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CHALLENGES AND PROBLEMS IN FRONT OF SMALL-SCALE INDUSTRIES

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Abstract: →

Small Scale Industries (SSIs) contribute significantly to the economic growth of developing countries. They serve as a source of employment for a large segment of the population, especially in rural areas. However, numerous challenges face these enterprises, affecting their growth and sustainability. This essay looks at the opportunities and challenges faced by Small Scale Industries.

In the era of entrepreneurship where there is a cut throat competition everyone wants to set up his own business. Setting up of a large industry require huge capital and risk. Contribution of MSMEs to the Indian economy in terms of employment generation, containing regional disparities, fostering an even-handed economic process and enhancing the export potential of the country has been quite extraordinary. Despite some infrastructural deficiencies and challenges like the flow of institutional credit and inadequate market linkages, this sector has registered exceptional success with respect to the increase in variety, quantum of investment, scale of production and overall contribution to national gross domestic product. The study makes an effort to specialize in the massive growth potential available for the development of SSI sector, to find out vital problems and challenges.

Keywords Small Scale Industries Labour, Capital, Opportunities and Challenges

Introduction: -- Small -scale industry (SSI) is defined as a unit where manufacturing, production, and service delivery are done on a micro and small size. These businesses make just one investment in equipment, plant, but it isn't more than Rs. 10 crores, and their annual revenue isn't more than Rs. 50 crores. Small Industries have certain unique features, which make it differ from large scale sector. In most small businesses the owners themselves are managers and so they can operate independently. Small business can respond quickly to environmental trends. SMIs allow small entrepreneurs to understand market conditions and rapidly respond to changes. Small businesses have tremendous capacity for employment generation through their labour intensive techniques. Small businesses actually create more jobs than big businesses. This feature of a small-scale unit is of great significance in a

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country like India where the number of unemployed people is phenomenal. In the current Scenario large scale sector requires colossal investments whereas the small sector is just the opposite. Not only is the employment capital ratio high for the SSI but the output capital ratio is also high. SSIs are helpful in balanced regional development.

Review of Literature:→ A thorough review of survey of related literature forms is an important part of research. Review of literature avoids unintentional replication of previous studies and also places the researcher in better position. This is the topic of ongoing research. In the research “Small scale industries in India Opportunities and challenges” author Subahmoybanik has studied the present threat and opportunities in front of the SSIs. Small-scale industries play a crucial role in the economic development of developing countries, and many scholars have studied this sector over the years. In this review, we will look at some of the most significant works on small-scale industries, focusing on different aspects such as their contribution to the economy, challenges they face, and policies to promote their growth

One of the earliest works on small-scale industries was by R. K. Hazari in his book "The Small-Scale Industries in India". He argued that small-scale industries were crucial for the economic development of India, as they provided employment to a large number of people and contributed significantly to foreign exchange earnings.

Another important work in this area is by K. S. Chalam, who studied the role of small-scale industries in the economic development of Andhra Pradesh. He found that small-scale industries played a vital role in the economic growth of the state, particularly in rural areas, by providing employment opportunities and improving the standard of living.

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economic growth and concluded that MSMEs play a vital role in the inclusive growth of Indian economy.

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J. Stamely and Michael (1998) in International Marketing under the chapter “Exporting not just for small business show the problems for small exporter and found that A relatively large domestic market and lack of exposure to other cultures, making the selection of markets and identification of customers in abroad difficult. Sumanjeet Singh and Minakshi Paliwal (2017) in “unleashing the growth potential of Indian MSME sector” had concluded that undoubtedly the MSME sector has huge potential for generating innovative entrepreneurship and massive employment but some problems confronting MSMEs.

Source: → dcmsme.gov.in

Objective of the study: → India is a developing country. One among the topmost reason is lack of industrialization. Development of industries will lead to increase income output, employment, rate of growth specifically in backward areas, occupation and it’s a continuous circle. That is the main reason industrialization is considered as the indicator of economic growth. Present study aims to focus on problems and prospects of industrial development especially that of small-scale Industries. The present study aims to examine the problems related to employment marketing finance etc. It also tends to analyse the opportunities in front of the new generation which can set up their own SMI and become a job provider and also contribute in the economic development process.

