The importance of assistance in marketing to the small-scale sector has long been recognised. The 1946 Industrial Policy Resolution of the Government of India said as follows:

"The healthy expansion of cottage and small-scale industries depends upon a number of factors like the provision of raw-materials, cheap power, technical advice and organised marketing of their products".

The Industrial Policy Resolution of 1956 also laid stress on the "organised marketing of their products"\(^1\), as one of

the important aids for the promotion of small-scale industries in the country. In pursuance of this part of the Resolution, the Government introduced a regular marketing assistance programme for small-scale industries in 1956. The Working Group which recommended the programme for small-scale industries for the Third Five Year Plan was of the view that marketing assistance "should be neither too much nor too little", so that it did not interfere with the initiative of small-scale industrialists.

For providing perspective, we discuss below the marketing structure of our sample units: the pattern of sale, methods of sale, purchaser agencies and the area of sale. The sales of units for five years (1975-1980) are shown in table 5.1. It indicates a slightly rising trend in sales.

| TABLE 5.1 |
| Sales of Sample Units |
| (Rs. in million) |
| Low-investment group |
| Medium-investment group |
| High-investment group |

over the period of five years (1975-1980). However, since there was a generally inflationary trend in the economy, there
might really be no increase in real terms. The average (per unit) sales in 1979-80 were for Rs.1.1, 0.62 and 3.4 million in the low, medium and high-investment groups respectively. As expected, the average sales of the high investment group were the highest. Some of the entrepreneurs in the low-investment group combined trade with manufacturing, thus making for a higher average than in the medium-investment group.

**Method of Sale**

We found that mainly three methods of marketing were prevalent:

(a) direct dealing with the buyer at the factory level,
(b) selling through branches, sometimes located in distant cities;
(c) marketing through agents on a commission basis.

An industrialist often employed these marketing methods in combination. The use of different methods of sale by our sample units has been shown by a component bar diagram (Fig. 4).

Direct dealing with the buyer at the factory level was found to be the most common form of marketing in our sample. Small firms, those in their infancy, and those having largely a local market used this method. Forty eight of the fifty seven units in the low-investment group used this method of marketing. This group included thirteen
METHODS OF SALE

• DIRECT DEALINGS WITH THE BUYER AT THE FACTORY LEVEL
• SALE THROUGH BRANCHES
• SALE THROUGH COMMISSION AGENTS

FIG. 4
enterprises which were either fabricating hosiery items or doing job work in light-engineering industry. These units produced on order and the deal was generally finalised at the factory. Some other units also clung to this method of direct dealing at the factory, even though some of them sold throughout the country. For the most part, these firms appeared to have built up a clientele of traditional customers (sometimes in particular area) who returned through the years for hosiery items, spare parts, and machines for replacement. In the medium-investment group 24 entrepreneurs and in the high-investment group five entrepreneurs sold through this method. Even a hosiery exporting unit belonging to the high-investment group made sales by this method only.

A more advanced form of marketing developed when firms grew to the point where they opened sales branches away from the factory. Sixteen of the units under study established such branches. Of these, two belonged to the low-investment group, 10 to the medium-investment group and four to the high-investment group. Only some of these units had branches of their own but they deposited their goods with other dealers who supplied these to buyers. Orders were received and transmitted to the factory through the dealers.

The method of sale through commission agents was adopted by 24 units in the sample. This method was most commonly employed by hosiery manufacturers. Of the thirty-four hosiery units, nine employed commission agents. The main reason for this was that Ludhiana hosiery was in demand throughout the
country. It commanded over ninety per cent share of hosiery goods in the national market. Cycle and cycle parts, machine tools, sewing machines and parts, and auto parts units also sold through commission agents. The sale of sewing machines was accomplished by roving salesmen who acted for several manufacturers. They set out with samples and booked orders. New orders were booked on a trial basis and after a month or so more orders were given by the assemblers or dealers if they were satisfied with the quality. Of the units which sold through commission agents, seven belonged to the low-investment group, 12 to the medium-investment group and five to the high-investment group.

The responses of the entrepreneurs indicated that the procedure for choosing the method of sale was determined by trial and error and small industries did not make organised sales. The findings of the Working Group for the Fifth Five Year Plan were also the same for the whole country that the major drawback in the small industries development programme was the lack of proper distribution system for disposal of their products.  

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Purchaser Agencies

Table 5.2 shows the importance of different types of purchaser agencies of the products of our sample units. We may note that 18 of the units in our sample sold directly to

<table>
<thead>
<tr>
<th>Table 5.2 Distribution of Units by Different Types of Purchaser Agencies*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Group</td>
</tr>
<tr>
<td>------------------</td>
</tr>
<tr>
<td>Low-investment group (57)</td>
</tr>
<tr>
<td>Medium-investment group (46)</td>
</tr>
<tr>
<td>High-investment group (14)</td>
</tr>
<tr>
<td>Total (117)</td>
</tr>
</tbody>
</table>

*Some units sold to purchasing agencies in more than one category. Hence the total number of units selling to the different categories adds up to more than 117.

The consumers, and 15 to the assembler-manufacturers. Thirty units sold to retailers and 76 to wholesalers. This was found in a study in Maharashtra also (Amaravati, Daryapur and Morsi tehsils of Amaravati District): a majority of units sold to wholesalers. However, in Bombay, 64 per cent of the

---

purchasers were the ultimate consumers; wholesalers constituted only nine per cent. Apparently, the reasons for this difference was that in Bombay city the sales were mostly local, while elsewhere the sales were over a broad area.

One of the reasons of dependence on wholesalers was lack of sales organization and waiting capacity. Table 5.3 shows the distribution of units according to types of sale.

**TABLE 5.3**

<table>
<thead>
<tr>
<th>Distribution of Units Selling for Cash/Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Group</td>
</tr>
<tr>
<td>Low-investment group</td>
</tr>
<tr>
<td>Medium-investment group</td>
</tr>
<tr>
<td>High-investment group</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Table 5.3 indicates that 41 (35%) units sold the whole of their produce for cash. Nineteen units sold more than
50 per cent of their produce for cash, 25 units 25-50 per cent and 32 less than 25 per cent. Thirty three of the 41 units which sold wholly for cash, and 10 of 19 which sold more than half of their produce for cash belonged to the low-investment group. This suggests that the smaller the size of the unit, the greater was its dependence upon cash sales. The small entrepreneurs said that they had to sell quickly for cash. Hence, they could not ensure an adequate return for their product. This was also highlighted by the market survey of products of Punjab.

The wholesaler furnished a ready market for the producer, and also often performed other services provided to large industrialists by banks and other credit agencies. One obvious result of this dependence was that the terms of trade were turned against the small producer. The margin of profit retained by these middlemen, particularly wholesalers was substantial. The large industrialist was often able to avoid sharing profits with middlemen. Hence the competition which the small industrialist had to face with the large one was accentuated by this factor.

6Punjab Industrial Consultancy Organisation and Administrative Staff College of India, Hyderabad, op. cit., pp.104-105.

7M.C.Shetty, op. cit., p. 60.
Trade Mark

At the time of the survey, only 20 of the sample units had a trade mark and in 1979-80 their per unit sales were three times the per unit sales of those without trade-marks. Most of the goods were sold in unbranded form. In case of cycle parts, most of the small manufacturers specialised in one or two items. They produced components in bulk and supplied them to well-known manufacturers either for use in the assembly of cycles (like Hero, AVON, RMI and Rockman) or for sale with well-known markings. Two well-known brands of sewing machines were 'Laxmi' and 'Rita'. Sewing machine components were often sold in unbranded form to the assemblers who put their own trade mark and made much profit. This left the small entrepreneurs who produced the components with only a part of the profit. A market survey of industrial products of Punjab had indicated this to be a State-wide problem: for example, a lathe bought by a middleman for Rs. 6,000 was sold by him for Rs. 30,000 in the Bombay market after giving it his own trade mark.  

