

## **A STUDY ON PROBLEMS OF MANAGING SMALL SCALE BUSINESS IN THE RURAL INDIA**

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### **Abstract**

Small Scale Industries do not enjoy much of the advantages enjoyed by large scale enterprises because of their nature and size. Though they have made significant contribution to economic development, they have not realized their full potential. They face many problems in their functioning and many Small-Scale Industries are sick. The problem which a small-scale business encounter are mostly management problems and lead to the failures. According to Samuelson (190) must small business are here today and gone tomorrow. The average life expectancy of a business being only half a dozen years. Some will terminate in bankruptcy, many more will be voluntarily be brought to a close with sigh or regrets of dashed hopes and an expensive lesson learned, others will come to a joyous end when the owner finds a good job. Hence the research as attempted in this project, the problems of managing a small-scale business in rural area.

### **Introduction**

Small-scale industries are vital to the progress of a country. It accounts for more than 40% of the gross industrial value added of the Indian economy. Due to its low capital intensity and high labor absorption, the SSI sector has contributed significantly to employment generation and rural industrialization. In the changing economic environment, SSIs have to deal with a number of problems such as large population, widespread unemployment and underemployment and lack of capital resources. As a result, the government through various policies and programs has provided certain unique facilities to overcome the obstacles and encourage the growth and development of small companies. The small-scale sector has evolved over the last six decades as a highly dynamic sector of the Indian economy, accounting for about 95 percent of industrial units and contributing about 40 percent of value added in the manufacturing sector, initially 8 percent of manufacturing employment and about 35 percent. percent of total exports.

The main challenges faced by small-scale industries are - finances, procurement of raw materials, marketing, infrastructure management, and underutilised labour capacity. Small-scale industries comprise businesses that are just starting up or offering new goods and services in different sectors. They have little to no capital, are labour intensive, and manufacture goods or products with the help of a small workforce. More than 50% of products overseas are shipped from India by small-scale enterprises, and some of these companies are created because of high demand from international vendors. From agriculture and manufacturing to the service industry, small and medium businesses are mushrooming everywhere. Setting up a business is only the first step, making it grow is complicated. The

success stories are limited and unfortunately, many SMBs fail to reach their full potential. Irrespective of their niche, many of the challenges faced by small businesses are common.

Small businesses play a vital role in the economy. Think of the luxurious car that you see on the roads daily. The final product is the outcome of many small businesses that are integral parts that help the engine to run. It is these millions of small industries that get you the dream car. It has been seen that 65-75% of the innovation comes from small business industries. Here you will learn about the major role played by the small business and all the issues that are faced by them. These industries are known for their small size and do not enjoy many government schemes or initiatives by large-scale sectors. The limited capital and unit sizes are also barriers when it comes to their growth and expansion. This post will discuss the biggest problems of small-scale industries below.

### **Role of Small Business in India**

#### **1. Industrial Units:**

In an economy like India, the majority of the industrial units are because of small business. This today accounts for more than 95% of the units. Almost 40% of the total industrial units are contributed because of the small industries. The small businesses are bagging around 45% of the total exports that happen from India.

#### **2. Labor - Oriented:**

Small businesses generate a lot of labor. They give many employment opportunities to those living in rural and semi-urban areas. The small businesses help to lift the weight of unemployment in any economy. This is a significant role that they play predominantly in a country like India. India has a large labor force and the Indian government also encourages small industries that employ and utilize labor. The government encourages small businesses by drafting various policies and offering low-interest rates.

#### **3. Human Resource:**

The small businesses rank next to agriculture to employ in the Indian economy. As compared to many big companies, the small businesses are capable of generating the maximum employment opportunities for each unit of capital that is invested. This makes the small business the second largest employment generator in the economy.

