

PROBLEMS FACED BY THE SMALL SCALE SECTOR– AN ANALYSIS

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ABSTRACT

Introduction:

The Small Scale Industries in India has today become a growth engine for the economy, contributing substantially to increase in the GDP, employment and exports. This sector has continued to increase its contribution in India's economic development. It is estimated that in terms of value, the SSI sector alone constitutes 40 percent share of the value added in manufacturing sector and one third of national exports. In order to impart more vitality and growth to small scale sector, a separate policy statement has been announced for small, tiny & village enterprises on 6th August 1991.

The main objectives of this paper is to study the problems of SSIs in the era of global economy an attempt is also made to Identify the factors affecting SSIs. Researcher tries to provide suggestions on regarding problems,

Defining Small Scale Industries:

The definition of Small Scale Industries varies from one country to another. In most of the countries of the world, the criterion for defining a small enterprise is related to the size of employment. For instance, in the USA, small business is one which has employment of less than 500 people. In the U.K., it is less than 20 skilled workers, in Sweden and Italy less than 50 and 500 people respectively. In some countries both employment and investment are taken into account.

INTRODUCTION

The new industrial policy statement announced on July 24, 1991, has reiterated the importance of the small scale sector. As a sequel to that, the government of India announced policy measures for promoting and strengthening small, tiny and village enterprises on August 6 1991, to provide further impetus and growth to the small sector. As per the policy statement, the primary objective of the small scale industrial policy during the nineties would be to impart more vitality and growth to the sector to enable it to contribute its mite fully to the economy particularly among woman, enactment of suitable legislation to ensure prompt payment of small industrial bills introduction of limited partnership Act to enhance supply of risk capital to small scale sector, implementation of special schemes for modernization,

technology up gradation and quality control, integrated infrastructural development and further promotion of internal marketing and exports are some of the measures outlined in this policy.

What is Small Scale Sector

The Small Scale Sector owes its definition to the Industries (Development and Regulation) Act, 1951. The Sector is defined in terms of investment limits in plant and machinery (original value), up to a prescribed value. It comprises a wide divergent spectrum of industries, ranging from the micro and rural enterprises, using rudimentary technology on the one hand to the modern small scale industries using sophisticated technology on the other.

Earlier SMEs were defined on the basis of number of employees, sector of operation and incurred intensity of investment. SMEs in India are of two types: manufacturing and service providers. MSME sector is a growth engine powered by less investment, mobility, flexibility and substitution. MSMED act 2006 (Micro Small Medium Enterprises Development) introduced the concept of medium or micro enterprises. Under this act the limited industries have been widened to that of enterprises (Ghatak 2010).

SAMPLE SIZE AND METHODOLOGY

The units is for the study belongs to 8 types broadly categorized under agro and forest based, textile, leather, rubber, plastic and mineral based, chemical based, metal and engineering, electric and electronics and food products and others. The list of registered small scale industries units was obtained from the General Manager, DIC, Nanded on 31st March, 1999. Numbers of permanent registered small scale Industrial units were 1462 units. These units are working in 16 talukas of Nanded district. 73 Units i.e. 5% were selected at random and information is collected.

Problems Faced by the Small Scale Sector

Following are the various problems associated with marketing of Small Scale Sector. For this purpose the researcher has classified the problems in to six major categories namely;

1. Market Structure Problems
2. Logistic Problems
3. Managerial Problems
4. Economic Problems
5. Communication Problems
6. Socio-psychological Problems

