

BHAWAN BALIKA VIDYA PITH

शक्ति उत्थान आश्रम लखीसराय बिहार

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SMALL BUSINESS

Question 3:

Discuss the problems faced by small scale industries.

ANSWER:

The following are the major problems faced by small-scale industries (SSIs) in India.

(a) Inadequate finance and credit: The SSIs have always faced the problem of inadequate finance and credit. This is partly because of the scarcity of capital available with the entrepreneurs in the sector and partly because of their lack of assets for offering as collateral/mortgage to secure bank loans. As a result, these businesses have to rely on local financial resources and moneylenders for funds.

(b) Problem of procuring raw materials: Due to inadequate finance and credit, SSIs face a shortage of funds for procuring raw materials and for carrying out their day-to-day business activities. In addition, the poor transportation system and the faulty supply mechanism often result in irregular supply of raw materials. For these reasons, SSIs face a severe shortage of raw materials, which hinders their smooth functioning.

(c) Lack of skilled labour: As SSIs cannot afford to pay high salaries to their employees, they usually employ semi-skilled or unskilled labourers. Hence, they face a lack of skilled and talented manpower, which adversely affects their efficiency.

(d) Marketing: Efficient systems for marketing and promoting products have remained an unfulfilled dream of small-scale industries. The main reason is the shortage of funds. Because of the lack of efficient marketing systems, small units are forced to sell their products in the markets through the middlemen, which further leads to the exploitation of the small scale entrepreneurs.

(e) Obsolete/outdated technology: Many small-scale industries use production techniques which are outdated and obsolete. This lowers their productivity and makes their operations unfeasible.

Question 4:

What measures has the government taken to solve the problems of finance and marketing in the small scale sector?

ANSWER:

The small-scale sector has played a major role in employment generation, regional development and export promotion in India. The Government of India has realised that a lot more can be achieved if the two major bottlenecks that affect the further development of SSIs—inadequate funds and inefficient market penetration—are removed. In pursuit of this objective, the government has established the following agencies.

(a) National Bank for Agriculture and Rural Development (NABARD): It was established in 1982 with the main objective of promoting rural development and integrating the efforts in this direction. This agency is an apex banking body that governs the operations particularly of the rural and 'gramin' banks. The main focus of NABARD is to provide cheap and easy credit facility to small, cottage and rural industries.

(b) Small Industries Development Bank of India (SIDBI): It was set up to provide direct and indirect financial assistance under different schemes. It caters to the credit and finance requirements of especially small-scale enterprises.

(c) World Association for Small and Medium Enterprises (WASME): It is an international non-governmental organisation that addresses the problems of small- and medium-scale enterprises. It has set up an 'International Committee for Rural Industrialisation' with the aim of designing a model for the growth and development of rural industries.

(d) The National Commission for Enterprises in the Unorganised Sector (NCEUS): It was formed in September 2004 with the objective of improving the efficiency and enhancing the global competitiveness of small-scale industries. It focuses on addressing the problems faced by small enterprises, particularly in the unorganised/informal sector.

(e) Various development and employment generation programmes Besides establishing the organisations mentioned above, the government has launched various programmes for rural development. Among the important programmes are the Prime Minister's Rozgar Yojana (PMRY), Integrated Rural Development Programme (IRDP) and Training of Rural Youth for Self-Employment (TRYSEM). These programmes are aimed at generating greater employment opportunities, developing rural areas and making the rural people self-reliant.