

ROLE OF SMALL-SCALE INDUSTRIES IN EMPLOYMENT GENERATION: A CASE OF INDIA

Dr Himanshu Rastogi

Professor, Amity University Uttar Pradesh, Lucknow Campus, India

Email - drhrastogi@gmail.com

Abstract: *Small Scale Industries (SSI) are basically set up with the goal of poverty alleviation. These industries have a very important and effective role in both developed and in developing countries because it is considered the backbone of their economies. SSI can play a role in improving the socio-economic condition of the poor, create employment opportunities, job creates greater utilization of local raw materials and improve the economic growth of the country. It improves the growth of the country by increasing both urban and rural growth. SSI provide nearly forty percent of the gross industrial value added to the Indian economy. SSIs are an important industry both from a financial and social perspective as they contribute to per capita income and resource utilisation in the economy. These industries can be either manufacturing or service industries. Small scale industries are labour intensive but require less capital and produce on a small scale. This research paper aims to examine the impact of Small-Scale Industries (SSI's) on poverty alleviation, employment opportunities and government initiatives for SSI units based on secondary data collected from various sources such as the internet, books, magazines, newspapers and government data from the Ministry of Micro, Small, and Medium Enterprises (MSME) website portal. The papers also try to put light on the challenges faced by this important sector.*

Key Words: *Small Scale Industries, poverty, employment, economy, unemployment and enterprise.*

1. INTRODUCTION:

The governing body of SSI's is a small industries development organization. It is an organization which controls SSI's and also formulates business policies for the development of SSI's. The annual report related to SSI has been provided by the Ministry of Small and Medium Enterprises (MSME). The major problems of India is poverty and unemployment. The government of our country is taking various measures like Swarnajayanti Gram Swarajgar Yojna (SJGSY), Sampoorna Gramin Rojgar Yojana (SGRY), Swarna Jayanti Shahari Rojgar Yojna (SJSRY) And Prime Minister Employment Generation Programme (PMEGP) to solve this drastic problem but still it is not fully solved. The present study focused on the role of small-scale industry in reduction of poverty in India. Poverty is a social phenomenon in which societies are unable to fulfill the basic requirements of life i.e., food, shelter, clothing and education etc. The main reason for poverty is the low-income level of people due to scarcity of Employment opportunities. The SSI's plays an important role in removal of unemployment and economic stagnation. The idle resources of a country have been efficiently and effectively utilized by various SSI's and help in economic growth. The minimum Investment required in SSI's - Plant & Machinery – (Rs. 25 lakhs-Rs. 5 crores), Services SSI's investment requirement (Rs. 10 lakhs- Rs. 2 crores). In India SSIs occupy 36 million units, contribute to 45% of industrial production, 40% to the export sector through more than 6000 products ranging from traditional to high-tech and provides employment to about 80 million persons. Therefore, the small-scale industries (SSI) in a developing country like India occupy a special place in the industrial structure. In view of the vast potential of small-scale industries, the government has given this sector an important place in the framework of Indian economic planning for economical as well as ideological reasons.

2. REVIEW OF LITERATURE:

Khan (2020) examined factors of small-scale industry development and studied small-scale industries' policy. Small scales industries policy was announced in 1991, and this policy's primary intention is to maximize the total investment to Rs. 5,00,000. As per the study, this policy has a separate proposal to promote the tiny enterprise. Small scale industry provides job opportunities and development of rural area/market. According to this survey, most rural

people are involved in various types of handicraft work, which is a component of SSI. The paper also studied the problem faced by SSI and all the Central and State Government's measures to uplift the SSI. The author also identifies the performance of SSI in India from the year 1975 to 2011 relating to the production and export of the goods. This article gives precise information about the SSI problems and performance, how SSI is helping to create employment opportunities.

Kumar Arya, A. and Kumar Jain, S. (2014), showed that many small-scale enterprises have emerged in India, and fierce competitiveness has made the survival of small-scale industry challenging. Many SSIs are facing many problems like shortage of material, non-availability of skilled labourers etc. The paper focuses on Kaizen implementation at their units. The purpose of the research is to encourage practitioners to adopt Kaizen in India's small-scale companies. The approach used to execute Kaizen in small-scale industries in India.

