

# Problems and Perspectives of Small Scale Industries in Chittoor District, Andhra Pradesh, India

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## ABSTRACT

India's vision of emerging as an economic power in the 21st century can be realized through the promotion and development of the small scale industries. Small scale industrial environment in India suffers from a number of difficulties and constrains, which increases working risks, and resulting in uncertain business circumstance. These conditions lead the researcher to put his efforts to study such manufacturing systems to plan and design their businesses in a proper ways, to decrease risks, accommodate uncertain conditions, and increase success opportunities. Frameworks and approaches have been developed that guide people in making decisions about manufacturing system. This paper reviews the problems and prospects of small scale industries in Chittoor district of Andhra Pradesh

**Keywords:** Small scale industries, problems and prospects.

## INTRODUCTION

Small-scale industries (SSIs) play a very vital role in the economy of each and every nation. Nations firmly believe that rapid industrialization is possible only through a successful policy relating to small-scale industries. A leading, industrially advanced developing country, India has large, medium and small industrial units of production in almost all branches of the industry. Since the time of the independence in 1947, the Indian economy has grown rapidly in the small industry sector. The small industry sector is considered to have a major role in the Indian economy due to its 40 percent share in the national industrial output along with an 80 per cent share in industrial employment and nearly 35 percent share in exports. The reasons are that they provide large-scale employment. They have comparatively higher employment potential per unit of capital employed and they need only shorter gestation periods in comparison with large industries. They also facilitate effective mobilization of resources and capital and skill, which might otherwise remain unutilized and exploited. Today Small scale industries are a spine of the Indian economy. Small scale industries are mostly organized on the basis of proprietary or partnership. Most of the small scale industries are using single machinery, skills and technology. But, in present era these industries are converting from traditional technology to modern technology. By using modern technology increase in income is possible, better utilization of sources can be done. These enterprises are increasing day by day because different banks as public sector banks, private sector banks, foreign banks provides credit to micro and small enterprises for growing their business.

## REVIEW OF LITERATURE

Ahmad Lone T and Mehraj Z (2015) have explained the performance of MSMEs towards employment and livelihood opportunities. Authors have observed that due to inadequacy in market linkage, infrastructure deficiencies, finance hurdles, problems pertaining to managerial competencies, obsolete technology have caused as major issues creating hurdles to the growth of MSMEs.

Harri Ramcharran (2016) studied about the performance of small and medium sized industries by empirically estimating the efficiency of bank loans and its rates to the SME sector of India. It was done using data from 1979 to 2013. The results have important policy implications regarding the allocation of capital and risks associated since bank loans are the main source behind financing these industries. The results show the rise in productivity (i.e. output elasticity) of bank credit from 0.76 to 1.23; the productivity of labour turned out to be negative, but increased from  $-1.57$  to  $-0.628$ . The sector's efficiency had improved from returns to scale of  $-0.89$  to 0.607 which was mainly due to the increasing productivity of bank credit.

Verma, Narendra (2017) viewed that in agro-based economy like India, rural development is none less than its foundation of overall development and small scale industries (SSIs) are similar to bricks used in building this foundation. There are numerous names which establish a small scale unit long ago and today it has turned in to a big group. Throughout their journey, they have given big push to rural development and economy of the country. Even Government has made various initiatives to promote and strengthen SSIs so that they may keep contributing to GDP, consequently rural development is on continuous mode. The present paper deals with the analysis of the factors being responsible for the success of SSIs in playing a significant role in rural development of India. It also discusses the paths through which this development is being put forward by SSIs of India. Finally, it lays some suggestions to correlate SSIs with other requisite developmental plans to accelerate the rural growth of the country. The study is descriptive in nature and banked upon secondary data.

Divya Pawar, H (2018) felt that the small scale industries play a very important role in the development of economy as well as of nation. The economic development of country is directly connected with the growth of industries because industries are the back bone of our nation. In the India the industries has shown creditable progress in term of output, employment, export etc, during the decade. Expansion of industry leads to a greater utilization of natural resources, creation of employment, production of goods and services, but there are certain problems have to face the small scale industries while competing with other large or medium industries. There are certain problems which are very common to all small scale industries. If these problems are solved by taking an effective steps or effort these challenges this sectors can it as a developing engine. There is certain measure to remove the difficulties of small scale industries government have an effective measure to remove the problem faced by industries.

