

OBSTACLES FACED BY SMALL-SCALE INDUSTRIES IN INDIA: AN INCLUSIVE LITERATURE

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Abstract

The worldwide economy has been witnessing dramatic and significant changes over the years even after implementing reforms in relevant sectors. The term reforms indicates structural changes in patterns of existing methods. Since 1991, Industrial reforms have given generous opportunities to trade, technology, foreign investment, financial capacity building, and development of SSIs. After industrial reforms, India has achieved growth in terms of economy however some factors are persistent in creating hindrances. Therefore, the present study focuses on obstacles/problems faced by small-scale industries in India. Based on a review of the available literature, summary is generated.

Keywords: MSMEs, Efficiency, Skills, Challenges, Development

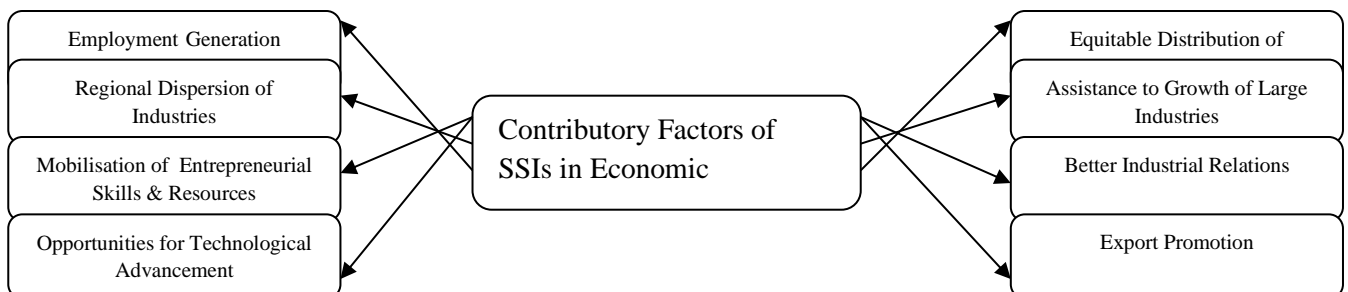
Introduction

India, being a developing country has various unutilized or underutilized resources. A major section of the population is unemployed and not enough satisfied for their primary needs. According to the *Planning Commission of India*, the small-scale sector has its divisions mainly into three types, *Traditional, Modern, and Other*. The distinctive criteria between traditional and modern types of small-scale sector are the use of manual power and human skills mainly and not using the technical or mechanical skills. As per the Small-scale Industry Policy, of 1991, unique policy regimes are required at different subsectors of industries (Dasgupta, 2002). To elevate people's involvement in some productive doings, exploring new employable prospects, and offering equivalent opportunities to both women and men in economic activities necessitated improved economic development. For sustained and organized growth of SSIs, the establishment of the Small Industries Development Organisation (SIDO), as a top body took place in the year, 1954. Further, the *Keynesian Model* was introduced for the promotion of the SSIs sector during the *third and fourth five-year plans* i.e. 1961-1966 & 1969-1974, respectively, featuring identification and analysis interferences to total production and income with the principles of Keynesian economics. *Keynesian Model* is constructed on total expenditure by the four macro-economic sectors, which are; business, households, govt. foreign and

net exports to analyze many themes and concerns including business cycles, fiscal & monetary policy, and multipliers. In India, small-scale industries signify enormous scope in terms of employment generation and expansion of production. Various measures have been taken to get rid the problems of about financing, input availability, marketing and distribution, etc. at the central and state level in India but no satisfactory effect has been found. Since Independence, the promotion of small-scale sectors in India has been an imperative push of *Industrial Policy*.

In India, the definition of a small-scale sector has been changing since the 1950s. Undeniably, the legislative creation of the Ministry of Micro, Small, and Medium Enterprises and the classification of enterprises under the ministry has defended small businesses in India. In the development of the country, the contribution and presence of the MSMEs sector, especially of the service sector, has been notable and found growing (Gupta & Chowdhry 2010). Indian MSMEs brag about ancient heritage, as traditionally the micro businesses are known as village and cottage industries (Baral & Sahoo, 2013). Changing definitions of small-scale industries have laid down and removed different criteria in terms of investment limit, labour force, and employment. To facilitate this sector, initiatives taken by GOI such as “Make in India” which creates a network for foreign investors in India, “Digital India” scheme which provides a base for ICT capabilities, “Startup India” scheme which provides market and training support, are integral scope for MSMEs. Recent GOI offers schemes giving benefits of capital subsidies, corpus funds to adopt new technologies, and funding support (collateral-free) to adopt quality management standards and technology tools (Mukherjee & Chanda, 2019). To achieve inclusive growth and sustainable development, a well-developed policy framework is always required because in most parts of India, declining returns to scales have been witnessed over the capacity level of the SSIs (Lokhande, 2011). Small and Medium enterprises would be a big provider towards the escalation of the Indian Economy if sustained by budding sectors like service and technology sectors (Bargal et al., 2009).