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8Letter from the Director of Industries to the Government of Punjab, Proposal for Setting up Marketing Organisation at cost of Rs. 50 lakh, dated 19 September, 1973.
The area of sale of units under study is revealed in table 5.4. It may be noted that 38.5 per cent of

TABLE 5.4
Number of Units by Area of Sale

<table>
<thead>
<tr>
<th>Investment Group</th>
<th>In the district</th>
<th>In the State</th>
<th>In the country</th>
<th>In the country and exports</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-investment group</td>
<td>32</td>
<td>5</td>
<td>18</td>
<td>2</td>
<td>57</td>
</tr>
<tr>
<td>Medium-investment group</td>
<td>12</td>
<td>3</td>
<td>28</td>
<td>3</td>
<td>46</td>
</tr>
<tr>
<td>High-investment group</td>
<td>1</td>
<td>-</td>
<td>9</td>
<td>4</td>
<td>14</td>
</tr>
<tr>
<td>Total</td>
<td>45</td>
<td>8</td>
<td>55</td>
<td>9</td>
<td>117</td>
</tr>
</tbody>
</table>

(38.5%) (6.8%) (47.0%) (7.7%) (100.0)

our sample units served only local market. These units sold only in the District either to ultimate consumers or to local manufacturers. Of these 45 units, 32 belonged to the low-investment group; a majority of the smaller units had to sell in the local market because they did not have the means to go to far-away ones. The small entrepreneurs said that they were not in a position to bear the cost of marketing outside because
it involved costs of advertisement, transportation and above all exploring the market. Eight units sold in the whole State, 55 throughout the country, and nine in the country and for export market. The entrepreneurs who sold throughout the country had a wide market including Himachal Pradesh, Andhra Pradesh, Assam, Bengal and Maharashtra. Of these, 26 were hosiery producing units. A peculiar feature of the hosiery market was that most of the units had a market in particular States. The entrepreneurs stated that they had always sold in those areas. Of the nine units which exported, three were hosiery, and six cycle and cycle parts units. The area of sale was not selected on the basis of any market research or information.

ASSISTANCE PROGRAMMES

The marketing assistance programmes adopted by the Government may be classified as follows:

1. Promotional Programmes
   (a) Market Research and Information
   (b) Publicity of Products
   (c) Quality Marking
   (d) Development of Ancillary Industry
2. Regulatory Programme: Reservation of Items

3. Direct Assistance

(a) Mobile Sale Vans and Opening of Wholesale Depots
(b) Emporia
(c) Government Purchase Programme
(d) Assured Marketing

PROMOTIONAL PROGRAMMES

MARKET RESEARCH AND INFORMATION

Central Government Programmes

The Working Group on small-scale industries for the Third Five Year Plan held that small-scale industries, on account of their localised nature and limited financial resources did not have facilities for organised marketing. Consequently, they were not only ignorant of the competitive position and proper markets for their products but were also often deprived of their normal profits. Limited as their resources were, they could not afford to spend large sums of money on market research. It was, therefore, necessary to introduce at the Government level a market research and information service to help small industrialists. It was with this aim that a programme of marketing assistance through
Market research was included in the fifties.

In 1958, this assistance was rendered by the National Small Industries Corporation through mobile sale-vans. Trained researchers, who accompanied the mobile vans, conducted consumer research. However, the sale-van operations were discontinued in 1959, as they involved a loss to the Corporation. In the same year, this function of consumer research was taken over by the Economic Investigation Division attached to the Regional Small Industries Service Institutes at Madras, Delhi, Calcutta and Bombay. It conducted distribution aid surveys and regional market surveys.

Distribution Aid Surveys

This was a programme for conducting surveys at the request of small manufacturers who sought the assistance of Small Industries Service Institutes in finding potential distribution outlets and determining the acceptability of their products. These surveys helped the manufactures to make contacts with dealers as well as ascertain the reactions of dealers and consumers to their products and their prices.

Regional Market Surveys

While the distribution aid surveys were made only on the request of individual manufacturers, the regional market surveys were meant for an industry as a whole. In
these surveys, comprehensive and up-to-date information was collected region-wise for a product about its competitive strength with regard to its quality, price, market size, consumer taste and preference, and the sources and adequacy of distribution at various centres. These surveys were conducted under the guidance of experts at substantial cost.

Punjab Government Programmes

The State Government was of the view that the small-scale units did not possess adequate resources for the procurement of market intelligence because a majority of them were tiny. Therefore, it was considered to be the responsibility of the Government to help them with marketing intelligence. Accordingly, a Marketing Intelligence Cell was set up in the Department of Industries under the Fifth Five Year Plan with a Joint Director at its head and a Marketing Analyst, besides other staff.

Marketing Intelligence Cell

The main objectives of the Cell were to collect data, on a continuing basis, regarding the quality, quantity and price of the products manufactured in the State and to conduct market research and assimilate information with regard to market trends (price, quality and designs), and disseminate it amongst manufacturers. Information regarding
the tenders received from various Governmental and private sources was to be collected and passed on to manufacturers through the District Industries Centre and the Senior Technical Officer of the Department. Our survey indicated that the District Industries Centre had not been able to pass on the enquiries to many of the appropriate units. To bridge this communication gap, it was decided in October 1981 to circulate the information also through associations of small entrepreneurs.

Market Survey

In 1977, the Director of Industries, Punjab, asked the Punjab Industrial Consultancy Organisation to undertake a market survey of industrial products of the State in collaboration with the Consulting and Applied Research Division of the Administrative Staff College of India, Hyderabad. The objectives of the survey were as follows:

(i) to evaluate the marketing effectiveness of industrial products of small-scale industries at important marketing centres in the country;

(ii) to evaluate the market potential and sales opportunities;

(iii) to provide the guidelines for preparing marketing strategy for these selected product groups.

The survey covered more than 20,000 units in the small-scale sector in Punjab from 30 industrial-product groups.
identified by the Director of Industries. Some of the industries covered in the survey included: agricultural implements, machine tools, bicycles and bicycle parts, sewing machines and parts, woollen hosiery, auto components, diesel engines and parts, hand tools, small tools and leather footwears. The Survey was a detailed study regarding the prevailing marketing system, the gaps in the existing and potential demand and supply, and the feasibility of improved marketability of these products. Information regarding the existing production system, capacity utilisation, and problems in production was given. Product quality and product image were also surveyed. The Report of the Survey was submitted in September 1978 in three volumes. Recommendations were given to deal with common deficiencies in production, planning, forecasting, marketing and sale promotion of these products. The consultants felt that small-scale entrepreneurs did not individually possess the required managerial capability to develop marketing plans and that the Directorate should play an active role in providing guidance to them to plan their production and marketing methods.

Market Research: An Evaluation

The responses of entrepreneurs in our sample indicated that a majority of them did not have any data on marketing opportunities in other States. Only two entrepren
ears conducted a market survey; no serious effort was made to collect information about competitors, their prices and sales and promotion strategies.