Mubarak and Budanur Suresh (2021), SSI playing the crucial role in providing the Job opportunity to public and to increase the national income. The study also suggests that India's focus and support for SBEs may be traced back to Mahatma Gandhiji's specific concern for handicraft and village-based businesses. Small business enterprises (SBEs) serve as accessory units to big enterprises, and this sector contributes significantly to the socioeconomic environment of the country's development. The SBE sector has evolved as a dynamic, lively sector of the economy, and it holds the key to economic development in an economy like India. In fact, it accounts for approximately 40% of the country's industrial production, 42% of exports, and 65% of career opportunities and out of 50 crore SBEs in India where 4.6 lakh SBEs are in Karnataka state. Authors also provide information about Goods and services tax impact on small and medium enterprises.

OBJECTIVES OF THE STUDY:

1. To study and understand about various Small-Scale Industries (SSIs)
2. To study and analyze the role of Small-Scale Industries (SSI's) in generation of employment.
3. To study and analyze the role of SSI in eradication of poverty.

3. RESEARCH METHODOLOGY:

This research paper aims to examine the impact of Small-Scale Industries (SSI's) on poverty alleviation, employment opportunities and government initiatives for SSI units based on secondary data collected from various sources such as the internet, books, magazines, newspapers and government data from the Ministry of Micro, Small, and Medium Enterprises (MSME) website portal.

4. SMALL SCALE INDUSTRIES (SSI):

India is one of the world's fastest growing economies in the world, it is pertinent to note that SSIs contribute almost 40% of India's gross industrial value. These industries produce goods and services worth over Rs. 40 lakhs for every investment of Rs. 10 lakhs. Furthermore, the value addition in this output increases by over 10%. The number of SSI in India increased from around 8 lakhs in 1980 to over 30 lakhs in 2000. This figure has grown even more in recent years owing to the government's 'Ease of Doing Business' policies. As a result of this, the total industrial production output rose tremendously in the last few years. SSIs are, therefore, strongly responsible for the growth of India's economy. Small-scale industries offer several advantages and opportunities for investment.

4.1. Prominent Sectors for Small Scale Industries:

- Agarbatti Making SSI-Any individual can start agarbatti making. Agarbatti is considered as household goods having a great market potential.
- Paper Cup Making-Paper cup making business is one of the most lucrative small scale manufacturing opportunities in India.
- ATM Space Renting-The demand for ATM space is high. If you are looking forward to a fixed monthly income, ATM space renting is a good retail business proposition for SSI
- Banana Wafer- Making Banana wafers are under-you can sell the item both in the local and export markets.
- Bed sheet With Pillow. Knowledge in the textile industry is important. Small, medium and large scale operation is possible.
- Candle Making-Aromatic decorative candles business can be initiated as SSI and part time basis. This is one of the most profitable small scale business ideas for women entrepreneurs also.
- Bio-diesel Production – It can be established on a small-scale basis at any place where the main raw material Jatropha oil is easily available.
- Bridal Store -A bridal store focused in specialty wedding attire with allied wedding because weddings are memorable once-in-a-lifetime events.

5. SMALL SCALE INDUSTRIES AND EMPLOYMENT GENERATION:

Small scale industries are the second largest employer of human resource after the agricultural sector and produce a wide variety of products ranging from traditional to high-tech. SSI plays a pivotal role in the Indian economy as of being labour-intensive, helps to generate employment in rural as well as in urban areas. The SSIs had also played a cardinal role in the growth operation of Indian economy since independence despite of drastic competition from the big industrial houses and not immensely enriching support from the government. The elemental problem that is confronting the Indian economy is escalating pressure of population on land and needs to create enormous employment opportunities. This problem can be solved to a larger scale with the help of small-scale industries as small-scale industries are labor intensive in nature and has shown an outstanding growth in the last decade. The employment generation by SSIs is shown in Table-1.

Table-1: Investment and Employment Generation by Small Scale Industrial Sector

Year	No. of total SSI (In lakh)	Fixed Investment (In crores)	Employment (in lakh person)	Average Investment	Average Investment
2000-01	101.10	27279	238.73	2.70	2.36
2001-02	105.21	154389	249.32	1467.44	2.37
2002-03	109.49	162317	260.21	1482.48	2.38
2003-04	113.95	170219	271.42	1493.80	2.38
2004-05	118.59	178699	282.57	1506.86	2.38
2005-06	123.42	188113	294.91	1524.17	2.39
2006-07	261.01	500758	805.23	1918.54	3.09
2007-08	272.79	558190	626.34	2046.23	2.30
2008-09	285.16	621753	659.35	2180.37	2.31
2009-10	298.1	693835	695.38	2327.52	2.33
2010-11	428.73	1105934	965.15	2579.56	2.25
2011-12	447.64	1182757	1011.69	2642.21	2.26
2012-13	467.54	1268763	1061.4	2713.70	2.27
2013-14	488.46	1363700	1142.29	2791.84	2.34
2014-15	510.57	1471912	1171.32	2882.88	2.29
2015-16	633.88	1014762	1109.89	1600.87	1.75

