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## ROLE OF SMALL SCALE INDUSTRIES IN ECONOMIC DEVELOPMENT

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### ABSTRACT

*For any economy there are three sectors plays an important role.. After the independence agriculture sector, industrial sector and service sectors increased their performance and their contribution to the economy. After the independence government of India has taken the initiative of mixed economy. After the 1991 reforms made Indian manufacturing sector to take a major role in development. The globalisation and liberalisation which removed the import restrictions, brought in foreign competition led to privatisation of certain government owned public sector industries and liberalised foreign direct investment. The industrial sector is the one which is playing has taken a steady growth after the 1991 reforms, as Indian is a populated country more number of products and services are required. Industrial sector can provide products but somehow difficult to reach all the rural people due to lack of awareness , cost and distance from the towns. The growth of population has pressured the small sector to increase more and more contribution to economy. As they mainly depends on the products available in local market prepared by the small tiny farmers. These small scale industrial farmers can produce a large number of products to meets the needs of the both the customers as well as the companies. Companies also depends on the small scale industries for MRO (Maintenance, Repair and operating )goods, small products used in produce a big products. These small sectors also a plays an important role in employment generation and economic development. Therefore it became necessary to address the importance of the small scale industries. Present study will focuses the impact of small scale industries in economic development. It also studies the role of small scale industries in providing employment generation in Telangana. Data for this study would like to collect from the secondary data sources.*

**KEYWORDS:** *Gross Value Added, Women Enterprises, Entrepreneur Memorandum And Intellectual Property Rights.*

### INTRODUCTION:

Counties economic development government should actively promote, among the industrial sector small scale industries plays an important role. These small scale industries needs less investment but provide significant contribution to economy. Globalisation its impact is larger phenomenon but small scale industries is a local phenomenon but there is a relationship between these two. There two acts as the main drivers of the economic development of Indian economy. These small scale industries existed in India since ancient times in the form of silk and knowledge based products made by people for their self-sufficiency of rural people. The income which comes from the small scale industries can be distributed among all. For many families its is the only source of lively hood. These small industrial products are Eco friendly which produces less pollution and require locally available material.

### SMALL SCALE SECTOR:

Definition of small scale sector is different from one country to another country based on their economic development , policy formulation and administrative set up. But maximum all countries follow the same formula to define the small scale sector based on the capital investment volume of production and employment status. Government of India has taken more number of steps to define the small scale industries.

In India small scale industry is defined in terms of investment in plant and machinery (excluding the plant and machinery) and further classified into micro small and medium enterprises. Enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951) or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use.

The Manufacturing Enterprises are defined in terms of investment in Plant & Machinery. These are the industrial undertakings having fixed investment in plant and machinery, whether held on ownership basis or lease basis or hire purchase basis not exceeding Rs. 1 crore.

<b>MANUFACTURING SECTOR</b>	
Enterprises	Investment in plant & machinery
Micro Enterprises	Does not exceed twenty five lakh rupees
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees
Medium Enterprises	More than five crore rupees but does not exceed ten crore rupees
<b>SERVICE SECTOR</b>	
Enterprises	Investment in equipment's
Micro Enterprises	Does not exceed ten lakh rupees:
Small Enterprises	More than ten lakh rupees but does not exceed two crore rupees
Medium Enterprises	More than two crore rupees but does not exceed five core rupees

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**REVIEW OF LITERATURE:**

- Dividend policy is one of the most important financial policies,
- Anna Patil: Role Of Small Scale Industries In Economic Development: research concluded that small scale industrial sector is next to the agricultural sector in terms of employment generation.
- Dr. V.K. Gupta and Abhishek Chaturvedi : Role And Contribution Of Small Scale Industries In Economic Development In India. the present attempt to focus the present status of performance of MSMEs in India & future prospects. It is concluded that this sector contributes significantly to manufacturing output, employment, exports of the country. Research concluded that small scale sectors not only provide lower labour intensive production but also industrialisation of rural backwards.
- V.Mallika., Assistant Professor: The role of small scale industry in reduction of poverty in India: small scale industries are providing the employment opportunities , rise of industrial productivity , rise of exports and also rise of very impressive growth of GDP. The government that the state should provide the financial assistant to the small scale so that the contribution will increase.
- Shyambathi: India: the role of small-scale industries in an emerging economy: the study focuses Various factors affecting the growth and development of small-scale industries and the problem faced by this vital sector of Indian economy is examined. The contribution of small-scale industries in employment growth, production, export promotion and other economic indicators are discussed. Conclusions drawn from the analysis of the data suggest that the various policy initiatives taken by the Government of India since independence have helped this sector to grow considerably.

