

IMPACT OF INDUSTRIAL AND TECHNOLOGICAL DEVELOPMENT ON SMALL SCALE INDUSTRIES DEVELOPMENT

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Abstract

Development in Information Technology of the country enables the Small Scale Industries to confirm their success in business. It is highly motivated the marketing of Small Scale Industries and online purchasing of their products. Rapid economic development has become the foremost concern of developing countries including India. In planned economic development, industrialization occupies a crucial place. This is because industrialization and economic development have become closely integrated with each other. The potential of SMEs is often not realized because of problems commonly related to size, isolation, market opportunities, standards/quality, supply chains, logistics and technology innovation. In underdeveloped and developing countries, agriculture is the dominant sector. However, the real rate of economic growth in developing countries like India depends on the coordinated development of agriculture and industry. In fact, agriculture and industry are complementary to and interdependent on each other. Obviously, in a country like India, the answer to the question of economic development is, indeed, "balanced growth".

Keywords: *Information Technology, economic development, industrialization, Small Scale Industries, supply chains, Industrialization, agricultural sector*

After independence, economic development became the important and foremost objective of the government policies in India. Indian plans have been aiming at balanced growth in the two major sectors of the economy, namely, agriculture and industry.

At the beginning of the first five year plan (1950-51), the Indian economic scene presented the picture of a stagnant economy. For almost all industrial products, the country depended on imports. Long term development of small scale industry was unknown. Recognizing the need to speed up industrialization in the country, the Industrial Policy Resolution 1948, envisaged the planned development of industries and their regulation in national interest.

Regional imbalances which retard the growth of Indian economy need to be eradicated at the earliest. For this, a practical measure is to start and develop small scale industries in the backward and rural areas. The Indian five year plans have been emphasizing on the development of small scale industrial sector right from the first plan. In the present context, Small Scale Industries (SSIs), have a significant and strategic role to play in achieving the plan objectives of increase in industrial production, generation of additional employment, reduction in regional imbalances, equitable distribution of national income, development of local resources etc. They have the potential for achieving these goals at a relatively low capital cost.

Small scale industries are labour intensive and they have the potential for generating more employment. They can help reduce regional imbalances. The employment generating capacity of small scale industries could be noted from the fact that in India, Rs.1 lakh of fixed investment in plant and machinery in small scale units provides

employment to 21-26 persons, while in a large scale unit; the same amount of investment provides employment to only 4 persons. In a rural economy, where there is surplus labour, the small scale industrial sector gains special significance on account of its low capital requirements, liberal labour absorption, effective mobilization of local resources of capital and skill, equitable distribution of income and wealth, short-gestation period, and less sophisticated management techniques. The salience of small scale industry lies in “resource use” and “distribution of benefits”. Small enterprises make use of the latent resources and generate employment. They can act as a means of decentralization. Small is environment-friendly and beautiful.

The small scale industries sector has made a significant contribution to India's emergence as the world's tenth industrialization. The sector has a sizeable quantity in India's index of employment, production, export income and foreign exchange. The total number of small scale units in the country in 1998-99 was 31.21 lakhs compared to 30.14 lakh in 1997-98. The value of production of small scale units in 1998-99 aggregated to Rs.527, 515 crores. The volume of employment in small scale sector stood at 171.6 lakhs as of end March 1999. Exports from the SSI sector accounted for about 35 per cent of the country's total export. In 1998-99, SSI exports valued at Rs. 49,481 crores increased by 11.4 per cent over 1997-98.

Today, the SSI sector produces almost 8000 products including consumer oriented products. The number of units has gone up from 19 lakhs in 1991 to over 31 lakhs in 1999. Perhaps, the most remarkable figures are in respect of employment. During the seven year period from 1991, when liberalization began, till 1998, the small sector created almost 42 lakhs new jobs whereas the entire organized industry including the government was able to create only 14.3 lakh new jobs.

Small scale industry occupies an important position in the industrial structure of our country. In a country like India, wherein on one hand there is the acute problem of unemployment and on the other hand scarcity of capital, it is only the small scale industries which are best suited under these conditions. Indian economy is characterized by huge size of population, availability of wide variety of abundant natural resources, ever growing size of market and shortage of capital. Development of agricultural sector is important but more emphasis should be placed on the development of industrial sector as it is only this sector which can help in solving numerous problems confronting our economy.

Industrialization has a major role to play in the economic development of underdeveloped and developing countries. The gap in per capita income between the developed and underdeveloped countries is largely reflected in the disparity in the structure of their economies; the former are largely industrial economies, while in the latter production is confined predominantly to agriculture. Some countries have achieved relatively high per capita income by virtue of their fortunate natural resource endowments. The pattern of “growth through trade” in primary commodities was, however, realized in the nineteenth century when industrialization was closely linked with international trade.

