



## Mains Practice Question

**Q.** Small and Medium Enterprises (SMEs) are key drivers of economic growth and employment generation in Indian economy. Examine (150 words)

08 Jan, 2019 GS Paper 3 Economy

### Approach:

- Briefly explain what constitutes Small and Medium-sized enterprises.
- Explain their significance.
- Conclude by stating the problems that these enterprises face and the ways in which they can be further promoted by the government.

### Introduction

- Small and Medium-sized enterprises (SMEs) are labour intensive, have the advantage of low cost of production and can make good use of locally available resources pushing demand and growth
- The sector offers a wide range of employment opportunities and absorbs most of the working age population
- Majorly consists of handlooms, handicrafts, coir, sericulture, khadi and village industries, small scale industries and powerlooms
- Are complementary to large industries as ancillary units.
- Contributes in the inclusive industrial development.
- Function as the backbone by providing the linkage between different units within the economy, connecting the labour skills, intermediate parts and market to the respective specific manufacturing systems.

### Body

#### Significance of SME sector

- **Income equality:** SMEs support industrialisation of backward areas and assure more equitable distribution of national income and wealth.
- **Employment generation:** Produces a wide range of products, from simple consumer goods to high-precision, sophisticated finished products.
  - Has emerged a major supplier of mass consumption goods as well as a producer of electronic and electrical equipment and drugs and pharmaceuticals.
  - Can generate more number of employment opportunities per unit of capital invested compared to large industries.
  - Provides opportunities for entrepreneurship.
- **Poverty eradication:** Addresses unemployment, provides diversified income opportunities to rural masses.
  - Customised production expands the range of market and ensures sustainability to production.
- **Balanced regional development:**
  - Depends on locally available resources both material and labour and can be set up anywhere in the country.

- Absence of locational constraints ensures that the benefits of industrialisation reach every region. Thus, contributing to the balanced development of the country.

## Conclusion

- Problems like remote location with less developed infrastructural facilities, lack of managerial talent, poor quality, traditional technology and inadequate availability of finance have to be addressed for the maximum benefits from the industry.
- Other problems of exporting small scale units include a lack of adequate data on foreign markets, lack of market intelligence, exchange rate fluctuations, quality standards, and pre-shipment finance should be tackled to boost the industry.
- Regular monitoring and research for the upgradation of the sector can contribute to the holistic development.

PDF Reference URL: <https://www.drishtias.com/mains-practice-question/question-77/pnt>

