

Study the Problem Faced by Small- Scale Industries

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Introduction

Small-scale sector plays a important role in the growth of every country. In a developing country like India, this sector is essential. Since independence, small scale units have made significant progress. After agriculture, small scale sector provides the highest employment to the labor force. Since small units are widely scattered, they offer jobs to local people. The small-scale industrial sector in India has been increasing at a very fast scale. Currently, The Government of India provides a lot of facilities to the small- scale industries. Recently the government of Tamilnadu announced a power subsidy to the newly started industries. To encourages the new entrepreneur, the Central Government and the State Government announced a lot of schemes. This paper mainly concentrated on the problem faced by small- scale entrepreneur. Small scale entrepreneur was struggled to survive their business due to various reasons.

Objectives of the Study

1. To analyze the problem faced by small- scale industries.
2. To study the financial needs of small- scale industries.

Financial Requirements

Financial requirements can be classified into two:

1. Equity or risk capital and
2. Loan or borrowed funds.

Loaned Capital can be sub-divided into:

- Long-standing loans and
- Temporary loans.

Equity Capital

A savings by the proprietor of a small unit is the precondition for setting up a unit. The owner has started their business by his own capital and then he collect funds from financial institutions. The proprietor fund are used to purchase the fixed assets such as land and building, plant and machinery, etc. If the owner has sufficient fund to purchase the fixed assets definitely he will earn the good profit.

Otherwise if he depends for borrowed funds to the purchase fixed assets then his earnings may not be adequate to maintain such a liability. In real practice the circumstances is fairly dissimilar. Some time the entrepreneur does not have a adequate funds to start their business. They depend upon the suppliers It is the dealers who take most of the profits and entrepreneurs are left with small funds. Even after many years in work, they are not capable to make enough funds to meet up their day to day wants.

Loan Capital

Besides equity capital small- scale units need long-standing and instant loans. Long- term loans are required also to procure permanent assets or for growth and diversification whereas short-range loans are essential for purchasing a variety of inputs and other current wants A sound economic position require that fixed assets should be financed from long-term funds and short-term funds be used for operational capital requirements.

A good quality financial organization will be that where additional investments are from owned capital but outside funds cannot in total be mistreated.

Manufacturing Sector Enterprises	Investment in plant and machinery
Micro Enterprises	Does not exceed 25 lakhs
Small Enterprises	More than 25 lakhs but does not exceed five crore
Medium Enterprises	More than 5crore but does not exceed ten crore
Service Sector Enterprises	Investment in equipments
Micro Enterprises	Does not exceed ten lakhs
Small Enterprises	More than 10 lakhs but does not exceed two crore
Medium Enterprises	More than 2crore but does not exceed five crore

Problems faced by Small Scale Industries

They are many struggle faced by Small - Scale Industries:

Poor Capacity Utilization

The small -scale industries facing the main problem are poor capacity utilization due to the following reasons. Frequent power cuts and not go for alternative generators. If they decided to buy the machinery that will need a huge amount and it occupies a lot of space. Finally, capital is unnecessarily locked up.

Incompetent Management

Many of the entrepreneurs start their business without the technical knowledge and experience. They started their business very little thought matters like demand, production level financial availability plant location and future prospectus, etc..

Inadequate Finance

Many Small Scale Industries face the difficulty of shortage of money. They are not capable to access the home capital market to increase capital. Banks and monetary institutions involve various actions and rules and regulations to be completed. Even after a long hindrance, the funds to be paid are insufficient.

Raw Material Shortages

The availability of raw material is the biggest problem in small- scale industries. This type of industries can use the local raw material. The scarcity of raw material can affect the production process. Due to the lack of raw material the small- scale industries could not give theirs in time. Several times the price of raw material is also very high. The scarcity of raw material leads to low production, inability to meet the demand and lose their customer also.

Lack of Marketing Support

When compared to the large scale industries, they are less knowledge about the marketing field and identify consumer preference, this is the main cause for market declining. Their production is very low when compared to large scale industries and they are not able to meet out the demand in time. Their area of market is also limited. Recently the small - scale industries facing their competition not only their local marketer but also face in globally. The foreign competitors provide the quality goods at low price.

The Problem of Working Capital

Many small-scale industries face the difficulty of insufficient working capital. Without the proper knowledge and guidance, their production exceeded the demand in this situation capital gets locked in unsold stock. In those circumstances, they do not have enough money to continue the operational expenses.

Problems in Export

If they want to export their product in foreign level means first the small –scale industries must know the consumer behaviour of foreigners, product preferences, currency rates, demand, and rules and regulation of export.

They lack knowledge about the export procedures, demand patterns, product preferences, international currency rates and foreign buyer behaviour. Small Scale Industries are not capable to go through foreign markets since of their reduced worth and be short of price competitiveness.

Many of the foreign countries can export their product to some foreign countries. But in India not much consideration and focus has gone into getting better the sell abroad competitiveness of Small- Scale Industries.

List of Small Scale Industries

- Plastic Products Manufacture
- Bottled Mineral Water Plant
- Printing Business
- Paper Cup Making Business
- Jute, Hemp & Mesta Textile or Basic Metal Products
- Food Processing Business or Vegetables & Fruits products like Jam, Pickles ,etc.
- Soft Drink Making Plant
- Cleaning Washing Powder Making Plant
- Make Liquid Hand Wash Soap
- Restaurant
- Local or Residential Hotels
- The Electronic component or an assembly

The Great Three Loan Offered By India

Working Capital Loan

Working capital is an important one to meet out the day to day business transactions. Working capital means the excess of a current asset over current liabilities. The working capital can be divided into two types a) permanent working capital and temporary working capital. The concerned department can find out which kind of working capital they need. The small - scale industries can get a loan from the financial institution to meet out their working capital requirement. For that, they have to pay the interest. The credit may be secured or unsecured.

Corporate Term Loan

Usually, the term loans are used to start the business or expand the business. This loan can get from the banking companies or financial institutions. It contains a longer repayment period. The interest rate of this share is negotiable.

Term Loan

The term loan was offered to the small - scale industries to buy the fixed assets. The period of repayment for this loan was 1-10 years and a floating interest at 10 and 20%.

Incentives Offered by the Government of India

1. Most backward area capital subsidy
2. backward area capital subsidy
3. Special capital subsidy
4. Additional financial support for employment of women workers
5. funding for modernization and quality improvement
6. Generator subsidy

Conclusion

Small - scale industries are closely related to economic development. It provides employment opportunities to the nearby areas and increases the national income. They have played a very essential role in improvement of manufacturing and export sector. The small- scale industries use the local raw material that's lead to avoid the wastage of local raw material. Small - scale industries and the new entrepreneur can avail the government subsidy, incentives and grants to get benefit from that. The state and central government of India offered various training programme to entrepreneur.