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## *Challenges Faced by Small Scale Industry in India*

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**Abstract:** *During previous decade Indian economy has witnessed a fabulous growth in the number of new start up's growth attributed to change in workplace, Improved technology, Ease of doing business and a strong economy, starting new business and moving forward has become popular in modern time. Small sector plays vital role for the development of nation as MSME's Contribute 30% of our total GDP. Indian industry has shown a remarkable progress in terms of output, employment, export. The present paper aims to study the opportunities which MSME's and small scale industries should grab in near future and problem faced by such industry. The researcher tried to understand the positive and the negative aspects while studying the Industry in General. An attempt has been made by the proposed paper to provide effective measures to tackle problem faced by particular sector.*

**Keyword:** *Growth, MSMEs, Schemes, Problems, Challenges, SSI.*

### I. INTRODUCTION

Small scale Industry is life line of developing countries like India. Small scale industries (SSI) are those industries in which manufacturing, providing services, productions are done on a small scale or micro level. It play important role in development of nation contributes in various way to boost up economy. Investment in small scale Industries are probably one time investment in acquiring assets on Hire basis, on Lease basis or on Purchase basis. This type of industry consist of few employees employed with limited finance from social point of view such type of organization is needed to increase per capita income and to improved standard of living in the society. Most of the schemes are available for the growth of this sector and provided a boost to women empowerment especially, It promotes entrepreneurial skills among women as special incentives are provided by government to women entrepreneurs. The MSMED Act, 2006 has provided the legal framework for identifying the concept of 'enterprise' which includes entities both in manufacturing and service sectors and has categorized the enterprises into three tiers viz., Micro, Small and Medium. This sector also includes ancillary, export-oriented, and women's enterprises with an investment limits in each of 10million rupees and with a special condition for each, and business and services enterprises in specified lines with investment limits of 2.5millions rupees and 0.5millions rupees, respectively, without any condition. The Union cabinet headed by Prime Minister Narendra Modi officially revised the MSME definition. The recent changes in the definition of micro, small, and medium-sized enterprises made as a part of the Atmanirbhar Bharat Abhiyaan relief package were approved.

**MSMEs DEFINITION**

| Classification | Manufacturing                  | 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 MSME at a Glance, 2017

**UPDATED MSMEs DEFINITION**

| Types  | Investments | Turnovers |
|--------|-------------|-----------|
| Micro  | 1Crore      | 5Crore    |
| Small  | 10Crore     | 50Crore   |
| Medium | 50Crore     | 250Crore  |

**II. ROLE OF SSI IN DEVELOPMENT**

Industry is the segment of economy concerned with production of goods. Small scale industry (SSI) is a term which applies to the small entrepreneurs who are engaged in manufacture and production on a micro scale. Small scale industries is one of the major source of the employment Generation in India as most of the population resides in rural area the livelihood of the families depends mostly on Agriculture (about 58% of India's population) and Agro based Small Industries. The MSME sector also contributes in a significant way to the growth of the Indian economy with a vast network of about 63.38 million enterprises. The sector contributes about 45% to manufacturing output, more than 40% of exports, over 28% of the GDP while creating employment for about 111 million people, which in terms of volume stands next to agricultural sector. The MSME sector in India is exceedingly heterogeneous in terms of size of the enterprises and variety of products and services, and levels of technology employed. However, the sector has the potential to grow at a faster pace. To provide impetus to the manufacturing sector, the recent National Manufacturing Policy envisaged raising the share of manufacturing sector in GDP from 16% at present to 25% by the end of 2022.

Estimated Number of MSMEs (Activity Wise)

| Activity Category | Estimated Number of Enterprises (in lakh) |        |        | Share (%) |
|-------------------|---|--------|--------|-----------|
|                   | Rural                                     | Urban  | Total  |           |
| Manufacturing     | 114.14                                    | 82.50  | 196.65 | 31        |
| Electricity*      | 0.03                                      | 0.01   | 0.03   | 0         |
| Trade             | 108.71                                    | 121.64 | 230.35 | 36        |
| Other Services    | 102.00                                    | 104.85 | 206.85 | 33        |
| All               | 324.88                                    | 309.00 | 633.88 | 100       |

Sources- Annual Report of MSME 20-21 (Gov of India)

Distribution of Enterprises ( Rural and Urban area wise) (Numbers in lakhs)

| Sectors | Micro  | Small | Medium | Total  | Shares |
|---------|--------|-------|--------|--------|--------|
| Rural   | 324.09 | 0.78  | 0.01   | 324.88 | 51     |
| Urban   | 306.43 | 2.53  | 0.04   | 309.00 | 49     |
| All     | 630.52 | 3.31  | 0.05   | 633.88 | 100    |

**III. SCOPE OF THE STUDY**

The SSI sectors have recorded continuous growth towards economic development. This study aims at identifying and analysing the growth, in employment, production and exports of SSI, and Schemes framed by Government.

#### IV. OBJECTIVES OF THE STUDY

The main purpose of the study is to identify the role of SSI in economic development.

To examine the role of SSI in employment generation.

To study the challenges faced by SSI.

To study the effects of Government Measures to Promote MSMEs.

