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# Small Scale Industries – A way Forward to Local Economic Development in Western Tamil Nadu

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**Abstract--** The paper focuses on household involvement in small-scale industries (SSIs) and their contribution to the local economic development (LED) in four districts of Tamil Nadu such as Erode, Namakkal, Coimbatore and Tirupur. Secondary data from the Mission Antyodaya Surveys 2020 and 2022–2023 were utilized to study the pattern of household involvement in rural industrialisation activities over several blocks. The results identify significant difference across districts: high positive growth rate was experienced by Erode, moderate growth was witnessed by Namakkal, low growth rate at Coimbatore and a sharp decline was experienced by Tirupur. Urban-to-rural migration to cities like Coimbatore, Chennai, and Bangalore has been a major factor for declining rural participation. Other chronic issues are restricted access to financial assistance, lagging technology, poor entrepreneurial motivation, and poor data gathering. In spite of these limitations, small-scale industries still remain crucial in the creation of employment and maintenance of rural livelihood. The research suggests enhancing financial inclusion, technology adoption, and entrepreneurship training to promote balanced and inclusive local economic development for rural Tamil Nadu.

**Keywords--** Small-Scale Industries (SSIs), Rural Industrialisation, Mission Antyodaya, Local Economic Development.

## I. INTRODUCTION

From ancient times to the present day, the demand for goods has remained a constant feature of human society. Although the nature of products, their prices, and even the modes of exchange have evolved over the years, the basic need for goods has continued — *ceteris paribus*. This enduring demand has been sustained by diverse forms of production, with small-scale and cottage industries such as handicrafts and khadi holding a special place. These industries have not only served local consumption but also symbolised the cultural identity and economic strength of communities. The aftermath of the two World Wars marked a turning point, as global nations became increasingly open to sourcing goods from outside their borders. This shift created new opportunities for local small-scale industries to enter international markets.

In India, this process was further accelerated after the introduction of the **New Economic Policy (NEP)** in 1991, which liberalised trade and promoted competitiveness. With these reforms, small businesses gained fresh scope to expand their presence both within the domestic economy and in global markets. Small-scale industries (SSIs) continue to drive India's socio-economic change. MSMEs contribute significantly to India's economic and social development by creating jobs, preserving livelihoods, and reducing social inequities (Singh and Bhat, 2020). Currently, there are about 4 crore SSI units (both registered and unregistered) throughout the country and account for 45-50 percent of India's exports, manufacturing anything from traditional handicrafts to cutting-edge technology (Ministry of MSME Report 2025). As of 31<sup>st</sup> March 2025, totally 33,62,057 MSMEs in Tamil Nadu under Udyam registrations (Department of MSME Report 2025, Tamil Nadu). These industries not only bridge the divide between rural and urban economies, but it also builds the foundation of self-sufficient growth by offering extensive job possibilities with minimum capital investment.

A large proportion of these businesses are run as household units, with family members managing and operating them from their homes or nearby venues. Such participation reflects the deep-rooted entrepreneurial spirit of Indian households, where production and livelihood activities are intertwined with family sustenance. Household engagement in MSMEs has become a vital means of income diversification, particularly for women, artisans, and marginalized groups who find in it a flexible and locally accessible form of employment. In many rural and semi-urban areas, families are engaged in food processing, weaving, tailoring, handicrafts, pottery, and other micro-industries that sustain village economies and preserve traditional skills. These household units not only contribute to local employment and community well-being but also integrate rural areas into the wider economic fabric through value addition and local innovation. Their cumulative impact contributes to a more inclusive and participatory model of economic development, aligning with India's vision of sustainable and equitable growth.

