



# INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

## Role Of Small Scale Industries In Economic Development Of India

Sohan Lal

Assistant Professor Commerce

Govt. College Bherian (Pehowa) Kurukshetra Haryana(India)

### Abstract

An economic area that deals with the production of goods is called an industry. Contributing significantly to GDP, industrial production and employment generation, the SSI sector remains a vital component of the Indian economy. SSIs are widely recognized as a catalyst for global economic expansion and as a means of advancing equitable and just development.

The main advantage of the industry is its cheap capital cost employment potential. Compared to large firms, the SSI sector is significantly more labor intensive. The investment cap on plant and machinery for small businesses was reduced by the Union Government in 2000 from Rs. 4 million to Rs. 1.5 million. Rs 29,000 lakh investment cap for small businesses has not changed. Despite strong competition from the main sector and lukewarm government assistance, the small-scale industrial sector has experienced rapid expansion since independence. The number of registered units, which have increased from a mere 16,000 in 1950 to 36,000 in 1961 and 183.65 lakh in 2023-24, is proof of this. In 2000, the Union Government reduced the investment limit in plant and machinery for small scale units from Rs. 4 crore to Rs. 1.5 million. However, investment ceilings for small scale industries remain unchanged at Rs. 29 million. The small-scale industrial sector has seen a high growth rate since independence despite stiff competition from the large-scale sector and less than encouraging support from the government. This is evidenced by the number of registered units, which increased from a mere 16,000 units in 1950 to 36,000 units in 1961 and to 183.65 million units in 2023-24. As far as the performance of the SSI unit is concerned, it was Rs.1,22,154 crores in 2014-15, which increased considerably to Rs. 715129 crores in 2023-2024 (at current prices). Output in the SSI sector has seen an annual average growth rate of 8.6 percent over the past ten years. The share of SSI in the country's industrial production is around 39 percent. The SSI sector plays a major role in India's current export performance. 45% to 50% of India's exports are contributed by the SSI sector. Direct exports from the SSI sector account for almost 35% of total exports. The number of small units doing direct export would be more than 5000.

**Keywords:** Small scale industries, Economic Development, Employment, Production and Export.

## **Introduction:**

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. 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. The labour intensity of the SSI sector is much higher than that of the large enterprises.

## **Scope of the Study**

The SSI sectors have recorded significant growth and impressive performance. This study aims at identifying and analyzing the growth, in employment, production and exports of SSI, also helping the government in formulating SSI policy to revive the sick units by promoting better performance.

## **Objectives of the Study**

- i. To identify the role of SSI in economic development and India's export.
- ii. To examine the role of SSI in employment generation.

**Meaning of SSI:** In 1955 Small Scale Industries Board defined small scale industry as "A unit employing less than 50 persons, if using power and less than 100 persons without the use of power and with capital assets not exceeding rupees five lakhs". In 2014-15, the Union Government has reduced the investment limit in plant and machinery for small scale units from Rs. 3 crore to Rs. 1 crore. However the investment ceilings for tiny industries remain unchanged to Rs. 25 lakh.

## **Role of SSI in Economic Development in India**

The small- scale industrial sector has recorded a high growth rate since independence in spite of stiff competition from the large sector and not so encouraging support from the government. This is evidenced by the number of registered units which went up from mere 16,000 units in 1950 to 36,000 units in 1961 and to 133.67 lakh units in 2023-24. During the last decade alone, the SSI sector has progressed from production of simple consumer goods to the manufacture of many sophisticated and precision products like electronics control

systems, micro-wave components, electro-medical equipments, T.V. sets etc. Growth and contribution of SSI during the period 2014-15 to 2023-24 is given in following table.

