



Role of Small Scale Industries in the Development of Indian Economy

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Abstract:

Small Scale Industries (SSIs) play a significant role in the economic landscape of India, contributing to employment generation, sustainable development, and inclusive growth. These industries serve as the backbone of the Indian economy, fostering entrepreneurship, innovation, and social empowerment. With a focus on local production and indigenous technologies, SSIs cater to diverse sectors such as manufacturing, handicrafts, textiles, and agro-processing, thereby promoting economic diversification and industrial decentralization. The importance of SSIs in India cannot be understated, as they not only provide livelihood opportunities to millions of people but also facilitate rural development, poverty alleviation, and regional prosperity. Through their resilience and adaptability, SSIs contribute to the overall economic resilience of the nation, strengthening the foundation of self-reliant and sustainable growth.

Keywords: Small Scale Industries , Indian Economy , Economic Growth.

Introduction:

Small scale industries play a pivotal role in the economic landscape of a country, serving as the backbone of its industrial sector. These enterprises are characterized by their limited scale of operations, often run by a few individuals or a small group of entrepreneurs. Despite their relatively modest size, small scale industries contribute significantly to job creation, income generation, and overall economic development. By fostering innovation, creativity, and entrepreneurial spirit, such businesses not only drive local economies but also enhance the competitiveness of the industrial sector as a whole. Through their diverse range of products and services, small scale industries cater to niche markets, fulfill specific consumer needs, and contribute to the overall industrial diversity of a nation.



Small-scale industries, also known as small and medium-sized enterprises (SMEs), play a crucial role in economic development by contributing to employment generation, innovation, and local economic growth. They typically operate on a smaller scale compared to large corporations and often specialize in niche markets or products. These industries are essential for fostering entrepreneurship, promoting decentralization, and creating a more inclusive economy. Examples of small-scale industries include handicrafts, small manufacturing units, food processing, boutique shops, and artisanal businesses.

Definitions:

Time to time there is change in the capital requirement of the Small Scale Industries. Presently the definition of is as follows:

According to the Ministry of Micro, Small and Medium Enterprises, small scale industries (SSIs) are those enterprises in which the investment in plant and machinery does not exceed Rs. 10 crore for manufacturing units and Rs. 5 crore for service units¹.

SSIs are also known as micro, small and medium enterprises (MSMEs) or micro, small and medium industries (MSMIs). SSIs are characterized by single ownership, limited use of technology, local and readily available resources, labor intensive production, and flexibility to adapt to changing market conditions. SSIs play a vital role in the economic and social development of India, as they provide employment, income, exports, and rural development.

Significance of Small Scale Industries:

Small scale industries (SSIs) are those industries that operate on a small or micro scale, with limited capital and employees. SSIs play a vital role in the economic development of India, as they contribute to various aspects such as employment generation, resource utilization, income distribution, regional balance, export promotion, and rural development. Some of the roles and importance of SSIs in India are:

- **Employment generation:** SSIs are one of the major sources of employment in India, especially for the rural and semi-urban population. They provide opportunities for self-employment, entrepreneurship, and skill development. According to the Ministry of Micro, Small and Medium Enterprises, SSIs employed around 11.1 crore people in 2019-20, which was about 28% of the total workforce in India.



