



## **4. A Survey on Quality Problems in Small Scale Industries**

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### **ABSTRACT**

*Particularly in developing nations, small-scale industries are essential to economic growth. This industry has a broad reach in India when the country's population is taken into account. When the small-scale industrial sector is developed, other issues pertaining to the economy can be resolved on their own. However, these must contend with numerous issues as they compete with other large-scale industries. This sector may prove itself as a developing engine if these issues are resolved or if initiatives are made to encourage these difficulties. The development of the economy and the country is greatly influenced by the small-scale industries. Since industries are the foundation of our country, their growth is directly related to its economic development. Over the past ten years, India's industries have made impressive strides in terms of output, employment, exports, etc. Increased use of natural resources, job creation, and the production of goods and services are all benefits of industrial expansion; yet, small-scale businesses must contend with specific challenges when competing with larger or more established industries. The issues that all small-scale enterprises face are very universal. This industry can be a driving force for development if these issues are resolved through effective measures or efforts. We will talk about it in this paper. An analysis of issues with quality in small-scale industries.*

### **KEYWORDS:**

*Quality Problems, Small Scale Industries, Economy, Enough Funding, Technology, No Marketing, Inferior Quality Products, Poor Raw Material, Poor Project Planning, Infrastructure, Governments, Digital India*

### **Introduction:**

Small-scale industries are those that use power, hired labor, and machinery to manufacture items or render services on a small scale. The modest size of small firms causes them to face a number of challenges. They don't have much money to grow. Because they cannot benefit from government programs and incentives, they are unable to take advantage of economies of scale in production and lack the will to grow.

Consequently, the business units can get ill or possibly stop operating. Small-scale industries cover a wide range of tasks, including infrastructure, building, manufacturing, servicing, and financing. More and more small-scale industries are expected to be established in the upcoming years due to the Government of India's growing emphasis on the significance of these sectors of the economy. Small-scale industries also support the nation's economic growth by growing their proportion of national production, employment, and exports. However, issues with raw materials, financing, marketing, capacity underutilization, etc., also affect these businesses. These days, cash has become a major issue for both small and large enterprises. [1]

Systems and production methods will be determined by market demand. Efficiency, competitiveness, and productivity must be the guiding principles for resource allocation in the industry. In a developing economy such as India, the Small-Scale Industries (SSI) play a vital role. Through the creation of employment opportunities, the mobilization and use of resources, the generation of money, and the slow and progressive promotion of change, they strategically contribute to the advancement of the nation. Generally speaking, these industries mark a phase in the economic shift from traditional to modern components. These industries' diversity reflects the traditional nature of this process. Despite their enormous potential, these businesses were unable to make satisfactory success. They struggle with labor, raw material availability, lack of credit, shortage of machinery, etc., which affects their performance. [2]

### **Problems Faced by Small Scale Industries:**

#### **1. Not Getting Enough Funding:**

Finance is a big issue for small businesses; without enough money, no organization can expand. Since they are developing a new business strategy, entrepreneurs struggle to obtain bank loans and are not considered creditworthy. Due to their lack of resources, the majority of small business entrepreneurs must borrow money from lenders at astronomical interest rates.

#### **2. Lack of Technology:**

Small businesses lack the newest technologies necessary to operate their factories and equipment. They are unable to compete with larger-scale businesses due to outdated production practices, and they lack automation in doing manual, labor-intensive jobs. Lower quality, higher production costs, and obsolete hardware and software for their technological solutions (if any) are further issues facing the service sector.

#### **3. No Marketing:**

Small-scale businesses lack the skills necessary for efficient self-promotion. Marketing plans are lacking, and small businesses are unable to obtain reliable market data. The majority of business owners do not consider demographics, and there is no plan for creating ideal consumer personas. In India, small firms often lack a large marketing budget, and increasing brand awareness is a common challenge. [3]

#### **4. Inferior Quality Products:**

High-quality products cannot be produced by small-scale enterprises due to a lack of funding, raw materials, or labor. Additionally, business owners are unable to sell it at the market prices they desire, even if they are able to.

