# FACTORS DETERMINING THE SUCCESS AND FAILURE OF SMALL SCALE INDUSTRIES IN INDIA

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## ABSTRACT

*Small scale industries (SSI) play a vital role in the growth of national economy. Small scale industries (SSI) provide huge employment opportunities to people. In the small scale industries (SSI) there are so many crucial important factors which determine success and failure of the business which mainly consists of internal and external environmental factors. Internal environmental factors mainly consist of human resources, marketing, finance, production, distribution, and stiff competition whereas external environmental factors are suppliers, creditors, consumers and government. The present study is an in-depth attempt to analyze whether internal or external environmental factors determine business success and failure of small scale industry.*

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## INTRODUCTION:

Small scale industries (SSI) are the back bone of a developing economy of any country. They exclusively need lesser investment and provide higher employment opportunities. Small scale industries (SSI) are relatively suitable for smaller markets because smaller markets need smaller quantities of products. Small scale Industries (SSI) stimulates growth of industrial entrepreneurship. Small scale industries (SSI) generate additional income and additional savings which help in capital formation in the economy. Small scale industries (SSI) make possible shifting of manufacturing activity from small cities to rural and semi-urban areas in regional economic development.

The small scale industry sector, as an important segment of the Indian economy, accounts for around 95 per cent of the industrial units, 40 per cent of the manufacturing sector output, and 36 per cent of exports and provides direct employment to 282.57 lacks. Persons in around 118.59 lack registered SSI units in the country. The sector enjoys the pride of being second largest employer in the country and offers a wide spectrum of products for consumers and industry-users. The sector serves as a Greenfield for the nurturing of entrepreneurial talent enabling the small scale units to graduate into medium and large scale over a period of a time.

Certain special characteristics of the small scale industries sector make it unique in the Indian Industrial scenario. These characteristics include the de-centralized nature of sector, its small size, greater reliance on locally available human and material recourses, indigenous technology, employment intensity and its suitability in rural areas with limited use of techno economic infrastructure. In order to promote industrial growth, as also to determine the patterns of assistance to small industries for fulfilling socio-economic objectives, a series of six industrial Policy Resolutions/Statements has been issued by the Government of India in the last five decades. The type of incentives extended to the SSIs relate to financial, fiscal infrastructural and developmental aspects. These were targeted at achieving sustainable growth, alleviation of poverty and generation of employment. The specific role of small industries was recognized in the industrial policy resolution of 1948, which started that cottage, and small scale industries are better suited for utilization of local resources and achievement of local self sufficiency in certain type of essential goods.

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**NATIONAL STATUS OF SSI:**

The small scale industrial sector in India is an important segment of the Indian economy, accounts for around 96 % of the industrial units, 41 % of the manufacturing sector output, and 37 % of exports and provides direct employment to more than 3 lack persons in around 179.78 lack registered SSI units in the country. The SSI enjoys the pride of being second largest employer in the country and offers a wide spectrum of products for consumers and industry-users. The sector serves as a Greenfield for nurturing of entrepreneurial talent enabling the small scale units to graduate into medium and large scale over a period of a time.

**REVIEW OF RELATED LITERATURE:**

Charu C. Garg( 1996) opined that growth of small scale industries in India as compared to larger SSI is much more higher. SSI has had its benefits in terms of growth in employment, investment, production and exports as it is heavily reflected from their overall growth and progress.

Dr. Reetu Sharma(2012)observed and opined that poor quality of products, lack of standardization, branding and packaging are some serious product deficiencies. It is worthwhile to encourage some good SSI units to establish their own laboratories by subsidizing a part of initial capital outlay say about 50% subsidy by government. In product development process, the advice of technical experts and market survey should also be taken into consideration.

Ram Singh, Dr. O.P.Verma, Dr. Bimal Anjum(2012) revealed that proper care should be taken of human resources issues which are concern as quality of the product depends upon the quality of HR. Training & development provisions should be followed by the small scale units for proper and smooth functioning. Proper tax benefits should be given to SSI to maintain their standing in the globalised market. To generate more employment opportunities special attention should be given on the development of SSI by the government.