Rajeswari (2019) in her paper on "A Study on Problems and Challenges Faced by Micro Small And Medium Enterprises: A Special Reference to Manufacturing Sector in Coimbatore District", felt that MSMEs, as a major contributor towards growth of domestic economy and employment generation, should get adequate support in terms of policy framework, incentives and other relevant aids. There are 35 million enterprises in various industries, employing 69 million people. The finest benefit of this

sector is employment generation for the development of Indian Economy by increasing of standard of living of the people. In this background researcher made an attempt to study the role of Small, Micro and Medium Enterprises in inclusive growth of Indian Economy. Steps like providing infrastructure facilities, developing various industrial parks and technology incubators under MSME cluster development programmers, creating networks of organizations that help provide training to skilled workforce to improve productivity, encourage entrepreneurship and competency in management, funding R&D investments, technology advancement may work for the betterment of the sector. This paper focuses on the prospects of MSME and the major challenges for sustained growth.

Bhat (2020) opined that the decentralization of industrial activity has supported the growth of MSMEs and further, due to the availability of rich human resources, the MSMEs in India have tremendous scope for development. Shelly r et al. (2020) have explored the growth in MSMEs and further analyzed the relationship between MSME sector and Sustainable Development Goals.

Manohar (2021) stated that MSMEs are providing about 30 per cent to India's GDP. The study has compared the urban and rural wise distribution of enterprises and employment through enterprises. Based on the observation of literature, it is noticed that most of the studies were concentrated on problems faced by MSMEs, the presence of MSMEs in India, the effect of COVID-19 on MSMEs performance, an increase of exports and employment due to the growth of MSMEs, the impact of industrial policy and Government on the progress of MSMEs.

Sreenivasulu (2022) in his article on Financial Management of Small-Scale Industries in Chittoor District, Andhra Pradesh, felt that Small scale industries play an immensely important role in the framework of Indian planning. Small scale enterprises have occupied prominent place of strategic importance in Indian economy in view of its copious contribution to employment, production as well as export. The SSI today comprise a very important segment of the Indian economy as they help in dispersal of industries, rural development and the decentralization of economic power. The small scale sector has been a rapidly growing sector for Indian Economy. Major indicators to measure the performance of industries are infrastructural development, technological advancement, financial performance, constraints on operation and growth and the performance of firms in domestic and international market etc. These industries faced numerous problems which make them either uncompetitive or sick. An attempt is made to address some solutions which can improve their productivity by focusing on a sustainable vision. Result shows that there are significant differences in impact of government policy on the performance of both the industries, effectiveness of infrastructure, technology. Financial performance of the industries is also significantly different and there is no significant difference in total constraints in operation and growth of these two industries in Chittoor District.

Rakesh Kumar Tiwari (2023) aired that Small Scale Industries (SSIs) contribute significantly to the economic growth of developing countries. They serve as a source of employment for a large segment of the population, especially in rural areas. However, numerous challenges face these enterprises, affecting their growth and sustainability. This essay looks at the opportunities and challenges faced by Small Scale Industries. In the era of entrepreneurship where there is a cut throat competition everyone wants to

set up his own business. Setting up of a large industry requires huge capital and risk. Contribution of MSMEs to the Indian economy in terms of employment generation, containing regional disparities, fostering an even-handed economic process and enhancing the export potential of the country has been quite extraordinary. Despite some infrastructural deficiencies and challenges like the flow of institutional credit and inadequate market linkages, this sector has registered exceptional success with respect to the increase in variety, quantum of investment, scale of production and overall contribution to national gross domestic product. The study makes an effort to specialize in the massive growth potential available for the development of SSI sector, to find out vital problems and challenges.

## OBJECTIVES

1. To explain and focus on challenges and problems before Small Scale Industries in Chittoor District.
2. To suggest planning strategy to resolve the problems of the Small Scale Industries in Chittoor District

## METHODOLOGY

The Rayalaseema region comprises the four districts and they are Ananthapur, Chittoor, Kadapa and Kurnool. Out of these four districts one district, Chittoor has been selected at random for the study. Of the total small scale industrial units engaged in manufacturing (8275) in Chittoor district, a sample of 195 small scale industrial units (accounting for 46 percent of the total) has been chosen considering the various categories using the stratified random sampling. These sample small scale industrial units are located in three revenue divisions of Chittoor district.

## RESULTS AND DISCUSSION

The details of small scale industries, their growth, employees, problems and prospects are presented below.

