

AN EMPIRICAL STUDY ON THE IMPACT OF SMALL-SCALE INDUSTRIES ON ECONOMY

Charvi Jain¹ & Dr Roshita Jain²

¹Advanced Academy, XI Commerce and Economics

²Director Finaxis Consultancy Services

Received: May 05, 2019

Accepted: June 15, 2019

ABSTRACT: Introduction: Economic development of any country is largely dependent on its industrial development. Thus the small-scale industries sector assumes a vitally critical role in the economic growth, rural industrialization and employment generation in the nation. Three major sectors of the economy that are largely being affected by SSI's are manufacturing output, employment, and exports of the nation. SSI's are globally accepted as a potential driver for economic growth. The biggest benefit of SSI's is their huge employment potential and high labor intensity at a significantly low capital cost. SSI Sector contributes around half of the total Indian export. SSI's holds huge potential in terms of economic activities and hence will ultimately assist in the development of assets of the country's economy. However due to rapid changes in economy, SSI's are facing challenges like increasing population, scarcity of jobs and capital resources, etc.

Objectives: The present paper is an attempt to analyze the impact of SSI's on the country's economy, the paper also explores the current and future SSI potential. Also in this study author analyze the awareness level of respondents (employees) about the SSIs and especially SSI's need and importance in the development in Rajasthan, their importance and impact on economy.

Sample & Methodology: For this purpose author selected 64 SSI's of Rajasthan and chosen 350 employees from these SSI's.

Analysis and interpretation: Analysis is done using statistical tools like Percentage Analysis, t-test Analysis, Chi-square Analysis, Factor Analysis, and Multiple Regression Analysis, etc.

Conclusion: Result of the study reveals that employees of selected SSI's are satisfactorily aware about its role, need, and importance in the Indian economy and its development.

Key Words: industries, employment, GDP, exports, economic development.

INTRODUCTION

Development of a nation's economy is straightforwardly identified with the degree of industrial development. Industrial development defines the degree of development of the economy of a country. The development of industrial area prompts a more noteworthy usage of normal assets, generation of merchandise and enterprises, generating job openings and improvement in the standard of living. India has additionally been endeavoring to build up the country's industrial base since freedom in 1947. It has designed different strategies targeted at the advancement of industries in the public and private sectors. Exceptional accentuation has been laid on SSI. SSI assumes a key job in the planned improvement with its points of interest of low venture, high potential for "employment generation, expansion of the industrial base and dispersal of enterprises to rural and semi-urban zones". The SSI sector has been suitably given a key position in planned economy for financial, social and reasonable development of the nation.

Small scale industries hold significance as they assist in generating employment and thus the overall economic development of India. It contributes to the economic development of the country by rural and urban industrialization. SSI's help the government in many ways by "increasing infrastructures and manufacturing industries, reducing issues like pollution, slums, poverty, and many development activities".