It is difficult for sellers to expand in competitive markets since major companies are always vying for their business. The main causes of subpar product quality include high production costs, inadequate capital, a lack of research, and a lack of resources.

#### **5. Poor Raw Material:**

For small-scale companies, the only resources accessible are those found locally. Frequently, these raw materials are of low quality, and the supply is erratic, resulting in subpar goods and a bad reputation for the sector as a whole. Prices are high because there is a greater demand for raw materials than there is supply. The lack of raw materials causes small businesses to produce less, be unable to satisfy demand, and lose clients.

#### **6. Project Management:**

For small businesses, inadequate project planning is a concern. Due to their passion and fervor, some business owners do not consider viability to be very important. All of these concerns, along with the projects' technical and financial viability, are covered in the project feasibility study, which is not given enough weight. Furthermore, they are unable to hire project experts because of their restricted financial resources. Project planning and execution suffer as a result.

#### **7. Infrastructure:**

Lack of energy, outdated water and sewer systems, poor roads, raw materials, and marketing issues are just a few of the drawbacks that plague the majority of small businesses and industrial estates in urban areas. Therefore, inadequate infrastructure has a detrimental effect on businesses' production schedule, quality, and quantity, which leads to underutilization of capacity.

#### **8. Other Difficulties:**

Small-scale units were also hindered by several other issues. These include a high level of obsolescence, outdated and traditional designs, poor management, and a huge number of fraudulent businesses. The expansion of small firms has been hindered by all of these challenges. [4]

#### **Review of Literature:**

As a developing nation, India possesses a number of unused or untapped resources. A sizable portion of the populace is unemployed and dissatisfied with their basic necessities. The Indian Planning Commission states that the small-scale industry is primarily divided

into three categories: Traditional, Modern, and Other. The utilization of physical labor and human talents rather than technical or mechanical skills is what distinguishes traditional small-scale sectors from modern ones. According to the 1991 Small-scale Industry Policy, several policy regimes are needed for various industry subsectors (Dasgupta, 2002). Better economic development was required to increase people's participation in some productive activities, investigate new employment opportunities, and provide equal opportunity for men and women in economic activities. The Small Industries Development Organization (SIDO), a key organization for the steady and planned expansion of SSIs, was established in 1954. [5]

We may obtain accurate information regarding SSI from Anshu Taunk's (2013) research, which examines the issue of SSI and its overall impact on national revenue. The main issue facing SSI, which is growing at an incredible rate, is worker insecurity. Additionally, the study revealed SSI's performance between 1995 and 2010. We can learn about changes that occur in the SSI unit based on that analysis. yearly growth and return on investment, according to the report. It was clear from the study that SSI suffered when import restrictions were lifted. The bigger issue facing SSI was how it would change on a global scale. High tariffs and non-tariff obstacles like import licensing prevent it from thriving. [6]

According to the research conducted by Mubarak and Budanur Suresh (2021), SSI is essential for giving the general population employment opportunities and raising the national income. According to the study, Mahatma Gandhiji's particular concern for handicraft and village-based enterprises may be the reason behind India's emphasis on and support for SBEs. As auxiliary units to larger businesses, small business enterprises (SBEs) play a vital role in the socioeconomic climate of the nation's development. In an economy like India, the SBE sector has developed into a vibrant, dynamic area of the economy that is essential to economic growth. Indeed, of India's 50 million SBEs, 4.6 lakh are in the state of Karnataka. It also contributes roughly 40% of the nation's industrial production, 42% of exports, and 65% of job prospects. The writers also discuss the effects of the goods and services tax on medium-sized and small-sized companies. It is very challenging for SSI units to adjust to the evolving customer needs brought about by globalization because of a severe lack of funding. Given the growing number of SSI units and their contributions to exports, employment creation, production, and other areas, it is evident from this study that SSI units are contributing to GDP improvement. However, SSI also faces challenges relating to raw materials and finance (fund). [7]

In his book "Small Scale Industries and Entrepreneurship," published in 2002, Vasant Desai conducted a thorough examination of the various facets of small-scale industry management and operations in India. With particular reference to the Indian small-scale sector, he has given a thorough explanation of the theoretical and practical features of small-scale enterprises at the macro level. He has concentrated on the small-scale sector's catalytic role in the economy's explosive growth. Mr. Desai has emphasized the fundamental and intrinsic strengths of the SSI sector, including its potential for increased labor employment, low capital requirements, adaptability to consumer and production demands, ability to support and encourage regional industrial activity dispersion, low input content, and environmental friendliness. In light of the fast shifting economic landscape under the new WTO regime, globalization, and liberalization, the author has argued for giving SSIs more competitive strength.