Yogender, and Ranbir Singh(2012) expressed that research perspective for small scale industries in India ,structural and infrastructural aspects of any enterprise can be strongly integrate by taking into account the relation between strategic planning activities which have to be effectively prepared based on the environment, resources, and capabilities available, and the physical issues which should be use in order to full-fill the goals and objectives for all of the operations and functions within the organization whatever it's a large, medium, or small in its size, simple or complex in its structure, local or international in its market.

Dr. Ajay Kumar Garg(2013) revealed that there is an unprecedented importance of Small and medium Enterprises in the country. This is because the number of units is

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maximum in the country. This sector, contributes a major amount in the development and employment.

Sangita G.Patil, Dr. P.T.Chaudhari(2014) examined Problems of Small Scale Industries in India and opined that the promotion of SSI is essential in developing economies like India to achieve equitable distribution of income & wealth, economic self-dependence & 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 MSMEs, educate and empower them to make optimum utilization of the resources, both human and economic, 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.

Based upon the review of past literature, it can be well hypothesized that internal and external factors plays a crucial role not only in establishing of SSI but overall growth and progress of SSI in the country.

## RESEARCH PROBLEM:

Small scale industries (SSI) usually facing number of crucial problems such as production, finance, human resource, marketing of products, distribution, competition, suppliers, creditors, consumers and government policies, etc. If these problems were deeply analyzed, scrutinized and rectified in a meticulous manner, certainly helps in economic development and financial strengthening of not only region but to whole economy. The another main focused of analysis is also to consider success and failure of small scale industries(SSI) within the Amravati districts by keeping bird's eye view on the above mentioned internal and external factors.

## IMPORTANCE OF THE STUDY:

SSI is recognized as a vital instrument of social transformation by encouraging employment opportunities and promote entrepreneurship. It occupies a major place of importance in the economy of all labor surplus countries. The SSI had a specific role to play which was underlined by the industrial policy resolution of 1948. It was observed that the healthy expansion of cottage and SSI in the country certainly lead to develop economic growth of the country.

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**OBJECTIVES OF RESEARCH:**

1. To identify the factors which determining in establishing small scale Industrial units.

2. To evaluate the business performance and progress of small and scale Industries. .

3. To identify problems faced by small scale industries

4. To suggest some remedial measures for overall improvement.

**RESEARCH METHODOLOGY:**

**Hypotheses:**

$H_0$: There is no significant relationship between selected independent factors and level of satisfaction in running of SSI.

$H_1$: There is a close significant relationship between selected independent factors and level of satisfaction in running of SSI.

**Universe and Sample:**

The present study deals with the various aspects of success and failures of SSI in Amravati district of Maharashtra state. Since the universe of small scale industries in Amravati district is approximately 5120 (Source NIC) which are quite large and unmanageable hence the researcher is forced to confine to take sample size to 300 SSI owner respondents residing in Maharashtra state. The respondents were segregated on the basis of different variables such as age, gender, marital status, qualification, investment, types of firms and satisfaction etc. The study includes all categories of small scale industrial units. Convenient simple random sampling method (CSRSM) is used for the research purpose.

**Statistical Tools Applied:**

Statistical tools used for the study area are percentage method, Chi-square test, Henry Garrett Ranking Technique, Standard Deviation, Averages and Range.

**Data Source:**

**Primary Data:**

To make the study more practical in nature, primary data were collected through structured questionnaire and personal interviews of 300 respondents.

**Secondary Data:**

Secondary data were collected from related research works, published books, and journals, reports of industries, government records, news papers, business magazines, and websites.

**Scope of the Study:**

The scope of the study revolves around one prime focus i.e. how and what measures should be taken for the improvement of the existing SSI in the region.