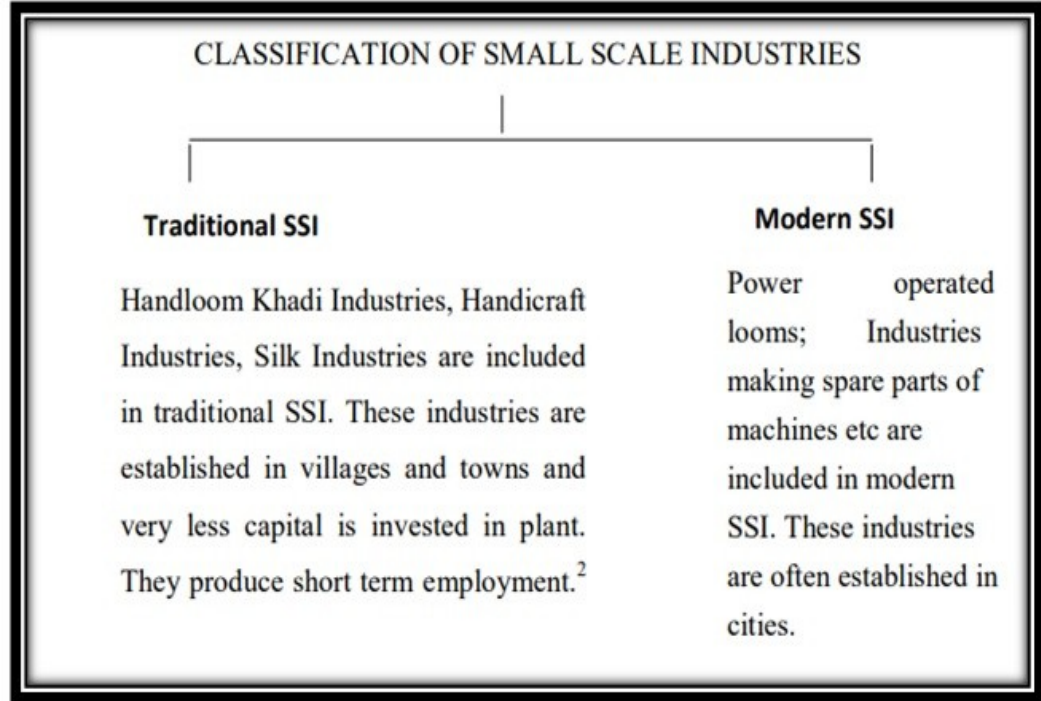
MEANING OF SMALL SCALE INDUSTRIES

"A small scale industry is an industrial undertaking where the investment under fixed assets in plant and machinery or equipment, whether held on ownership term or on the lease or hire purchase, does not exceed

- ✓ 10 crore for manufacturing enterprise and
- ✓ 5 crore for the service enterprise. Though, the investment limit varies overtime as recommended by the government".

SSI can be classified into two broad categories;

1. Traditional SSI
2. Modern SSI (MSSI)



ROLE OF SSI IN ECONOMIC DEVELOPMENT IN INDIA

SSI's contributes to the all-round development of the Gross Domestic Product (GDP) of the country through employment and export. The small scale industrial part has recorded a high development rate since freedom in 1947 regardless of the strong challenge from the large division and not all that empowering support from the government. In Industrial policy of 1948, the small scale industries were given superior position for generating surplus employment with very low capital investment. During the most recent decade alone, the SSI area has advanced from production of "simple consumer goods to the assembling of many refined and precision items like hardware control frameworks, microwave components, electro-medicinal types of gear, t.v. sets and so on".

OPPORTUNITIES AND PERFORMANCE OF SMALL SCALE INDUSTRIES

Small scale enterprises are the second biggest business of human asset after the farming part and produce a wide assortment of products going from conventional to innovative. SSI assumes an essential job in the Indian economy as of being labor-oriented, generates employment in country rural and urban zones. The SSIs had additionally assumed a key job in the development activity of the Indian economy since independence in spite of exceptional challenge from the huge industrial houses and not enormously availing help from the government. One significant job done by small scale industries in India is employment, which is depicted underneath.

✓ Origination of employment:

The major issue that is defying the Indian economy is heightening pressure of increasing populace on land and requirements to make colossal job openings. This issue can be fathomed to a bigger scale by the assistance of small scale industries as SSI's are labor-oriented in nature and has demonstrated an extraordinary development in the most recent decade.

"According to National Sample Survey (NSS) 73rd round led during the time period 2015-16, MSME sector has been generating 11.10 crore jobs (360.41 lakh in Manufacturing, 387.18 lakh in Trade and 362.22 lakh in Other Services and 0.07 lakh in Non-captive Electricity Generation and Transmission) in the rural and the urban areas all over the country. Table 2.8 and Figure 2-5 shows the distribution of MSMEs activity-wise (msme.gov.in)"

Estimated Employment in MSME Sector (Broad Activity Category Wise)

Broad Activity Category	Employment (in lakh)			Share (%)
	Rural	Urban	Total	
Manufacturing	186.56	173.86	360.41	32
Trade	160.64	226.54	387.18	35
Other Services	150.53	211.69	362.22	33
Electricity*	0.06	0.02	0.07	0
All	497.78	612.10	1109.89	100

<https://msme.gov.in/sites/default/files/Annualrprt.pdf>

REVIEW OF LITERATURE

Srinivas, (2013) has contemplated the performance of small scale, small and medium industries and their role in India's economic development and presumed that MSMEs assume an essential job in the comprehensive development of Indian economy.