Table

**Growth of SSI Sector (2014-15 to 2023-24)**

Year	No. of units (in lakh)	Production (Rs. crore)	Share In GDP (%)	Employment (in lakh)	Export (Rs. Crores)
2014-15	79.6 (4.1)	1,22,154 (23.6)	-	191.4 (4.8)	29.068 (14.9)
2015-16	82.8 (4.1))	1,47,712 (20.9)	-	197.9 (3.4)	36,470 (25.5)
2016-17	101.1 (4.1)	2,61,297 (11.8)	-	239.1 (4.4)	69,796 (28.8)
2017-18	105.2 (4.1)	2,82,270 (8.0)	-	249.1 (4.2)	71.244 (2.1)
2018-19	109.5 (4.1)	3,11,993 (10.5)	5.92	260.2 (4.4)	86,013 (20.7)
2019-20	114.0 (4.1)	3,57,733 (14.7)	5.79	271.4 (4.3)	97,644 (13.5)
2020-21	118.6 (4.1)	4,18,263 (16.9)	5.84	282.6 (4.1)	1,24,417 (27.4)
2021-22	123.42	497842 (12.32)	5.83	299.85	150242 (20.7)
2022-23	128.44	587196 (12.65)	5.94	312.52	
2023-24	133.67	695126 (13.00)	NA	322.28	

**Source:** Reserve Bank of India, Handbook of Statistics on the Indian Economy 2023-24. Mumbai,

It is clear from the above table that the number of units in SSI sector was 79.6 lakhs. This number has steadily risen to 133.67 lakhs during the year 2023-24. As far as the output of the SSI unit is concerned, it was Rs.1,22,154 crore in 2014-15 and this has considerably risen to Rs. 695126 crore in 2023-24 (at current prices). Production in SSI sector during the last ten years has recorded an annual average growth rate of 8.6 percent. The share of SSI in the countries industrial output is around 39 percent.

**Employment Generation**

Further, table shows the encouragement to small scale and cottage sector would, no doubt, serve to counter the seasonal un-employment of the agricultural labour force and thus utilize it which otherwise would go waste. The SSI sector has employed a total of 191.4 lakh people in 2014-15 and this number has consistently risen to 322.28 lakh people in 2023-24. Within the manufacturing sector itself, small and cottage industrial sector contributes about four-fifths of manufacturing employment in India. Given the acute unemployment, underemployment and disguised unemployment problem in India, creation of employment opportunities will depend crucially to the development of small scale and cottage industries. SSI sector in India creates largest employment opportunities for the Indian populace, next only to agriculture. It has been estimated that a lakh rupees of investment in fixed assets in the SSI generates employment for four persons.

According to the SSI Sector survey conducted by the Ministry and National Informatics Centre with the base year of 1987-88, the following interesting observations were made related to employment in the small scale sector. Food products industry has ranked first in generating employment, providing employment to 4.82 lakh persons (13.1%). The next two industry groups were non-metallic mineral products with employment of 4.46

lakh persons (12.2%) and metal products with 3.73 lakh persons (10.2%). In chemicals and chemical products, machinery parts and except electrical parts, wood products, basic metal industries, paper products and printing, hosiery and garments, repair services and rubber and plastic products, the contribution ranged from 9% to 5%, the total contribution by these eight industry groups being 49%. In all other industries the contribution was less than 5%.

**Per unit employment:** Per unit employment was the highest (20) in units engaged in beverages, tobacco and tobacco products mainly due to the high employment potential of this industry particularly in Maharashtra, Andhra Pradesh, Rajasthan, Assam and Tamil Nadu. The next came cotton textile products (17), Non-metallic mineral products (14.1), Basic metal industries (13.6) and Electrical machinery and parts (11.2.) The lowest figure of 2.4 was in Repair services line. Per unit employment was the highest (10) in metropolitan areas and lowest (5) in rural areas. However, in Chemicals & chemical products, Non-metallic mineral products and Basic metal industries per unit employment was higher in rural areas as compared to metropolitan areas/urban areas. In urban areas highest employment per unit was in Beverages, tobacco products (31 persons) followed by Cotton textile products (18), Basic metal industries (13) and Non-metallic mineral products (12). Non-metallic products contributed 22.7% to employment generated in rural areas. Food products accounted for 21.1%, wood products and chemicals and chemical products shared between them 17.5%.

As for urban areas, food products and metal products almost equally shared 22.8% of employment. Machinery and parts except electrical, non-metallic mineral products, and chemicals and chemical products between them accounted for 26.2% of employment. In metropolitan areas the leading industries were metal products, machinery and parts except electrical and paper products and printing (total share being 33.6%).

