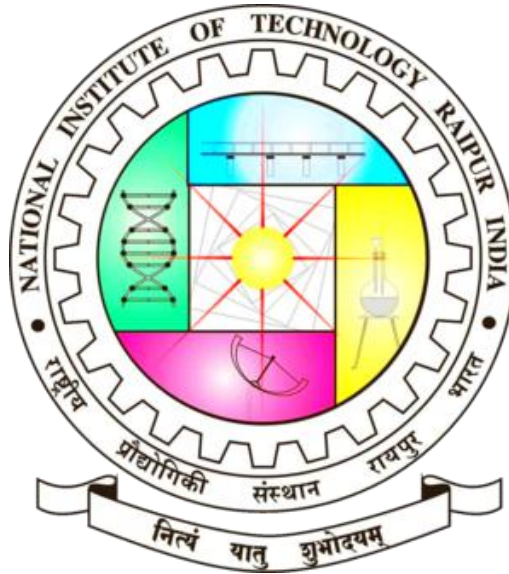


NATIONAL INSTITUTE OF TECHNOLOGY, RAIPUR



BASIC ENTREPRENEURSHIP TERM PROJECT

TOPIC - THE ROLE OF SMALL SCALE BUSINESS
IN CREATING EMPLOYMENT

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SUBJECT - BASIC ENTREPRENEURSHIP

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Introduction

Small Scale Industries :-

- Small scale industries are ones in which the manufacturing, production, and servicing processes are carried out on a small scale.
- The investment in such enterprises is one-time, and the majority of these investments are in equipment and machinery; the overall investment in such industries does not surpass one crore.
- Smaller machines and relatively limited labour are used to manufacture items and provide services in small scale companies.
- Small scale enterprises, or SSIs, are known as an economy's lifeline, which is critical in a country like India. Because it is a labor-intensive business, it contributes significantly to the creation of employment opportunities for the country's population.
- They are also an important aspect of an economy from a financial standpoint, as they contribute to maintain the country's per capita income.



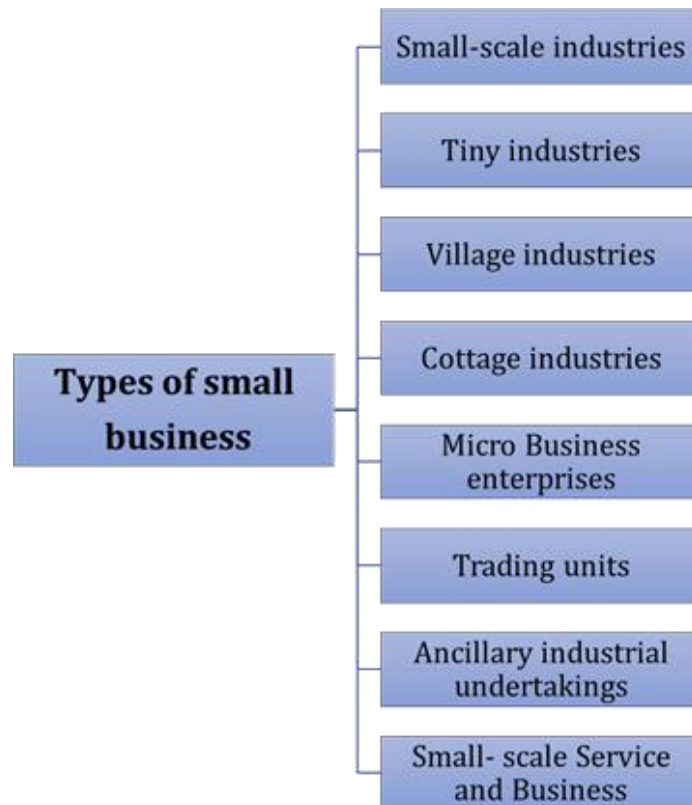
In most states, such as Imo, the role of small-scale business in creating employment has emerged as a result of special interest and efforts of administrations, entrepreneurs, and scholars concerned with the overall creation of employment in the state. Small-scale businesses are considered as one of the forces in creating ownership and entrepreneur skills. Despite the fact that there is no universally agreed definition of small business, it is usually based on qualitative quantitative variables.

Small scale enterprises, as defined by the 1981 industrial policy, are businesses with a total investment of between N42 million and N5 million, including working capital. In addition, for the

purposes of a recent small scale enterprise, Nigeria defined small and medium scale enterprises as those having total assets of N1 million (maximum) excluding land and working capital.

