



## CHALLENGES BEFORE SMALL SCALE INDUSTRIES-AN ANALYTICAL STUDY

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### *Abstract*

*Small Scale Industries which is now known as MSME (Micro Small and Medium Enterprises) sector. The sector is governed by the act of parliament known as MSMED Act 2006. The sector is most prominent sector and plays a vital role in Indian Economy. It contributes around 8 percent in the total GDP of the country, contributing 45% in total export and giving employment to around 10 crore peoples. Around 4.5 crore MSME's which is the main source of entrepreneurship and sustainable development facing with various challenges or issues. This all relates in socio-economic aspects of the country. Considering the broader impact; Researcher selected this most vital and promising sector for analysing the problems. The study is focused on selecting the cluster of industries in the Pimpri Chinchwad Industrial Area of the Pune District, The study area is the wellknown auto hub and engineering hub of the country having more than 7000 MSME's in the area.*

*The MSME Sector is a backbone of today's ambitious plans of Government namely "make in India", "Startup India", "Standup India" etc.*

**Key words :** SSI, Auto Hub, Pimpri Chinchwad industrial area, MSME, Sickness.

### **Introduction :**

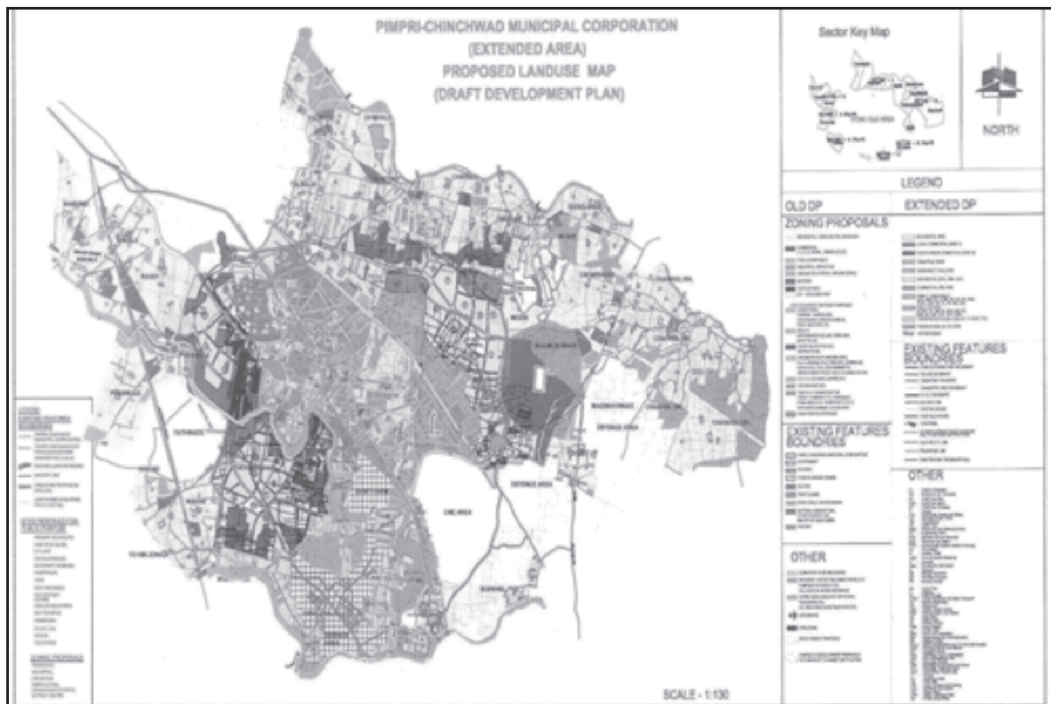
The Small Scale Industrial (MSME) Sector in India is playing a key role over last 60 years in the country. The significance of SSI sector is flexibility in operation, encouragement to entrepreneurship, local employment and innovations, developments using local resources in most economical way. The study area is a cluster of SSI's established in Pimpri-Chinchwad Industrial Area of Pune District. The analytical study considering the challenges before SSI is an interesting study may useful for finding the appropriate solutions and the socio-economic development of the region.