To solve their fundamental issues, such as limited access to markets and finance and, consequently, to technology, the author has proposed (i) a sound policy environment, (ii) encouraging foreign investment to infuse additional resources and technology, (iii) simplifying industrial legislation, (iv) streamlining administrative machinery, (v) strengthening delivery, (vi) preventing delayed payment, (vii) rehabilitating sick units, (viii) upgrading technology, (ix) better marketing management, (x) a proper fiscal environment, and improving infrastructure, among other measures. The author has made a strong case for identifying potential strategies to increase the SSI units' commercial viability and competitiveness in the evolving environment. [8]

### **Objectives:**

- To analyze the problems of small-scale industries.
- To remove the difficulties faced by small scale industries
- To know the governments effective steps to solve the problems of SSI industries.
- To study the major problems faced by small scale industries.

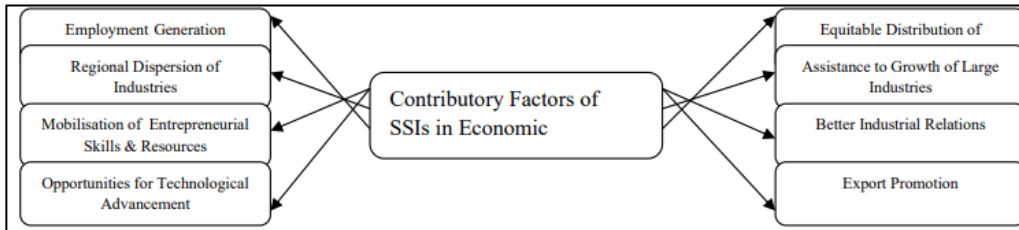
### **Research Methodology:**

Only secondary data served as the foundation for this investigation. Secondary data is gathered from the Ministry of Small and Medium Enterprises' website, the Indian government, and other published materials. It is also gathered from journals, magazines, newspapers, books, documents, pamphlets, and reports published by the FDA, WHO, and SSI in India, as well as from their websites and performance reports.

### **Result and Discussion:**

Since the 1950s, the concept of a small-scale sector in India has been evolving. Unquestionably, small businesses in India have been protected by the statutory establishment of the Ministry of Micro, Small, and Medium Enterprises and the categorization of businesses under the ministry. The MSMEs sector, particularly the service industry, has made a significant and expanding contribution to the nation's development. Since microbusinesses are typically referred to as village and cottage industries, Indian MSMEs take pride in their long history. The definitions of small-scale industries have changed throughout time, establishing and eliminating various requirements related to employment, labor force participation, and investment cap. Initiatives like "Make in India," which establishes a network for international investors in India, "Digital India," which offers a foundation for ICT capabilities, and "Startup India," which offers market and training support, are all crucial for MSMEs in order to boost this sector.

