



IV. Higher Order Thinking Skills (HOTS)

Question 1. “The path of small scale industries is full of hurdles”.

Discuss.

Answer: Yes, it is absolutely correct to say that path of SSI is full of hurdles. The following are the major problems faced by Small Scale Industries (SSIs) in India.

- **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.
- **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.
- **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 lack of skilled and talented manpower, which adversely affects their efficiency.
- **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.
- **Obsolete/outdated technology:** Many small-scale industries use production techniques which are outdated and obsolete.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.2. What are the marketing problems faced by Small Scale Industries?

Answer: Small scale units are exposed to numerous problems. Major problems faced by these units are concerned with raw-material, labour, finance and marketing. Problem of marketing is more complicated in case of small scale industries. These units are in no position to face the onslaught of large scale limits i.e., quantity, quality and cost and at the same time are not in a position to assess the prevailing market scenario (or) changes which are taking place with respect to tastes, liking, disliking, competition, technology etc. Moreover these units do not possess the requisite expertise to adjust their operations according to the changed situation.

- **Problem of Standardization:** Small scale units face problems with respect to fixing the standards and sticking. This results in the poor quality of their products and it adversely affects their image (or) goodwill in the market.

- Competition from Large Scale Units: Small scale units are ill equipped to face competition from large scale units' with respect to quantity, quality and cost. In the modern competitive world there is survival of the fittest, even the existence of small scale units is endangered.
- Poor Sale Promotion: Small scale units have limited financial resources and hence, cannot afford to spend more on sales promotion. These units are not having any standard brand name under which they can sell their products. Various channel members try to exploit them because of the lack of goodwill of their products in the market.
- Poor Bargaining Power: Due to limited resources and lower scale of operations small scale units are in a weak position while negotiating with the suppliers of raw- material, finances (or) marketing agencies. They are always at the receiving end and as such are not in a position to safeguard their interests.

Question 3. Explain the future of small scale enterprises in the light of policy of LPG.

Answer: Present time is the time of WTO. India is a founder member of WTO. Therefore, it is bound to open its economy for the global producers. As new giant scale MNCs enters the market, it becomes must for them to steadily re-orient themselves to face the challenges coming from increased competition. Certainly competition will increase for them. In these situations the mantra of success will be "Think global and act local".

- They need to bring dynamism, flexibility, innovative entrepreneurial spirit, small businesses need to modify themselves as per the changing needs of market driven economy.
- Government also needs to change its role from a regulator to facilitator and promoter.
- New strategies have to be found to increase partnership between large and small industries.
- In order to maintain their market share and healthy growth, SSIs need to create a level playing field for themselves.
- They will be able to compete in this global scenario if they learn to manage, adopt and improve their competitive strength.

V. Value Based Questions

Question 1. It is right on moral grounds to give some special incentives to small scale industries. Do you agree? Justify your answer.

Answer: Yes, I agree. There are many problems with SSIs. Major problems faced by the small scale industries are :

- (1) Finance
- (2) Raw Material
- (3) Idle Capacity
- (4) Technology
- (5) Marketing
- (6) Infrastructure
- (7) Under Utilization of Capacity
- (8) Project Planning.

Small scale industries play a vital role in the economic development of our country. This sector can stimulate economic activity and is entrusted with the responsibility of realizing various objectives, i.e., generation of more employment opportunities with less investment; reducing regional imbalances etc. Small scale industries are not in a position to play their role effectively due to various constraints. If government provides certain incentives in the form of incentives on land, power, tax holiday etc, it can grow well and can be able to compete with large scale enterprises.

Question 2. We need to give special attention for the growth of rural, backward and hilly areas. Why?

Answer: It is rightly said that we need to give special attention for the growth of rural, backward and hilly areas because:

- Large scale business houses are unwilling to invest in these areas. It leads to lack of employment opportunities in these areas.
- There is disguised and seasonal unemployment in rural areas. This type of unemployment can best be tackled by developing small scale and village industries.
- It is the duty of the government to ensure balanced development in all corners of the country.
- It can help to make these areas developed and bring them at par with other areas of the country.

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