They had not been benefitted by Government market research also. Ninety percent of them had not heard of market research or the surveys made by the Government. None of our respondents was aware of such a facility being provided by the Government. No entrepreneur in Ludhiana District had requested for such a survey, even though the Small Industries Service Institute was located at Ludhiana itself. Nor had publicity been given to the findings of the Market Survey of products of Punjab and the regional market surveys undertaken by the Small Industries Service Institute. The entrepreneurs who had heard of market research thought that surveys were mere theoretical exercises without much relevance to the practical problems faced by them. They did not think that the data collected by these surveys had any commercial value. The State Marketing Cell had no field staff to collect data on a continuing basis, and hence the information was often obsolete. The Working Group on Marketing Assistance to Small-Scale Industries also reported that market studies had not been updated and that there was no arrangement for systematic collection of marketing information by any organisation in respect of the domestic market.  

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Thus, the main flaws of the programme were the absence of a well-designed marketing information system and the lack of extension services. At the 34th meeting of the Small Scale Industries Board, it was proposed that Market Information Centres should be set-up in important districts to serve a group of four or five districts to feed the entrepreneurs continuously with necessary information on the market situation. It was further suggested that these Centres should act in close liaison with the District Industries Centres, State-Level Institutions, Small Industries Service Institute, and sub-contracting exchanges. However, even without setting up the proposed Market Information Centres, much assistance could be provided to small industrialists by providing them with findings of surveys in the local language and by providing an extension service through Industry Promotion Officers and Block-Level Extension Officers or through associations of entrepreneurs.

PUBLICITY OF PRODUCTS

Advertisement by Entrepreneurs

Table 5.5 shows the expenditure incurred on advertisement by small-scale units.

**TABLE 5.5**

<table>
<thead>
<tr>
<th>Investment group</th>
<th>No. of units in the group</th>
<th>No. of units which spent on advertisement</th>
<th>Expenditure Total</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-investment group</td>
<td>57</td>
<td>7</td>
<td>14.00</td>
<td>2.00</td>
</tr>
<tr>
<td>Medium-investment group</td>
<td>46</td>
<td>19</td>
<td>41.00</td>
<td>2.20</td>
</tr>
<tr>
<td>High-investment group</td>
<td>14</td>
<td>8</td>
<td>110.00</td>
<td>14.00</td>
</tr>
<tr>
<td>Total</td>
<td>117</td>
<td>34</td>
<td>165.00</td>
<td>5.00</td>
</tr>
</tbody>
</table>

We find that only 29 per cent of the sample units spent money on advertisement and the average expenditure was only Rs. 5,000. Of the 34 units which spent on advertisement eight belonged to high-investment group, nineteen to the medium and only seven to the low-investment group. Of these, 12 produced hosiery, 12 cycle and cycle parts, two sewing machine and parts, two machine tools, two auto-parts, one
steel balls, one agricultural implements, one diesel engines and one hand tools.

Advertising was only occasional and in the vernacular press. Some had also got calendars printed for presentation to prospective customers. Asked why the entrepreneurs did not spend on advertisement, about two fifths (40.8%) of them stated that they did not have finances for advertisement. Some entrepreneurs stated that advertisement did not promote sales. Table 5.6, which gives the average expenditure on advertisement, and average sale of units in our sample, provides support to their perception.

<table>
<thead>
<tr>
<th>Investment Group</th>
<th>Average expenditure on advertisement (Rs. in 000)</th>
<th>Average sale (Rs.in million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-investment group</td>
<td>2.00</td>
<td>1.15</td>
</tr>
<tr>
<td>Medium-investment group</td>
<td>2.20</td>
<td>0.62</td>
</tr>
<tr>
<td>High-investment group</td>
<td>14.00</td>
<td>3.34</td>
</tr>
</tbody>
</table>

The need of publicity was noted by the Government as early as 1959. It was perceived at the Central level that owing to lack of funds, small-scale units had difficulty in advertising or in providing samples, displays or showrooms.
Consequently, they had difficulty in establishing contact with distant, potential customers or in building up national or international markets. Hence, the task of giving publicity to the products of small-scale enterprises was sought to be shared by the Government.\footnote{Report of the Working Group, \textit{Small-Scale Industries: Programme of Work for the Third Five Year Plan}(Ministry of Commerce and Industry, Government of India, 1959), p. 94.}

Publication of Directory

The Working Group on Small Scale Industries (1959) expressed the opinion that it was not possible to undertake publicity of products of individual units by a governmental agency on a scale sufficiently effective: the best method of publicity would be compilation of a directory of small-scale units, arranged product-wise and State-wise. Accordingly, the Central Small Industries Organisation prepared such a directory in 1976. In 1977, the Department of Industries, Punjab, also prepared such a directory for Punjab products. In 1980, the Small Industries Service Institute, Ludhiana, brought out another directory of products of Punjab. These directories were exhaustive and could have helped the buyers to know about the manufacturers of certain items. However, not many could have known about...
then, as indicated by the fact that only two of the entrepreneurs in our sample had heard of them. Obviously, there was a need to give better publicity to them; they also needed frequent revision due to the high rate of liquidation of small-scale units.

Trade Fairs

Another form of effective publicity recommended by the Working Group (1959) was the organisation of exhibitions and fairs in different parts of the country and abroad from time to time. Both, the Central and State Governments, devised a programme of trade fairs. The Ministry of Industry also organised exhibitions and trade fairs from time to time. At the State-level, participation in international trade fairs was managed either by the Punjab State Small Industries Corporation or the Department of Industries. The Department gave financial assistance to the Corporation for meeting the expenditure on items such as space rent, dearthness allowance of two representatives, cost of sending samples, publicity expenditure incurred in foreign countries, interpreter's fee, and entertainment expenditure in foreign countries, according to the rules and regulations of the Government of India. Exhibitions and trade fairs were also organised by the Department to popularise the products.
manufactured in the State. The expenditure incurred for the programme was Re.2.90 lakh, 13.58 lakh, 1.50 lakh and 1.50 lakh for 1977-78, 1978-79, 1979-80 and 1980-81 respectively. Table 5.7 shows the number of exhibitions and trade fairs organised by the Punjab Government and national and international ones in which the Punjab Department of Industries participated. It indicates that during five years (1975-80),

**TABLE 5.7**

<table>
<thead>
<tr>
<th>Year</th>
<th>State-level</th>
<th>National-level</th>
<th>International-level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975-76</td>
<td>4</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>1976-77</td>
<td>2</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>1977-78</td>
<td>7</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>1978-79</td>
<td>4</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>1979-80</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>15</strong></td>
<td><strong>17</strong></td>
</tr>
</tbody>
</table>

*Source: Records of the Department of Industries, Punjab.*

the Government of Punjab organised 20 trade fairs. It participated in 32 exhibitions/trade fairs: 15 at the national level and 17 at the international level.
The nature of participation by units in our sample during the last five years (1975-80) is shown in Table 5.8.

**Table 5.8**

<table>
<thead>
<tr>
<th>Investment group</th>
<th>State level</th>
<th>National level</th>
<th>International level</th>
<th>State and national level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-investment group</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Medium-investment group</td>
<td>3</td>
<td>2</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>High-investment group</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5</strong></td>
<td><strong>3</strong></td>
<td><strong>3</strong></td>
<td><strong>3</strong></td>
</tr>
</tbody>
</table>

We find that only 14 units participated in trade fairs. Of these, five belonged to the high-investment group, seven to the medium and only two to the low-investment group. Further, of these 14 units, three were hosiery units, five cycle and cycle parts, three machine tools and one each of sewing machine and parts, autoparts and diesel engines. All the three units which participated in exhibitions abroad belonged to the high-investment group. The Government assisted four entrepreneurs in participating in trade fairs/exhibitions and all of them belonged to the high-investment group. Thus,
the smaller units, which needed help the most, did not get any assistance from the Government. Thin participation in trade fairs was due to a number of factors. About 82 per cent of the entrepreneurs complained that only those units were assisted by the Government which were either relatively large or could exercise political influence\(^\text{12}\). A majority (61%) complained about the high cost of the stall and the space rent; 46 per cent thought that their products lacked novelty; and 41 per cent lacked confidence in Government agencies: they were even afraid of losing their articles, if lent to these\(^\text{13}\). All who participated stated that their sales had not been boosted up — this had a demoralising effect on others. However, they acknowledged that participation helped to increase their general awareness.

