CHAPTER I

INTRODUCTION

The development experience of Tamilnadu has attracted the attention all over the world. An important feature of this has been the impressive achievements in contributing to the physical quality of life of the people in the state. Despite its low per capita income Tamilnadu has attained the physical quality of life index that are more in line with high income economy. It is often described as the Tamilnadu Model of development.

It is widely accepted that there exists a strong correlation between industrialisation and economic development. A number of factors contribute to the industrial growth of a region. A strong industrial base with backward and forward linkages provides a favourable foundation for the rapid development of a region. Although the State of Tamilnadu is endowed with a lot of natural resources, it has inherited a weak industrial sector since the formation of the state in 1956. The Industrial performance compared to the national level development measured by any conventional parameter has been on the low.
The share of the manufacturing sector in the state domestic product is relatively small and the growth rate of it is marginal when compared to the national figures.

An analysis of the industrial structure of the state reveals some important aspects. The industrial sector is dominated by traditional industries. Besides, small scale industries are still dominant in the number of industries in the State. The trends in total productivity of the Small Scale Industrial (SSI) sector have been showing a declining tendency since 1970s. The SSI sector in Tamilnadu has been facing a number of problems mainly in relation to marketing and distribution of the products and services.

The marketing problems of SSI sector have assumed a greater importance in the present context because of a number of factors. First, the competition from large scale units is fast increasing and becoming more and more intensified. Many small units find it difficult to compete with the large manufacturers who are far better equipped with modern methods of marketing. Secondly, because of the growing number of small units spread over different parts of the country, there is at present inter unit competition within the SSI sector itself. Thirdly, with the production of a varied variety of products both by the small and large scale units,
market for many products is fast changing from 'sellers' to 'buyers' market. Fourthly, lack of Government assistance in the form of large purchase from the small scale producers. Fifthly, unorganised sales due to lack of co-operative marketing organisations. Sixthly, absence of market research either by the small entrepreneurs or by government. Effective marketing has, therefore, become a vital necessity for the small scale sector to meet the new challenges in the market.

It is against this background that the present study was undertaken with a view to analyse the marketing management of the SSI sector in Tamilnadu. It is hoped that a study of this nature would provide an acute insight into the problems of marketing of the SSI sector. It may also be helpful in formulating a specific strategy for the improvement in the marketing management of this sector.

REVIEW OF LITERATURE

Several studies have been undertaken on the marketing problems of SSI sector of various states in India. An attempt is made here to present a brief review of such studies.
The International Planning Team (1954) in its report on small industries in India, stated that small manufacturers depended on dealers for marketing their products and, therefore, did not get a fair price.¹

The Industrial Policy Resolution of 1956 laid stress on the organised marketing of their products as one of the important aids for the promotion of small scale industries in the country.²

Dhar, P.N., in a study (1958) on investment, output and employment by small scale industries in Delhi, observed that small manufacturers depended on dealers for marketing their products and therefore, did not get a fair price.³

The report of Japanese Delegation (1959) of small scale industries stated that the most knotty point in the operation of small scale and cottage industry was that it was isolated from the market and unable to understand quickly and accurately the trend of the market.⁴

In a study (1960) in Bombay made by Lakdawala, D.T. and Sundesara, J.C. it was observed that majority of the SSI sector sold their products direct to consumers.¹

International Labour Organisation (1961) observed that the survival of small scale industrial units depended upon their products on a competitive market in which large industries were also selling. It is suggested that co-operative societies or government aided agencies should undertake market survey and market research since these would be too expensive for individual small firms.²

Singh, Baljit in a case study (1961) of Small Scale Industrial establishments of Moradabad stated that small entrepreneurs depended on dealers for marketing their products and therefore, did not get a fair price.³

UNESCO Research Centre of Social and Economic Development in South Asia (1962) opined that small entrepreneurs did not get fair price for their products because they depended on intermediaries for marketing their


products. Ramakrishna, K.T. (1962) also held the same view.

Greather, E.T. wrote (1966) that Government procurement - federal, state and local - was such a sizable proportion of total production and marketing that the ways in which it was handled had important, often strategic, impact upon numerous private industries and in fact upon the general functioning of the marketing system.

