

Relevance of Small Scale Industries in the Economy of Uttar Pradesh



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Abstract

Industries which are owned and run by individuals and which employ a small number of laborers are called small scale industries. These are the industrial undertaking having fixed investment in the plant and machinery, whether held on ownership basis or lease basis or hire purchase basis not exceeding Rs 1 crore. The small scale sector has acquired a prominent place in the socio-economic development of the country since independence. It has contributed to overall growth of the Gross Domestic Product (GDP) as well as terms of employment and export. Small scale industrial sector has been registering a higher growth rate than the overall industrial sector in the past few years consistently. A significant feature of the Indian Economy since Independence is the rapid growth of the small scale industries. In the resolutions of the Industrial policy of 1948, the small scale industries were given special role for creating additional employment with low capital investment

Keywords: Small Scale Industries, Relevance, Indian Economy.

Introduction

Industrial units constitute small scale units, medium scale and large scale units. This type of categorization is generally based on the size capital resource and the number of workers engaged upon. Generally distinction is made between SSI and cottage industries on two different issues:-

1. SSI are mostly located in urban centers as separate unit but the cottage industries are normally associated with agriculture and provide subsidiary employment in rural areas.
2. SSIs produce goods with mechanized equipments partially or fully but the cottage industries involve activities mostly by hand and are performed primarily with the help of household workers
3. The Fiscal commission also indicate the basis in 1950 for the distinction between the small scale and cottage industries in these words, "A cottage industry thus one which is carried on wholly or primarily with the help of member of the family either as a whole or a part time occupation. A small-scale industry on the other hand is one which is operated mainly with hired labor usually 10 to 50 hands."

A small scale industry is a project or firm created on a small budget or for a small group of people. A small scale industry produces its goods using small machines, less power and hired labor. It is located with in a single price and produces good meant for few people. Small scale industries are easy to start and manage given the minimal scale of producing. They are set up to cater for the basic needs of the people with in their locality. An example of a small scale industry is a Laundry or small caters to them individual needs of the people in the area which it is located. These businesses require little kiosk created operating capital. They require cheap labor that is easily found and their target market is the host community.

Such companies also realize a small annual turnover and, as a result, pay fewer taxes. The classification of the industry as large or small scale depends on the rate of production and the number of employees. An industry with a low rate of production and fewer employees is a small scale industry. Most government implement policies that strengthen the small scale industry sector because of the industries play in economical development. The industries help in through provision of employment and other products.

Types of SSI**Traditional SSI**

Handloom Khadi Industries, Handicraft Industries, Silk Industries are included in traditional SSI. These industries are established in villages and towns and very less capital is invested in plant. They produce short terms employment.

Modern SSI

Power operated looms; Industries making spare parts of machines etc are included in modern SSI. These industries are often established in cities.

On this basis, the analytical discussion of the above classification can be enumerated that traditional small industries include khadi and handloom, village industries, handicrafts, sericulture, coir, etc. Modern small scale industries produce wide range of goods from comparatively simple items to sophisticated products such as television sets; electronics control system, various engineering products, particularly as ancillaries to the large industries. The traditional small industries are highly labor intensive, while the modern small scale units make use of highly sophisticated machinery and equipment. For instance, during 1979-80 traditional small industries accounted for only 12 percent of the total output but their share in total employment was 56%. In that year, total output of traditional small industries came to be Rs. 4,420 crores and this output produced with the employment of 133 lakh workers, the average output of labor in traditional small industries was roughly Rs. 3,323. As against this, the share of modern small industries in the total output of this sector was 74% in 1979-80 but their share in employment was only 33%. Obviously these industrial units would be having higher labor productivity. For instance, in 1979-80, a total output of Rs. 24,885 crores was produced by 78 lakh workers in modern small scale industries - the average product of labor being Rs. 319004.3 One special characteristic of traditional village industries is that they can not provide full time employment to workers, but instead can provide only subsidiary or part-time employment to agricultural, laborers and artisans. Among traditional village industries, handicrafts possess the highest labor productivity; besides handicrafts make a significant contribution in carrying foreign exchange for the country. Under these circumstances, active encouragement of handicraft is a must. On the other hand traditional village and small industries are largely carried on by laborers and artisans living below the poverty line, while modern small industries can provide a good source of livelihood. Hence, if with an expansion of employment, the number of persons living below the poverty line has also to be reduced, then a rapid and much larger expansion of the modern small sector will have to be planned.