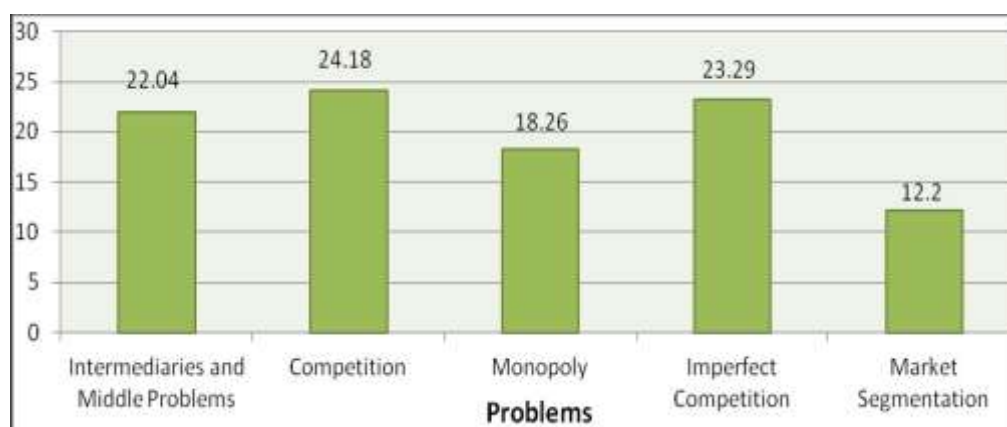
For the purpose of this study 25 important problems relating with marketing of SSI were selected. These problems were put before the entrepreneurs. Responses were noted by means of classification, by means of ranking of the problems according the severities and significance felt by the respondents. In all a sample of 73 units asked the problem. This sample is the same as selected and used initially. This categorization was necessary because the same problem may be viewed by different angles by different categories of persons hence this classification.

The responses categorized as above and analyzed in the form of ranks were subjected to the weighted scores. On the basis of which percentage rating was calculated and ranks were allotted in ascending order i.e. the highest percentage was allotted the first rank and the lowest percentage was allotted the least rank. Conclusions were drawn on the basis of these ranks.

1. Market Structure Problems: - The market structure means the general organization setup of the market. It includes following points.

- **Market segmentation:** Which refer to the division of market into different segments formed on the basis of age group, sex group, income group, professional group etc.
- **The Degree of Competition:** The structure of market is also decided by the degree of competition which can be classified in to three categories namely perfect competition, imperfect competition, and monopoly.
- **The Intermediaries:** There are intermediaries acting in the marketing. These are the agents, brokers, adtiyas, etc.

The observations made by the researcher are shown in the Graph 1



Source: Field investigation and survey

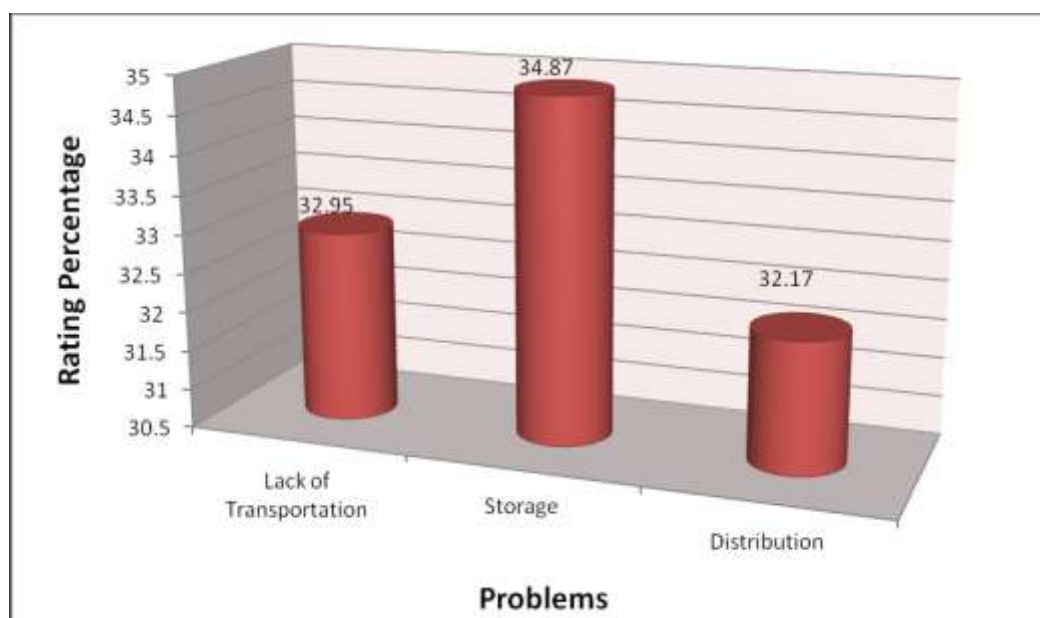
Graph 1. Market Structure Problems

It can also be observed from these tables that from the point of view of entrepreneur existence of intermediaries have not been viewed as a major problem. Intermediaries are necessary instruments for the entrepreneur. This problem is ranked third by entrepreneur responses. Further from the view point of entrepreneur competition is the major problem. It ranks first in the entrepreneur responses. The imperfect competition in the consumer market is viewed as of little lower significance and has received second rank in entrepreneur responses. The problem of monopoly is on the forth order and the problem of market segmentation has received the lowest rank of fifth order here.

