

# Problems and Constraints of Small Scale Industries in Uttar Pradesh During 2001 to 2015

## Abstract

The most important factor for economic development of a country is its industrialization. In the process of industrialization, emphasis is given to the three major groups of industries, large-scale industries, small scale industries and cottage industries. Uttar Pradesh is one of the largest states of India. It holds the third largest economy (2011-2012) in India. The U.P. financial corporation was established in the year 1954 under the SFCs act of 1951 mainly to develop small and medium scale industries in the state. In U.P. small scale industry play vital role in the development of economy. This sector occupies a special place in the framework of economy planning for ideological as well as economic reasons. But on the other hand in U.P. large numbers of small scale industries are facing lots of problems and constraints. Some SSI units are going to completely absent because of lack of money and machinery and equipment. Thus, in this research paper an effort has been made to identify the problems and constraints relating to the small scale industry.

**Keywords:** Indian Small Scale Industries, Employment Generation and Growth, Lack of Machinery and Equipment.

## Introduction

Uttar Pradesh is one of the largest state of India. There are many religion lived at same time. Basically UP is depending on rural economy, approx 80% crowd lived in rural areas.

A Small Scale Industry is a Project or firm created on a small budget or for small group of people. A Small Scale Industry produces its goods using small produces goods meant for few people. In other word small scale industries are those industries whose capital is supplied by the proprietor or through means like partnership or firm financing agencies setup for this purpose etc. Those industries generally use power driven machines and also employ modern methods of production, engage labor on wage, produce for expanded market, their work pattern is on permanent basis. Such industries can be managed with little resources and in terms of returns provide much better results. A small scale industry plays a dominant role in the development of both developed and developing countries. In developing countries small scale industries are especially important in context of employment opportunities, equitable distribution of national income balances regional growth and development of rural and semi urban areas.

Small Scale Industries are easy to start and manage given the minimal scale of production. They are set up to cater for the basic needs of the people within their locality. An example of a SSI is a laundry or small kiosk created to cater to the individual needs of the people in the area in which it is located, these businesses require cheap labor that is easily found and their target market is the host community. Such companies also realize a small annual turnover and as a result, pay fewer taxes. The classification of the industry as large or small scale depends on the rate of production and the number of employees. An industry with a low rate of production and fewer employees is a Small Scale Industry.

## Importance

Small industrial units play a key role in the industrialization a country this because they provide immediate self employment for the people of the region with less investment of capital. The labor abundant and capital scarce like India. Small scale industry is considered as an important tool to overcome problems of unemployment and poverty. Further small industry serve as a seed-bed of indigenous



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entrepreneurship. And there by the surplus labor in the primary sector is fully utilized.

SSI is the backbone of the Indian economy. By considering the employment generation and export generation, the following are some of the importance of SSI

1. Easy to start an SSI which requires very less capital.
2. SSI contributes 45% of manufacturing output.
3. It creates nearly 6.5 crore employment.
4. Employs local people, particularly illiterate and semi-literate and reduces the regional imbalances.
5. Produces goods for downtrodden people, especially for those below the poverty line.

#### Objectives of the Study

There are some objectives in this research paper-

1. To know the role of SSI in development of Uttar Pradesh.
2. To know the role of government in SSI sector.
3. To analyze the importance of SSI in Uttar Pradesh employment rate.
4. To suggest suitable measures for the development of SSI in U.P.

#### Problems and Constraints of SSI

1. SSI suffers from the want of raw material, important components and equipment.
2. There is scarcity of technical skill and managerial ability in this sector, the organizers and artisans of the small enterprises lack proper knowledge of the modern technology and the marketing conditions.
3. This sector is naturally very weak in matter of finance. They are often to depend on indigenious and unscrupulous money leader who charge very high rate of interest.
4. Product of these industry in spite of their originality are not often standardized and therefore, are not exposed to advertisement. There is a group of information between the producer and the prospective buyers.
5. Large scale Industries enjoy the economics of scale and are at the same time favored by the bureaucrats. The clearance of the applications of the smaller units often takes unduly long time.

#### Role of Government

The Small Scale Industry sector output contributes almost 40% of the gross Industrial value added 45% of the total export from India and is the second largest employer of human resources after agriculture. The development of SSI has therefore been assigned an important role in India's national plans.

In order to protect support and promote small enterprises as also to help them become self-supporting, a number of protective and promotional measures have been undertaken by the government.

The promotional measures cover-

1. Industrial extension services.
2. Institutional support in respect of credit facilities.
3. Provision of developed sites of construction of sheds.
4. Provision of trading facilities.
5. Supply of machinery on hire-purchase terms.

6. Assistance for domestic marketing as well as exports.
7. Special incentives for setting up enterprises in backward areas etc.
8. Technical consultancy and financial assistance for technological up gradation.

While most of the institutional support service and some incentive are provided by the central govt. others are offered by the state govt. in varying degrees to attract investments and promote small industries with a view to enhance industries production and to generate employment in their respective states.

#### Conclusion

The promotion of SSI is essential in developing economies like India to achieve equitable distribution of income and wealth economics self-dependence and entrepreneurial development, to empower the SSI sector to take its rightful place as the growth engine of Indian economy. It is necessary to support the MSME, educate and empower them to make optimum utilization of the resources, both human and economics, to achieve success, the SSIs need to be educated and informed of the latest developments taking place globally and helped to acquire skills necessary to keep pace with the global developments.

Reorientation in the altitude of the people of the state in general, the educated youths and capitalist class in particular is the urgent requirement for paving the way of industrialization in the state. It is an accepted fact that people with right altitude, total commitment and right conception can change the existing system. People of the state must give up the lure to earn easy money and sets their mind to take risk. They should learn from the past. We cannot deny that with "obsession over industrial liberalization" the crucial mother of employment creation has taken a backseat.

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