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SMALL-Scale INDUSTRIES ISSUES IN INDIA

Dr. Manoj Kumar
Associate Professor in Economics

Abstract:

Small scale industries are industries which produce goods or provide services on a small scale with the help of machines, hired labour and power. Small businesses face various problems because of their small size. They have limited capital for expansion.

The role of little scale industries within the economic development of Bharat in recent years is critically analyzed during this paper. little scale industries play a significant role within the development of economy, chiefly in developing countries. If population of Bharat is taken into thought it will be aforesaid that this sector is developed alternative economy connected issues will be dissolved mechanically. However these need to face such a issues whereas competitive with alternative large scale industries. Numerous factors touching the expansion and development of little scale industries and drawback round-faced by this important sector of Indian economy is examined. The contribution, export promotion and alternative economic indicators area unit mentioned.

Throughout last sixty years, the limit of investment has modified from Rs. five laces within the sixties to Rs. five crores in 2010. If the issues area unit solved or efforts area unit taken to quicker these challenges this sector will prove itself as a developing engine. it's vital to look at the expansion of little scale industries within the context of additional liberal economy and see what reasonably technology versatile specialization or production ought to be followed for further growth and to encourage employment generation.

Key words: Small businesses, Mechanically, Export promotion, Economic transition, Encouraged

Introduction:

Essentially the small scale industries are generally comprised of those industries which manufacture, produce and render services with the help of small machines and less manpower. These enterprises must fall under the guidelines, set by the Government of India.

The SSI's are the lifeline of the economy, especially in developing countries like India. These industries are generally labour-intensive, and hence they play an important role in the creation of employment. SSI's are a crucial sector of the economy both from a financial and social point of view, as they help with the per capita income and resource utilization in the economy.

The small scale industries have a vital role during a developing economy like Bharat. They play a strategic role ongoing of the country. These industries by and enormous represent a stage in economic transition from ancient segments to trendy segments. the standard nature of this method is mirrored within the diversities of those industries. Some little scale units use easy skills and mechanism whereas several different units use trendy and complicated technology. Currently our economy is facing a challenge of economic process. India is an emerging economy with a population of quite one billion. Nearly four-hundredth of the population lives below the poverty level and seventieth of the population relies on the agriculture for sustenance.

The economic reconstruction of depends on the balanced growth of economy within the fields of agriculture and business as a result of capital and finance are scarce in India. The govt. of Bharat has inspired alternatives

to agriculture and significant industries like little scale industries. Which may operate restricted resources? little scale industries area unit the foremost appropriate kind of the developing countries. The role of industries is additionally one in every of the characteristics and has differing kinds of units functioning within the fold of as economy.

Thus, little and enormous scale industries area unit 2 legs of industrial enterprise method of a rustic. Thence SCI area unit found breathing in each country. Bharat operates the biggest and oldest programmers for the event of SCI in any developing country. So the current study through some light-weight on their issues. This paper divided into seven sections.

Objectives:

The objectives of the small scale industries are:

- To create more employment opportunities.
- To help develop the rural and less developed regions of the economy.
- To reduce regional imbalances.
- To ensure optimum utilization of unexploited resources of the country.
- To improve the standard of living of people.
- To ensure equal distribution of income and wealth.
- To solve the unemployment problem.
- To attain self-reliance.

- To adopt the latest technology aimed at producing better quality products at lower costs.
- To examine the growth and performance of small scale industries.
- To analyze the problems of small scale industries.
- To determine whether lack of managerial skills constitute a major problems in the performance of small scale industries.
- To examine the remedies for small scale industries.

Concept of Small Scale Industries:

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.

Small-scale business contains for a range of undertakings. The idea of SCI isn't solely unaccustomed India however additionally active within the age previous ancient systems within the ancient amount. The definition of Small- scale business varies from one country to a different and from just once to a different within the same country relying upon the pattern and stage of development, Govt. policy and body created of the actual country. Policy and body created of the actual country. Within the USA little business is one that has employment of but five hundred individuals. In the UK, it's but twenty expert staff, in Sweden and Italy but fifty and five hundred individuals severally. The definition of SSI in India modified from time to time. it's presently outlined in terms of investments ceilings on the initial price of put in plant and machinery

Role of Small Scale Industries in the Indian Economy :

❖ Total Production

These enterprises [account](#) for almost 40% of the total goods and services produced in the Indian economy. They are one of the main reasons for the growth and strengthening of the economy.