Shetty, M.C. in a study (1964) in Maharashtra stated that majority of small scale units sold their products to wholesalers. Since they depended more on intermediaries for marketing their products, the small entrepreneurs did not get fair price.

The Economic and Statistical Research Department of State Bank of India conducted a survey (1968) in Varanasi on potential for financing small scale industries. The study


2 Ramakrishna, K.T. Finance for Small Scale Industry in India Asia Publishing House, Bombay, 1962, p.3.


4 Shetty, M.C., Small Scale and Household Industries in a Developing Economy, Asia Publishing House, Bombay, 1964, pp.160-161.
revealed that the role of government sponsored institutions in marketing arrangements was not significant. Wholesalers and retailers had an important place in the marketing arrangements of small scale industries at Varanasi. The study also found that, quality control and standardisation measures were adopted only by a limited number of units.¹ Wanchoo, N.N. also emphasised (1968) the need for quality control.²

A symposium held (1969) in the name of the late Vaikunthabai Metha, the man after Mahatma Gandhi, with the idea of the Khadi and Village Industries, discussed in detail the various problems in the small scale sector. The symposium which was the first of its kind was well attended by eminent personalities of various spheres who did reflect authoritatively on this aspect. With regard to marketing it was opined that wider outlets must be planned which will enable the small scale sector to compete with the large scale sector. It stressed the need for quality control and


² Wanchoo, N.N., Standardisation and Quality Control - Aid to Marketing, Indian Journal of Marketing, Associated Management Consultants Pvt. Ltd., New Delhi, June 1968, p.6
organised marketing structure. More improved facilities are required in the field of communication, supply and storage.¹

Singh, Nau Nihal stated (1970) that continued production of an obsolete product, and failure to realise that business begins with the customer and not with the product, were pointed out to be the major reasons for the failure of small industrial units.²

Jain, O.P. in a study (1971) on the problems faced by the small scale industries of some countries with regard to export, found that the outstanding problem for most of the exporting firms was lack of information relating to such major areas, export procedures, market research and locality agents.³

Richman, Barry M. and Copen, Melvyn, R. stated (1972) that the marketing of the products of small scale industries has been a problem for quite sometime. The problem was getting more and more complex as markets were


becoming highly competitive day by day. Some of the units became sick as a result of the failure of their marketing operations.¹

In a study (1972) the National Council of Applied Economic Research revealed that inadequate knowledge of foreign markets and insufficient realisation of production problems at home were the basic hindrances to the maximum exploitation of export possibilities.²

A study (1972) undertaken by the National Council of Education Research and Training emphasised that the optimal functioning of an economic system depended upon the even matching of the capability and efficiency levels attained by its productive and distributive systems. The study also suggested that the marketing was probably the least developed aspects of the Indian economy and that there had been very little systematic attempt to study its problems in India.³


The seminar organised by the National Alliance of Young Entrepreneurs in 1973, on marketing services for small scale entrepreneurs stressed the need for an institution of marketing research and feasible studies on product or industry basis so as to enable new entrepreneurs to take up selected lines of manufacture.  

Ahmad, Nizar carried out a study (1974) on the operational problems of the small scale and cottage industries in India with special reference to the state of Jammu and Kashmir. On analysing the marketing problems the study inferred that in the field of distribution the industries were limited by the keen competition not only from the large scale firms but also from competing firms in other states of India.

The findings of the Working Group for the fifth five year plan (1974) were that the major drawback in the small industries development programme was the lack of proper distribution system for disposal of their products.


Sharma, A.P. in his work on marketing problems of small scale industries presented at the National Seminar on Marketing Strategy for Small Industries at Vigyan Bhavan in March 1975, classified the marketing problems of small scale industries into those associated with the product and those with the market for the product. The former arose from lack of standardisation, differences in the quality of materials used and lack of precision. The latter stemmed from inadequate resources at the disposal of small scale industries for identifying market outlets and tapping them profitability.1