**Table 1**  
**Classification Investment Size and Turnover of the MSME Units**

<b>Category</b>	<b>Investment Size</b>	<b>Turnover Limit</b>
<b>Micro</b>	Up to Rs. 2.5 crores	Up to Rs. 10 crores
<b>Small</b>	Up to Rs. 25 crores	Up to Rs. 100 crores
<b>Medium</b>	Up to Rs. 125 crores	Up to Rs. 500 crores

*Source: GOI (2025), Notification on MSME-related provisions, Ministry of Micro, Small and Medium Enterprises, Government of India, 21 March. <https://www.dcmsme.gov.in/Notification-S.O-no-1364-E-dated-21.03.2025-Revised-Definition.pdf>.*

The MSME Act classifies enterprises into two broad categories — manufacturing enterprises and service enterprises — to ensure better policy focus and targeted support. The Act also deals with various policy matters that directly influence the growth and sustainability of this vital sector. Manufacturing enterprises, which are engaged in the production or fabrication of goods listed in the **First Schedule of the Industrial (Development and Regulation) Act, 1951**, defined based on their investment in plant and machinery. This classification helps determine the level of incentives, subsidies, and financial assistance they are eligible for. Service enterprises, on the other hand, are those that are engaged in providing or rendering various types of services, such as consultancy, maintenance, IT support, hospitality, and other related activities. These enterprises are classified based on their investment in equipment, which helps determine their scale and eligibility for government benefits.

## II. LITERATURE REVIEW

*Banik (2018)* highlighted that small-scale industries (SSIs) in India face several challenges but also hold immense potential for growth. Based on secondary data and descriptive statistics, the study notes that SSIs are the second-largest source of employment after agriculture, contributing significantly to GDP, exports, and regional development. While government schemes have benefited the sector, issues such as poor raw materials, inadequate infrastructure, weak marketing, limited credit access, and shortage of skilled labour persist. The author concluded that strengthening infrastructure, ensuring quality inputs, and providing better institutional support are essential for SSIs to achieve sustainable growth.

According to *Chaudhari and Patil (2014)* MSMEs encountered several challenges, particularly poor infrastructure and inadequate financial assistance. The paper was entirely based on secondary data sources collected from government websites and published materials and suggested that the Government should focus on educating rural communities about the development of small-scale industries and provide awareness and training programmes to promote their growth in rural India.

*Babar (2012)* explored that SSIs not only play a vital role in production, employment, and exports but also help in preserving rural traditional skills and knowledge. Because they require less capital and are labour-intensive, SSIs have promoted rural industrialisation and supported local economies. Drawing from secondary sources, it concluded that Indian SSI products are in strong demand in international markets, which in turn improves rural livelihoods and makes a positive contribution to the nation's GDP.

*Robinson, Dassie, and Christy (2004)* investigated the theme of Entrepreneurship and Small Business Development as a Rural Development Strategy with theoretical aspect, aiming to broaden the conceptual understanding of entrepreneurship in rural contexts. The authors argued that with the rise of global capitalism, rural communities have increasingly faced unemployment, out-migration, and overall community decline. In response, rural populations are encouraged to adapt by embracing entrepreneurship as a means to create new opportunities, sustain livelihoods, and integrate themselves into the dynamics of global capitalism.

## III. RESEARCH GAP

Most existing studies emphasize the growth of MSMEs and their contribution to state or national economic development. However, only a limited number of studies have examined their role at the district level, even though MSMEs significantly influence local economic structures and employment patterns. Understanding MSME dynamics at this micro scale is essential, as district and block-level enterprises often reflect the true nature of grassroots industrialisation, livelihood diversification, and inclusive growth. Therefore, this study aims to analyse how household participation supports and influences the growth of MSMEs, and to examine the growth rate of household participation within the MSME sector at the district and block levels.

#### IV. STATEMENT OF THE PROBLEM

Although agriculture is a major source of income for rural communities, it sometimes offers little prospects for consistent income on its own. Many families diversify into cottage and small-scale industries to bolster their incomes, which retain traditional skills, create additional revenue, and boost the local economy. These industries are far less well-known than large-scale industry or urban businesses, despite their significance. It is essential to comprehend how these rural businesses contribute to local economic growth in districts like Namakkal, Erode, Coimbatore and Tirupur where they are firmly established. By examining household involvement in small companies and their contribution to regional growth, this study fills this knowledge vacuum.