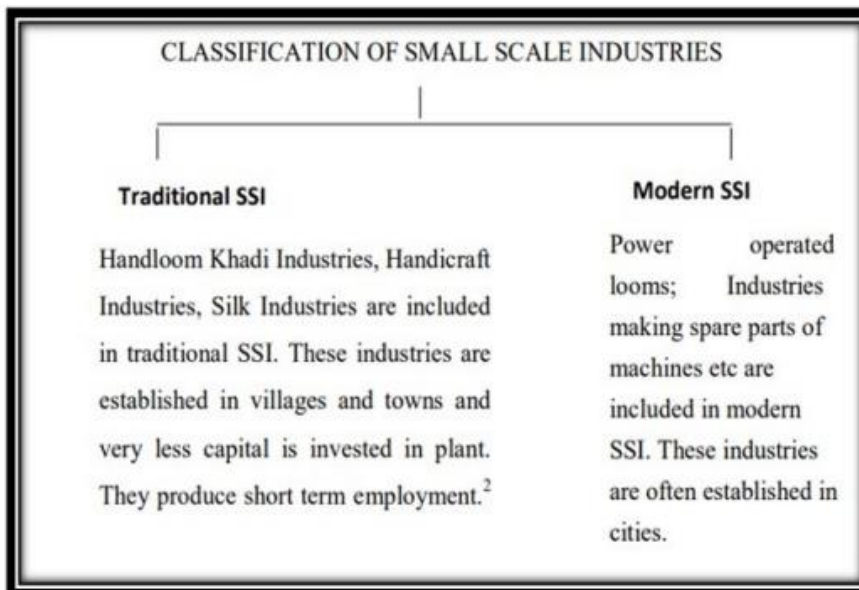
Current GOI programs provide capital subsidies, corpus funds for new technology adoption, and funding support (collateral-free) for the adoption of technological tools and quality management standards. Since decreasing returns to scaling have been observed over the capacity level of the SSIs in the majority of India, a well-developed policy framework is always necessary to ensure inclusive growth and sustainable development. If small and medium-sized businesses were supported by emerging industries like technology and services, they would significantly contribute to the growth of the Indian economy. [9]



**Figure 4.1: Role of SSIs in Economic Development of India (Source: Lakshmi (2013)) [10]**

**Two major categories can be used to classify SSI:**

1. Traditional SSI
2. Modern SSI (MSSI) [11]



**Figure 4.2: Classification of SSI**

**Role of SSI in Economic Development in India:**

SSIs support the nation's overall GDP growth by creating jobs and exporting goods nationwide. Since gaining independence in 1947, the small-scale industrial sector has had rapid growth despite significant opposition from the large division and a lack of government empowerment. The 1948 Industrial Policy placed small-scale industries in a better position to create excess jobs with relatively little capital investment. From producing "simple consumer goods to the assembling of many refined and precision items like hardware control frameworks, microwave components, electro-medicinal types of gear, t.v. sets and so on," the SSI sector has progressed in just the last ten years. [12]

**Small Scale Sector:**

Since it alludes to ancient customs and processes, the idea of "small scale industry" is not new to the Indian economy. The term "small-scale sector" has been expanded to encompass small firms, tiny industries, and all service-sector companies that offer a range of services to the manufacturing sector.

Under the Reserve Bank of India's (RBI) current definition, "Tiny Scale Industry" refers to businesses that produce, refine, and store commodities or items and in which capital expenditures for plants and industrial equipment do not exceed Rs. 5 crores. Small firms should not spend more than Rs. 25 lakh on plants and machinery.

Decentralized and unorganized industries like handicrafts and handlooms are included in SSI. The food and agro-based industries, software, and service/business enterprise industries are examples of small-scale industries in India. In order to create job opportunities, raise funds and resources for the equitable distribution of the national revenue, and promote industry, the government supports the expansion of SSI. As indicated below, Micro, Small, and Medium Enterprises (MSMEs) have been divided into tiny, micro, and large firms according to the amount of investment in plant and machinery. [13]

**Table 4.1: Investments in machinery and equipment by manufacturing firms**

Description	Amount
Microbusiness	Up to 25 lakh rupees
Small business	More than Rs 25 lakh but less than Rs 5 crore
Medium business	More than Rs 5 crores to Rs 10 crores

Micro, small, and medium-sized enterprises (MSMEs) in the service industry have been divided into the following categories based on the amount of capital invested in equipment:

**Table 4.2: Service sector - the amount of capital invested in equipment**

Description	Amount
Microbusiness	Up to Rs.10 lakhs
Small business	More than Rs10 lakh but not more than Rs 2 crores
Medium business	More than Rs.2 crore but not more than Rs 5 crores

Source [14]

**Analysis of Prospects and Problems of MSMEs:**

Table 1 makes it evident that there were 298.08 lakh small-scale industries in 2009–10, up from 105.21 lakh in 2001–02. Over the past ten years, these have increased by about three times. In contrast to their respective prior years, they grew steadily until 2005–06, but in 2006–07, their growth rate was unthinkable at 111.18 percent. From then on, their growth rate has remained approximately 4.5% till 2009–10.

