3.1 Concepts

3.1.1 Small Scale Industries

Small scale industries are defined as those units or undertakings which are engaged in manufacturing, servicing, repairing, processing and preservation of goods having investment in plant and machinery, at an original cost not exceeding Rs. 35 lakhs. This investment limit has been increased to Rs. 60 lakhs from the year 1990. However, for the present study, the investment limit of the units is fixed at Rs. 35 lakhs only. In the latest revision the investment limit of small scale units has been further increased to Rs.3 crores in 1997, keeping with the escalation of cost in plant and machineries.
3.1.2 Ancillary Industries

Ancillary industries are defined as those units which have an investment of not exceeding Rs. 75 lakhs on fixed assets in plant and machinery and engaged in manufacture of parts, components, sub assemblies, tooling or intermediates or render services and supply or propose to supply or render, 50 per cent of their production of other articles, provided that no such undertaking shall be subsidiary of or owned or controlled by any other undertaking.

3.1.3 Tiny Units

Tiny units are those undertakings which have investment in plant and machinery not exceeding Rs. 5 lakhs and located in towns with a population of 50,000 or below. Besides these, service establishments are those undertakings with an investment not exceeding Rs. 2 lakhs or less. Investment limit in tiny sector has been increased in the year 1997 to Rs. 25 lakhs.

3.1.4 Sole Proprietorship

Sole proprietorship is a form of business organisation in which an individual invests his own capital, uses his own skill and intelligence in the management of its affairs and is solely responsible for the results of its operation.
3.1.5 Partnership

Partnership firm can be defined as the relationship between persons who have agreed to share the profit or losses of the business carried on by all or any of them carrying for all. Minimum number of persons are two and maximum number of persons are 20 in case of ordinary business and 10 in case of banking business. The partnership form of organisation is governed by the provisions of the Indian Partnership Act in 1932.

3.1.6 Private Limited Companies

Private limited company is defined as a voluntary association for profit with capital divisible into transferable shares with limited liability having a corporate body and a common seal, with membership not exceeding 50.

3.1.7 Certified Units [CU]

Certified units refer to the pump units which manufacture pumps according to the specifications stipulated by the Bureau of Indian Standards. Earlier it was called as Indian Standards Institute. The pump manufactures are given ISI marking [now BIS] by such Institutes and the present study classifies this type of units as certified units.
3.1.8 Uncertified Units [UCU]

It refers to those units which manufacture pumps according to their own standards. The pumps manufactured by these units do not have any certification from the Bureau of Indian Standards, as the units maintain their own standards.

3.1.9 Assembling Units [AU]

Assembling units in this study refers to those units which make pumps by purchasing spare parts and doing machining work to assemble the pumps. They do not engage in rigorous manufacturing schedule.

3.1.10 Market Area

Market area refers to the places where the pumps are marketed by the sample units. It has been classified into district level, state level and national level. For those units which market their product both at the district and other parts of the state, the market area has been districts and state level and those units which not only market in different parts of the state, but also to various other states of the country, such units are classified as state and national level. The units which sell their products at district level, state level and national level i.e in all the three segments are classified as district,
state and national level. District level refers to places within Coimbatore district. State level refers to places in Tamil Nadu state. National refers to places all over India.

3.2 Review of Literature

The literature in the field of small industry in India are varied and vast. The literature specifically on marketing aspect of small industry is scant. Studies dealing with marketing management practices, both industrial and institutional must be undertaken exclusively. Such studies would help to identify the major problem areas for rectification both at national and institutional levels. Eventually, these studies may also enable the researchers to build a marketing theory which could be appropriated to Indian conditions in particular and perhaps to the developing world in general (ICSSR, 1975).

Though very few studies have so far been attempted on the marketing aspects of the SSI units, it is worth bringing the studies done on crucial aspects of SSI units. Therefore in this section, the general studies found on the aspects of performance, capacity utilisation, education, finance, sickness, exports, technology linkages, raw material of SSI units will be reviewed in the first section and studies related to marketing aspects such as problems of marketing,
government assistance to market, reservation policy, payment delay, marketing area, sales planning, advertising and price policies, market information, market channels etc. will be reviewed in the section. Though there are two sections they are related and therefore interdependent. By recognising this fact, the review of literature is grouped according their commonalty and presented.

3.2.1 Performance

On the aspects of analysing the performance several studies are found. They include Woodroof and Alexander (1958), Mayer and Goldstein (1961), University of Iowa (1962), Singh (1970), Patel (1975), Vidarba Industries Association (1976) and Rao and Sarathy (1978).

Studies conducted in U.S.A. by Woodroof and Alexander (1958), Mayer and Goldstein (1961) and University of Iowa (1963) have enriched the understanding of functioning and shortcomings of small industrial units. These studies compared successful and unsuccessful firms and arrived at inferences accounting for their respective performances. Woodroof and Alexander (1958) studied the major operational differences between successful and unsuccessful firms and identified that the unsuccessful firms did not have any systematic records, no definite market strategy, suffered in depth administration and did not have any future plans.
In contrast, the successful firms were well coordinated in all the above aspects.

Mayer and Goldstein (1961) have observed that managerial incompetence is the major reason for the shut down of almost 50 per cent of small firms soon after their inception. The University of Iowa (1962) demonstrated that the managers of successful firms examined the various courses of action and chose the best on the basis of specific calculations. The unsuccessful ones tend to be guided by institutions or taken to solutions which are suggested to them first.

Singh (1970) in his study found fault with internal factors rather than external factors that impede better development of small scale industries. Based on the survey, he opines that i) there was poor maintenance of these firms though the standard of technical equipments can be compared well with their U.K. counterparts ii) there existed an ignorance on the need for scientific planning and iii) about 70 per cent of the plants did not care to maintain delivery schedules and consequently a majority (62.8 per cent) of firms lost their customers after the first orders.

Patel (1975) in his study attempted to correlate the age and experience of entrepreneurs with the success and
failure of the firms. He found that higher the age and more
the experience, the greater the profitability of achieving
entrepreneurial success.

A study made by the Vidarbha Industries Association
(1976) critically focused on the higher cost nature of
available funds. The interest rates charged by credit
agencies are too high to them, which worsened the
performance of small scale units. Further, most of the
difficulties of small scale units arise from financial and
administrative irregularities, high interest charges and
recession in demand tend to make units sick; the
requirements of credit of small scale units located in
distant places are higher than those located at an
industrial centre because the former have to maintain bigger
inventories; and institutional financial agencies have
failed to act for progress, growth and employment.
While discussing the profitability of the small units, Rao
and Sarathy (1978) concluded that improper size of fixed
assets, under utilisation of capacity and shortage of
working capital finance etc. had strong effects on both
short-term and long-term profitabilities. They further
identified that the excessive cost of speculative holding of
raw-materials, marketing of the product and under
utilisation of capacity are the primary variables affecting
the profitability of units.
3.2.2 Capacity Utilisation

Some studies have focused their attention on capacity utilization aspect of small scale industries. They may include Kopardekar (1974), Majumdar and Nag (1977), Rao et al., (1978), Rao and Sarathy (1978), Williams and Loumas (1984), Gershenberg (1986), Mohameed (1987), Mohanty (1986) and Confederation of Indian Industries Survey (CII,1995) have given importance to capacity utilization aspect.