❖ Employment

These small scale industries are a major source of employment in the country. The whole labour force cannot find work in the formal sector of the economy. So these

labour-intensive industries provide a livelihood to a large portion of the workforce.

❖ **Contribution to Export**

Nearly half of the goods (45-55%) of the goods that are exported from India are produced by these small enterprises. About 35% of direct [exports](#) and 15% of the indirect exports are from the small scale industries. So India's export industry majorly relies on these small industries for their growth and development.

❖ **Welfare of the Public**

Other than economic reasons, these industries are also important for the social [growth and development](#) of our country. These industries are usually started by the lower or middle-class public. They have an opportunity to earn wealth and employee other people. It helps with income [distribution](#) and contributes to social progress.

❖ **Seedbed for Large Scale Industries**

SSI acts as the seedbed for Large Scale Industries (LSI) as it provides conducive conditions for the development and growth of entrepreneurs. Small enterprises require low investment and simple technology and use local resources to meet local demands through personal contacts. Thus, it creates scope for the growth and development of LSI.

Types of Small Scale Industries :

Generally, the Small Scale industries are classified into 3 types, based on their nature of work:

Manufacturing Industries:

These industries specialise in producing finished goods for human consumption or used further in processing industries. Usually, such industries have a single ownership structure.

Ancillary Industries:

These industries act as feeder units to the bigger manufacturing industries. Large or medium scale industries generally do not produce all the parts of their products. They buy the required parts from such small scale industries.

Service Industries:

Such industries are not involved in any type of manufacturing or production, rather are only involved in offering repair and maintenance services.

Apart from these major types of industries, the other small scale industries examples include village industries, cottage units, export units, mining or quarries, etc.

Problems of Small Scale Industries

Small-scale trade plays a really very important role within the economic development of our country. This sector will stimulate economic activity and entrusted with the responsibility of responsibility of realizing varied objectives like generation of additional employment opportunities with less investment, reducing regional imbalances etc. SCI aren't in a very position to play their role effectively because of varied issues faced by SCI.

Some of the problems faced by small scale industries in India are:

1. Shortage of Funds:

Small business entrepreneurs don't have enough long-term or short-term funds. These are, therefore, short of both fixed assets as well as working capital. Even the banks do not come to their help in a big way. Financial institutions like ICICI, IDBI and IFCI help only large scale industries.

2. Lack of Latest Technology:

Small business lacks funds. Latest technology is not used because it is expensive. Only old methods and techniques are being used. Due to this they earn less margin of profit.

3. Shortage of Raw Materials:

There is shortage of raw material because of less working capital. They can't buy in bulk during the season and cannot enjoy the economies of large scale.

4. Shortage of Power:

Because of shortage of power, the small business enterprises are not able to use full capacity of the plant at their disposal. They cannot afford to have their own power generators.

5. Labour Problem:

The labour is mostly unskilled. Small business don't have resources to provide good training. Labour are also not paid well. There is no motivation for professional

growth. Small business is incapable to bargain with powerful trade unions.

6. Marketing Problem:

Small business cannot face the competition with large scale units in marketing and selling. They cannot afford to spend much on advertising and proper distribution of goods. They have to depend on middlemen, who pay low prices and even the recovery from the middlemen is very slow.

7. Managerial Skills:

Only individuals or a small group of people own and operate the small business units. They don't possess professional managerial skills required to run a business successfully.

