



Small-scale industry performance analysis in light of economic development

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Abstract

It is the small-scale industrial sector that has been instrumental in the development of many nations. Industry in India contributes close to 40% to the country's GDP. When it comes to providing employment opportunities for Indian citizens, small-scale industries are second only to agriculture. Manufacturing output, employment, and exports all receive a significant boost from the country's small-scale industrial sector. This industry is responsible for roughly 45% of manufacturing output and 40% of total exports. Growth in GDP, output, employment, and exports can all be traced back to a healthy small business sector. Recognizing its value to the national economy could be helpful.

Key Words:SSIs, Production, Employment, Exports, GDP.

Introduction

Small-scale industries (SSI) are a vital part of the manufacturing sector in many developing countries. The creation of jobs, the efficient use of resources, and the generation of income are all significant contributions they make to the gradual and phased promotion of change. Due to their ideological and economic significance, they have always held a prominent position within India's planning framework. The explanations are simple. The use of labour should be prioritised

over capital investment as much as possible within a development policy aimed at maximum efficiency.

In comparison to larger corporations, small businesses rely more heavily on human labour. In recent years, the small-scale sector in India's economy has emerged as a dynamic and vibrant part of the economy.

Definition of Small Scale Industry

The definition of small-scale industry varies from country to country based on factors such as its pattern and stage of development, government policy, and administrative structure. This makes it difficult to pin down a universal definition.

a) Small-scale industry is defined differently in each country. The original value of the installed plant and machinery is typically used as the defining factor for the small-scale sector. However, this definition used to centre around work. These are the parameters that apply in the Indian setting.

b) For the first time, a small-scale industry was defined as one that relies primarily on hired labour, typically between 10 and 50 hands, by the Fiscal Commission, Government of India, New Delhi, 1950.

c) The amount of fixed capital an enterprise invests is now widely used as a second indicator of business size. This cap is gradually increasing as the government keeps raising it.

Importance of SSIs in India

SSI is a major industry in India, accounting for around 7% of GDP and directly employing more than 28 million people. About 40% of industrial output and exports can be attributed to this sector. The company produces over 8,000 unique items, from relatively simple ones to complex ones that use cutting-edge technology. The SSI industry competes on both the domestic and international levels. The SSIs sector is widely acknowledged as the growth engine, as it accounts for roughly 70% of all jobs and makes a sizable contribution to GDP expansion. The vast majority of the world's businesses are small and medium-sized establishments (SMEs), with only 0.3% being classified as large corporations. In contrast, in India, 95 percent of all manufacturing units are found in the SSI sector.

Literature Review

Dhar and Lydall (1961), Sandesara (1954) Their research indicates that small businesses create a smaller number of jobs than large ones. These types of businesses have shifted in recent decades to rely more on capital than labour. Small-scale industries (SSIs) have low labour productivity but high capital productivity, according to research by Biswanath Goldar (1988). Overall, however, total factor productivity has been lower. According to Goldar's research, the SSI cannot be relied on as a viable means of creating new jobs.

Ramsingha K Asher (1987) showed that small factories can generate three times as much return on their fixed investment as large ones. Additionally, a recent study by SIDBI and NCAER supports this (1999). Various studies have been conducted to identify the factors that are preventing these small businesses promoted by different entrepreneurs from expanding. According to Clacy and Lakhmakker's (1994) research, small-scale industries' ability to make decisions freely is hampered by intense rivalry. Despite the fact that newer and better technologies are readily available in the Indian market, the technology used by smaller-scale units has remained unchanged. Possible causes include inability to invest, reluctance to do so, and a dearth of resources dedicated to technology research and development, among others. Investment in information and communication technologies reduces labour productivity but boosts economic growth overall. However, according to research by Shyamal K. Chowdhury and Susanne Wolf, such expenditures neither significantly affect firms' return nor determine whether or not they engage in exporting (2003).

Sebastian Morris, Rakesh Basant (2006) As their research showed, dealing with the government is a significant challenge for small businesses. The inspector raj syndrome needs to be abandoned so that the numerous pieces of legislation, such as the Labor Compensation Act and the Unionization Act, can be streamlined.

Objectives

The main objectives of the study are:

1. Analyze the development and expansion of India's small-scale industrial sector after liberalisation.
2. The purpose of this study is to assess the effectiveness of small-scale industries by calculating employment, unit count, and productivity per worker.

Research Methodology

Annual reports, the RBI website, and the MSME website were mined for secondary data for the study.

The 73rd NSS round in 2015–16 found that the MSME sector in India was responsible for creating 11.10 crore jobs across the country, Including 360.41 million in agriculture, 387.18 million in retail, and 362.82 million in other service-based industries (rural and urban combined). Table showing the wide range of industries represented by micro, small, and medium-sized enterprises.

Table. No.1: Estimated Employment in the MSME Sector (Activity Wise)

Broad Activity Category	Employment (in lakh)			Share (%)
	Rural	Urban	Total	
(1)	(2)	(3)	(4)	(5)
Manufacturing	186.56	173.86	360.41	32
Electricity*	0.06	0.02	0.07	0
Trade	160.64	226.54	387.18	35
Other Services	150.53	211.69	362.22	33
All	497.78	612.10	1109.89	100

With an estimated 630.52 million micro-enterprises, the sector has a total employment of around 1076.19 million people (or roughly 97% of the total employment). Estimated small and medium-sized enterprises (SMEs) accounted for 3.31 million and 0.5 million jobs, respectively, in the MSME sector, which accounted for 2.88 percent and 1.75 million jobs, respectively, in the

overall economy. Employment in rural and urban areas is broken down by sector in Statement No. 2.8 and Figure 2.6.

Table. No.2: Distribution of employment by type of Enterprises in Rural and Urban Areas

(Number in lakh)

Sector	Micro	Small	Medium	Total	Share (%)
Rural	489.30	7.88	0.60	497.78	45
Urban	586.88	24.06	1.16	612.10	55
All	1076.19	31.95	1.75	1109.89	100

Conclusion

As one of India's major industries, SSI is responsible for about 7 percent of the country's GDP and directly supports the livelihoods of more than 28 million people. In India, the value of production from SMEs is close to Rs 816,000 crores right now. The estimated 3.31 million small businesses and 0.5 million medium-sized businesses accounted for 31.95 million (2.88 percent) and 1.75 million (0.16 percent) of all MSME sector jobs, respectively. Credit for SSI should be a priority for the government because the creation of new businesses has a direct impact on the economy.

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