### Growth of small scale industries in Chittoor District

The growth of small scale industries in Chittoor District during 2018-2023 is furnished in the Table 1.

**Table 1 Growth of Micro Small and Medium Enterprises in Chittoor District**

Sl. No.	Category	2018-19	2019-20	2020-2021	2021-22	2022-2023
1	Agro based	588	995	1128	1565	695
2	Forest based	273	225	273	283	22
3	Textile Based	120	625	795	1005	1243
4	Engineering based	695	1295	1459	1802	568
5	Chemical Based	416	437	485	523	95
6	Others	1469	1768	1995	2731	5652
	Total	3561	5345	6135	7909	8275

Source: District Industry Centre, Chittoor - 2023

Table 4.3 shows growth of MSMEs in Chittoor district. The total numbers of units are 3561 in 2015-19 increased to 8275 in 2022-23. The agro based units which were 588 in 2018-19, increased to 1565 units in 2021-22, textile-based units were 120 units in number are also increased to 1243 in the year 2022-23.

The year –wise number of employees of small scale in Chittoor District during 2018-2023 is presented in the Table 2.

**Table 2 Year –wise Number of Employees of Micro Small and Medium Enterprises in Chittoor District during 2018-2023**

Sl. No.	Year	Number of Units	Number of Employees		Total number of Employees
			Males	Females	
1	2018-19	3561	36685	13594	50279
2	2019-20	5345	45858	13924	59782
3	2020-21	6135	52071	17450	69521
4	2021-22	7909	74453	30601	105054
5	2022-23	8275	64763	39287	104050

Source: District Industry Centre, Chittoor - 2023

Table 2 shows year –wise number of employees of Micro Small and Medium Enterprises. The total numbers of employees were 502779 in 2018-19 increased to 104050 in 2022-23. The male employees’ number is 36685 in 2018- 19, increased to 64763 in 2022-23. The female employees number also increased from 13594 in 2018-19 increased to 39287 in 2022-23.

**PROBLEMS OF SMALL SCALE INDUSTRIES IN CHITTOOR DISTRICT**

The major problems observed include raw material, finance, labour, technology, competition, transport, taxation, packaging, power supply, marketing, water problem and location. Table 3 shows the overall view of the various types of problems faced or being faced by the sample units and detailed study of each problem is presented in the latter part.

**Table 3 Major Problems Faced By Sample Industrial Units in Kadapa District**

Sl. No.	Category	Raw Material	Finance	Competition	Taxation	Labour	Transport	Technology	Power	Pack-ing	Mar-ke-ting	Wa-ter	Loc-a-tion	To-tal
1	Agro based industry	6 (12)	5 (10)	7 (14)	(6)	2 (4)	5 (10)	3 (6)	4 (8)	(12)	(10)	2 (4)	2 (4)	50 (100)
2	Forest based industry	(5)	(5)	2 (10)	(15)	(5)	2 (10)	2 (10)	3 (15)	(10)	(5)	1 (5)	1 (5)	20 (100)

3	Textile based industry	(10)	(10)	0 (0.00)	(10)	(0.00)	1 (10)	0 (0.00)	2 (20)	(0.00)	(20)	1 (10)	(10)	10 (100)
4	Mineral based industry	(6.46)	(2.90)	2 (6.46)	(3.22)	(9.68)	5 (16.12)	4 (12.90)	2 (6.45)	(6.45)	(3.22)	2 (6.45)	(9.68)	31 (100)
5	Engineering based industry	(12.5)	(6.25)	1 (3.12)	(3.12)	(9.38)	4 (12.5)	4 (12.5)	(9.38)	(6.25)	(12.5)	(6.25)	(6.25)	32 (100)
6	Animal based industry	(8.33)	(16.67)	0 (0.00)	(8.33)	(8.33)	(0.00)	1 (8.33)	0 (0.00)	(8.33)	(16.67)	1 (8.33)	(16.67)	12 (100)
7	Leather and plastic based industry	(10)	(10)	0 (0.00)	(10)	(0.00)	(10)	2 (20)	(10)	(10)	(0.00)	0 (0.00)	(20)	10 (100)
8	Other industry	(13.33)	(6.67)	2 (6.67)	(6.67)	(10)	(3.33)	2 (6.67)	2 (6.67)	(6.67)	(10)	3 (10)	(13.33)	30 (100)
<b>Total</b>		<b>20 (10.26)</b>	<b>18 (9.23)</b>	<b>1 4 (7.18)</b>	<b>3 (6.67)</b>	<b>13 (6.67)</b>	<b>19 (9.75)</b>	<b>18 (9.23)</b>	<b>17 (8.71)</b>	<b>16 (8.20)</b>	<b>18 (9.23)</b>	<b>12 (6.16)</b>	<b>17 (8.71)</b>	<b>195 (100)</b>

Source: Field Survey

Note: Figure in parentheses indicates percentages to the total number of units.

