

# Role and Benefits of Small Scale Industries & Its Overall Impact on Economical Development

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## ABSTRACT

Small scale industries play a vital role in the development of economy, mainly in developing countries. If population of India is taken into consideration it can be said that this sector has a wide scope in India. If small scale industrial sector is developed other economy related problems can be dissolved automatically. But these have to face so many problems while competing with other large scale industries. If these problems are solved or efforts are taken to foster these challenges this sector can prove itself as a developing engine.

## 1. Introduction

Lack of capital, extortionate dependence of abundant source and agriculture of manpower are the characteristic features of countless developing countries in Asia. Happily these economies are acknowledging that agriculture is which can't meet their local needs and consequently, that the strain on area might be considerably decreased through the improvement of tiny scale industries. Small scale is regarded as the appropriate type of the developing nations. The job of industries is in addition among the attributes and also has various kinds of devices working in the fold of an economy. Therefore, the current research through some light on the issues of theirs.

Financial evaluation will be the method of figuring out the goals, policies and procedures concerning the financial tasks of a company. It calls for the planning of blueprints for the procurement, administration and purchase of funds.

It is composed of the following activities:

- I. Developing the financial goals of the business on the foundation of overall goals.
- II. Estimating the level of capital needed for various requirements of the enterprise.
- III. Designing the capital structure i.e. the type and also proportion among securities.
- IV. Formulating policies associated with borrowing, money management, administration of funds etc.

In the small scale industries, on an average eighty % owner managers gave answer in 'yes' to the issue concerning making economic plan. In auto parts industry, ninety three % devices accompanied by Electronics industry ninety %, garments industry eighty nine %, others industries seventy five %, Rubber and plastic industry seventy two % and in metal products industry sixty seven % unite have been discovered to be making economic evaluation. The auto parts industry, because of large size of rigorous competition and devices is obligated to undertake economic planning. On another hand, in metallic products industry, because of maximum tiny devices within the market, the financial analysis is accomplished by a tiny proportion of units. Regarding economic analysis of small scale industries, the researcher found that the portion of industries carrying out proper financial planning is significantly less than mentioned.

## 2. Analysis

The majority of the devices are making financial analysis in an informal and unwritten fashion. In small scale industries, eighty five % devices produce financial evaluations without taking the help of professionals. In companies that are small, not much time is spent on fiscal evaluation. It's found that 39.3 % industries are engaging in planning in writing and 42.7 % produce program in unwritten form.

**Table 1 TIME SPENT ON FINANCIAL EVALUATION IN SMALL-SCALE INDUSTRIES**

Name of Industry	Less than a week		7-15 days		15-30 days		Total No.
	No.	%	No.	%	No.	%	
Garments	57	75.0	19	25.0	-	-	76
Auto-parts	37	92.5	3	7.5	-	-	40
Electronics	42	79.2	11	20.8	-	-	53
Metal Products	48	100.0	-	-	-	-	48
Rubber & Plastics	42	35.5	2	4.5	-	-	44
Others	53	79.1	9	13.4	5	7.5	67
Total	279	85.1	44	13.4	5	1.5	328

Out of them fifty four % industries are performing evaluation criteria for monthly and 31.7 % industries for 6

weeks. That's exactly why, 85.1 % industries are paying under a week on evaluation.

In various other industries, only 7.5 % units spend fifteen to thirty times on preparation that is merely 1.5 % of the entire industries. As much as industry wise analysis is worried in metal products industry hundred %, in Rubber and Plastic industry 95.5 % followed by auto parts industry 92.5 %, electronics industry 79.2 %, Others industry 79.1 % and in garments industry seventy five % units are paying under a week on evaluation.

**3. Profit Evaluation In Small Scale Industries**

In terms that are easy, profit evaluation suggests assessing the long-range future earnings of the business. Thus, the benefit strategy is simply a sign on the part of the firm's owners as for their profit goals.

Put simply, the analysis is essentially a sign of management's perception as to find out what is the company seems to have. Could it be in any loss or perhaps not? If it's evaluated the business isn't getting to much benefit from its activities and policies, then it has a tendency to alter innovative

techniques and the policies are created so as to entice more and more clients.

On the flip side, in case it's examined the business is in profit condition then it carries on with the present policies. In several instances, a rare alteration in the business policies is noticed in case of the organization is becoming make money.

In small scale industries, it's found that sixty one % industries get profit as an outcome of their great policies. On another hand, the remaining thirty nine % of industries can't get a lot of income.

In some instances, it's found the businesses couldn't retrieve the expenditures of theirs and didn't survive. Major losses need to go through by these industries. Thus, an industry should focus on making good policies and using them correctly to be able to survive in this particular competitive world and also gain profit.