Small-scale businesses have offered a forum for the training of companies in a variety of areas of the economy. Small-scale businesses/enterprises are a major source of domestic capital formation by mobilising private money and channelling it into productive investment.

Investment Marilyn (1981) correctly argued that the features of small-scale firms aligned nicely with many countries' social economic goals. Small sales businesses, he claims, are labor-intensive, capital-saving, and capable small sales businesses.



Characteristics of Small Scale Industries :-

- Small-scale industries are typically owned by a single person, either as a sole proprietorship or as a partnership.
- The owners of small scale industries are responsible for their management, and as a result, the owner is involved in the day-to-day operations of the company.
- Because small-scale industries are labor-intensive, technology is used sparingly.
- Unlike huge businesses, small scale industries are agile and adaptable to changing business environments.

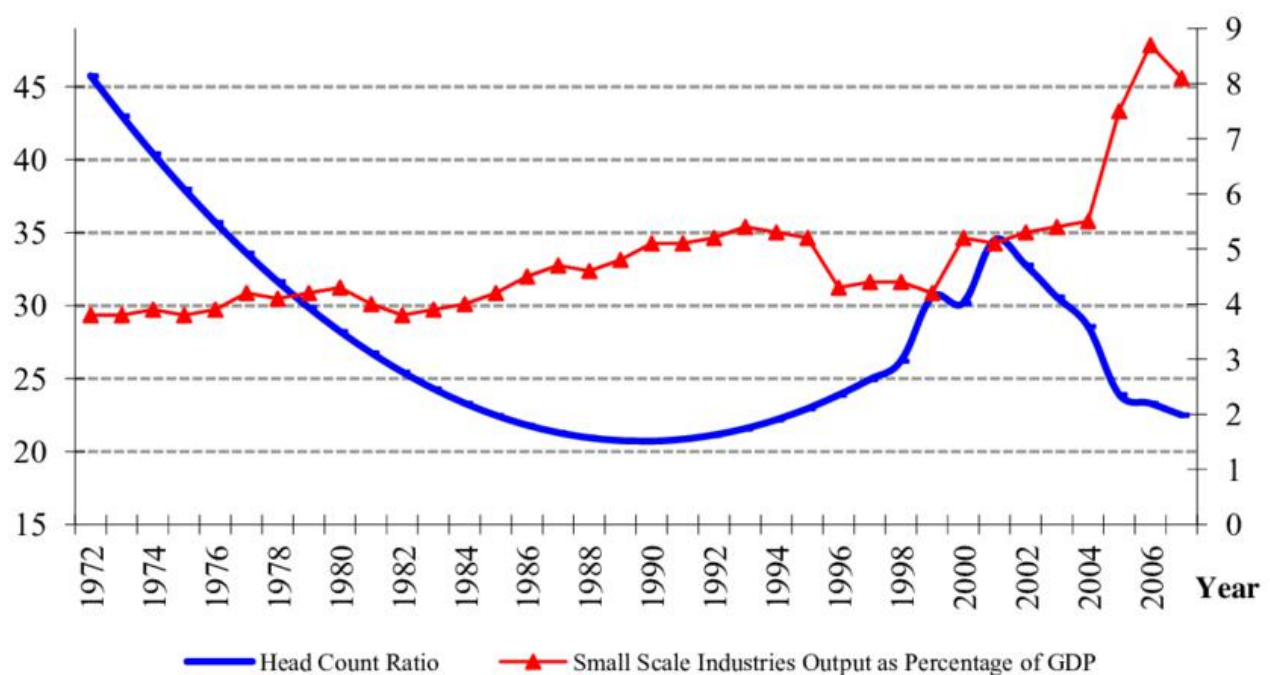
- Small-scale companies operate in a constrained environment, allowing them to fulfil local and regional needs.
- Small-scale companies rely on locally available resources, allowing the economy to fully utilise natural resources while minimising waste.

Objectives of Small Scale Industries :-

- To create job opportunities for the population.
- To help in the development of the rural areas of the economy.
- To play an active role in reducing the regional imbalances in the nation.
- To help in improving the standard of living for people in rural areas.
- To ensure there is equal distribution of wealth and income

Role and Importance of Small Scale Industries :-

Small-scale industries are ones where production, manufacturing, and service provision are carried out on a small or micro size. Small-scale enterprises have a critical role in producing employment, improving people's financial situations, developing rural areas, and reducing regional imbalances in countries like India.