#### V. METHODOLOGY

Descriptive methodology has been used to collect the data, the data collected is mostly from secondary sources, various publication, books, government, published annual reports, Articles, manuscript, different government agencies.

#### VI. CHALLENGES FACED

Regardless of endless contribution to the nation, this sector is helpless as it does not gets support from concerned authority have to face tough competition from large units due to financial crunches and economic disparity. The major problems faced by SSI are discussed below:

##### ***Problem in adaption of new technology***

Due to financial constrain a problem of outdated technology and unskilled employees the appetite on spending on updated technologies is very low as far as large units is concerned. Initial development cost is challenging, cost of training, Maintenance, downtown increase cost. Finding cost overwhelming and put off technology adoption leads to continue with traditional methods.

##### ***Credit assistance issue***

Supply of credit is the major challenges faced by SSI. Scarcity of finance and low Credibility create barrier in upliftment as credit creation is very weak for this small industry they have to relay mostly on unorganised sources charges high rate of interest which ultimately increase the burden of credit and decrease profits. High competitions in market encourage SSI to provide goods and services for credit for a longer period of time and for the payment of the same to creditors is less. High working capital is to be maintained as the amount get blocked in the cycle.

##### ***Low Productivity***

Productivity and quality is severely affected as worker employed in SSI are unskilled, lack of proper trainings, lack of motivation form higher authority traditional ways of work culture. low wages as it impact efficiency and productivity.

##### ***Competition from large units***

Globalisation had a negative impact on average growth rate of production and employment major challenges faced by SSI are industrial sickness, non-availability of concessional loans.

Usually large units enjoy the benefit of prompt payment and received goods and service at cheap rate due to availability of finance brand value of such units also create psychological effect in the minds of ultimate consumer and gain benefit.

##### ***Problems in marketing and distribution***

Lacks marketing as the budget does not allowed to do so. The production are less, the area which is covered by such industry is somewhere limited due to economic sphere and disparity manager are not very well reversed with the current market scenario unable to evaluate demand.

### ***Measure by Government for MSME***

Government has taken various steps to strengthen this sector as to promote equal distribution of income as India is one of the most unequal countries in the world, according to the World Inequality Report. The top 10 per cent own 64.6 per cent of the country's wealth, up from 63.9 per cent.

### **Prime minister's employment generation programme (pmegep)**

Government of India has approved the introduction of a new credit linked subsidy programme called Prime Minister's Employment Generation Programme (PMEGP) by merging the two schemes that were in operation till 31.03.2008 namely Prime Minister's Rojgar Yojana (PMRY) and Rural Employment Generation Programme (REGP) for generation of employment opportunities through establishment of micro enterprises in rural as well as urban areas. PMEGP will be a central sector scheme to be administered by the Ministry of Micro, Small and Medium Enterprises (MoMSME). The Scheme will be implemented by Khadi and Village Industries Commission (KVIC), a statutory organization under the administrative control of the Ministry of MSME as the single nodal agency at the National level. At the State level, the Scheme will be implemented through State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs) and District Industries Centres (DICs) and banks.

### ***Credit Guarantee Trust Fund for Micro & Small Enterprises (CGTMSE):***

A promising scheme for micro and small enterprises, this CGTSMSE scheme provides credit-guaranteed funds to eligible beneficiaries from a Trust that is jointly established by the Ministry of MSME and Small Industries Development Bank of India (SIDBI).

### ***Interest Subsidy Eligibility Certificate***

To promote Khadi and Village Industry products, the government has shaped this effective scheme. With this scheme, any registered institution of KVIC or KVIB can avail loan from banks at a 4% p.a interest rate to develop their business. The lending bank gets the 4% interest from the beneficiary and the remaining part of the interest is remitted by the Central Government through KVI.

### ***Coir vikas yojana***

Coir industry is yet another rural business that profits around 7lakhs artisans by providing them employment and livelihood. In our country, coir and coir-related products are exported to 110 countries. Though benefiting towards the development of the country by making a huge profit in export, the coir industry needs attention and support for its survival and improvement. Hence several schemes are devised as action plans.

### ***Coir Industry Technology Upgradation Scheme***

A replacement of "Development of Production Infrastructure" of Coir Vikas Yojana, CITUS provides financial support for entrepreneurs for procurement of machinery in establishing new plants or for upgrading/modernizing existing plants.

### ***Skill Upgradation and Mahila Coir Yojana***

A scheme for providing self-employment opportunities to women in coconut producing states, this MCY scheme strives to educate rural women about coir processing and coir-products manufacturing. The National Coir Training and Design Centre (NCT&DC), Kalavoor, Alleppey and Research-cum-Extension Centre, Thanjavur, and Field Training Centres of Regional Officers/ Sub Regional Offices of the Board located at various parts of the country play an active role in training women entrepreneurs.

## VII. CONCLUSION

Small Scale Industries is very important part of the developing economy development of this sector should be on Priority as unutilised labour force in rural as well as urban area can be utilised well and can generate Employment opportunities which is main concern of India due to population. It is necessary to promote this sector educate them regarding opportunities available in the market and make proper utilisation of the available resources. Self help group should be encouraged, Champaign should be organised by Government to guide them regarding schemes available as most of them are still unaware.

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