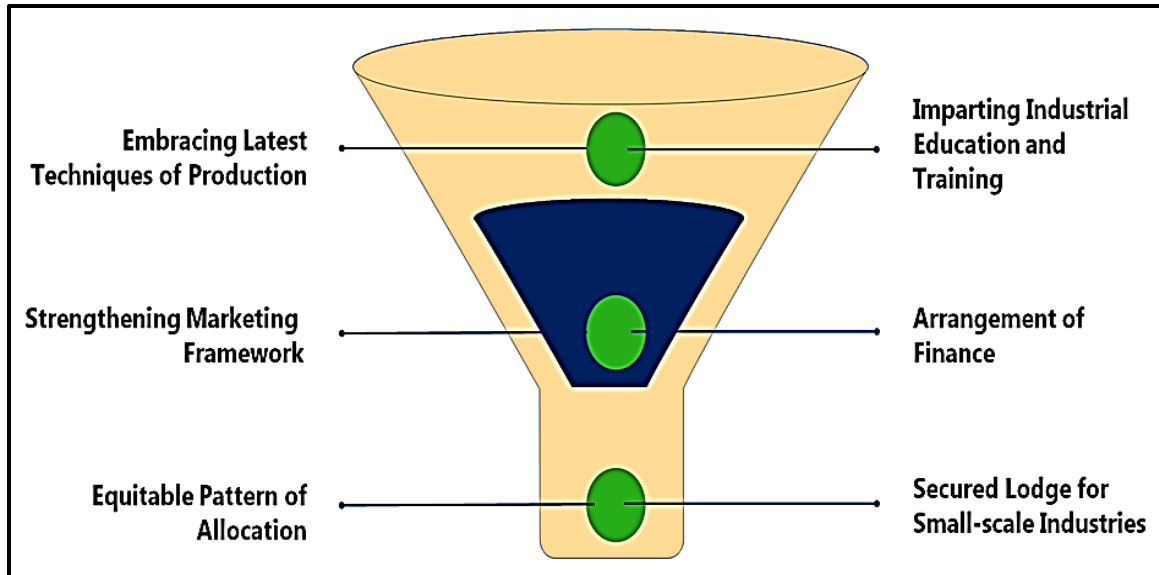
8. Quality:

Small business finds it difficult to come upto global standards of the quality. They also don't have funds for research in order to improve upon the quality. The product quality is their weakest point as compared to the standards of the large scale units.

9. Sickness:

It is painful to see most of the small units going sick. There is a lack of planning. Skilled and trained personnel is another hurdle. They have to sell on credit. Their customers do not pay them in time. There are large scale bad debts. Thus, they fall short of working capital to keep the production process going. This leads to sickness.

problems-faced-by-small-scale-industries



Solutions for Small-Scale Industries :

In the nation's industrial structure, small businesses occupy nine key positions. But the SSIs have a lot of issues. Consequently, the necessary solutions to solve these issues facing small-scale industries.

- **Equitable Allocation of Raw Materials, Imported Components and Equipment-** The small scale industrial units should be given adequate degree of priority in the allocation pattern of essential, but scarce, raw materials, imported components and equipment.
- **Improvement in the Methods and Techniques of Production-** The small scale industrial units should be encouraged to replace their outmoded equipment with that incorporating an up-to-date technology, and facilities and

incentives should be provided wherever required.

Up-dating the methods and techniques of production of quality goods conforming to standards. The role of the Government in this respect is quite significant. Standardisation of certain products should be ensured, the quality of products should be guaranteed, and malpractices like adulteration, misrepresentation, etc., need to be curbed drastically.

- **Training and Development-** Small scale industries ought to create joint efforts in impartation correct education and coaching to staff as they're valuable quality of business. Expenditure on coaching associated development ought to be treated as an investment. staff ought to be inspired to pioneer themselves within the production

method at it'd change the SSIs to vie with massive scale industries.

- **Effective coming up with-** Small scales industries ar needed to conduct survey of the prevailing things prevailing in little scale sector and draw productive programmers for them. a close practicability study is very essential for little entrepreneurs to begin their units. while not correct coming up with they'll be laid low with improper location.
- **Investment in Prober Technology-** Small scale industries ought to attempt to improve their techniques of product and adopt fashionable technology. Govt. organization has a crucial role to play during this context. they need to rearrange viable and fashionable techniques of production to them.they must conjointly attempt to provides a lead, if potential financially in analysis and development efforts.
- **Infrastructural Facilities-** Development finance, power, water etc. ar necessary for sleek functioning to little scale industries. SDC, SIC, STCO ar engaged in provision of those facilities. Development of commercial estates has resolved these issues to a particular extent however effort is required to develop additional industrial estates to SCIs.
- **Supply of Raw Materials-** Small industries development firms and different genies liable for the provision of raw materials to little unit. they must conjointly make sure that phoney forms square
- measure to be excluded from this sort of support. Govt. ought to conjointly intervene from time to time in arrangement cheaper raw materials for them.
- **Credit Arrangement-** For SSIs ancient sources of finance supply very little scope for enlargement and various suggests that like capital square measure nevertheless to be developed for them. SIDBI has developed tips for capital and there's hope for higher finance facility for this sector.
- **Marketing Arrangements-** Small scale industries ought to specialize in complete, product and market development. attempt to stay within the market and special trust should lean on quality improvement programmed. SSIs ought to attempt to popularize their product within the market which can offer them separate product and complete identity.
- **Provide appropriate Machinery-** Small scale industries ought to attempt to develop separate machineries for taking initiative with relation to downside sweet-faced by them. Associations like FICCI, CII square measure a lot of powerful in maintaining their relations with the government. they must specialize in seminar, conferences to enhance their data concerning machineries.
- **Provision of Adequate Finance-** Promoter's own capital in the small-scale industrial units is generally small and generation of internal resources small and slow. They depend, therefore, on the

external sources of finance in a substantial measure.