Sumanjeet Singh and MinakshiPaliwal (2017) in "unleashing the development capability of Indian MSME area" had presumed that without a doubt the MSME part has tremendous potential for making latest business enterprise and enormous job openings yet a few issues going up against MSMEs are

- ✓ Lack of access to finance
- ✓ Lack of access to enter the foreign market
- ✓ Lack of skilled human resources
- ✓ Lack of consistent and steady infrastructure
- ✓ Hopeless marketing network

Sharma (2012) in “problems and prospects of small scale industrial units (a case study of exporting and non -exporting units in Haryana) had discovered that SSI units are at an evolving stage and more development is required however a few issues should be unraveled

- ♣ Underutilization of installed capacity
- ♣ The marketing activities to be a strength for selling SSI manufactured products”

Desai (1969) expressed that, in developing nation like India, SSI is considered to have extraordinary centrality for the development of the country. SSIs assume a noteworthy job in economic change from conventional to present-day innovation. The legislature of India has established another strategy for SSI improvement. The fundamental focal point of the industrial strategy was to guarantee the balanced development of the economy and generate quick and perpetual job openings to individuals. The essential need for small business visionaries from new policy is that it ought to guarantee nonstop development of small scale division, simultaneously restraining the development of different segments moreover. Finally the author concludes that, from the post-independence period in India, Governments has underlined SSI, through industrial approach framework and comprised number of foundations to help SSI at different levels to be specifically specialized, budgetary and marketing territories.

OBJECTIVE OF THE STUDY

- ✓ To study the needs and importance of Small scale industries in the Indian economy.
- ✓ To study the Impact of SSI on the Indian economy.
- ✓ To study the awareness among employees about the impact and importance of SSIs on the economy.

RESEARCH METHODOLOGY

This research is a survey-based study. Respondents were selected from SSI’s of Rajasthan. A total of 350employees were sampled from selected 64 SSI’s, for the study out of which all350employees responded to the study by answering and returning the questionnaire. The research instrument (employee’s questionnaire) was designed to have both open and close-ended items by the analyst. In this research employees awareness level of knowledge about the five indicators: Increases production, Increases total exports, Improves the employment rate, Opens new opportunities, Advances welfare was determined using a questionnaire that includes: 30 questions with the alpha coefficient 0.88. Responses to the open-ended items were summarized as observed and quantitatively analyzed as close-ended items.

Primary Data

It is the data which is collected for the first time or firsthand information. The researcher has used a

structured questionnaire to collect information. Data collected from 64SSI's of Rajasthan, from the 64SSI's350 employees selected for the study.

Secondary Data

It is the data which is collected by someone else and already been passed through the statistical process. Secondary data are collected from magazines, journals, publications, and websites.

STATISTICAL TOOLS & TECHNIQUES

The data thus obtained with the help of the questionnaire have been coded and scored using SPSS. Statistical tools used for this purpose are percentage Analysis, t-test Analysis, Chi-square Analysis, Factor Analysis, and Multiple Regression Analysis interpreted using statistical package for social sciences (SPSS-17.0).

PERCENTAGE ANALYSIS

There are total 30 attributes considered for the awareness about the importance and impact of SSIs on the economy, and response is observed in two patterns viz.yes and no. The following table demonstrates the distribution pattern of awareness of the importance and impact of the respondents:

Table 1:- Awareness about Impact of SSI on the Indian economy

Impact of SSI on the Indian economy	No. of respondents	Percentage
Yes	303	86.57
No	47	13.43
Total	350	100.00

The above Table 1shows that after the analysis of the responses collected from the employees, 86.57 percent of respondents were found to be aware of the importance and impact of SSIs on economy whereas merely 13.43 percent of them were not aware of this. The result confirms that the majority of respondents are aware of the importance and impact and only few cases are exceptional. This result is an important insight for this study to confirm further exploration regarding industrial policies.

t-test Analysis

Since the feedback is collected on the aware and not aware pattern, it is converted into a percentage of awareness. Further t-test was utilized to examine whether percentage of awareness has any significant difference among demographic profile of the respondents. The subsequent tables present the different insights collected from the analysis:

Hypothesis: To find the significant difference in awareness about the importance and impact of SSIs on the economy among genders following hypothesis has been formulated and evaluated using the t-test.

