SWOT ANALYSIS OF SMALL SCALE INDUSTRIES IN INDIA

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SMALL BUSINESS

A small business is a business that is privately owned and operated, with a small number of employees and relatively low volume of sales. Small businesses are normally privately owned corporations, partnerships, or sole proprietorships. The legal definition of "small" varies by country and by industry, ranging from fewer than 15 employees under the Australian Fair Work Act 2009, 50 employees in the European Union, and fewer than 500 employees to qualify for many U.S. Small Business Administration programs. Small businesses can also be classified according to other methods such as sales, assets, or net profits.

Small businesses are common in many countries, depending on the economic system in operation. Typical examples include: convenience stores, other small shops (such as a bakery or delicatessen), hairdressers, tradesmen, lawyers, accountants, restaurants, guest houses, photographers, small-scale manufacturing, and online business, such as web design and programming, etc.

The legal definition of "small" varies by country and by industry. In the United States the Small Business Administration establishes small business size standards on an industry-by-industry basis, but generally specifies a small business as having fewer than 500 employees for manufacturing businesses and less than $7 million in annual receipts for most non-manufacturing businesses.

Government of India has defined small scale industries as enterprises having investment limit up to ₹ 1.5 crores for manufacturing units and ₹ 75 lakhs for ancillary units.

SWOT ANALYSIS

A SWOT analysis must first start with defining a desired end state or objective. A SWOT analysis may be incorporated into the strategic planning model. Strategic Planning has been the subject of much research.

- **Strengths**: characteristics of the business or team that give it an advantage over others in the industry.
- **Weaknesses**: are characteristics that place the firm at a disadvantage relative to others.
- **Opportunities**: external chances to make greater sales or profits in the environment.
- **Threats**: external elements in the environment that could cause trouble for the business.

The aim of any SWOT analysis is to identify the key internal and external factors that are important to achieving the objective. These come from within the company's unique value chain. SWOT analysis groups key pieces of information into two main categories:

- **Internal factors** – The strengths and weaknesses internal to the organization.
- **External factors** – The opportunities and threats presented by the external environment to the organization.

The internal factors may be viewed as strengths or weaknesses depending upon their impact on the organization's objectives. What may represent strengths with respect to one objective may be weaknesses for another objective. The factors may include all of the 4P's; as well as personnel, finance, manufacturing capabilities, and so on. The external factors may include macroeconomic matters, technological change, legislation, and socio-cultural changes, as well as changes in the marketplace or competitive position. The results are often presented in the form of a matrix.

SWOT analysis is just one method of categorization and has its own weaknesses. For example, it may tend to persuade companies to compile lists rather than think about what is actually important in achieving objectives. It also presents the resulting lists uncritically and without clear prioritization so that, for example, weak opportunities may appear to balance strong threats.
SWOT ANALYSIS OF SMALL BUSINESS

STRENGTHS

1. A small business can be started at a very low cost. Investment limit for MSME’s is Rs. 1 crores.
2. Adapting to change is crucial in business and particularly small business; not being tied to any bureaucratic inertia, it is typically easier to respond to the marketplace quickly.
3. Good customer relation Small business proprietors tend to be intimate with their customers and clients which results in greater accountability and maturity. They usually offer a more personalized approach to interacting with clients. Customers who are treated like family are more likely to return to that business in the future.
4. Independence is another advantage of owning a small business. One survey of small business owners showed that 38% of those who left their jobs at other companies said their main reason for leaving was that they wanted to be their own bosses. Freedom to operate independently is a reward for small business owners. In addition, many people desire to make their own decisions, take their own risks, and reap the rewards of their efforts.
5. Innovation and creation They are able to innovate and create new products and services more rapidly and creatively than larger companies that are mired in bureaucracy. Whether reacting to changes in fashion, demographics, or a competitor's advertising, a small firm usually can make decisions in days – not months or years.
6. Cater to customer needs A small firm has the ability to modify its products or services in response to unique customer needs. The average entrepreneur or manager of a small business knows his customer base far better than one in a large company. If a modification in the products or services offered – or even the business's hours of operation – would better serve the customers, it is possible for a small firm to make changes. Customers can even have a role in product development.
7. Another strength is that the people involved – the entrepreneur, any partners, advisers, employees, or even family members – have a passionate, almost compulsive desire to succeed. This makes them work harder and better.
8. Gestation period A small unit has less gestation period, which means the period after which the returns on investment starts. It is usually from 2-5 years.