1. Job creation: In India, small-scale industries are one of the most reliable sources of employment. One of the most crucial aspects that influences a country's progress is employment. As a result, the development of small-scale industries should be fostered in order to increase employment prospects in the country.
2. Smaller capital requirements: Smaller industries require less capital than large-scale enterprises. Small-scale industries are best suited for preserving the balance in emerging countries like India, where capital is scarce.
3. Small-scale industries enable the development of entrepreneurial skills among rural populations who lack access to large-scale industries. These businesses aid in the efficient use of the resources available in rural areas, resulting in rural development.
4. Equal income distribution: Small scale companies generate equal income prospects for the youth of impoverished areas by creating employment chances. As a result, the nation grows in terms of jobs and human development.
5. Maintains regional balance: It has been observed that large-scale industries are typically concentrated in or restricted to large cities, resulting in movement of people looking for work to these cities. Overcrowding in the city and environmental destruction are the results of such migration. More natural resources must be utilised in order to sustain a large population.
6. Small-scale enterprises have a shorter production period than large-scale businesses, resulting in an increase in money flow in the economy.
7. Supporting large-scale industries: Minor-scale industries contribute to the growth of large-scale industries by creating supplementary products for them or small components that are used in the assembly of final products by large-scale industries.
8. Improvement in Exports: Small-scale industries account for over 40% of India's total exports, which accounts for a considerable portion of the country's export revenue. Small-scale enterprises contribute to the country's currency reserves, which decreases the country's balance of payment burden.
9. Reduce reliance on agriculture: The majority of the rural population will be dependent on agriculture, putting a strain on the sector. Small-scale companies give additional options for expansion and a more organised distribution of occupations by providing job opportunities to the rural people.

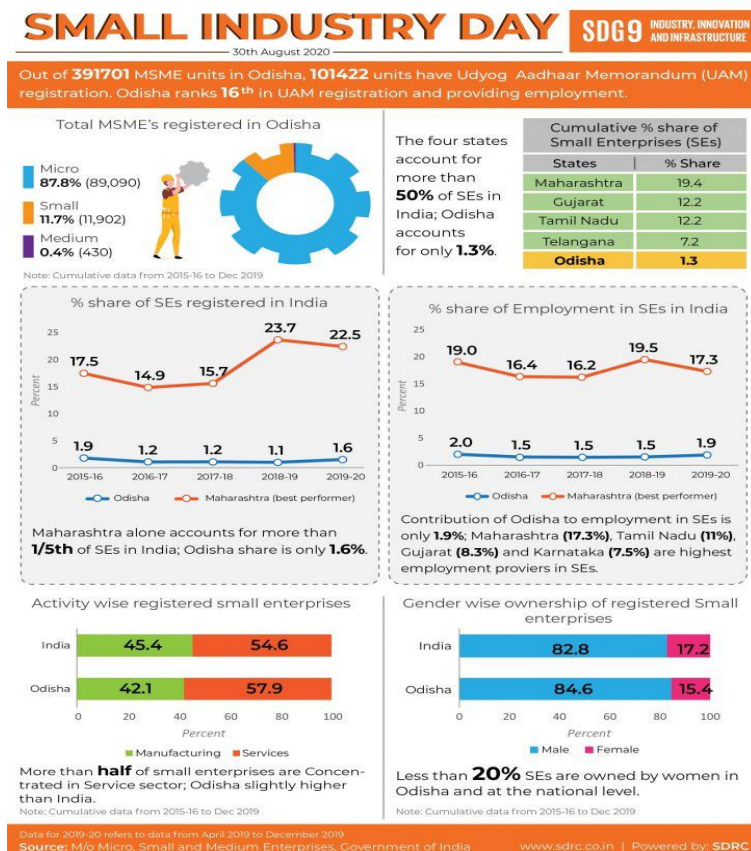
CASE STUDY :

The Role of Small Industries in Employment Generation and Economic

Development in India :-

Introduction :-

The study of small industries in developed countries such as the United States and Italy, as well as developing countries such as India and China, shows that these countries' industrial progress is attributable to the rise of small industries and government programmes supporting small industry growth. Iran's government has made significant investments in large businesses such as petroleum and petrochemicals, agriculture, mines and non-metallic minerals, steel, and manufacturing machinery. The big petroleum, petrochemical, sugarcane agriculture plant, cement, and steel facilities may all be found in Khuzestan's southern province. Intermediate goods, accessories, and facilities are becoming increasingly important in all of these huge sectors. In Iran's large industries of petroleum, petrochemicals, drilling, and steel, Khuzestan takes the lead.

