

# ATTEMPTING AN IN-DEPTH ANALYSIS OF SME'S IN CONTEMPORARY BUSINESS SCENARIO TO DEVELOP A METRICS FOR MEASURING AND PREDICTING THE HIGH PRODUCTIVITY OF ENTERPRISES

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India is a poor country and its economy is a developing economy. Here there are lot of problems which has to be faced and solved and amongst all the major problems unemployment is the biggest problem which is hindering the growth of the country. Our agriculture and industries at present are not capable of absorbing all unemployed persons. Unemployment has been increasing like an epidemic and the solution lies only in the development of cottage and small scale industries. These are those industries which uses power, employ modern techniques, scatter to a wider market and employs large no. of people. They play an important role in the economy as they are labour intensive and create job opportunities.

With the growth of industrialization the development of small scale industries has also increased. Small scale enterprises are defined as those enterprises which uses less than US\$180,000 in capital equipment. They offer a high productivity of capital than capital intensive enterprises. They help in dispersal of industries, rural development, and the decentralisation of economic power. All this is required to increase and disperse economic growth.

## IMPORTANCE

The case for small scale industries can be justified on following grounds:

- 1. Certain more employment opportunities:** - Small scale industries are low labour intensive. They require more workers and lesser machine and equipments. In this way, they will absorb more workers and will be suitable for Indian economy, where unemployment is widespread.
- 2. Formation with small capital and simple machines:** - Cottage and small scale industries can be started with small capital and simple machines, tools and equipments. In this way, these industries can be owned and managed by middle income people also.

3. **Lower degree of skill required:** - These industries have simple technology. They do not require higher degree of technical skill. These industries can be operated by persons of ordinary skill also.
4. **Quick Yielding:** The formation of industries is simple and does not take long period for establishment. The owner has not to wait for long period for income. The industry starts paying rich returns quickly.
5. **More equality in income distribution:** In case of large scale industries, the Income concentrates in the hands of industrialists. In case of small scale industries, there remains lesser amount with the owner after paying rent of land, wages of workers and interest on capital. Income is more equitably distributed.
6. **Balanced Regional Development:**-Cottage and small scale industries can be started in every region. Even remotest villages can have these industries. The establishment of these industries in every regional rural sector will result in balanced regional development.
7. **Mobilization of savings:** - These industries can be started with small capital even on cooperative basis. It can be a proprietorship or partnership. Persons desirous of establishing these industries save income and also mobilize savings from other members. These industries provide an incentive to the weaker sections of the society to form these industries with their small savings.

credit limit of Rs. 10Lakh for borrowers with satisfactory track records.

## PROBLEMS

The establishment and operation of small scale industries is not free from problems. These industries have to face the following problems:

1. **Problem of license:** The procedure for obtaining license from the industries department of the state is cumbersome and bureaucracy is unhelpful. A lot of time and money is wasted in getting license.
2. **Problem of Finance:** The initial investment comes from own sources and loans borrowed from non — banking and non government sources at very high rate of interest. Banks and govt sources are reluctant to advance loan to new small scale units.
3. **Problem of Project Report:** Small scale industrialist prepares his project report generally himself. As he is not specialized for the job, so it becomes very difficult for him to prepare the project report and get it approved.

4. **Problem of Appropriate Location site:** Small scale producer wants a place which should have all production and trade facilities, yet he has to pay small amount for all the site. Such a site is difficult to find.
5. **Problem of modern technology:** Absence of latest technology is one more problem faced by these industries. The use of old and out of date technology throws them out of the competitive market.
6. **Problem of marketing:** Items manufactured by small units are not generally standardized and suffer from poor design and quality. It makes their marketability difficult.
7. **Techno-managerial and Financial Problems:** Interestingly, one would imagine that because small industries are heavily supported by the government, availability of finance and obtaining finance for pollution control measures should not be a problem. The concern of depressed profit margins and decline in competitiveness prevents these units from using pollution control measures. More emphasis is laid on new investments, production, and other return oriented opportunities. Soft loans for pollution control measures are not lucrative. There are subsidies offered for investments in pollution control as incentives, but the impact of these incentives on these units is little or nothing, for they do not alter the cost-benefit analysis in favour of pollution control investments (Nyati, 1988).
8. **Regulatory Problems:** Inspections are probably ineffective in bringing about desired changes in behaviour because of bureaucratic and other problems, including the probability that enforcement is low and that penalty for the non compliance is not stringent enough to act as a deterrent. They suggest that Indian policy makers and regulators thus need to explicitly recognize the trade off in environmental quality of the existing regulatory bias towards the small and medium scale sector.

Regulatory compliance has been a major issue for these units.

There has been no incentive to invest in the pollution control effort because of weak monitoring and enforcement of environmental regulations.

The exchange between the economy and condition for generation process, client needs and innovation is dynamic and complex. The development inviting directions can enhance asset efficiency and intensity, however the issue is inspiring little ventures to participate and to see it as a long haul arrangement instead of a transient objective.

**CONCLUSION**

Thus it is very clear from the above discussion that small scale industries plays a very vital role in the development on the economy and for the growth of Indian economy we need a proper and balanced growth of the small scale industries. Even after 59 years of independence and with so much advancement ion technology still we are lacking far behind in terms of growth and development and the main solution to this is the development of small scale industries. Today also there is no. of problems which the industries are facing and they need to be taken care off Proper measures should be taken for the development of small scale industries to achieve desired objectives of the economy.

**CONCLUSION**

In a nation like India small scale industries come as a boon. They encourage entrepreneurship and help in employment of local populace. The domestic talents are put to good use to produce commodities that have found market worldwide. Small scale industries to a degree avert needless urbanization. The number of people migrating to cities in search of jobs shrinks by the employment options domestic industries create thereby reducing pollution and over population in cities and also helps in decentralized industrial expansion.

While there is an overwhelming case for providing support to SSI through specialized credit access schemes and fiscal incentives, a similar case can not be made on economic grounds. Several export committees have examined this issue and come to the conclusion that policy of reservations has impeded healthy growth and export capability in many areas.