WEAKNESSES

1. It can be difficult to reach enough potential customers to establish a successful base of customers. Potential customers might be less likely to do business with a small business that does not offer a well known brand of products or services. Some clients will give their business to the “bigger guy” with the name they recognize.
2. One of the largest weaknesses for small business owners is To raise finance Many business owners invest their own money at the start of a business or if the business falls upon hard times because institutional lenders like banks and government financial corporations are generally reluctant to advance money to these small units.
3. Small business owner has to bear high cost of production, which acts as one of the weakness for the small businesses.
4. Another weakness is 'Entrepreneurial Myth' or E-Myth. The mythic assumption is that an expert in a given technical field will also be expert at running that kind of business. Additional business management skills are needed to keep a business running smoothly.
5. Absence of skilled personnel most of small scale businesses does not have skilled personnel. Due to which these businesses lack in-
   - identification of industrial projects for development
   - consultancy and counselling services
   - industrial training and skill formation
6. Small businesses do not use Information technology and its applications such as the designing of prototype machines for product identified according to country resources and requirements.
7. Other weakness is to obtain the permission of and licence from, the Industrial Development of the state, local bodies etc. But despite the policy of Government, petty officials are often unhelpful. A lot of time and energy is wasted in persuading these officials to perform their duties.
8. Marketing is one of the weaknesses for small businesses. They face many problems in marketing like-
   - Lack of standardisation
   - Poor designing
   - Poor quality
   - Lack of quality control
   - Lack of precision
   - Poor finish
   - Poor bargaining power
   - Lack of service after sales
   - Scale of production
   - Brand preferences
   - Distribution contacts
   - Lack of knowledge of marketing
   - Competition
   - Ignorance of potential market

OPPORTUNITIES

1. Government is providing many opportunities for small business. Government has formed many policies and financial institutions for helping small units like-
   • Industrial policy resolution
• Import Export Policy 1994-97
• The Pricing Policy
• The Textile Policy
• Policy for Development of handloom Industry
• Policy for Khadi and Village Industries
• Industrial Estates Programme
• Promotion of Ancillary Industries

2. ABID HUSSAIN COMMITTEE
• An expert committee with 11 members and headed by Abid Hussain was constituted on December 1995 by the Government to study the status of Small Scale Enterprises and to suggest measures by which these units could grow and remain competitive in the changing economic environment.

Major recommendations include –
• Abolition of the policy of reservation for SSI’s
• Transitional package of ₹ 2500 crores (by setting up of corpus of ₹ 500 crores on annual basis) to provide confessional funding for the SSI’s affected by de-reservation.
• Specialised commercial bank branches for SSI’s for easy credit facilities
• Reduction of credit cost of SSI’s
• Setting up of SSI clusters with modern infrastructure facilities
• Restoration of excise exemption on branded goods.
• Excise incentives for graduating tiny and small scale units
• Credit rating for small business to enable them to avail funds at lower cost.

5. Prime ministers task force of MSME’s was made, who presented a report on 30th January 2010. This task force was formed on 2nd September 2009 under leadership of T.K.A. Nair who was secretary to PM.

This task force focused on 6 areas, which are-
• Credit
• Marketing
• Labour
• Infrastructure
• Rehabilitation and exit policy
• Skill development
• Taxation

6. There are many Government and Non-Government Financial Institutions who provide financial assistance to MSME’s like
• SIDBI – Small Industries Development Bank of India
• SIDO – Small Industries Development Organisation
• SISI’s – Small Industries Service Institutes
• NSIC – National Small Industries Corporation
• NIESBUD – The National Institute For Entrepreneurship and Small Business Development
• NABARD – National Bank for Agriculture and Rural Development
• SFC’s – State Financial Corporations

THREATS

1. Slow Payment – While large corporations and banks have been fortified with ample low-cost cash to buy small businesses’ products and services, they continue to pay slowly, bargain harder and demand more concessions from powerless small businesses who are selling their souls “where the money is.”

2. New costs, taxes and compliance — As social causes like sustainability, diversity, healthcare and fair taxation are being legislated by governments and lobbied into favourable terms for corporations, small business is getting choked. Small business used to lament about paperwork. Now, the new costs, taxes and compliance rules are sapping the will of owners to believe that they should risk, invest and remain confident in their businesses. A comedian recently reacted to the Times Square hot dog vendor discovering the incompetent Time
Square bomber’s smoking SUV, that not only must small business save the economy, but now must save the country from terrorism!

3. “Approved” vendor programs force buying solely on price — To shift responsibility and outsource their liability, corporations and governments are hiring third party sourcing companies whose objective is to reduce small business vendor power and commoditize their products and services. And the more owners have to comply with RFP’s and join “approved vendor programs”, the less they can add value through their creativity. ISO 9002 and ISO 14000, along with countless “vendor aggregators” are allowing purchasing agents to buy solely on price and penalizing small businesses who invest in innovation and branding to differentiate their offers and earn increased gross margins.

CONCLUSION

SWOT analysis helps in assessment of the internal and external factors which is very important for all the organisations not only for Small Scale businesses but for large businesses as well. But as Small Business are facing many problems due to globalisation and are suffering from undue losses as compared to large businesses so SWOT analysis has been done for all the small businesses at large, to make them understand their weaknesses in a better way and to make them use their strengths to stand in market and to make normal profits. Today’s dynamic business environment is bringing many opportunities for business enterprises but with that it has introduced business’s with greater threats, so in this research paper it has been tried to give every aspect related to small business about their Strengths, weaknesses, opportunities and threats so that they can use it with greater benefits and can know their environment in better way.

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