

# The role of small scale industry in reduction of poverty in India

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## Abstract

Poverty is one of the most serious problems faced by developing countries like India. The role played by the small scale industry in the economic activity of advanced industrialized countries like Japan, Germany, Great Britain and the United States of America is significant. Many Nations, both developed and developing exteriorized that the small industry sector is a useful vehicle for growth, in the later for the creation of new employment opportunities on a wide scale in the shortest possible time. Employment creation is one of the most viable ways of reducing poverty levels in the country. Indian economy is a developing economy. Its vast resources are either unutilized or underutilized. A major section of man power is lying idle. The per capita income is low. Production is traditional and the technique is outdated. The output is insufficient and the basic needs of the people remain unfulfilled. In both developed and developing countries, the government is turning to small and medium scale industries, as a means of economic development. The present study focused on the role of small scale industry in reduction of poverty in India. The main objectives of the study are, a) to analyse the growth of small scale industry in terms of number of units and investment in fixed capital. b) to evaluate the performance of small scale industry to eradicate the poverty in terms of employment generation and to investigate the labour productivity. The data has been collected from secondary sources comprising of micro small and medium enterprises annual reports and Ministry of Commerce, Government of India from the period 1990-91 to 2009-10. The collected data has been classified and analysed in a systematic manner. For analysis, statistical tools like Simple Linear Regression Model, Semi- log model and Annual growth rates have been used in this study. The major findings of the study were the rate of increase per year on the average has been one lakhs and seventy five thousand units during the periods 1990-91 to 2009-10. Compound growth rate in number of units for India have been 35.2 percent and investment in fixed capital at constant price has been 9.7 percent during the period 1990-91 to 2009-10. The rate of increase per year on the average has been 2325.9 lakhs of small scale industrial production in India during the periods 1990-91 to 2009-10. The employment opportunity provided by the small scale industry in India during the periods 1990-91 to 2009-10 was an on the average has been 3.913 lakhs. The growth rate of labour productivity was -66.29 per cent in 1990-91 which shows the negative growth of labour productivity in India. But in the year 2001-02 the growth rate has been increased as 46.15 per cent, further it has declined to 4.60 per cent in the year 2009-10. This study concluded that the Small Scale industrial sector to contribute to increase of industrial productivity, rise of exports, generate more employment opportunity and also contribute very impressive of the GDP. In view of this, the government of India has rightly recognised small scale industries as the engine of growth in the present millennium. For sustainable higher growth of the small scale industrial sector, top priority should be given to financial support state and central government should facilitate the growth of small scale industry mainly through creating conducive environment for producing and marketing of products and services of small scale sectors.