### Agro Based Industry

In the agro based industry, 6 respondents (12%) each are facing the problems of raw material and packing, 7 respondents (14%) are facing competition, 5 respondents (10%) each are facing the problems of finance, transport and marketing, 3 respondents (6%) each are facing taxation and technology problems and 2 respondents (4%) each are facing labour, water and location problems. Above all competition, raw material and packing are major problems in the agro based industry.

### Forest Based Industry

In this industry, 3 respondents (15%) each have the problems of taxation and power, 2 respondents (10%) each have competition, transport, technology and packing problems and 1 respondent (5%) each

has the problems of raw material, finance, labour, marketing, water and location. By and large, taxation and power are the major problems in the forest industry.

### **Textile Based Industry**

Two respondents (20%) each are facing power and marketing problems and 1 respondent (10%) each is facing the problem of raw material, finance, taxation, transport, water and location. Power and marketing are the major problems of the industry.

### **Mineral based industry**

In the mineral based industry, 5 respondents (16%) are facing the problem of transport, 4 respondents (2.90%) each are facing finance and technology problem, 3 respondents (9.68%) each have the problems of labour and location, 2 respondents (6.45%) each have raw material, competition, power, packing and water problems and 1 respondent (3.22%) each has taxation and marketing problems. Transport and finance are major problems of the industry.

### **Engineering based industry**

Raw material, transport, technology and marketing are the major problems for 4 respondents (12.5%) each in engineering industry. Moreover, 3 respondents (9.38%) each are facing the problems of labour and power, 2 respondents (6.25%) each are facing finance, packing water and location problems. Majority of the respondents have the problems of raw material, transport technology and marketing.

### **Animal based industry**

In the animal based industry 2 respondents (16.67%) each are facing the problems of finance, marketing and location. Likewise, 1 respondent (8.33%) each is facing the problems of raw material, finance, taxation, labour technology, packing and water finance Marketing and location are the major problems of the industry.

### **Leather and plastic based industry**

Technology and location are the major problems for 2 respondents (20%) each in the leather and plastic industry. So also, 1 respondent (10%) each has the problems of raw material, finance, taxation, transport, power and packing. Above all, the leather and plastic industry is facing the major problems of technology and location.

### **Other industry**

In other industries, 4 respondents (13.33%) each have the problems of raw material and location, 3 respondents (10.00%) each have labour and water problems, 2 respondents (6.67%) each have finance, competition, taxation, technology, power and packing problems.

## **PERSPECTIVES OF SMALL SCALE INDUSTRIES**

The process of economic liberalisation and market reforms has opened up the Indian small-scale sector to global competition. It is essential to increase the competitive strength and viability of small scale industries to overcome the problem of sickness being faced by them. The support to the SSI sector needs to emphasise increasingly on 'promotional policies', rather than 'protectionism'. To meet the challenges

from domestic markets as well those abroad, the small scale industries should upgrade their technology and adopt modern marketing practices. The small-scale units would have to select that technology from among the available alternatives which would generate cost-efficient and high quality optimal output. To make the Indian market globally competitive, the government should take essential steps to educate and create consciousness among SSI producers on modern management practices.

The government can accord priority in allocation of scarce raw materials, extend market assistance and grant certain rebates and concessions to small units which have a better record of performance. It should be made mandatory for the small-scale industries to introduce quality control measures in order to get a good share in the export market. Partial measures cannot produce any significant impact on the performance of small-scale industries, as these do not bring any fundamental changes in their operational environment. In order to make sustainable contribution from small-scale industries to the national income, employment and exports; the government should formulate a comprehensive policy framework to deal with all issues concerning small-scale industries. Policy-makers must appreciate the importance of small-scale industries and empower them to face competition, particularly from their Chinese counterparts, both in the domestic and international markets. The Preferential Lending Policy announced in the Budget for small-scale industries is still not in operation. India is on the threshold of becoming a manufacturing hub, and only an inclusive approach can pave the way for an accelerated and sustained growth. To improve the quality of their products, these industries have to conduct market research and endeavour for tie-ups with prospective buyers to increase sales of the products. There are cases where small-scale industries have lost money owing to double payments, shortage of goods and poor quality of products. Inventory planning is a perennial issue with small-scale industries. In many cases, small industries have stocks of certain raw materials, whereas production has been held up due to shortage of other materials. Thus, materials management is a fire-fighting exercise in these industries.

