

Highlighting the Effectiveness of Small and Medium Sector to Boost the Economic Development

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Abstract – This specific report attempted to showcasing the significance of SMEs in the economic development of India. Every small scale industry plays a huge role in the Indian economy. Apart from offering employment to crores of folks, it's the additional advantage of least capital demands. The federal government additionally provides a number of tax advantages to SSI for that purpose. In addition, they could occur in urbanized and also countryside areas. This particular paper attempted to look at the contribution of the SMEs Sector in the nation's growth and furthermore, the aspects that are needed to reinforce the SMEs sector to its constant contribution to the development of India.

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1. INTRODUCTION

Small scale industries are essential since it can help in boosting employment as well as economic development of India. It improves the growth of the nation by growing rural and urban growth. The role of Small and medium scale enterprises is actually helping the government in improving infrastructures and manufacturing industries, reducing problems like pollution, poverty, slums, and lots of development acts. Small scale manufacturing industries, as well as cottage industries, play a really crucial role in the economic development of India. In case any quantity of capital is actually invested in small scale industries it is going to help in reducing unemployment of India and rising self-employment. The industry is actually a sector in which the generation of goods is actually a part of the economy.

The role played by the small scale industry in the economic activity of innovative industrialized countries as Japan, Germany, Great Britain and also the United States of America is actually considerable. Numerous Nations, both created as well as developing exteriorized that the small industry sector is actually a useful automobile for growth, in the later on for the development of new employment opportunities on a large scale is probably the shortest possible time.

2. STRENGTH AND WEAKNESSES OF SMEs

The major strength of Small Medium Enterprises observed is actually freedom, owner management, low-cost labor, less overhead as well as a favourable capital paper ratio.

Flexibility

Small and Medium Enterprises can readily process new innovation & adapt brand new approaches. The price of changing the current system is additionally fairly less.

Owner management

In Medium and small Enterprises owner management is a chance, which guarantees fast decision making. It guarantees quickness and also lowers reddish tapism.

Low-cost labor and less overhead

The primary reason behind the sickness of large scale industry is the labor issue of its and escalating wage expenses. Small and medium enterprises' strength is the budget labor of its and less overhead.

Favorable capital-output ratio

Small and medium enterprises are actually labor-intensive. Through appropriate utilization of resources Small and medium enterprises are able to maintain a minimal level of capital investment every unit of output.

Weaknesses

Lack of quality consciousness

It's the main weakness of the small industries. Medium and small Enterprises pay significantly less attention to complete the quality program as

well as hence crucial is less felt leading to quality issues (Derrick). Study reports show that underutilization capability results in to decrease in the level of efficiency in the Medium and Small Enterprises sector in India.

Lack of Financial Strength

The Medium and small brand image and hence mobilizing capital through other resources is actually a difficult task m Enterprises rely mostly on banking finance. They don't have a business image.

Absence of Industrial Work Culture

Labors provide much more weight age to the private work of theirs and don't maintain regularity, discipline in reporting on time. Continuing and getting with employees that are qualified and satisfying them is tough. Analysis reports show that in India a number of small and medium enterprises are actually ill and some are actually closing down. The primary cause is a lack of quality & increasing competition. It's needed for Small and medium enterprises to deal with new challenges by switching to greatest techniques Hence the SMEs must take fast action to produce quality recognition and adoption of constant improvement techniques.

3. IMPORTANCE OF SSIS IN INDIA

SSI is actually among the substantial segments of the Indian economy, contributing approximately seven percent to the Indian GDP and providing employment to more than twenty-eight million individuals. The Indian SME segments' current production value is practically Rs 816,000 crore. It contributes to around forty % of industrial production & exports. It companies greater than 8,000 several items, which range from low tech things to technologically advanced products. The SSI sector targets both domestic too worldwide markets. SSIs sector is actually recognized as the engine of growth, accounting for approximately seventy % of employment and contributes a considerable quantity for the growth of GDP. Globally, 99.7 percent of all enterprises on the planet are actually SMEs as well as the balance 0.3 a cent is actually large scale enterprises. By comparison, the SSI sector of India accounts for ninety-five percent of all the industrial devices.

The small scale industries sector grew quickly during the last 2 years. This particular higher growth takes a specific mention when we compare with the growth rate of the complete industrial sector. The small scale sector has maintained a greater rate of growth as opposed to the all-round industrial sector of the nation. For example, in case we think about the period 1991-92 to 2006-07, except for 1993-94 as well as 1995-96, the growth rate of the SSI sector has surpassed the all-round industrial growth. Although the period of the shift to a liberalized

regime happened to be the minimal growth years as a result of the foreign exchange shortage, high interest as well as credit crunch rates, the SSI sector regained growth momentum later. The higher growth rate in the latest years is actually to be seen in the context of a world - large recession, and the impact of its effect on the economy.