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**Limitations of the Study:**

1. The study is restricted to SSI of Maharashtra state only.

2. The study relies more heavily on primary as well as on secondary data.

3. The result arises from the research may or may not be applicable to other parts of the state or country.

**DATA ANALYSIS AND RESULT:**

### Table 1: Age and level of satisfaction

| Sr. No | Age | Level of satisfaction | | | Total | % | Average | Range | | SD |
|---|---|---|---|---|---|---|---|---|---|---|
| | | L | M | H | | | | Min | Max | |
| 01 | 18-30 | 11 (47.83) | 09 (39.13) | 03 (13.04) | 23 | 7.67 | | | | |
| 02 | 30-40 | 14 (30.43) | 23 (50.00) | 09 (19.57) | 46 | 15.33 | | | | |
| 03 | 40-50 | 39 (27.08) | 77 (53.47) | 28 (19.44) | 144 | 48.00 | 44.76 | 0.54 | 0.72 | 33.00 |
| 04 | 50-60 | 21 (24.14) | 41 (47.13) | 25 (28.74) | 87 | 29.00 | | | | |
| | Total | 85 | 150 | 65 | 300 | 100 | | | | |

(Source: Primary Data)

On the basis of age it is clear from the above table that the highest percentage levels of satisfaction was perceived by the respondent's lies between the age group of 40-50 years and were moderately satisfied with as high as 53.47% followed by the respondent's lies between the age group of 50-60 years with 47.13%.

### Table 2: Gender and level of satisfaction

| Sr. No | Gender | Level of satisfaction | | | Total | % | Average | Range | | SD |
|---|---|---|---|---|---|---|---|---|---|---|
| | | L | M | H | | | | Min | Max | |
| 01 | Male | 46 (16.61) | 203 (73.29) | 28 (10.11) | 277 | 92.33 | | | | |
| 02 | Female | 03 (13.04) | 14 (60.89) | 06 (26.09) | 23 | 07.67 | 23.85 | 0.54 | 0.85 | 14.66 |
| | Total | 49 | 217 | 34 | 300 | 100 | | | | |

(Source: Primary Data)

On the basis of gender it is clear from the above table that the highest percentage levels of satisfaction was perceived by the male dominant respondent's and were moderately satisfied with as high as 73.29% whereas female contribution was observed to be very less in comparison with male.

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**Table 3: Marital status and level of satisfaction**

| Sr. No | Marital status | Level of satisfaction | | | Total | % | Average | Range | | SD |
|---|---|---|---|---|---|---|---|---|---|---|
| | | L | M | H | | | | Min | Max | |
| 01 | Married | 23 (09.47) | 203 (83.54) | 17 (7.00) | 243 | 81.00 | 103.83 | 0.54 | 0.62 | 10.72 |
| 02 | Unmarried | 11 (19.30) | 39 (68.42) | 07 (12.28) | 57 | 19.00 | | | | |
| | Total | 34 | 242 | 24 | 300 | 100 | | | | |

(Source: Primary Data)

On the basis of marital status it is clear from the above table that the highest percentage levels of satisfaction was perceived by the married respondent's and were moderately satisfied with as high as 83.54%.

**Table 4: Educational qualifications and level of satisfaction**

| Sr. No | Qualification | Level of satisfaction | | | Total | % | Average | Range | | SD |
|---|---|---|---|---|---|---|---|---|---|---|
| | | L | M | H | | | | Min | Max | |
| 01 | Below SSC | 06 (27.27) | 13 (59.09) | 03 (13.64) | 22 | 07.33 | 56.68 | 0.54 | 0.76 | 7.44 |
| 02 | SSC-HHSC | 07 (08.97) | 54 (69.23) | 17 (21.79) | 78 | 26.00 | | | | |
| 03 | Degree/ Diploma | 19 (11.80) | 126 (78.26) | 16 (09.94) | 161 | 53.67 | | | | |
| 04 | PG | 05 (12.82) | 28 (71.79) | 06 (15.38) | 39 | 13.00 | | | | |
| | Total | 37 | 221 | 42 | 300 | 100 | | | | |

(Source: Primary Data)

On the basis of educational qualification it is highlighted from the above table that the highest percentage levels of satisfaction was perceived by the respondent's possesses degree or diploma and were moderately satisfied with as high as 78.26% followed by the respondents who belongs to the educational category lies between SSC-HHSC.