Kopardekar (1974) observed that lack of demand, lack of finance and shortage of raw materials were the main reasons for the failure to achieve full capacity utilization.

Mazumdar and Nag (1977) endeavored to study the rate of mortality in small scale industries and the relationship between rate of mortality and size of the units. It was found that the product diversification is generally absent among the sample units and average utilization of industry does not exceed normally 50 per cent. The main causes of under utilization are shortage of demand, lack of raw material and lack of finance to meet the working capital requirements. It was also observed that proprietors or partners do not have any formal management training to administer the industrial units. Though the study did not mention marketing as a major cause of mortality but
marketing has been considered as a significant reason for under utilization of capacity. It was suggested that the problem of marketing could be solved by having certain centralized purchase agency which would be useful for ensuring market for the products of small scale units.

Rao et al. (1978) observed the fact that there was an involuntary excess capacity in the sample units largely due to the inability of raising funds for working capital and lack of forward planning of production based on expected sales. According to them the small units invest more on the fixed assets irrespective of their plant size. Regarding the profitability of the units, excessive cost of speculative holding of raw materials, marketing problems and under utilization of capacity are the primary variables that affect profitability of the units.

A study made by Rao and Sarathy (1978) found that the net result of under utilisation, despite the possible economies of scale, was that the average fixed cost of production did not decrease in proportion to the size of fixed assets, i.e. small units invest more on the fixed assets irrespective of their plant size. This sort of actions were missing due to their faulty approach to financial management.
Williams and Loumas (1984), brought some controversial arguments in their study that shortage of capital and skilled labour need not be considered as a serious constraint on the utilisation of plant capacity. According to them, increase in the supply of raw materials in right time could help to stimulate further utilisation of plants in India.

In Kenyan Industries, it was found by Gershenberg (1986) that the existence of unutilised capacity in a capital-short economy, like Kenya is due to serious shortfall of skilled and high-level manpower as well as other supply bottle-necks. In addition managerial slack was the most important factor hampering the growth of industries.

Mohanty's (1986) study in Orissa State highlights the presence of idle capacity as a common phenomenon with small industries. While analysing the factors responsible for the idle capacity in small units, Mohanty pointed out that lack of demand as the most important factor. Lack of finance was listed as the second important reason for the existence of idle capacity. Lack of finance is generally related to shortage of working capital, due to which the entrepreneurs are not able to run the machineries throughout the year. Difficulties in procuring the right type of raw-material in time and at reasonable rate is also important factor
responsible for working below the installed capacity.

Mohammed (1987) found that under utilization of capacity in engineering units were mainly due to seasonal variations in demand, non availability of spare parts, lack of finance and also due to non-availability of raw materials.

The Confederation of Indian Industry Survey (1995) indicates that more than 80 per cent of the capacity will be utilised only in future. The survey forecasts that there is a less optimum increase on the average costs. This more or less confirms to last year's perception. The expectation regarding selling price indicates that the small industries have realised the importance of cost competitiveness. Accordingly 41 per cent of the respondents expect marginal increase in selling price while 17 per cent expect price cutting. Majority (41 per cent) of the respondents have capacity utilisation in the range of 61-80 per cent. About 30 per cent of the units have between 41-60 per cent, 22 per cent have above 80 per cent of capacity utilisation and only 7 per cent of the respondents are below 40 per cent of capacity utilisation. The bright business prospects are expected to be translated into improved capacity utilisation. In future, 54 per cent foresee their capacity utilisation to be above 80 per cent, 32 per cent between
61-80 per cent, 12 per cent in the range of 41-60 per cent and two per cent of the respondents expect it to be below 40 per cent.

It is clear from the above studies that the capacity utilisation depends on several factors and not on any single factor. Therefore, efforts should be made to identify all such factors which may affect capacity utilisation.

3.2.3 Education

Some studies were carried out to understand the necessity of educating entrepreneurs with respect to importance of marketing. Rao et al (1989) studied the marketing practices of small scale industrial units in and around the twin cities of Hyderabad and Secundarabad. They observed that the existence of marketing philosophy is in an implicit form and there is a need to educate small entrepreneurs regarding the importance of marketing to make their ventures successful.

Though technical qualification is considered as an additional factor for determining the success of small units, studies carried out by Lal (1983) and Budha (1983) denies this fact. Lal (1983) states that the attitude of technocrats are to solve production and technical problems rather than coping with business aspects like marketing.
Budha (1983) found that among different entrepreneurs, trader entrepreneurs are weak in project selection, technical aspect, employment of key personnel and technocrats are weak in market perception and resource management.

Bates (1990) investigated small business longevity by utilizing a nationwide random sample of sales who entered self-employment between 1976 and 1982. It was observed that highly educated entrepreneurs with four or more years of college are most likely to create firms that remain in operation and young firms are least likely to survive. Owners of 55 and above age are most likely to see that the firms cease to exist. Owner's educational background is the major determinant of the financial capital structure of small business start-ups.

3.2.4 Finance

James (1956), Dhar (1958), State Bank of India (1975), Majumdar and Nag (1977), Pareek (1978), FICCI (1988), and Ramoo (1994) have stated that non availability adequate finance caused many small units to face undue hardships and thereby delay their growth.

James (1956) found that despite the fact that the craftsmen-entrepreneurs who headed the unit were hard
working resourceful and ambitious, their enterprises had not expanded. He ascribed their failure to breach the 'size barrier' primarily to their lack of working capital and the non-availability of capital from any dependable outside source. Hence they lacked 'the holding power'. He further states that any short term emergency—illness, a slump in the market, failure of a product to sell, competition, the defection of a partner, theft—could bring a down fall to the units.

No business enterprise can reach its full potential growth and success without adequate finance. Dhar's study in 1958 revealed that the main reason for the existence of unused capacity in the units was the shortage of working capital. To him the small units in Delhi did not have proper sources of finance nor did they get credit because of their weak bargaining power and poor economic conditions. These units have to dispose off their products under, what is called as 'distress sales', which ultimately hit their physical performance.

The State Bank of India (1975) study observes that both internal and external factors worsen the physical performance of the small scale units. The report of the SBI found the general increase in the cost of inputs, shortage of raw materials and lack of production planning resulted in
the firms' inability to generate sufficient internal funds and attain self sufficiency. Further, since the margin of flexibility is quite low, any initial error tends to get augmented, rather than corrected, in the subsequent round of operations.

The SBI report also found that in the case of some units the entrepreneurs was in too much hurry to build-up fixed assets even at the expense of efficient current operations. This resulted in failure to maintain the momentum and the units could not recover without a massive assistance programme launched by the banks.