2. Logistic Problems: - Logistic covers supporting activities such as distribution, transportation, and warehousing. Marketing process in Maharashtra faces saviors problem of means of transportation. Generally the railway which is the low cost means of transpiration is not available in the rural area. Similarly, the roads connecting the rural places with the

urban places are not very good. At many places the roads cannot be used during the rainy seasons. As a result goods cannot be transported to rural areas very easily Thus from the viewpoint of entrepreneurs transportation becomes the key problem.

The researcher's observation regarding logistic problems based upon the responses given by entrepreneur are presented graph 2



Source: Field Investigation and survey

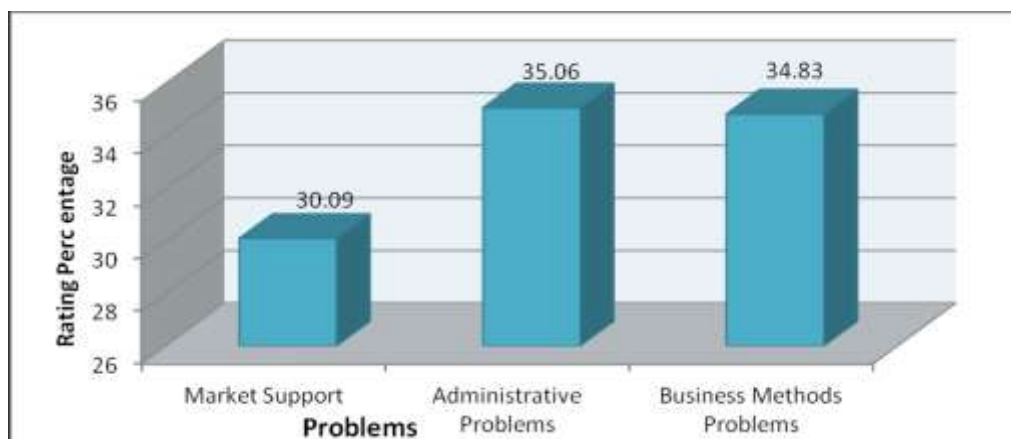
Graph 2. Logistic Problems

It can be observed from the tables as well as the graphic presentation that from the viewpoint of entrepreneur's transportation is the main problem. All the respondent received second rank with reference to transportation problem. The first rank is received by the storage problem and third rank is received by the distribution problem. Thus logistic problems are having a common significance for entrepreneurs.

3. Managerial Problems: - Management of SSIs marketing activities requires special skills. Success of market depends upon managerial skills. Management is getting things done through and with people. The major problem is created due to the differences in the outlooks of the entrepreneurs. The researcher has classified these problems into three categories.

- Market Support Problem:
- Administrative Problems:
- Business Method Problems:

The observations regarding these problems by researcher has been presented in analytic form in graph 3.