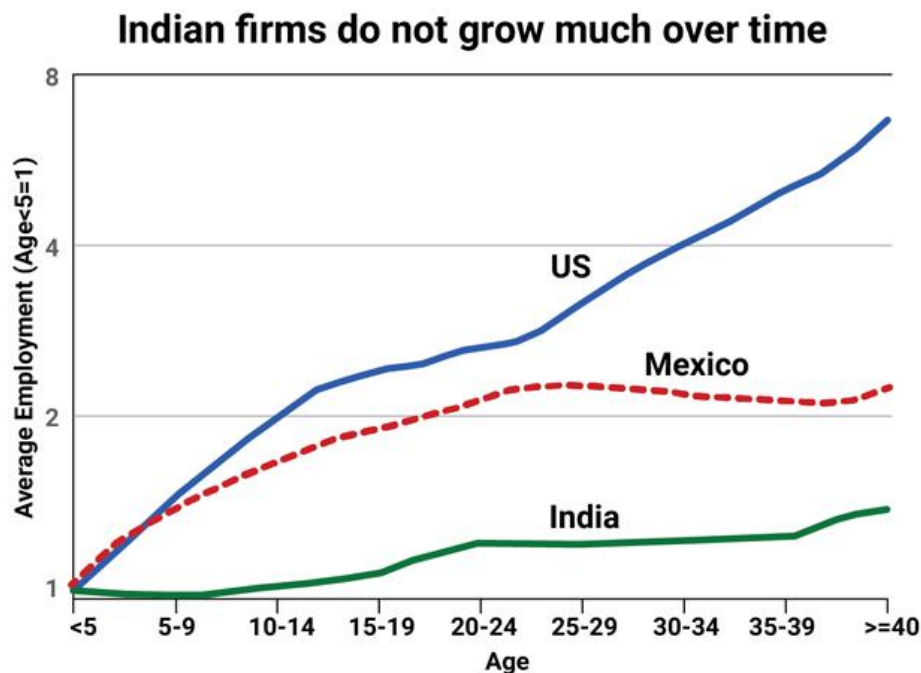


In Iran little attention has been paid to small industries within the framework of the industrial structure. Hence they fail to fulfil their expected functions in comparison with small size industries of the developed and developing countries. One of the ways of modifying the policies for the betterment of small industries is utilizing experiences and patterns of those countries that have been successful in this regard. One such country that can be named is India, which has had achievements in the field of small industries. The small industries of this country provide 70 percent of the employment and forms 55 percent of the exports. Comparing India's small industries status may prove to be fruitful in solving the issues of the small industries

The choice of India and Iran for this study was made to compare the status of small businesses in Iran with that of a nation that has made significant progress toward industrialization and growth. The importance of small businesses in economic growth, particularly employment creation, is examined in this study. In light of the growth in Khuzestan, Iran, an attempt has been undertaken to investigate the role of small companies in creating jobs and advancing the economy in Maharashtra.

The objectives of the research are as follows :-

1. To examine the importance of small businesses in creating jobs in Maharashtra, India, and Khuzestan, Iran.
2. To assess Maharashtra's government policies on small-scale industry performance.
3. To evaluate various improvements and capacities of small and medium-sized businesses in Maharashtra (Pune), with a focus on small-scale industry cluster projects.



General Overview (with some mathematical data) :-

Clusters are characterised as spatial and sectoral concentrations of businesses, particularly Small and Medium Businesses (SME). Local SMEs have been able to hold a considerable market share due to their closeness to and understanding of markets, as well as reduced transportation costs. In this agglomeration, SMEs may more readily obtain economies of scale. In India, there are around 350 SME clusters, the majority of which feature small businesses.