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OPPORTUNITIES OF SMALL-SCALE INDUSTRIES

Small scale industries are the second largest employer of human resource after the agricultural sector and produce a wide variety of products ranging from traditional to high-tech. SSI plays a pivotal role in the Indian economy as of being labour-intensive, helps to generate employment in rural as well as in urban areas. The SSIs had also played a cardinal role in the growth operation of Indian economy since independence despite of drastic competition from the big industrial houses and not immensely enriching support from the government. The following are some of the principal role played by small-scale industries in India.

- 1) **Employment Generator:**→ The huge problem in India excessive population and lack of employment. As per the education provided in school and colleges, they can only become the service class. This problem can be solved to a large extent by setting up the small-scale Industries which can provide new employment opportunities for the youth. By its less capital and highly human labour absorption nature SSI made a significant contribution in employment generation.
- 2) **Income Distribution:**→ It helps in distributing income from the centralised organised sector to unorganised sector which is high even in rural areas. The gap goes on increasing when rich become richer and poorer become poorer.
- 3) **Export enhancement:**→ SSI Sector plays a major role in India's present export performance. 45%-50% of the Indian Exports is contributed by SSI Sector. Direct exports from the SSI Sector account for nearly 35% of total exports. It would surprise many to know that non-traditional products account for more than 95% of the SSI exports.
- 4) **Better relation between employer and Employee:**→ In most of the SSIs owner himself is the manager. Every problem is faced by the owner himself so he better understands the actual working situation and relation of trust and bonding grew in between both of them.
- 5) **Supporting pillars for big Industries:**→ The SSIs are supporting pillars for large scale industries by providing accessories components parts equipment and semi-finished goods required as raw material by the large Industries.
- 6) **Welfare of the public:**→ Not only towards the economy but it also provides a great opportunity because most of the SSIs are started by lower- or middle-income group. So that they can also be converted into a big billionaire one day. It also helps in social growth and development of the country. It helps with income distribution and helps social distribution.

The opportunities in the small-scale sector are enormous due to the factors like :Less Capital Intensive, Extensive Promotion & Support by Government, Reservation for Exclusive Manufacture by small scale sector, Project Profiles, Funding - Finance & Subsidies, Machinery Procurement, Raw Material Procurement, Manpower Training, Technical &

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Managerial skills, Tooling & Testing support, Reservation for Exclusive Purchase by Government, Export Promotion, Growth in demand in the domestic market size due to overall economic growth, Increasing Export Potential for Indian products, Growth in Requirements for ancillary units due to the increase in number of greenfield units coming up in the large scale sector. Small industry sector has performed exceedingly well and enabled our country to achieve a wide measure of industrial growth and diversification and the list goes on where small-scale industries start like a bubble but may burst out due to various challenges which are listed as follows

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Small-scale industries face many challenges, including lack of access to finance, low productivity, and competition from large firms. In his book "Small-Scale Industries in the ASEAN Countries", S. R. Sen highlights the challenges faced by small-scale industries in ASEAN countries such as Indonesia, the Philippines, and Thailand. He argues that these challenges are a result of inadequate government policies, particularly in providing access to finance and technology.

Similarly, in her article "The Challenges of Small-Scale Industrial Development in Ghana", Esi Awuah examines the challenges facing small-scale industries in Ghana, including inadequate access to finance and technology, lack of market opportunities, and insufficient government support.

Various policies have been introduced to promote the growth of small-scale industries. In his book "Small-Scale Industries in Developing Countries", M. P. Todaro examines government policies that have been successful in promoting the growth of small-scale industries in countries such as India, Indonesia, and Malaysia. He argues that policies such as tax incentives, credit facilities, and technical assistance can help to overcome the challenges faced by small-scale industries.

Similarly, in her article "Small-Scale Industries and Their Role in Developing Countries", Sulakshana Singh discusses various policies that can promote the growth of small-scale industries in developing countries, such as access to credit, technology, marketing, and infrastructure.

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1. Scanty credit assistance

Scanty and timely supply of credit is one of the major problems faced by SSIs in India. Scarcity of finance and weak creditworthiness is the main barrier for the development of SSIs in India. The creditworthiness of these small borrowers is generally weak and therefore they face unwilling creditors who may be persuading to lend only at high rate of interest.

