

PRESENT CHALLENGES OF SMALL SCALE INDUSTRIES

RAMESH M N

Asst. Professor

Department of Economics,
Government First Grade College,
Honnali – 577 217.

Abstract:

Small scale industries (SSI) refer to those small entrepreneurs who are engaged in production, manufacturing or service at a micro scale. Small scale industries play a focal role in the economic and social development of India in the post-independence era. Small scale industries constitute the backbone of a developing economy with its effective, efficient, flexible and innovative entrepreneurial spirit. Round the world SSI units have been accepted originator of economic growth and for promoting equitable development.

The contribution of SSIs to the Indian economy in terms of employment generation, reducing regional imbalances, promoting inter-sectorial linkages, magnifying exports and fostering equitable economic growth potential has been quite marvellous. This sector through more than 6000 products ranging from traditional to high-tech, consisting over 36 million units widely dispersed across the country provides employment to over 80 million persons, contributes about 8% to country's GDP beside accounting for 45% of manufactured output and 40% to the export from the country.

SMALL SCALE INDUSTRIES OVERVIEW

Small scale industries in India and abroad exhibited considerable robustness and pliability in maintaining an unswerving rate of growth and employment generation during the global recession and economic slowdown. The Indian economy during the current fiscal years has shown considerable growth performance by contributing to create livelihood opportunities to millions of

people, in magnifying the export potential and in increasing the overall economic growth of the country.

As a catalyst to the socioeconomic transformation of the country, the SSI sector distinctly crucial in addressing the national objective of bridging the rural urban divide, mitigate poverty and generating employment for the admirable community of the country. SSI sector comprises almost about 80% of the total industrial units in the country. In India SSIs occupy 36 million units, contribute to 45% of industrial production, 40% to the export sector through more than 6000 products ranging from traditional to high-tech and provides employment to about 80 million persons.

Therefore the small scale industries (SSI) in a developing country like India occupy a special place in the industrial structure. In view of the vast potential of small scale industries, the government has given this sector an important place in the framework of Indian economic planning for economical as well as ideological reasons.

The small scale industries in India whether in manufacturing sector or service sector are split up into five parts: Manufacturing industries: These units are producing merchantable articles for direct consumption and also for processing industries, example: khadi industries, food processing industries, power looms, etc.

Ancillary industries: The ancillary industries produce parts and components for large industries. Service industries: Service industries are known for covering all light repairs shop that is essential to maintain mechanical equipment. These industries completely depend on machinery.

Feeder industries: These industries produce certain specialised products like electroplating, casting, welding, etc. Mining or Quarries: These industries caters the demand of different types of stones and minerals of the Indian and foreign market.

The descriptive methodology has been used to collect the data, the data collected mostly from secondary sources from various journals, books, articles, government published annuals reports, website of different government agencies.

Although small scale industries continue to straddle the industrial sector round the world, the literature on their varied functioning are not many especially with reference to changing perspectives. Srinivas K T, (2013) has studied the performance of micro, small and medium enterprises and their contribution in India's economic growth and concluded that MSMEs play a vital role in the inclusive growth of Indian economy.

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. The lack of managerial capabilities and general resource. Controlling the foreign operation, channel, policy and physical distribution. Different safety and quality standard.

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.

Origination of employment: The elemental problem that is confronting the Indian economy is escalating pressure of population on land and needs to create enormous employment opportunities. This problem can be solved to a larger scale by the help of small-scale industries as small scale industries are labour intensive in nature and has shown an

outstanding growth in the last decade. The employment generation by SSIs.

In spite of expedient contribution by the SSIs towards the Indian economy, SSIs does not get the indispensable support from the concerned Government departments, financial institutions, Banks, credit societies and corporate thus the SSIs are becoming handicap in the face of competition at national and international markets. The major problems faced by the SSIs are discussed below: 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.

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.

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.

Inadequate infrastructure Inadequate infrastructure is a major problem for the SSI units to grow and prosper. Most of the SSI units are located in semiurban, 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 underutilization 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. 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 organised marketing process.

Supports the growth of large industries: The small scale industries play a pivotal role in serving big industries by providing accessories, components, small parts and semi finished goods required by big industries. Better relation between employer and employees: In small scale industries better industrial relation between employer and employees helps in increasing employee's efficiency and minimise the chance of industrial dispute, leading to comparatively less loss of production and man-days

Feeder industries: These industries produce certain specialised products like electroplating, casting, welding, etc. Mining or Quarries: These industries caters the demand of different types of stones and minerals of the Indian and foreign market.

The descriptive methodology has been used to collect the data, the data collected mostly from secondary sources from various journals, books, articles, government published annuals reports, website of different government agencies.

Although small scale industries continue to straddle the industrial sector round the world, the literature on their varied functioning are not many especially with reference to changing perspectives. Srinivas K T, (2013) has studied the performance of micro, small and medium enterprises and their contribution in India's economic growth and concluded that MSMEs play a vital role in the inclusive growth of Indian economy.

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. The lack of managerial capabilities and general resource. Controlling the foreign operation, channel, policy and physical distribution. Different safety and quality standard.

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.

Feeder industries: These industries produce certain specialised products like electroplating, casting, welding, etc. Mining or Quarries: These industries caters the demand of different types of stones and minerals of the Indian and foreign market.

The descriptive methodology has been used to collect the data, the data collected mostly from secondary sources from various journals, books, articles, government published annuals reports, website of different government agencies.

Although small scale industries continue to straddle the industrial sector round the world, the literature on their varied functioning are not many especially with reference to changing perspectives. Srinivas K T, (2013) has studied the performance of micro, small and medium enterprises and their contribution in India's economic growth and concluded that MSMEs play a vital role in the inclusive growth of Indian economy.

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. The lack of managerial capabilities and general resource. Controlling the foreign operation, channel, policy and physical distribution. Different safety and quality standard.

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.