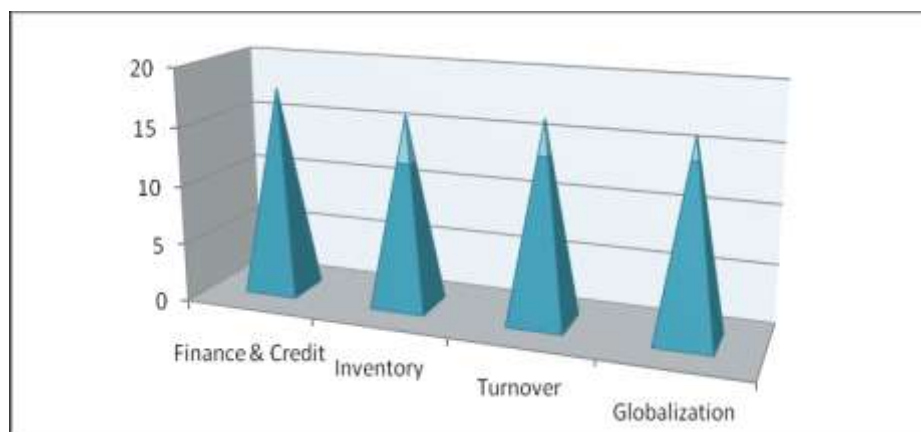
Source: Field Investigation and survey

Graph 3. Managerial Problems

It can be observed from table and graphs that managerial problem, as a hurdle to the rural marketing system remains same for the all entrepreneurs. All the respondent have allotted first rank to the administrative problems, second rank to the business method problems, and third rank to the market support problems.

4. Economic Problems: - The marketing structure of SSIs suffers from a number of economic problems. Economic problems include problems related with the micro level i.e. the village and also at the Marco level and the economy as a whole. The Micro problem has been classified into three categories namely,

- Finance and Credit:
- The problem of inventory:
- Turnover:

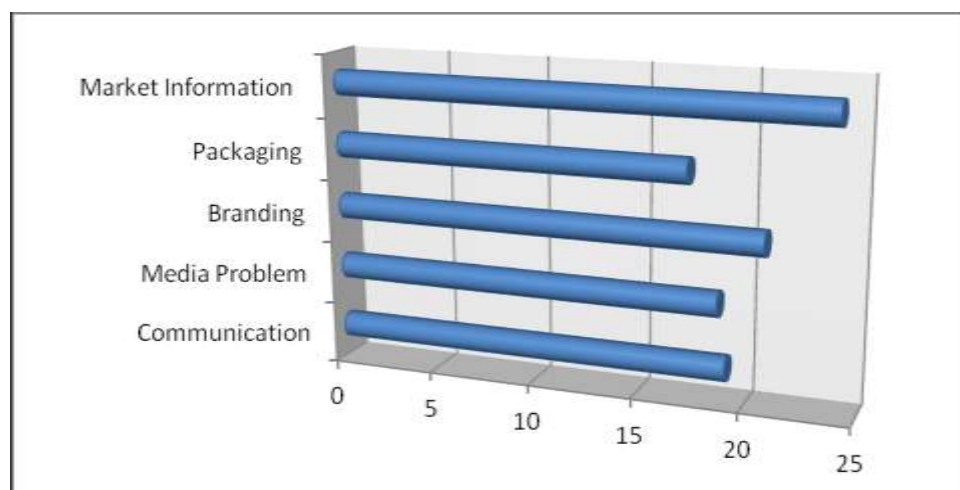


Source: Field investigation and survey

Graph 4. Economic Problems

It can be observed from table and graphs that finance and credit problems have been rated first by entrepreneur whereas availability of credit have rated on the second scale. The entrepreneurs situated in urban places but operating in the rural area have given third grade to the financial problems. Thus it can be seen that the finance is the main problem for entrepreneurs. Inventory problems are more faced by the urban dealer as a result the responses of entrepreneurs have rated the problem of inventory on the second scale. The entrepreneurs face the problem of turnover more. They have the save rated turnover problem on third scale.

Communication Problems: - Communication is one of the basic requirements of the market whether it is urban or rural. Communication establishes links between the seller and the buyers. A number of problems are connected with communication. The researcher has classified the communication problems in five categories namely, communication, media, branding, packaging, and market information. All these are different methods of communication using either word or picture for the purpose of communication. The results of the observations have been presented in the graph 5



