



Small Scale Organisations and their Contribution to the Economic Growth

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Abstract:

Essentially the small scale organisations are generally comprised of those industries which manufacture, produce and render services with the help of small machines and less manpower. These enterprises must fall under the guidelines, set by the Government of India. The performance of the small-scale organisations has a direct impact on the growth of the overall economy in terms of number of units, production, employment and exports. It may help to understand its role in the economic development of the country. The role of small-scale organisations has always been supported in a country like India with various opinions such as employment, equality, latent resource, trickling effect, insurance against social tension, distributive effect, creation of social eco-system and decentralization etc. **The small scale organisation sector continues to remain an integral part of Indian economy with significant contribution to GDP, industrial production and employment generation in India.**

Key Words: Small scale organisations, economy, GDP etc.

Introduction:

Small scale organisations are those industries in which the manufacturing, production and rendering of services are done on a small or micro scale. These industries make a one-time investment in machinery, plant, and equipment, but it does not exceed Rs.10 crore and annual turnover does not exceed Rs.50 crore. The small scale organisations are the lifeline of the economy, especially in developing countries like India. These industries are generally labour-intensive, and hence they play an important role in the creation of employment. SSI's are a crucial sector of the economy both from a financial and social point of view, as they help with the per capita income and resource utilisation in the economy.

Small Scale Industries in India and their growth is one of the most significant features of the planned economic development of the country. These SSIs have provided opportunities for self-employment for educated young people and created employment opportunities for millions of Indians. Presently, SSIs are regarded as an inevitable instrument for balanced regional economic development due to their dynamic

enterprising spirit. One of the major milestones of the Indian Economy was merging the Ministry of Small Scale Industries and the Ministry of Agro and Rural Industries and framing of Ministry of Micro, Small and Medium Enterprises (MSME) on 9 May 2007. The main duty of the ministry is to design policies, facilitate programmes, promote projects/schemes and monitor their implementation, with a view to assisting MSMEs and helping them to scale up.

Review of Literature:

Thilaka 2017: in her study "A Study of Financing of Select Small-Scale Industries by Commercial Banks in Tamil Nadu", stated that one of the important problems of the small-scale industries was bank finance. Restriction on term on loan facilities small-scale industries acted as a stumbling block in the promotion of SSIs units. She stated that commercial banks provided only 75 percent of the financial needs of the small-scale industrial units. Further the borrowers complained that they had to visit the bank more than ten times for getting their loans.

Khan, 2019: in his article entitled "Financing of Small-Scale Industries in Maharashtra",

found that there was an urgent need to review the labour provisions for small units and bring about simplicity and transparency. The issues of labour laws assumed significance for the small industry. The multiplicity of labour Act and legislation enacted and administered by the State Government had neither proved useful to the workers nor to the industry. He suggested that the Central Government should come out with a single comprehensive labour act for the small sector as a model and the State Government may be asked to implement the same in the place of the existing labour legislation.

Objectives of the Study:

- To explore the profile of small scale organisations in India.
- To analyze the contribution of small scale organisations towards Indian economy.
- To identify the role of small scale organisations in economic development.

Methodology:

The present study is a descriptive study which is verified through published data. The study is confined to understanding the profile and contribution of Small Scale Industries to Indian economy. Data required for the study were collected through secondary sources like annual reports of Ministry of MSMEs, RBI bulletin and other published information. The collected data were analysed using the appropriate statistical tools.

Role of small scale organizations in the economic growth:

The small scale organisation sector has recorded a high growth rate since independence in spite of stiff competition from the large sector and not so encouraging support from the government. This is evidenced by the number of registered units which went up from mere 16,000 units in 1950 to 36,000 units in 1961 and to 133.67 lakh units in 2007-08. During the last decade alone, the SSI sector has progressed from production of simple consumer goods to the manufacture of many sophisticated and precision products like electronics control systems, micro-wave components, electro-medical equipments, T.V. sets etc.

Employment: Small scale organisations are a major source of employment for developing countries like India. Because of the limited technology and resource availability, they tend to use labour and manpower for their production activities.

Total Production: These enterprises account for almost 40% of the total production of goods and services in India. They are one of the main reasons for the growth and strengthening of the economy.

Make in India: Small scale organisations are the best examples for the Make in India initiative. They focus on the mission to manufacture in India and sell the products worldwide. This also helps create more demands from all over the world.

Export Contribution: India's export industry majorly relies on these small industries for their growth and development. Nearly half of the goods that are exported from India are manufactured or produced by these industries.

Public Welfare: These industries have an opportunity to earn wealth and create employment. SSIs are also important for the social growth and development of our country.

Seedbed for Large Scale Industries: Small scale organisations act as the seedbed for Large Scale Industries (LSI) as it provides conducive conditions for the development and growth of entrepreneurs. Small enterprises require low investment and simple technology and use local resources to meet local demands through personal contacts. Thus, it creates scope for the growth and development of LSI.

