

## Problems and Suggestions of Small Scale Industries in Salem District

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### **ABSTRACT:**

*The small scale industries play a very important role in the development of economy as well as of nation. The economic development of country is directly connected with the growth of industries because industries are the back bone of our nation. In the India the industries has shown creditable progress in term of output, employment, export etc, during the decade. Expansion of industry leads to a greater utilization of natural resources, creation of employment, production of goods and services, but there are certain problems have to face the small scale industries while competing with other large or medium industries. There are certain problems which are very common to all small scale industries. If these problems are solved by taking an effective steps or effort these challenges this sectors can it as a developing engine. There is certain measure to remove the difficulties of small scale industries government have a effective measure to remove the problem faced by industries.*

**KEYWORDS:** *small scale industries, problems, and suggestion.*

### **INTRODUCTION:**

India is predominantly an agriculture country. Parts from only agriculture the small and medium scale industries are also have been developed. Small scale industries are playing a very important role in economy development of any nation and also these industries are the back bone of our industrial sectors, they provide a nontraditional verity of product with low technology. SSI generate a huge employment to over 40 million peoples. Small scale industries have swell as dynamic sectors which contribute around 40% of the total industrial product and 34% of the national export to Indian economy. In developing economies about 60% of GDP is generated by small enterprises i.e enterprises with a maximum of 50 employees.

## LITERATURE OF REVIEW:

**Sangita G. Patil, Dr. P.T. Chaudhari** “Problems of small scale industries in India” . The up grading of small scale industries is essential in developing economics like India to achieve equitable distribution of income and wealth, economics self dependence and entrepreneurial development. To promote the small scale sector we have to take it to do a right place as the development engine of Indian economy. It is very important field of to support the MSME, educate and make them stronger in the field of production which is very important for the development of Indian economy and human are also helpful in the utilization of Natural resources, the small scale industries need to. He educated and informed about the latest up gradation and helped to acquired skills which are necessary to keep in the MSME world taking place globally and helped to acquired skills which necessary to keep pace with he global development.

**Soundarapandian M. (2002)** in his book “Small scale industries” The book stated that today small scale industries is the back bone of Indian economy and Of developing countries. Because it has been utilizing the local resources which is very easily available and make a proper use for the development of industries. Provide the way for the way for the enlargement and strengthening of SSI unit. They have become an impressive weapon in bringing into existence a melodiously balanced integrated socio-economic order in our economy. The Book cover the different rate of small scale industry unit that is most significant both in respect of employment and value added particularly in developing economies. Now a day industry producing more employment as the growth and demands of industrial goods are more. So that directly or indirectly they are generating more employment opportunity. And I conclude often reading Review of Mr. Soundarapandian M that the Natural resources play a very important specially the local Natural resources which is easily for the production work and Growth of industries and of economy.

## OBJECTIVE:

- 1) To analyze the problems of small scale industries.
- 2) To remove the difficulties faced by small scale industries
- 3) To know the governments effective steps to solve the problems of SSI industries.

## Hypothesis:

- 1) One of the basic problems of small scale industries is financial problem which strongly effect the growth of industries.
- 2) Governments are providing various AIDS to sick industries and always in a path to solve the problems.

## Research methodology:

The research study is based on both primary and secondary data. The primary data is collected through meeting with entrepreneur personally. The secondary data has been collected from the annual report of MSME. The information is available from the district information centre of Salem district. The information collected through annual reports, various books journals, research paper etc.

**Area** – The present study is based on the Salem district.

## Concept of small scale industries:

Small scale industries consist of enterprises in Indian economy. Small scale industries have played an important role because of their employment generation program and also played an important role in industrial output and export. Govt. of India has taken a number of steps to promote small scale industries. An enterprise, whether proprietorship, association of persons, co-operative society, partnership or undertaking, or any other legal entity, Hindu undivided family, or whatever name called, engaged in production of goods, comes under the sector of small scale industries. However, with the recent point of view, the SSI and cottage industries are facing competition internal as well as external competition. Till now, there is no clear definition of small scale industry and cottage industry. We can make a clear definition regarding this way: the business which is carried out by the help of family, wholly or primarily, comes under the cottage industries, or the industries where the production work is carried out by the help of labor, come under the small scale industries. Small scale industries are mainly located in urban areas as separate establishments.

**In the year 2006 a new definition of micro small/medium scale enterprises has been given.**

| Classification | Investment wing for plant/machinery or equipment (Including land / Building) |   |
|----------------|--|---|
| <b>micro</b>   | up to 25 lakhs   | up to 10 lakhs                            |
| <b>small</b>   | investment above 25 lakhs and up to 5 crores                                 | Above Rs. 10 lakhs and up to 2 crores     |
| <b>medium</b>  | investment above 5 crores and up to 10 lakhs                                 | Above Rs. 2 crores and up to Rs. 5 crores |

Source- Micro small medium enterprises Act 2006

**Problems of small scale industries:**

The industries of Salem district are progressing day by day. The industries are growing by facing many challenges in their path and they have many problems to run the industries. Generally, Salem district is dealing with agro-based industries, minerals-based, wooden furniture and etc. The prospects in growth of industries are bright in the future if they have a proper attitude regarding these problems and try to solve these problems. Generally, the problems faced by small scale industries of Salem district are discussed below.