Majumdar and Nag (1977) have ascertained the factors behind the mortality of units in small scale sector in South India. The major findings of the survey indicated an inter-relationship between the size and mortality of the units. About the major causes of the mortality, the study comes to the conclusion that inadequate finance is an important factor along with other factors such as poor preparation of project, defective management, marketing constraints and raw material difficulties.

Pareek (1978) describes that the working capital plays a relatively more important role in SSI as compared to large scale sector. The percentage of working capital to fixed capital works out at 163 percentage. In smaller
units it fluctuates between 186 and 430 percentage. In larger units it fluctuates between 126 and 235 percentage. Equity is the most important source of finance for small scale industries. About half of the net capital employed is owned by the entrepreneurs. The relative share of this source ranges between 55 and 70 per cent in lower capital size and 29 and 55 per cent in higher capital size. The position of retained earnings in SSI is distressing due to low profitability. The smaller among small scale units on the other hand, claim that a good part of their earnings is ploughed back though not systematically. Institutional finance ranks last in the source of borrowings by SSI.

Federation of Indian Chamber of Commerce and Industries (FICCI 1989), suggests that preventing sickness is more important than rehabilitation. The study emphasized that banks and state financial corporations should be manned with the trained staff to appraise the project reports in order to limit the wrong choice of product, bring under or over estimation of the fixed assets and therefore the officials should examine the market conditions, technology, finance and costing of the project. Ramoo (1994) underlined that Karnataka SSI units are going through an adjustment phase following the
liberalisation of the economy. He quotes, 'the President of Karnataka State Small Scale Industries Association saying that there is a wide gap between fixed capital and working capital. Problems faced in the working capital front are delay in processing of loan applications and insistence on collateral security for additional loans'. He suggests that there is a need for setting up of on line computer data banks for information collection, storage and retrieval. He further added that the need of the hour is technological upgradation, market expansion and product diversification.

3.2.5 Sickness


Srivastava and Yadav (1986) analysed 223 projects which became sick between June 1970 and December 1983 and identified the cause wise sickness. Management incompetence contributes about 48 per cent of industrial sickness. Production problems contributed to 32 per cent and marketing and miscellaneous problems caused 20 per cent of the sickness.

Federation of Indian Chamber of Commerce and Industries (FICCI, 1989) undertook a study on sickness of
small scale industries of India and found that shortage of raw materials, untimely receipts of working capital, absence of well defined and regular market, required raw material and other inputs not being available in sufficient quantity in time, inadequate and untimely supply of term loans and problems of shortages of power have jointly been considered responsible for sickness in small scale industries. The entrepreneurs suggested that apart from financial support, raw material of required quantity and quality should be made available in time. Greater ancillarisation and marketing arrangements and extension of further excise benefits would prevent sickness.

Vedachalam (1991) studied the incidence of industrial sickness in 72 small scale industries and observed that the most important cause of sickness is the working capital problem. About 43 per cent of entrepreneurs (32 units) showed a sales performance less than 20 per cent due to this problem. The second reason for sickness is non-availability of raw material (14 units) and third reason is marketing problem which is represented by 12 units.

3.2.6 Exports

Jain (1980) discussed the socio-economic compulsions of the Indian society and relatively increasing role of the small scale industries in the industrial structure of the country. He also explained the export potential of small scale industries. The various measures taken by the Government agencies such as guidance formation, financial support, export house scheme etc. to develop the formation of the consortia for the benefit of the small scale industries have also been explained. It has been observed that the operational results of existing consortia may not be very substantial but encouraging a potential of growth of such consortia look immensely favourable.

Khan (1985) highlighted the role of non-traditional small scale industries engaged in exports. The export potentialities of small scale industries, on the basis of various studies conducted by different Government agencies and by the team of European Economic Community, have also been discussed. With respect to export problems of small scale industries, it has been stated that the small size of units, finances, managerial skills, technical backwardness and export marketing system are the major hazard in fostering the export of small units. To increase the exports, it has been suggested that exhibitions solely projecting the small scale industries and overseas visits of the delegations of small entrepreneurs should be encouraged.
It has been further suggested that the State Trading Corporation, the Trade Development Authority and the Export Promotion Councils should provide information to small scale industries about the demands of the products of small units in the foreign market.

Mamiki (1988) identified the competitive strategies of small firms in export market and analysed the type of strategies which are instrumental in providing small firms with competitive advantages in export markets. The study investigated export strategies and export performances. It was observed that firms following innovative differentiation strategy achieved higher export performance than those following market differentiation strategy.

Perumal and Janardhan (1988) have analysed the role of small scale industries in the economic development of the nation. For this purpose, they conducted a case study of 100 per cent export oriented units. It has been observed that domestic constraints of export oriented small units have attributed to high input costs leading to higher cost of production, technological gaps, infrastructural deficiencies, procedural bottlenecks, quality of product profile and lack of clear marketing schedule including design, packaging, delivery date etc.
Suvarathan (1990), argues that competitiveness can be looked at from the point of view of its effect on market share also. Sources of export competitiveness can thus be statistically decomposed into a) competitive effect b) market size effect and c) interaction effect. In that process he explains that the market size effect measures the net effect of shifts in size of various market holding constant the country's share in each market.

The CII survey (1995) outlined the problems in the export front which are as lack of information centres, outdated technology, inability to execute large orders, quality packaging and delay in clearances.

3.2.7 Technology

Staley and Morse (1965), Small Business Finance Corporation of Japan (1977), Ali (1983) Watnabe (1983) and NSIC (1994) have stressed the importance of modern techniques and insist that small units should adopt such techniques to cope up with the increasing competition.

Staley and Morse (1965) are of the view that SSI are inefficient to use modern techniques. They emphasised that small scale industries, in most newly industrializing countries, today, are woefully inefficient by modern standards of manufacturing efficiency. Small factories are
generally far inferior to those of large scale factories in the same country. Consequently, they are likely to use not only more labour but also more capital per unit of output than the large and better run factories.

A survey conducted by the Small Business Finance Corporation in Japan (SBFC 1977) revealed that a majority of medium and small enterprises are prompted towards technological progress by their customers' requests. In majority of the cases, the technology development by smaller firms is not autonomous but induced by external factors (Watnabe 1983).

Ali (1983) observes that the informal sector of the metal engineering industry in Ghana has been responded to market conditions and displayed a certain degree of innovative and adaptive abilities. This sector has some negative aspects namely using largely obsolete technologies and the standards are extremely low, especially with regard to marketing, accounting and financial capacity. He suggests that the Government can increase the supply of raw materials and parts to this sector and lease appropriate machines at reasonable costs.

The NSIC's Chairman Junuja (1994), explained that modernisation programme in SSIs have resulted in an increase in employment and he observed from the survey of 292 units
assisted by NSIC that additional employment or more jobs have been created and per unit employment has increased from 11 persons to 17. He further added that SSI's accounted for 15 million direct employment and twice the number of indirect employment.

