

OPPORTUNITIES AND CHALLENGES TO SMALL SCALE INDUSTRIES IN INDIA

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Abstract :

Small businesses are essential to the growth of the Indian economy. SSIs are the foundation of the Indian economy because of this. The opportunities and difficulties faced by small businesses in India are the main focus of this study. These companies play a crucial role in reducing poverty, increasing incomes, and creating jobs, but they also encounter certain barriers that limit their potential to grow. The aim of the research is to identify and assess these barriers, look at possibilities, and provide a roadmap for SSI's success. To funding, advertising, sales, technology adoption, a shortage of qualified workers, adherence to regulations, and insufficient infrastructure. Although the government has implemented many steps to support MSMEs in India, such as the Udyam Registration Portal, favorable regulations for MSME financing, financial help, tax benefits, and subsidies, obtaining credit and funding remains a challenging task. Developing a strong credit history and utilizing government initiatives and subsidies are two strategies that can improve MSMEs' access. To summarize, MSMEs may overcome their challenges and seize opportunities to compete and grow in the market with government support.

Keywords : MSME, Challenges, Opportunities, Finance, Government Initiatives, Growth, relief packages, measures.

Introduction :

Small-scale industries (SSI) fall under the MSME (Micro, Small and Medium Enterprises) category, as established by the MSME Act in 2006, with registration provided by the Ministry of MSME through State Government's Directorate of Industries.[1] SSIs invest up to Rs. 10 crore in machinery and have an annual revenue not exceeding Rs. 50 crore.[2] Historically significant, small-scale industries have been integral to the economy for over 4000 years, playing a crucial role in job creation and economic development in India, contributing about 45% of exports and accounting for 60-70% of innovations. [3] Their labor-intensive nature helps mitigate poverty and unemployment by providing employment opportunities for professionals and craftspeople.[4]



Review Of Literature :

- COVID-19 Pandemic and Micro, Small and Medium Enterprises (MSMEs): Policy Response for Revival (First Published August 27, 2021)[5]
- By Minaketan Behera, Sanghamitra Mishra, Niharika Mohapatra, Alok Ranjan Behera.[6]
- Impact of COVID-19: Micro, Small and Medium Enterprises in India, Pandemic Shock of COVID-19 and Policy Response: A Bird's Eye View Krishnarajapet V. Ramaswamy Professor, Indira Gandhi Institute of Development Research (IGIDR), Mumbai, India. [7]
- COVID-19 Pandemic and Micro, Small and Medium Enterprises (MSMEs): Policy Response for Revival (First Published August 27, 2021)[8]
- By Minaketan Behera, Sanghamitra Mishra, Niharika Mohapatra, Alok Ranjan Behera.[9]
- COVID-19: Small and medium enterprises challenges and responses with creativity, innovation, and entrepreneurship by Esha Thukral.[10]
- Venkatesh and Muthiah (2012) found that the role of small & medium enterprises (SMEs) in the industrial sector is growing rapidly. They emphasized that nurturing SME sector is essential for the economic well-being of the nation. [11]
- Dr. A.S. Shiralashetti (2014), prospects & Problems of MSMEs in India. This paper covered growth, performance and contribution of MSMEs to GDP and also mentioned about the problems faced by MSMEs located in Dharwad district of Karnataka State. Dr. Neeru Garg (Sept. 2014) in their paper on Micro, Small and Medium Enterprises in India: Current Scenario and Challenges has made an attempt to highlight the growth of this sector and analyze various problems and challenges faced by MSME sector in India.[12]
- Thouseef Ahamed (October 2023) a review of challenges and opportunities for MSMEs in India: a roadmap for success.This paper shows that the opportunities and challenges faced by MSMEs in India with detailed study.[13]

Objectives :

- a) To know the concept of Small Scale Industries in India
- b) To study the opportunities of Small Scale Industries In India
- c) To study the challenges of Small Scale Industries in India.
- d) To analyze the Government Policies and relief packages towards the development of small scale industries.

Research Methodology :

The research project's foundation is descriptive research. Its goal is to acquire fresh knowledge and understanding of how Indian policies impact small businesses. The secondary data used in this study was gathered from a variety of sources, including published annual reports, journals, books, regulations, and government websites.



Importance Of Study :

Small-scale industries a backbone of Indian Economy play a important role. but there are various problems and challenges faced by these enterprises, due to which the growth of the enterprises is affected, in turn affecting the growth of the country. Hence, the research has drawn attention towards SSIs.

