

# A Study on Problems of Small Scale Industries in Karnataka

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## Abstract

Small scale industries are important because it helps in increasing employment and economic development of India. It improves the growth of the country by increasing urban and rural growth. Every small-scale industry plays a big role in the Indian economy. Apart from providing employment to crores of people, it has the added benefit of minimum capital requirements. The paper has identified the nature and importance of small scale industry in the Indian economy. Similarly, the present study will try to analyse the problems of small scale industries of our state.

Keywords: SSI, Problems, Indian Economy, Government.

## Introduction

India is one of the world's fastest growing economies in the world. Consequently, its production output is massive. Small scale manufacturing industries and cottage industries play a very important role in the economic development of India. If any amount of capital is invested in small scale industries, it will help in reducing unemployment in India and increasing self-employment. The industry is a sector in which the production of goods is a segment of the economy. Let us learn more about the importance of Small scale industries and how SSI helps in developing the country. Furthermore, they can exist in urban as well as rural areas. Small Scale Industries have been able to compete with large-scale industries and multinational corporations because of this. Due to reasons like these, they are of great importance. The number of Small Scale Industries in India increased from around 8 lakhs in 1980 to over 30 lakhs in 2000.

## Literature Review

R K Sharma and A Dash (2006), Labour productivity in small scale industries in India: A state-wise analysis. The paper also explores the correlates of labour productivity in the SSI sector. Moreover, it discovers strong inter-linkages between SSI and large scale manufacturing. Labour productivity in the unorganised manufacturing sector is seen to have an inverse relationship with poverty; implying that measures to raise labour productivity can bring

about poverty reduction. Therefore, there is a need for capital investment and technological upgradation in the SSI sector. Analysis reveals that a large number of enterprises in this sector are technologically backward and a substantial number of workers underemployed. Availability of credit has been found to have significant positive impact on labour productivity, especially in urban areas. The paper also finds that the existence of sub-contracting phenomenon does not have much impact on labour productivity; and therefore it is only a short-term measure to raise employment and number of enterprises. Hence, a sustainable level of employment and productivity could be achieved if the state initiates policies to provide social security, marketing facility, technological upgradation, training and skills to workers and above all the infrastructural support to the millions of tiny enterprises in the SSI sector.

Smriti Chand, in her article titled “10 Major Problems faced by the Small Scale Industries of India” explained SSI sector can stimulate economic activity and is entrusted with the responsibility of realising various objectives generation of more employment opportunities with less investment, reducing regional imbalances etc. Small scale industries are not in a position to play their role effectively due to various constraints.

## Objectives of study

The paper has developed on the below objectives

1. To understand the concept and importance of small scale industry.
2. To identify the problems of small scale industries of Karnataka

## Methodology of Study

The paper has developed on the basis of secondary data. The secondary is relating to small scale industries of Karnataka state. The secondary data has derived by research journal, theses, reports, reference books and internet sources. The paper descriptive in nature. The paper is containing of introduction, literature review, objectives, concept of SSI, characteristics of SSI, significance of SSI, problems of SSI, findings and suggestions.

## Concept of Small Scale Industry

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. In developing countries like India, these small scale industries are the lifeline of the economy. 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.

## Characteristics of Small Scale Industries

1. These are generally labor-intensive industries, so they create much employment.
2. The Central Government has the authority to determine capital investment requirements for small-scale industries. These requirements are listed under the Industries (Development and Regulation) Act, 1951. A small enterprise in which investment in plant & machinery ranges between Rs. 25 lakhs to Rs. 5 crores is a small-scale industry. Similarly, for industries that provide services, the investment requirement is between Rs. 10 lakhs and Rs. 2 crores.
3. SSI units are generally under single ownership.
4. Small scale industries have a limited area of operations. So they meet local and regional demand.
5. These small scale industries are labour- intensive for their production activities. So not dependence on technology.
6. They use local and readily available resources.

## Role of SSI in the Indian Economy

The following are some specific roles that SSIs play in the Indian economy:

1. The SSI enterprises are to help the increasing infrastructures and manufacturing industries, which helps to reducing pollution.
2. SSI Increases Production: It is pertinent to note that SSIs contribute almost 40% of India's gross industrial value.
3. SSIs have been able to export them in large numbers as well. 35% of the total exports account for direct exports by SSIs, while indirect exports amount to 15%.
4. Small Scale Industries employs more people than all industries after agriculture. Furthermore, SSIs employ people in urban as well as rural areas. Consequently, this distributes employment patterns in all parts of the country and prevents unemployment crisis.
5. Small-scale industries offer several advantages and opportunities for investments.

## Major Problems of Small Scale Industries of Karnataka

Small business enterprises face large number of problems in spite of their growth and development in India. The small scale entrepreneurs have to encounter numerous problems relating to various issues. These are

1. They are unable to take advantage of economies of large scale

2. 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.
3. lack motivation for expansion as they are unable to take benefit of the government schemes and incentives.
4. Latest technology is not used because it is expensive. Only old methods and techniques are being used.
5. There is shortage of raw material because of less working capital.
6. The shortage of power, the small business enterprises are not able to use full capacity of the plant at their disposal.
7. An important problem faced by small scale entrepreneurs is poor project planning. These entrepreneurs do not attach much significance to viability studies i.e., both technical and economical and plunge into entrepreneurial activity out of more enthusiasm and excitement.
8. The labour is mostly unskilled. Small business don't have resources to provide good training.
9. 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.
10. Managerial inadequacies pose serious problem for small scale units. Lack of professional managers unit in their business. Only individuals or a small group of people own and operate the small business units.
11. There is lack of global standards of the quality due to lack of funds to undertaken research in business. The small-scale producers are encouraged to produce goods of poor quality because such goods are easily sold in the market as a result of their low prices.
12. 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.

## Findings and Suggestions

1. For small units information about technology options is often through word of mouth or from a visit to an advanced unit. With the advent of internet, new vistas are opening up through electronic journey catalogue downloads and advanced search facilities.
2. Short-term loans are needed for meeting the current expenditure on items like purchase of raw materials, payment of wages, overheads, etc., long and medium term loans are required for purchase of fixed assets like land and building, machinery, utensils, furniture and other equipment of a permanent nature. The success of the small-scale producers is largely affected by their ability to arrange adequate money in time.
3. The quality of labour can be improved by proper education and training. General education is important for every citizen but an industry requires special type of literate persons i.e., technical and managerial personnel.

4. Marketing is a crucial area especially in small units whose marketing infrastructure is susceptible to frequent and chronic illnesses. Units with strong marketing set-up grow better even in rough weather. The organizational design should be so planned as to meet any marketing situation.
5. Having an enterprise-friendly business environment, particularly in so far as compliance with different rules and regulations is concerned.

## Conclusion

Small Scale Industries play a large role in advancing welfare measures in the Indian economy as well. A large number of poor and marginalized sections of the population depend on them for their sustenance. These industries not only reduce poverty and income inequality but they also raise standards of living of poor people. Small and Medium Enterprises (SMEs) play a vital role for the growth of Indian economy by contributing 45% of industrial output, 40% of exports, employing 60 million people, create 1.3 million jobs every year and produce more than 8000 quality products for the Indian and international markets.

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