



Problems and Prospects of Small Scale Industries – A Study of Select Units in Telangana

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Abstract

Small scale industries play a vital role in the development of economy, mainly in developing countries. If population of India is taken into consideration it can be said that this sector has a wide scope in India. If small scale industrial sector is developed other economy related problems can be dissolved automatically. But these have to face so many problems while competing with other large scale industries. If these problems are solved or efforts are taken to foster these challenges this sector can prove itself as a developing engine. The role of small scale industries in the economic development of India in recent years is critically analyzed in this paper. Small scale industries play a vital role in the development of economy, mainly in developing countries. If population of India is taken into consideration it can be said that this sector is developed other economy related problems can be dissolved automatically. The contribution, export promotion and other economic indicators are discussed. During last 60 years, the limit of investment has changed from Rs. 5 lacs in the sixties to Rs. 5 crores in 2010. If the problems are solved or efforts are taken to faster these challenges this sector can prove itself as a developing engine. It is important to examine the growth of small scale industries in the context of more liberal economy and see what kind of technology flexible specialization or mass production should be followed for further growth and to encourage employment generation.

Keywords: small scale industries, growth rate, promotion. Problems

Introduction

Lack of capital, excessive dependence of agriculture and abundant supply of manpower are the characteristic features of many developing countries in Asia. Happily these economies have been realizing that agriculture is which cannot meet their local requirements and therefore, that the pressure on land could

be substantially reduced through the development of small scale industries. Small scale is the most suitable type of the developing countries. The role of industries is also one of the characteristics and has different types of units functioning in the fold of as economy Therefore, the present study through some light on their problems.



The small scale industries have a crucial role in a developing economy like India. They play a strategic role in progress of the country. These industries by and large represent a stage in economic transition from traditional segments to modern segments. The traditional nature of this process is reflected in the diversities of these industries. Some small scale units employ simple skills and mechanism while many other units use modern and sophisticated technology. Now our economy is facing a challenge of economic growth. India is an emerging economy with a population of more than one billion. Nearly 40% of the population lives below the poverty line and 70% of

the population is dependent on the agriculture for sustenance. The economic reconstruction of India depends on the balanced growth of economy in the fields of agriculture and industry because capital and finance have been scarce in India. The govt. of India has encouraged alternatives to agriculture and heavy industries like small scale industries. Which can operate on limited resources? Small scale industries are the most suitable type of the developing countries. The role of industries is also one of the characteristics and has different types of units functioning in the fold of as economy.

Definition of Small Scale Industries in India:

Category-wise Definition of SSI in India

| Classification | Manufacturing Enterprises | Service Enterprises |
|----------------|-------------------------------|-----------------------------|
| Micro | Rs. 2.5 million / Rs. 25 lakh | Rs. 1 million / Rs. 10 lakh |
| Small | Rs.50 million / Rs. 5 crore | Rs. 20 million / Rs 2 crore |
| Medium | Rs 100 million / Rs 10 crore | Rs. 50 million / Rs 5 crore |

Source: Annual Reports, Commissioner, SSI Development Board (2018). * Investment limit in Plant & Machinery.

Objectives of the study

1. To understand the problems of SSIs in Telangana State
2. To understand the role and performance of SSIs in Indian economy.

Methodology: The present study has based on only secondary data. The secondary data is collected from the website of the Ministry of Small and

Medium Enterprises, the government of India and other published material.

Role of SSIs: SSIs play a pivotal role in the Indian economy which can be seen from the following facts

1. Small Scale sector contribute nearly 45 percent of the manufacturing output and 40 percent of the exports.



2. This sector contribute 8 percent of country's GDP

3. Small Scale sector provide the largest share of employment after agriculture and this sector has a better record of employment generation per rupee investment as compared to large industries.

Problems of Small Scale Industries in Telangana

Lack of Machinery and Equipment

Small-scale industries are also facing the problem of inferior supply of machinery and equipments etc. most of companies which are engaged in production of plants and machineries are meant from medium and large scale companies. Only selected companies or few producers are engaged in the production of plant, machineries and equipments for Small-scale sector. So they charge high price for their capital goods supplied from small scale units. Bargaining power of SSI is not so much and they have to work with available machineries in the market. It also affects the production performance of small scale units.