Watanabe (1983) observes that the technology transfer and diffusion within a country deserves much more attention from development economists and planners than it has received in the past. Studies show that income and productivity in the small scale and informal sector can be raised considerably, if effective linkages such as technological as well as market could be established with the formal large scale sectors through sub-contracting and exchange of skills.

3.2.8 Linkages


Das (1978) undertook a comparative study of fan manufacturing large and small units and found that in spite of modernized plants, economies of bulk purchase of raw
material, the cost of fan manufactured by small scale unit is almost the same as that of the large unit. This may be because the small units have got an edge over the large unit in respect of overhead expenses and relief from excise duty, sales tax and the provisions of Factory Act. Even then, the study indicated that the small unit faced constraints on the marketing front. With the limitations of size, small unit hardly put up any sales promotion efforts which would have any tangible effect on its marketing prospects and failed to make inroads where big houses control most of the major marketing channels.

Sharma (1979) explains that ancillarisation of SSI programme, faces problems associated with quality specifications, price fixation, delivery schedules etc.

Shaligram (1981) examined the relationship between the performance of small suppliers with respect to large corporate buyers and stated that young suppliers 'dependence on the large buyers is substantial in the initial stages, the performance of the experienced suppliers improve if they catered to a large number of corporations.

Laroria (1983) emphasised the need for development of ancillary small scale units since there is an adequate scope for their development. He mentioned that ancillary units contribute about 30 per cent of output in India. It has
been stated that large plants and ancillary units are complementary and a spirit of mutual trust and cooperation must be fostered between them. Laroria studied in detail the case of ancillaries to Philai Steel Plant and concluded that though the significance of ancillary units has been realised in industrial Policy Resolution of 1956 and in subsequent policy resolutions but it requires the meticulous implementation of the same both in letter and spirit.

Wilson and Garb (1983) investigated the nature and extent of dependence of small firms on their customers. The study explored and questioned the traditional view of small firms as independent entity, providing much of the flexibility and adaptability required in a modern industrial economy. There is an evidence that many small firms are dependent on relatively few large customers which reduce their flexibility and adaptability. Not only the many small firms depend on few major customers for large proportion of turnover but they also rely on collaboration with large firms for technical marketing and financial assistance. Nevertheless, the evidence produced by the study indicated that market related problems are of major concern to the small firms.

Watanabe (1983), in the study on Technical Co-operation between large and small firms in the Filipino
Automobile Industry, observed that the business relationship between the assemblers and their sub-contractor in the Filipino automobile industry is partial and the work for the assemblers forms only a small portion of the individual parts makers' total sales. Manufactures of low-technology, small scale production experiences the cut-throat competition among them.

Papola and Mathur (1983) found out that technological linkages consist of purchase of some second-hand equipments of the large enterprises by small ones or supply of specifications of the products ordered by large enterprises and do not involve any significant technology and know-how transfer. The predominant and central form of inter-sectoral relationship is found to be market linkages i.e. sub-contracting of works by large enterprises to small ones. Since most of the subcontract works are simple and requires few sophisticated skills, the market linkages are not always accompanied by technological linkages.

Thanulingam (1985), in his study, observes that interaction between small scale units and large scale units are highly responsible for pre-eminence of Coimbatore city as an industrial centre in the country. This interaction has enabled the small scale industries to conduct their
affairs with less working capital, advertisement and inventory cost. Further he added that the SSI units have assured market and the marketing cost has come down appreciably.

Role of small scale industries in industrialisation, geneeses for setting up of then an industries and the cases of small scale industries are discussed by Sirak (1980) Patvardhan (1985), Newhurst and Burns (1989) and Patil (1993).

Patvardhan (1985) studied the role of small scale industries in industrialization power and the diversification of product-mix by small scale industries in Pune and Aurangabad. The study revealed that the industrialization process is accelerated in Pune on account of sub-contracts of small scale industries with large companies but in Aurangabad, the industrialization is comparatively slow because the market for intermediate products was not fully developed. The study opined that by and large the small units have not made their presence felt in the area of consumer goods. It has been further observed that scarcity of raw material and marketing area are the major problems in the process of industrialization mainly due to infrastructural lacuna for non-financial support in the system.
Patil (1993) observed that the main competitors for the engineering industries are multinationals in the global market. He further states that multinational companies have created their own monopoly by maintaining quality and goodwill in the world market. The capital investments are much higher than that of the Indian Engineering Industries. Hence they are able to act as shock absorbers in global recession as compared to the local units which face continuous fluctuations due to the internal market conditions. Engineering units in India, both small and large are facing problems in marketing, finance and production activities.

While discussing genesis of a business, Newhurst and Burns (1989) state that setting up a business needs an idea. It does not have to be original but it does have to meet the needs of a clearly identified group of customers. It also has to be sufficiently different from products or services offered by competitors to have some chance of survival on the market place. Most of the people make their business upon skills, experience and quality they have. Others spot 'gaps in the market', opportunities that are not being taken by existing business. These might come from identifying new fast growing markets or identifying where customers' needs are being badly served by existing business.
Sirak (1980), who had analysed comparative data for large and small sugar and textile plants from India and for Cement plants from China, finds that large plants have higher unit cost of production than small ones using appropriate technology and a given capital invested in a number of small scale plants can contribute more to industrial output than if invested in a single large scale plant. He finally concluded that 'modern small industries' are the most 'desirable industries' in countries where chronic unemployment is pervasive. Apparently Sirak's study has proved small units will have lower cost of production than large plants, if they are free from any troubles. But they have bundle of problems which are to be attended at once.

This foregone section in detail dealt with the studies which indirectly related to the marketing aspects of SSI units and the forthcoming section explain the studies directly related to marketing.

3.2.9 Marketing Problems

that, limited size of operation, delay in payments, lack of standardisation and lack of marketing knowledge are some of the problems being faced by the small scale units. Mohanty (1986) criticise the quality of the raw materials supplied by the government.

Upadhyaya (1979) carried out a survey of 80 units in the state of Punjab of which 52 units belong to engineering industry. The study has identified that 33 units are facing the problems which exist due to the inaction on the part of Government agencies and a few due to the lack of knowledge of marketing principles and techniques on the part of entrepreneurs. It further added that high rate of excise duty and sales tax multiply the marketing problems of entrepreneurs.

Korba (1983) described that due to low income of the consumers and the prevailing inflationary trends, the tendency on the part of many small and tiny industries are to employ price alone as the major marketing tool, sacrificing the quality of the product. Tiny units face stiff competition from large, medium as well as bigger small scale units in respect of growing consumers consciousness on quality, price, brand, timely deliveries and after sales service. It adds that most of the small units have neither the requisite staff nor adequate resources to undertake
vital marketing tasks like sales promotion, distribution channels and marketing research.

Kapoor et al. (1983) conducted an empirical study to ascertain the marketing problems as well as awareness and extent of utilisation of Government assistance in small scale industries. It was observed that the problems of raw materials, storage, packaging, transport, price fixation and selling are dominating the marketing activities of the entrepreneurs in Chandigarh while in Mohali, the problems of price fixation, raw materials, promotion, distribution methods, selling, transport and quality control are restraints in the performance of marketing functions.