Statement of the problem :

SSI sector playing a prominent role in sustainable and inclusive development of any region. The sector facing various challenges and taking with various issues which are due to local as well as global reasons. Our country which is facing a problem of unemployment, larger section of the society not even supported with basic requirements, the SSI sector due its significant feature can ease these problems to the larger extent. The systematic and conducive environment by making ease of doing business is a real task before us.

### **Study Area :**

Pune is a well known cultural capital of the Maharashtra State and equally known for its industrial development. Pimpri Chinchwad Industrial Area is one of the manufacturing hubs of the country. Especially, auto industries and I.T. based industries are being clusterised in the area. Pimpri Chinchwad Industrial Area has large scale units like TELCO, BAJAJ Auto, ALFA LAVAL, Hindustan Antibiotic, etc. More than 5000 SMEs are engaged in ancillary work of auto components in the study area. This is a auto and engineering cluster that has been recognized by Govt. of India and is supported by various schemes. The study area selected for this paper is cluster of industries in Pimpri-chinchwad area. The coverage area includes the subareas namely, Pimpri, Chinchwad, Bhosari, Chakan, Moshi, Talawade, Tathawade etc.



**Objectives of the study :**

1. To study the importance of SSI
2. To find out the challenges before SSI
3. To find out the remedial measures related to the issue.

**Database and Methodology :**

This research is based on primary as well as secondary data. Primary data is collected from field survey , information is collected with the help of questionnaires, observations, discussions with key persons & stakeholders. The secondary data is collected from Publications from Government of India, Industrial census publication, Economic Survey of India, Directorate of Industries-Government of Maharashtra, District Industries Centre, Pune, Industries Associations and Research institutes like Maharashtra Economic Development Council. The data is also collected from local authorities of the study area namely Pimpri Chinchwad Municipal Corporation, Maharashtra Industrial Development Corporation.

**Definition as per MSMED Act 2006 :**

A small enterprises, where the investment in plant and machinery is more than twenty five lakh rupees but does not exceed five crore rupees is called as Small Scale Industries.

**Importance of Small Scale Industries :**

The SSI sector is a prominent sector for our country, due to its effective contribution in export and the employment creation. The sector which is having 32 lakhs registered SSI units produces over 7500 different items accounting for almost 40 % of the total production of the manufacturing sector and 45% of total export. At present, the SSI sector is one of the largest employers in the country;

providing direct employment to an estimated over 17 million persons. It is a key sector in planned development of Indian economy. SSI sector is playing a Vital role in countries socio-economical development of our country.

This is a sector having ability to ease the problem of poverty and employment and balanced growth of our country.

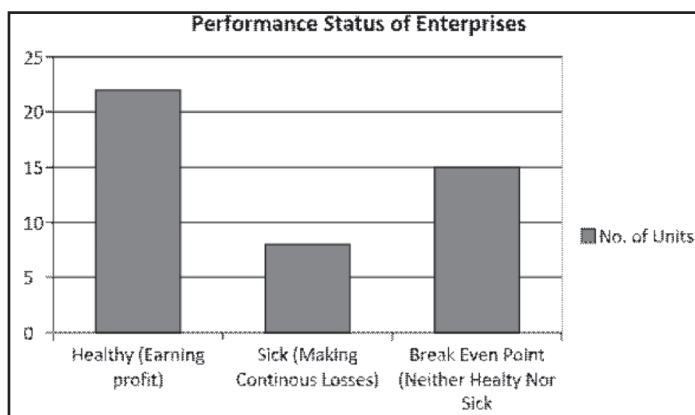
**Performance of the unit:**

The core aspect of the research is to understand the wellness of SSI sector in the current scenario. The sector is of vital importance due to its significant contribution in social as well as economical aspects of the country. It is interesting to find out the overall economical health of the SSI sector. Considering the three categories that is healthy, sick and no-loss-no profit stages, the survey is conducted in the study area.. Following table No. 1 and the fig.No.1 depicts the data regarding the performance of the units that are surveyed in the study area.