Source: Annual Reports of MSME - <https://msme.gov.in>

The small-scale industry (SME) sector remains a significant contributor to GDP, industrial production, job creation, and exports. According to the MSME reports, the number of MSME grew from the third to the fourth All-India census of SMEs. 101.1 lakh units in 2000-2001 to 298.1 lakh units in 2009-2010 and increased to 633.88 lakh units in 2014-2015 employing 1109.98 lakh people which is slightly lower than the one generated one year back requiring an average investment of 1600.87 giving an average investment of just 1.75 lakh per unit. This shows that SSI sector generates a large volume of employment, at least investment being labour incentive.

6. IMPORTANCE OF SMALL-SCALE INDUSTRY IN INDIA:

The SSI sector in India is privileged because of its accomplishments in the country's socio-economic growth. Their contributions are highlighted in the following points

- Ninety-five per cent of SSI units are in India; small-scale industries that contribute to our country's balanced regional development are remarkable.
- Small-scale enterprises, after agriculture, are the second-largest employers of human resources. They generate a more significant number of job opportunities per unit of capital invested than large industries.
- Small scale businesses provide a wide range of products, including mass-market goods, ready-to-wear clothing, hosiery, stationery, soaps and detergents, home utensils, leather, plastic, and rubber products and processed meals and vegetables.
- Small businesses make simple goods with rudimentary technologies and rely on locally sourced materials. Material and labor are available all around the country.
- Small scale industry provides more opportunities for entrepreneurship. There are bare minimum formalities for setting up a small-scale industry.

- Government's policy initiatives are to stimulate and promote the development of agro-based rural industries.

7. PROBLEMS FACED BY SSI SECTOR:

Despite expedient contribution by the SSIs towards the Indian economy, SSIs does not get the indispensable support from the concerned Government departments, financial institutions, Banks, credit societies and corporate thus the SSIs are becoming handicap in the face of competition at national and international markets. The major problems faced by the SSIs are discussed below:

7.1. Scanty credit assistance:

Scanty and timely supply of credit is one of the major problems faced by SSIs in India. Scarcity of finance and weak creditworthiness is the main barrier for the development of SSIs in India. The creditworthiness of these small borrowers is generally weak and therefore they face unwilling creditors who may be persuading to lend only at high rate of interest.

7.2. Uneven and poor quality of raw material:

SSI units face extreme problems in procurement of raw materials whether from local or international market. The problems arise due to the absence of a sufficient quantity of raw materials, poor quality of raw material at exorbitant prices. The entrepreneur of SSI units lacks knowledge about the procurement from foreign market. Large scale industries enjoy economies of large-scale operation hence can procure the quality raw material at very reasonable price, thus can sell the products at cheaper price as compared to SSIs.

7.3. Absence of organized marketing process:

SSI units do not have any organized marketing process and even does not appoint any marketing organization for marketing of products or services and hence their products compare unfavourably with the quality of the products of large-scale industries. They suffer competitive disadvantages in comparison to large scale industries, as large-scale industries infuse large amounts of money on branding and promotion activities.

7.4. Inadequate infrastructure:

Inadequate infrastructure is a major problem for the SSI units to grow and prosper. Most of the SSI units are located in semiurban, urban and rural areas where the power supply is inadequate to run big machines, several times power cut off, and poor road connectivity. Thus, absence of adequate infrastructure adversely affects the productive schedule of the enterprise leading to underutilization of capacity. Moreover, the machinery, equipment and technology employed by the SSIs are outdated, where the large scale organization enjoys the competitive advantages. Beside the above-mentioned problems SSI units suffer from several other problems like poor managerial capabilities, lack of adequate warehousing for free supply of goods, lack of skilled manpower, lack of appropriate information, etc. Due to all these problems the progress and development of small-scale industries could not reach the distinguished stage.

8. GOVERNMENT SCHEMES TO ASSIST SSI SECTOR:

To help the SSI sector in overcoming the problems faced by them and encourage them to succeed in the competitive environment GOI has introduced a series of schemes from time to time the important ones are as under.