Opportunities To Small Scale Industries In India :

India's small-scale industries offer a range of opportunities, from traditional sectors like textiles and food processing to emerging online services and e-commerce, focusing on crafting handmade goods and modernizing technologies. Here's a more detailed look:

- **Food Processing:** There are many chances in the food industry, ranging from small scale food processing facilities to specialized fields like ready-to-eat meals and organic food.
- **Leather Goods:** production of leather goods, such as bags, belts, and shoes, can provide a consistent need can be fulfilled by SSIs.
- **Beauty Parlours:** There are many opportunities for small salons and spas in the expanding beauty and wellness sector.
- **Textiles and Clothing:** India having a rich textile history, and there are prospects in knitting, handloom, and clothing manufacturing for both local and international markets.
- **Manufacturing of Incense Sticks and Camphor:** in country like India These are well-established, modest businesses with steady demand.
- **Paper Products:** Producing stationery, bags, and other paper-based goods provides a low-risk entry point.
- **Handicrafts-**handicraft means produced things with hands These sectors play a vital role in the Indian economy and offer job opportunities for a large number of individuals, especially women. The primary categories of handicrafts encompass woodwork, leather goods, paper crafts, stone art, painting, and embroidery. metal, pottery, textiles, and jewelry etc.[14]
- **Online services-** E commerce grows small businesses can now sell goods online and provide online services like graphic design, site design and also provide virtual help to the customer.
- **Ecommerce:** Small businesses can reach a larger audience by opening an online store or selling goods on websites like Amazon or Flipkart.
- **Cloud Kitchens:** Using a cloud kitchen model to distribute meals might be a lucrative business end ever.
- **Tutoring and Coaching Centers:** The education sector offers tutoring, career training, and exam-specific coaching.
- **Consulting Services:** Offering specialist consulting services in fields such as marketing, finance, IT, and human resources can be a successful business strategy.
- **Interior Design & Decorating:** There is an increasing need for interior design services, particularly for small businesses and homes.



- **Wedding Planning:** Small companies that provide wedding planning services might find great success in the Indian wedding market.
- **Additional Opportunities:** • **cuisine Services:** Offering cuisine for parties and events can be a lucrative business venture.
- **Pet Care Services:** Opportunities for grooming, boarding, and training services are available in the expanding pet care sector.
- **Travel Agency:** Small travel agencies can provide services including tour planning and airline and hotel reservations.
- **Organic Farming:** As the market for organic goods grows, so do the prospects for small-scale organic farming.
- **Childcare:** There is a need for childcare services, particularly for working parents by small scale industries can also provide.
- **Virtual Fitness Training:** As online fitness programs have grown in popularity, so too have chances for virtual fitness trainers.
- **Production of Small Toys:** Producing toys on a small scale is a feasible business venture.
- **Handloom & Handicrafts:** Offering a sustainable business strategy is the sale of hand made goods via local markets or internet platforms.

Challenges Faced By Small-Scale Industries :

The financial well-being of our nation depends on small-scale enterprises. Small-scale businesses, however, are unable to carry out their function effectively due to a variety of limitations and challenges.

- **Lack of Finance :** Small scale businesses often face difficulties in accessing timely and adequate credit due to their lack of collateral and credit worthiness. Due to lack of fund many small businesses got shutdown.
- **High Interest Rates :** When financing is available, it is often at high interest rates and due to facing it difficult to operate and expand the business.
- **Poor Cash Flow :** Inadequate cash flow can lead to difficulty in managing working capital and facing short-term obligations.
- **Raw Material Availability :** Small businesses may struggle to obtain sufficient raw materials, and they may have to compromise on quality and lack of quality products or services its not possible to sustain business in the market.[15]
- **Outdated Technology :** Many small-scale industries lack access to modern technology due to lack of knowledge and money, hindering their ability to compete and improve productivity.
- **Lack of Innovation :** Small enterprises may find it challenging to invest in R&D and implement new technologies in response to market demands due to a lack of funding and experience.[15]
- **Marketing Challenges :** Reaching a larger audience and increasing brand awareness are challenging for small businesses because they frequently lack the resources and marketing know-how.



- **Competition with Large Firms** : Large-scale industries and imports can put pressure on small businesses, making it difficult for them to compete in the market.
- **Lack of Brand Identity** : Small scale businesses may struggle to establish a strong brand value and customer loyalty due to limited marketing resources.
- **Skilled Labor Shortage** : Small scale businesses may find it difficult to attract and retain skilled labor due to limited resources and competitive wages and salaries.
- **Lack of Infrastructure** : Lack of adequate infrastructure, such as transportation, electricity, and communication networks, can hinder the growth and development of small-scale industries in India.
- **Lack of Managerial Skills** : Small scale businesses may lack managerial expertise, especially in areas like finance, marketing, and operations.
- **Regulatory Burden** : Small businesses may find it more difficult to operate as a result of excessive taxes and bureaucratic processes.

These problems and challenges highlight the need for government and other stakeholders to provide support to small-scale industries in areas such as finance, technology, marketing, and infrastructure. [17]

Measures To Improve The Ssis As Per Union Budget :

The Union Budget for 2021–2022 includes measures aimed at improving the current state of small-scale Industries. Under the Aatma Nirbhar Bharat Abhiyan, the government has implemented several measures to bolster the MSME sector in the nation, especially in light of the Covid-19 pandemic. These measures include the introduction of the 'Udyam Registration' online portal, a Rs. 20,000 crore subordinate debt for MSMEs, and Rs. 3 lakh crores in collateral-free automatic loans for businesses, including MSMEs. For purchases up to Rs. 200 crores, there wouldn't be any international bids. [19] On June 1, 2020, the Prime Minister also launched an internet platform named "Champions". This covers many e-governance subjects, such as supporting MSMEs and grievance resolution.