Definition of SSI

The definition of small-scale enterprise has undergone changes over year with the ceiling raised to take into account the rising cost of machinery as well as falling value of rupee. Various definitions of small-scale unit are as under:

1. The fiscal commission, government of Indian, New Delhi, 1950, for the first time defined a small scale industry as, one which is operated mainly with hired labor usually 10 to 50hands.
2. According to small scale industries board, 1955 " A unit employing less than 50 persons if using power and less than 100 persons without the use of power and with a capital investment not exceeding Rs. 5 lakhs."
3. According to ministry of commerce and industry, 1960 " An industrial unit with a capital investment of not more than Rs. 5 lakhs irrespective of the number of persons employed."
4. According to Government of India, 1985 " An undertaking having an investment in plant and machinery of not more than Rs. 35 lakhs and not more than Rs.45 lakhs in case of ancillary units." Mishra & Puri
5. According to government of India, 1991 " An undertaking having an investment in plant and machinery of not more than Rs. 60 lakhs and not more than 75 lakhs in lakhs in case of ancillary units." Mishra & puri
6. According to government of India, 1997 "An undertaking having an investment in plant and machinery of not more than Rs. 3 crores." On the recommendation of Abid Hussian Committee.
7. MSMED (micro small and medium enterprise development) Act 2006 – "A small enterprise is an enterprise where the investment in plant and machinery is more than Rs 25 lakh but does not exceed Rs 5 crore." And "A small enterprise is an enterprise where the investment in equipment is more than Rs 10 lakh but does not exceed Rs 2crore." Mishra & Puri.
8. According to government of India, 2000 "An undertaking having an investment in plants and machinery of not more then Rs.1 crores." Dutt & Sundaram

Aim of the study

The main aims of this study are –

1. The contribution of SSI in the economic development of Uttar Pradesh.
2. To know the problems and obstacles in the growth of this sector.
3. Any other relevant development or problems related to SSI and its role in the economic development of Uttar Pradesh.
4. To know the role of SSI in development of Uttar Pradesh.
5. To analyze the Importance of SSI in UP employment rate.

Motive of SSI

The small-scale sector can estimate economic activity and is entrusted with responsibility of realizing the following objectives:

1. To create immediate and permanent employment opportunities to public at a relatively small costs.
2. To meet a major part of the increased demand for consumer goods and simple producer goods.

3. To facilitate the mobilization and exploitation of resources this might otherwise remain inadequately utilized.
4. To bring about an integration of the development of these industries with rural economy and large scale industries.
5. To ensure a more equitable and justifiable distribution of national income to society at large
6. To remove economic backwardness of rural and less developed regions of the economy.
7. To solve unemployment problem.
8. To attain self reliance.
9. To adopt latest technology aimed at producing better quality products at lower costs.

Position and Goal of Small Scale Industry in Uttar Pradesh

Small scale industry occupies a prominent place in the economic development of Uttar Pradesh. Many facilities have been provided by the department for intact promotion of small scale units.

Under such facilities the training if industrial skills, priority in sale price to these units by a government, development system and facility, export promotion, Prime Minister's Employment Scheme, training programme for development of entrepreneurship and critical infrastructural balancing schemes are included in this regard. Small scale industries have been highly developed beyond expectation.

The small scale industrial sector plays a vital role in the growth of the country. It contributes almost 40% of the gross industrial value added to the Indian economy. It has been estimated that a million of investment in fixed assets in the small-scale sector produces 4.62 million worth of goods or services with an approximate value addition of ten percentage points.

