



Contribution of Small Businesses towards Economy

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Abstract

The development of the IT and ITes industries has been a major factor in the spectacular change in industrial growth that has occurred in the post-liberalization era. The liberalisation era, however, demonstrated that Multinational inversion in India was endangering micro and small industries. Given that India has a large, primarily unskilled labour pool, the government of India must perfect tiny industries there. By passing MSME Act, 2006, Government has made appropriate move to establishing legislation for Micro Small and Medium Enterprise's. The report makes efforts to give a general overview of India's micro- and small enterprises and to research the effects of small businesses from 1992 to 2013.

Keywords: Information Technology sector, Multinational Companies, MSME, socio-economic effect.

Objective

Studying the socioeconomic effects of small businesses in economy is the main goal of this study.

Motivation for this research

The continued existence and development of small-scale enterprises following deregulation serve as the real driving forces for research. How can small businesses flourish in the post-performance era is one of the research questions. Is the growth and annual performance enough to survive? To study the laws that government has been passed in liberalisation era. How long can tiny firms endure the competition?

Research methodology

In this study researcher trying to determine the contribution of small industries to economy. The analyse is primarily based on the secondary source of data which is collected from the MSME annual report 2021-22.

Literature review

As per Rathod, C.B., The significance of small industries and contribution of Indian small industrialist to the world economy. The study's primary goals were to examine the development and pattern of the SSI sector, pinpoint the causes of its successes and failures, assess how globalisation affected SSIs and export opportunities, and pinpoint

the challenges that SSIs had to overcome in order to adapt to globalisation. The report analysed the SSI sector's impressive export performance in India, which had increased to double digits over the previous 10 years. According to the study's findings, the influence of globalisation on Indian industry in general and the small scale sector in particular has generated both possibilities and obstacles. According to the report, a significant amount of our exports would need of adopting the fresh era of economy that has no boundaries. According to report, a need for legal framework to regulate and which is less complicated to understand, also effective governance and has appropriate funding, infrastructure as well as competitive environment.(2007)

By posing many concerns regarding Micro and Small Enterprises, Sudan, F. K. (2005) highlights the obstacles in the growth of MSME. According to the study's findings, the government of India made every attempt to create a vibrant MSE sector and a diverse economy that would offer more job possibilities to accommodate the influx of new workers and provide interesting career options. Both internal and external factors affect the success of a business. As per Rogoff et al..In addition to external elements like sales tax rates, infrastructure, market

circumstances, business prospects, and the availability of resources, internal determinants include size and years in company, the ability to attract finance, marketing, and human resources. The importance of Government assistance for small company growth has been emphasised in several studies. (2004)

SSI and MSME

Since the 1950s, the concept of a small scale sector has evolved in India. Accordingly, the Micro, Small, and Medium Enterprise Development Act, 2006 MSME classified into the following categories:

established the first legal framework for recognising the concept of an enterprise and combining its various levels that is three. Small-scale industries (SSIs) are typically defined as businesses that use little labour and modest equipment to create goods and services. Small-Scale Industries are restricted from investing more than Rs. 1 crore on machinery, plants and industries. Both of these businesses operate in accordance with Indian government policy. These business models must adhere to the regulations established by government.

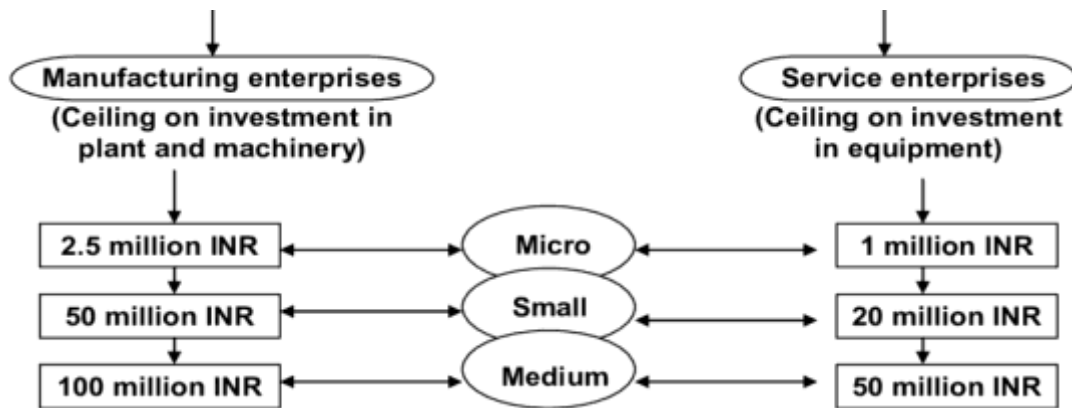
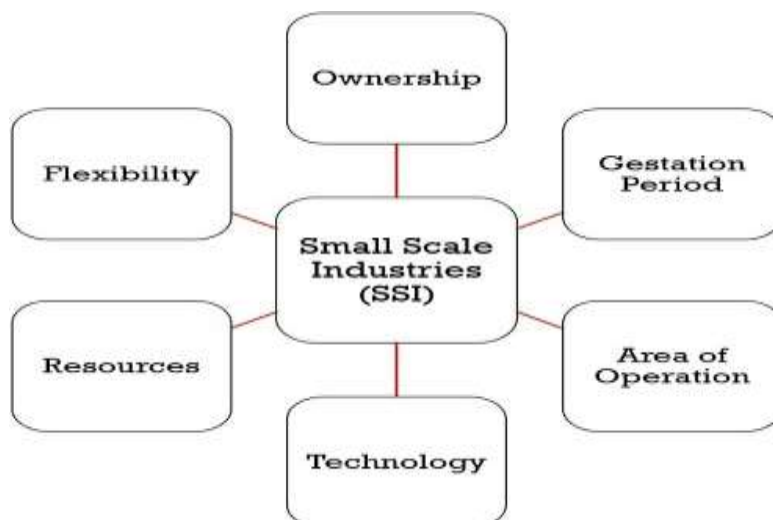