Thus responses of the entrepreneurs suggest that trade fairs did not help small-scale units much. The Working Group on marketing assistance pointed out in its interim report that there was no organised programme of shows and exhibitions specifically for small-scale industries.

\(^{12}\) Some respondents gave more than one reason, hence the percentages add up to more than 100.

\(^{13}\) An entrepreneur of our sample who entered the exhibition through the Punjab Export Corporation complained that the sample he had displayed in the exhibition had been lost and had not been restored to him.
Such specialised trade fairs and shows (organised in Japan and Italy) provided a meeting ground for buyers and sellers. This reduced the communication gap and the transaction was facilitated. The Group recommended that the National Small Industries Corporation should prepare a comprehensive programme for organising trade fairs and exhibitions exclusively for small-scale industries on a regular and continuous basis, and that the Corporation should collaborate with the Trade Fairs Authority, the State Small Industries Corporations and voluntary organisations. The linking of this programme with the activities of tourist organisations of India would also prove useful for locating potential Indian and foreign bulk buyers.

Trade Centre

Another State project was the inauguration of a Trade Centre at Ludhiana on 22 May 1980. The Centre was to promote inter-regional and international trade of small industries products. The objectives of the Centre were as follows:

(1) to promote and develop a market for small industry products;

(ii) to provide infrastructure for marketing – exhibition room, conference hall and sub-contract exchange;

(iii) to create consumer confidence by ensuring quality control and standardisation;
(iv) to enable small industries to compete with large and medium ones;

(v) to improve the overall image of small industries by creating brand image of their products;

(vi) to create product adaptation and development by exhibiting products in demand - overseas and within the country;

(vii) to provide a forum where large-scale manufacturers, exporters, traders and consumers could see at one place a representative and up-to-date collection of various products of small scale industries of the state.14

The Centre was set-up by the State Government with Central aid. Its working was entrusted to the Punjab State Small Industries Corporation. Rs 11 lakh had been spent on the project by December 1980.

Rental charges for space for exhibiting the products were very low, Rs. 4 per square foot only. By the end of 1980, 61 small-scale units had got the space in the Trade Centre. Of these 54 units belonged to the Ludhiana District and 7 to other districts of the State. In our sample, three units making cycle parts, sewing machines and diesel engines booked space for displaying their products.

All the three belonged to the high-investment group. None of these had received any order through the Centre. The Centre was closed down at the end of 1980 due to lack of finances. The entrepreneurs complained that the products they had displayed in the Centre had not been returned.

QUALITY MARKING

The importance of quality and standardised products was emphasized as early as 1954 at the second meeting of the Small Scale Industries Board. Even at the State Government level it was pointed out that small-scale industries lacked uniformity and standardization of product. In order to fill this gap, the Government of Punjab embarked upon an ambitious plan of quality marking during the Second Five Year Plan. It involved regular checks for quality of incoming raw-materials and components, manufacturing operations and final assembly of the end-product as per set design and prescribed specifications. The products manufactured according to the standards laid down under the scheme were stamped. The objectives of the scheme were as follows:

(i) to prescribe standards for goods produced by the small-scale sector;

(ii) to establish liaison between the small-scale sector on the one hand and the Indian Standard Institution, the Director General of Supplies and Disposals and the Export Inspection Councils, on the other.16

The Scheme was to be operated on a voluntary basis. The manufacturers might adopt the scheme by getting their products tested and approved according to specifications laid down by the Centres, executing an indemnity bond and depositing a security fee as a check against any misuse of the quality seal. The approved products of the manufacturers were marked under the supervision of the technical staff of the Centres after inspection and testing of a random sample of the manufactured lot. A nominal fee was charged on account of the testing and inspection facilities afforded to the industrialists. There were three Quality Marking Centres in Ludhiana District, one each for textiles, engineering goods and electronics.

The Quality Marking Centre, Textiles, was the first to be started in Ludhiana District in 1956. Only woollen hosiery goods were marked at the Centre. The Quality Marking Centre, Engineering Goods, was set up under the Second Five Year Plan to help the manufacturers of engineering...
goods standardise their goods. The Quality Marking Centre, Electronics, was set up in 1979 to help small-scale units which produced precision and sophisticated electronic items. Table 5.9 shows the number of units registered with these Centres.

<table>
<thead>
<tr>
<th>Year</th>
<th>Quality Marking Centre, Textiles</th>
<th>Quality Marking Centre, Engineering Goods</th>
<th>Quality Marking Centre, Electronics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974-75</td>
<td>N.A.</td>
<td>134</td>
<td>-</td>
</tr>
<tr>
<td>1975-76</td>
<td>N.A.</td>
<td>140</td>
<td>-</td>
</tr>
<tr>
<td>1976-77</td>
<td>80</td>
<td>141</td>
<td>-</td>
</tr>
<tr>
<td>1977-78</td>
<td>82</td>
<td>147</td>
<td>-</td>
</tr>
<tr>
<td>1978-79</td>
<td>85</td>
<td>147</td>
<td>-</td>
</tr>
<tr>
<td>1979-80</td>
<td>68</td>
<td>170</td>
<td>70</td>
</tr>
</tbody>
</table>

Source: Records of the respective Centres.

Table 5.9 indicates that very few units of Ludhiana District were members of Quality Marking Centres for textiles and engineering goods. The membership of the Centre for textiles fell in 1979-80 because the Punjab Test House\(^{17}\) was set up in that year. The membership of the Quality Marking

\(^{17}\) This project has been discussed in detail in Chapter VII
Centre for electronics was significant, as many as 70 units were enlisted in one year.

In our sample, only three units located at Ludhiana city were members of the Centre for engineering goods.

Table 5.10 shows the value of goods which were given the seal of 'Quality Marked' by the Centres for textiles and engineering goods for general sale or for sale to the Director General of Supplies and Disposals or Controller of Stores or for exports. It may be noted that during six years (1974-80) goods worth Rs.199.7 million were quality marked for general sale and worth Rs.193.9 million for sale to the Director General of Supplies and Disposals by the Quality Marking Centre, Textiles. The value of goods quality marked in 1979-80 fell considerably because of the setting up of the Punjab Test House. No goods were stamped for export during the years 1976-80 because the Export Inspection Agency took up this work.