Ezeanyagu's (1985) study in Nigeria proves that the major problems facing small scale industries are shortage of capital, lack of adequate organising ability, technical skills and infrastructural constraints. Inadequate infrastructure increases both initial and operational cost of projects thereby compromising the commercial feasibility of economically desirable projects. Both the availability of transport, port facilities, etc., pose serious problems to both the small and large scale industries in Nigeria.

The FICCI (1989) conducted a study on the marketing problems of the 204 small scale industries which were selected from various regions of the country. It revealed
that decline in sales, delayed payments and pricing have been the major marketing problems in these units. Lack of demand, stiff competition, inability to promote products and inadequate marketing organization have been the prominent causes for the marketing problems.

A study by the National Council of Applied Economic Research (1972) showed that besides other problems, the under utilization of capacity among most of the units is due to the problems of production as well as marketing. The problems of production was closely associated with scarcity of raw material and inadequate finance. The problems of marketing by and large, are attributed to factors such as, limited size of operation, practically little or no control over quality, price and weak financial base, restricting the scope for engaging in sustained sales promotion etc. The problem of sales is more acute where the area of operation is large particularly in case of consumer products or capital goods, where after sale service is essential. In most of the cases the entrepreneurs are found dependent much to the advantage of middlemen.

Singh (1974), in his study on cottage industries, has indicated that marketing is a major problem this sector and marketing problems are due to lack of standardization, lack of proper finish, inadequate facilities of transportation
and communication and the general tendency to apply low price for cottage industry products.

Ramakrishna (1975) in his study of SSI units Delhi found that nearly two third of the units have their own arrangements for the products and 77 per cent of units had no marketing problems. The cooperative marketing has not been depicted among the sample units. With regard to under utilization of capacity, the study showed that non-availability of raw material has been the main reason.

Vepa (1989) identified factors such as product reservation for exclusive manufacture, purchase reservation, industrial estate and concessional rate of interest, are factors which are responsible for growth of small manufacturing enterprises. He also stressed that adequate market intelligence, poor quality awareness, lack of access to testing facility and limited access to timely credit are some of the problems which hinder the growth of small manufacturing enterprises.

Murthy (1992) studied the problems faced by the entrepreneurs during the inception and operational phases and found that they are generally related to finance, raw material, management, labour, technology and power. During the inception stage, the problems of information and finance appeared to be of special significance to the
entrepreneurs. The major problems during the first two years after the conception of the project relate to information, infrastructure, finance, and licensing.

Panhotra (1992) stated that market for the handmade paper can be divided into three segments such as open market, government supplies and export market. These industries are not adopting any uniform pricing policy which is a constraint in securing government orders. The products of handmade paper suffer from price handicap in comparison to the products of organised sector. To overcome this he suggests that sales tax should be exempted.

Mohanty (1986) complains that raw material supplied by the Government to the engineering sector is substandard and higher rate of wastage occurs while utilising these material. Some units prefer to purchase raw material from the open market at higher rates without availing raw material quota allotted to them. Some of the SSI units get allocation of raw material quota disproportionate to their requirements from the Government and dispose of the whole or part of the quota to other units at black market prices.

3.2.10 Government Marketing Assistance

Government marketing assistance to the small scale industries and its impact are assessed by Oommen (1972),

Oommen (1972) carried out a study to investigate the marketing assistance by the Government to small scale industries along with assistance with regard to finance and services. The study undertook to examine the modernization, industrial estate programs and rural industries project with regard to small scale industries in Kerala. The study also revealed that there are various marketing assistance schemes such as marketing research, quality marking, ancillaries development, export promotion and direct Government purchase program, but small units could not take desired advantage of these programs due to ignorance and lack of communication.

Das (1978) in the comparative study of large and small fan manufacturing units observed that the Government do not purchase fans from small units because of extraordinary rigid specifications laid down. It was suggested that there is a need for organized efforts on the part of small entrepreneurs and they should form a consortium for marketing their products. The Government should help small units liberally in excise duty and sales tax concessions.
Only then, the small units will be able to face challenges from the giants.

Kumar (1991), in his study on engineering industries of Punjab, stated that marketing assistance programme could not gain popularity among the small scale industries, because, the large and medium scale units do not co-operate with small scale industries in the promotion of ancillaries and sub contract exchanges.

Sapru (1979) pointed out that Government marketing assistance programme will not solve all the marketing problems faced by the small units and further states that unless small units in particular join hands and build up their own marketing organisations, it will be impossible for them to penetrate into national markets and compete effectively with large industries. It has been professed that the idea has gathered a favourable impression that instead of physical handling of products by Government, it should provide common services such as collection of market intelligence, identifying areas of shortages and potential demand etc. This type of assistance will be useful to small industry as a whole at macro level.

Sharma (1979) discussed the various Government programmes which assist the SSI in overcoming the marketing problems and pointed out that there are certain operational
difficulties in the implementation of these programmes. It was indicated that ancillarisation of SSI programme faces problems associated with quality specifications, price fixation, delivery schedules etc. The contribution of the SIDO (Small Industries Development Organisation) in domestic marketing and the State Trading Corporation, the Trade Development Authority and Export Houses in foreign markets have been recognised. However, there is greater need for full cooperation between small manufacturers and a multiplicity of marketing organisations in future.

The Management Development Institute (1981) with reference to small manufacturing enterprises in selected states of India viz., Punjab, Himachal Pradesh, Uttar Pradesh and North Eastern region examined the policies and programmes of the Government and small manufacturing enterprises. Regarding the marketing assistance programmes, the study revealed that there is lack of coordination among different agencies of the Government. Another finding of the study is that the share of small scale industries in Government purchase programme is still below 15 per cent. It suggested that there is a need for diagnostic studies on marketing problems so that a package of marketing assistance including the quality control and constant counseling services be properly organised to meet the specific marketing needs of the small scale industries.
Singaravelu (1982) emphasised the role of the Government agencies such as DGS&D, NSIC etc. in the purchase of products from small scale industries. The various programmes for the purchase of products for central Government stores and facilities provided to small scale industries under the programme were also discussed. A survey was conducted in 82 units. It was observed that only ten engineering units could sell their products under central Government purchase programme operated by the Director General of Supplies and Disposals. It was observed that even the units which sell products to the Government stores, experience lot of problems such as the lack of knowledge of Government requirements, delay in payments etc. A lot of persuasions and rapports are required to expedite the inspection of products and the entrepreneurs have to face the grueling red tapism in the Government departments.