India's small-scale economy contributes directly to 35 percent of the country's overall exports. There is no specific policy in place, either at the federal or state level, to promote SME clusters in general. In India, there are roughly 2000 rural clusters, according to estimates

These are mostly skill-based clusters that have expanded in size over time. These clusters are made up of unorganised sector micro-units with limited market, information, and technological access. Based on the information presented, the barriers and methods for overcoming them are also addressed.

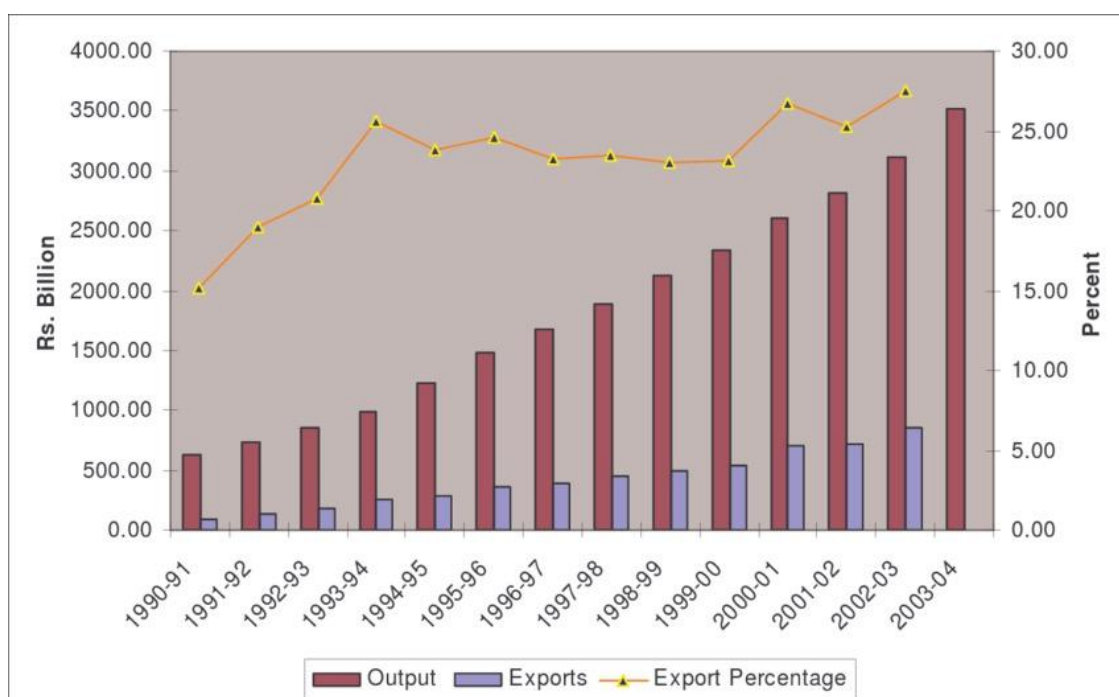
Growth of SMEs in India from 1990-91 to 2011-12				
Year	Number of small scale units (million)	Production (₹ million)	Employment (million)	Export (₹ million)
1990-91	6.787	635,180	15.834	96,640
1991-92	7.063	730,720	16.599	138,830
1992-93	7.351	855,810	17.484	177,840
1993-94	7.649	988,040	18.264	253,070
1994-95	7.960	1,222,100	19.140	290,680
1995-96	8.284	1,482,900	19.793	364,700
1996-97	8.621	1,684,130	20.586	392,480
1997-98	8.971	1,891,780	21.316	444,420
1998-99	9.336	2,129,010	22.055	489,790
1999-00	9.715	2,342,550	22.910	542,000
2000-01	10.11	2,612,890	23.909	697,970
2001-02	10.521	2,822,700	24.909	712,440
2002-03	11.01	3,119,930	26.138	860,130
2003-04	11.395	3,645,470	27.142	976,440
2004-05	11.859	4,297,960	28.235	1,244,170
2005-06	12.342	4,978,820	29.491	1,502,420
2006-07	26.112	7,093,980	59.566	1,776,000
2007-08	27.279	7,907,590	62.637	1,825,380
2008-09	28.516	8,808,050	65.935	2,020,170
2009-10	29.808	9,829,190	69.538	2,235,720
2010-11	31.152	10,957,580	73.217	2,451,270
2011-12	32.56	12,214,420	77.127	2,691,250

Source: Economic Survey of India

Small and medium-sized businesses (SMEs) are the backbone of most countries across the world. SMBs account for 99.7% of all businesses worldwide. They employ over 80% of the workforce, train 80% of the workforce, and provide more than 80% of the GDP, exports, and economy of most nations throughout the world, both directly and indirectly. The SME is favoured in order to strengthen the rural economy by providing a plethora of job possibilities.