The value of goods marked by the Centre for engineering goods totalled to Rs.79.8 million in the six years. It increased considerably from Rs.1.5 million in 1974-75 to Rs.31.4 million in 1979-80; this shows the increasing quality consciousness amongst entrepreneurs.
<table>
<thead>
<tr>
<th>Year</th>
<th>Quality Marking Centre, Textiles</th>
<th>For General sale</th>
<th>For supply to the Director General of Disposals and Supplies</th>
<th>Quality Marking Centre, Engineering Goods</th>
<th>For General sale</th>
<th>For supply to the Controller of Stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974-75</td>
<td>46.4</td>
<td>26.7</td>
<td>150.3</td>
<td>1.5</td>
<td>1.20</td>
<td></td>
</tr>
<tr>
<td>1975-76</td>
<td>6.2</td>
<td>46.6</td>
<td>80.9</td>
<td>4.1</td>
<td>1.20</td>
<td></td>
</tr>
<tr>
<td>1976-77</td>
<td>57.9</td>
<td>26.0</td>
<td></td>
<td>14.8</td>
<td>2.30</td>
<td></td>
</tr>
<tr>
<td>1977-78</td>
<td>62.1</td>
<td>34.3</td>
<td></td>
<td>13.0</td>
<td>14.00</td>
<td></td>
</tr>
<tr>
<td>1978-79</td>
<td>22.2</td>
<td>47.1</td>
<td></td>
<td>15.0</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>1979-80</td>
<td>4.9</td>
<td>13.2</td>
<td></td>
<td>31.4</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>199.7</strong></td>
<td><strong>193.9</strong></td>
<td><strong>231.2</strong></td>
<td><strong>79.8</strong></td>
<td><strong>17.54</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Records of the respective Centres.
However, no goods were inspected on behalf of the Controller of Stores during 1978-80. One of the reasons for this was that in 1978-79 more authority for the purchase of stores was delegated to the Departments.

The impact of the Centre for electronics was yet to be realised but the progress of the other two Centres shows that these were not popular with the entrepreneurs. The responses of the entrepreneurs indicated that they were not much quality conscious. The manufacturers of consumer goods, particularly hosiery stated that they wanted the product to appeal to the masses by its lower price. If they manufactured quality products and sold dearer, the sales would be limited to those people who appreciated the quality and did not care much about the price. Further, a majority of the manufacturers of engineering goods produced parts and did not assemble the full product. They stated that the parts produced by them adhered to the specifications of the assembler.

A study of marketing of industrial products of Punjab reported that quality appreciation of a Punjabi entrepreneur was poor because he had developed efficiency in the long years of experience without the support of a formal technical education and he did not understand the importance of quality particularly during the process of manufacturing.18

18 Punjab Industrial Consultancy Organisation and the Administrative Staff College of India, Hyderabad, op. cit., pp. 103-104.
Most of the entrepreneurs in our sample were critical of the Quality Marking Centres. About 62 per cent of them said that most of the staff members of these Centres were only certificate holders and did not have the practical experience to help them bring about improvement in quality. Eighty one per cent complained of corruption; according to them the seal of quality could be obtained for a consideration. An ex-official of a Centre corroborated this statement.

Entrepreneurs could be made quality conscious through demonstrations and persuasion. The task could also be taken up by voluntary associations of industrialists.

DEVELOPMENT OF ANCILLARY INDUSTRIES

It has been the experience all over the world that the growth of the large-scale sector itself stimulates the growth of the small-scale sector. The British Motor Vehicle Industry, particularly in the Birmingham area, consists of a small number of large assembly plants surrounded by a mass of very small engineering factories specialised to an almost inconceivable degree in the making of parts for the final assembly.19 A Stanford Research Institute study by Robert

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W. Oliver in 1957 remarked on "the extraordinary interdependence of the industrial establishment in the United States". In Japan, subcontracting by large firms to small ones was extremely common throughout the industry.

In India, the need to develop small-scale units as ancillaries was recognised in the fifties when a programme for the development of small-scale industries was drawn up. Inter-departmental teams were set up to identify items which could be taken up by ancillary units and plant level committees were asked to work out the details of the ancillary development programme. Twenty five broad groups of industries were identified for intensive development. The Bureau of Public Enterprises issued detailed guidelines to public sector undertakings spelling out the measures to be adopted for the promotion of ancillary units.

In Ludhiana District, with its 60 large and medium-scale undertakings and 12,990 small-scale units, there was no development of ancillaries.

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22 Records of the Department of Industries, Punjab.
specialised in manufacturing one or two parts each of an end-product. In our sample, 15 entrepreneurs sold goods to large and medium-scale manufacturers or bigger units in the small-scale sector. They sold to bigger manufacturers such as those of Hero and AVON bicycles, Rita and Laxmi Sewing machines and Yorks and Grateways hosiery. However, large industrialists did not buy from the same small ones regularly, nor did they arrange for the required raw-materials. Hence there was no contracted ancillary relationship as such.

Sub-Contracting Exchange

An important development in the application of the concept of ancillarisation was the establishment of sub-contracting exchanges at the Small Industries Service Institutes all over the country. The main functions of the exchanges were as follows:

(i) to invite small-scale units to register themselves with those exchanges with the details of their installed capacity in different trade processes;

(ii) to approach large and medium undertakings to identify items which could be sub-contracted to small-scale units having the required facilities;

(iii) to render appropriate technical assistance to small scale sub-contracting units for creating enough capacity for specific purposes or manufacture of items/stores required by the large and medium undertakings;
(iv) to furnish information to large and small undertakings about the needs of the former and the capacity available in the latter.23

In Ludhiana, the sub-contracting exchange was set up in 1975-76. By 1979-80, this exchange had registered only eight units. Eleven units were introduced to large undertakings and thirty three enquiries were processed for the benefit of small and large units.

A study analysed the reasons as to why ancillary relations did not develop in underdeveloped countries. According to it, because of a low-total volume of industrial production, there was less scope for the rise of competent ancillary enterprise; the problem of quality control and insurmountable distrust was another reason in the way of mutually beneficial interfirm relations.24 The International Perspective Planning Team recommended that the Department of Technical Development, in co-operation with the Development Commissioner, should publish a quarterly bulletin of firms that wanted to make sub-contracting arrangements. Producing

23434th Meeting of the Small Scale Industries Board, op. cit. pp.88-89
24Eugene Staley and Richard Morse, op. cit., p. 262.
firms should register their equipment and the tolerances they were prepared to work to, as well as their readiness to start work. Buyers should list parts needed, specifications and desired schedules. In our country ancillarisation can be developed only if it is deemed as a mutually beneficial bipartite arrangement between the parent and ancillary units. The parent unit should assist in the transfer of technology and arrange for the supply of quality raw-materials so that the product of ancillary units fulfilled requisite specifications. The Bhatt Committee recommended enactment of legislation for development of ancillaries.

REGULATORY PROGRAMME

RESERVATION OF ITEMS FOR EXCLUSIVE MANUFACTURE

Reservation of items for exclusive production in the small-scale sector to provide marketing support to this sector against undue competition with the large-scale sector, was a major policy decision of the Government. The idea of the common production programme visualised in the First Five Year Plan could mean either reservation of spheres of production, or non-expansion of the capacity of a large-scale industry or imposition of a cess on it. The first of these, namely, reservation was adopted. The list of reserved items, which started in the First Five Year
Plan, gradually increased to 847 items by December 1980. To name a few, it included hosiery items, cycle parts, auto-parts, domestic electrical appliances and current transformers.

It was found that 90 per cent of the entrepreneurs in the sample did not know whether they were producing a reserved item. When told they said that large-scale industry was also producing the same items. When the Government declared an item as reserved, the production capacity of large-scale industries was jammed. Jamming, however, was not to be done if they had ancillaries or were exporting. If these conditions were fulfilled they had to obtain the Carry Licence. Over Business Thus the policy of reservation did not apply to items meant for export.