Table explains the MSME:

Size of enterprise	Investment and Annual Turnover
Micro	All the enterprise whose Investment are less than Rs. 1 crore and Turnover less than Rs. 5 crore
Small	Enterprise with Investment less than Rs. 10 crore and Turnover is less than Rs. 50 crore
Medium	Enterprise whose Investment less than 20 crore and Turnover less than Rs. 100 crore

Role of SSI



1. **Employment creation:** India's small-scale companies are among the finest places to find work. One of the key elements influencing a country's development is employment. Therefore, it is important to promote development of tiny industries in order to increase number of employment possibilities in the country.
2. **Less Capital Needed:** Compared to large-scale industries, small-scale companies require less capital. Because lack of capital problem is facing in developing nations like India, small industries are best source to keep the system in balance.
3. **Utilization of resources and growth of entrepreneurial skills:** Small-scale industries enable the rural population, which lacks access to large-scale businesses, to develop entrepreneurial skills. These industries aid in the efficient use of the rural areas' resources, which promotes rural area development.
4. **Equal income distribution:** By creating work possibilities, small-scale companies help adolescents in disadvantaged areas have equal access to economic options. The nation's growth in terms of jobs and human development results from this.
5. **Maintain regional balance:** Big Industries are frequently make its focus in or restricted to large cities, which causes migration of people in pursuit of jobs to these cities. Such a migration causes the city to become overcrowded and harms the environment. It is necessary to use more natural resources in order to support a huge population.
6. **Less production times:** Small enterprises produce goods more quickly than large-scale ones, which helps the economy by increasing the flow of money.
7. **Supporting the large scale industries:** By creating auxiliary goods for the large industries or minor components that will

be helpful for the assembly of final products by the large scale industries, small scale industries contribute to the growth of the large scale industries.

8. **Improvement in export:** Around 40 per cent of India's total exports are made up of small industries, which provide the majority of nation's export earnings. The operation of small-scale companies helps to increase the country's foreign exchange reserves, which reduces the strain on the balance of payments.
9. **Lessen reliance on agriculture:** Majority of the rural population is dependent only upon agriculture, which strains on the industry. Small businesses open up more options for growth and facilitate a more balanced distribution of occupations by offering employment to the rural population.

Problems faced by SSI

1. Not getting enough funds
2. Lack of technology
3. Lack of marketing
4. Unskilled labour
5. Low quality products

Facts and findings

1. SSI and Economic development

The MSME's have significantly boosted the expansion of entrepreneurial endeavours through company innovations. The MSMEs are broadening their economic influence across all sectors and producing a variety of goods and services to meet domestic and global market demands. The industrialization of rural and underdeveloped regions, the elimination of regional disparities, and the promotion of a wealth and income distribution that is more equal are just a few of the important roles that MSMEs in India are playing. Also, they provide substantial job prospects at capital costs that are lower than those of huge businesses.

Estimated Number of activities of MSME

Activity Category	Estimated Number of Enterprises (in lakh)			Share (%)
	Rural	Urban	Total	
(1)	(2)	(3)	(4)	(5)
Manufacturing	114.14	82.50	196.65	31
Electricity*	0.03	0.01	0.03	0
Trade	108.71	121.64	230.35	36
Other Services	102.00	104.85	206.85	33
All	324.88	309.00	633.88	100

1. SSI and Employment

The National Sample Survey (NSS), which was performed in its 73rd cycle between 2015 and 2016, found that the MSME sector has been generating 11.10 crore employment throughout the country, including in rural and urban regions (including 360.41 lakh jobs in

manufacturing, 0.07 lakh jobs in non-captive electricity generation and transmission, 387.18 lakh jobs in trade, and 362.82 lakh jobs in other services). Statement No. 2.5 illustrates the distribution of MSMEs in terms of activities.

Estimated employment in MSME sector:

Broad Activity Category	Employment (in lakh)			Share (%)
	Rural	Urban	Total	
(1)	(2)	(3)	(4)	(5)
Manufacturing	186.56	173.86	360.41	32
Electricity*	0.06	0.02	0.07	0
Trade	160.64	226.54	387.18	35
Other Services	150.53	211.69	362.22	33
All	497.78	612.10	1109.89	100

SSI- India's economic Backbone

SSI sector is considered a pillar of India's economy due to its immense contribution in employment and income generation. The 63 million MSMEs in India currently contribute

close to 30% of the country's GDP (GDP). The industry already contributed to almost 50% of its exports, and as of 2022, it had increased by 37% annually.

Government scheme for small-scale industries:

The Credit support initiative	Initiatives for development of Khadi, village and coir industries
Prime Minister Employment Generation Programme	Market promotion and development scheme
Credit Guarantee Trust Fund for Micro and Small Enterprises	Revamped Scheme of Fund for Regeneration of Traditional Industries
Credit Linked Capital Subsidy for Technology Upgradation	Coir Vikas Yojana
	A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship (ASPIRE)

Conclusion

During the study, the small scale enterprises have aided in rise of production, exports, and employment. Given how significantly the services sector contributes to the GDP, industry growth rates have decreased. The study has shown that small and medium-sized businesses have boosted the nation's economy despite India's liberalisation policies. The small business stakeholders' per capita income is also significant. The MSME Act of 2006, which categorises Micro, Small and Medium Businesses, and the creation of governing authority for the same have provide the safeguard to tiny enterprises in India. Government of India promote MSME

also provide training and provide tax relief for the same.

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