**OBJECTIVES OF THE STUDY:**

- To study the role of small scale industries in economic development of Indian economy
- To study the role of government in providing the assistance to growth of small scale industrial sector.
- To study the role of small scale industries in providing employment generation and women empowerment.

**RESEARCH METHODOLOGY:**

The data has been collected from secondary sources comprising of micro small and medium Enterprises annual reports, Ministry of Commerce and Government of India, ministry of micro small and medium from. Collected data scrutinised and classified in a systematic manner.

Assessment of MSME conducted mainly by two ways:

- By conducting of periodic All India Census of the Sector.
- By collecting the number of Entrepreneur Memorandum Part-II (EM-II) filled at DICs. (Replaced with Udyog Aadhaar online filing system since September, 2015).

- For the purpose of the present study data is collected from the report published in MSME report 2015. MSME presents its data every year based on the some base year. The data for the. The CSO published its sixth annual report in 2016.

### **MSME Establishments**

It is observed from the annual report the growth of the number of EMII fillings changed from 1.73 in 2007 to 4.25 in 2015. Its means there is a steady growth in MSME sector. The growth rate is 17 percent from 11377. As per the Sixth Economic Census (2013), 58.5 million establishments were found to be in operation. 34.8 million establishments (59.48%) were found in rural areas and nearly 23.7 million establishments (40.52%) were found to be located in urban areas.

Livestock was the major economic activity (86.74%) of agricultural sector. Retail Trade (35.41%) followed by Manufacturing (22.77%) were the dominant ones within the non-agricultural sector. Among the States, maximum growth rate of establishments during 2005-2013 was observed in Manipur (121.07%) followed by Assam (107.99%) and Sikkim (100.07%)

### **MSME in Employment Generation:**

It is observed from sixth economic census that MSME sector alone generated 131.29 million persons in 58.5 million establishments. Out of the total 131.29 million persons, 67.89 million persons (51.71%) were employed in rural areas and 63.4 million persons (48.29%) in urban areas. While employment in Own Account Establishments was of the order of 58.15 million persons (44.29%), the employment in establishments with at least one hired worker was about 73.14 million persons (55.71%). Agricultural establishments provided employment to around 22.88 million persons (17.42%) and the non-agricultural establishments provided employment to around 108.41 million persons (82.58%). The growth rate of employment since 2005 was of the order of 38.13%.

### **Role of SSI industries in providing women empowerment:**

Form the report it would evident that establishments owned by women entrepreneurs 8.05 million (13.76%). These establishments provided employment to 13.45 million persons (10.24%), out of which 83.19% were without hired workers. About 88.8% of the workers were employed in the establishments hiring less than 10 workers. Total number of Self Help Groups (SHGs) were 0.19 million out of which all women Own Account Establishments were 89%. → Out of establishments under women entrepreneurs, about 34.3% belonged to agricultural activities, with livestock dominating therein having a share of 31.6%. Average employment per establishment for women owned establishments was found to be 1.67.

### **CONCLUSIONS:**

Micro, small and medium sector players are among the worst hit as banks continue to practice caution in lending to the industrial sector. Small scale industries are very important in providing employment generation, entrepreneur development , export generation creation of livelihood and balanced regional development. The sector plays role in achieving sustainable development goals of the nation. The industries also played a role in innovative technological development by providing engineered products. The sector some time faces problems like unwilling of banks in

providing financial assistance, lack technology, market uncertainty and lack of planning. There needs to be regular dialogue between the stakeholders of the sector and government should provide the assistance to strengthen the sector. The government could consider dedicating specialised financial schemes for addressing difficulties in assessing and providing credit for small enterprises, as also providing line of credit to firms which are under financial stress.

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