The Dutt Committee observed that quite a few large-scale entrepreneur had expanded their production beyond their licensed capacities without prior permission. The Bhatt Committee recommended the enactment of legislation to make the reservation effective. However, such reservation would be desirable only if a minimum level of quality could be ensured. Both, the Janata and the following Congress (I)

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Governments, expressed concern about the quality of the product of the small-scale sector in their industrial policy resolutions. The resolution of the Janata Government said that "it must also be ensured that production in this sector is economic and of acceptable quality". The Congress(I) Government's resolution included "consumer protection against high prices and bad quality" as one of the socio-economic objectives. The Government had made conformity to quality obligatory in case of certain commodities such as domestic electric goods and drugs. However, the Government did not have the means to ensure the quality of all goods. Also it was required to review the list of reserved items from time to time to determine how far the objectives of reservation were being fulfilled.

**DIRECT ASSISTANCE**

The National Small Industries Corporation, the Punjab State Small Industries Corporation, the Director General of Supplies and Disposals and the Controller of Stores have been rendering direct assistance in marketing.

**Mobile Sale Vans and Wholesale Depots**

One of the objectives of the National Small Industries Corporation was to assist small-scale units in organizing sales. A beginning was made through its mobile
sale vans which carried these products and sold them in semi-urban and rural areas. The project was however given up in 1959 because of operational problems. The Corporation continued to perform this function in a limited way by opening wholesale depots for a few products. These were established at Ludhiana for hosiery, at Agra for footwear, at Bombay for paints and at Renigunta for glass-beads. These depots were also wound up in phases.

**Emporia**

The Punjab State Small Industries Corporation provided direct marketing facilities to small, cottage and village industries through a network of emporia situated at Ludhiana, Amritsar, Jullundur, Patiala, Chandigarh and New Delhi. These emporia were taken over by the Corporation in 1970. During 1977-78, two new emporia-cum-trade centres were opened at Calcutta and Bombay. The sale turnover of emporia during the year 1978-79 was Rs.11.2 million and Rs.11.6 million in 1979-80. None of the sample units made any sale through these emporia.

The emporia organisation proved to be a vital asset for promoting and popularising handicrafts and handloom products. They served as show-windows to project the image of the traditional crafts of Punjab. The emporium at New Delhi
popularly known as 'Phulkari' earned a reputation of being one of the most modern and cosmopolitan show places in the capital for attracting sophisticated customers including foreign tourists. The hosiery products of the State were being marketed under the brand names of 'Phulkari' and 'Janta'. However, the goods marketed were limited, only consumer goods and handicrafts were sold through emporia.

**Government Purchase Programme**

The Working Group on Small-Scale Industries was of the opinion that Government assistance in marketing should generally be indirect. However, in a country like India where about Rs. 200 crores worth of products were purchased for Central Government Departments and Railways and a similar quantum of stores were purchased every year by the various State Governments, the Government Purchase Programme was of great importance.

**Director General of Supplies & Disposals**

The Directorate General of Supplies and Disposals (DGSD) was the main organisation for procurement of stores needed by ministries and departments of the Government of

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India, State Governments, public sector undertakings, and quasi-public bodies. Some foreign Governments also utilised the services of this organisation. All the indents for purchase to be made by the Directorate General of Supplies and Disposals were categorised into the following six groups:

(i) items which were of no interest to small-scale units and could be procured only from the large-scale sector;

(ii) items which by their very nature required large-scale firms as prime contractors, but permitted substantial scope to the other industries;

(iii) residuary items which both small and large-scale firms could supply;

(iv) items reserved for exclusive procurement from the small-scale sector;

(v) items reserved for exclusive purchase from small-scale units up to 75 per cent;

(vi) items reserved for exclusive purchase from small-scale units up to 50 per cent.

The small-scale units were mainly interested in items falling under groups three to six. In respect of group iii, small-scale units were to compete with large-scale units for securing government contracts. As such, a price preference
upto 15 per cent was to be given to small-scale units compared to large-scale ones. Items in group iv could only be purchased from the small-scale sector. This group, which started with a list of 16 items in 1956-57 included as many as 379 items in March 1981. In groups v and vi there were 11 and 15 items respectively.

Procedure A small-scale unit desirous of utilizing this marketing outlet was to approach the Small Industries Service Institute of the State. The documents to be attached with the application were: fee coupon of Rs.5, bank draft for Rs.25, income-tax clearance certificate, annual report-trading and profit and loss account and balance sheet, a statement indicating the operational and financial position of the firm during the past three years, affidavit of ownership of land and building, plant and machinery, copy of rent deed including the latest rent receipt, authentic proof regarding partners, available from the Registrar of Firms and Companies, copy of the registration certificate under the Factories Act, copy of registration certificate as small-scale industry. The Small Industries Service Institute was to assess the technical competence of the unit to manufacture the products in question and recommend registration to the NSIC. On the basis of this recommendation, the NSIC was to enlist the units under the programme. With the introduction of single
point registration, a small-scale unit registered with the NSIC did not have to register itself with the DGS & D. Such units were given facilities such as free and regular supply of tender forms, exemption from security deposit and elimination of other procedures and formalities like production of documents along with the tender. Once the unit was registered, with the NSIC and a competence certificate was issued by the Corporation in favour of the unit, no inspection was required to be undertaken by the DGS & D.27

Achievements

In our universe, 18 units were registered with the National Small Industries Corporation. In our sample, a hosiery unit registered itself in 1973 but had not secured any orders. However, it sold jerseys to the Defence Department directly for Rs.10,000 during 1977-78.

Controller of Stores

At the State-level, the Controller of Stores was the chief purchasing agency for the Punjab Government. Any unit desirous of registering itself with the Controller

of Stores, had to apply to the General Manager, District Industries Centre, who certified the technical competence of the unit to supply goods to the Government. The registered unit was not required to deposit earnest money with the tender. Tenders were invited and opened twice a month on fixed dates.

Rule No.21(a) of the Punjab Stores Department provided for 15 per cent price preference to small-scale and cottage industries of the State over large-scale industries of Punjab and other States. Rule No.22 stated that all articles purchased through the Department were subject to inspection by the Inspection Officer or such other officer or indenting officer as might be authorised by the Controller of Stores, before acceptance. The Inspection officer was to certify that the goods conformed to the prescribed specifications or tests of quality. Eighty per cent of the payments were to be made to the suppliers immediately on production of (a) an inspection note signed by the officer of the Stores Department under the seal of his office clearly indicating that the goods were sealed in his presence in token of acceptance; and (b) railway receipt indicating the booking of the consignment on railway risk. Table 5.11 shows the orders secured by the small-scale units through the Controller of Stores.
Table 5.11 shows that the share of small-scale units in the total purchases varied from half a per cent to about seventeen per cent. In 1974-75 and 1976-77 their share was about seventeen per cent, in other years it was very insignificant. This suggests that Government agencies did not help small-scale units much in marketing. In our sample, nine units sold to Government Departments; seven of the units belonged to the medium-investment group and one each to the low and high-investment groups. Of these three manufactured hosiery, two auto-parts, and one each stationery,
diesel engines and parts, and machine tools. However, there was not a single unit which sold through Government agencies like the Controller of Stores, the Punjab State Small Industries Corporation and the District Industries Centre.

Problems

We have noted above that only 18 out of 12,990 small-scale units in Ludhiana District had registered themselves with NSIC for the Government Purchase Programme. The share of the small sector in the purchases made by the Controller of Stores was very small except in two of the seven years, thus indicating that the Programme had made very little headway. We discuss below the reasons for this.

Lack of Information Sixty per cent of the entrepreneurs were ignorant that there were agencies such as DGS & D, NSIC and the State Controller of Stores through whom the Government purchase programme was channelized. Twenty one per cent of them were under the impression that these agencies catered only to large and medium industries.

