



A STUDY ON PROBLEMS AND PROSPECTS OF SMALL-SCALE INDUSTRIES WITH SPECIAL REFERENCE TO TUMKUR DISTRICT.

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ABSTRACT

In this paper, I have discussed the Small scale enterprise is an integral part of the Indian industrial sector. The SSI's generate production at low capital cost, mostly use indigenous raw materials, utilize local skills, widen the entrepreneurial base, facilitate balanced regional growth and prevent the migration of labour to the metropolitan areas. Lack of capital, excessive dependence of agriculture and abundant supply of manpower are the characteristic features of many developing countries in Asia. India face several problems such as lack of availability of adequate and timely credit, high cost of credit, lack of collateral requirements, limited access to equity capital, problems in supply to government departments and agencies, procurement of raw materials at a competitive price, issues of storage, designing, packaging and product display, lack of access to global markets.

Keywords: Industrialization, economy, employment, development, capital, production.

INTRODUCTION

Industrialization is a process of economic development where an increasing proportion of home resources is mobilized to establish a technologically up to date and diversified economic structure. This economy is characterized by dynamical processing industry producing means of production and consumer goods suitable for making the fast development of the total national economy. Before independence the pattern of industrial development in India was marked by a heavy concentration of industries in a few regions. Even after independence, when industrialization was accepted as a means of economic development, industrial investment started to flow towards the existing cities with industrial infrastructure while backward regions of the country continued to lie behind. 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. Small scale industries can be started with lower investment and provide employment opportunities to people. Small scale industries are relatively suitable for smaller markets because these markets need customized products in smaller quantity. They play an important role in employment creation, resource utilization and income generation and helping to promote changes in a gradual and phased manner. They have been given an important place in the framework of Indian planning since beginning both for economic and ideological reasons.

Small scale enterprise is an integral part of the Indian industrial sector. It (SSIs) generate production at low capital cost, mostly use indigenous raw materials, utilize local skills, widen the entrepreneurial base, facilitate balanced regional growth and prevent the migration of labour to the metropolitan areas, Small scale industries can be started with lower investment and provide employment opportunities to people. Small scale industries are

relatively suitable for smaller markets because these markets need customized products in smaller quantity. The SSIs which play a vital role in the Indian economy in terms of employment and growth has recorded a very high rate of growth in spite of stiff competition from the large-scale industries. The small-scale sector now produces more than 8000 products. India face several problems such as lack of availability of adequate and timely credit, high cost of credit, lack of collateral requirements, limited access to equity capital, problems in supply to government departments and agencies, procurement of raw materials at a competitive price, issues of storage, designing, packaging and product display, lack of access to global markets, inadequate infrastructure facilities like power, water and roads, low technology and lack of access to modern technology, problems of skilled labour for manufacturing, services and marketing, multiplicity of labour laws and complicated procedures, absence of a suitable mechanism. Industrialization accelerates economic development through structural transformation. Economic development implies significant changes in the sectoral composition of income and employment. And by definition industrialization involves fundamental changes in the structure of an economy both in terms of output and occupational pattern of work force. Small scale Industries motivate growth of Industrial entrepreneurship and promote a softer pattern of ownership and location. Small scale industries generate supplementary income and extra savings which help in capital formation in the economy. Small scale industries make possible shift of manufacturing activity from congested cities to rural and semi-urban areas in regional development.

Statement of the Problem:

The condition of small-scale industries is not so well particularly, one out of every six unit is found to be unhealthy or sick. Chronic shortage of power, raw material constraints working capital hassles owing to inconsistent bank leading, management failures and other problems have been experienced by small scale units. include inadequate working capital, difficulties in sourcing raw materials, low capacity utilization, stiff competition from larger companies, lack of management strategy, poor educational background of operator, and huge financial problems while the external problems include; policy inconsistencies, multiple taxation, harsh requirements and trade groups. In spite of provision of several incentives and concessions by the government for promotion of SSI, the growth of SS industrial units tumkur district is not so satisfactory, and the district is considered as industrially backward. This kind of study will help the government to provide incentives and concessions, because, based on the nature and extent of problems faced by the SSIs, the nature and extent of incentives and concessions offered by the Government.

Objectives:

1. To study the various types of the Small-Scale Industrial units in tumkur district.
2. To examine the growth and performance small scale industries.
3. To analyse the problems of small-scale industries
4. To analyse the performance of different Small-Scale Industrial units in terms of growth rate of number of units, investment, employment, production and export in tumkur district.
5. To study the problems faced by each Small-Scale Industrial unit in the study region.
6. To suggest appropriate policy measures to enhance the future prospects of SSI units in the study area.

