



A STUDY OF MANAGERIAL ISSUES IN SMALL SCALE INDUSTRIES IN INDIA

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Abstract

The small-business industry is vital for the country's growth. Small-scale industries in our nation have been harmed by a lack of entrepreneurial skills to take initiative and chances in uncharted industrial domains. Among managerial problems, inefficient management is most prevalent. This research study intends to thoroughly investigate the numerous managerial difficulties that India's small-scale enterprises are now dealing with. Because they create jobs and strengthen regional economies, small-scale industries are essential to the nation's development. These industries do, however, face a number of difficulties that limit their expansion and sustainability. In order to understand potential solutions that can improve the overall performance and competitiveness of small-scale enterprises, this study will determine and evaluate these issues. The current study makes an effort to shed light on the many managerial issues faced by business owners in small-scale enterprises. Every successful manager makes an effort to achieve goals while minimising cost, time, money, and material. All levels of an organisation in an enterprise require a solid understanding of management ideas and procedures.

Keywords: Small Scale Industries, Competitiveness, Challenges, Managerial Issues, India, Economic Development

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Introduction:

The fundamental social philosophy of Indian planning mandates that both small & large-scale businesses ought to be expanded in order to profit from modern technology, whereas SSIs in the nation will be encouraged to actively participate in the rest of the field. Since SSIs play a significant role in the Indian economic structure, the government supports SSIs in order to meet these expectations in a more economic and varied way (Deasi, 1989). Small scale industries (SSIs) serve an important part in the financial framework of India. With their significance, they meet across a number of management problems which restrict their growth and sustainability. This section provides a general overview of the significance of SSIs

and the reasons why it is important to investigate their managerial problems. Mulimani, Belgaum and Morakar (2012) ¹ have concluded that vast technological have brought changes in the enhancement of the different forms of SSI units and these were considered to be as basic economy of Goa.

Definition of Small Scale Industries:

The term "small scale industries" differs from country to country. The size of employees and investment define small enterprises according to different criteria in the global economy. In certain economies, either employment or investment are taken into account, whilst in others, there is no maximum number of employees eligible for SSIs.



Small-scale industries (SSIs) in India face a variety of difficulties that frequently restrict their development and limit their ability to contribute to the economy. These problems cover a wide range of regions, including limited access to funding, old technology, challenges in marketing and distribution, regulating complexities, a lack of skilled workers, insufficient infrastructure, pressures from globalisation, problems with raw material access, poor research and development, and market volatility. Together, these challenges undermine their capacity for innovation, operational effectiveness, and competitiveness. In order to fully realise their potential to increase local economies, create jobs, and contribute to the overall

economic development of the country, SSIs must be able to overcome these obstacles in addition to ensuring their survival and growth as an individual entity.

India's Small-Scale Industries

Singh, Garg, and Deshmukh (2008b) state that small-scale industries make up 95% of industrial units in India, contributing 40% to the value of the manufacturing industry and 6.29 percent to the country's gross domestic product. Small-scale industry is defined differently in several nations. In India, it is determined by the amount invested in machinery and plant. Small-scale industry has shaped the success narrative of contemporary India because it is extremely active and lively.

Table 1.1

Micro, Small and Medium Enterprises Development (MSMED) Act, 2006		
Enterprises	Manufacturing	Services
Micro	Up to Rs. 25 lakhs	Up to Rs. 10 lakhs
Small	Between Rs. 25 lakhs to Rs. 5 crores	Between Rs. 10 lakhs to Rs. 2 crores
Medium	Between Rs. 5 crores to Rs. 10 crores	Between Rs. 2 crores to Rs. 5 crores
Source: Ministry of MSME		

Challenges faced by SSIs:

Small-scale enterprises play a significant role in the economy by creating employment opportunities and encouraging entrepreneurship, serving as a catalyst for social change. Small-scale industry has been crucial in forming the economy ever since independence. Village and small-scale enterprises received recognition for balanced regional development and creating employment with the start of the planning era in 1951. Accordingly, the plans created over time increased astronomically. There is a plan document that details the state's treatment of small-scale industries during the period. There aren't any organised and well-coordinated initiatives for technical advancement, and a lot of small business has flourished without much advice or assistance from the government, said to the report.