Procedural Problems The procedure for registration with NSIC has been discussed above: it required submission of a plethora of documents to SISI which then inspected the unit. Obviously, the objective of avoiding the rigorous inspection
by DGS & D had not been fulfilled because DGS & D sometimes showed reluctance to accept the certificate of the SISI.29 This resulted in delay; the normal duration for registration was a year or two.30

Lack of Follow-up Action Small entrepreneurs who were unable to obtain orders from the DGS & D could not find out the reasons for their failure. They did not receive any assistance from NSIC in this connection; the latter did not care to obtain information about the prices charged by the successful ones. Even at the State-level, no separate record was kept for the tenders received from small-scale units. No information was available as to why tenders had not been accepted.

Lack of Policy Support The policy of giving price preference of 15 per cent to products of small-scale units remained only on paper. This was stated by our respondents — both the entrepreneurs and the officials. The preference was intended to be granted automatically, but was actually exercised as if it were discretionary — which also opened


30 DGS & D was trying to simplify the registration procedure.
the door for corruption. The Working Group of the Administrative Reforms Commission on Small Scale Sector had also noted the failure of this policy; no remedial steps had been taken till 1981.

**Items in Groups IV, V and VI** The benefit accruing to the small-scale industries out of the reserve list group IV has not been significant as the items reserved were minor items of low value. The benefit accruing from the list of groups V and VI was yet to be realised; the decision was taken only in 1981.

**Delayed Payment of Bills** Another problem related to payment for goods sold to Government departments. We found that several months elapsed, sometimes even a year, before the payment was actually made. The delay discouraged small-scale units from participating in the Government purchase programme.

**Lack of Raw Materials** Even if small-scale units secured orders, they sometimes found it difficult to execute these because of the non-availability of raw-materials.

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Almost all of the problems mentioned above were accentuated by the lack of integrity on the part of both government officials and industrialists. It was complained by officials that the quality of goods was sometimes sub-standard due to the use of inferior materials or incompetent manpower, and that they were pressured to buy these. The pressures were either political in nature or took the form of bribes. The manufacturers, on the other hand, complained that they had to bribe officials who dealt with purchase at all stages. The larger the discretion of the official, the greater was his power to extract a bribe.

The failure, generally speaking, of the Government Purchase Programme has been noted above. One of the ways of assisting small industry could be legislation. Thus the Bhatt Committee recommended legislation to ensure: (i) 15 per cent automatic price preference, (ii) supply of scarce raw-materials at fair prices, and (iii) payment of bills within 90 days. Examples given by the Committee are those of the Small Business Act of 1958 of the U.S.A. and a number of laws of Japan.
While measures for assisting small entrepreneurs may be necessary, legislation may not prove to be the best mode of fulfilling this objective. For one thing, lack of integrity would make any law useless. In the circumstances of under-development, it might be better to help small industries improve the quality of their products.

**ASSURED SALES**

Another proposal was that of requiring Government Departments and autonomous agencies to purchase a fixed minimum part of their requirements from the small-scale sector. The Working Group on Marketing recommended that tiny units in backward and rural areas should have assured sales of 20 per cent of their installed capacity.\(^{32}\)

**EXPORTS**

The Union and State Governments provided some facilities to industrialists to boost their exports. Some of these were available to all industries: small, medium and large, while some were available only to small ones.

Export Promotion Councils

Export promotion councils were set up to create export consciousness, collect and disseminate statistical information and market intelligence, participate in exhibitions and fairs, undertake promotional activities, send delegations abroad, help in the settlement of industrial disputes and implement export assistance programmes. All direct exporters of commodities, large as well as small, were to get themselves registered with these export promotion councils. For becoming a member of the council, an entrepreneur was to apply through the General Manager, District Industries Centre who recommended the application only if the unit already had an export order in hand. The membership fee was Rs.1,000 per annum. In our sample three units were members of the export councils. There were different councils for export of different products.

Export Consortia

The idea of export consortia was developed in the early seventies to help small-scale units overcome the problems of export trade. It was based on the concept of joint marketing which enabled small firms to pool resources, share the expenses of international marketing and make joint policy decisions, while still maintaining their separate identity as manufacturing units. In this way, small industries
were able to compete for large contracts and meet the needs of bulk buying agencies. By 1931, there were six export consortia in the country; none of these was in Ludhiana District.

One of the reasons for non-development of trade consortia was the lack of assistance to these. The only incentive available was that under the policy of Export Houses, the Government provided import facilities and Marketing Development Assistance if the value of exports was at least Rs. one million.\(^3^3\)

**Incentives**

The Government of India provided several incentives to promote exports by all industrialists as follows:

(i) the import replenishment licence for the import of raw-materials needed for the manufacture of the export product;

(ii) cash assistance;

(iii) credit facilities at concessional rates;

(iv) excise and custom rebates and drawbacks.

The Punjab Government also took measures for the promotion of exports. An Export Cell was set up in the

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Directorate of Industries. The Cell provided some facilities discussed below.

Market Information The cell was to provide information regarding export potential. In this regard, an export potential survey of the products of the State was got conducted by the Cell in 1973.

Sponsoring of Trade Delegates It was recommended at the meetings of the Punjab State Export Promotion Board on 19 February 1979 and 18 August 1979 that trade delegations should be sponsored and that the Government should be moved to provide financial assistance on the lines of the Marketing Development Fund of the Government of India. It was proposed that five or six trade delegations might be sponsored every year. It was estimated that each visit of two to three weeks would cost Rs. 1.20 lakh out of which 50 per cent should be met from the Marketing Development Fund and the rest should be shared equally by industrialists and the State Industries Department. However, no trade delegation was sponsored up to December 1981.

34 Director of Industries, Export Assistance (Memo No. 1951/Plan/527/22764 B Dated Chandigarh 5.12.1979)
Recognition In order to recognise the services of exporters, the State Government decided to honour them by giving awards, trophies and merit certificates. Rs. 1.20 lakh were provided in the Sixth Five Year Plan to recognise the services of exporters. Of this Rs.30,000 were earmarked to honour outstanding exporters of the State for the year 1980-81.

The Punjab State Small Industries Corporation Ltd. assisted small-scale units in exporting their products. For this purpose, Project Export Cell was set up in the Corporation in 1977-78. The Corporation helped the industrialists in exports as follows:

(i) It purchased products from small manufacturers and exported these. However, we found that it did not have full information about the small-scale units of Punjab and their export potential.

(ii) It executed the orders procured by an entrepreneur if the latter could not do so. In this way it often got a commission equal to 1-5 per cent of the value of goods.

(iii) It executed orders received through the Central Government.