#### V. OBJECTIVES

- To analyse household-level participation in small-scale industries in Namakkal, Erode, Coimbatore and Tirupur districts and their blocks.
- To highlight the contribution of SSIs to Local Economic Development (LED).

#### VI. METHODOLOGY

The research study is based on secondary data sources. Using information from Mission Antyodaya surveys which examines how households in Namakkal, Erode, Coimbatore and Tirupur districts and blocks participate in cottage and SSIs as part of the regional economies theme. Both the number of households and their involvement in small-scale industries have steadily increased in these regions in recent years. The study inspects growth rate of household level data from the Mission Antyodaya surveys conducted in 2020 and 2022-2023, offering important insights into the economic development of these areas.

#### VII. RESULTS AND FINDINGS

The chapter result and findings examines what was the situation of SSI units and household engaging with these units in four districts of Tamil Nadu and also it demonstrates how local economic framework could be achieved by these SSI units.

**Table 2**  
**Erode District and its Blocks**

Block Name	No. of Villages Surveyed	2020	2022-2023	Growth Rate in %
		HHDs engaged in SSI	HHDs engaged in SSI	
Ammapet	20	370	775	109.46
Andiyur	19	0	513	-
Bhavani	17	0	2558	-
Bhavani Sagar	27	56	1797	3108.90
Chennimalai	27	2434	9227	279.09
Erode	14	0	0	-
Gobi	26	1852	1388	-25.05
Kodumudi	14	0	276	-
Modakurichi	30	2112	681	-67.76
Nambiyur	21	3356	1130	-66.33
Perundurai	40	347	717	106.63
Sathy	24	0	1193	-
Thalavadi	27	0	5407	-
TN Palayam	13	206	554	168.93
<b>Total</b>	<b>319</b>	<b>10733</b>	<b>26216</b>	<b>144.26</b>

*Source: Mission Antyodaya Yearly Report – 2020 and 2022-2023.*

Table 2 illustrates the household participation in small-scale industries across 14 blocks of Erode district. Overall, there was a substantial increase of 144.26 percent, indicating that rural entrepreneurship has expanded significantly during the study period. However, the growth pattern was uneven across the blocks. The highest growth rate was recorded in Bhavani Sagar block (3108.90 percent) because of recent trend increase of floriculture production, while the lowest was observed in Modakurichi (-67.76 %) because of recent shutdown of power loom industries. Notably, there was a lack of data in 2020 for blocks such as Andiyur, Bhavani, Sathyamangalam, and Thalavadi, which showed new participation in 2022–2023, resulting in large statistical differences. In summary, while Erode district as a whole exhibited strong growth, some blocks like Erode block itself remained stagnant, reflecting the need for more balanced local industrial development.

**Table 3**  
 Namakkal District and its Blocks

Block Name	No. of Villages Surveyed	2020	2022-2023	Growth Rate in %
		HHDs engaged in SSI	HHDs engaged in SSI	
Elachipalayam	34	129	654	406.98
Erumapatty	30	188	1397	643.09
Kabilamalai	25	754	740	-1.86
Kolli Hills	29	0	180	-
Mallasamudram	30	414	239	-42.27
Mohanur	28	597	5888	886.26
Namagiripet	38	2162	975	-54.90
Namakkal	24	2	510	25400
Pallipalayam	15	1761	1810	2.78
Paramathy	23	420	1419	237.86
Pudhuchatram	33	1416	1677	18.43
Rasipuram	27	655	857	30.84
Sendamangalam	18	256	97	-62.11
Tiruchengodu	37	2601	1046	-59.78
Vennandur	31	2321	1045	-54.98
<b>Total</b>	<b>422</b>	<b>13676</b>	<b>18534</b>	<b>35.52</b>

Source: Mission Antyodaya Yearly Report – 2020 and 2022-2023.

