

Problems and Prospects of Small-Scale Industries in India

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ABSTRACT

Small scale industries play a vital role in the development of economy, mainly in developing countries. The role of small scale industries has always been supported in a country like India with various opinions such as employment, equality, latent resource, trickling effect, insurance against social tension, distributive effect, creation of social ecosystem and decentralization etc. Small scale industries generate production at low capital, utilizing indigenous raw materials, local skills, maintaining balanced regional growth and preventing the migration of labour from rural to urban area. The growth of SSIs holds the key role to resolve the problems of poverty and unemployment. Despite the success of SSIs, still there are some problems encountered by the entrepreneurs. Hence, this paper attempts to focus on problems and prospects of Small Scale Industries in India.

INTRODUCTION

A Small Scale Industries (SSI) exists in every country. In a developing country like India the small scale sector occupies special place in the industrial structure. In our country manpower is abundant but capital is relatively scarce. Small scale industries tend to be labour intensive. Therefore, these industries are better suited to the country's resource potential. In view of the

vast potential of small-scale sector, the Government of India has given this sector an important place in the framework of Indian economic planning for ideological as well as economic reasons. As a result, small sector has achieved an impressive growth in the number of units and production over the last six decades after independence. In spite of having huge potentialities, the Indian small -scale industries could not progress satisfactorily as these industries are suffering from various weaknesses. Thus, in this research paper an effort has been made to examine the present position and performance of SSI sector in India. It also covers weakness of the SSI sector and to suggest measures to remove the weakness.

Concepts of SSIs

Small scale industry in India is renowned for its socio- economic growth factors and even industry expansion. One of unique features of small- scale industry is that its growth has generated better job prospects helping free enterprise and inculcations of expertise besides guaranteeing better utilization of limited fiscal reserves and technology. Additionally, they play an important part in attaining the economic targets and sociopolitical aims.

“An industrial undertaking in which the investment in fixed assets in plant and machinery whether held ownership terms on lease or on hire purchase does not exceed Rs 10 million.

The industries in India which are organized on small scale and produce goods with the help of small Machines, hired labour and power, are the small scale industries present in India”

Types of SSIs

Manufacturing Small Scale Industries

Those units which are producing complete articles for direct consumption and also for processing industries are called as Manufacturing Industries. For example, Power looms, engineering industries, Coin Industries, Khadi Industries, Food Processing etc,

Ancillary Small Scale Industries

The industries which are producing parts and components and rendering services to large industries are called as ancillary industries.

Service Small Scale Industries

Service Industries are those which are covering light repair shops necessary to maintain mechanical equipment's. These industries are essentially machine based.

Feeder Small Scale Industries

Feeder industries are those which are specializing in certain types of products and service, e.g. casting, electro- plating, welding, etc,

Problems faced by small scale industries in India

Despite of recommendable contribution to the nation's economy, the SSI sector does not get the required support from the concerned Government Departments, Banks, Financial Institutions and Corporate, which become a handicap for more competitive in the National and International Markets. Small-scale industries in India could not progress satisfactorily due to various problems that they are confronted with while running enterprises. In spite of having huge potentialities, the major problems, small industries face are given below.

1. Problem of skilled manpower

The success of a small enterprise revolves around the entrepreneur and its employees, provided the employees are skilled and efficient. Because inefficient human factor and unskilled manpower create innumerable problems for the survival of small industries. Non-availability of adequate skilled manpower in the rural sector poses problem to small-scale industries.

2. Inadequate credit assistance

Inadequate and timely supply of credit facilities is an important problem faced by small-scale industries. This is partly due to scarcity of capital and partly due to weak creditworthiness of the small units in the country. Lack of finance is the main obstacle for the development of small scale industries.

3. Problems relating to project Implementation

Non-availability of land at the selected site. Non- availability difficulty in procuring construction materials like cement steel etc. Delay in delivery of machines Difficulties delay in typing up financial arrangements with other financial institutions and banks. Inability of the promoters to bring in funds to the extent proposed. Delay in disbursement of assistance due to non-compliance of the major terms and conditions of loan agreement. Delay in getting power connection, water connection, permission of concerned authorities to discharge effluents, Etc.

4. Problems relating to Production

- Non availability of raw materials or increase in the price of raw materials without a corresponding increase in sale price of the products.
- Lack of coordination between marketing and production planning.
- Obsolescence of the manufacturing process following technological development.
- Entry of Many new manufacturers leading to cut throat competition.
- Dependence of the unit on one buyer/ very few buyers.
- Poor quality of products, lack of sale promotion.

5. Problems relating to Management

- Dissension within the management.
- Absence of man power planning.
- Poor industrial relations.
- Lack of coordination and control.
- Non Availability of skilled man power.

6. Irregular supply of raw material

Small units face severe problems in procuring the raw materials whether they use locally available raw materials or imported raw materials. The problems arise due to faulty and irregular supply of raw materials. Non availability of sufficient quantity of raw materials, sometimes poor quality of raw materials, increased cost of raw materials, foreign exchange crisis and above all lack of knowledge of entrepreneurs regarding government policy are other few hindrances for small-scale sector.

7. Absence of organized marketing

One major problem of small- scale industries is marketing. These units often do not possess anymarketing organization and consequently their products compareunfavorably with the quality of the products of large-scale industries. Therefore, they suffer from a competitive disadvantage vis a-vis large-scale units.

8. Lack of machinery and equipment:

Small-scale units are striving hard to employ modern machineries and equipment in their process of production in order to compete with large industries. Most of the small units employ outdated and traditional technology and equipment. Lack of appropriate

technology and equipment create a major stumbling block for the growth of small-scale industries.

Remedies for Improving Efficiency of Small Scale Industries

The following measures can be taken to improve the efficiency of SSI's & to prevent sickness in small scale unit-

- In market-oriented economy, SSI's must put greater emphasis on pragmatic planning of their functions & discover new markets with innovative products or services
- Success for an SSI depends on accessibility of market information & using the same if business operation. The internet has revolutionized the world & SSI's must become net savvy especially in marketing their products.
- More thrust should be given to R&D for product innovation, quality improvement, and cost reduction, so on.
- More attention must also be focused on promoting professionalism in management & providing frequent training to update entrepreneurial skill & so on.
- The modernization of plant is of utmost importance at present among SSI's to strengthen their competitive edge & for which the Government should assist by providing adequate finance at liberal terms.
- The SSI's must give attention to adequate marketing arrangements with the prospective buyer to get regular order & also undertake regular market research.
- The products of SSI's are widely advertised in the media for adequate publicity & for the better reach.

Conclusion

Small Scale Sector over the years has assumed greater significance in our burgeoning national economy by contributing to employment generation and rural industrialization. This sector possesses enough potential and possibilities to push button accelerated industrial growth in our developing economy and well poised to support national programme like 'Make in India'. This sector has exhibited enough resilience to sustain itself on the strength of our traditional skills and expertise and by infusion of new technologies, capital and innovative marketing strategies. Appropriate strategies should be evolved for creation of an enabling

ecosystem where these enterprises are able to access the benefits meant for them under a formal and friendly ecosystem and are further capable of meeting the emerging challenges of a globally competitive order

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