**Table No.1 : Performance of the unit :**

Sr.No	Particulars	In Nos	In %
1	Healthy (Earning profit)	22	48.89
2	Sick (Making Continuous Losses)	8	17.78
3	Break Even Point (Neither Healthy Nor Sick)	15	33.33

Figure No. 1 : Performance of the unit



Source: Field Work

Table shows the performance status of the enterprises. Table No. 1 shows that majority of the units are earning profits that means are in healthy condition. In terms of percentage, 48.89% of enterprises are earning profit. Total of 33.33% enterprises are at breakeven level and 17.78% enterprises are showing indication of sickness.

As the numbers of SSI units that are earning profit are in satisfactory level, still there is large potential to widen this scenario. Units that are in the boundary level may be effectively shifted towards healthy units by applying appropriate steps and effective management. It is also observed that sickness of units should be timely monitored and corrective steps should be taken. It is possible that due to

effective monitoring and preventive steps in time, the sickness trend can be minimized in the today's encouraging environment.

SSI enterprises need special attention and continuous monitoring to observe their performance status. Cost sensitive SSI enterprises needs Government support in evaluating and understanding the global scenario and make necessary corrective steps in proper time. Referring above mentioned table, sick unit and BEP units are about 50% which is alarming situation to referred SSI units. There is an urgent need to educate and upgrade the knowledge level of management engaged in the SSI sector. Due to its financial limitations, Government support is of prime important to increase the successful SSI enterprises. It is also specially suggested that Government should declare minimum 5 years policy for the SSI sector in Maharashtra and India too. It also suggested that SSI unit itself or group of SSI units or Industrial Associations or MIDC or Chamber of Commerce can form a vibrant active cell with experts, professional's industrialists, etc. and give them tasks and responsibilities regarding viability of industrial units.

#### **Challenges before SSI :**

The study reveals that the SSI sector is facing with various challenges and issues. If they are addressed in a appropriate way, the sector will definatly boost its performance in many folds. The issues are due to internal as well as external factors; the government policies and its implementations etc.

Study reveals that SSI sector is not much satisfactory with the existing system especially the administrative things in order to implement the project in effective way. Majority of the entrepreneurs are finding it difficult to achieve sufficient financial support from the financial institution which is the reason reducing the speed of implementation of the project. Marketing the is the major issue before SSI which is controlled by always market situation and new entrance is always under pressure. Continuous availability of skilled manpower is also the major issue before SSI as sector completely depends upon the market supply. Bureaucratic views are also major influencing factor on enterprises. Following table depicts the data regarding the factors influencing S.S.I. units and Problems of the sample units.

**Table N0:2**  
**View of surveyed units regarding General problems of S.S.I. units.**

Sr. No.	Particulars	Respondents			Percentage		
		Yes	No	Total	Yes	No	Total
1	Difficulty in Implementation Stage	80	23	103	77.67	22.3	100
2	Difficulty in Fund Capital	81	22	103	78.64	21.4	100
3	Difficulty in Marketing (Order Flow)	91	12	103	88.35	11.7	100
4	Difficulty in Availability of Skilled Worker	71	32	103	68.93	31.1	100
5	Difficulty in Land & Building	47	56	103	45.63	54.4	100
6	Difficulty in State & Central Government Policy (Taxes)	70	33	103	67.96	32	100
7	Other Difficulties	38	65	103	36.89	63.1	100

