

# A Study on Role and Importance of Small Scale Industries In Erode District

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**Abstract:** Small scale industries play a major role in development of any country. For India, industries are indispensable. During the past five decades, small scale industries have received special attention in the process of industrialization and regional development in most of the developing countries. The small scale industries are to possess certain special features viz., less capital intensive, more labour intensive, adopt optimal technology, disperse in rural and backward areas, reduce regional imbalances. Flexible in operation, export orientated, widely spread entrepreneurship and equitable distribute the economic wealth of the country.

**Important terms:** Industrialization, Small scale industries, socio-economic objectives.

## INTRODUCTION

Role and importance of small scale industries is very important to be known. Small Scale Industries (SSIs), also known as Small and Medium Enterprises (SMEs) in many countries, play a pivotal role in the economic development of nations worldwide. These businesses are characterized by their relatively small size, limited capital investment, and a focus on local or niche markets. The role and importance of SSIs are multifaceted and have far-reaching implications for both the economy and society.

## LITERATURE REVIEW

Akingunola et al. (2011) assessed the economic growth of small scale industries and its specific financing options available to SMEs in Nigeria. The study showed that the financial institutions have played important role to the performance and development of small scale industries and existence of high correlation between capital availability and profit making prosperity of small scale business. The study was suggested that the need for restructuring and

strengthen policy to ensure the rapid growth and development of the MSMEs sector and the provision of effective finance will reduce its financial shortage and leads for its better performance.

Vibhute & Mahendra (2012) carried out seminal work to assess the role and place of small scale industries in Indian economy. Small industries rendered socio-economic roles such as decentralization and dispersal of manufacturing activities from the urban area to rural area and it facilitates to cutback of regional economic imbalances within a nation and the dissemination of entrepreneurial and management abilities and skills in addition to of technology all through a nation. The results showed that the rationale behind such an approach was that small industries afforded extensive scope for mounting employment due to its labour intensive methods and less capital. This study concluded that the small scale industries access various concessions which help to attain extra ordinary performance.

## OBJECTIVE

1. To identify the expectations of SSI and its role in economic development.
2. To remove the difficulties faced by small scale industries
3. To know the importance of economic development in SSI industries.

## RESEARCH METHODOLOGY

- ✓ The primary data relating to the opinion of the respondents regarding various aspects of small scale units were collected with the help of interview schedule .

- ✓ The researcher has initiated the research work with the sample in order to pre – test the questionnaire and to validate the data.

ROLE AND IMPORTANCE OF SSI IN ECONOMIC DEVELOPMENT

STATISTICAL TOOLS

1. Descriptive statistical analysis has been used to identify the role of economic development in SSI.
2. To study the role of economic development of SSI t-test and ANOVA has been applied..

The small – scale industrial sector has recorded a high growth rate since independence in spite of stiff competition from the small sector. The case for the development of SSI is particularly strong in under – developed but developing countries like India. These small scale industries satisfy many of the investment criteria that one often prescribes for the planned development of the country.

Role of SSI in economic development	N	MIN	MAX	MEAN	S.D
SSI makes paves way to foreign market	300	2.00	5.00	3.1367	0.4531
Makes way for foreign technology and investment	300	1.00	5.00	2.3200	0.7656
Less government interference	300	1.00	5.00	3.7233	0.6892
Employment generation	300	2.00	5.00	3.1367	0.4225
Positive outcome in economy	300	1.00	5.00	3.1167	0.4513
Higher customer satisfaction	300	1.00	5.00	3.0867	0.5658
Low price for product marketed	300	1.00	5.00	3.4600	0.8310
SSI promotes equal distribution of industries	300	1.00	5.00	2.6633	0.8940
Good industrial relations	300	1.00	5.00	3.0667	0.4997
Pooling of resources	300	1.00	5.00	3.1033	0.4619

Source: Computed

The respondents asked to score the role of SSI in economic development on a 5 point rating scale. The mean ratings were found out for 10 items. The highest mean rating is 3.723 for the items of less government intervention. The lowest mean rating is 2.320 for the items of makes way for foreign technology and investment.

Analysis of Variance (ANOVA) and t-test has a Statistical method used to test differences between two or more means.

Ho: There is no significant difference between the Role of SSI in Indian Economic development and the industrial variables.