Role of SSIs in Economic Development of India



Source: Lakshmi (2013)

Methodology

The prime purpose of this paper is to provide a glimpse of an inclusive review of the literature on problems/ obstacles faced by SSIs of various sectors in India. This paper observes available literature

from 2012 to 2023. On the grounds of the available literature presented in this paper, a collective summary is generated and certain possible future aspects are also mentioned to overcome limitations existing in such previous research which will help research aspirants to cover the remaining part or gap in their future research interests.

Scholarly Review of Research Literature

S.No.	Author	Year	Description	Tool	Findings
1.	Coad, & Tamvada	2012	Firm growth and barriers to growth among small firms in India.	Regression Analysis	<ul style="list-style-type: none"> • Women-owned & proprietary firms have lower growth rates. • Age & size of enterprise hurt firm growth. • Exporting has a positive impact on firm growth.
2.	Kalyani & Sindhuja	2017	A study on problems of small scale industry in Coimbatore district.	Descriptive Statistics	<ul style="list-style-type: none"> • A greater part of entrepreneurs were first-generation entrepreneurs, lacked educational qualifications, and sole traders. • Greater no. of entrepreneurs were facing the issue of power supply. • Issues relevant to govt. support was less prevailing.
3.	Bandopadhyaya & Khan	2020	Factors of export promotion of MSMEs in India with special reference to raw material availability.	Linear Regression Model	<ul style="list-style-type: none"> • Adverse effect of poor growth in accessibility of raw material on export performance. • Positive effect of fixed investment, govt. support & foreign exchange rate on performance.
4.	Shah, & Vyas	2019	Development of a questionnaire for Ergonomic Evaluation, its cultural adaptation,	Correlation Coefficient, Cronbach's Alpha	<ul style="list-style-type: none"> • To prevent risk factors in handicraft industries, ergonomic training can be given.

			and its validation for traditional SSIs.		<ul style="list-style-type: none"> • Unawareness of W.R.M.S.D. (work-related musculoskeletal disorders) in traditional SSIs.
5.	Prakash, & Verma	2019	Barriers faced by entrepreneurs of Micro, Small & Medium Enterprises in Bihar	t-test, ANOVA	<ul style="list-style-type: none"> • Problems related to packaging, finance, and marketing are major obstacles in the development and progress of the MSMEs • Problems related to labour are the least common while setting up the enterprise.
6.	Prabhakaran	2020	Financial competitiveness: A role of SSIs in the Indian economy.	Descriptive Statistics, t-test (two-paired), Correlation Analysis	<ul style="list-style-type: none"> • Financial capability and flexibility have positive and financial strategy, knowledge and innovation have a negative impact on the financial competitiveness of SSIs.
7.	Dash & Mishra	2021	Indian coir industry: an overview on performance, problems & prospectus.	SWOT and Trend Analysis	<ul style="list-style-type: none"> • No significant role of capital in the development and productivity of the coir industry. • Coir industry generates revenue from export only.
8.	Kumar	2020	Social business model and its efficacy: A case study on Agroforestry in the Indian context	Case study, Document Analysis	<ul style="list-style-type: none"> • Social innovation has led SSA to progress, profitability, and prosperity. • Impact measurement strategies provided a positive impact on

					farmers' learning and SVC.
9.	Prakash <i>et al.</i>	2021	Barriers, potential solutions for MSMEs in developing economies: Evidence from India.	Descriptive Statistics, t- <i>test</i> , ANOVA	<ul style="list-style-type: none"> • Gender inequality & labor migration are major obstacles faced by small-scale entrepreneurs in Bihar. • Other obstacles faced by small-scale entrepreneurs in Bihar are; poor power supply, marketing strategy, poor road connectivity, poor public transport, high electricity charges, high transportation cost, poor quality of drainage system, delay in payments from creditors, lack of finance for raw materials lack of working capital, market recession/lack of demand, and absenteeism of labour.
10.	Yadav <i>et al.</i>	2023	Digital and innovative entrepreneurship in the Indian handicraft sector after the COVID-19 pandemic: Challenges and opportunities.	Content Analysis	<ul style="list-style-type: none"> • The Indian handicraft industry frequently lacked adequate finance, and organizational and technological reserves, making them more defenseless to curb the pandemic. • Despite nominal government support for small-scale industries, the handicraft sector discovered a way of digital innovation to

