

# Understanding the Issues and Performance of Small Scale Industry Sector in India

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**Abstract – Small scale industry is commonly recognized as a strong instrument for socioeconomic growth and healthy sectoral development. Among the distinct attributes of small scale industry would be that the improvement of these industries would develop broader employment opportunities helping entrepreneurship along with abilities development and ensure much better use of limited financial resources and ideal technology. The contribution of SSIs to the Indian economy in phrases of employment development, reducing regional imbalances, promoting inter-sectoral linkages, magnifying exports and fostering equitable economic growth potential continues to be rather marvellous. This sector through over 6000 goods which range from conventional to high tech, consisting more than thirty-six million models commonly dispersed throughout the nation offers work to more than eighty million persons, contributes approximately 8% to country's GDP except accounting for 45% of manufactured output as well as 40 % to the export from the nation.**

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## I. INTRODUCTION

Small-scale industries are simple to get into as well as control offered the little scale of output. They're put in place to cater for the fundamental requirements of the individuals inside the locality of theirs. A good example of a small-scale industry is small kiosk or maybe a laundry produced to cater to the specific requirements of the individuals in the region in which it's located. These firms call for minimal starting as well as working capital. They demand cheap labor which is readily discovered and the audience of theirs is the host group. This kind of businesses in addition understand a little yearly turnover and, as a result, pay fewer taxes. The distinction of the industry as small or large scale is dependent on the speed of production and also the variety of workers. An industry with a reduced price of fewer workers as well as production is actually a small scale industry. Nearly all governments implement policies which strengthen the small scale industry sector due to the job the industries play in economic development. The industries assist in alleviating poverty through provision of other products and employment.

The characterization of small scale industry is actually broadened from small scale industries to small scale enterprises which include all business enterprises in the services segment which offer service to the manufacturing sector in addition to small scale industries taking into consideration all of these elements.

## II. SCENARIO OF SMALL SCALE INDUSTRY IN INDIA

In India, 95% of manufacturing devices are actually in small scale sector with forty % worth inclusion in the manufacturing industry as well as 6.29 % contribution to the Indian gross domestic product (Singh et al., 2008b). In the majority of the places, small scale industries (SSIs) are actually identified in phrases of number of workers whereas in India, investment in plant as well as machinery is actually the criteria for defining SSIs. In India, the dimensions of SSIs are actually defined as industries keeping investment in plant and machinery under Rs. fifty million (US1dolar1- Rs fifty) as well as for medium scale enterprises this limit is actually Rs. hundred million (SIDO, 2005). In India, businesses having investment up to a hundred million rupees are usually commonly referred as small and medium enterprises (SMEs). As investment limit doesn't differ significantly consequently they've fairly identical qualities. The main struggle for SSIs is usually to constantly offer innovative and personalized items with the very best out their procedure technologies. Enhancements in competitors' abilities have shortened merchandise life cycles, heightened item complexity, as well as expanded accessibility to brand new specialized breakthroughs. Thus, the firm's competitiveness is going to depend on the power of its to offer services & goods better than others involved in the market place.

Of the previous 5 decades, small scale industries have received particular interest of the procedure of

regional growth and industrialization in the majority of the developing nations. Small scale industries have therefore thought to possess particular specific features viz., less capital intensive, much more labor rigorous, adopt optimum technologies, disperse in rural and backward areas, reduce regional imbalances. Elastic for operation, export-orientated, commonly spread entrepreneurship and equitable distribute the economic wealth of the nation.

### III. ISSUES OF SSIS IN INDIA

Despite recommendable contribution to the nation's economy, the SSI industry doesn't receive the necessary guidance from the concerned Government Departments, Banks, Financial Institutions and Corporate, which become a handicap for much more competitive in the International and national Markets. Small-scale industries in India couldn't progress satisfactorily because of different issues that they're confronted with while running enterprises. In spite of having large potentialities, the main issues, small industries face are provided below.

1. Problem of competent manpower: The accomplishment of a tiny enterprise revolves around the entrepreneur as well as the employees of its, offered the workers are actually efficient and skilled. Since ineffective human element, as well as unskilled manpower, make innumerable issues for the survival of small industries. Non-accessibility of enough competent manpower in the countryside industry poses issue to small scale industries.
2. Insufficient credit assistance: Timely and inadequate source of credit facilities is a significant issue experienced by small scale industries. This's partially thanks to scarcity of capital and partially due to inadequate creditworthiness of the small devices in the nation. Shortage of finance is the primary barrier for the improvement of small scale industries. The monetary issue of small industries is actually a part of the wider issue of capital scarcity in the economy like an entire and it's partially as a result of the peculiarity of small industry organization. The creditworthiness of small borrowers is usually sensitive and consequently, they encounter reluctant creditors that might be caused to lend just at an extremely high price of interest.
3. Irregular source of raw material: Small equipment faces serious issues in procuring the raw materials whether they normally use locally obtainable raw materials or perhaps imported raw materials. The issues arise due to irregular and faulty sources of raw substances. Non availability of adequate amount of raw materials, at times the low quality of raw materials, increased price of raw materials, foreign exchange crisis and above all lack of understanding of entrepreneurs concerning authorities' policy are also several hindrances for small scale sector.
4. Absence of organized marketing: One significant problem of small scale industries is actually advertising. These devices oftentimes don't possess some marketing business and consequently, their products compare unfavourably with the quality of the applications of large scale industries. Thus they suffer from a competitive disadvantage vis a vis large scale device. In the lack of organized advertising, their products compare unfavourably with the quality of the item of large scale devices. Additionally, they fall short to have sufficient info regarding consumer's choice, tastes as well as taste of the product type. The above mentioned issues don't let them remain on the market.
5. Lack of equipment and machinery: Small scale devices are striving difficult to use equipment and machineries contemporary in the process of theirs of production to participate with large industries. The majority of the small devices employ traditional and outdated technology and equipment. Lack of appropriate technology, as well as equipment, produce a significant stumbling block for the growth of small scale industries.
6. Absence of enough infrastructure: The Indian economy is actually recognized by inadequate infrastructure that is a significant issue for small equipment to develop. The majority of the small products as well as manufacturing estates present in towns as well as cities are experiencing one or maybe many more issues as lack of drainage problem, water, and power supply, bad roads, raw materials & advertising issues. Hence the absence of ample infrastructure negatively impacts the quality, amount as well as production schedule of the enterprises which eventually results in underutilization of capacity.
7. Competition from large scale models and imported posts: Small scale devices find it really tricky to participate with the item of large scale units and imported posts that are comparatively cheap and of better quality compared to small devices product.
8. Other issues: Aside from the above issues, small scale devices have been constrained