Sapru, K.N. in his paper (1975) on marketing problems of small industries at the same seminar stated that because of their small size and lack of resources, the small industries, by and large, were unable to adopt modern marketing methods. Market research, market forecast, branding, effective publicity and even proper type of after sales service were beyond the means of many a small industrialist. They were, therefore, often victims of circumstances. In times of crisis, they found it very

difficult either to predict conditions or to overcome difficult situations.¹

Tambi, J.M.L. in his paper (1975) on marketing strategy for small scale industries presented at the same seminar, emphasised that large scale units had an edge over small scale sector in the matter of marketing because of economies of size and scale, sufficient financial strength to face temporary set backs and competence to hire professional managers, specialising in different branches of management.²

Sharma, Krishnalal in his book Entrepreneurial Performance in Role Perspective (1975) argued that since small entrepreneurs depended more on intermediaries for marketing, they did not get fair price for their product.³

Neelamegham, S(1977) in a paper on Marketing Strategy for Small Business stated that marketing was at present a neglected step-child in the small sector. There

³ Sharma, Krishnalal, Entrepreneurial Performance in Role Perspective, Abhinas Publications, Delhi, 1975, p.139.
were many firms, which could be proud of their modern plant and up-to-date machinery. The units which could boast of their marketing skills and organisation were very few in number. By and large, small units continued to be production oriented rather than market-oriented. Many companies in the small sector had never measured their market potential for their products. He also argued that products of many small units suffered from poor quality, lack of their poor marketing skills, many small units found it difficult to sell their products effectively in the market in the face of stiff competition especially from large scale units.¹

The working Group (1977) on Marketing Assistance to Small Scale Industries 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.²

A survey relating to the Rural Small Scale Industry in the People's Republic of China revealed (1977) that most

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of the small scale enterprises were producing items for which there was a ready local market.\(^1\)

Nagaraj, A.V. and Srinivasan, E.S. in their paper on problems of Sick Units in India presented at a Seminar on Rehabilitations of sick industry in small scale sector held at Hyderabad in Andhra Pradesh in 1977. They grouped the internal causes of sickness into four namely marketing, production, financing and organisation. They pointed that the marketing problems arises out of inadequate and improper assessment of demand, poor quality of the product and absence of a clear marketing strategy of the SSI sector.\(^2\)

In 1977, the Department of Industries Andhra Pradesh, collected data on sick within the small scale sector in the State. The analysis revealed that the cause of the failure of small scale units in the various regions of the state was due to the marketing problems.\(^3\)


\(^2\) Nagaraj, A.V. and Srinivasan, E.S., Problems of Sick Units in India, Seminar on Rehabilitation of Sick Industry in Small Scale Sector - Background Papers, Directorate of Industries, Andhra Pradesh, Hyderabad, 1977 (memo), pp.1-11

A study (1978) 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.¹

Drucker, Peter F. in his article pointed out (1978) that marketing was generally the most neglected area in the economic life of developing countries.

The Small Industries Extension Training Institute emphasised (1978) the need for greater co-ordination between the various agencies assisting small industries, to ensure production of quality goods at competitive rates without which the small industries would continue to face serious marketing problems.³

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³ Small Industries Extension Training Institute, New Industrial Possibilities in Malappuram (Kerala), Small Industries Extension Training Institute, Hyderabad, 1978.
The working group on small scale industries for the third five year plan (1979) also recommended similarly.¹

The significance of marketing was brought out (1979) by Paul Hoffman, former Administrator of the United Nations Industrial Organisation as it was illusory to think that a country could be industrialised by building factories - industrialisation means building markets.²

Small Industries Extension Training Institute made a study (1979) on the identification of product opportunities in Kerala observed that a market study had considerable importance in a state like Kerala where tremendous possibilities for developing markets for a variety of small industry products were available especially because of certain favourable factors such as high density of population, highest rate of literacy, compact markets, well developed infrastructure and surplus electricity.³

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Bala, Shashi had conducted a study (1980) on the management of small scale industries, Government Policy and its implementation were studied in the perspective of the benefits and problems of the small industrialist. She made an attempt to make it a comprehensive study of all aspects related to the management of small scale industries. The field survey for the study was done in Ludhiana district of Punjab. The study stated that the procedure for choosing the method of scale was determined by trial and error and small industries did not make organised sales. Regarding the selection of area of sales, the selection was made not on the basis of any market research or information.¹