Korba (1983) had opined that even the Government marketing assistance is of little help for tiny units because delay in payment results in paucity of working capital and a scheme of 15 per cent price preference is not useful for small scale industries. In nutshell, it was observed that marketing concept is yet to be fully understood and accepted by small scale sector of India.
Kapoor et al. (1983) indicated in their study on Chandigarh and Mohali in Punjab that in Chandigarh the awareness and extent of utilisation of Government assistance programme is very remote among the units surveyed and those who knew the assistance scheme are reluctant to avail the facilities due to cumbersome procedure and hefty corruption in the Government departments. The position of awareness of Government assistance schemes and their utilisation is not so good at Mohali also. The study also suggested that the ancillarisation of small units should be promoted and assistance should be provided for performing certain marketing functions. It was also suggested that efforts should be made to increase the awareness and utilisation of marketing programmes of the Government and rules and regulations of Government assistance schemes should be simplified.

Reddy (1983) undertook a study on 105 units selected from 7 groups of industries such as agro, chemical, forest, general engineering, metal, mineral and miscellaneous. It was found that small units are entirely dissatisfied over the Government purchase programme because of cumbersome procedure, competition from large units and delayed payments. The overall analysis of the study showed that there appears to be some relationship between size, type and location of units but it is not significant in their levels
of success.

The FICCI (1989) conducted a study on marketing problems of 204 units, selected from various regions of the country. Most of the units reported that marketing assistance schemes such as reservation of the products for exclusive purchase from SSI by the Government have remained useful for them. However, the schemes of price preference, single point registration and internal marketing of products through marketing development centres were found to be useful for some types of units only.

Problems in marketing will be solved to a considerable extent if products of small industries are marketed by the Government agencies. Studies carried out by Natarajan (1975) and Ram (1985) confirms this. But others like Jain (1978), Deolankar (1983) stated that marketing is primarily the responsibility of small scale units and not that of the State because they are privately owned and the marketing efforts depend essentially on the initiative of the owner or manager.

Natarajan (1975) underlines that despite the policy of reservation, marketing is still a major problem. The role of the Directorate General of Supplies and Disposals (DGS&D) is limited in purchasing the small industrial products. Ram (1985) has examined the various schemes operated by the NSIC
(National Small Industries Corporation) to small scale industries. He found that small scale industrial units in the Industrially Backward States have evinced lesser interest in getting themselves registered under NSIC's single point registration scheme and are not aware of the Government Stores Purchase Programme. He suggested that the corporation should undertake more intensive campaign and conduct more institutional meetings particularly in the backward regions and thereby create an awareness among small scale industries about the various schemes operated by the Corporation.

On the other hand, Jain (1978) pointed out that low priority should be given to direct marketing of small scale industrial products by the Government or Public organizations. He added that actual marketing is highly complex and competitive and it requires innovative and flexible approach, which are not possible in a Government or Public organization.

Deolankar (1983) found during the survey that small scale industrial units do not desire total public ownership in distribution or state trading. The small units favour state trading only till they gain marketing maturity and during depression period. The same fact was observed when the NSIC undertook direct marketing of small industry
products. The small manufactures tried to withhold certain more profitable items which they could easily sell and entrusted only non-moving or poor quality goods for being sold through corporations' efforts.

3.2.11 Reservation Policy


Swaminathan (1994) argues that the protective regime which shielded industrial units from the discipline of competitive market is incomparable with the rationale of new economic policy. Manmohan Singh, the then Finance Minister of the Government of India, insists that Indian industry must prepare themselves to face competition both domestic and international without looking for Government for subsidies and fiscal concessions. Small Scale Industries have grown phenomenally in terms of number of units, production, exports and employment. The two policy supports for SSI an excise duty exemption and reservation of items for exclusive production by SSIs. These have created technological obsolence as well as created an impression that SSI sector can be sustained only through excise duty differentials. He concludes that SSI sector should be assisted to fulfill the three major requisites. First,
access to improved technology through special loan funding programmes; second, facilitation for working capital management with banks developing progressive lending schemes and three, rapid progress in ancillarisation for building complementarity between large assembling plants and ancillary units with quality capabilities.

The CII survey (1995) clearly highlighted the unanimous opinion in favour of liberalisation and brought out the depressing fact the SSIs are being concerned over, constraints of power, credit, raw material and infrastructure. A section (23 per cent) of industries had concluded that it had not yet derived any major benefits from the reform programme. About 64 per cent of said procedures governing clearances had yet to become transparent. Of the total respondents, 82 per cent felt liberalisation had opened the gates to growth while 76 per cent perceived improvement in the business scenario.

Sivaraman (1996) is of the view that giving concessions to small scale units has caused losses to the exchequer. He reports that with the use of MODVAT, credit facilities are misused at different stages. Multiple invoices are issued by dealers against a single duty paid invoice issued by the manufacturer. A small scale unit does not have to pay any excise duty up to a turnover of
Rs. 30 lakhs. It gets ten per cent rebate up to 50 lakhs and five per cent rebate upto 75 lakhs turnover. These concessions could be claimed by units having a turnover limit of upto two crores. There is a scope for manipulating and splitting the turnover and making adjustments. It is estimated that the total volume of production is about 40 per cent of the total manufacturing sector but pay only Rs.1,800 crore as final product duty indicating the more rapid growth of this sector is not accompanied by tax buoyancy.

3.2.12 Payment Delay

Many hardships due to delayed payments faced by small scale units are discussed by CII (1996), Watnabe (1983) and Sudarshan (1995). The Confederation of Indian Industry (CII, 1996) conducted a survey by selecting 175 small industries in the country warns that over half of the country's small scale industries may have to down shutters due to delay in payments.

A majority of the units surveyed (67%) were unaware of the existence of the law on 'Interest on delayed payment to small and ancillary industrial undertaking'. The major defaulters are public sector and large private sector companies. The survey revealed that 91 per cent of them are facing working capital problems of varying magnitude.
Nearly one third of the respondents had, up to Rs 10 lakhs of their working capital tied up in payments which are delayed. Most of them have had money held up for over 120 days. To solve these problems 75 per cent of the units suggested that there should be a statutory right to charge interest and 77 per cent insisted that the next best option would be to formulate a code of conduct.

Watnabe (1983) observed that the small firms in Philippines, though technically capable, are discouraged to enter co-operative relationships. The most common disincentive is the delay in payment. Direct business with auto assemblers are less due to bill payment which falls between 60 and 120 days. A 30 days delay was the maximum which they can tolerate. The small firms are obliged to go to merchants who would pay cash though the unit price are much lower.

Sudarshan (1995), stated that the entire system of credit is prejudicial to Small Scale Industry's' interests. He cites the loopholes in the Delayed Payment Act taking advantage of which the big houses continue to delay payments beyond 30 days limit. The Development Commissioner on small scale industries said that though the cash flow to small scale sector has increased, there is still a demand and supply gap leading to the increasing number of SSI units.
falling sick. At the end of March 1994, there is a 7.4 per cent increase in the number of sick units over previous year.

3.2.13 Area of the Market

Studies carried out by Singh and Agnihotri (1989) and Oommen (1972) analysed the market area of the small scale industries and stated that most of the small units cater only to local markets. The market for the small industrial products have not expanded adequately as observed by Sharma (1975) and Rani (1983).