**Table 5: Type of firm and level of satisfaction**

| Sr. No | Firm | Level of satisfaction | | | Total | % | Average | Range | | SD |
|---|---|---|---|---|---|---|---|---|---|---|
| | | L | M | H | | | | Min | Max | |
| 01 | Proprietor | 21 (08.86) | 188 (79.32) | 28 (11.81) | 237 | 79 | 100.23 | 0.54 | 0.58 | 10.03 |
| 02 | Partnership | 08 (12.70) | 42 (66.67) | 13 (20.63) | 63 | 21 | | | | |
| | Total | 29 | 230 | 41 | 300 | 100 | | | | |

(Source: Primary Data)

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On the basis of type of firm it is highlighted from the above table that the highest percentage levels of satisfaction was perceived by the respondent's enjoys sole proprietorship and were moderately satisfied with as high as 79.32% and partnership firm observed to be very less.

**Table 6: Nature of industry and level of satisfaction**

| Sr. No | Industry | Level of satisfaction | | | Total | % | Average | Range | | SD |
|---|---|---|---|---|---|---|---|---|---|---|
| | | L | M | H | | | | Min | Max | |
| 01 | Textile | 09 (19.15) | 33 (70.21) | 05 (10.64) | 47 | 15.67 | | | | |
| 02 | Food | 03 (16.67) | 11 (61.11) | 04 (22.22) | 18 | 06.00 | | | | |
| 03 | Agriculture | 17 (20.99) | 59 (72.84) | 05 (06.17) | 81 | 27.00 | | | | |
| 04 | Chemical | 02 (28.57) | 04 (57.14) | 01 (14.29) | 07 | 02.33 | | | | |
| 05 | Plastic | 11 (25.58) | 27 (62.79) | 05 (11.63) | 43 | 14.33 | 24.33 | 0.54 | 0.84 | 05.62 |
| 06 | Electrical | 05 (21.74) | 14 (60.87) | 04 (17.39) | 23 | 07.67 | | | | |
| 07 | Metal | 02 (20.00) | 06 (60.00) | 02 (20.00) | 10 | 03.33 | | | | |
| 08 | Oil | 06 (11.32) | 38 (71.70) | 09 (16.98) | 53 | 17.67 | | | | |
| 09 | Cement | 01 (09.09) | 07 (63.64) | 03 (27.27) | 11 | 03.67 | | | | |
| 10 | Beverages | 01 (14.29) | 05 (71.43) | 01 (14.29) | 07 | 02.33 | | | | |
| | Total | 57 | 204 | 39 | 300 | 100 | | | | |

(Source: Primary Data)

It is observed from the above table that the highest percentage and level of satisfaction was among the respondents who have agriculture based nature of industry and their percentage is 72.84 % followed by oil and textile based small scale industries within the region.

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**Table 7: Number of workers in the unit and level of satisfaction**

| Sr. No | Worker | Level of satisfaction | | | Total | % | Average | Range | | SD |
|---|---|---|---|---|---|---|---|---|---|---|
| | | L | M | H | | | | Min | Max | |
| 01 | 0-20 | 38 (21.99) | 113 (65.32) | 22 (12.72) | 173 | 57.67 | | | | |
| 02 | 20-40 | 09 (17.65) | 37 (72.55) | 05 (09.80) | 51 | 17.00 | | | | |
| 03 | 40-60 | 02 (05.56) | 28 (77.78) | 06 (16.67) | 36 | 12.00 | 28.40 | 0.54 | 0.93 | 1.35 |
| 04 | 60-80 | 03 (23.08) | 08 (61.54) | 02 (15.38) | 13 | 04.33 | | | | |
| 05 | 80-100 | 05 (23.81) | 13 (61.90) | 03 (14.29) | 21 | 07.00 | | | | |
| 06 | 100 & above | 01 (16.67) | 04 (66.67) | 01 (16.67) | 06 | 02.00 | | | | |
| | Total | 58 | 203 | 39 | 300 | 100 | | | | |

(Source: Primary Data)

On the basis of number of workers in the unit it is identified from the above table that the highest percentage level of satisfaction was drawn by respondent's workers whose number lies in between 0-20 workers in the unit and whose percentage is 65.32 with moderate satisfaction followed by the number worker identified within 20-40 workers in the unit.