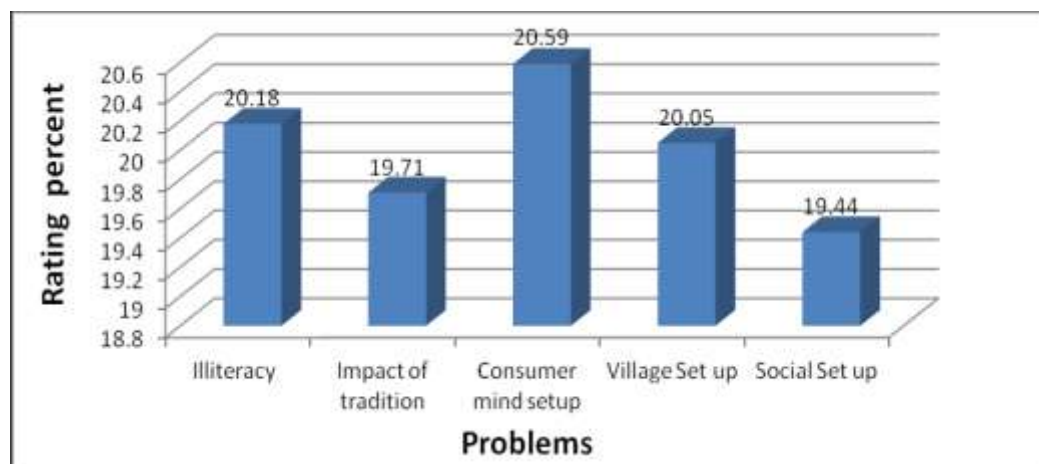
Source: Field investigation and survey

Graph 5. Communication Problems

It can be observed from table and graphs that from the point of view of entrepreneur responses are concerned, market information problem receives the first rank, branding receives the second rank, communication problem the third rank, the media problem fourth rank and packaging fifth rank.

6. Socio-Psychological Problem: - Social set up of the rural area and psychology of rural inhabitant plays a very important role in the rural market. Indian rural population is a traditional society based upon class and caste and is having traditional opinions views, and approaches. All this has made the nature of rural market altogether different from urban market. Rural population is uneducated. Illiteracy still prevails in spite of different government programmes of literacy. Rural psychology thus plays a very significant role in defining the rural market structure. The researcher has classified the socio-psychological

problems in to five categories namely illiteracy, tradition, mindsets, village structure and social structure. The observations are classified in graph 6



Source: Field investigation and survey

Graph 6. Socio- Psychological Problems

It can be observed from the table and graphs that from the point of view of entrepreneurs the first rank is also received by the consumer mindset, second by consumer illiteracy, third by village setup, fourth rank by impact of village tradition and fifth rank by social setup.

CONCLUSION

Marketing problems of SS units are discussed in the above paragraphs running a Small Scale Industries is a challenging task. The task is full of problems. Majority of these problems arise either because of traditional mindsets or infrastructural lacunas. The major problem is socio-economic conditions and socio-psychological setups. Various problems faced by the unit owners of Small Scale industries have different weight age of different points of view Efforts need be made to bring out amiable solutions.

SUGGESTIONS

The problems of marketing are presented on the line of marketing planning. Thus, problems relating to situation analysis, marketing objectives, selection of target market, product policies and practices, pricing policies and practices, distribution policies and practices and promotion policies and practices as also the problems relating to implementation and control have been presented. In view of the above marketing problems of small scale industries of Nanded districts following steps should be taken to improve the marketing problems. They are as follows -

- Adequate infrastructure is necessary for the development of marketing in Nanded (Marathwada region). Government should give top most priorities for the development of social overhead like – Roads, Railways, bank, communication etc.

- Marketing co-operative societies should be strengthen and should be ready to undertake various marketing function such as storage, transportation, grading etc.
- Good raw materials, equipments and imported accessories may be secured by suitable measures. The supply should be regular of good quality and at reasonable rates.
- Small scale units should undertake publicity campaign for their products.
- Small scale industries should organized consumer awareness camps for their products in rural and semi-urban areas.
- It is necessary to declare the entire Nanded district as D+ zone in order to achieve rapid industrial growth and to attract outside industrialist to Nanded district.
- The Small Scale Units should use cost effective transportation needs. The Small Scale Units should enter in to tie-ups with the organized retail stores to improve their distribution.
- The Small Scale Units should acquire knowledge about the taxation and regulatory measures by way of training. They should use budgetary control for financial planning.
- The Small Scale Units should use proper human management techniques to acquire, train, motivate and retain the employees.
- The Small Scale Units should improve the quality and aesthetics of the packaging in order to attract the customer.
- The Small Scale Units should collect information about the Govt. assistance and utilize it effectively in getting the assistance.

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