by a selection of other issues as well. They include terrible task preparation, managerial inadequacies, orthodox and old styles, high amount of obsolescence, transportation issues, lack of power, and lack of adequate warehousing, not enough info. As a result of each of these issues, the improvement of small scale industries couldn't attain a prestigious stage.

#### **IV. OPPORTUNITIES AND PERFORMANCE OF SMALL SCALE INDUSTRIES**

Small scale industries are actually the next largest employer of human resource following the agricultural industry and then create a range of things which range from conventional to high tech. SSI plays a pivotal role in the Indian economy as being labour-intensive, really helps to produce employment in outlying or even in places that are urban. The SSIs had also played a cardinal job in the growth functioning of Indian economy since freedom despite of radical competition coming from the large industrial houses and not hugely enriching assistance from the authorities. The following are actually several of the principal role played by small scale industries in India.

1. Origination of employment: The elemental issue which is actually confronting the Indian economy is actually escalating strain of population on land and requires to produce overwhelming employment opportunities. This particular issue could be fixed to a bigger scale by the assistance of small scale industries as small scale industries are actually labor-intensive in nature and has proven an excellent growth within the last ten years. The employment generation by SSIs is actually displayed in Table 1.

**Table 1: Employment generation by SSIs**

YEAR	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Employment Generated (in lakh)	260.2	271.4	282.5	294.9	305.2	342.0	380.8	421.7	465.1	501.6	541.4	581.2	621.3
Growth %	-	4.31	4.11	4.37	4.73	4.57	4.61	4.65	4.70	4.82	4.91	4.96	5.12

2. Equitable distribution of income: Small scale industries trigger the equitable distribution of income and wealth within societies in tactics that are economically positive and without being politically turbulent, which is chiefly categorized by much more awareness of wealth and income in the organized industry keeping behind the unorganized sector underdeveloped.
3. Assembling of resources as well as entrepreneurial ability: Small scale industries

are able to create a sufficient quantity of savings & entrepreneurial ability from rural and semi-urban areas stay unblemished from the clench of large scale manufacturing sector, likewise helps to boost the public welfare of the nation by determining secret abilities coming from the weaker segment of the society and investing the intellectual ability for creating or perhaps manufacturing commodities.

4. Regional dispersion of industries: There's been a huge agglomeration of industries in a couple of metropolitan cities of various states of India. Individuals in search of employment migrate from rural and semi-urban to these evolved metropolitan cities to generate a much better standard of living which ultimately results to the malicious effect of overpopulated, pollution, development of slums, etcetera. Small scale industries are able to conquer this issue of Indian economy by utilizing neighborhood recourses in phrases of raw material, investment, intellectual ability, and so on, therefore brings around dispersion of industries in different areas of the nation and increase balanced regional development.

**Table 2: Top 10 states in terms of number of MSME establishment**

Rank	State	Number of establishments
1	West Bengal	5269814
2	Uttar Pradesh	5238568
3	Maharashtra	4545581
4	Tamil Nadu	3282197
5	Andhra Pradesh	2781291
6	Kerala	2364085
7	Rajasthan	2270936
8	Gujarat	2218464
9	Karnataka	2188860
10	Madhya Pradesh	1958550
Total		32118346
	All India	45363786

6. Supports the growth of large industries: The small scale industries play a pivotal role in serving large industries by providing accessories, elements, small parts as well as semi-finished products needed by great industries.
7. Better relation between employees and employer: In small scale industries better manufacturing relation between employer and staff helps in boosting employee's productivity and minimize the possibility of manufacturing dispute, leading to comparatively less loss of man-days and production.

#### **V. CONCLUSION**

Small scale industry sector, has performed distinctly properly & empower the nation of ours to attain a broad measure of manufacturing growth and

diversification. By its less capital comprehensive as well as substantial labor absorption nature, the SSI industry makes significant contributions to employment development and additionally to outlying development and outlying industrialization. Under the changing economic scenario, SSI has difficulties as well as opportunities before them. The company of small scale industries item is able to participate in price, merchandise and quality at the international and domestic level just if the best investment of technology creation procedure, R&D as well as advertising are created. Infrastructure bottlenecks aren't totally solved. The marketing activities for SSI in India want to focus on enhanced credit flows, human resource development, the right technology as well as money for modernization. And so, this's the correct time to set up tasks in the small scale sector.

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