Some small-scale units in Ludhiana District had made notable success in the export market. Hosiery goods of the
TABLE 5.18
Exports from Ludhiana District

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Woollen textiles</td>
<td>516.57</td>
<td>516.00</td>
<td>1,007.16</td>
<td>12.60</td>
<td>640.67</td>
</tr>
<tr>
<td>Nostery &amp; readymade garments</td>
<td>2,300.00</td>
<td>2,200.00</td>
<td>43.79</td>
<td>4,990.00</td>
<td>1,081.00</td>
</tr>
<tr>
<td>Solvent oil &amp; extraction</td>
<td>57.44</td>
<td>-</td>
<td>200.83</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Hand-tools</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>16.72</td>
<td>-</td>
</tr>
<tr>
<td>Bolts &amp; nuts</td>
<td>55.00</td>
<td>30.00</td>
<td>-</td>
<td>43.67</td>
<td>45.89</td>
</tr>
<tr>
<td>Other metal products</td>
<td>-</td>
<td>0.39</td>
<td>10.00</td>
<td>1.16</td>
<td>-</td>
</tr>
<tr>
<td>Machine tools</td>
<td>3.00</td>
<td>2.87</td>
<td>50.00</td>
<td>10.00</td>
<td>36.30</td>
</tr>
<tr>
<td>Sewing machines &amp; parts</td>
<td>34.20</td>
<td>22.17</td>
<td>10.00</td>
<td>12.00</td>
<td>19.04</td>
</tr>
<tr>
<td>Automobile parts</td>
<td>19.42</td>
<td>12.87</td>
<td>29.32</td>
<td>-</td>
<td>22.50</td>
</tr>
<tr>
<td>Bicycles and parts</td>
<td>1,196.00</td>
<td>667.74</td>
<td>679.00</td>
<td>591.53</td>
<td>800.00</td>
</tr>
<tr>
<td>Diesel engines</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Measuring tape</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other castings</td>
<td>1.95</td>
<td>-</td>
<td>-</td>
<td>1.90</td>
<td>-</td>
</tr>
<tr>
<td>Pickles, Chutney &amp; preserved food</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rubber products</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>General hardware</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>3,688.00</td>
<td>1,106.55</td>
<td>3,854.44</td>
<td>1,437.03</td>
<td>2,965.05</td>
</tr>
</tbody>
</table>

SOURCES: Records of the Department of Industries, Punjab
District were well-known in many parts of the world. Table 5.12 shows exports from the District.

We note that the exports of the large and medium-sector were lower than those of the small-scale sector. However, the share of the latter declined steadily. In 1975-76, the exports of the small-scale sector were 2.8 times those of the large and medium-scale sector; in 1976-77 2.5 times, in 1977-78 1.6 times, in 1978-79 1.7 times and in 1979-80 1.1 times. Hosiery was the most important of the products being exported by the small-scale sector.

In our sample, nine units exported their products. Of these, only one exported direct. Others exported through export houses and big manufacturers; four hosiery units fabricated garments and sold them to large manufacturers who exported them. Small industrialists faced the following problems in entering export trade.

**Non-membership of Export Promotion Councils** An entrepreneur could be a member of a council only if he had an export order with him. There were no separate councils for small-scale units; the assistance provided by the councils was availed of mostly by large and medium-scale units.
Procedural Problems

The procedural problems daunted many a small entrepreneur. Several documents were required, such as the inspection agency certificate, packing slips, copy of letter of credit, GR-1 form and declaration for claim under drawback. Small entrepreneurs said that processing all these was difficult for them. Then there were different agencies to provide incentives like the import replenishment licence, duty drawback claim and compensatory claim. It was difficult for a small entrepreneur to pursue all these agencies. There was also much delay in procuring the incentives.

Discrimination

The Trade Development Authority charged with the function of assisting exporters had the same set of rules and regulations for both small and large industries. Visits by foreign trade delegations, arranged by the Trade Development Authority, were mostly to large industries.

Non-availability of Incentives

An indirect exporter could obtain certain benefits only if he procured a certificate from the direct exporter to the effect that the latter would not avail of the incentives in regard to the concerned items. However, this certificate was generally difficult to procure.

Raw-Materials

Sometimes small-scale units found it difficult to execute export orders because of non-availability of raw-materials.
Monopoly and Corruption Small entrepreneurs complained that export trade had been monopolised by a few large-scale units or bigger units in the small-scale sector. In Ludhiana District export of hosiery was monopolised by eighteen big manufacturers. They did not produce the goods for export but got them fabricated by small entrepreneurs.

Conclusion

The sales of our sample units indicated a slightly rising trend over the period of five years (1975-80). Owing to generally inflationary trend there might be no increase in real terms. Three methods of marketing prevalent were as follows: direct dealing with the buyer at the factory level, sale through branches and sale through commission agents. The procedure for choosing the method of sale was determined by trial and error. The wholesaler was the most important purchaser agency. Seventy six of the 117 entrepreneurs sold to him. One of the reasons of dependence on wholesaler was lack of organized sales and waiting capacity. Thirty three of the 45 entrepreneurs who sold the whole of their produce for cash and 10 of the 19 entrepreneurs who sold more than half of their produce for cash belonged to the low-investment group. Thus, the smaller the size of the unit, the greater was its dependence upon cash sales. Most of the goods were sold in unbranded form to the assemblers who put their own trade mark and made much profit. Fifty five of the 117 units sold throughout the country and nine in the country and for export
market. Low-investment group units mostly served the local market because of the cost of transportation, advertisement and exploring the market. Thirty two of the 57 low-investment group units sold in the local market. The area of sale was not determined on the basis of any market research or information.

Programmes for assistance in marketing could be divided into three types: promotional, regulatory and direct assistance.

Promotional programmes comprised market research and information, publicity of products, quality marking and development of ancillary industries. Market research was made through market surveys, market information was provided by circulating tender notices of Government Departments and trade enquiries of the Export Promotion Councils. Distribution aid surveys and regional market surveys were conducted by the Small Industries Service Institute. The Director of Industries, Punjab, commissioned a market survey of industrial products of the State. The entrepreneurs were not benefitted by these because findings of surveys were not given publicity; they did not receive information regarding tender notices also. Products of small industry were given publicity by publication of a manufacturers' directory. Trade fairs were organised; entrepreneurs were assisted in participating in fairs and exhibitions. The Trade Centre was
set up at Ludhiana to display the products of small industry and to build an image for these products. However most of the entrepreneurs did not know of the existence of the directory. Government assistance for participation in trade fairs and exhibitions went to relatively larger units in the small-scale sector. The field staff of the Quality Marking Centres rarely visited industrial units to give technical advice. The entrepreneurs maintained that the seal of quality could be obtained for a consideration. The Government of India set up inter-departmental teams to identify items which could be produced by ancillary units; the Bureau of Public Enterprises issued detailed guidelines to public sector undertakings spelling out the measures to be adopted for the promotion of ancillary units; and a sub-contracting exchange was set up in the Small Industries Service Institute, Ludhiana. However, no ancillary units developed in Ludhiana District.

Under the regulatory programme, some items were reserved for manufactured exclusively by the small-scale sector. The aim was to protect small entrepreneurs from undue competition by the large ones. There were as many as 847 items in this list. Large-scale industries often expanded their production beyond their licenced capacities without prior permission, thus defeating the policy of reservation.
Direct assistance comprised sale by mobile sale vans and wholesale depots, emporia, and sale under the Government Purchase Programme. There was a proposal of assured purchase by Government agencies of products of tiny units upto 20 per cent of their produce. Direct assistance through sale vans and wholesale depots was given up because of financial difficulties. Emporia helped to some extent in the sale of hosiery items. Under the Government Purchase Programme, the small-scale sector was given 15 per cent price preference over the products of the large sector. Some items were reserved for exclusive purchase from small industries. However, the programme did not help small industries much. The problems of sale to Government Departments related to lack of publicity, procedural problems, lack of follow-up action, lack of policy support, delayed payment of bills, lack of raw-materials, and corruption.

The Government provided some assistance in exporting also. In Ludhiana District the exports of the small-scale sector were more than those of the large and medium-scale sector. The export trade was monopolised by a few manufacturers. Small entrepreneurs faced problems in exporting products directly. These were: non-membership of Export Promotion Councils, procedural problems, discrimination, non-availability of incentives, and monopoly and corruption.