Boroohah, H.N. in a study (1980) on the prospects and problems of small scale industries in Lakshimpur district in Assam revealed that lack of up-to-date marketing practices and deficiency in entrepreneurial zeal were the major causes of staggish growth of the small scale industrial sector in that district.²


² Boroohah, H.N., Prospects and Problems of Small Scale Industries in Lakshimpur District, Gauhati University, Gauhati, 1980.
Bannock, Graham made the comment (1981) that a small firm could not significantly influence its marketing mainly because of too many competitors.¹

Kapoor, T.N., Chand, Bidhi and Kapoor, S.K., in their study (1983) were able to identify the marketing problems faced by the small scale industries and their awareness and extent of utilisation of government assistance for marketing, conducted on the basis of data collected from two centres—Chandigarh and S.A.S. Nagar (Mohali) in Punjab stated that the marketing problems of small industry had assumed a greater namely: growing competition from large scale sector as well as from within the small scale sector; and with the production of a varied variety of products both by the small and large scale units, market for many products is fast changing from sellers to buyers market. They argued that, at present, marketing was a neglected step-child in the small sector. They concluded that many small units found it difficult to sell their products effectively in the market in the face of stiff competition especially from


large scale units, due to their poor marketing skills.

The Committee on public undertakings on National small industries Corporation Ltd., (1983-84) reported that marketing was identified as one of the critical areas in which institutional support was required by the small scale sector. There were major gaps in information such as customers needs, quality control, standardisation and optimal production process which need to be bridged.\textsuperscript{1}

Reddy, Subbi T and Apparao, P.B. in a paper presented at the National Seminar on Sickness in Small Industry held at Ananthpur (AP) in 1986 tried to distinguish between the apparent and real causes of sickness in the small scale industry stated that the poor quality of the product, the high cost of production, operations in a sellers' market, competition with large scale producers in all these resulted in marketing problems, which constrained the entrepreneur to operate below the break-even level, and which resulted in the under utilisation of installed capacity and increases the burden of fixed overheads. All

\textsuperscript{1} Committee on Public Undertakings, 88th Report National Small Industries Corporation Ltd., Government of India, 1983-84.
these factors collectively landed the entrepreneur into a financial crisis.¹

Tilak, M.B.G., in his paper industrial sickness in medium and small scale industries presented at the National Seminar on Sickness in Small Industry held at Anantapur (A.P.) in 1986 stated that marketing was one of the important factors responsible for the success and growth of an industrial enterprise. Poor quality control of the products seldom reduced the market segment of the industry. Inadequate facilities of market research and inadequate funds to launch a publicity campaigns quite often led to a situation in which the product did not receive its due market share. Sometimes big business houses tended to ditch the units and ultimately to squeeze them out of the market by intensive and extensive advertisement and publicity.²

Lajipathi Rao, H and Reddy, Subbi T. in a paper "small industry sector 'marketing' - panacea for sickness' presented at the National Seminar on Sickness in Small industry held at Anantapur (A.P.) in 1986 stated that the


strength of the small industry sector lied in its improved ability to compete with quality products in the world market which, in turn, depended on the health of this industry in India. They also pointed out that thousands of small and cottage units were dotted over the industrial map of India. These units manufactured a wide range of products, posing a challenge to the marketing manager. Many of these units were manned by people with little or no marketing experience. Hence the imperative need for assisting them in their marketing operations. If this assistance was not forthcoming, they would be playing blind man's buff in the marketing arena."

Gupta, M.C. conducted a study (1987) on entrepreneurship in small scale industries in few selected units of Uttar Pradesh. The main objectives of the study were to understand the socio-economic background of entrepreneurs, important motivational factors, the quality of their performance and their problems in running the enterprises efficiently and profitably. In this study, an attempt was also made to analyse the marketing practices adopted by entrepreneurs. He observed that due to limited sphere of

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activities and economic resources, the small units were neither in a position to conduct market research nor to employ well qualified personnel to perform marketing functions. Most of the entrepreneurs were not well informed in regard to the competitive position, consumers choices and prospective markets of their products and consequently were deprived of adequate profits. Lack of standardisation, absence of trade or brand names of the products were some other marketing problems of the small entrepreneurs. The study also stated that brand consciousness of customers was also a big problem to the entrepreneurs. It also observed that marketing facilities provided by the government had not been granted to the entrepreneurs in general.1