2. Uneven and poor quality of raw material SSI units face extreme problems in procurement of raw materials whether from local or international market. The problems arise due to absence of sufficient quantity of raw materials, poor quality of raw material at exorbitant price. The entrepreneur of SSI units has lack of knowledge about the procurement from foreign market. Large scale industries enjoy economies of large scale operation hence can procure the quality raw material at very reasonable price, thus can sell the products at cheaper price as compared to SSIs.

3. Absence of organised marketing process SSI units do not have any organised marketing process and even does not appoint any marketing organisation for marketing of products or services and hence their products compare unfavourably with the quality of the products of large scale industries.

They suffer competitive disadvantages in comparison to large scale industries, as large scale industries infuse large amount of money on branding and promotion activities.

4. Inadequate infrastructure Inadequate infrastructure is a major problem for the SSI units to grow and prosper. Most of the SSI units are located in semi-urban, urban and rural areas where the power supply is inadequate to run big machines, several times power cut off, and poor road connectivity. Thus absence of adequate infrastructure adversely affects the productive schedule of the enterprise leading to under-utilization of capacity. More over the machineries, equipments and technology employed by the SSIs are out dated, where the large scale organisation enjoys the competitive advantages.

Beside the above mentioned problems SSI units suffer from a number of other problems also poor managerial capabilities, lack of adequate warehousing for free supply of goods, lack of skilled manpower, lack of appropriate information, etc. Due to all these problems the progress and development of Small scale industries could not reach the distinguished stage.

The furtherance and advancement of SSIs is essential for the development of Indian economy to achieve impartial distribution of income and wealth, economic self-dependence and economic sustainable developments. To boost the SSI sector so that it can take deserved place in the growth mechanism of Indian economy, it is essential to support MSMEs by educating them to make optimum utilisation of inbuilt capacity to be successful both under human and economic activity. Some appropriate measures to be taken by the

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government in providing financial assistance at minimum formalities, a platform to be built by government to help the MSMEs in procurement of quality raw material and train them for organised marketing process.

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5) Poor Managerial Capabilities:→SSI don't have the capacities to pay higher salaries and manage in a much advanced manner as compared to large organised sector organisation. There are specialised persons required to get the right problem so arrived, SSI s are not able to afford it.

6)Lack of skilled Manpower:->SSIs are generally located in the remote or backward area where the problem is skilled workers are reluctant to work in these area and secondly the enterprise will not able to afford to pay the wages and other facilities demanded by these workers as compared to MNC's

7)Lack of adequate warehousing for free supply of goods:→ One of the major reason for underutilization of the capacity of SSI is lack of warehouses available to them for storage. One they cannot afford to purchase it and they don't have the option to pay rent at the distant places. Owner of the warehouses are also not interested to set up the houses in remote areas where they can't get the adequate return.

8) Lack of appropriate information:→ In this techno savvy world with each advancement new methods technologies ease out production at the lower cost. But due to lack of available information about them SSI usually are not able to reach it or not able to use it properly. As a result, their cost of production rises there by decreasing the profit and lower down the chances of growth and development.

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

Conclusion

The furtherance and advancement of SSIs is essential for the development of Indian economy to achieve impartial distribution of income and wealth, economic self-dependence and economic sustainable developments. To boost the SSI sector so that it can take deserved place in the growth mechanism of Indian economy, it is essential to support MSMEs by educating them to make optimum utilisation of inbuilt capacity to be successful both under human and economic activity. Some appropriate measures to be taken by the government in providing financial assistance at minimum formalities, a platform to be built by government to help the MSMEs in procurement of quality raw material and train them for

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organised marketing process. Government has also introduced various schemes and incentives for the promotion of SSIs and provide institutional infrastructure for SSIs. However, the policy should be effectively implemented and measures should be taken to address the remaining areas of concern to provide a congenial environment for SSI development and their future journey. Small-scale industries play an important role in the economic development of developing countries and face various challenges. Scholars have studied this sector extensively, highlighting its contribution to the economy, challenges it faces, and policies to promote its growth. Government policies can play a significant role in promoting the growth of small-scale industries, particularly in providing access to finance, technology, and market opportunities

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