Singh and Agnihotri (1989) studied the marketing problems of machine tool units in the small scale sector. For the purpose of study, 60 units were selected from amongst the 600 units situated at Batala town in Gurdaspur District of Punjab. The findings of the study revealed that small units are facing problems in selling, since no customer from within or outside the State is willing to come to Batala mainly due to political disturbances. So, the manufacturers have to sell their products at throw away prices. Prices are largely fixed by the dealers and small manufacturers have no say at all. Moreover, small units could not do forward sale agreements because of frequent revision in prices of raw materials. Manufacturers mainly sell their products on credit to dealers and payments are
generally delayed. The other problems of small manufacturers are the transportation, stiff competition, lack of promotional techniques and testing facilities.

Oommen (1972) carried out a survey on 45 small units of Kerala to investigate into marketing assistance by the Government to small scale industries. It has been observed that 44 per cent of the units sell their products throughout India, 28 per cent at state level and the remaining 28 per cent sell the goods in local market. Most of the units sell the products through retailers, wholesalers, commission agents, Government Departments, ancillaries, sub-contracting etc. It has been observed that the state of Kerala faces a peculiar marketing problem of 'distant cost' in the purchase of inputs as well as sale of output and so a special strategy is desirable in this regard.

Rani (1983) found that the small entrepreneurs mainly sell their products to local consumers and generally fail to expand their markets. Moreover, small units undertake the manufacturing of products without identifying the scope for marketing of their output since the marketing skills are costlier and often beyond their reach. It was also mentioned that the entrepreneurs have to pay a lot of attention towards production and financial activities and find little time for marketing.
Sharma (1975) has stated that for expansion of market, the units should undertake improvement of quality, diversification of items of production, advertisement regarding the quality and importance of the products, sale through the commission agents, sale on credit, lowering of prices and improvement of contacts with the buyers are to be taken.

3.2.14 Sales Planning, Advertising and Pricing Policies


Rao (1985) has assessed the effect of marketing variables like price, product life cycle, branding and channels of distribution on advertising decisions. He concludes that before any decision on advertising is taken, due consideration on advertising must be given to various marketing variables, their nature and their interaction on advertising decisions. He cautions that advertising may not yield optimum result if marketing variables are neglected.

The importance of sales planning had been highlighted by Reddy and Reddy (1980 c). They stressed that small scale industrial units need not undertake sophisticated sales
planning but have to make rudimentary estimates to know how they expect to function over a period. They concluded that before approving sales plan, internal capabilities of the unit and past sales record have to be taken into account.

Reddy (1983) studied 105 units and found that most of the units do not follow systematic procedure of pricing their products. Competition is very severe, not only with large units but also with small units. Further it indicated that most of the units spend very little on advertising their products and only few units employ salesmen for organising their sales. The study revealed that product planning is highly unsystematic.

Rani (1983) observed that small scale industries are grossly unaware about the techniques of sales promotion and their usages. Though they advertise their products, they do it on ad-hoc basis and results obtained are hardly measurable. Hence, efforts of small units in promoting their products have resulted in financial weaknesses instead of strengthening it.

Bala (1984) carried out a study to assess the impact of the Government policy with respect to small scale industries of Ludhiana. Regarding marketing aspects, the study opinioned that the choice of mode of sale is determined by trail and error method. Most of the units
surveyed sell their products to wholesalers. Of these, the low investment groups generally sell in cash to the wholesalers. Most of the goods are sold in unbranded form to assemblers who put their own trade mark and make huge profits. Low investment group mostly serve the local market.

Zahir (1989), while analysing the marketing practices of retailers in small knitted garment units, indicates that men's wear and children's wear are the most preferred and selling products. The design of the knit wear is the most important attribute that influences the purchase price of the consumers. But the designing of the knit wear must not be done at the cost of quality of the fabrics. With regard to pricing, it suggested that if the firm offers better design and quality, efficient distribution system and effective advertising and sales promotion to create greater brand awareness and image, the consumer will be willing to pay higher price for its products. The demand of the knitwear is not price elastic.

It has been revealed by the study of Bhave (1976) that no unit undertook an in-depth study of markets before producing and selling the products. However, some of the units had independent marketing sections. These units generally had markets, covering the State or even the whole
country. The study revealed that the direct channels are being used for sale of products since the products produced are of intermediary in nature. It has also been observed that no scientific method is used for pricing and majority of the units do not maintain systematic records of expenses. The study also indicated that there is a gross ignorance about the sales promotion techniques. In totality the study emphasized that the general marketing problems of small scale industries are the deficiency in branding, trade marks, standardization and advertisement.

3.2.15 Market Information

The importance of collecting market information is mentioned by Gandhi (1967), Shaw (1972), Reddy and Reddy (1980 a) and Deb (1992).

Reddy and Reddy (1980 a) advocated that marketing information and research system for small scale industries at the central, state and regional levels are inadequate. Hence production in small scale sector is planned on adhoc assessment of marketing opportunities and lead to, over production. They suggested to set up state and regional level centres by the Government to collect and disseminate proper information on continuous basis.
Gandhi (1967) attempted to study the various marketing functions of the cotton textile companies in Rajasthan, Indore and Ahmedabad. It was opined that companies lean heavily on distribution channels particularly with dealers, selling agents and brokers to get marketing information and, the decisions were made on the basis of their experience. The study professed that marketing research is virtually absent in Rajasthan, Indore and Ahmedabad. It was observed that except in the field of selling, there is virtual absence of planning in the cotton textile companies of Rajasthan.

Shaw (1972) explored the distribution and consumption patterns of marketing of cotton textiles in Akola District of Maharashtra. The relevant findings of the study were that more or less the producers are guided by regional advice received from the wholesalers and they in turn seek information from retailers. It was observed that new distribution patterns are emerging due to the development of transportation.

Deb (1992) found that only 5.06 per cent of units spent money on market survey while only 1.3 per cent did so, on a recurring basis. He concludes that most of the entrepreneurs do not have any plan for future and are unaware of the importance of market research or survey.
Effort should be taken to establish a testing laboratory of the Bureau of Indian Standards to have a sound information base, so that ISI mark can be given to the products without delay. He suggests to establish a Trade Centre with branches at different places of the North Eastern Region.

3.2.16 Market Channels

a) Indirect Marketing. Marketing channels for the small scale industries and the functioning of distribution channels are evaluated by many scholars. Studies carried out by Singh (1961), Reddy and Murthy (1978), Bakshi (1980), Reddy (1983), Srivastava (1984) and Rathore and Chabra (1991), observed that small entrepreneurs are compelled to go for intermediary marketing due to internal problems like non- availability of finance, managerial skill and good information system.

Srivastava (1984) found that in the manufacture of wooden toy, the labour cost increased around two fold when compared to material cost. The Profit margin was higher to the traders than the actual manufacturers. The manufacturers, due to ignorance, illiteracy and poverty, were unable to undertake marketing of products by themselves as a result that a greater share of benefit has been reaped by the middle men and thereby exploiting the manufacturers. He had suggested to set up a toy design
centre which may buy back products for urban and foreign markets.

