

Overview And Review Of Small-Scale Industries In India

Barun Karak, Dr. R.K.Patil

Department of Commerce, Mansarovar Global University,
Sehore, M.P., India.

ABSTRACT:

India divides the SSIs into traditional and modern units. The three main categories of small-scale industries are manufacturing/production, ancillary, and service. In addition to these sectors, there are feeder industries and mining. These industries essentially need a lot of labor, however, the latter (i.e., modern units) include a broad range of complex items, including engineering and electrical equipment. Based on their "employment criteria," or the attributes of "hired labor" in the units, these two categorization types also differ from one another. This paper reflects overview and review of Small-Scale Industries in India.

KEYWORDS: small-scale industries, modern, financial assistance, employment.

I INTRODUCTION:

An important role for Small-Scale Industries (SSI) exists in emerging economies such as India. They are strategically important to the nation's development. Generally speaking, these sectors of the economy mark a shift from traditional to modern economic components. These industries' diversity reflects the historic nature of this process. While many small-scale units utilize sophisticated contemporary technology, others use elementary skills and mechanisms. Economic growth is now a challenge for our economy. It must improve production methods to speed up the productivity of numerous crucial sectors, including manufacturing and agriculture. SSIs have been tasked with meeting these demands in a more varied and cost-effective manner.

A significant portion of the Indian economy is made up of SSIs. They include an ongoing component into the national planning strategy. They are an important component of the Indian economy and a decentralized, progressive sector that works effectively along with medium and large-scale businesses and

agriculture. The decentralization and broad dispersion of economic activity, as well as entrepreneurship and financial benefits, are the foundations of a socialistic structure of society that provides work for everyone. Indian planning is based on a basic social idea of developing medium and large-scale sectors solely for the purpose of using contemporary technologies. SSIs will be encouraged to play their active role throughout the remaining part of the field. If there is a shift in size, it must be produced via horizontal and vertical mutual cooperation.

Therefore, a nation's industrialization process consists of two parts: small- and large-scale enterprises. Small-scale enterprises are thus present in every nation. Since the outset, small-scale companies have been accorded a significant role in the Indian planning framework for both ideological and economic reasons. Of all the emerging nations, India now runs the biggest and most established programs for the growth of small-scale companies. In reality, in recent years, the Indian economy's tiny sector has become more active and energetic. It is appropriate to start with an overview of small industries in India before delving into different facets of small industry growth.

In India, small-scale industries are characterized by the typical business structure for small businesses is either a sole proprietorship or a partnership. Because the owners are in charge of the small-scale industries, they are involved in the day-to-day operations of the business. There is little use of technology in small-scale industries because they are labour-intensive. Small enterprises have a greater capacity to respond quickly to changes in the business climate compared to large sectors. Small-scale industries manage to meet local and regional needs because they operate in a limited area. Small businesses use locally sourced and readily available resources, allowing the economy to make full use of available natural resources with the least amount of waste. One of the primary issues confronting the Small-Scale Industries is a lack of capital or limited access to finance. Timely and adequate financing facilities have always been a necessity in this business. To support the MSME sector in overcoming this barrier, financial Institution offers financial assistance through a variety of schemes, allowing MSME entrepreneurs to decrease their costs and establish financially viable and sustainable initiatives that create job possibilities. These include reimbursements for obtaining barcode registration, ISO/HACCP certification, product certification, raising awareness among MSME

entrepreneurs so that they can obtain a collateral/third party guarantee-free loan and matching MSME entrepreneurs' applications with viable Schemes under the STAND-UP INDIA scheme.

The Central and State Governments have taken a strong stance on this issue, and the State Directorate of MSME, chaired by the Director of the Department of MSME, Government of West Bengal, has established the WBMSE Facilitation Council.

Another significant financial sector initiative is the MUDRA Scheme, which provides credit facilities up to Rs. 50,000 under the Sishu category, Rs. 5 lakhs under the Kishore category, and Rs. 10 lakhs under the Tarun category. The MUDRA Scheme is widely publicized during awareness campaigns, EDPs, ESDPs, VDPs, and meetings with industries associations and chambers of commerce, with a special emphasis on its characteristics and guidelines, to enable MSME businesses to take advantage and address the issue of the credit crunch. Additionally, it is important to note that MSME-DI, Kolkata adheres to the DBT Policy, which states that all stipends paid to trainees through the Stipendiary Training Program are deposited straight into their bank accounts.

