
PROMOTION OF SMALL SCALE INDUSTRIES AND THEIR CONTRIBUTION TO ECONOMIC GROWTH

Dr .R.A.AYYAPPARAJAN

Associate Professor, Master of Business Administration
Nehru Institute of Information Technology and Management
Coimbatore - 641 105

Dr. C. HARIHARASUDHAN

Assistant Professor, Department of Business Administration, School of Management,
Nehru Arts and Science College, Coimbatore.

Ms.Gowrikutty R

Assistant Professor, Department of Commerce
Nehru Arts and Science College, Coimbatore.

How to cite this paper as: Dr .R.A.Ayyapparajan, Dr. C. Hariharasudhan Ms.Gowrikutty R (2024)
Promotion Of smallscale Industries And Their Contribution To Economic Growth. *Library Progress
International*, 1118-1123

ABSTRACT

Small Scale Industries have been recognized as the engine of economic growth that helps in promoting equitable development of both rural and urban areas. The SSI sector forms an essential part of Indian economy with substantial contribution to GDP and Employment. These SSI have some intrinsic advantages like low capital intensity, high employment generation capacity, regionally balanced development and even distribution of wealth and income. The present paper has been done with the major objective of exploring the profile of SSI in India and analyzing the contribution of SSI to Indian Economy. The data required for the study were collected through various published reports of Government of India. It was found from the analysis that the contribution of SSI to Indian GDP is very significant and they have provided employment opportunity to people in both rural and urban areas leading to equitable development of the country.

KEYWORDS: Small Scale Industries, GDP, Employment, Equitable Development, Indian Economy.

INTRODUCTION

In India small enterprise plays important economic, social and political role in employment creation, resource utilization and income generation .It also helps to promote economic change in a gradual and peaceful manner. Small-scale industries (SSIs) are the backbone of any country's economy. They are critical in creating jobs. Small-scale industries are labor intensive while requiring less capital and producing on a small scale. These industries can either be manufacturing or service providers.

Small-scale industries are important because they contribute to India's economic development and job creation. It boosts the country's growth by increasing urban and rural development. The role of small and medium-sized enterprises is to assist the government in expanding infrastructure and manufacturing industries, as well as reducing issues such as pollution, slums, poverty, and other development acts. Small-scale manufacturing industries and cottage industries are critical to India's economic development. Any amount of capital invested in small-scale industries will help to reduce unemployment and increase self-employment in India. The industry is a sector of the economy that involves the production of goods.

STATEMENT OF THE PROBLEM

The greater variance Problems confronted by SMEs The greater variance in profitability, survival and growth of SMEs compared to larger firms accounts for special problems in financing. SMEs generally tend to be confronted with higher interest rates, as well as credit rationing due to shortage of collateral. The issues that arise in financing differ considerably between existing and new firms, as well as between those which grow slowly and those that grow rapidly. The expansion of private equity markets, including informal markets, has greatly improved the access to venture capital for start-up sand SMEs, but considers able differences remain among countries. Regulatory burdens remain a major obstacle for SMEs as these firms tend to be poorly equipped to deal with the problems arising from regulations. Access to information about regulations should be made available to SMEs at minimum cost. Policy makers must ensure that the compliance procedures associated with, e.g. R&D and new technologies, are not unnecessarily costly, complex or lengthy.

OBJECTIVE OF THE STUDY:

In the light of the above, the present study is designed with the following objectives:

- To study the existing pattern of small enterprises of the country and estimate the share of small enterprises in the economy.
- To examine the Entrepreneurial competencies in our states and performance appraisal and growth strategies of small enterprises.
- To analyze the ownership structure and organizational framework of small enterprises.
- To study managerial issues and financial strategies in small scale enterprises

THE LIMITATIONS OF THE STUDY:

- Lack of talented and skilled labour, managerial, and marketing skills, delayed payments, inadequate loans, lack of demand for their products, etc. are the limitations faced by these Small scale units.
- Their technological up-gradation is less and they continue without dated processes and techniques.
- Their costs are consequently higher and they are not able to compete with large scale units.

REVIEW OF LITERATURE

- Ashok Sharma and kumar (2011), the main aim of this article is to examine the effect of Working Capital on profitability of Indian firms. The finding of researcher shows significantly depart from the various international markets. The result show that Working Capital Management and profitability in positively correlated in Indian companies Research also shows that the inventory of number of day and number of days account. Payment is negatively whereas number of days accounts receivable and cash conversion period a positive relationship with corporate profitability.
- Ayozie Daniel Ogechukwu1 (2010) Small scale industries have a lot of important contributions to make to the economic development of the country. By its less capital intensive and high labour absorption nature, SSI sector has made significant contribution to employment generation and also to the rural industrialization. This sector is ideally suited to build on the strength of the traditional skill and knowledge, capital and innovative marketing practices. So, the importance of small scale enterprise is a global phenomenon encompassing both the developing and developed countries. In both developed and developing countries, the government is turning to small and medium scale industries and entrepreneurs, as a means of economic development and a veritable means of solving problems. Its contribution to the mobilization of domestic savings and utilization of local resources is also a notice able factor. It is a base for the development of appropriate technology and provides a veritable ground for skilled, unskilled and semi-skilled workers. It has provided productive self-employment to a

number of educated and less educated young men and women coming out of schools, colleges, polytechnic, and universities.