H₀₁: There is no significant difference in awareness about the importance and impact of SSIs on economy among genders.

H₁₁: There is a significant difference in awareness about the importance and impact of SSIs on economy among genders.

Table 2:- Gender versus percentage of awareness

Gender	N	Mean	SD	t-value	P-value
Male	261	89.21	19.39	0.152	0.879
Female	89	89.14	10.32		
Total	350	89.38	17.45		

The above table 2 exhibits independent t-test analysis between the gender of the respondents and percentage of awareness regarding industrial policy. Among the total number of respondents involved in this study majority of them were male.

Male respondents possessed89.21±19.39percent of awareness and female respondents possessed 89.14±10.32 percent of awareness towards impact and importance of SSIs. The t-value is 0.152 and P-value is 0.879, which is greater than the level of significance 0.05. Hence, null hypothesis is accepted that is there is no significant difference in awareness about impact and importance of SSIs on economy among genders.

This implies that all the employees hold similar awareness level about SSI impact and importance irrespective of their gender.

Further, In order to find the relationship between the awareness of the respondents and their agreeability on impact and importance of SSIs, the following null hypothesis was framed and tested with the help of Chi-square test and the result is shown in the following table:

H₀₂: Awareness on SSIs, their impact and importance has no significant influence on the agreeability of Impact of SSIs.

H₁₂: Awareness on SSIs, their impact and importance has significant influence on agreeability of Impact of SSIs.

Table 3:- Awareness versus Agreeability

Test Factors	Chi-Square Value	Df	P-Value
Pearson Chi-Square	154.912	2	.000
N of Valid Cases	350		

In Table 3, chi-square analysis was performed to assess the significant influence of awareness on agreeability. Chi-square analysis was carried out to show its goodness. Predicted chi-square value is 154.935 and its p-value is less than 0.001. Hence null hypothesis is rejected and alternative is accepted that states, Awareness on SSIs, their impact and importance have significant influence on agreeability of Impact of SSIs.

To know the impact and importance of SSIs, the role of SSI is classified into five dimensions namely Increases production, Increases total exports, Improves the employment rate, Opens new opportunities and Advances welfare. Likert's five-point scaling technique was used to observe the level of agreeability in terms of strongly agree, agree, neutral, disagree and strongly disagree. This section tries to evaluate the respondent's opinion towards impact of SSI on Indian economy in different perspectives.

Table 4:- Summary and correlation between support dimensions

Support Dimensions	Mean	Std. Deviation	CV	N
Increases production	14.21	3.92	27.23	350
Increases total exports	15.65	4.41	27.93	350
Improves the employment rate	12.01	3.63	30.15	350
Opens new opportunities	16.03	4.85	30.26	350
Advances welfare	21.21	7.10	33.33	350

Table 5:- Summary and statistics of support dimensions

		Increases production	Increases total exports	Improves the employment rate	Opens new opportunities	Advances welfare
Increases production	R-value	1	.624**	.514**	.570**	.421**
	P-Value		.000	.000	.000	.000
	N	350	350	350	350	350
Increases total exports	R-value	.624**	1	.697**	.653**	.612**
	P-Value	.000		.000	.000	.000
	N	350	350	350	350	350
Improves the employment rate	R-value	.514**	.697**	1	.737**	.697**
	P-Value	.000	.000		.000	.000
	N	350	350	350	350	350
Opens new opportunities	R-value	.570**	.653**	.737**	1	.775*
	P-Value	.000	.000	.000		.000
	N	350	350	350	350	350
Advances welfare	R-value	.421**	.612**	.697**	.775**	1
	P-Value	.000	.000	.000	.000	
	N	350	350	350	350	350

** . Correlation is significant at the 0.01 level (2-tailed)

Above table gives the summarized statistics of support dimensions that helps to identify its dimensional scores as follows; Increases production (14.21± 3.92), Increases total exports (15.65 ± 4.41), Improves the employment rate (12.01 ± 3.63), Opens new opportunities (16.03 ± 4.85) and Advances welfare (21.21 ± 7.10), which is evaluated for total sample size considered for this study.