The study conducted by Reddy and Murthy (1978) reveals that small entrepreneurs lacked ability and efficiency in the case of selection of channels. The quality and standard of small industrial products were not of high level in the minds of wholesalers and dealers, hence they charged more to deal with the small industrial products.

Rathore and Chabra (1991) found that women entrepreneurs are exploited by the middlemen while marketing their goods and they need help in working out appropriate marketing strategy on consumer demand and market mechanism.

A study by Bakshi (1980) was aimed at investigating the economic factors which are responsible for non-adoption or rejection of innovations by small scale and cottage industries in the state of Jammu and Kashmir. The study revealed that the problem of marketing of the innovated goods have any significant bearing on the nature of innovations wished to be adopted. It has been further observed that in spite of good demand of innovated products, the problems of marketing the innovated products is in direct proportion to the extent of dependence on middlemen.
Reddy (1983) carried out a study on marketing problems in small scale industries with the objective to evaluate the marketing practices and suggested some remedial measures. A sample of 105 units were taken. It was found that the middlemen were taking undue advantage of the poor bargaining power of the small entrepreneurs and take a high percentage as commission. A majority of the units sell their products on credit to middlemen.

Singh's (1961) study showed that wholesalers and dealers make unauthorized deduction and the poor small entrepreneurs have to agree with the lower prices as they run short of working capital. The study emphatically pleaded for the restricted role of middlemen and suggested that a legislation should be promulgated for regulating the marketing activities. It also suggested that for the establishment of Central Marketing Depot to ensure fair prices for the products of small units.

b) Direct Marketing. Studies carried out by Lakadawala and Sandesara (1960), the Indian Institute of Economics (1974); Singaravelu (1982), Mohanty (1983), Saxena and Patel (1984), Mohanty (1986) and Zahir (1989), Rao et al (1989) and Deb (1992) are of the view that small scale industries which serve mostly to local market and local needs uses direct channels to distribute their
Singaravelu (1983) explains that the engineering units, which are having high unit price for their products, are marketing directly to the customers. Ancillary units are not selling their products directly to customers other than parent unit. Further he stated that cash-cum-credit basis is the most beneficial one with regard to terms of sale as suggested by intermediaries.

Deb (1992) conducted a study on marketing practices followed by 79 small scale industries in a District of Assam. He found that direct marketing was most popularly used channel of distribution and the major marketing operations are in the local area. The study found that only 5 per cent of units spend money on marketing survey of their products. He concludes that most of the small units are unaware of the importance of market research or survey.

The Indian Institute of Economics (1974), Hyderabad under took a study to understand the mode of sale, sphere of market, volume of products sold, role of marketing agencies, interdependence among small scale units in respect of marketing of similar products and relationship between large scale units and small scale units. The survey was conducted in and around the twin cities of Hyderabad and Secunderabad.
The samples were further divided into four groups on the basis of investment in plant and machinery and the analysis was carried out on the basis of investment. The study revealed that small units suffer from the shortage of raw material and working capital. With regard to pricing policy, the study depicted that majority of the units also not follow any definite price policy. It further showed that the Government assistance in marketing is rather limited and industries in low investment group are disadvantageous in position. The overall analysis of the study put forth that marketing remains as one of the greatest problems of small industries but at the same time it has been seen that small units in high investment group perform their marketing functions in a better way than the small units in low investment groups.

A study by Mohanty (1983) discussed the structure of marketing by small scale industries and the study was conducted in Cuttack by taking a sample of 178 small units. It revealed that 64 per cent of the units sell their products directly to the consumers while 36 per cent sell their products through distributive agencies. It has been further observed that if marketing cost is taken into consideration, it constitutes only a small percentage of the total value of production of small units which indicate that small units do not take pains to develop market for
their products. It was found that the Director General of Supplies and Disposal and other Government stores do not purchase the items from small units.

Saxena and Patel (1984) examined the strategy of some successful small firms which have grown significantly during the last decades. The study explored the advantages and limitations of direct and indirect marketing strategies and observed that the indirect marketing seems to solve small firms problems, but in reality it does not. They studied the marketing strategies of three small firms, manufacturing fans, detergents and cycle tyres. It was found that the secret of success of all these firms lie in direct marketing strategy. The small units not only became viable in themselves but they could also out-class the giants. The most common point among all these units is that they do not have any formal marketing organization. While discussing policy implications, it was mentioned that small units should begin by carefully studying the market, the local needs, preferences and trends in purchases and identify a market segment for themselves. It was also opined that since the demand for most of the products is increasing, small firms can be successful only if they are able to identify and satisfy the needs and aspirations of the consumers.
Rao et al., (1989) expressed that the findings of the study revealed that in while selecting product mix, the perceptions of the entrepreneurs taking decision in the order of importance are ready markets, high demand and past experience. It was found that a few of the units sell their products through intermediaries while a large majority of the units depend on direct selling. The study suggested that entrepreneurs must be given periodical training in conducting market surveys as well as in promotion of personal contact.

Lakdawala and Sandesara (1960) undertook a research work to interpret the effect of capital and employment on the aspects of productivity of small scale industries and the problems faced by these small units. Along with the productivity aspect, the study also discussed the marketing aspect of these industries. It was observed that most of the units sell their products directly to the ultimate consumers. Another notable finding of the study was that most of the units face competition from other small scale units. Most of the units have stated that competitors have the advantage of economy of bulk purchase of raw materials.

Mohanty (1986) stated that ability to produce is a necessary condition but not the sole condition for the guarantee of business success. It is the market forces that
guide and decide the fate of any enterprise. Regarding the
distribution pattern it is found that 64 per cent of the
products are sold directly to consumers and 36 per cent
of the products through dealers.

Zahir (1989) carried out a study of a small knitted
garments manufacturing unit to analyze the marketing
practices of retailers on the one hand and consumer
behaviour on the other with a view to formulate marketing
strategy for selling branded garment products. The study
concluded that the most preferred distribution channel in
knitwear industry is the manufacturer-retailer channel. He
suggested that the firm will have to develop slowly direct
contacts with the retailers without any intermediary. It
further observes that advertising is very important for
creating brand awareness. The best media for advertising
are magazines and hoardings and suggested that
advertisements should be started from the month of January,
so that people become aware of firm's brand name by the time
summer comes. All these studies have taken into account
all types of industries from agro based units to metal
based units. Marketing practices and problems differ
according to the types of industries. Therefore, taking all
types of industries into the sample frame will not give any
concrete and specific solution to the problem. Here the
researcher has taken only one type of industry for in-depth
analysis on the marketing practices and problems of small scale engineering industries.

It has been observed that no studies were specifically made on the marketing aspects of pump manufacturing units and in that context the present study is an attempt to know the marketing practices of small scale pump manufacturing units and to analyse the performance of these units.