**Table 8: Investment and level of satisfaction**

| Sr. No | Investment (Lack) | Level of satisfaction | | | Total | % | Average | Range | | SD |
|---|---|---|---|---|---|---|---|---|---|---|
| | | L | M | H | | | | Min | Max | |
| 01 | 0-10 | 01 (33.33) | 01 (33.33) | 01 (33.33) | 03 | 1.00 | | | | |
| 02 | 10-20 | 03 (27.27) | 06 (54.55) | 02 (18.18) | 11 | 03.67 | | | | |
| 03 | 20-30 | 08 (24.24) | 21 (63.64) | 04 (12.12) | 33 | 11.00 | 153.04 | 0.54 | 0.97 | 0.69 |
| 04 | 30-40 | 07 (03.40) | 183 (88.83) | 16 (07.77) | 206 | 68.67 | | | | |
| 05 | 40 & above | 11 (23.40) | 33 (70.21) | 03 (06.38) | 47 | 15.67 | | | | |
| | Total | 30 | 244 | 26 | 300 | 100 | | | | |

(Source: Primary Data)

On the basis of investment made in small scale industries it is revealed from the above table that the highest percentage level of satisfaction was perceived by the respondents lies in between investment of 30- 40 lack with moderate satisfaction (88.83) followed by 40 and above lack investment in the unit.

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**CHI SQUARE TEST:**

| Sr. No. | Factors | D.F. | T. V. | $C^2$ | Significant | Accepted/ Rejected |
|---|---|---|---|---|---|---|
| 01 | Age | 6 | 12.592 | 8.98 | 05 | A |
| 02 | Gender | 2 | 5.991 | 4.135 | 05 | A |
| 03 | Marital Status | 2 | 5.991 | 7.39 | 05 | R |
| 04 | Education | 6 | 12.592 | 10.964 | 05 | A |
| 05 | Type of Firm | 2 | 5.991 | 4.07 | 05 | A |
| 06 | Nature of Industry | 18 | 28.869 | 14.29 | 05 | A |
| 07 | Number of Worker | 10 | 18.307 | 16.186 | 05 | A |
| 08 | Investment | 8 | 15.507 | 35.33 | 05 | R |

It is clearly identified from the above table that the calculated chi-square value is less than the table value in almost all the variables except marital status and investment at 5% significant level. Therefore it is concluded that there is a close relationship between the selected independent variables and SSI units level of satisfaction in their business.

**HENRY GARRETT RANKING TECHNIQUE:**

**Factors influencing the Success and Failure of Small Scale Industries**

| Sr. No | Factors | Total | Total Garret score | Average Garret score | Rank |
|---|---|---|---|---|---|
| 01 | Land | 300 | 21687 | 72.26 | IV |
| 02 | Location | 300 | 20443 | 68.24 | XIIII |
| 03 | Raw Material | 300 | 20843 | 69.48 | VIII |
| 04 | Laborer | 300 | 21869 | 72.90 | III |
| 05 | Power | 300 | 21994 | 73.71 | II |
| 06 | Water | 300 | 21183 | 70.61 | VI |
| 07 | Production | 300 | 20485 | 68.28 | XIII |
| 08 | Marketing and distribution | 300 | 21246 | 70.82 | V |
| 09 | Finance | 300 | 22161 | 73.87 | I |
| 10 | Financial institutions | 300 | 20836 | 69.45 | IX |
| 11 | E.D. Qualities | 300 | 21011 | 70.04 | VII |
| 12 | Government Policies | 300 | 20729 | 69.09 | X |
| 13 | Suppliers | 300 | 20664 | 68.88 | XI |
| 14 | Creditors | 300 | 20353 | 67.84 | XV |
| 15 | R& D Facilities | 300 | 20624 | 68.75 | XII |

From the above analysis it could be noted that majority of the respondents have opined that the finance, power, Laborer, and land are the major factors which influences the success and failure of Small Scale Industries.