**Table 2 Profit Evaluation in Small-Scale Industries**

Name of Industry	YES		NO		Total No.
	No.	%	No.	%	
Garments	52	65.0	28	35.0	80
Auto-parts	30	75.0	10	25.0	40
Electronics	40	66.7	20	33.3	60
Metal Products	30	38.5	48	61.5	78
Rubber & Plastics	36	64.3	20	35.7	56
Others	56	65.1	30	34.9	86
Total	244	61.0	156	39.0	400

**4. Equipment Used in Financial Evaluation of Small Scale Industries**

Break even analysis tool is utilized to assess monetary benefit in most industries. It determines the general cost of products offered and total selling and purchasing price. The relationship between price of production, amount of production, the income and also the product sales value is started by this tool.

After analysis, an industry is believed to have income, in case it recovers its price of production & doing practically all of

its products. The company type is also said to have some kind of income status.

On another hand, after the evaluation, in case it's discovered the market hasn't been in a position to recover its production cost then it's stated the market is in right measures and some loss are taken through the high management of the market to get over these sort of losses if happened.

Table three shows that from the overall devices that are making profit, just 18.8 % devices use tool in evaluating the profits of theirs.

**Table 3 Use of Tools in Profit Evaluation in Small-Scale Industries**

Name of Industry	YES		NO		Total No.
	No.	%	No.	%	
Garments	9	17.3	43	82.7	52
Auto-parts	8	26.7	22	73.3	30
Electronics	7	17.5	33	82.5	40
Metal Products	4	13.3	26	86.7	30
Rubber & Plastics	6	16.7	30	83.3	36
Others	12	21.4	44	78.6	56
Total	46	18.8	198	81.2	244

Even if there, the auto parts business will be the top one with 26.7 % units, 21.4 % of various other industries utilize profit analysis.

**5. Sales Evaluation In Small Scale Industries**

The reliability of the income strategy along with other financial analysis is primarily determined by the precision of the product sales evaluation. In the giant firms, sales letter evaluations are ready with the advertising department or perhaps by another team.

Nevertheless, in small scale industries, normally can't pay for to have sort department for sales evaluation. In firms that are small, owners or maybe managers measure the sales.

Table four shows that in small scale industries, 67.7 % industries create sales evaluation. In auto parts industry, maximum quantity of devices with seventy five % devices

accompanied by electric industry seventy % devices, in rubber & plastic industry 67.9 % units, in garments industry 67.5 % units, in various other industries 66.3 % devices and in metal products industry 64.1 % units evaluate product sales being much better situation plus condition of industry.

**Table 4 Sales Evaluation in Small-Scale Industries**

Name of Industry	YES		NO		Total No.
	No.	%	No.	%	
Garments	54	67.5	26	32.5	80
Auto-parts	30	75.0	10	25.0	40
Electronics	42	70.0	18	30.0	60
Metal Products	50	64.1	28	35.9	78
Rubber & Plastics	38	67.9	18	32.1	56
Others	57	66.3	29	33.7	86
Total	271	67.7	129	32.3	400

**6. Sales Forecasting In Small-Scale Industries**

The reliability of the profit evaluation and various other financial analysis is primarily based mostly on the precision of the product sales forecast. In the giant firms, sales letter forecasts are ready with the advertising department or perhaps by another team.

Nevertheless, in a small scale industry, normally, can't manage to employ a specific department of the sales forecast. In firms that are small, owners or maybe managers measure the sales.

Table five shows that in small scale industries, 67.7 % industries prepare revenue forecast. In auto parts industry, maximum quantity of devices with seventy five % devices accompanied by electric industry seventy % devices, in rubber & plastic industry 67.9 % units, in garments industry 67.5 % units, in various other industries 66.3 % devices and in metal products industry 64.1 % units forecast product sales being much better situation plus condition of industry. Table five also shows that the portion of industries in different area which aren't forecasting product sales. On an average one market from 3 in each industry isn't forecasting product sales. This group has possibly the smallest units or perhaps stable units.

**Table 5 Sales Forecasting In Small-Scale Industries**

Name of Industry	YES		NO		Total No.
	No.	%	No.	%	
Garments	54	67.5	26	32.5	80
Auto-parts	30	75.0	10	25.0	40
Electronics	42	70.0	18	30.0	60
Metal Products	50	64.1	28	35.9	78
Rubber & Plastics	38	67.9	18	32.1	56
Others	57	66.3	29	33.7	86
Total	271	67.7	129	32.3	400

In small scale industries, virtually all of the devices aren't making good evaluations because of the business. Mainly in big units of minute sector evaluation is completed correctly. The majority of the small firms' owners or maybe administrators don't understand the correct meaning of financial analysis.

So far as income evaluation is concerned, in firms that are small, majority of them, evaluate the profits. Nevertheless, the significant tool of profit analysis is used solely by few of the large scale industries.

In small sector, two third industries forecast the sales of theirs for the future. The primary time frame for sales forecasting within this field is judgment. Quantitative versions and mathematical techniques are utilized solely by huge devices, though their number is negligible. Costs are also forecast by vast majority of devices on the foundation of past experience.

This way, it's found that financial evaluation is very crucial for the small scale industries to get adequate condition of the firm. Furthermore, by making use of this technique, an owner is able to buy a concept about the products and also bads of his/her firm.

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