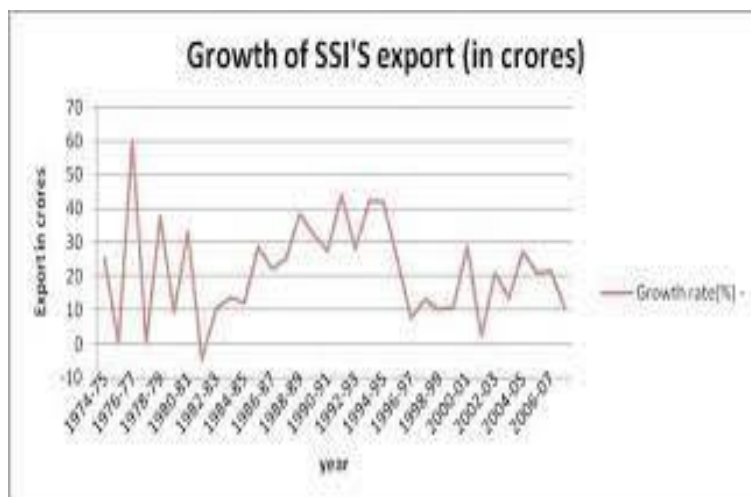
Some calculations and data analytics :-

- Various studies look at the efficiency of **India's small-scale industries (SSIs)**. According to a research conducted by Dhar and Lydall, current SSI units are quite capital demanding, and as a result, SSI units do not produce more jobs per unit of capital than large scale industry. Sundesara analysed CMI data for 28 sectors and discovered that small-scale units did not create more jobs or produce more production for the same amount of investment as large-scale units. In a report released in 1976-77, he discovered that SSIs had low labour productivity, high capital productivity, low capital intensity (measured as capital per employee), and poor total factor productivity when compared to large scale businesses.
- The small-scale sector, according to SIDBI, is more efficient than the large-scale sector.
- The percentage of SSI in overall exports increased from 9.6 percent in 1971-72 to 33 percent in 2003-2004.
- Small-scale manufacturing exports account for around 45 percent of total manufacturing exports.
- In different states, SSIs' relative labour productivity is investigated. In eight categories, like as non-ceramic bricks, structural metal items, and utensils, Maharashtra labour is unquestionably more productive. The same may be said for Relative Capital Productivity. There is a high positive link between relative labour productivity and relative capital productivity between states and industries within states. This shows that labour and capital are more complementary than alternatives.



Analysis of collected data :-

- According to secondary statistics, minor enterprises in Khuzestan are more closely associated with food, fabricated metals, and non-metallic minerals. In Maharashtra, small industrial activity is more closely tied to food processing, floriculture, tool manufacturing, electric and electronic facilities, and other businesses. In Maharashtra, compared to Khuzestan province, there is less dispersion of the types of small producing enterprises' activity.
- The findings also suggest that the average distance between an industrial workshop and a city in Khuzestan is 1.86 kilometres, compared to 2.10 kilometres in Maharashtra. In Khuzestan, 64% of the workshops are less than 5 kilometres from the city or country, whereas in Maharashtra, 74% of the workshops are less than 5 kilometres from the city or country. In Khuzestan, the average size of the base and whole grounds of a small industrial is 1260.1 square metres, and the average area of entire grounds of each workshop is 5540.9 square metres. These values are 1774.3 and 2564 in Maharashtra, respectively.
- According to the findings, 69 percent of workshops in Khuzestan and 96 percent of small businesses in Maharashtra operate at less than full capacity. Small industries in Khuzestan, on average, use just 54% of their nominal capacity, whereas in Maharashtra, this figure is equivalent to 45 percent.



