



STUDY OF PROBLEMS AND CHALLENGES FACED BY SMALL SCALE ENTERPRISES AND THEIR REMEDIAL MEASURES

Pooja Agarwal¹, Dr. Suresh T. Silawat² and Dr. Anoop Vyas³

¹Research Scholar, Indore, M.P.

²Principal, Govt. Holkar Science college, Indore, M.P.

³Professor- Commerce, SABV, Govt Arts Commerce college, Indore, M.P.

ABSTRACT

Small scale enterprises play vital role in economic development. Still there are many problems/ challenges/ issues faced by these small scale enterprises. Like financial deficiency, lack of technological knowledge, lack of skilled man power and many others, the same are discussed in details. Similarly the remedial measures are also discussed which have reduced to a great extent the issues of small scale enterprises. Small scale enterprises are very important for the growth of the economy. Especially in recent times when our government and prime minister himself is motivating focal on local and thus promoting to be aatam nirbhar. Even citizens are well aware of the products which should be used and which should be avoided.



KEYWORDS: *Small scale enterprises, Finance, Government measures and awareness of policies.*

INTRODUCTION

Small scale enterprises are major sector in India for economic growth. Small scale enterprises play a vital role for overall economic development of country. They come across lot of issues and problems. Finance or adequate credit is major concern for sustainability of small scale enterprises. Small scale enterprises take loans from friends, family and relatives. The bank play major role in service industry. Banking sector today is focusing on how to provide efficient and effective services to its customers. Government and financial institutions make regular or continuous efforts in betterment of small scale enterprises. Still entrepreneurs face lots of problems or challenges. The purpose of this study is to analyze the problems faced by small scale enterprises and their remedial measures taken out by government or financial institutions.

OBJECTIVES:

To study the problems faced by small scale enterprises and to examine the remedies for small scale enterprises.

METHOD:

The present study was based on secondary data. The secondary data was collected from the various books, website and other published material.

LIMITATION OF THE STUDY:

Study is completed with help of available secondary data.

LITERATURE REVIEW:

Murthy (1980) in his study entitled "Financing of SSI in Rayalaseema", raises out that though the problem of small scale enterprises is a multi-dimensional one, it is revolving around only the financial issue, more so with working capital. Out of all other problems, major concern is of financial assistance. Without support of banks and government, small scale sector problem of finance cannot be resolved.

Basheer Ahmed (2000) in his article entitled "Sickness of SSI", mentions that one of the functions of District Industrial Centre is to support the businessmen in providing financial assistance to small scale entrepreneurs. In providing financial assistance to the units, DICs are supported to liaise with public sector banks and other government department and agencies. It is found that a few members approached the District Industrial Centre to get financial assistance.

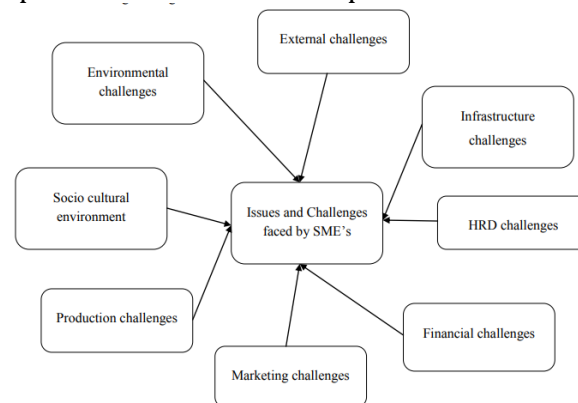
Malla (2009) in his article entitled "Financing of MSMEs- Issues and Concerns". The study reveals that the problems cited by Micro small medium enterprises in accessing the institutional finance are insistence on collateral guarantees, limited approach to banks, rigid approaches, and high interest and other costs, documentation, lack of supporting business development services.

Venkat Janardhan Rao et al. (2009) points out in their article entitled "State of Small and Medium Enterprises in India", the main challenge faced by the SMEs is access to affordable credit over a reasonable period. The finding further suggests the banks reduce the cost of loan such as rate of interest, high processing fee and legal fee.

The major problems or challenges faced by small scale enterprises are as under.

- High cost of credit: Access to adequate and timely credit at a reasonable cost is the major problem faced by this sector. Recent studies on this area by researchers (Brian Levy 1993) in Sri Lanka's leather industry and Tanzania's furniture industry, Das 2008 indicate the small enterprises are damaged by constraint of poor credit availability. Low access to finance leads to major concern for their growth. The major reason for this has been the high risk perception among the banks about this sector and the high transaction costs for loan appraisal. Further, players in MSME sector are not in a position to provide collateral in order to avail loans from banks and hence denied access to credit.
- Problem of Skilled Manpower: The success of a small scale enterprises revolves around the entrepreneur and its employees, provided the employees are skilled and efficient. As inefficient man power and unskilled work force creates various problems of adequate skilled manpower in the rural sector poses problem to small scale enterprises. Although India has the benefit of a big pool of human resources, still the industry persistently faces deficit in manpower with skills set required for manufacturing, marketing, servicing, etc. Professionals and technological experts are also not interested to join small scale enterprises as this sector is not ready to compensate them as required.
- Lack of updating technology: Small scale enterprises lack latest technology as they do not have any much technological support or knowledge and hence difficult to ensure good quality with reasonable price and high level of productivity. Research and development efforts are costly events and small scale enterprises do not have enough resources to finance these programs individually and internally. Small enterprises have a very limited choice with regard to foreign collaboration and technological support too. As there is deficiency of skilled man power so there is lack of techno friendly employees
- Short supply of raw materials: Small scale enterprise are facing the problem of short supply of raw materials. Due to weak financial position, they take the services of middlemen to get raw materials on credit. But due to high cost involved they can't place order for large quantity of raw material to them. Hence it leads to short supply of raw materials. Hence the capacity of the enterprise remain unutilized. Lack of proper organised channel of raw material distribution leads to one of the major issue for small scale enterprises.