**Table 4.3: Growth and Performance of Small-Scale Industries**

Year	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
<b>Total</b>	105.21	109.49	113.95	118.59	123.42	261.12	272.79	285.16	298.08	311.5
<b>Working MSM Enterprises(LakhNo)</b>	(4.07)	(4.07)	(4.07)	(4.07)	(4.07)	(111.57)	(4.47)	(4.53)	(4.53)	2 (4.51)

(Source: Annual Reports 2011-12 by MSME)

Table No. 2 shows that, in comparison to the industrial sector as a whole, small-scale industry has continued to grow at a faster rate. Table 1.2 makes it evident that the growth rate of small-scale industries have risen from 10.88 percent in 2004-05 to 13.00 percent in 2007-08, while the growth rate of the industrial sector as a whole has increased from 8.40 percent to 11.90 percent during the same period, showing an upward trend until 2006-07 but a decline in 2007-08. This suggests that SSI's contribution has been significantly greater than that of India's whole industrial sector. According to Mahatma Gandhiji, the father of the nation, small and microbusinesses are the foundation of the Indian industrial sector. In the Indian economy, the father of the nation's proverbs have been true. Therefore, by increasing their competitiveness, the federal government and state governments should prioritize the growth of this industry. [15]

**Table 4.4: Comparison of Small-Scale Industry Growth Rates**

Year	Growth Rates of SSI Sector (2001-02 baseIIP(%))	Overall Industrial Sector Growth Rates (%)
2004-05	10.88	8.40
2005-06	12.32	8.00
2006-07	12.60	11.90
2007-08	13.00*	8.70
2008-09	**	3.20
2009-10	**	10.50
2010-11	**	7.80

(Source: Annual Reports 2011-12 by MSME \* Projected IIP

\*\* Methodological changes are ongoing due to the updated definition of the MSMEs sector.)



**Problems of Small-Scale Industry:**

1. Lack of funds: A company's ability to raise money is essential. It is necessary for the business's growth and efficient operation. Due to their low creditworthiness and restricted funding sources, SSI typically experience a funding shortage. Because of this, they have a lot of trouble getting the money, and even if they do, the interest rate is very high.
2. Limited resources: Due to their reliance on local resources and inability to access high-quality materials and experienced labor from the open market like LSI, SSI typically has limited financial resources, which limits their capacity for efficient production.
3. Lack of Technology: Because SSIs are situated in rural areas, they typically rely on labor-intensive methods or the available manpower to carry out production operations. Due to limited financial resources, they are forced to employ antiquated techniques, which lowers output. Their research skills are hampered by a lack of resources, and they continue to use antiquated methods, which keeps them technically behind.
4. Inadequate Marketing Support: After production, successful marketing campaigns are crucial to reaching a wider audience and generating more profits. It was occasionally noted that SSI lacks proper marketing support, and as a result of haphazard marketing initiatives, they are unable to communicate directly with clients and are therefore ignorant of their preferences and needs.
5. Poor infrastructure: Because they are situated in an outlying region, they face a number of challenges, such as poor connectivity, unplanned power outages, rough roads, and transportation concerns. Since they are unable to communicate with their suppliers and customers in real time, the issue of poor connectivity has had a negative impact on SSI's performance. [16]

**Conclusion:**

National development depends on small-scale industries. It makes up about 40% of the Indian economy's gross industrial value added. Local needs are being met by small firms that are expanding across states. In order to encourage SSI and build the institutional framework for it, the government has also implemented a variety of initiatives and incentives. In terms of employment and many other areas, small-scale industries have been crucial to the expansion and development of the Indian economy. Even with their immense potential, small-scale industries are still not developing to their full potential since they have numerous issues and flaws. The SSI sectors will demonstrate that they are among the most active in the global economy if the governments have taken corrective action to remove the obstacles and act to take use of the enormous development potential that exists in the country.

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