Problem of skilled manpower

The success of a small enterprise revolves around the entrepreneur and its employees, provided the employees are skilled and efficient. Because inefficient human factor and unskilled manpower create innumerable problems for the survival of small industries. Nonavailability of adequate skilled manpower in the rural sector poses problem to small-scale industries.

Irregular supply of raw material

Small units face severe problems in procuring the raw materials whether they use locally available raw materials or imported raw materials. The problems arise due to faulty and irregular supply of raw materials. Non availability of sufficient quantity of raw materials, sometimes poor quality of raw materials, increased cost of raw materials, foreign exchange crisis and above all lack of knowledge of entrepreneurs regarding government policy are other few hindrances for small-scale sector.

Problems of marketing

One of the main problems faced by the small-scale units is in the field of marketing. These units often do not possess any marketing organization and consequently their products compare unfavourably with the quality of the products of the large-scale industries. Therefore, they suffer from a competitive disadvantage vis-à-vis large-scale units. Because of the shortage of capital and financial resources, these units do not have adequate „staying capacity“ and are often forced to sell their products at unremunerative prices.

Absence of adequate infrastructure

Indian economy is characterized by inadequate infrastructure which is a major problem for small units to grow. 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 drainage problem, poor roads, raw materials and marketing problem. Thus absence of adequate infrastructure adversely affect



the quality, quantity and production schedule of the enterprises which ultimately results in under-utilization of capacity.

Prospects for Small Scale Industries

The small industrial sector has vast potential in terms of employment, output, export promotion, expansion of base for indigenous entrepreneurship and dispersal of industries and entrepreneurship skills in rural as well as backward areas. Building competitive strength, technology upgradation and quality improvement are the vital issues needed to be addressed so as to build capabilities of the sector to withstand emerging pressures and ensure sustained growth. The sector needs to reposition itself to meet expanding demands for ancillarisation, subcontracting and job work from large industrial units / MNCs requiring higher standards of quality, economies of scale and strict delivery schedules. There is also the need for integration of the sector with the overall domestic economy and global markets by gearing itself to greater interdependence and networking.

Each decade has its thrust areas in the small industry development. In the sixties it was the industrial estate to provide readymade work places to a new generation of entrepreneurs, in the seventies it was the development of backward areas through rural industrialization so that regional imbalances which had developed after the Green Revolution may be counter balanced, in the eighties it was technology as the micro-chip made its way into the small sector transforming it into a hi-tech segment, in the nineties it

was the information technology and service industries that dominated the small industry sector. The sector needs very many corrective steps to succeed in the 21st century. The key to success for small scale enterprises would be in looking at the globe as a market and reposition itself as a means to get into the global market place and succeed out there.

Conclusion

The overall performance and contribution of small scale industries to Indian economy is described in terms of its absolute growth in units, employment, production and exports. The formulation and implementation of policies and programmes/projects/schemes for SSI sector is undertaken by the Ministry with the assistance of its attached and autonomous organizations. The growth of small scale industries can be evaluated on the growth rates of units, employment, output and exports of Small scale industries in 2013 with that of 1990s. At the same time SSIs sector faced key challenges like as Lack of availability of adequate and timely credit, High cost of credit, Collateral requirements, Limited access to equity capital, Procurement of raw material at a competitive cost. Problems of storage, designing, packaging and product display, Lack of access to global markets, inadequate infrastructure facilities, including power, water, roads, Low technology levels, lack of skilled manpower for manufacturing, services, marketing, etc. Despite the various challenges it has been facing the SSI sector has shown admirable innovation, adaptability and to survive the recent economic down turn and recession. The small scale sector has grown rapidly over



the years. The period of liberalization and the development the SSIs sector constituted an important segment of our economy. Small Scale Sector are a very important segment in the Indian industrial sector /and would continue to play an important role in the Indian economy in the future. A rewarding feature of economic development in India is due to impressive growth of modern SSIs.

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