- Gabor HUNYA,(2011) Basic legal and regulatory framework is well in place, the implementation of the legislative framework is often cumbersome and contradictory in Romania. Administrative procedures and formalities represent a resource-consuming burden for SMEs. Another pressing problem is the mutual indebtedness of companies and especially the payment arrears of the public to the private sector. Before looking for funding sources, potential beneficiaries have to identify what are their real needs and to define clear and coherent as of what they want to achieve and how.
- Ganapathy S. Natarajan and David A. Wyrick (2011)⁹ Most SMEs expected information and some expected financial support from the support programs. The different support programs were evaluated based on how well they perform in providing information, advice, financial support, and constant feedback. A good support program affected and improved the environmental performance of SMEs. It was observed that public sector purchasing promoted sustainable practices among the SMEs and in turn helped the local and regional economy. Since public sector industries have the financial power and also improve the bottom line of the sourcing SMEs, sustainable development was seen as feasible and economically viable.

HABITATION

PARTICULARS	FREQUENCY	PERCENTAGE
Urban	60	34.9
Semiurban	65	38.0
Rural	45	27.1
Total	170	100.0

AGE

AGE	FREQUENCY	PERCENTAGE
25-35	97	58.4
35-45	42	25.3
45-60	15	7.2
Above 60	16	9.0
Total	170	100.0

GENDER

PARTICULARS	FREQUENCY	PERCENTAGE
Male	78	47.0
Female	92	53.0
Total	170	100.0

EDUCATION

PARTICULARS	FREQUENCY	PERCENTAGE
UG	124	72.3
PG	36	18.1

Diploma	10	6.0
Others	6	3.6
Total	170	100.0

MONTHLY INCOME

PARTICULARS	FREQUENCY	PERCENTAGE
20000-40000	107	63.3
40000-60000	36	20.5
60000-80000	17	10.2
Above80000	14	6.0
Total	170	100.0

MARITAL STATUS

PARTICULARS	FREQUENCY	PERCENTAGE
Married	31	17.8
Unmarried	139	82.2
Total	170	100.0

INTERPRETATION

The above table shows that the percentage of perception of the respondents towards promotion of small scale industries habitation is Urban 60(34.9), Semi urban 65(38.0), Rural 45(27.1) and Age of 25-35 are 97(58.4), age of 35-45years are 42(25.3), ageof45-60years are 15 (17.2), age of above 60 years are 16(9.0). Gender 92(53.0) are female and 78(47.0) respondents are male. Educational qualification Undergraduate 120(72.3), postgraduate 34(18.1), Diploma 10(6.0), others 6(3.6). Monthly income 105(63.3) are in the range up of 20000-40000, 34(20.5) in 40,000-60,000, 17(10.2) in 60,000-80,000, 14(6.0) above 80,000. Marital status 31(17.8) are unmarried, 139(82.2) are married.

DO SMALL SCALE INDUSTRIES FACE PROBLEMS?

PARTICULARS	FREQUENCY	PERCENTAGE
Yes	92	54.2
No	24	14.5
Maybe	54	31.3
Total	170	100.0

MAIN PROBLEM IN SMALL SCALE INDUSTRIES

PARTICULARS	FREQUENC Y	PERCENTAG E
Raw material	45	25.9

Finance	51	29.5
Managerial skill	29	17.5
All of these	45	27.1
Total	170	100.0

MAIN IMPORTANCE OF SMALL SCALE INDUSTRIES

PARTICULARS	FREQUENCY	PERCENTAGE
Job creation	44	25.3
Exports	28	15.7
Innovation	30	18.1
National growth	20	12.0
All of these	48	28.9
Total	170	100.0

INTERPRETATION

The above table shows that the percentage of perception of the respondents towards the problems faced in SSI 92(54.2%) responded yes & 24(14.5%) responded no & 54(31.3%) responded maybe. 45(25.9%) thinks raw materials & 51(29.5%) thinks finance & 29(17.5%) thinks managerial skill, 45(27.1%) thinks all of these are main problems in SSI. 44(25.3%) thinks job creation & 28(15.7%) thinks exports & 30(18.1%) thinks innovation, 20(12%) thinks national growth and 48(28.9%) thinks all the above mentioned are the main importance of Small Scale Industries.

FINDINGS OF THE STUDY

- Majority of the respondents are from Semi urban area 65(38%)
- Majority of the respondents are in the age of 25-35years 97(58.4)
- Majority of the respondents female 92(53%)
- Majority of the respondents educational level is UG 120(72.3%)
- Majority of the respondents income level is from 20000-40000 105(63.3%)
- Majority of the respondents unmarried 122(73.5%)
- Majority of the respondents says yes to the statement that Small Scale Industries face a lot of problems now-a-days to large industries 90(54.2%)
- Majority of the respondents says finance to the statement that Small Scale Sector finance is the main problem in Small Scale Industries 51(29.5%)
- Majority of the respondents says all of these to the question that what is the main importance of Small Scale Industries 48(28.9%)

SUGGESTIONS:

The findings explain the Promotion of small scale industries and their contribution to economic growth. The problems like financial, technical faced by the small industries and how do they contribute to the economy and improvements in small scale industries. The study further revealed the responses of various sector people's thinking about small scale industries. Effectiveness of small enterprises depends upon the entrepreneurial and managerial capabilities of those involved in the business. The small enterprises of our country have been showing a higher rate of growth as compared to the industrial sector as a whole.

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.

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