The small-scale sector has grown rapidly over the years. The growth rates during the various plan periods have' been impressive. The number of small-scale units has increased from an estimated 0.87 million units in the year 1980-81 to over 3 million in the year 2000.

The SSI Sector has attracted so much attention not only from industrial planners and economists but also from sociologists, administrators and politicians. The small-scale sector in Uttar Pradesh has particularly emerged as a vibrant and dynamic segment of the Indian economy. It is evident from the above points small scale enterprises play an important role in employment generation, resource mobilization and utilization, income generation and in helping to promote change in a graduals and phase manner. They integrate a continuing element in the scheme of national planning. Small scale industries are the important constituents of our economy which can never be ignored. They are a strategic part of the Indian economy as well as a progressive and effective decentralized sector which is closely related with agriculture and medium and large-scale industries.

The SSI has recorded a significant rate of growth since independence in spite of stiff

competition from the large sector and not very encouraging support from the state government. This would be clear from the following –

Growth

The importance of small scale industries can be very well evaluated by considering its growth structure. The SSI has shown tremendous growth in their number, production employment and exports over the last ten years. During the last decade alone the SSI has progressed from the production of simple consumer goods to the manufacture of many sophisticated products like TV sets, micro wave components, electro medical equipment etc.

Employment Generation

In Uttar Pradesh a very big number of people are unemployed. SSI employs labor intensive technology and hence generates more employment opportunities. A basic problem that is confronting the state is the increasing massive employment opportunities. SSI generates opportunities for self employment of technically qualified persons, artisans and professionals. A given amount of capital invested in a SSI provides more employment than the same amount of capital invested in large scale industry.

Export Acceleration

Small scale industrial sector plays a major role in Uttar Pradesh present export performance. Substantial increase in exports were observed in case of readymade garments, canned and processed fish, leather sandals and slippers, food products, hosiery and marine products. Various products like sports goods, processed tobacco and plastics originate from the SSS. This sector accounts for 92% of exports of marine products, 95% of readymade garment, 84% of woolen goods, 45% of cashew, kernels and cashew nuts and 60% of the chemical items. It would surprise many to know that non- traditional products account for more than 95% of the SSI exports.

Government has reserved some items for Small scale industrial sectors.

The list of reserved items is: –

1. Food and allied industries
2. Wood and wood products.
3. Paper products.
4. Plastic products.
5. Chemical and chemical products.
6. Natural essential oils.
7. Organic chemicals, drugs and drug intermediates.
8. Glass and ceramics.
9. Mechanical engineering excluding transport equipments
10. Electrical machines appliances and apparatus.
11. Electronic equipments and components.
12. Transport equipments, boats and truck bodybuilding.
13. Auto parts components and ancillaries and garage equipments.
14. Bicycle parts, tricycles and perambulators.
15. Miscellaneous transport equipment
16. Sports goods.

17. Stationery items.

Conclusion

Small industries have discharged important role in the rapid industrialization adopted at the all India level since independence. Small industry has proved to be very useful in terms of Indian economy. Because the small industries on one side directly support the rural and agricultural economy and on the other hand, creating secondary items, help the big industries through their product. The small scale industry receives raw materials directly from the primary sector on one side and on the other hand employs less trained manpower also.

While mentioning industrial development in India, it has been analyzed that the detailed form of industrial area in India has been divided into three parts. The first big industry sector, the second small scale industry and the third rural sector. In India, large industries and small scale industries have been divided on the basis of their maximum investment capacity and machinery. Rural and small industries have also been further divided into two groups in which the first modern small scale industry and second traditional industry. Modern small industries include mainly the S.S.I. units and the power loom whereas traditional industries include handloom, Khadi and rural industries, handicraft and silk. In India the basis of division of industrial segments is mainly made up of traditional industries, clusters have been built on this basis cluster is a group of micro, medium and large enterprises. In which only types of goods or

services are produced and from a geographic perspective in some villages or in the same city and its surroundings or concentrated in some development blocks of the same district. There are 568 clusters in 12 states of India, the largest of which are 83 clusters in Uttar Pradesh and the lowest in Delhi is 12 clusters.

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