Small-scale industry development is the outcome of the combined contributions of labor, capital, marketing assistance, managerial effectiveness, and technological know-how. However, insufficient and delayed finance is always a big problem during the development phase. Financing is a critical factor that encourages the overall growth of small-scale industries (SSI). This is what keeps the economy going. Strong financial systems are strongly associated with economic and SSI expansion. There are real and financial issues with the SSI. Inadequate marketing facilities, a lack of standardization, inadequate finance, low levels of entrepreneurial skill, outdated technology, unavailability of raw materials, and an inability to access modern forms of organization and financing are some of the real obstacles keeping them small and ineffective. The money issue is the most critical factor here.

Objectives of Small-Scale Industries:

1. To provide more employment opportunities with less investment.
2. To remove economic backwardness of rural and less developed regions of the country.

3. To reduce regional imbalances.
4. To mobilise and ensure optimum utilisation of unexploited resources.
5. To improve standard of living of people of our country.
6. To ensure equitable distribution of income and wealth.
7. To attain self-reliance.
9. To adopt latest technology aimed at producing better quality products at lower costs.

II LITERATURE REVIEW:

M. Elangovan and K.Ramasamy (2021) investigated that financial institutions and the government are very interested in supporting and fostering small-scale industry entrepreneurs, particularly those in labor-intensive and capital-sparing sectors. The ability of small-scale industries is impacted by a lack of financing. Serious about entrepreneurs and their units. In its most severe form, every issue a small-scale business faces—whether it is marketing, transportation, raw materials, power, or any other issue—turns out to be a financial issue. In the competition for bank financing and institutional credit, large and medium-sized enterprises outnumber small-scale industries. The financial issue is frequently the crux of the issue. Entrepreneurs in small-scale industries were extremely underprivileged and had little to offer as collateral when seeking funding. Therefore, it is crucial that small businesses receive financial support. Government and financial institutions provide small-scale enterprises with funding and possibilities from the start of their development, but the real effect of this support on their growth and development must be examined. This study aims to examine the impact of small company grants in Chennai in this manner.

H. Kavitha and R. Gopinath (2020) explored that MSMEs now provide an important function in the nation's economy. Increases in exports, employment, and GDP have all shown encouraging signs of development. Globalization, privatization, and other economic reforms have made MSMEs extremely competitive. This study, "An Empirical Investigation of Entrepreneurs' Perspectives," set out to examine how commercial banks in Tamil Nadu finance and explain small enterprises. Despite their importance to the economy, small-scale industries face financial limitations that prevent them

from growing and making a substantial contribution. This study aims to identify the most important considerations for small enterprises when applying for bank loans. Using a structured questionnaire, data was gathered from main sources. The data was subjected to factor analysis and structural equation modeling to generate the necessary results. The study's conclusions show that when small businesses look for a loan from a commercial bank, they prioritize basic loan considerations, easy loan processing, and nature of business, relationship banking, and banking initiatives at the doorstep.

D. Sanjuna (2019) stated that the money is necessary for any organization with goals to function. Effective financial management and budgeting are essential to a business's success. In addition, financial decisions impact the size and volatility of earnings. For instance, two important variables in figuring out a company's stock value are risk and profitability. A financial strategy that is effectively administered is indispensable for the success of any organization. Unfortunately, a significant number of proprietors of micro, small, and medium-sized enterprises (MSME) are unaware of the significance of financial management and have only received a cursory introduction to it. Financial management cannot be conducted in a manner that is universally applicable. The functions are contingent upon the company's scale, business, and history. To the best of our knowledge, there is no universal or mandatory definition for the small and medium enterprise (SME) sector. In India, the term "micro, small, and medium-sized enterprises" (MSME) refers to this type of business. It significantly affects the nation's progress in mechanical engineering. A current trend indicates that the MSME sector is growing at a faster rate than the mechanical division overall. Because of the cheap cost of capital, the local economy has mostly benefited.

D. Indira and Ramakrishna Prasad (2018) stated that the entrepreneurship is essential to the growth of any economy. The nation's assets are its entrepreneurs, who must be encouraged, supported, and developed in order to raise economic production. Because of the crucial role that entrepreneurs play, removing barriers to trade is a concern for policymakers across the globe. One of the main obstacles to conducting business is financing. In India, small businesses account for 95% of industrial units. Usually, these companies are and run by illiterate individuals who are unaware of the governments many plans and funding sources. We examine

the two main sources of funding, which are funds from commercial institutions and funds from government programs. As a next step, we provide a framework that summarises the various financial choices available to would-be entrepreneurs in India. Our goal is to raise awareness among current and prospective business owners about how to get around financial obstacles.

