad. On the other hand, there is great demand for goods produced by small scale sector. Thus, it reduces the pressure on the country's balance of payments.
6. Small Scale Industries Provides Employment: - 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.
7. Develops Entrepreneurship: - It helps to develop a class of entrepreneurs in the society, it helps the job seeker to turn out as job givers.
8. Small Scale Industries: - SSI helps in the development of the society by reducing concentration of income and wealth in few hands.
9. Small Scale Industries Meets Consumer Demands: - SSI produces wide range of products required by consumer in India.
10. Small Scale Industries Complements Large Scale Industries: - SSI plays a complementary role to large scale sector and supports the large-scale industries.

**Conclusion**

Small Scale Industries is Playing vital and Crucial Role in Development of Indian Economy. The advancement of small-scale industries is important for the development of the Indian economy to accomplish distribution of income and wealth, economic self-dependence, and economically sustainable developments. To boost the small-scale industries sector so that it can



take deserved place in the growth mechanism of the Indian economy. some appropriate measures to be taken by Government in providing financial assistance at minimum formalities, a platform to be build by the government to help the SSIs in the procurement of quality raw martial and train them for the organized marketing process. Small Scale Industry has emerged as dynamic and vibrant sector of the Indian economy.

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