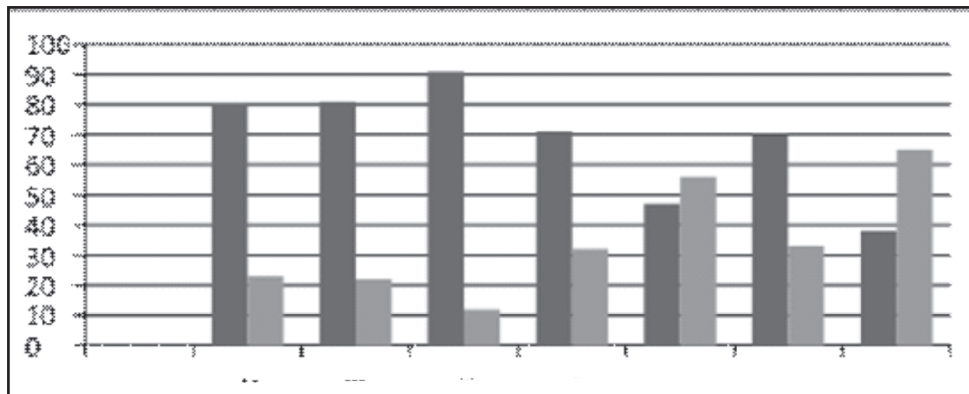
Source: Field Work

Table No. 2 shows, the issues before SSI that influence the sector negatively and may hamper the performance of the enterprises. From concept to operationalisation of the enterprises, there are various issues that are observed.

Total of 77.67% of the entrepreneurs face the problems in the initial stage, before starting the

operations. From concept level to actual implementation level, there are various things that has to fulfill which includes mobilisation of resources, information collection, consultation, approach to various Government and financial institutions for NOCs and financial help, etc. Total of 78.64% entrepreneurs opined that there is difficulty in getting capital from financial institutions. 88.35% entrepreneurs are facing the problems in having the confident and promising market to their products. 68.93% entrepreneurs faces the problem of skilled manpower. 45.63% entrepreneurs have difficulties in possession of necessary basic infrastructure like land and building. 67.96% of entrepreneurs are of the opinion that there are somewhat stringent laws especially related to taxes. 36.89% entrepreneurs faces personal reasons difficulties in implementation of project.

Figure No. 2 :



Central as well as state Government are already implementing various schemes and announces policies to strengthen the SSI sector. Due to micro and small size, SSI sector can not invest much more on their own. As central/state Government schemes are somewhat helpful, it needs further exploration. Sensitisation of bankers/burecrates towards SSI sector is of utmost importance. Academic institutes, professional institutes should have direct arrangement with industries to have continuous supply of manpower. Industries association in collaboration with Government may introduce the innovative concept like common facility centre, common training centre, etc. in PPP mode. It is specially noted here that financial and HR problems arised due to non professional management. It found that candidates are demanding jobs but not work. It created HR problems.

**Specific Problem areas:**

SSI sector which is generally managed by first generation entrepreneurs with strong will towards entrepreneurship. In the initial stage i.e. from concept of entrepreneurship to effective self managed entrepreneurship, there are number of steps and concerned agencies to deal with. In this long journey, Government rules and regulation, view of Government agencies towards SSI, role of financial institutions, working of educational institutions, local bodies and issues therein are the influencing factors in this process. In the study it reveals that in the current competitive scenario skilled manpower is the prominent issue before SSI as this issue also relates with tough competition and performance of the unit. Timely sufficient supply of funds especially to run the day by day activities that is cash credit is also one of the major obstacle for the SSIs. The smooth flow of working funds subsequently makes cascading effect on effective raw material availability in terms of quality

and cost which further causes in tough competition and price pressure. Also the Government rules and regulation are playing the vital role as substantial number of entrepreneurs has opined that there is a problem in administrative things from local bodies as well as Government. Following table and the fig. No. 3 depicts the data regarding the problem areas of SSI sector.