This result above confirms that Opens new opportunities and Advances welfare indicators were found to have a high mean score, whereas while considering its Coefficient of Variance (CV) Increases production is more consistent than all other dimensions.

Further, Correlation analysis was also carried out for the same dimensions to analyze the significant

association between dimensions. As per the correlation result table, it is observed that all R-values are found to have positive correlation and its P-value is also less than 0.001, which is less than the level of significance 0.05. Hence significant inter-relationship has been confirmed. It is concluded that, a change in one dimension may affect other dimensions in the same way.

Multiple Regression Analysis

Table 6 given below shows the multiple regression analysis among support dimensions. Multiple regression analysis was considered to assess the percentage of contribution among the support dimensions considered for this study. The overall support score is contemplated as dependent variable and individual support dimensions are independent variables.

Table 6: Regression-Support of industrial policy for employees

Support of IP for Employees	R	R ²	IV (Incremental Value in Percent)
Increases production	0.712	0.511	51.10
Increases total exports	0.874	0.784	27.20
Improves the employment rate	0.941	0.892	11.00
Opens new opportunities	0.971	0.951	6.30
Advances welfare	1.000	1.000	4.10

The incremental value is computed from the R²-value and is converted into percentage format. The table shows that, Increases production was found to have 51.1 percent contribution towards the development of SSI Employees, Increases total exports has 27.2 percent, Improves the employment rate has 11.0 percent, Opens new opportunities has 6.30 percent and Advances welfare has only 4.10 percent among the overall contribution to encourage the SSI Employees. Thus it is concluded that all the components were encouraging greater number of employees to start up SSI units. Incentive related components are also having a considerable amount of contribution towards SSI establishment and growth.

SUMMARY

In the study, we have seen that the objective was to identify the level of awareness about the importance and impact of SSI on economy. For this purpose we have applied three statistical tools, namely percentage analysis, t-test analysis, and chi-square analysis. Further, to identify the level of awareness about impact and importance of SSI among SSI employees, percentage analysis was utilized. Also from results we have there is no significant difference in awareness about impact and importance of SSIs on economy among genders. Also, from results we have awareness on SSIs, their impact and importance have significant influence on the agreeability of Impact of SSIs. Further, the significant inter-relationship among the five components viz., a., viz, Increases production, Increases total exports, Improves the employment rate, Opens new opportunities, Advances welfare has been confirmed. It can be thus concluded that a change in one dimension may impact all the other dimensions in a similar way. Hence, from the result of the analysis it was found out that, the majority (86.31) of small scale industry employees already knew the importance and impact of SSIs on economy.

CONCLUSION

The present study aimed at identifying the impact small scale industry on Economy in the Rajasthan state of India. We tried to discuss the impact of five different components viz. “Increases production, Increases total exports, Improves the employment rate, Opens new opportunities, Advances welfare”. From the results of the analysis done here, we can now say that the employees level of awareness regarding each of the component taken under consideration is considerable. The result confirms that the majority of respondents are aware of the importance and impact. Also the extent of utility and agreeability was found significant. Further the significant inter-relationship among the five components viz., a., viz, Increases production, Increases total exports, Improves the employment rate, Opens new opportunities, Advances welfare has also been confirmed. It can be thus concluded that a change in one dimension may impact all the other dimensions in a similar way. It was found that the respondents were aware of most of the components, impact, the importance of SSI’s and have availed the suitable components.

REFERENCES:-

✓ Srinivas, K. T. (2013). A Study on New MSMEs’ Products and Its Financing of Vijaya Bank. International Journal of Management and Social Sciences Research, 2(11), 33-37.

✓ Singh, S., & Paliwal, M. (2017). Unleashing the growth potential of Indian MSME sector. Comparative Economic Research, 20(2), 35-52.

-
- ✓ Sharma, R. (2012). Problems and Prospects of small scale Industrial Units (A Case Study of Exporting and Non-Exporting Units in Haryana). Asia Pacific Journal of Marketing & Management Review, 1(2), 191-210.
 - ✓ Desai Vasant (1969). "Management of a Small Scale Industry", Himalaya Publishing House, Bombay, India.
 - ✓ <https://msme.gov.in/sites/default/files/Annualrprt.pdf>, 2018-2019