8.1. Credit guarantee scheme for micro and small industries:

This scheme aims to assist first-generation entrepreneurs in pursuing credit guarantee support for collateral-free/third-party guarantee-free loans to micro and small businesses, especially where the collateral is not available, creating self-employment prospects. This scheme is a collateral/third-party guarantee free credit facility (both fund and non-fund based) offered by qualifying institutions to new and existing small enterprises, including service enterprises, with a credit limit of Rs.2 crores.

8.2. MUDRA units:

The scheme also addresses the entrepreneurs need to introduce new technology/automation to modernise the existing unit. The scheme's principal goal is to boost the existing industry's growth. MUDRA is providing up to Rs.10 Lakh loan.

8.3. Procurement and marketing supporting scheme:

Promoting new market access initiatives, raising awareness, and educating MSMEs on various marketing-related tactics are all goals. Efforts are made to conduct trade shows, internet advertising, e-marketing based on government procurement policies to boost the sale

8.4. The small business development centre in rural areas:

NABARD introduces this scheme to help individuals and groups who are socially and economically disadvantaged. The program employs a huge number of unemployed rural youth and women in various trades, including food preparation.

9. CONCLUSION:

Small-scale industries are critical to the country's growth. It accounts for about 40% of the gross industrial value added to the Indian economy. Small-scale industries are being explored across the country, and they are meeting local demand. As a result, SSIs play an essential role in regional development. The Indian Government announced some policies and programs to assist SSIs and started various initiatives that have been done to enhance credit flow to rural areas and improve the quality of life for the workers working in the SSIs. The Government has also implemented various schemes and incentives to promote institutional infrastructure for SSIs. Government supports globalization and liberalization. It is anticipated that subsidies will likely rise, boosting SSIs for export competitiveness. SSIs in India are progressively focused on enhanced production methods, penetrative marketing strategies, and management competencies to sustain and strengthen their operations. The dynamism, flexibility, and innovative drive are also required to be developed. The promoters of SSIs must be educated and informed about the latest global developments and assist in acquiring the skills required to keep up with the global pace developments. SSIs have been extremely beneficial in terms of revenue generation, primarily through the export of goods and addressing issues such as employment while improving people's socio-economic conditions.

REFERENCES:

1. Khan, W. (2020). Understanding The Dynamics of Small-Scale Industry: A Case Study of Indian Context. *Journal of critical reviews*, 7(7),1018-1023.
2. Anshu Taunk, A.K. (2013). Fear and Challenges Faced by Small Scale Industries of India in the World of Globalization. *Global journal of human social science interdisciplinary*,13(3),43-48.
3. Mubarak and Budanur Suresh (2021), Impact of Goods and Services Tax on Small Scale Industries in India. *International Journal of Research and Analytical Reviews (IJRAR)*, 8(1), 251-258.
4. Rajput, Yulendra Kumar, Agrawal Sneha (2019). Role of Small Scale Industries in Eradication of Unemployment and Poverty. *International Journal of Reviews and Research in Social Sciences (IJRRSS)*, 7(2), 376-378.
5. Geremeve, Yaregal Tilahun (2018). Role of Medium and Small Enterprises for Poverty Allivation. *International Journal of Research Studies in Agricultural Sciences (IJRSAS)*, 4(12), 38-47.
6. Tamizhselvan, P. (2024). Poverty Alleviation and Employment Opportunities through Small Scale Industries (SSI's) and Government Initiatives for SSI's. *International Journal of Scientific Research in Engineering and Management (IJSREM)*, 8(8), 1-5.
7. Thahira K. (2017), Role of MSME in Rural Development of Malappuram. *International Journal of Applied Research*, 236-238.
8. Shashank B.S. & Sureshramana Mayya (2021). A Conceptual Study on Performance of Small-Scale Industries in India. *International Journal of Case Studies in Business, IT and Education (IJCSBE)*, 5(2), 342-353.
9. Sh. Sohan Lal (2023). A Study on Challenges of Small-Scale Industries in India. *International Journal of Creative Research Thoughts (IJCRT)*, 11(3), 860-864.
10. Ministry of Micro, Small and Medium Enterprises, Government of India, Annual Report. <https://msme.gov.in/msme-annual-report>
11. Padmasani, S.Karthika (2013); A study on Problems and Prospects of Micro, Small and Medium scale Enterprises in textile Exports with special reference to Tirupur and Coimbatore district; *IJAMBV*; Volume 1(1). 763-768.
12. Entrepreneurs memorandum (part-ii) data on MSME sector, development commissioner, ministry of MSME.