A STUDY ON ROLE OF SMALL SCALE INDUSTRIES IN INDIAN ECONOMY

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INTRODUCTION

Basically small scale industries consist of small enterprise that produces goods or services with the help of relatively smaller machines and a small number of workers and human resources. The small amounts of capital are invested in their business. The enterprise must follow the guidelines set by the Government of India. At the time being such limits are as follows, For Manufacturing Goods: The amount of Investment between 25 lakhs and five crores. For Service Providers: Investment in machinery between 10 lakhs and two crores. In developing countries like India, these small scale industries are the support of the economy. These are generally labour-intensive industries, so they build much employment. They also help with per capita income and supply consumption in the economy. They are a very important sector of the economy from a monetary and social point of view.

OBJECTIVES

❖ To study the role of small scale industries in Indian economy.
❖ To examine the challenges in small scale industries.
❖ To study the importance of SSI
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Data collection

The study is based on secondary data which has been taken from books, journals, and online databases.

Importance of Small Scale Industries

Small scale industries are important because it helps in increasing employment and income of India. It improves the growth of rural and urban area. Small scale manufacturing industries and cottage industries play a very important role in the monetary development of India. If any amount is invested in small scale industries it will help in declining unemployment in India and rising self-employment.

Characteristics of small scale industries

1. Labour intensive:

Small-scale industries are fairly labour-intensive. They provide an economic solution by creating employment opportunities in urban and rural areas at a relatively low cost of capital investment.

2. Flexibility:

Small scale industries are flexible in their operation. They adopt quickly to various factors that play a large part in daily management.

3. One-man show:

A small scale unit is generally a One-man show. It is mostly set up by individuals. Some small units are run by partnership firm or company.

4. Use of indigenous raw materials:

Small scale industries use original raw materials and promote intermediate and capitals goods. They contribute to faster balance economic growth in a transitional economy through decentralization.

5. Educational level:

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The employee of small scale industries is normally low or moderate. Hardly there is any need of specialized knowledge and skill to operate and manage the SSI.

**Types of small scale industries in India:**

All types of small-scale industries found in India whether in manufacturing sector or service sector are divided into five types:

1. **Manufacturing Industries:**

Those units which are producing complete articles for direct consumption and also for processing industries are called as manufacturing industries. For example: Powerlooms, engineering industries, coin industries, Khadi industries, food processing industries etc.

2. **Ancillary Industries:**

The industries which are producing parts and components and rendering services to large industries are called as ancillary industries.

3. **Service Industries:**

Service industries are those which are covering light repair shops necessary to maintain mechanical equipments. These industries are essentially machine-based.

4. **Feeder Industries:**

Feeder industries are those which are specializing in certain types of products and services, e.g. casting, electro-plating, welding, etc.

5. **Mining or Quarries:**

The Mining industry in India is a major economic activity which contributes significantly to the economy of India. The GDP contribution of the mining industry varies from 2.2% to 2.5% only but going by the GDP of the total industrial sector it contributes around 10% to 11%.

**Role of small scale industries in India:**

The following are some specific roles that SSIs play in the Indian economy:
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1. SSI Increases Production:

India is one of the world’s highest rising economies in the world. Consequently, its production output is enormous. It is relevant to note that SSIs contribute almost 40% of India’s gross trade value.

2. SSI Increases Export:

The half of the total India’s export comes from small scale industry. 35% for direct exports by SSIs, while indirect exports amount to 15%. Even business houses and merchants help SSIs export their goods and services to foreign countries.

3. SSI Improves Employment Rate:

Small Scale Industries employs more people than all industries after agriculture. Nearly four persons can get employment if Rs. 10 lakhs are invested in small-scale sectors. SSI create employment both rural and urban area.

4. SSI Open New Opportunities:

Small-scale industries create new opportunities for investments. They can receive financial support from funding agency and also received tax benefits from government. The manpower and raw materials is also easily available. The export policies are supported to them to achieve the target.

5. SSI Advances Welfare:

Apart from providing beneficial opportunities, Small Scale Industries Play a important role in welfare measures in the Indian economy. A large number of poor income groups of people depend on them for their sustenance. SSI reduce poverty and raise the standards of living in low income group.

Challenges in small scale industries.

The following are the problems faced by Small Scale Industries:

1. Poor capacity utilization:

Many of the small scale industries only used for 50% of the installed capacity.
2. **Incompetent management:**
Many small scale industries are run by uneducated entrepreneurs without much skill.

3. **Inadequate Finance:**
Small scale industries are not able to access the domestic capital market to raise resources and also they have to depend on private money lenders who charge high interest.

4. **Raw material shortages:**
Sufficient Raw materials are not available at the time of manufacturing. Since demand is more than supply, the price of raw materials is high.

5. **Lack of marketing support:**
They are lack of market knowledge with regard to competitors, consumer preferences, and market trends. They cannot meet the demand of the product.

**Conclusion:**

Small scale industries play an important role in Indian economy. Now a days the Small Scale Industries are growing rapidly. They are providing employment Opportunities to the young people in rural and urban area. The researcher suggests that the Government of India has provides so many incentives and subsidies to the young small scale entrepreneur. So the entrepreneur should avail optimum benefits of Government assistance. Small Scale Industries also helps in increasing productivity and capital formation of the nation.