

# **Growth and Development of Small Scale Industries in India**

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## **Abstract**

Small-scale industries play very important role in the economic development of any less developed or under-developed country. These industries meet the twin needs viz. solution of unemployment problem and checking the economic concentration in the hands of a few. These industries encourage self-sufficiency, self reliance and co-ordination. They provide beneficial re-allocation of available resources and their proper utilisation. They help to eradicate poverty in the rural sector. These industries entail equitable distribution of national income and ensure a harmoniously balanced, integrated and egalitarian socio-economic order in the country. The government of India has implemented different policies for the growth and development of small-scale industries. Different measures have been taken by the government through different five year plans to develop and strengthen the small scale industries.

**Keywords:** Small scale Industries Rural sector, Poverty, Resources.

## **INTRODUCTION**

Small-scale industries today occupy a pivotal position in India's process of development. Since independence, these industries have made an all-round effort to boost the economy. The traditional village and cottage industries provide a vital means of livelihood to village artisans. These industries create the scope of employment to the rural mass and by the way they act as a positive catalyst to ensure the quality of life to the village people. At the same time, these labour-intensive industries are considered to be the important means for checking economic concentration in the hands of a few. Equitable distribution of national income is the thrust of our economic policy and towards this end, small-scale industries play a crucial role. Employment generation, minimisation of economic dispersal, development of backwards areas, improvement of the quality of the village population are some of the many important dimensions of

our pragmatic planning which always encourages the growth of village small-scale industries in the rural sector.

### **NEED OF RURAL SMALL-SCALE INDUSTRIES**

- (a) Growing population pressure in the rural areas;
- (b) Rapid expansion of the labour forces, especially among the marginal farmers and landless agricultural labours;
- (c) Inadequate opportunities for non-agricultural work;
- (d) Declining participation rate of female workers;
- (e) Limitation of the organised sector in absorbing the labour force;
- (f) Existence of considerable under-employment in the economy;
- (g) The need for creating employment opportunities at or near the place of residence.
- (h) To ensure the development of local initiative, entrepreneurship, co-operation and a spirit of self-reliance;
- (i) To ensure maximum utilisation of local available raw materials by adopting easily adaptable techniques; and
- (j) To avoid the problems created by urbanisation.

### **SIGNIFICANCE OF SMALL-SCALE INDUSTRIES**

Since independence, the rural small-scale industries have been mobilising local resources effectively in a way which makes the economic acceleration of the country. The beneficial re-allocation of various resources and proper utilisation of small-scale savings by the industries can be taken as positive means to eradicate poverty in the rural sector. The significance of these industries, having far-reaching consequences on the economy are summarised below. These industries:

- (1) encourage the philosophy of self-sufficiency, self-reliance and co-ordination;

- (2) enhance employment opportunities to the rural mass and generate mass employment;
- (3) develop industrial activities in rural India with particular emphasis to backward area development;
- (4) integrate large-scale industrial sector with agriculture and allied sectors;
- (5) utilise, essentially, the local raw materials, human resources and skills;
- (6) facilitate the development of economically weaker sections, i.e., poverty-stricken population;
- (7) ensure better earnings to the rural mass;
- (8) upgrade not only the skill of traditional artisans but also induce the unemployed youths to undertake entrepreneurship with special emphasis on the women;
- (9) check the migration of rural mass from the village to the urban conglomerations;
- (10) entail equitable distribution of national income;
- (11) reduce production cost and improve the productivity of the rural artisans;

- (12) strengthen the programmes of ancillarisation to establish and improve linkage between large and small industries, leading to harmonious growth of the total industrial sector,
- (13) strengthen and enlarge skill profile and entre-preneurial competence for self-employment;
- (14) exercise a stabilising influence on the vagaries and uncertainties of rural economy;
- (15) establish an important pillar in the country's march towards industrial democracy;
- (16) constitute a valuable adjunct to our plans for rapid industrialisation; and
- (17) ensure a harmoniously balanced, integrated and egalitarian socio-economic order in the country.

## **S.S.I. DEVELOPMENT: POLICIES AND PROGRAMMES**

### **Industrial Policy Measures**

Various industrial policy resolutions and national plans have been implemented towards the development and promotion of the village cottage industries. The objectives of the industrial policies were:

- (i) to create immediate employment opportunities on the massive scale at a relatively small cost;
- (ii) to meet a substantial part of the increased demand for consumer goods and simple producer goods;
- (iii) to facilitate the modernisation of resources i.e., capital and skill which may otherwise remain unutilised in rural areas;
- (iv) to help in raising incomes and standard of living of a large number of village entrepreneurs;

- (v) to make export-orientation of the small industries and help export promotion (Vepa, 1983).

Policies, supporting the small-scale cottage industries development programmes, emphasize the reservation of products exclusively for the small-scale sector. Various measures of the policies include encouragement of the growth of ancillaries, special incentives for setting up industries in the backward and rural area, liberalisation of terms and conditions of financial assistance from commercial banks and other financial agencies, special facilities for import of raw materials and equipments etc.

### **Organisational Set Up**

The Government of India provided for a dynamic programme for the growth of small-scale industries and a wide net work of governmental agencies both at the Central and State levels have been set up, viz., Small Scale Industries Board, 1954; Small Industries Development Organisation, 1954; National Small Industries Corporation, 1955; Small Industry Extension Training Institute, 1956; Central Institute of Tool Design, Hyderabad, 1968; National Institute for Entrepreneurship and Small Business Development, 1983; State Small Scale Industries Board; District Industries Centres; Tamil Nadu Industrial and Technical Consultancy Organisation, etc.

### **Special Programmes and Schemes**

The Government of India has adopted different integrated development programmes for the betterment and growth of small-scale cottage industries, viz., establishment of Industrial Estate; Credit Guarantee Scheme for Small Industries; The Integrated Rural

Development Programme, establishment of Lead Banks and Regional Banks and NABARD; Trysem, National Rural Employment Programme, Small Industries Development Fund, National Equity Fund, etc.

### **Fiscal Incentives and Subsidies**

The government grants capital subsidy, transport subsidy, income tax subsidy to the small scale and cottage industries. Small/Cottage industries are exempted from obtaining industrial licences for manufacturing a wide range of items. Many fiscal and other concessions like exemption from excise duty, concessional excise duty, capital subsidy to units in backward areas, tax holiday for a specified number of years for new undertakings.

### **CONCLUSION**

In brief therefore, the small-scale industries play strategic role in the economic development and progress of the nation. These industries ensure equitable distribution of national income and wealth. Rural India can draw the benefits of industrialisation through the proper functioning of such industries in terms of several benefits discussed earlier. These Industries are the base industries for the better utilisation of local resources and self-sufficient village economy. However, small entrepreneurs should be encouraged to build different co-operatives in terms of product lines among themselves and co-operative form of small-scale ventures, particularly in the rural areas, can be able to achieve the economic objectives of our country in the long run.

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