**Table No. 3 : Specific Problems elaborated by surveyed S.S.I. units.**

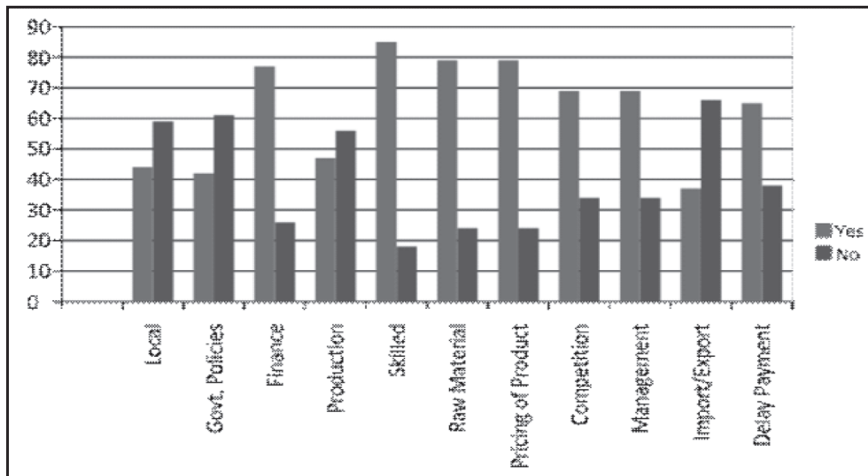
Sr.No	Particulars	Respondents			Percentage		
		Yes	No	Total	Yes	No	Total
1	Local	44	59	103	42.72	57.28	100
2	Government Policies	42	61	103	40.78	59.22	100
3	Finance	77	26	103	74.76	25.24	100
4	Production	47	56	103	45.63	54.37	100
5	Skilled Manpower	85	18	103	82.52	17.48	100
6	Raw Material	79	24	103	76.70	23.30	100
7	Pricing of Product	79	24	103	76.70	23.30	100
8	Competition	69	34	103	66.99	33.01	100
9	Management	69	34	103	66.99	33.01	100
10	Import/Export	37	66	103	35.92	64.08	100
11	Delay Payment	65	38	103	63.11	36.89	100

Source: Field Work

Study shows the problem areas before SSI in effective implementation of the enterprises. Study shows that 42.72% entrepreneurs are facing problems due to local rules and laws. 40.78% entrepreneurs are not satisfied with Government policies that are monitoring the SSI sector. 74.76% entrepreneurs are unsatisfied with financial support offered by financial institutions. 45.63% entrepreneurs are facing problems in day by day production related activities. Majority of the entrepreneurs that is 82.52% are facing problems of skilled workers. Raw material procurement is the problems before 76.70% of entrepreneurs which equally have resulted in pricing of product. 66.99% of entrepreneurs are facing tough competition. Management problems are faced by 66.99% entrepreneurs. Import/export policies are affecting t 35.92% of entrepreneurs and finally the delay in payment is cause of hurdle in 63.11% entrepreneurs.



**Figure No. 3 : Specific Problems elaborated by surveyed S.S.I. units.**



Smooth flow of skilled manpower which is the biggest issue before SSI can be solved by effective collaboration of technical institutes. Government of India's ambitious flagship programme namely national skill upgradation mission may prove to be effective solution in overcoming this problem. To implement this programme effectively by the state Government it needs to have dedicated system. To implement this programme in time bound- requirement based needs.

Financial need can also be achieved by planning and executing time bound action plan for fund requirement of SSI sector. Separate regulating authority for fund related issues of SSI and also to support with various facilities. This independent legal monitoring authority will be an important milestone for the SSI. This independent authority/body which will also review the administrative and legal requirement of SSI and may suggest Government/local bodies for corrective time bound steps and action to be taken.

**Findings :**

1. The SSI sector is a vibrant sector in our economy, playing a important role in socio-economic aspects.
2. The sector has immense potential to grow the economy
3. The sector is facing various challenges and issues leading to hurdles in their growth.
4. If the responsible agencies and authorities not taken the appropriate actions in time; it may lead in serious impact on our socio-economic environment.

**Suggestions :**

1. It is required to implement rigorously the policies of ease of doing business.
2. There should be the effective mentoring and guiding cell for the SSI.
3. It is suggested that the SSI's are required to update with their knowledge and skills.
4. The strong linkage between industries, academic and research institutes are required.
5. It is suggested that the government should make a policy on high priority for state of the art infrastructure and its easy availability.
6. It is suggested that government should adopt IT Technology especially for various NOCs and permissions, online services and time bound fulfilment.

**Conclusion :**

Overall study shows that SSI is a growth engine of socio-economic development of our

country; playing a major role due to its significant nature. The sector is featured with low capital investment, flexibility in operation, intensive employment opportunities, self employment and entrepreneurship development and a base of innovations and development with local resources. The central as well as state government are implementing various schemes and programmes to boost the performance of the sector. The recently launched programmes like start up India, Stand up India are complementary with all these programmes and resulting in increasing and inspiring the confidence of existing as well as emerging entrepreneurs. The sector is exploring slowly due to these various initiatives which ultimately leads in sustainable development of our country.

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