Munshi, N.M. carried out a study (1988) to supplement the knowledge about the forces that influenced management with special reference to the units of small scale industries established in the Saurashtra region of Gujarat State. The study pointed out that small manufacturers paid more attention to the production and distribution than to product research and development. It was feared that the marketing management was time consuming and cost involving

management for which units with their limited financial resources could not afford to adopt. Modern marketing was the challenge for the well developed and developing small units of small scale industries. It should be accepted in these times when market strategies were developing very rapidly.¹

Baishya, Prabin conducted a study (1989) on the role of small and cottage industries in Assam and observed that some of the traditional industries faced stiff competition from the modern sector due to which even the existing capacities were not fully utilised. The study also remarked that absence of a proper marketing channel for the product was a prominent problem for the small scale industries sector.²

Ambli Kumar, V. conducted a study (1989) on the working of small scale industries in Kerala with reference to Trivandrum district. He tried to know the different methods of marketing and to ascertain the problems in marketing the products and services. The study


brought about the results that the small scale industrial units faced various problems for marketing the products, competition between similar units and lack of demand were predominant. It also stated that no small scale industrial unit conducted marketing research in the required manner.¹

Tewari, Vinod K, Philip, Joseph and Pandey, Amar Nath conducted a study (1991) on the working of small scale industry in Karnataka State. Their analysis of operational problems on small scale industries revealed that marketing problem was found to be one of the most difficult problems faced by sample entrepreneurs across all the performance groups. Among the nature of marketing problems faced by the sample entrepreneurs, the problems like inadequate and irregular order from the parent units, lack of ISI mark, and stiff competition due to imports, grouped as others, were found to be the most difficult problems. The second most difficult marketing problem was found to be the demand on credit, followed by the competition from SSI units, long distance, scattered demand, slackness in demand, and competition from large scale industrial units. Competition

¹ Ambili Kumar, V., Working of Small Scale Industries in Kerala with reference to Trivandrum District, Ph.D. thesis University of Kerala, Thiruvananthapuram, 1989, pp.309-404
from the SSI units was found to be the most difficult problem in the very successful groups followed by the slackness in demand.¹

Reddy, R. Jaya Prakash has made a study (1991) on small and tiny industrial units of Prakasan district in Andhra Pradesh. The study endeavoured to throw light on the varied problems of the small and tiny sectors. The study observed that, on analysing the marketing problems, many units suffered in marketing their output because of their poor or substandard quality. It was also found that units were demand based but there was no sufficient demand to meet their output.²

Thomas T.Thomas opined (1992) in the ultimate analysis on various issues related to marketing confronted by the small scale industries that there was no single solution for all marketing problems of the small scale industries. As the market was diverse so could be the problems. Again even as time shifts the solution to the same problem could change. It was, thus, dynamic nature of the whole marketing process that made it a challenging proposition. A systematic and


scientific study of the market and that of necessary marketing inputs was suggested to chalk out a feasible and effective marketing strategy for the small enterprises.¹

Patra, S.C. made a study (1993) on the establishment and growth of small scale industries in India. The study covered some important aspects of promotion and management of small scale industries. Their problems and experiences were also analysed. The study also had an objective to throw light on the marketing activities of small scale industries. The analysis of marketing activities of small scale industries led to the conclusion that because of their small in size and lack of resources, small scale industries by and large, were unable to adopt modern marketing methods. Market research, effective advertising and after sales services were beyond the means of many small industrialists. Small scale entrepreneurs face difficulties to enter the market independently. The study also stated that the involvement of government was limited to the strengthening of marketing efforts of small scale industries.²


Resia Beegam, S. carried out a study (1993) on the problems of women entrepreneurs in Kerala. The study aimed at locating the problems of women entrepreneurs at different states in running the units. Regarding the analysis of marketing problems the study came to a conclusion that competition from large units was the main problem faced by the women entrepreneurs in marketing their products.¹

