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CONTENTS

Sr.No	Name	Author	Pages
1.	Land Laws Under The Provisions of the Hyderabad Tenancy and Agricultural Land Act, 1950	Dr. S. K. Hingole	6
2.	Need of Guidance and Counseling in the Present Scenario	Katta Guruvaiah	9
3.	Financial Capability Now : Why College Students Can't Wait	Baldeep Kaur Madanmohan Singh Khalsa	13
4.	Management Games: A Novel Approach & an Innovative Pedagogical Tool	Rajendra Dongare Prashant Asturkar	16
5.	Nationalism in India	Ms. Khan Talat Sultana	23
6.	In Vitro Regeneration and Activity of Solanum Nigrum as Medicinal, and Harbal Plant	Sandip Nanusingh Chavan	26
7.	On-line Education In India : Present and Future	Dr. Memon Ubed Yusuf Rumana Sadiquallah Khan	32
8.	Sexual Harassment at Workplace : A Legal Perspective	Dr. Dayanand B. Shetty	40
9.	Role of Small Scale Industries in Indian Industry	Dr. Gawali S. N.	45

Sr.No	Name	Author	Pages
१०.	महानुभावांचे तत्वज्ञान	स्वाती शिशुपाल नाकील	५०
११.	प्रसारमाध्यमांचा प्रभाव आणि सामाजिक परिवर्तन	प्रा.रामनाथ पवार	५४
१२.	अनुसूचित जाती व जमातीच्या शिक्षणासाठी शासनाच्या योजना	प्रा. डॉ. अदनाक प्रशांत श्रीधरराव	५७
१३.	मराठवाड्यातील प्राथमिक आरोग्य केंद्राच्या सेवा - सुविधा ची सद्यस्थिती	डॉ. श्रीमती एम. व्ही. वायकोळे चव्हाण प्रसाद शिवाजीराव	६२
१४.	शाळेतील संपूर्ण गुणवत्ता व्यवस्थापनासाठी सकारात्मक बदल आणि उपाय	डॉ. एम. आर. पठाण	६७
१५.	स्त्री विमर्श के सन्दर्भ में मीडिया की स्त्री	आश्विनी मोरे डॉ. मीरा निचळे	६९
१६.	मॅक्सिम गोर्की 'माँ' - उपन्यास	डॉ. मीना खरात	७२
१७.	उपन्यास : सैद्धांतिक अध्ययन	बनसोडे लोपामुद्रा सदाशिवराव	७६
१८.	ज़िन्दगी का यथार्थ बनाम समकालीन रंगमंच	डॉ. अर्चना श्रीवास्तव	७९

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9. Role of Small Scale Industries in Indian Industry

Abstract

Dr. Gawali S. N.

Assit Prof. C.D. Jain College Shriampur

The small scale industry has been recognizing one of the most appropriate means of developing the industrial economy of backward countries. Small scale industries facilitate the tapping of resources which otherwise would remain unused. These resources included entrepreneurship, capital, labour and raw materials. They can mobilize rural savings which may otherwise remain idle or may be spent on luxuries or channeled into non productive ventures. Small scale industries contribute significantly to the strengthening of the industrial structure. Small scale industries serve as seed beds of entrepreneurship. They serve the developing economy not only by their output of goods but also by functioning as a nursery of entrepreneurship and managerial talent. This role of small scale industries is of decisive importance in any economy. Such industries lead to the creation of employment opportunities as a dispersed basis not only in large cities and towns but also in smaller towns and far-flung regions. The establishment of small scale industries would therefore made it possible to reserve the current trend of the migration of the people from rural to urban areas.

Key World: SSI, Capital, MSME, SIDBI, Export etc.

