

Q No → Explain the problems of small-scale industry in India?

Ans.

Small scale industries are industries which produce goods or provide services on a small scale with the help of machines, hired labour and power. Small-scale industries occupy an important place in the country's economy. These industries face many serious problems, most of which are associated with the smallness of their operations. Govt. has taken various steps to solve their problems. Hand-spinning, handloom-weaving, toy-making, rope-making, durrie-weaving, wood-work etc are the example of small scale industries. Small-scale industries are mostly use power and small machines and employ a small number of workers.

\* Problems of Small-scale Industries: — The incentives and encouragement given by the government, the cottage and small-scale industries are in India has made a substantial progress during the last three decades. The volume and variety of the output have both greatly increased, but their development has not been commensurate with their potentialities or with the need for them. These are the main problems of small-scale industries are: —

(1.) Shortage of funds: — Small business entrepreneurs don't have enough large-term or short-term funds. These are, therefore, short of both fixed assets as well as working capital. Even the banks do not come to their help in a big way. Financial institutions like ICICI, IDBI and IFCI help only large scale industries.



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(b) Lack of Latest technology:— Small business lacks funds. Latest technology is not used because it is expensive. Only old methods and techniques are being used. Due to this they earn less margin of profit.

(c) Shortage of Raw materials:— There is shortage of raw materials because of less working capital. They can't buy in bulk during the season and cannot enjoy the economies of large scale.

(d) Shortage of Power:— Because of shortage of power, the small business enterprises are not able to use full capacity of the plant at their disposal. They cannot afford to have their own power generators.

(e) Labour problem:— The labour is mostly unskilled. Small business don't have resources to provide good training. There is no motivation for professional growth. Small business is incapable to bargain with powerful trade unions.

(f) Marketing problem:— Small business cannot face the competition with large scale units in marketing and selling. They cannot afford to spend much on advertising and proper distribution of goods. They have to depend on middlemen, who pay low prices and even the recovery from the middlemen is very slow.

(g) Managerial skills:— Only individuals or a small group of people own and operate the small business units. They don't possess professional managerial skills required to run a business successfully.



3.

h.

Quality → Small business finds it different to come up to global standards of the quality. They also don't have funds for research in order to improve upon the quality. The product quality is their weakest point as compared to the standards of the large scale units.

(i)  
Sickness → It is painful to see most of the small units going sick. There is a lack of planning, skilled and trained personnel is another hurdle. They have to sell on credit. Their customers don't pay time in time. There are large scale bad debts. Thus, they fall short of working capital to keep the production process going. This leads to sickness.

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