ANOVA OR T-TEST ROLE OF SSI IN INDIAN ECONOMIC DEVELOPMENT AND INDUSTRIAL VARIABLES

Variables	Groups	Mean	S.D	No	F - value	T - value	Table value	Sig
Nature of business activity	Production	30.74	1.91	121	4.901	-	4.677	**
	Processing	30.54	2.42	154				
	Job work	32.24	3.88	25				
Age of SSI unit	Less than 4 years	32.64	4.41	28	6.896	-	3.848	**
	5 yrs – 8 yrs	30.49	2.04	164				
	9 yrs – 12 yrs	30.78	1.90	98				
	More than 12 years	31.40	3.10	10				
Nature of your organization	Proprietorship	30.64	2.32	113	0.478	-	3.026	NS
	Partnership	30.92	2.48	167				
	Company	30.90	2.61	20				
Capital invested	25 Lakhs – 50 Lakhs	30.25	1.09	106	36.631	-	3.848	**
	50 Lakhs – 75 Lakhs	30.29	1.13	133				
	75 Lakhs – 1 Crore	32.02	3.54	43				
	Above 1 crore	35.17	5.22	18				
Location of Industry / Business	Urban	30.65	2.09	198	2.671	-	3.026	NS
	Semi – Urban	30.94	2.56	80				
	Rural	31.86	4.05	22				
Form of organization	Founder	30.68	2.12	284	-	4.020	2.592	**
	Heir	33.13	5.15	16				

Ownership of premises	Own	30.98	2.54	167	-	1.305	1.968	NS
	Rented	30.61	2.26	133				
Annual turnover	Less than 5 lakhs	30.86	2.61	145	2.011	-	2.635	NS
	5 lakhs – 10 lakhs	30.48	1.70	112				
	10 lakhs – 15 lakhs	31.63	3.27	30				
	15 lakhs – 20 lakhs	31.23	3.03	13				
Annual profit	Less than 2 lakhs	30.88	2.55	172	1.413	-	3.026	NS
	2 lakhs – 5 lakhs	30.62	2.02	117				
	More than 5 lakhs	31.82	3.97	11				
Total		30.81	2.42	300				

Source : Computed; NS – No Significance, \*-Significance at 5% level, \*\*-Significance at 1% level

The nature of business activity in role of SSI in economic development taken a industrial variables, there were difference of views among themselves about the role of SSI in economic development they have acquired. The factors reveals that the F value is higher (4.907) than the table value (4.677). Hence the hypothesis is rejected.

The higher F value (6.896) reveals the fact that there has been difference in the opinion of SSI who have age of SSI unit about role of SSI in economic development. Hence the null hypothesis is rejected.

Nature of organisation of the respondents as s industrial variables. Compared with dependent variable role of SSI in economic development viz. It increase the growth of SSI, the respondents have similar opinion about the benefits and support the null hypothesis is lower then the table value (0.478). The hypothesis is accepted.

The capital invested as a industrial variables and compared with the benefit of role of SSI and is concluded that there has been a high difference found in their mean values and being the F value is significant the null hypothesis has been rejected at 1% of significance level.

Considering the variable location of industry / business with the increased the growth. The deviation from the mean values of the variable have been not very high and the lower F – value, null hypothesis has been accepted.

The variation of the values the heir respondents has been lower than the variation of founder. Heir respondents have been more significant than the founder respondents. The ‘t’ value is greater than the table value. Hence the hypothesis is rejected.

Assuming the ownership of premises the respondents of own premises mean value (30.98) compared to rented premises. The results shows that the ‘t’ value (1.305) is less than the table value. The null hypothesis is accepted.

There has no significant different between the terms of annual turnover and mean score. The F – value 2.011 has been lower than the table value 2.635 and hence the hypothesis has been accepted.

In order to found annual profit and scores the calculation F –value 1.413. This shows that the economic score do not differ significantly among annual profit. Hence the null hypothesis is accepted.

### RESULTS AND RECOMMENDATION

The respondents asked to score the role of SSI in economic development on a 5 point rating scale. The mean ratings were found out for 10 items. The highest mean rating is 3.723 for the items of less government intervention. The lowest mean rating is 2.320 for the items of makes way for foreign technology and investment.

### ROLE OF SSI IN ECONOMIC DEVELOPMENT FACTORS – ANOVA

PERSONAL VARIABLE	SIGNIFICANCE
Nature of business activity	**
Age of SSI unit	**
Nature of your organisation	NS
Capital invested	**
Location of industry/ Business	NS
Annual turnover	NS
Annual profit	NS

### Summary of ANOVA

Therefore, the role of SSI in economic development measures taken by the factors is significantly differed with nature of business activity. Age of aSSI unit, capital invested and form of organisation. Remaining factors are not significant with nature of organisation, location of industry, annual turnover and annual profit.

### Role of SSI in Economic Development factors – T-Test

PERSONAL VARIABLE	SIGNIFICANCE
Form of organisation	**
Ownership of premises	NS

Summary of T-test

There is a significant level between form of organisation at 1% level. And there is no significant with ownership of premises.

CONCLUSION

Small Scale Industries are integral to the economic and social fabric of a country. They play a crucial role in generating employment, fostering innovation, and contributing to economic growth. The development and support of SSIs should be a priority for governments and organizations interested in promoting economic resilience and inclusive growth. Nurturing the small business sector helps create a balanced, diversified, and robust economy.

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