- **Less capital requirement:** SSIs require less capital investment than large scale industries, which makes them suitable for a capital-scarce country like India. SSIs also have a lower gestation period, which means they can start production and earn profits faster. SSIs can also make use of locally available resources, such as raw materials, labour, and technology, which reduces their dependence on external sources.
 - **Resource utilization and entrepreneurial skill development:** SSIs help in the optimal utilization of the resources available in the rural and backward areas of India, which otherwise remain underutilized or wasted. SSIs also foster the development of entrepreneurial skills and innovation among the rural population, who do not have access to large scale industries. SSIs also promote the traditional and indigenous crafts and products of India, which have a high demand in the domestic and international markets.
 - **Equal income distribution :** SSIs help in achieving a more equitable distribution of income and wealth in India, by creating employment and income opportunities for the poor and marginalized sections of the society. SSIs also help in reducing the regional disparities in India, by industrializing the rural and backward areas and reducing the migration of people to urban areas. SSIs also help in improving the standard of living and quality of life of the people engaged in them.
 - **Maintenance of regional balance:** SSIs help in maintaining a balanced regional development in India, by spreading the industrial activities across the country. SSIs prevent the concentration of industries and population in a few urban centers, which leads to problems such as overcrowding, pollution, congestion, and social unrest. SSIs also help in preserving the local culture, identity, and diversity of the regions where they operate.
 - **Export promotion:** SSIs contribute significantly to the export earnings of India, by producing and supplying a variety of goods and services to the foreign markets. SSIs produce goods that are competitive in terms of quality, price, and variety, and cater to the changing demands and preferences of the global consumers. SSIs also help in increasing the foreign exchange reserves of India, which improves the balance of payments situation of the country. According to the Ministry of Micro, Small and Medium Enterprises, SSIs accounted for around 48% of the total exports of India in 2019-20.
 - **Rural development :** SSIs play a crucial role in the development of the rural areas of India, by providing employment, income, and infrastructure to the rural population. SSIs also help in improving the social and economic conditions of the rural people, by providing them access to
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education, health, sanitation, and other basic amenities. SSIs also help in reducing the dependence of the rural population on agriculture, which is often affected by natural calamities and market fluctuations².

Difficulties Faced by the Small Scale Industries:

These are some of the roles and importance of SSIs in India, which show that they are an integral part of the Indian economy and society. SSIs face many challenges and problems, such as lack of finance, technology, marketing, infrastructure, and policy support, which need to be addressed by the government and other stakeholders. SSIs have a huge potential to grow and contribute more to the national development, if they are given the necessary support and encouragement. Some of the difficulties faced by small scale industries (SSIs) in India are:

- **Lack of adequate finance:** SSIs often face problems in raising funds for their operations, as they have limited access to the capital market and face difficulties in getting loans from banks and financial institutions. They also have low creditworthiness and face high interest rates and collateral requirements.
- **Shortage of raw materials and power:** SSIs depend on the availability and supply of raw materials, which are often scarce, costly, or of poor quality. They also face problems in procuring and storing raw materials, as they have low bargaining power and lack of storage facilities. SSIs also suffer from frequent and erratic power cuts, which affect their production and quality³.
- **Lack of modern technology and skilled labour:** SSIs are unable to adopt and upgrade their technology, as they have low investment capacity and lack of technical know-how. They also face difficulties in hiring and retaining skilled labour, as they cannot afford to pay high wages or provide training and incentives. They also have to compete with large scale industries and foreign firms for skilled labour.
- **Marketing and export problems :** SSIs face stiff competition from large scale industries and foreign firms in the domestic and international markets. They have low market share and visibility, as they cannot afford to spend on advertising, branding, and distribution. They also face problems in meeting the quality standards, packaging requirements, and delivery schedules of the buyers. They also have to deal with various trade barriers and regulations in the export market.
- **Government policies and regulations :** SSIs have to comply with various government policies and regulations, which are often complex, cumbersome, and inconsistent. They have to obtain



various licenses, permits, and clearances from different authorities, which involve time, cost, and corruption. They also have to pay various taxes, duties, and fees, which increase their cost of production and reduce their profitability. They also face problems in availing the government schemes and incentives, which are often inadequate, delayed, or misused⁴.

Conclusions :

In conclusion, Small Scale Industries play a critical role in the socio-economic development of India. They contribute to employment generation, income generation, and poverty alleviation. The importance of Small Scale Industries in India cannot be overstated, as they form the backbone of the economy and promote inclusive growth. It is imperative for the government, financial institutions, and other stakeholders to provide support and create an enabling environment for the growth and sustainability of Small Scale Industries in India. Only by recognizing and harnessing the potential of Small Scale Industries can India achieve its economic development goals and improve the standard of living for its citizens.

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