- i. **Limited Access to Finance:** Small-scale industries (SSIs) in India face substantial obstacles due to their limited access to financing. Due to their weak financial histories and absence of collateral, these enterprises frequently struggle to secure adequate funding. Furthermore, they find it challenging to invest in important areas like technology, expansion, and regular operations since of the high rates of interest that usual lenders ask. Because of this, they are eventually unable to grow, take advantage of new opportunities, innovate, and maintain their competitiveness.
- ii. **Access to Raw Materials:** Small-scale industries (SSIs) in India encounter difficulties in acquiring raw materials. They are frequently unable with sustaining a consistent supply of raw materials due to their weak negotiating position and unequal



distribution. Additionally, the erratic swings in raw material prices can have an impact on both production costs and the quality of the final product. As a consequence, there may be delays in manufacturing, increased operating costs, and a drop in the quality of their products.

- iii. **Market Volatility and Seasonality:** Small-scale industries (SSIs) in India may struggle from changes in the market and demand patterns. Cash flows can appear uneven especially those working in sectors which are affected by seasonality. Furthermore, market demand may fluctuate wildly due to uncertainty in the economy, which may lead to a reduction in consumer spending. Small uncertainties cause financial instability and make it difficult for small businesses to manage their resources and inventories.
- iv. **Globalization and Competition:** Small-scale industries (SSIs) in India face difficulties as a result of competitiveness and globalisation. They now face competition from larger, more scalable worldwide businesses as a result of globalisation. They risk losing their market share when they are unable to contend against global costs or quality requirements. This makes these companies less competitive, puts greater pressure on them to innovate, and makes them more susceptible to recessions.

Managerial issues in small scale industries in India:

Small-scale industries (SSIs) in India have major concerns about managerial issues. These challenges encompass an array of issues which may make it difficult for these businesses to be managed and run efficiently. SSIs confront challenges that have an impact with their growth and sustainability, such as limited availability of financing, delayed acceptance of technology, complicated regulatory requirements, and a lack of developed labour. For SSIs to prosper and

support the nation's economic growth, it is essential to find solutions to these problems. This study analyses these managerial challenges with the goal of offering information and recommendations that will allow SSIs to get over these obstacles and reach their full potential.⁸

The importance of entrepreneurship: According to Fitzsimons and O'Gorman (2003) and the Commission of the European Communities (2004), entrepreneurship is an essential component in operating growth, as well as future prosperity relies on the growth of local companies. Future economic success in a country is allegedly contingent on the growth of its entrepreneur potential, according to Martin and Laing (1998). This was supported by Morrison (1998), who maintained that a successful businessperson is "first among equals in the process of wealth creation" (Morrison, 1998, p.177).

Statement of the Problem:

The issue at hand centres on the numerous managerial difficulties faced by Indian small-business operators. These difficulties, which are brought on by resource limitations, market dynamics, and regulatory complexities, obstruct the efficient management and expansion of these businesses. The greatest obstacles include limited access to capital, problems with allocation of resources, complex human resource management, barriers to technology adoption, difficulties with marketing and sales, issues with regulatory compliance, worries about risk mitigation, innovation constraints, and rivalry with bigger companies. It is essential to tackle these problems if small businesses are to succeed, endure, and contribute to the larger economy. This study intends to delve into these issues, examine their effects, and offer workable solutions to equip business owners with the tools they need to navigate and get past these barriers.



Objectives of the Study:

1. To identify the different managerial issues that SMEs deal with in relation to the root causes of the issues.
2. To suggest recommendations on strategies to improve performance through better management techniques

Review of Literature:

S. Uma (2001)¹⁰ In her study "Problems and Prospects of Priority Lending by Commercial Banks - A Case Study of Small Scale Industries in Bangalore District," S. Uma (2001) notes that insufficient preparation, a lack of adequate funds for working capital, misappropriation or diversion of funds by the beneficiaries, a lack of or high price of raw materials, rejection of the products by customers, under-utilization of the installed capacity, and delayed payment from the borrower are all factors.

Sathish Taneja and S.L.¹² noticed that the challenges that confront emerging entrepreneurs are diverse. These can be addressed by the united efforts of business owners, the coordinated operation of marketing organisations, and government assistance without bureaucratic red tape and delays. The entrepreneur needs to be educated and well trained in order to develop the skills required to run an enterprise.

Bodla (2004) BS. Bodla,⁵ in his 2004 study, Bodla expressed alarm over banks' declining SSI sector financing. The most important factor that can raise the competitiveness for the SSI industry are timely and sufficient credit. Modernization and advances in technology are possible with inexpensive and open financing.