- **Inadequate credit assistance:** Inadequate and timely supply of credit facilities is an important problem faced by small scale enterprises. This is partly due to scarcity of capital and partly due to weak credit worthiness of the small units in the country. Lack of finance is the main obstacle for the development of Small scale enterprises. It is a part of the widest problem of small enterprises of capital scarcity in the economy as a whole. The creditworthiness of small borrowers is generally weak and therefore they face reluctance in financing them and those who are ready to provide capital but at a very high rate of interest.
- **Absence of organized marketing facility:** One major problem of small scale enterprises is marketing skills or facility. Today scenario is of advertising, advertising through social media, radio, television, hoardings and newspapers. Small scale enterprises do not have ample of skilled work force to introduce these features. They lack knowledge, trainings for the same. Marketing is core part of any business. It is specialized skill and very vital part for survival and growth of the enterprises. Any one person can't possess this knowledge. Therefore they are left behind and suffer from large scale units. They also fail to get adequate information about consumer's choice, taste and preferences of the type of product they need. The above problems do not allow them to stay in the market.
- **Lack of infrastructure:** Inadequate infrastructure, is a major problem for small scale enterprises to grow. Most of the small units and industrial estates are found in towns and cities are having one or more problems like lack of power supply, water and drainage problem, poor roads, raw materials and marketing problems. Thus absence of adequate infrastructure adversely affects the quality, quantity and production schedule of the enterprises.
- **Competition from large scale enterprises:** Small scale enterprises face the problems of competition from their other counterparts, medium and large scale industries. Large gap is there in small scale enterprises and large enterprises. Hence there is tough competition for small scale to sustain their survival. Still lot more advancement is required to cope up with competition from large scale sector.
- **Other than problems mentioned above, small scale enterprises face many other problems too, that include poor project planning, managerial problems, old and poor designs, transportation problems, lack of power, lack of warehousing, lack of information, poor recoveries, unsuitable location. Due to these problems the development of small scale enterprises becomes difficult.**



Remedies for small scale enterprises: Small scale enterprises hold very important place in the industrial system of the country. But the small scale enterprises have many problems. Thus the necessary remedies to remove these problems of small scale enterprises.

- **Training and Development programs:** small scale enterprises should make concerted efforts in imparting proper education and training to workers as they are valuable asset of industry. Expenditure on training and development should be considered as an investment. Man power should be encouraged to attend training programs and cultivate such innovativeness in working style. If these innovations or creativeness are used in working then it will definitely lead into growth.
- **Effective and proper planning:** Even before start up small scales enterprises are required to conduct survey of the existing situations prevailing in the market. A detailed feasibility study is important to

be drafted to know about the needs and requirement of customers. Accordingly proper and detailed strategy has to be set in advance keeping flexibility in mind, so that with change in time and technology according changes can be incorporated into the planning structure. Without proper planning, it will be like enterprise without any aim or objective or motive.

- Investment in Technology: Small scale entrepreneurs should update themselves and their employees about latest or up gradation of technologies. Visiting different enterprises in same industry will lead to know about different technologies. Government organization play very important role in this context. They train and upgrade about latest technologies available in the market. What best can be done are suggested by agencies.
- Infrastructural Facilities Development: Finance, power, water supply etc. are necessary for smooth functioning of small scale enterprises. Government develop industrial estates which consists of all infrastructure required. Waste management has to be studied very well, it should not cause damage to the society. Continuous efforts are required to develop industrial areas fulfilling all requisite things.
- Credit Arrangement for small scale enterprises: In earlier days small scale enterprises use to arrange funds through informal sources like friends and relatives but now Government and other financial institutions have played a major role in disbursements of loans or fulfillment of their financial needs.
- Marketing Arrangements: Small scale enterprises should focus on brand, product and market development. They should try to provide consistent quality of products with best reasonable prices. This will help them to retain in the market and sustain their customers. If trust is built between entrepreneur and customer than strong marketing relationship is set. A continuous efforts has to be made by small scale enterprises to be in contact with customers and should take measures to popularize their products in the market which will be helpful to retain existing customers and beneficial to add on.
- Provide Suitable Machinery: Small scale enterprises should try to develop separate machineries for particular type of industry. Associations like FICCI, CII are more powerful in maintaining their relations with the government. They should focus on seminar, conferences to improve their knowledge about machineries. So that next best machine available in the market can be used for manufacturing and resulting in betterment of productions of units and betterment of services provided to customers.

CONCLUSION:

In the above study the major problems were found about small scale enterprises. It empower small scale enterprises sector to take rightful place in the growth of Indian economy. It is necessary to support and guide small scale enterprises. Government provide necessary facilities for up-liftment of small scale enterprises, strong enough to face competition, Government provide infrastructure facilities to enterprises, provide proper training programs. The small scale entrepreneurs and their employees need to be educated and informed of the latest development taking place and helped to acquire them necessary for growth and development.

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