Less Capital Requirement: Small scale industries are less capital intensive than the large scale industries. Capital is scarce in developing countries like India and therefore, small scale industries are most suitable for maintaining the balance.

Use of resources and development of entrepreneurial skills: Small scale industries allow for the development of entrepreneurial skills among the rural population which is not having the scope of large scale industries. These industries help in the appropriate use of the resources available in the rural areas, which leads to development of rural areas.

Equal income distribution: Small scale industries by generating employment opportunities create equal income opportunities for the youth of the underdeveloped areas. This leads to the growth of the nation in terms of employment, human development.

Maintain regional balance: It has been seen that large scale industries are mostly concentrated in the large cities or restricted

to areas which leads to migration of people in search of employment to these cities. The result of such a migration is overcrowding of the city and damage to the environment. For sustaining a large population, more of natural resources need to be utilised.

Short production time: Small scale industries have a shorter production time than the large scale industries which results in flow of money in the economy.

Supporting the large scale industries: Small scale industries help in the growth of the large scale industries by producing ancillary products for the large industries or producing small components that will be useful for the assembling of final products by the large scale industries.

Improvement in Export: Small scale industries contribute to around 40% of the total exports done by India, which forms a significant part of the revenue earned from the exports. Small scale industries work towards increasing the forex reserves of the country that reduces the load on balance of payment of the country.

Reduce the dependence of agriculture: Most of the rural population will be dependent on agriculture and this creates a burden on the agricultural sector. Small scale industries by providing employment opportunities to the rural population provides more avenues for growth and also paves way for a more arranged distribution of occupation.

Table 1: Contribution of small scale organisations to economic growth

(Figures in Rs. Crores at current prices)						
Year	GVA	Growth (%)	Total GVA	Share of SSI in GVA (%)	Total GDP	Share of SSI in GDP (in %)
2011-12	2622574	-	8106946	32.35	8736329	30.00
2012-13	3020528	15.17	9202692	32.82	9944013	30.40
2013-14	3389922	12.23	10363153	32.71	11233522	30.20
2014-15	3704956	9.29	11504279	32.21	12467959	29.70
2015-16	4025595	8.65	12566646	32.03	13764037	29.20
2016-17	4405753	9.44	13841591	31.83	15253714	28.90

Source: Central Statistics Office (CSO), Ministry of Statistics & Programme Implementation, 2018-19

Table 1 shows the contribution of small scale organizations to economic growth of India. The contribution of small scale organizations to total GDP has increased from Rs. 8736329 crores in 2011-12 to Rs. 15253714 crores in 2016-17. The share of SSIs in GDP has decreased from 30% in 2011-12 to 28.90% in 2016-17 as the contribution from other sectors of the

economy has increased. This shows that even though there is decrease in the percentage share there is an increase in the total amount of contribution from small scale organizations to Indian GDP which is a very remarkable achievement of the small scale organizations that is aiding the development of our country.

Table 2: Contribution of small scale organisations in creating Employment in different sectors and areas

Broad Activity Category	Employment (in lakh)			Share (%)
	Rural	Urban	Total	
Manufacturing	186.56	173.86	360.41	32
Trade	160.64	226.54	387.18	35
Other	150.53	211.69	362.22	33

Services				
Electricity*	0.06	0.02	0.07	0
All	497.78	612.10	1109.89	100

Source: Annual report 2018-19, ministry of micro, small and medium enterprises, GOI

The employment offered in small scale organizations sector in India as per the annual report of Ministry of MSME is shown in table 2. The MSME sector has helped in the generation of 1109.89 lakh employment in India, out of which 360.41 lakh were from manufacturing sector, 387.18 lakh were from trade sector, 362.22 lakh were from services and 0.07 lakh were from electricity sector. Nearly 497.78 lakh employment were generated in rural areas and 612.10 lakh employment were generated in urban areas which indicates that the MSME sector is supporting the overall development of the country without regional disparities.

Here it is observed that most of the population of India is directly or indirectly associated with agriculture or their allied sector and Small scale Industry provide huge support for busting the employment generation to rural as well as urban sector. Due to small scale organisation Approximately 45 million rural women across India are mobilized and start up with their new venture and with this positive gesture Small Sale Industries have empowered them with skills, access to finance, markets, and business development services. Small Scale Industries serves as a catalyst of economic development of the country. It is one of the largest sections for capital accumulation. In fact economic growth is the result of the efforts taken by the entrepreneurs. Similarly entrepreneurs can dictate the economic growth by their actions and decisions. Now many have begun to realize that for achieving the goal of economic development, it is necessary to promote small scale organizations both qualitatively and quantitatively in the country.

Conclusion:

The small scale organizations have been considered as the engine of growth throughout the world. Indian economy is also developing due to the contribution of MSME in employment generation and reduction of regional disparities. The small scale organizations today constitute 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 organizations 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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