Tamil Nadu (14.5%) made the maximum contribution to employment. This was followed by Maharashtra (9.7%), Uttar Pradesh (9.5%) and West Bengal (8.5%) the total share being 27.7%. Gujarat (7.6%), Andhra Pradesh (7.5%), Karnataka (6.7%), and Punjab (5.6%) together accounted for another 27.4%. Per unit employment was high 17, 16 and 14 respectively in Nagaland, Sikkim and Dadra and Nagar Haveli. It was 12 in Maharashtra, Tripura and Delhi. Madhya Pradesh had the figure of 2. In all other cases it was around the average of 6.

## **Production**

The SSI sector plays a vital role for the growth of the country. It contributes 40% of the gross manufacture to the Indian economy. It has been estimated that a lakh rupees of investment in fixed assets in the small scale sector produces 4.62 lakhs worth of goods or services with an approximate value addition of ten percentage points. The small scale sector has grown rapidly over the years. The growth rates during the various plan periods have been very impressive. The number of small scale units has increased from an estimated 8.74 lakhs units in the year 2014-15 to 31.21 lakhs in the year 2023-24.

However, this has to be viewed in the background of the general recession in the economy. The transition period of the process of economic reforms was also affected for some period by adverse factors such as foreign exchange constraints, credit squeeze, demand recession, high interest rates, shortage of raw material etc. When

the performance of this sector is viewed against the growth in the manufacturing and the industry sector as a whole, it instills confidence in the resilience of the small scale sector. The estimates of growth for the year 2014-15 have shown an upswing. The growth of SSI sector has surpassed overall industrial growth from 2014-15 onwards. The positive trend is likely to strengthen in the coming years. This trend augurs a bright future for the SSI.

### **Export contribution**

SSI Sector plays a major role in India's present export performance. 45% to 50% of the Indian export is being contributed by SSI sector. Direct exports from the SSI sector account for nearly 35% of total exports. The number of small scale units that undertake direct exports would be more than 5000. Besides direct exports, it is estimated that small scale industrial units contribute around 15% to exports indirectly. This takes place through merchant exporters, trading houses and export houses. They may also be in the form of export orders from large units or the production of parts and components for use for finished exportable goods. It would surprise many to know that non traditional products account for more than 95% of the SSI exports. The export from SSI sector has been clocking excellent growth rates in this decade. It has been mostly fueled by the performance of garment, leather and gems and jewellery units from this sector. The lucrative product groups where the SSI sector dominates in exports are sports goods, readymade garments, woollen garments and knitwear, plastic products, processed food and leather products.

### **Conclusion**

The Small Scale Industry today constitutes a very important segment of the Indian economy. The development of this sector came about primarily due to the vision of our late Prime Minister Jawaharlal Nehru who sought to develop core industry and have a supporting sector in the form of small scale enterprises. Small Scale Sector has emerged as a dynamic and vibrant sector of the economy. Today, it accounts for nearly 35% of the gross value of output in the manufacturing sector and over 40% of the total exports from the country. In terms of value added this sector accounts for about 40% of the value added in the manufacturing sector. The sector's contribution to employment is next only to agriculture in India. It is therefore an excellent sector of economy for investment.

### **References:**

- Annual Report (2000 – 01) *Ministry of small scale Industries and Agro & Rural Industries*, Government of India, New Delhi.
- Datt, R. and Sundaram, K.P.M (2007): *Indian Economy*, S. Chand & Company Ltd, New Delhi
- Dhar P.N.and Lydall H. (1961): *The Role of Small Enterprises in India's Economic Development*, AsiaPublishing House, Bombay.
- Ganstyam Pandov 2008, *Management of working capital in small scale industries*. New Delhi: Deep and Deep publications.
- Kalchetty Eresi 2008, *Management of Finance in Small Scale Industry*. Allahabad: Vohra publishes and Distributions.

- Mathew. P.M. 1970, *Small Enterprises and Regional Development, Challenges and Choices*, Kanishka Publishers – Distributors, New Delhi,
- Small Scale Industries Board, quoted by Desai,Vasant(1983), *Organization and Management of SmallScale Industries*. Himalaya Publishing House, New Delhi.