- These statistics also demonstrate that 76 percent of small businesses in Khuzestan are privately owned, while just 22 percent of small businesses in India are.
- The market for small-business products and services In both nations, small-scale industries are primarily focused on the local market (town or condition). This phenomena, as well as the issue of local job creation, Clearly state that the industries' actions in terms of Consumption, commerce, and revenue, as well as labour, are all factors to consider.
- At a regional level, recruiting has been effective. This is how it works. It is apparent that small-scale industries have a significant influence on the environment.evolution of the region
- In terms of energy consumption, the findings suggest that electricity is the sole energy utilised in 90% of small enterprises in Khuzestan, and 10% of these companies use other resources in addition to electricity, whereas small industries in Maharashtra use just electricity. As a result, practically every respondent named the power outage as the most serious issue. Iranian

respondents made no mention of such a concern. The lack of financial resources, as well as the quality and costs of production elements, are the key issues raised by Iranian respondents.

- **In addition to the direct employment possibilities produced by small industrial workshops, the operations of these workshops also create indirect job opportunities. Small industrial workshops in Maharashtra provide around 5 indirect job opportunities on average.**

SSI Brings Balanced Regional Development :-

1. SSI promotes decentralized development of industries as most of the small scale industries are set up in backward and rural areas.
2. It removes regional disparities by industrializing rural and backward areas and brings balanced regional development.
3. It promotes urban and rural growth in India.
4. It helps to reduce the problems of congestion, slums, sanitation and pollution in cities by providing employment and income to people living in rural areas. It plays an important role by initiating the government to build the infrastructural facilities in rural areas.
5. It helps in improving the standard of living of people residing in suburban and rural areas in India.

The entrepreneurial talent is tapped in different regions and the income is also distributed instead of being concentrated in the hands of a few individuals or business families.

SSI Facilitates Women Growth:

1. It provides employment opportunities to women in India.
2. It promotes entrepreneurial skills among women as special incentives are given to women entrepreneurs.

SSI Helps in Mobilization of Local Resources:

1. It helps to mobilize and utilize local resources like small savings, entrepreneurial talent, etc., of the entrepreneurs, which might otherwise remain idle and unutilized. Thus it helps in effective utilization of resources.
2. It paves way for promoting traditional family skills and handicrafts. There is a great demand for handicraft goods in foreign countries.
3. It helps to improve the growth of local entrepreneurs and self-employed professionals in small towns and villages in India.

SSI Paves for Optimisation of Capital :-

1. SSI requires less capital per unit of output. It provides quick return on investment due to shorter gestation period. The pay back period is quite short in small scale industries.
2. SSI functions as a stabilizing force by providing high output capital ratio as well as high employment capital ratio.

3. It encourages the people living in rural areas and small towns to mobilize savings and channelize them into industrial activities.

SSI Ensures Social Advantage :-

1. SSI helps in the development of the society by reducing concentration of income and wealth in few hands.
2. SSI provides employment to people and pave for independent living.
3. SSI helps the people living in rural and backward sector to participate in the process of development.
4. It encourages democracy and self-governance.

SSI Develops Entrepreneurship :-

1. It helps to develop a class of entrepreneurs in the society. It helps the job seekers to turn out as job givers.
2. It promotes self-employment and spirit of self-reliance in the society.
3. Development of small scale industries helps to increase the per capita income of India in various ways.
4. It facilitates development of backward areas and weaker sections of the society.
5. Small Scale Industries are adept in distributing national income in more efficient and equitable manner among the various participants of the society.

Recommendations and conclusions :-

Based on the findings of the research, we provide some advice in this area aimed at assisting small businesses in overcoming challenges, increasing productivity, and expanding their role in job creation and regional development.

- The first suggestion is to create or expand R&D divisions, as well as to boost the R&D budget. This will have a good impact on the production quality and quantity, as well as greater regional development.
- We urge that governments push their banking systems to enhance financial facilities for small businesses, as practically all respondents mention a lack of financial resources. According to the data, the financial resources necessary for creating a small enterprise in both nations are so cheap when compared to the resources required for establishing a unit in other sectors. As a result, minor investments in these businesses can provide substantial returns in terms of increased output, job creation, and regional growth.
- Because the higher the employee's education level, the higher the firm's productivity, we advise small businesses to put greater emphasis on job training.
- In Maharashtra, the primary issue identified by respondents is power outages. In minor industries in Khuzestan, there is a similar problem, but it is far less severe than in Maharashtra. The advice is to look into the elements that cause the power outage and the remedies to this

issue.

- Because labour is the most important aspect in production, it appears that it is necessary to evaluate and reassess labour legislation and legal concerns in order to find answers to the labour challenges that small businesses confront.

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THANK YOU