The Union Budget for 2022–2023 includes the following initiatives to improve the current state of small-scale industries:"- The Emergency Credit Line Guarantee Scheme (ECLGS) will be extended until March 2023 to support micro, small, and medium-sized enterprises (MSMEs) affected by the COVID-19 pandemic. Finance Minister Nirmala Sitharaman highlighted that over 130 lakh MSMEs have benefited from this scheme, which is part of the Union Budget for 2022–2023. The coverage of ECLGS has increased by ₹50,000 crore, totaling ₹5 lakh crore, specifically including additional funds for hotels and related businesses. The Credit Guarantee Fund Trust for Micro and Small Enterprises will also be updated to provide an extra ₹2 lakh crore in funding, creating more job opportunities. Furthermore, the Raising and Accelerating MSME Performance (RAMP) program will have a budget of ₹6,000 crore over five years, aimed at enhancing the sector's competitiveness, and secondary MSME steel makers will receive an additional year of customs duty remission on steel scrap.[20]

Measures announced in Union Budget for 2023-24 to improve present situation of small scale industries.



- **Vivad se Vishwas Scheme** – Relief for MSMEs:- The Union Budget 2023–2024 states that the government will return 95% of the money that MSME suppliers who were unable to complete contracts because to the Covid-19 epidemic forfeited.
- The Vivad se Vishwas program announced this alleviation measure: The government is voluntarily resolving outstanding direct tax issues with taxpayers through the use of this program. Those without access to institutional funding whose funds was frozen as a bid fee or performance guarantee due to Covid-related problems can benefit from the program.[21]
- **TMSE Financing** : The Credit Guarantee Fund Trust for Micro and Small Enterprises Credit Guarantee Scheme would get ₹9,000 crore from the Finance Ministry as of April 1, 2023. Together with a 1% reduction in loan costs, the ministry would also offer MSMEs an extra ₹2 lakh crore in collateral-free financing. The Credit Guarantee Scheme modifications implemented in December 2022 are also covered by this funding.[22]

Measures announced in Union Budget for 2024-25 to improve present situation of small scale industries.

A credit guarantee scheme eliminating collateral requirements will facilitate term loans for MSMEs to acquire machinery. Public Sector Banks (PSBs) will enhance credit accessibility by developing internal evaluation capabilities based on MSMEs' digital footprints. A system will ensure the continuity of bank credit to MSMEs during financial hardships. The maximum Mudra loan will increase from ₹10 lakh to ₹20 lakh for compliant borrowers under the "Tarun" category. Lowering the turnover threshold for TReDS registration from ₹500 crore to ₹250 crore will allow an additional 22 CPSEs and 7000 companies to join. SIDBI plans to expand its branch network to directly loan MSMEs within key clusters over the next three years. Financial support will also establish 50 multi-product food irradiation facilities, and public-private partnerships will create e-commerce export hubs for MSMEs and artisans.[24]

Measures announced in Union Budget for 2025-26 to improve present situation of small scale industries

- The credit guarantee coverage for micro and small businesses has increased from 5 crores to 10 crores rupees, providing an additional 1.5 lakh crore rupees in credit over five years. Startups will have their coverage doubled from 10 to 20 crores rupees, along with a 1% lower guarantee fee for loans in priority industries.
- Interest subsidy on MSME loans has been extended for two more years. • A new plan for first-time entrepreneurs from Scheduled Castes, Scheduled Tribes, and women will offer term loans of up to ₹2 crore over five years.[25]
- The PM Vishwakarma Scheme provides assistance to artists and artisans.
- The budget aims to improve credit availability to MSMEs through various measures, including support for labor-intensive industries, a public procurement policy for MSMEs, and a new digital platform for loan applications.
- Additional initiatives include changes to MSME classification standards, credit cards for micro enterprises, and programs for clean technology and manufacturing, all



aimed at fostering MSME growth and simplifying access to finance.[26]

Conclusion :

Small-scale industries are crucial to India's economy. They contributing to employment, entrepreneurship, and regional development of country. They make up over 40% of the country's total industrial value added. The government has implemented initiatives and incentives to promote Small scale businesses and establish institutional infrastructure. SSIs have proven effective in addressing challenges like finance, raw materials, expertise, marketing, and capacity underutilization. They also generate income through commodity exports. Government assistance, improved infrastructure, access to finance, technology advancements, and skill development initiatives can help create a more inclusive and sustainable economy.

- The furtherance and advancement of SSIs is essential for the development of Indian economy to achieve impartial distribution of
- income and wealth, economic self-dependence and economic sustainable developments. To boost the SSI sector so that it can take
- deserved place in the growth mechanism of Indian economy, it is essential to support MSMEs by educating them to make
- optimum utilisation of inbuilt capacity to be successful both under human and economic activity. Some appropriate measures to
- be taken by the government in providing financial assistance at minimum formalities, a platform to be built by government to help
- the MSMEs in procurement of quality raw material and train them for organised marketing process.
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