Indian economy is actually an under evolved economy. The enormous energy of its is sometimes unutilized or perhaps underused. A significant segment of male power is actually lying idle. The per capita income is actually minimal. Capital is scarce and shy funding is lean. Creation is traditional and also the strategy is outdated. The output is not enough and the fundamental requirements of the individuals stay unfulfilled. The economists and also the planners in India took recourse to small scale industry since many of these industries existed in the standard form, which symbolizes the heritage of ours as well as previous glory. These still function as the backbone of the economy of ours, and that is largely rural.

Small scale industries are actually playing a stellar role in the economic development of the nation through the issues in executing the financial tasks are actually the main hurdles in the development of theirs. Therefore, there's a fantastic need to look at the financial methods of this sector because it's the own limitation of its in following the contemporary financial idea.

Flow of credit to SSI sector: In view of the above, Banks have consequently been encouraged by RBI vide its circular dated 16.10.2000 to take following methods with immediate effect: Banks might, while sanctioning/renewing credit limits to the big company borrowers of theirs - (having working capital boundaries of Rs.10 crore and previously from the banking system), fix individual sub-limits, within the total limits, particularly for meeting transaction responsibilities in respect of purchases from SSIs either on money basis or even on bill foundation.

The scale of such sub-limits might be resolved to take into consideration the projected purchases by business borrowers from the SSIs during a season in relation to the complete purchases of theirs along with other related factors. Additionally, with a view to ensuring accessibility of sufficient harmony of the account for meeting the transaction obligations to SSI devices, banks might make sure that sale proceeds/ various other receipts of the borrower are actually acknowledged to this particular account on a pro-rata foundation.

4. ROLE AND RELEVANCE IN ECONOMIC DEVELOPMENT

Small and medium enterprises are actually the backbone of industrial development. It's vital for both developed and developing country. Small and medium enterprises usually represented the model of economic development, which emphasized higher contribution to domestic production, considerable export earnings, lower investment needs, employment generation, useful contribution to foreign exchange earnings of the nation with lower import intensive operations. The contribution of small scale industries (SSIs) has been outstanding in the industrial development of the nation. It's a share of forty % in industrial production. thirty-five % of the complete fabricated exports of the nation are exclusively accounted for by this sector.

In terms of employment produced, this sector is actually next just to farming employing roughly fourteen million people. Overall, the small industry sector has done fairly well and has enabled the nation to attain extensive industrial growth and diversification. Small scale industries are less capital comprehensive and suit the Indian economic environment with scarce resources and a huge population base. Additionally, it's highly and possesses a scope for labour-intensive for building upon the conventional ability as well as knowledge. Small scale industries have stayed high on the agenda of all the political parties, intelligentsia & policymakers since independence as a legacy of Gandhian philosophy.

Concerning the contribution of theirs to the development of GDP, MSMEs usually play a smaller role compared to their contribution to employment generation. While the share of their incomplete employment was about ninety-nine %, they accounted for just more or less 61.41 % of GDP in 2017. The very same thing was additionally discovered by Yuhua (2013) from the research of her in the Asia Pacific region, which reveals this in most countries in the region, over ninety % of complete employment was produced by MSMEs through the contribution of theirs to GDP was a lot under ninety %; while the ratio varies by economy.

MSME has an important role to play inequitable development of India. Based on the reports produced yearly by the Ministry of MSME presents which forty-five % of the overall Exports of the nation are actually assisted by the sector, and therefore are manufacturing much more than 6000 quality items, which shows immense possibilities for growth and venturing the assistance of its in various sectors. The report additionally suggests that the majority of the MSMEs are actually unregistered, on the entire you will find 1.6 million registered MSME in India. Based on the report MSME is actually dominated by tiny-scale enterprises constituting 94.9 as well as the remaining 4.9 % by small scale firms. Distribution of registered enterprises in urbanized areas accounts to

nearly 8.57 lakhs of complete energetic enterprises which occupy a share of 54.77 %, whereas countryside areas account for 7.07 lakh (45.23 % of the working enterprises). Hence, it's contributing towards a laudable proportion for the equitable improvement of the Indian economy.

5. CONCLUSION

A great deal of proof throughout the planet, and particularly in low income/poor countries, shows that MSMEs play an important role in dealing with the impediments of poverty, inequality, and job creation, especially in outlying places. They're additionally a crucial source of business or employment opportunities for the youth and low skilled females. Actually, in several countries, these enterprises are actually a crucial growth motor for export as well as the GDP of manufactured goods. Nevertheless, many (in case not all) MSMEs are actually struggling to experience and/or to increase because of a lot of constraints they encounter, especially lack access to bank loans, issues in marketing, and limited access to skilled employees and advanced technologies.

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