Introduction

The development of small scale sector has been importance in India because the small scale unit requires less capital outlay and at the same time, it provides more employment than the large scale sector. A small scale unit does not require highly sophisticated technology. It can therefore, be useful in backward areas where the people have yet to be trained to meet the challenge of sophisticated technology. Soon after independence our national leaders recognized the role of small scale sector in the development of the economy of India and laid a solid foundation for its accelerated development through active policy support and creation of an institutional frame work. The industrial policy Resolution of the government of India, from 1948 to 1991 visualized integrated growth of the both the large and small scale sectors and recognized the social and economic contribution of small scale sector. The industrial Policy Resolution states that the government of India would stress the role of cottage and village and small scale industries in the development of national economy. The policy further envisaged that the decentralised sector should acquire sufficient vitality to be self supporting and its development be integrated with that of the large scale industry.

Definition of Micro, Small and Medium Enterprises in India

Micro, small and medium enterprises as per MSMED Act, 2006 are defined based on their investment in plant and machinery (for manufacturing enterprise) and on equipment for enterprises providing or rendering services.

The defined limit on investment for enterprises to be classified as micro, small and medium enterprises is as follows:

Table No.1 : Category-wise Definition of SSI in India

Classification	Manufacturing Enterprises	Service Enterprises
Micro	Rs. 2.5 million / Rs. 25 lakh	Rs. 1 million / Rs. 10 lakh
Small	Rs.50 million / Rs. 5 crore	Rs. 20 million / Rs 2 crore
Medium	Rs 100 million / Rs 10 crore	Rs. 50 million / Rs 5 crore

Source: Annual Reports, Commissioner, SSI Development Board (2007-2012).

* Investment limit in Plant & Machinery

Institutional Support for Small Scale Industries

Constant support to SSI sector by the Government in terms of infrastructure development, fiscal and monetary policies have helped this sector to emerge as dynamic and vibrant sector of Indian economy.

- Small Industries Development Organisation (SIDO)
- National Small Industries Corporation (NSIC)
- SSI Board
- National Institute of Small Industry Extension Training (NISIET)
- National Institute for Entrepreneurship & Small Business Development (NIESBUD)
- National Research Development Corporation (NRDC)
- Small Industrial Bank of India (SIDBI)

Objective of the Study

- 1) To study the growth and performance of small scale industry in industrial context of India.
- 2) To study the significance of small scale industry in Indian economy.
- 3) To arrive at tangible conclusions.
- 4) To make suggestions for framing better policies.

Importance of small scale industry in India

The development of small scale sector has been important in India because of the small scale unit requires less capital outlay and at same time, it provides more employment than the large scale sector. Small scale unit does not require highly sophisticated technology. It can therefore, be useful backward areas where the people have yet to be meet the challenge of sophisticated technology.

1) Utilization of resources

Small scale industries facilitates the tapping which otherwise would remain unused. These resources include entrepreneurship, capital, labour and raw materials. They can mobilize rural savings which may otherwise remain idle or may be spent on luxuries or channeled into non-productive ventures.

2) Employment Generation

Since they are fairly labour-intensive small scale sector create employment opportunities at a relatively low-capital cost. In India, there is basic problem of absorbing the surplus manpower in non-agricultural jobs and providing additional employment opportunities for the growing population.

3) Entrepreneurial Development

Small scale industries serve as seedbeds of entrepreneurship. They serve the developing economy not only by their output of goods but also by functioning as a nursery of entrepreneurial and managerial talent. This role of small scale industries is of offensive importance in any economy where the industrial structure consist of a few large scale and medium sized ones, on the one hand, and of large numbers of traditional industries such as artisan units, handicrafts and cottage industries on the other.

4) Regional Development and Industrial Dispersal

The concentration of industrial and other activities has gives birth to the phenomenon of the so called pocket of development where economic and social change is achieved at much faster rate than in the outlying rural district. The establishment of small scale industries would, therefore, make it possible to reverse the current areas.