#### **4. Utilization of Local Resources:**

The local community needs and demands let the small businesses to emerge in the semi-urban and the rural areas. The small businesses are community-based, and these are focused to work for and generate employment in a few areas. This lets any business utilize local resources like talent, raw materials, demographic opportunities and labor. When there is ample mobilization and utilization of any local resources, this helps to improve the economic condition of a particular area.

#### **5. Flexible and Adaptable:**

Any new business opportunity gets captured at the correct time. Small businesses get an edge when it comes to adapting and growing in the light of any upcoming changes. The small business usually is the manufactures and the distributors, and they are thus capable of generating a personal touch with the

business and with their clients as well. There is also no government intervention in the case of small businesses as these are limited in finance and size.

#### **6. Promotes Development & Growth:**

Development of the region plays an important role in contributing to the country's development. The establishment of small businesses in any region or area helps to uplift the lifestyle, earning of the people residing. Businesses bring in more exposure to foreign markets, production scale and the overall evolution of state as well as workers.

#### **7. Increased Tax Revenue:**

The industries need to pay the required amount of tax to government bodies, which is in turn used for the development of rural regions and to fulfill the demands of cities. When businesses operate, they do look for profits. And when more profits come in, more taxes are devoted to the government of the country. The taxes therefore generated are contributed to upliftment services such as healthcare, education, defense field and many more.

There are however many challenges of small enterprises along with the opportunities that are faced by them.

### **Problems of Small-Scale Industries**

#### **9 common problems faced by Small Businesses**

Small scale industries (in India) are industries which produce goods or provide services on a small scale with the help of machines, hired labour and power. Small businesses in India find it difficult to face global competition. This is because, they are small in size.

#### **The various problems faced by small businesses are as follows:**

- i. Small industries face the problem of lack of finance. Even credit facilities available in India for small businesses are inadequate. This limits their capacity to improve the quality of production, introduce technological improvements and face global competition.
- ii. Small businesses have to face the problem of shortages in the supply of raw materials. They do not get the benefit of bulk purchases. Apart from shortage, they also have to face problems like poor quality of raw materials, lack of standardization and high cost of raw materials. This affects the capacity utilization and profitability of the business units. This makes it difficult for them to face competition from the high-quality products of foreign companies.
- iii. Most of the small units use outdated and primitive methods of production, which not only affects their productivity but also increases their cost of production. The global companies on the other hand adopt modern and latest methods of production, thereby increasing their productivity and profitability.
- iv. In order to face global competition, the small units should have a deep understanding of customers' needs and follow effective marketing strategies. However, small businesses are unable to incur marketing expenses due to their limited financial capacity. This limits their market size.
- v. V. Small units in their effort to reduce the costs do not adhere to the standards of quality. Their resources are limited and hence they do not invest in quality

- research and development activities. It becomes difficult for the small units to face the quality standards and- parameters followed by global companies.
- vi. vi. Also, the developed countries follow stringent requirements of quality for entry in their markets. Quality certifications like ISO-9000, ISO-14000, and ISO-26000 are required, which the small units find difficult to comply with.
  - vii. vii. The small units face problems in exporting of goods, despite various measures provided by the government to encourage exports. Hence, they face difficulty in entering the foreign markets.
  - viii. Small units cannot afford qualified and trained personnel, nor can they afford to undertake training of their employees. This affects the quality and productivity of the units.
  - ix. Thus, in India small units have to face various problems which affect the quality of their products and reduce their productivity. These factors make it difficult for the small units to face global competition.

### **Conclusion**

Small-scale industries are vital to the progress of a country. It accounts for more than 40% of the gross industrial value added of the Indian economy. Small businesses are reaching across states and meeting local needs. The government has also introduced a number of programs and incentives to support SSI and to create institutional infrastructure for SSI. SSI has proven to be very beneficial in generating money, mostly through commodity exports, and addressing issues such as finance, raw materials, marketing and underutilization of capacity. Skilled work, project planning, infrastructure and employment have all improved the socio-economic conditions of the people.

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