Taleyarkha, Homi J.H. in a paper (1993) on problems of small scale industries argued that marketing surveys and outlets must be much more developed. More research and development work needs to be done for this. Full installed capacity is not utilised because of lack of it. Very often the small man does not know where to market his product and there is no one to guide him. He should be made aware of the various facilities which are available. All information he needs or is required from him must be made available to him from one source so that he is not driven from pillar to post.²

Chander, Suresh and Singh, Hardeep in a study (1993) on the awareness of Government Marketing Assistance Schemes amongst the Small Textile Units of Amritsar, concluded that the awareness regarding various marketing assistance schemes among small entrepreneurs was very low. A large number of the respondents units were not at all aware of those schemes.\(^\text{1}\)

A throw of review of the existing literature, leads to the conclusion that there is utmost need for the conduct of exhaustive study on the marketing problems of the SSI sector in Tamilnadu and hence the present study is more important one.

METHODOLOGY AND DATABASE

It was with a view to studying the Small Scale Industry Economy in Tamilnadu, this research work was undertaken. The main objectives of this study entitled A STUDY OF SMALL SCALE INDUSTRY ECONOMY IN TAMILNADU are as follows:

1. To know about the present conditions of the Small Scale Sector in Tamilnadu.
2. To analyse the Sample Characters.
3. To examine as to what extent the Small Scale Sector has contributed to the economic development.
4. To get to know the nature of Cost, Price and Marketing Practices of Small Scale Sector.
5. To bring out the difficulties or structural problems in the Small Scale Sector.
6. To understand the Small Scale Sector consumer opinion.
7. To examine how far economic performance of the Small Scale Sector has improved over a period of time.
8. To make suggestions for improving the Small Scale Sector.

SAMPLE DESIGN

The basis of the study is sample survey the selective survey method has been used while drawing the samples. The survey area were classified on the basis of Rural, Semi Urban and Urban. The area were selected by
stratified random sampling with proportional allocation technique. The study was undertaken in two stages. In the first stage the magnitude of the marketing problems was tried to be ascertained from the entrepreneurs concerned. The list of the Small Scale Industry units in these districts were obtained from the District Industries Centres concerned. A sample of 600 units was designed under stratified random sampling giving proportional representation to consumer goods, Industrial goods and services. An Interview Schedule was developed after a pre-testing among 50 entrepreneurs for the collection of data. The entrepreneurs covered under the sample were personally interviewed and obtained the responses.

In the second stage the consumer preferences for the products of the Small Scale Sector were tried to be ascertained. Judgement sampling was adopted for selecting 1500 consumers, giving due representation to Rural, Semi Urban and Urban centres, were personally met to obtain the views. A questionnaire was advocated for the collecting data from the consumers.

The study made use of secondary data also. Secondary data were collected from the office of the Director of Industry and Commerce, National Institute of Small Industry Extension Training and Export Council of
India. In addition to that supporting data were collected from published and unpublished source like reports, books, journals, periodicals. The field work for the collection of data was undertaken in the months of February to December 1995.

The collected data were scrutinised, edited and tabulated. Mostly two way cross tables were constructed for presenting the data in an orderly manner. Statistical methods of analysis like percentages, correlation, ratio analysis, t test and Chi-square test were used to analyse the data in an effective manner.

CHAPTER SUMMARY

The study is coordinated in eight chapters.

CHAPTER I

This introductory chapter is intended to provide a brief idea of the subject matter of the thesis, nature of the topic, the history of Small Scale Sector, the area of study and the objectives of the study. The methods used for the collection of information and data, statistical tools used, and chapter classification have also been detailed in this chapter.

CHAPTER II SCENE OF SMALL SCALE SECTOR DEVELOPMENT - AN OVERVIEW

CHAPTER III SAMPLE SMALL SCALE SECTOR CHARACTER ANALYSIS
CHAPTER IV  ECONOMIC IMPLICATION OF SMALL SCALE SECTOR

CHAPTER V  SALES MANAGEMENT

CHAPTER VI  PRICING AND COMPETITION MANAGEMENT

CHAPTER VII  CONSUMER BEHAVIOUR MANAGEMENT

CHAPTER VIII

The last chapter RESUME consolidates all the observation made in the previous chapters. This is intended to make the whole dissertation a comprehensive one with a beginning, middle and proper end.