5) Generation of Foreign Exchange

Small scale industries facilitate substantial foreign exchange savings and earnings. A wide range of consumer and simple produced goods, now being imported, can be economically produced domestically on a small scale basis as long as adequate facilities are provided. The contribution of small scale industries to the field of employments and productions is highly notable. The following table presents the overall performance and growth of the S.S.I. sector in India.

Table No. 2 : Overall Performance and Growth of the SSI Sector in India

Year	No. of units in lakhs	Production (Rs. In crore)	Employment (lakhs)
2007-2008	272.79 (4.47)	7,09,398 (42.49)	626.34 5.15
2008-2009	285 (4.53)	880805 (11.39)	659.38 (5.27)
2009-2010	298.08 (4.53)	9,82,919 (11.59)	695.38 (5.46)

2010-2011	311.52 (4.51)	10,95,758 (11.48)	732.17 (5.29)
2011-2012 (March)	332.12 (2.21)	11,27,352 (8.25)	763 (3.21)
Average growth rate	8.76	27.21	5.35

Source: Annual Reports, Commissioner, SSI Development Board (2007-2012).

Note: Figures in parenthesis percent growth rate for previous year.

The above table reveals that the value of output produced by the SSI has steadily increased from Rs. 7,09,398 crore in the 2007-08 to 11,27,352 crore by the end of the end of March 1011-12. Similarly, there was tremendous Increase ti the level of employment (70 lakh to 172 lakh). It is very clear that overall performance of SSI is quite satisfactory after introduction of the new economic policy in India. The growth of SSI is 272.79 lakhs in 2007-08 and it consistently growth up to 332.12 lakhs in end of March 2011.

Contribution of SSI Sector in Overall Industrial Sector

The small industries have enough scope to exploit available local resources such as saving, raw material, skilled and un-skilled labour. Further they generate income for consumption of wages, goods and provide employment to unemployed persons. Small scale industry contributes of vital role for the development of overall industrial sector.

Table no.3 : Comparison of the SSI Sector with the Overall Industrial Sector

Year	Growth Rate of SSI Sector (%)	Overall industrial Sector (%)
2007-08	10.68	6.70
2008-09	11.64	7.90
2009-10	12.88	8.40
2010-11	14.32	10.10
2011-2012	16.12	11.44

Source: economic Survey, (2011-12), MSME.

The small-scale sector has maintained a higher rate of growth vis-à-vis the overall industrial sector. The comparative growth rates of production for both the sectors during last five years.

Conclusion

Small industry sector has performed exceedingly well and enabled our country to achieve a wide measure of industrial growth and diversification. By its less capital intensive and high labor absorption nature, SSI sector has made significant contributions to employment generation and also to rural industrialization. Under the changing economic scenario, SSI has both the challenges and opportunities before them. The

business can compete on cost, quality and products at domestic and international level only if ideal investment in technology production process, R&D and marketing are made. Infrastructure bottlenecks are not completely solved. The promotional activities for SSI in India need to concentrate on improved credit flows, human resource development, appropriate technology and funds for modernization. So, this is the appropriate time to set up projects in the small-scale sector. It may be said that the stance is optimistic, indeed promising, given some protection. This expectation is based on an essential feature of the Indian industry and the demand structures. The variety in the demand structures will ensure long-term co-existence of many layers of demand for consumer products / technologies / processes. There will be flourishing and well grounded markets for the same product/process, differentiated by quality, value added and sophistication. This characteristic of the Indian economy will allow complementary existence for various diverse types of units.

Suggestions

- 1) Small scale sector are core industrial sector in process of industrialisation due to that government must focus on upliftment of infrastructural facilities.
- 2) Government should concentrate on promotion of export oriented small scale industry by the help of stimulative and concessional packages.
- 3) Industrialisation is key component of indian economy, so central government should determines innovative and different industrial policy for small, medium and large scale industries
- 4) SSIs should concentrate more in internal and specific environment. This means giving attention for improving accounting procedures, technology up gradation, product improvement work culture etc.

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