Table 3 presents the household participation in small-scale industries (SSI) across 15 blocks of Namakkal District. Overall, the district witnessed a 35.52 percent increase in the number of households engaged in SSI activities between 2020 and 2022–2023, reflecting a moderate yet positive trend in rural industrial growth. However, the growth pattern was uneven across the blocks. The blocks Mohanur documented as highest growth rate across 15 blocks with 886.26 percent due to higher participation in textile manufacturing, food processing etc. Conversely, the Sendamangalam block recorded as lowest growth rate of -62.11 percent because of recent fall in poultry farming. Interestingly, Kolli Hills recorded new participation in 2022–2023, with no SSI activity reported in 2020.

**Table 4**  
 Tirupur District and its Blocks

Block Name	No. of Villages Surveyed	2020	2022-2023	Growth Rate in %
		HHDs engaged in SSI	HHDs engaged in SSI	
Avinashi	31	5071	2660	-47.54
Dharapuram	23	499	300	-39.88
Gudimangalam	24	2378	1809	-23.93
Kangayam	19	3076	157	-94.90
Kundadam	29	1020	1805	76.96
Madhukulam	11	3222	364	-88.70
Mulanur	17	2440	382	-84.34
Palladam	20	990	1235	24.75
Pongalur	16	538	1052	95.54
Tirupur	13	661	927	40.24
Udumalpet	49	35	2463	6937.10
Uttukuli	45	2807	1941	-30.85
Vellakoil	13	1224	1420	16.01
<b>Total</b>	<b>310</b>	<b>23961</b>	<b>16515</b>	<b>-31.08</b>

Source: Mission Antyodaya Yearly Report – 2020 and 2022-2023.

Table 4 examines household participation in Small Scale Industries (SSI) across 13 blocks of Tirupur District. The district as a whole recorded a negative growth rate, showing a decline in household engagement in SSI activities between 2020 and 2022–2023. Out of the 13 blocks, 7 recorded as negative growth, reflecting the weakening base of small-scale enterprises in several parts of the district. In particular, Kangayam showed a sharp fall of activity with -94.90 percent, indicating a serious contraction in its SSI sector. In contrast, blocks like Pongalur, Udumalpet, and Kundadam demonstrated significant positive growth. The uneven pattern also pointed to the concentration of industrial activities in certain zones while peripheral regions lagged behind. Overall, Tirupur district recorded an average decline of -31.08 percent, showing that household-based SSI activities remain unstable and regionally imbalanced.

**Table 5**  
**Coimbatore District and its Blocks**

Block Name	No. of Villages Surveyed	2020	2022-2023	Growth Rate in %
		HHDs engaged in SSI	HHDs engaged in SSI	
Anamalai	22	649	434	-33.13
Annur	21	0	1280	-
Karamadai	17	1998	2886	44.44
Kinathukadavu	37	2092	734	-64.91
Madukkarai	11	98	147	50
Periyanyakkanpalayam	9	5319	1639	-69.19
Pollachi North	44	1065	1634	53.43
Pollachi South	26	2225	1881	-15.46
Sarcarsam-akulam	7	0	163	-
Sultanpet	20	2205	3701	67.85
Sulur	17	0	967	-
Thondamuthur	10	250	791	216.40
<b>Total</b>	<b>241</b>	<b>15902</b>	<b>16257</b>	<b>2.23</b>

*Source: Mission Antyodaya Yearly Report – 2020 and 2022-2023.*

Table 5 illustrates the household participation in small-scale industries (SSI) across 12 blocks of Coimbatore district. The block Thondamuthur logged a significant growth rate of 216.40 percent, indicating a strong rise in household engagement in SSI units, while Periyanyakkanpalayam registered a steep fall of -69.19 percent, suggesting the shutdown or migration of several SSI units in this block. With a total of 241 villages and 12 blocks, Coimbatore recorded only a very minimal growth rate showed an average growth of 2.23 percent, reflecting only a slight increase in household participation in SSI. However, when observed block-wise, there is a clear imbalance in SSI development, with only a few blocks contributing to the district's growth while others remain stagnant or in decline. This uneven pattern highlights the need for localized policy support, improved access to credit, training, and infrastructure to revive underperforming blocks and ensure inclusive industrial development across the district.

