



A STUDY ON CHALLENGES OF SMALL SCALE INDUSTRIES IN INDIA

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ABSTRACT

The small scale industries play a vital role in the growth of the country. It contributes almost 40% of the gross industrial value added in the Indian economy. By less capital intensive and high labour absorption nature, SSI sector has made considerable contribution to employment generation and also rural industrialization. Under the changing economic scenario, SSI has to face number of diverse problems like vast population, large scale un-employment and underemployment and scarcity of capital resources and the like. Hence, the government has been providing some special facilities through different policies and programs to overcome the problems and for the growth and development of small scale industries. Over the past six decades the sector has been highly vibrant and dynamic. It has acquired a prominent place in the socio-economic development of the country. Mostly this sector exhibited positive growth trends even during periods when other sectors of the economy experienced either negative or nominal growth. It is a well-recognized fact that a vibrant Small - Scale Sector holds the key to economic prosperity in an economy like India. However, SSI has been facing multiple problems, which make them uncompetitive and sick. In such a context, this paper attempts to highlight the importance of SSI in Indian economy, policies of SSIs and problems of SSIs in Indian Economy.

Key Words: *Small Scale Industries, mobilisation, disparities.*

INTRODUCTION

The small scale industries play a vital role in the growth of the country. It contributes almost 40% of the gross industrial value added in the Indian economy. By less capital intensive and



high labour absorption nature, SSI sector has made considerable contribution to employment generation and also rural industrialization. Under the changing economic scenario, SSI has to face number of diverse challenges like vast population, large scale un-employment and underemployment and scarcity of capital resources and the like. Hence, the government has been providing some special facilities through different policies and programs to address the challenges and for the growth and development of small scale industries. The small scale sector has emerged during the last six decades as a highly dynamic sector of the Indian economy this sector now accounts for about 95 percent of industrial units and this is contributing about 40 percent of value addition in the manufacturing sector early 8 per cent of manufacturing employment and around 35 percent total exports. The SSI is having 32 lakhs units which are spread all over the country producing nearly 7500 items and providing employment more than 178 lakh persons. The small enterprises not only plays employment opportunities at lower capital costs than large scale industries but also helps in industrialization of rural and backward areas thereby reducing not only regional imbalances but assuring more equitable distribution of nation income and wealth SSI units are complementary to large and medium scale units as ancillary units. Over the past six decades the sector has been highly vibrant and dynamic. It has acquired a prominent place in the socio-economic development of the country. Mostly this sector exhibited positive growth trends even during periods when other sectors of the economy experienced either negative or nominal growth. Recently, significant policy initiatives have created by government to easy availability of financial assistance, incentives and subsidies and influenced many enterprises to start SSIs, This has resulted in growth in the number of SSI units. It is a well-recognized fact that a vibrant small-scale sector holds the key to economic prosperity in an economy like India. However, SSI has been facing multiple challenges, which make them uncompetitive and sick. Therefore, in this context, this paper focuses on Role of SSI in Indian economy, policies of SSIs and challenges faced by the SSIs in India.

STATEMENT OF THE PROBLEM

In present scenario in India small scale industries are facing many challenges to grow in front of large scale industries mean while SSIs are having many challenges like i.e., lack of finance, lack of skilled labour, lack of infrastructure, and most important challenge is lack using technology. However these industries are very essential to development of Indian economy, where as it has scope area to develop or monitor with proper way by framing of many policies which are formed by government to promote the small scale industries. Therefore there is an urge to understand the role of SSIs in economic development of the country and the challenges faced by SSIs in India. It enables to the government form the new policy initiatives for promoting SSIs in India.

OBJECTIVES OF THE STUDY

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- a) To analyse the present challenges of Small Scale Industries in India.
- b) To know the concept of Small Scale Industries.

RESEARCH METHODOLOGY

The research paper is based on descriptive research. It aims to gain familiarity and acquire new insights on policies governing small scale industries in India. This study is based on Secondary data that has been collected from various sources such as journals, newspapers, internet etc. for the study.