Small-scale industries need to adopt well-documented systems and procedures for efficient functioning. These industries should manage their affairs based on information rather than physical inspection. Several entrepreneurs think that they know all that is going on in their organisations. Monitoring and control over productivity can be effective only through information systems. Indian small-scale entrepreneurs still face a range of obstacles; many of them are the result of existing bad policies. Electric power is less reliable and more expensive in India than in competitor nations. Taxes and import duties obstructing the productivity and the cascading effect of indirect taxes will continue to burden Indian SSI entrepreneurs until a uniform goods-and-service tax is implemented. Stringent labour laws continue to deter entrepreneurs from hiring workers. Some of these problems will hopefully diminish with the planned designation of Special Economic Zones, which promise a reduced regulatory burden. SSI Entrepreneurs should accept the tax regime rather than lose control over these very units merely to gain tax benefits.

Choosing customers is crucial for the success of any business. With good customers, a supplier can prove his business credentials without difficulty and establish a beneficial relationship. A proper organisational structure is needed and entrepreneurs should ensure that department heads have a total grasp of the functions, can keep the wheels of the unit moving, are able to solve the routine problems besides being systematic. There is a need to change the approach from emphasis on loosely targeted



subsidies to creating an enabling environment. A cluster approach can help increase viability by providing these units with infrastructure, information, credit and support services of better quality at lower costs, while also promoting their capacity for effective management of their own collectives. A large part of government revenue is committed by way of subsidies.

The policy of subsidies, therefore, is required to be revisited appropriately taking into consideration factors such as need, desirability and feasibility of continuation of such subsidies. Asserting that subsidies were now becoming unsustainable, the Economic Survey 2006-7 said the consumers of goods and services need to be told in no uncertain terms that they shall have to pay for utilities like power, drinking water, hospital services and higher education. "The state had already enhanced public spending in areas such as roads, water supply, power, primary education and primary health to provide for physical and social infrastructure necessary for accelerating growth. In order to improve the competitiveness of these enterprises, schemes for establishment of mini-tool rooms, setting up design clinics, providing marketing support, sensitisation to Intellectual Property Rights (IPR) requirements and tools, adoption of lean manufacturing practices, wider use of IT tools, etc., should be evolved on a Public-Private Partnership (PPP) basis. Building of brands can be used as an effective strategy to promote their products in the national and international markets.

At present, small-scale units have to pay at least 11 per cent on loans from the banking system. Due to high-risk factors, the sector does not get access to cheap and easier credit. Non-availability of timely credit is the major cause of small-scale unit's sickness. To protect these units, the government has to adopt the Japanese model where small and medium enterprises get loans at two per cent. The cost of credit for small units must be at least one per cent cheaper than the prime lending rate (PLR), which is available to large corporates.

## CONCLUSION

The small scale industry sector in India over the past 50 years has made significant contribution towards building a strong and stable national economy. The small-scale industries assume great importance in mitigating the problem of unemployment, in facilitating the growth of the industrial sector and in ensuring all round development of the economy. By and large it could be concluded that 20 respondents (10.26%) are facing raw material problems, 19 respondents (9.75%) are facing transport problems, 18 respondents (9.23%) each have the problems of finance, technology and marketing, 17 respondents (8.71%) are facing power and location problems, 16 respondents (8.20%) are facing packing problems, 14 respondents (7.18%) are facing competition problems, 13 respondents (6.67%) each have taxation and labour problems and 12 respondents (6.16%) have water problems.

Small-scale industries need to adopt well-documented systems and procedures for efficient functioning. These industries should manage their affairs based on information rather than physical inspection. In order to make sustainable contribution from small-scale industries to the national income, employment and exports; the government should formulate a comprehensive policy framework to deal with all issues concerning small-scale industries. Policy-makers must appreciate the importance of small-scale industries and empower them to face competition

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