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**FINDINGS:**

Age, experience and maturity are the inherent ingredients of work satisfaction. On the basis of age the highest levels of satisfaction was perceived by the respondent's lies between the age group of 40-50 years and were moderately satisfied with as high as 53.47%. On the basis of gender the highest percentage levels of satisfaction was perceived by the male dominant respondent's and were moderately satisfied with as high as 73.29% whereas female contribution was observed to be very less.

Marital status and level of satisfaction was dominantly perceived by the married respondent's and were moderately satisfied with as high as 83.54%.

Educational qualification is the important aspect which determines qualities, thinking and attitudes of entrepreneur. The highest percentage levels of satisfaction were perceived by the respondent's possesses degree or diploma and was moderately satisfied with as high as 78.26%.

Sole proprietorship type of firm and sole proprietor enjoys the highest percentage of levels of satisfaction and was moderately satisfied with as high as 79.32% whereas partnership firm observed to be very less.

Maharashtra and Vidarbha is predominantly a region of agriculture that largely produces cotton. So it is quite natural that percentage and level of satisfaction was among the respondents who have agriculture based nature of industry and their percentage is 72.84 % followed by oil and textile based small scale industries within the region.

On the basis of number of workers in the unit it is identified that the highest percentage level of satisfaction was drawn by respondent's workers whose number lies in between 0-20 workers in the unit and whose percentage is 65.32.

The success of SSI is totally depending upon the investment made in small scale industries. It is revealed that highest percentage level of satisfaction was perceived by the respondent's lies in between investment of 30- 40 lack with moderate satisfaction (88.83).

Chi-square analysis revealed that chi square calculated value is less than the table value in almost all the variables except marital status and investment at 5% significant level. Therefore it is concluded that there is a close relationship between the selected independent variables and SSI units level of satisfaction in their business.

Henry Garret Ranking technique identifies the crucial factors which certainly influences the success and failure of SSI in Amravati Districts. Majority of the respondents have opined that the finance, power, Laborer, and land are the major factors which influence the success and failure of Small Scale Industries.

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## RECOMMENDATIONS:

The major skill needed to start small scale industries is experience. So those who wish to start small scale industries (SSI) must acquired industrial experience in the similar related area. Education also determines the success and failure of SSI. As far as possible SSI owners must improve their educational qualification for better understanding of business ethics and business culture. It is also advocate that professional qualification like MBA must be acquired to know the latest current scenario.

Government policy approach towards SSI must be ad vocative. To develop strong network of SSI it is necessary to take some drastic remedial action like establishment of Government added R & D facilities to maintain the quality of the product produced. It is also recommended that Direct selling and purchasing of the product must be made by the government without the intervention of the mediator.

In relation to the government policy, tax structure is a major problem of concern in small scale industries. So the government should modify tax structure for small scale industries.

Small scale entrepreneurs are not getting proper financial support from government within the time because of more financial formalities in sanctioning loans. Hence the government should take necessary steps to motivate the small scale entrepreneur by sanctioning loan with maximum relaxation.

Some of the small scale units face problem of executing orders, because of shortage of power supply. So the Government should give continuous power supply to small scale industry units.

Small scale industries face major problem employee turnover, because employees switch over from one company to another easily for getting higher salary, remuneration, etc. So small scale industry units should offer good salary and remuneration to their employees to retain them.

Small scale industries have major marketing problem of distribution of products, because majority of small scale industries are not aware of promotional and developmental activities of SIDO. So steps should be taken by the government to make people aware by conducting programs in association with small scale entrepreneur associations in the industrial estate.

## CONCLUSION AND POLICY IMPLICATION:

The success and failure of every small scale industry (SSI) is determined by varies external and internal environments. But small scale entrepreneur does not have adequate resources. So

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the support of government policy is necessary in running the small scale industry successfully. Proper management of time, finance, production and labor prevent failure. So the small scale industry unit should take necessary steps to prevent the failure of industry that will enhance success level of small scale industry unit.

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