Methodology of the study: 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 and books, websites.

Limitations of Study:

- Incomplete Information: Study is completed with the help of available secondary data only.
- The study is limited to small scale units, where the investment in plant and machinery is Rs. 5.00 Lakhs to Rs. 1 crore.
- The study considers only registered units with DIC unregistered units do not form part of this study.

Review of Literature:

Dr. Mukund Chandra Mehta (2013), reveals that the twin problems of unemployment and poverty constitute a major development challenge. Anil Bhuimali (2004) stated that Small Scale Industries were the dream of Mahatma Gandhi. He has supported the growth of small-scale industries in India, because he had the vision that it would help the poor people of India to come up. Small-scale or cottage industries are not capital based, but the talent and effort-based business. Laozi and Bassem Mohammed (2008) have studied the Small-scale industries in Jordan in the globalization era performance and prospects. The study indicated that the small-scale industries were facing the slight adverse effects of globalization in the stringent requirements of quality costs, tight delivery schedules and productivity in Jordan. Literature KalchettyErosi (1989) Observed “In a labour abundant capital scare country like India, Small scale industry has come to occupy a significant position in the planned industrialization of economy. Manoharan and Selvamoorthy (2010) observed that the overall credit of developing small scale sector goes primarily to the vision of Jawaharlal Nehru, the first prime minister of free India, who proposed and implemented the development of core industry and a supporting sector in the form of small-scale enterprises. In the words of our honourable Prime Minister Dr. Manmohan Singh, —the key to our success in employment lies in the success of manufacturing in the small-scale sector. The small-scale sector is important not only for its contribution to GDP but also for stellar performance in exports and generating employment.

Problems of Small-Scale Industries:

Skilled Manpower: A small-scale unit located in a remote backward area may not have problem with respect to unskilled workers, but skilled workers are not available there. The reason is Firstly, skilled workers may be reluctant to work in these areas and secondly, the enterprise may not afford to pay the wages and other facilities demanded by these workers

Raw Material: Small scale industries normally tap local sources for meeting raw material requirements. These units have to face numerous problems like availability of inadequate quantity, poor quality and even supply of raw material is not on regular basis. All these factors adversely affect the functioning of these units.

Managerial: Managerial inadequacies pose another serious problem for small scale units. Modern business demands vision, knowledge, skill, aptitude and whole-hearted devotion. Competence of the entrepreneur is vital for the success of any venture. An entrepreneur is a pivot around whom the entire enterprise revolves.

Finance: Finance is one of the most important problem confronting small scale industries Finance is the life blood of an organisation and no organisation can function properly in the absence of adequate funds. The scarcity of capital and inadequate availability of credit facilities are the major causes of this problem.

Idle Capacity: There is underutilisation of installed capacity to the extent of 40 to 50 percent in case of small-scale industries. Various causes of this under-utilisation are shortage of raw material problem associated with funds and even availability of power. Small scale units are not fully equipped to overcome all these problems as is the case with the rivals in the large-scale sector.

Technology: Small scale entrepreneurs are not fully exposed to the latest technology. Moreover, they lack requisite resources to update or modernise their plant and machinery. Due to obsolete methods of production, they are confronted with the problems of less production in inferior quality and that too at higher cost. They are in no position to compete with their better equipped rivals operating modern large scale units.

Under Utilisation of Capacity: Most of the small-scale units are working below full potentials or there is gross underutilization of capacities. Large scale units are working for 24 hours a day i.e. in three shifts of 8 hours each and are thus making best possible use of their machinery and equipment.

Infrastructure: Infrastructure aspects adversely affect the functioning of small-scale units. There is inadequate availability of transportation, communication, power and other facilities in the backward areas. Entrepreneurs are faced with the problem of getting power connections and even when they are lucky enough to get these they are exposed to unscheduled long power cuts.

Project Planning: Another 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 mere enthusiasm and excitement.

CONCLUSION:

From the above discussion it can be seen that the project is technically feasible and economically viable on the financing pattern. Since most of the enterprises complained about non-availability of labour (though this problem is not covered) Government need to look into this matter. It has to amend the labour laws which are contemporary and relevant to the present globalized scenario. Simple and clear policies and acts are to be made so that these enterprises can understand them and utilize as well as implement them in the business for compliance and secure benefits. There are many government schemes but from the study it was observed that most of these enterprises are not aware and do not understand how they can benefit out of them.

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