- **Marketing Assistance-** Marketing of their products at remunerative prices is the major problem of small-scale industrial units. There is, therefore, a clear case for government intervention with a view to reducing the disadvantages arising out of market imperfections. Market research, intelligence and information systems should be strengthened and the results made available to those units.
- **Industrial Education and Training-** With full advantages of changing technique of production, dispensation of technical knowledge, both to the small-scale entrepreneurs as well as their workers, should form an essential element of the overall strategy. Provision of adequate facilities for industrial education and training, therefore cannot be over-emphasized.
- **Demarcation of Spheres of Large-Scale and Small-Scale Industrial Units-** Once the role of small-scale industries in the national economy is recognized, it becomes imperative that a secured berth is provided to it. In this connection the guiding principle should be to clearly demarcate, as possible, the spheres of production for these units. It may be pointed out that all the measures suggested above should be viewed as a package and applied simultaneously.

Objectives of Small Scale Industries:

The objectives of small scale industries are as follows:

- To create job opportunities for the population.
- To help in the development of the rural areas of the economy.
- To play an active role in reducing the regional imbalances in the nation.
- To help in improving the standard of living for people in rural areas.
- To ensure there is equal distribution of wealth and income

The significant challenges faced by Indian SMEs in 2022:

SMEs account for a sizable chunk of Indian enterprises. According to reliable sources, nine out of ten enterprises in India are small businesses. SMEs play a crucial role in the development of trade and industry. The small business units are also responsible for employment generation across India.

The small business sector benefits from new technology, Foreign Direct Investments, government schemes, and the overall positive outlook of the economy. Besides being vital growth drivers of the country, these entrepreneurs have to grapple with the challenges faced by small and medium enterprises in India.

➤ **Embracing new technology-**

It is encouraging to witness the adoption of digital technologies by small traders who use billing software or farmers using apps to receive crucial weather and farming updates. Several local businesses leverage bar-code

technology for invoicing and maintenance of inventories.

According to some reliable estimates, the rate of successful digitalization is a meager 20 per cent in the Indian SME sector. Small businesses may not adopt the digital transformation because of the considerable costs of buying software and other infrastructure. One more problem in digital adoption is the shortage of skilled workforce. Trustworthy online lending platforms help overcome challenges SMEs face in India by offering small business loans at a click of a button.

➤ **Access to timely credit facilities-**

Difficulty accessing quick and low-interest credit is among the significant challenges of small business enterprises in India. Lack of instant credit availability restricts the growth of small businesses, as they cannot purchase raw materials or upgrade infrastructure. Banks perceive small business loans as high risk. Stringent loan conditions and collateral rules reduce the possibility of qualifying for a small business loan. Small entrepreneurs with no access to gold or property to offer as collateral suffer because of a lack of funds for business growth.

Funds shortage is also responsible for the inability to buy quality raw materials. There was considerable erosion of financial resources during the lockdown period. It is causing a severe cash flow crunch and hampering the growth of small businesses.

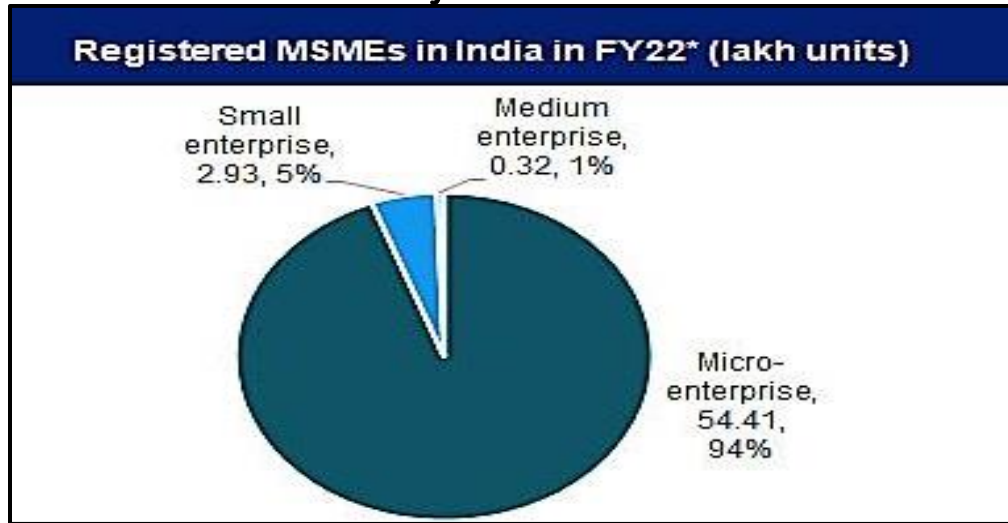
Despite the availability of several government schemes for MSME loans or