Mandeep Kaur and Ubique (2017) stated that MSMEs have risen to prominence as the nation's economy has expanded. A rise in exports, new employment, and GDP have all resulted from this. Economic reforms such as globalization, privatization, and liberalization have created a highly competitive environment for MSMEs. In today's economy, a company's competitiveness is increasingly more of a need than a choice. Their competitiveness is increasingly desired for reasons other than resource efficiency, such as the long-term security of millions of people's livelihoods. Financial limitations prevent small-scale firms from expanding and making a sufficient contribution to the economy, notwithstanding their significance. There are several considerations that must be considered by small firms when they seek bank loans. Data from original sources was gathered using an organized questionnaire. The findings were validated through the application of factor analysis. The findings reveal that business kind, relationship banking, efficiency of loan utilization, competency of the firm, banking initiatives, and doorstep loan acquisition are the aspects that small enterprises consider when applying for a loan from a commercial bank.

Jasprit Kaur and Ajanta Borgohain Rajkonwar (2017) They looked into the fact that all businesses, no matter how big or little, need money to run. Small businesses not only contribute significantly to our economy, but they also require less capital than bigger companies. The owner may not have had sufficient funds when starting the business or as it expands, therefore even this small amount cannot be ignored. Many programs run by the government and various kinds of banks contribute significantly to the growth of small enterprises. Since it is an empirical study, the researcher has focused on how banks and other financial institutions fund small businesses. Analyzing the methods used by banks and other financial institutions to meet the needs of small businesses is the main goal of the inquiry. We utilized "both primary and secondary sources" to compile this material. A prearranged interview schedule and a convenient sample technique are employed to survey the

company proprietors. It is anticipated that the investigation will resolve numerous challenges associated with funding for small businesses. The encouragement of entrepreneurs to establish new minor enterprises and expand existing ones will have a positive impact on economic growth, productivity, and development.

Mishra, Rajpoot, and Sharma (2016) studied small-scale manufacturing enterprises in the Vidisha district regarding their working capital management and financing. Among other things, they explain how important it is to keep the company's liquidity in check and explain the parameters used to determine a company's short-term solvency and financial health. A company's liquidity might be defined as its capacity to meet its short-term obligations when they come due. A lack of liquidity occurs when present assets are unable to swiftly pay present liabilities. Lenders, suppliers, and other creditors with a shorter time horizon are interested in the company's liquidity. Businesses invest capital in various assets to produce sales and profits. The number of sales is closely related to how well assets are managed. Better asset management is directly associated with higher sales and profits.

Vinod Kumar Yadav (2013) While investigating possible sources of capital is critical to the continued existence of many small firms, it is but one facet of sound financial management. The primary goal of this investigation is to ascertain the most prevalent financing methods employed by small enterprises. Data was collected from 400 small-scale organizations using questionnaires, interviews, and in-person observations to achieve the aforementioned purpose. After making full use of trade credit, most small businesses look for short-term loans from commercial banks to get more money. Over two-thirds of small businesses have employed term loans to fund the purchase of property, the development of new assets, or the purchase of equipment and plants. Financial institutions impose strict terms and restrictions on the issuing of term loans, but despite this, over two-thirds of small firms have sought out such loans from commercial banks. Small-scale industry proprietors have restricted access to the market and their organizational structure results in limited financial resources. Only approximately one-fifth of industries utilize funds from more than two-thirds of the proprietors out of the total capital employed in the business for long-term purposes.

REFERENCES:

D. Indira, Y. Ramakrishna Prasad. Financing Options available for Micro-Entrepreneurs, 5(5): 1506-1514, 2018.

D. Sanjuna. Financial Management in Small Scale Industries - An Overview, International Journal of Innovative Research in Engineering & Multidisciplinary Physical Sciences, 7(4): 7-13, 2019.

H. Kavitha and R. Gopinath. Role of Commercial Banks Financing and Explaining towards the Small-scale Firms in Tamil Nadu: An Empirical Investigation of Entrepreneur's Perspectives, International Journal of Management, 11(10): 2172-2182, 2020.

Jasprit Kaur, Ajanta Borgohain Rajkonwar (2017). A study on financing of small-scale enterprises by the financial institutions in reference to Dibrugarh District, Assam, International Journal of Research in Social Sciences and Humanities, 7(2): 85-102.

M. Elangovan, K.Ramasamy. Impact of Finance in Small Scale Industry Entrepreneurs for Their Growth and Development in Chennai, Nat. Volatiles & Essent. Oils, 8(5): 4927-4936, 2021.

Mandeep Kaur, Ubique. Perceptions of Small-Scale Firms towards Bank Financing: An Empirical Study, Amity Journal of Management Research, 2(1): 46-60, 2017.

Vinod Kumar Yadav (2013). Source of Finance in Small –Scale Industries, International Journal of Engineering and Management Research, 3(6): 1-11.