- 1) **Financial Problems** – financial problems are one of the most important and common problems faced by SSI. Finance is the life blood of an organization and no organization can run properly in the absence of a limited fund. In the shortage of funds and inadequate availability of credit facilities are the major causes of the industries. The proper fund makes a firm economically stronger which helps the industries for their payments of loans and debts.
- 2) **Problem Of Raw Material**- The problem of raw material is one of the major problems for the majority of small scale industries. SSI normally tap local sources for meeting raw material requirements. Generally, these units have to face numerous problems like availability of inadequate quantity, poor quality and even supply of raw material is not on a regular basis. All these factors adversely affect the functioning of these small scale units. The shortage of raw material in any industry is directly affecting the growth of those particular industries and also affects the economy of the nation.
- 3) **Technology Problems**- when any industry adopts a new technology, it is the base of all industrial activities. One of the major issues is the absence of latest technology which ensures fine quality and high rates of productivity. The small industrialist there should keep themselves abreast of growth in technology so as to remain in the market.
- 4) **Problems Of Labor And Skilled Man Power**- labor is the most important and active factor of production. Labor is the main source of any industry because without labor, no one can imagine the

possibilities of production. A small scale unit are generally located in a remote backward area may not have problem.

- 5) **Marketing Problem** – These small scale industries are also exposed to marketing problems. They are not in position to get the latest information about the market condition i.e. test of the consumer, liking and disliking of the consumer and trending fashion. With this result they are not in a position to upgrade their product keeping in mind according to market requirement. In the absence of organized marketing, their product is compare unfavorable with the quality of the product of large unit, successful market opportunity. The success of an industrial unit depends on the marketing of its finished products. The marketing teams should be dynamic and aggressive enough to produce and market such have been contemporary need and the product should be better than those of competition.
- 6) **Lack Of Awareness-** The proper development of industries whether it is small industries or large scale. The government have launches many organization to support and provide many assistance to small scale industries. But due to the improper information regarding the organization schemes they failed to take an advantages of this ,governments have take an active action regarding this for the awareness program’s regarding organization which highly support the entrepreneur’s directly to economy of the nation
- 7) **Problems Of Increasing Competitions** - There is mastiff competition between the large scale industry and small scale industries and usually small scale industries suffer a loss. Small industries have to compete with the same category as well with large industries also. Because of this large competition many industries have to face problems which directly affect the economy of the country. And after that many small units become sick after a time.

**Problems faced by different categories of industries selected for study**

| Sl.n<br>o | Categori<br>es of<br>industrie<br>s | Samp<br>le<br>unit | Financi<br>al<br>proble<br>m | Raw<br>materi<br>al | Technolo<br>gy | labo<br>r      | Marketi<br>ng | awarenes<br>s | Competit<br>ion |
|-----------|-------------------------------------|--------------------|------------------------------|---------------------|----------------|----------------|---------------|---------------|-----------------|
| 1         | Engineer<br>ing<br>Industrie<br>s   | 25                 | 7 (20%)                      | 3<br>(10%)          | 2 (10%)        | 3<br>(20<br>%) | 3 (15%)       | 4 (10%)       | 3 (15%)         |
| 2         | Metals                              | 20                 | 5 (23%)                      | 3<br>(12%)          | 3 (15%)        | 2<br>(10<br>%) | 2 (20%)       | 2(10%)        | 3 (10%)         |
| 3         | Fly ash                             | 15                 | 3 25%                        | 2 15%               | 2 5%           | 2<br>15%       | 2 20%         | 2 10%         | 2 (10%)         |
| 4         | Electric<br>&<br>Electroni<br>cs    | 20                 | 5 (20%)                      | 2<br>(10%)          | 3 (15%)        | 3<br>(15<br>%) | 2 (15%)       | 3 (10%)       | 2 15%           |
| 5         | Food<br>Industry                    | 20                 | 6 (27%)                      | 1<br>(13%)          | 3 (10%)        | 2<br>(15<br>%) | 3 (15%)       | 2 (10%)       | 3 (10%)         |
|           | Total                               | 100                | 26                           | 11                  | 13             | 12             | 12            | 13            | 13              |
|           | Rank                                |                    | <b>1</b>                     | <b>5</b>            | <b>6</b>       | <b>3</b>       | <b>2</b>      | <b>7</b>      | <b>4</b>        |

Source- Primary data

Note – Figure in the brackets indicates percentage to total

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In the above table no1.2 it is clearly seen that the financial problems are the biggest problem among the all type of industries which the researcher have selected for the study. And the finance is the blood of a business body if the industries are facing the problems of finance directly it effect the growth of business and ultimately day to day activity of a firm. After the problem of finance the next problem founded that is of marketing. Business need a proper marketing structure where they sale their product easily with facing a much problem and at a standard rate. Likewise the others problems are also effecting the business which is discussed and ranked in the above table.

### **Suggestions to remove the problems of small scale industries.**

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 **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. Establishing separate suitable machinery with large powers and initiative to tackle different typical problems of small scale industries of the country.
7. Maintaining standards and quality of the output produced by SSI units.
8. Conducting research on the techniques of production.

### **CONCLUSION:**

The small scale industries have been playing a very important role in the growth and development of the Indian economy in the term of employment or in many other sectors. In spite of having huge potentialities the small scale industries are still not progressing satisfactorily because these industries are facing many problems and various weaknesses. If the governments have taken remedial measures to improve the barriers and take an action to utilize huge development potential available in the nation and them SSI sectors runs in a path of progress and they will prove them as a one of the most dynamic sectors in the world of economy.

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