The volume of exports from the underdeveloped countries expanded at a rate of 3.6 per cent per annum while the exports from the developed countries rose at the rate of 6.2 per cent. This export lag is accomplished by deterioration in their terms of trade. Thus in view of unfavorable trends in the world trade of primary commodities, industrialization is the only effective answer to the problems of underdeveloped countries. They can no longer depend upon trade for their development; they have to activate dynamic elements within their economies.

The industrial sector, which possesses a relatively high marginal propensity to save and invest, contributes significantly to the continued high levels of investments and rapid increase in income and industrial employment. Besides, the process of industrialization is associated with the development of mechanical knowledge, attitudes and skills of industrial work, with experience of industrial management and with other attitudes of a modern society which in turn, is beneficial to the growth of productivity in agriculture, trade, distribution and other related sectors of the economy. As a consequence of these factors, any successful transfer of labour from agriculture to industry contributes to economic development. Industrialization is thus inseparable from substantial, sustained economic development.

The growth has been consistently significant not only in terms of number of units, but also in terms of providing employment opportunities. It accounts for nearly 40 percent of the gross value of output in the manufacturing sector and about 35 percent of the total export from the country. The development of small scale industries is an integral part of overall economic, social and industrial development of a country. The government has given special concessions to small scale industries sector in the areas such as provision of loan by banks, excise and purchase concessions by the government and so on. Some products have been reserved to be produced only by the small scale industries as a measure to help the units to thrive.

With a view to enable SMEs tide-over the problems of technological backwardness and enhance their access to new technologies, it is imperative to offer them a conducive environment, in the present context of globalization, calls for approach with knowledge playing a predominant role. The present need is also to leverage on modern technologies to harness human capabilities through the process of increased communication, cooperation and linkages, both within the enterprise as well as across enterprises and knowledge-producing organizations. In order to enable SMEs overcome the above problems and enhance their access to new technologies for increasing their competitiveness in the international market, it is imperative to give them a conducive environment, which includes:

- (1) Formulation of appropriate national policies and programmes;
- (2) Building up technological capacity;
- (3) Knowledge flows and technology databases;
- (4) R&D and inter firm linkages.

Networking offers an important route for individual SMEs to address their problems as well as to improve their competitive position. It is realized from developing and developed countries that networking is more likely when enterprises operate in proximity and share business interests such as markets for products, infrastructure needs or challenging external competition.

Since the time of independence, the scientific and the technological base of the country has grown considerably. Today it consists of a wide spectrum of infrastructure in terms of laboratories, R&D institutions, in house R&D establishments' etc. covering several disciplines. The chain of laboratories/ institutions under CSIR, DST, DBT, ICAR etc. besides academic institutions like IIT, NIT etc. too play a crucial role in responding to the technological demands from the SME sector. Significant growth in the capabilities and achievements in high technology areas, namely nuclear and space sciences, electronics and defence have also caused spin-offs and technology transfers to other sectors, especially the broader production sectors, benefiting SMEs in the process. The Ministry of SSI & ARI keeping in view the concentration of such enterprises has also specially established several Tool Rooms and common facilities.

In addition, different Ministries have also set-up their own R&D institutions to address the technological and training/ skilling requirements of SMEs. To cite a few examples Ahmedabad Textile Industries Research Association- ATIRA, North India Textile Industries Research Association- NITRA, South India Textile Industries Research Association- SITRA, Indian Jute Industries Research Association- IJIRA etc. (by the Ministry of Textiles), Indian Institutes of Packaging (Ministry of Commerce), Central Coir Research Institute - CCRI (Ministry of ARI), CIPET (Ministry of Chemicals & Petrochemicals), Indian Plywood Industries Research Institute (Department of Industrial Development) etc. The other form of support to SMEs for their technology upgradation, training, reskillng, entrepreneurship etc. comes in the form of schemes/programmes by Ministries of SSI & ARI, Science & Technology, Textiles, Food & Agriculture, Labour & Employment etc.

Conclusion

Technological development like e-commerce and online marketing enables the SSI units to excel in their business. Since small scale industries creates new jobs, supplies a wide range of products, contributes to export, helps in more equitable distribution of national income and emerges as outsourcing destinations, to an industrializing economy like India, it has increased the attention of the policy makers to a greater extent. An exhaustive industrial framework and wide range of policies and programmes have emerged for the protection and promotion of small scale industries in India. As a result small scale industries have been growing impressively and contributing significantly to employment, industrial protection and exports.

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