collateral-free loans, regulatory hurdles and process delays reduce the prospect of securing such advances.

➤ **Labour shortages-**

Shortage of expert labour is among the main challenges faced by small and medium enterprises in India. The problem is more acute in rural and semi-urban towns. It is because of a tendency among skilled workers to move to larger cities for better employment opportunities. SMEs in most cities have to rely on unskilled workers to execute business processes like production, sales, and accounting

MSME Industry in India – Market Share



Role of MSMEs in Indian Economy:

The MSMEs in India are playing a crucial role by providing large employment opportunities at comparatively lower capital cost than large industries as well as through industrialization of rural & backward areas, inter alia, reducing regional imbalances, assuring more equitable distribution of national income and wealth.

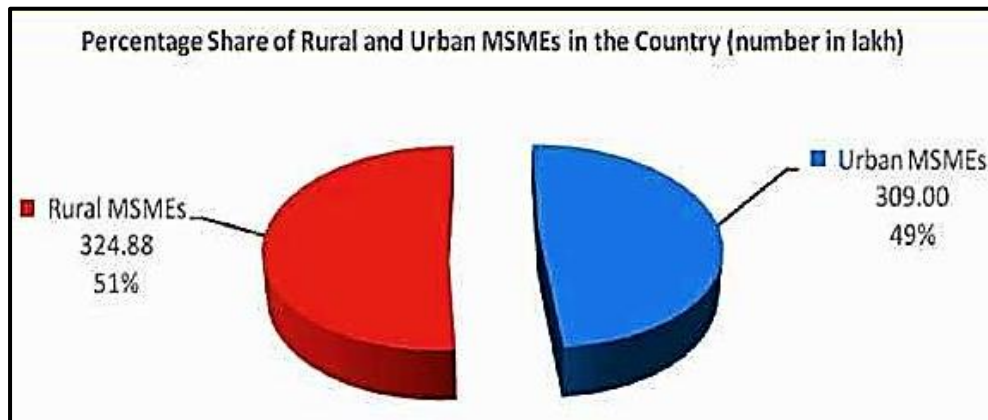
The period 2015-16, there were 633.88 lakh unincorporated non-agriculture MSMEs in the country engaged in different economic activities (196.65 lakhs in Manufacturing, 0.03 lakh in Non-captive Electricity Generation and Transmission, 230.35 lakhs in Trade and 206.85 lakhs in Other Services) IS MSMEs registered.

Estimated Number of MSMEs (Activity Wise)

Activity Category	Estimated Number of Enterprises (in lakh)			Share (%)
	Rural	Urban	Total	
Manufacturing	114.14	82.50	196.65	31
Electricity*	0.03	0.01	0.03	0
Trade	108.71	121.64	230.35	36
Other Services	102.00	104.85	206.85	33
All	324.88	309.00	633.88	100

Source : MSMEs A Annual Report 2021-22

Percentage share of rural and urban MSMEs in the country (No. in lakh)



Conclusion:

So that was all you needed to know about the problems of small-scale industries, top business ideas for entrepreneurs, and how to take care of key challenges small-scale business owners face. As long as you have a good business idea, it is possible to succeed despite these issues. The takeaway is to have a solid business strategy in place, use good inventory management software, and apply the best business tips to your niche.

In the higher than study the most important issues were found regarding tiny scale industries. The empower tiny scale industries sector to require rightful place within the growth of Indian economy it's necessary support to SSIs. The state and can as central govt. ought to give necessary facilities to face cut throat competition, govt. give infrastructure facilities to units, give correct coaching inputs fran skilled institute. the economic policy ought to be favor of tiny scale industries. the little scale industries ought to be educated and educated of the most recent development happening globally and helped to accumulate skills necessary to stay pace with the world

developments. The inclusion of service sector is so a decent initiative to possess new schemes to market this sector.

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