					prosperity in the industry with increased online demand & supply of items.
11.	Khare <i>et al.</i>	2023	Identifying the factors of public relations activities & its impact on the growth of SSIs in India	Descriptive Analysis, Factor Analysis, Multiple Regression	<ul style="list-style-type: none"> • Factors of public relations practices influence SSIs economic growth in central India. • Proficient dimensions are required to assess the influence of PR doings on the SSI development factors.
12.	Agarwal <i>et al.</i>	2023	Building resilience for the sustainability of MSMEs post COVID-19 outbreak: An Indian handicraft industry outlook.	Exploratory Factor Analysis	<ul style="list-style-type: none"> • Causes of lack in organizations are shortage of competitiveness in man-made products, competitor's price policy, unsatisfactory representation in foreign markets, unavailability of skilled labor, and lesser financial assistance. • Other major challenges were ineffective responses to internationalization & unproductive managerial concerns.
13.	Jayachitra & Dhandapani	2022	Status of women employee and job satisfaction in safety match industries of Vellore district.	Descriptive Statistics, Chi-square test	<ul style="list-style-type: none"> • The main reason for job satisfaction is considered wages paid to male & female workers, which varies from unit to unit. • Workers were found dissatisfied with working hours.

					<ul style="list-style-type: none"> Workers were satisfied with Social benefits.
14.	Indira	2022	An analytical study on the performance of small-scale sick industrial units in Kanniyakumari district.	Descriptive Statistics, Chi-square test	<ul style="list-style-type: none"> Labour problems and lack of competitiveness were major causes of small-scale industrial sickness. Lack of infrastructure, lesser education, and inability to invest were also found few other reasons responsible for sickness in SSIs.
15.	Jena & Rashmi	2023	GST adaptation among Small Scale Industries (SSIs) of Ambattur Industrial Estate, Chennai.	Descriptive Statistics, ANOVA, Correlation Analysis (sig. 2-tailed)	<ul style="list-style-type: none"> SSIs have outsourced GST-related activities without adapting to change and have no infrastructure. Attitude and psychological factors of employees were responsible or prosperous adaptation of change in SSIs which was more desired than other physical factors.

Source: Author

Summary & Suggestions

Small-scale industries (SSIs) are crucial platforms to build a nation's interests and economy. This study attempts to comprehend how SSIs establish themselves within a social business model context and what challenges they face. There are some noteworthy points as regards the connotation for future improvements. Based on the abovementioned review of literature, summarisation is subsequent below:

- SSIs face problems in availing govt. support through various programs and policies so there should be the establishment of an easy & accessible single-window system where entrepreneurs can easily avail themselves of facilities such as training, finance, guarantee-free loans, marketing,

infrastructure, research development, and technological advancement provided by the government.

- Uncomplicated access to electricity to SSIs must be provided by the government
- SSIs face financial competitiveness in terms of financial capability and flexibility internally and externally. To curb such kinds of competitiveness there must be a proper channel to train SSIs with advancement in all aspects, especially in availing financial resources and planning.
- SSIs belong to artisans in the coir industry who face inadequacy in paying wages due to lesser demand for coir products domestically but this industry has international level demand for such products. Hence, to attract more employees and enhance national demand, units need to offer more reasonable remuneration to their employees, and the government should come forward and restructure the market.
- In the case of SSIs of agriculture or farming, an evident requirement arises to recognize and seek solutions to the numerous challenges faced by different contributors including farmers within the framework of social endeavor in terms of making the social business form sustainable in the long run. So, advancement of the operations and marketing strategies of social media need to be explored. Also, a need for financial accessibility and surety arises for poor farmers.
- Small scale Paper industry faces no constraints of demand of paper related products but to curb issues like gender inequality and labour migration, the removal of barriers of labor laws, and financial subsidies will facilitate them to come out from the hurdles to run the enterprises smoothly.
- Further, other obstacles faced by small scale paper industry, were poor road connectivity, poor power supply, poor public transport, high electricity charges, delays in payments from creditors, high transportation costs, and poor quality of drainage systems can be resolved only after consideration by the state government to deal with all such issues and curb with absolute changes.
- In case of lacking such management and financial accounting skills, which significantly impacted the performance of small-scale handicraft industries all through the pandemic, can be sharpened up, and the union govt. must come forward and pertain some helping hand to perk up technological advancement, digital innovation, and entrepreneurship, sale acquaintance to overcome irregularities and unproductiveness after the COVID-19 pandemic that provide more specific, proficient, and practical financial data & reports.
- Few studies offer important insights into the use of PR activities as management tools for SSIs in India, regardless of its limitations. Creating competent PR tactics and proper policymaking can promote the expansion of SSIs

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