Regarding the comparative performance of the three districts and their respective blocks, Erode district emerged as the leading performer in terms of household participation in small-scale industries, followed by Namakkal, Coimbatore and Tirupur districts, which occupied the second, third and fourth positions respectively.

This ranking reflected the stronger industrial base and better entrepreneurial environment prevailing in Erode. At the block level, Bhavanisagar in Erode, Mohanur in Namakkal, and Udumalpet in Tirupur demonstrated relatively higher levels of household engagement in small-scale industrial activities. So, this study of household participation in small-scale industries directly contribute to understanding the dynamics of Local Economic Development (LED) in rural Tamil Nadu. LED emphasizes community-based economic growth driven by local resources, entrepreneurship, and employment generation. In this context, small-scale industries acted as catalysts for creating livelihood opportunities and retaining income within rural areas. The performance variations among Erode and Namakkal, districts highlighted how local factors such as access to finance, infrastructure, skill availability, and institutional support influence economic progress. But in the case of Tirupur district, the concept of LED could fail due to negative growth estimations and lack of rural inclusive growth across the blocks of Tirupur districts. By linking micro-level enterprise participation with district-level development trends, this study demonstrates that rural industrial growth is not only a matter of production but also a pathway to sustainable local prosperity.

#### Key Findings

- One of the most important reasons for this negative growth across 42 blocks was Migration. Chennai, Bangalore and Coimbatore are the major IT hubs located nearby these districts particularly Coimbatore which was too close to these blocks.
- Almost everyone needed the luxury life which may not give by these blocks because of natural village background of the blocks, so they targeted the cities to get better lifestyle which led the negative growth of household participation in SSI units.
- While schemes by the government and financial help for SSI units are present on paper, their actual implementation is questionable. Most small businessmen suffer from the lack of access to credit or going through bureaucratic processes, rendering them helpless in spite of funds being available.
- The findings also revealed that lack of entrepreneurial motivation and technical support systems in rural blocks. Without proper training, marketing networks, and exposure to new technologies, small-scale units struggle to compete or expand, leading to overall stagnation in SSI growth.



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#### VIII. LIMITATION OF THE STUDY

Although, the study provided valuable insights into the household participation in small scale industries across blocks of Erode, Namakkal, Coimbatore and Tirupur districts, some limitations must be acknowledged. The analysis was purely based on secondary data sources from Mission Antyodaya Survey (2020 and 2022-2023) and eliminates the yearly survey report of 2017 and 2019 why because the survey data (2020 and 2022-2023) indirectly explained the pre pandemic and post pandemic situation of SSI units' growth in these four districts which may not fully detail the unregistered or informal SSI units and the variations in data accuracy could also affect the precision of growth estimations.

#### IX. CONCLUSION

The comparative study of the districts of Erode, Namakkal, and Tirupur clearly indicated that the trend of household involvement in small-scale industries (SSI) differs significantly across different regions. While Erode District had a significant overall increase in SSI participation, Namakkal had a moderate growth rate, and Tirupur witnessed significant decline rate. These differences mirror the uneven spread of rural industrialization and differences in levels of economic opportunity offered by the districts. Migration became one of the most important reasons for the decline of some blocks, particularly in Tirupur. The vicinity of major cities like Coimbatore, Bangalore, and Chennai has attracted huge sections of the rural labour force in search of improved jobs and living conditions. Further, most traditional villages continue to be without the industrial and infrastructural facilities necessary to keep skilled labourers.

The lack of credible data gathering also constrains the capacity to fully comprehend the extent of SSI decline. In order to achieve inclusive and balanced Local Economic Development, targeted interventions are imperative for sustainable development. These are meant to simplify the loan process, to ensure on-ground implementation of support schemes, to initiate technology training programmes, and to promote rural entrepreneurship through awareness and skill building. Improvement in these domains will not only make small-scale industries more viable but will also generate sustainable employment and livelihood prospects in rural Tamil Nadu.

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