CONCEPT OF SSI

Small scale industries (SSI) are those industries in which manufacturing, providing services, productions are done on a small scale or micro scale. For example, these are the ideas of Small scale industries: Napkins, tissues, chocolates, toothpick, water bottles, small toys, papers, pens. Small scale industries play an important role in social and economic development of India. These industries do a one-time investment in machinery, plants, and industries which could be on an ownership basis, hire purchase or lease basis. But it does not exceed Rs. 1 Crore.

Essentially small scale industries comprise of small enterprises who manufacture goods or services with the help of relatively smaller machines and a few workers and employees. Basically, the enterprise must fall under the guidelines set by the Government of India. At the time being such limits are as follows,

- For Manufacturing Units for Goods: Investment in plant and machinery must be between 25 lakhs and five crores.
- For Service Providers: Investment in machinery must be between 10 lakhs and two crores.

In developing countries like India, these small scale industries are the lifeline of the economy. These are generally labour-intensive industries, so they create much employment. They also help with per capita income and resource utilization in the economy. They are a very important sector of the economy from a financial and social point of view.

CHALLENGES FACED BY SMALL SCALE INDUSTRIES



Small scale industries play a vital role in the economic development of our country. But small scale industries are not in a position to play their role effectively due to various constraints, and also various challenges faced by small scale industries.

FINANCE

Finance is one of the most important challenges to small scale industries. Finance is the life blood of an organization and no organization can function properly in the absence of adequate funds. The scarcity of capital and inadequate availability of credit facilities are the major causes of this factor also entrepreneurs due to weak economic base, have lower credit worthiness. They neither are having their own resources nor are others prepared to lend them. Compare to MNCs.

RAW MATERIAL

Small scale industries normally tap local sources for meeting raw material requirements. These units have to face numerous challenges like availability of inadequate quantity, poor quality and even supply of raw material is not on regular basis. All these factors adversely affect to these units to functioning.

MARKETING

These small scale units are also exposed to marketing challenge. They are not in a position to get first hand information about the market i.e. about the competition taste, liking, disliking of the consumers and prevalent fashion. They are producing less of inferior quality and that too at higher costs. Therefore, in competition with better equipped large scale units they are placed in a relatively disadvantageous position.

UNDER UTILIZATION OF CAPACITY

Most of small scale units are working below full potential or there is gross underutilization of capacities. Large scale units are working for 24 hours a day but small scale units are making only 40 to 50 per cent use of their installed capacities. Various reason attributed to this gross under- utilization of capacities are problem of finance, raw material, power and under developed markets for their products.

SKILLED MANPOWER

A small scale unit located in a remote backward area may not have problem with respect to unskilled workers but skilled workers are not available there. The reason is firstly, skilled



workers may be reluctant to work in these areas and secondly, the enterprise may not afford to pay the wages and other facilities demanded by these workers as compare to MNCs.

PROJECT PLANNING

Small scale entrepreneurs is poor project planning. These entrepreneurs do not attach much significance to viability out of mere enthusiasm and excitement. Project feasibility analysis covering all these aspects in addition to technical and financial viability of the projects, is not at all given due weight age. Moreover, due to limited financial resources they cannot afford to avail services of project consultants. This result is poor projects planning and execution.

INFRASTRUCTURE

Most of the small units and industrial estates found in towns and cities are having one or more problems like lack of power supply, water and drain age problem, poor roads, raw materials and marketing problem. Thus absence of adequate infrastructure is adversely effects on the quality, quantity and production schedule of the enterprises which ultimately results in underutilization of capacity.

OTHER CHALLENGES

Small scale units have been of constrained by a number of other challenges also. Among that Managerial inadequacies, old and orthodox designs, high degree of obsolescence, huge number of bogus concerns. Due to all these challenge the development of small-scale industries could not reach a prestigious stage.

CONCLUSION

The small scale industries play a vital role in the growth of the country. It contributes almost 40% of the gross industrial value added in the Indian economy. Small scale industries are discussed all over the states and they satisfy local demand. The government has also introduced various schemes and incentives for the promotion of SSIs and provide institutional infrastructure for SSIs. SSI has been very helpful in generation of revenue mainly through export of goods and addressing the challenges such as Finance, Raw material, Marketing, underutilization of capacity. Skilled manpower, Project planning, Infrastructure, employment and same time it has raised the socio-economic condition of people.

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