Srikumar and Jayalakshmi (2006),¹¹ the benefits of lower rates of interest, credit guarantee schemes, and priority sector the funding have been stolen by financial industry reforms.

Basem M. Lozi's (2008)⁴ survey, one of the main issues

facing small-scale industries is marketing, which has been listed as the second most significant factor in small-scale firms closing down.

Amitab Shukla (2009),² an important challenge for Indian entrepreneurs is a lack of financial services. Lack of mentors and the scarcity of success stories that could encourage young people to start their own businesses are two more variables that have been hindering entrepreneurship in India.

Research Methodology:

The study is exploratory in nature. Secondary data for the study was taken from official records, annual reports and other published documents of the Directorate of Industries and Commerce, Centre for development studies and other research centres, published research papers, Periodicals, journals, research articles, seminars reports, newspapers, study reports of expert committees, departmental publications, etc.

Scope of the Study:

The scope of this study involves an in-depth examination of the managerial challenges faced by Indian owners of small enterprises. The study will dive into these problems' numerous aspects, such as the lack of money, human resource management, technology adoption, marketing and sales, compliance with rules, risk management, innovation, and competition. It will make use of qualitative research techniques, including surveys and interviews, to collect opinions from business owners, subject-matter experts, and pertinent stakeholders. In order to provide a diversified perspective, the study will focus on various industries within small-scale businesses and different areas throughout India.

The latest the study's aim is wide and covers almost every important aspect of the small-scale sector. The study primarily examines the managerial, financial, marketing, technological, labour, and raw material



functional aspects of management. Additionally, it looks at the utilisation of production capacity, the state of employment, the efficacy of support networks, and possibilities for job creation.

Recommendations:

Funding programmes and the establishment of innovation groups are two ways to nurture innovation. Programmes for export training and partnerships with trade promotion organisations can help enterprises broaden their customer base in the context of globalisation. The last phase towards enhancing supply chains is to encourage collaboration between businesses and regional suppliers. By putting into action this wide variety of suggestions, small-business owners can better their operational effectiveness, future possibilities for growth, and overall resilience while tackling the myriad problems they face. Several suggestions might be offered as a way to address the entire different managerial challenges small business owners encounter.

Suggestions:

The managerial difficulties faced by business owners in small businesses, numerous feasible suggestions could be examined. First, creating specific financial products and credit guarantee programmes is necessary to encourage financial inclusion and make it easier for people to acquire financing. Second, to increase technology adoption, training programmes that teach business owners how to use technology well must be put in place. Thirdly, relationships with institutions of higher learning and mentoring programmes must exist to invest in skill development and human resource management. The creation of clusters of industries and government-sponsored marketing initiatives can boost attempts at networking and marketing. Digitising compliance processes and establishing advisory centres for guidance are two steps in the process of streamlining regulatory procedures. Educational

initiatives and reasonably priced insurance policies designed for small businesses can be implemented for efficient risk management.

Entrepreneurs are sincere, efficient, and accountable, but at the same time, penalties must be given for tardiness, carelessness, poor management, and improper use of cash. Governments should place the highest priority on the creation of social infrastructures including railways, roads, financial institutions, and communication. The small scale industries should gather data on government support and use it effectively to apply for the assistance.

Conclusion:

The nation is experiencing considerable industrial growth and diversification thanks to the small-scale sector's exceptional performance. It tries to examine how these difficulties could impact overall sustainability, business performance, and growth opportunities. The study will offer recommendations and feasible options that will assist business owners effectively manage these challenges and improve their competitiveness. The study expectations to provide insightful information that will help with decision-making, direct the creation of policies, and equip entrepreneurs to successfully negotiate India's complex system for managing small-scale businesses. Mentoring initiatives and availability of business advisory services could be considered forms of decision-support. Small-scale businesses may be able to mitigate the issues highlighted and promote sustainable growth by implementing a combination of these strategies that are customised to the particular setting of each organisation.

Management is mostly concerned with the numerous operations of the industry as a whole, and functional managers have responsibility for every area of function. Thus, the theme of management in a firm is the process of planning, organising, staffing, leading,



controlling, coordination, and subordination. Due of the organization's small size, challenges may arise at any level of management; yet, with smart and observant thought, these challenges could be overcome.

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