

Monetary and Non Monetary Problems of Small Scale Industry in India

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Abstract

Economic development of a country is directly related to the level of its industrial growth. Expansion of industry leads to a greater utilization of natural resources, production of goods and services, creation of employment opportunities and improvement in the general standard of living. The small scale industries play a vital role in the growth of the country. It contributes almost 40% of the gross industrial value added in the Indian economy. By less capital intensive and high labour absorption nature, SSI sector has made considerable contribution to employment generation and also rural industrialization. Under the changing economic scenario, SSI has to face number of diverse problems like vast population, large scale un-employment and underemployment and scarcity of capital resources and the like. Hence, the government has been providing some special facilities through different policies and programmes to overcome the problems and for the growth and development of small scale industries. In such a context, the paper attempts to highlight the importance of SSI in Indian economy. It also analyze the impact of economic reforms on growth pattern and productivity performance of SSI in the country.

Keywords: Small Scale Industries, Socio-economic Development, Economic Reforms.

Introduction

Economic development of a country is directly related to the level of its industrial growth. Expansion of industry leads to a greater utilization of natural resources, production of goods and services, creation of employment opportunities and improvement in the general standard of living. It has framed various policies aimed at development of industries in the public and private sectors. Special emphasis has been laid on small scale and cottage industries in the process. The SSI sector has been appropriately given a strategic position in planned economy for socio-economic, equitable growth. P.N. Dhar and H.F. Lydall in introduction to their book, "The Role of Small Enterprise in Indian Economic Development" have observed that "The promotion of small scale industries has been widely recommended as one of the most appropriate means of developing industry in over populated backward countries", (Ministry of Small Scale Industries, Government of India, 2006).

Mr. Ram K.Vapa in his famous book "small industry in the seventies" has observed. One of the main problems confronting the growth of small industry in most of the developing countries is lack of adequate finance. Inadequate as the banking structure is in a developing country. The bulk of its meager resources are channeled to a few large scale units which are prestigious, and sponsored by influential groups. The small entrepreneurs is thus forced to rely on his own savings or that of his friends and relatives and has to go to the money lender for his loans which given only at exorbitant rates of interest.

He further goes on to say: "Even in relatively more developed countries, there is need for a large volume of credit to keep the small industry going. The working capital requirements of a small unit are relatively much larger than those of a larger one; in addition, there is need for long-term lending to replace machinery and modernize facilities. The rate of obsolescence is high in the small scale sector and there is no phased programme of replacement. This, in turn, pushes up the cost of production in that sector making the product uncompetitive both in the domestic and international market."

The above lines adequately sum up the problems which a small scale entrepreneur has to face in a country like India, with limited resources at his disposal; he faces a number of problems in various areas of operation like production. Labour marketing and materials. In this age of automation, because of lack of funds, the small entrepreneur has to make do with obsolete plant and technology. This results in marketing problems in the domestic and

foreign markets. Small entrepreneur in turn, cannot afford to employ high salaried managers to manage his various organizational activities—be they personnel, production, materials, or marketing, all these problems are manifestation of financial problems.

This does not include the figures for those units which have borrowed from other than scheduled commercial banks. Also there are a number of units which have not been financed by any organized agency. S.P. Singh and S. Singh have estimated that one out of every four units is sick in the small scale sector in India.

Concept of Small Scale Industry

The term small scale industry has been defined and redefined from time to time and variedly from country to country, depending upon their historical conditions and economic growth. A small industry in a developed country may not be that small as compared to its counterpart in a developing country. Different factors such as size of the enterprise, number of persons employed, amount of investment, energy input, physical measure of production nature of activities engaged in etc., make the basic for defining small scale industry. In most of the industrially advanced countries, number of persons employed is taken as the basic of distribution between large and small industries. In some of the important countries a small scale industrial units is defined³ as under:

Objectives of Small Scale Industries

The objectives of small scale industries are:

1. To create more employment opportunities with less investment.
2. To remove economic backwardness of rural and less developed regions of the economy.
3. To reduce regional imbalances.
4. To mobilize and ensure optimum utilisation of unexploited resources of the country.
5. To improve standard of living of people.
6. To ensure equitable distribution of income and wealth.
7. To solve unemployment problem.
8. To attain self-reliance.
9. To adopt latest technology aimed at producing better quality products at lower costs.

Major Problems Faced by the Small Scale Industries of India

Small-scale industries in India could not progress satisfactorily due to various problems that they are confronted with while running enterprises. The various constraints, the various problems faced by small scale industries are as under:

Finance

Raw Material

Idle Capacity

Technology

Marketing

Infrastructure

Under Utilization of Capacity

Project Planning

Skilled Manpower

Managerial

TABLE 1: Performance of SSI Employment, Investments

Sl No.	No. Year	Total Working Enterprises (in Lakh)	Employment (in Lakh)	Market Value of Fixed Assets (Rs. in Crore)
I	II	III	IV	V
1	2001-02	105.21	249.33	154,349.00
2	2002-03	109.49	260.21	162,317.00
3	2003-04	113.95	271.42	170,219.00
4	2004-05	118.59	282.57	178,699.00
5	2005-06	123.42	294.91	188,113.00
6	2006-07	361.76	805.23	868,543.79
7	2007-08#	377.36	842.00	920,459.84
8	2008-09#	393.70	880.84	977,114.72
9	2009-10#	410.80	921.79	1,038,546.08
10	2010-11#	428.73	965.15	1,105,934.09
11	2011-12#	447.66	1,011.80	1,183,332.00
12	2012-13#	467.56	1,061.52	1,269,338.02

- Including activities of wholesale/retail trade, legal, education & social services, hotel & restaurants, transport and storage & warehousing (except cold storage) for which data was extracted from Economic Census 2005, Central Statistics Office, MOSPI.

- Estimated on the basis of per enterprises value obtained from sample survey of unregistered sector for activities of wholesale/retail trade, legal, education & social services, hotel & restaurants, transports and storage & warehousing(except cold storage) which were excluded from Fourth All India Census of MSMEs, unregistered sector .

- Projected.

Measures To Remove Difficulties Faced By Small-Scale Industries In India

It will be noted that small scale industrial units experience serious handicaps by an inequitable allocation system for scarce raw materials, inadequate institutional finance, poor technical skill and managerial ability, and lack of marketing channels.

It is, therefore, essential to develop an overall approach to remove these difficulties and put the small-scale industrial sector on a sound path of development.

In this connection, the following measures may be suggested:

1. Equitable allocation of raw materials, imported components and equipment.
2. Improvement in the methods and techniques of production.
3. Provision for adequate finance.
4. Marketing assistance.
5. Provision for industrial education and training.
6. Demarcating spheres for large-scale and small-scale units.

Conclusion

In this paper, conclude that revealed many more facts had the adequate data been available. The inadequate of data are mainly attributed to the fact of small scale industry being run in an unorganized fashion. The urgency of monitoring up to date information are quite imperative for an industry which has a prominent role to play in the economic development of the state. As such it is highly desirable to create a cell that could keep and maintain proper and adequate statistical information of this industry. The small scale industries play a vital role in the growth of the country. It contributes almost 40% of the gross industrial value added in the Indian economy. Such a cell would help the planners and researcher alike in the formulation of perspective plans and project to help to boost the small scale industry. No doubt, in India the SSI with their dynamism, flexibility and innovative drive increasingly focusing on improved production methods, penetrative marketing strategies and management capabilities to sustain and strengthen their operations. SSI has been very helpful in generation of revenue mainly through export of goods and addressing the problems such as employment and same time it has raised the socio-economic condition of people.

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