CHAPTER – I

INTRODUCTION
CHAPTER 1

INTRODUCTION

The role of SSI in economic development has been of increasing interest to researchers, national policy makers and international development agencies for the past four decades. Small scale industries (SSI) sector by no means is small in terms of its contribution to the national economies. It acts as a pump-primer for economic development in majority of the developed and developing nations. Over the years, SSI sector in India has emerged as a dynamic and vibrant partner in the process of development by consistently recording higher levels of growth as compared to over all industrial growth. Supply-line from this sector covers a wide spectrum of items ranging from fast moving consumer goods on the one hand, critical input sourcing to “Sunrise” and large industries on the other.

World over, public policy is increasingly directed towards the promotion of small scale industries. This is partly because small-scale enterprises form a significant part of any economy, even of the most developed ones. The process of liberalization and emerging World Trade Organization (WTO) regime have thrown open new challenges particularly

---

for the SSI sector. It is important to note that while the small scale sector has demonstrated its strength through the years it needs to be insulated from the dynamics of competitive growth for sometime to come.

The SSI sector, as an important segment of the Indian Economy, accounts for around 95 per cent of the industrial units, 40 per cent of the manufacturing sector output, 36 per cent of exports and provides direct employment to 18 million persons in around 3.2 million registered SSI in the country and offers a wide spectrum of products. The sector serves as a Greenfield for the nurturing of entrepreneurial talent enabling the small-scale units to upgrade into medium scale. The SSI sector has been receiving attention from policy makers by way of support and incentives, infrastructural facilities, technology, marketing and other similar measures. The development strategies put in place during the fifties and pursued till the initiation of reforms in 1991 are in the process of restructuring so as to increase the role of market forces in economic decision making. The control measures for a majority of industries and import licensing have been liberalized and fiscal policy reforms initiated. Efforts have been made to attract Foreign Direct Investment (FDI) and transfer of technology into the

1 SIDBI Report on Small Scale Industries Sector, Small Industries Development Bank Of India, Lucknow, 2000, p.1

2 SIDBI Report on Small Scale Industries Sector, Ibid.
country. These measures are designed to put the Indian Economy on a sustainable growth path.

The reason behind the special place given to SSI in public policy is the special advantages they are believed to possess. According to them, this sector is or can be as efficient as the large scale sector and it can remain competitive, and should, be encouraged and supported \(^1\). This positive attitude towards the small scale sector came out because of the realization of the need for intermediate or ‘appropriate’ technology, as advocated by Schumacher (1974)\(^2\) and others in the context of the growing concern with problems of unemployment and income distribution. Thus, by mid-fifties strong arguments were being advanced in favour of small enterprises which were expected to play a major developmental role in the decades to follow\(^3\).

In developing countries like India where capital and entrepreneurship are the two most important of the scarce resources, small scale enterprises become all the more important. It accounts for a much higher proportion in

---

1 Cortes, Mariluz, Albert Berry and Ashfaz, "Success in small and medium scale enterprises" - The evidence from colombial, New York, Oxford University Press (1987) p.1


employment and output\(^1\). According to the advance estimates of Gross Domestic Product released by the Central Statistical Organization for the year 1999-2000, the economy is likely to achieve a growth of 5.9 per cent. A further insight into the dynamics of sectoral growth shows that the industry sector is exhibiting signs of recovery and may achieve growth of around 6.9 per cent in the Financial Year 2000 as compared to 4 per cent in the previous year. The SSI sector, in tandem with the past trend, is estimated to outperform the manufacturing sector and overall industry sector growth by recording a rise a around 8.1 per cent in the Financial Year 2000 as compared to 7.7 per cent in the previous year. In view of liberalization, privatization and globalization, the SSI have been facing lot of tough competition in the market for their products, as a result of which various marketing problems have emerged.

1.1 THE CHANGING SCENARIO:

The following factors highlight the significance of SSI from different angles. The small sector has undergone a sea-change, particularly in the last 50 years. The changes have been of an order which could not have been visualized, much less predicted, in the fifties and even in early

---

\(^1\) James Manalel: "How Beautiful is small", SEDME, National Institute of Small Industry Extension Training, XXIV(4).
sixties. What is more, the changes have been multi-dimensional, structural, physical, qualitative and conceptual. Thus, the picture, which the small sector in India, presents today is far different from what it was in the fifties or sixties. It would be of interest to examine the phenomenal progress achieved by the small sector in the post-independence period and discuss the prospects of small sector in the eighties. The past decade has once again shown the limitation of management and in so doing, has retrospectively brought into sharper focus the contribution made to the preceding period of economic growth by the small sector.

**Employment potential**

Koujalgi (2000) states that one of the basic objectives of setting up of SSI units is to generate employment, which will eliminate frustration and unrest in the masses and keep their body and soul together. "This will also thwart the pernicious design of the forces across the border which corrupts the young fertile minds". Economic growth means higher employment. According to the national sample survey of India, the total number of people working in different industries during 1956 was 162 lakhs, of which

---


employees of small scale and cottage industries accounted for 130 lakhs, i.e., 81 per cent of the total. During 1980 70 lakhs people, were directly employed by SSI and it accounted for 38 per cent of the country’s total industrial employment. During 1980-85, the number of workers working in SSI was 9 millions. It gradually increased to 11.96 millions in 1985-90, 14.66 millions in 1990-95 and around 20 millions during 1995-2000. Thus, the contribution of SSI to employment sector as well as their share of the total number of establishments in the manufacturing sector have been increased since 1980.

**Cost of production**

The cost of production in the case of small scale sector is less due to various reasons such as location of the industry near the consumer markets, raw material availability, improvements in technology and social costs of production. Generally a small scale industry can be started where all the facilities are already available and it need not involve any additional cost unlike a large scale industry. Since the producer is in constant touch with the customers through estimating demand, the over or under production, of course, helps in mitigating unnecessary costs.
The society will be benefited by getting the goods and services from the small scale sector at cheaper prices. Especially for some commodities, the economies does not allow to carry on the production on large scale. In such cases, small scale industry is a sine qua non for the production of such commodities. Moreover, highly artistic and specialized articles are also produced in the small scale sector.

**Exports**

In the context of liberalization and globalization of Indian economy in the wake of introduction of economic reforms, the performance of SSI sector in the filed of exports needs a closer look. Growth in exports has been particularly commendable from mere Rs. 393 crores in 1973-74 to a mounting high figure of 48.979 crores in 1998-99. This figure has been achieved despite the fact that the number of small scale units that undertake direct exports is very small in relation to size (it is not more than 5000). Besides direct exports, it is estimated that small scale industrial units have contributed around 15 per cent to exports indirectly. In certain product groups, the SSI sector dominates in exports. The share of SSI sector in the total exports of sports goods is about 100 per cent, woolen garments, and knitwear 80 per cent, processed foods 65 per cent, leather products 75 per
cent. Most of the exports are in the field of modern sophisticated consumer items and durables, including electronics and engineering goods. Small Industries Development Organization (SIDO) is functioning as a Nodal Agency for the promotion of exports by the SSI sector.

**Capital formation**

In India, capital is scarce. The optimum use of available capital resources in terms of employment and productivity, therefore, must be the goal of economic planning. But SSI can be started with low capital and there is no need for investment in infrastructure unlike large scale industries. They can be established in rural areas where the factors of production are economical and quick returns with less risk can be ensured. In India, a major portion of the investment money is routed through the sources of small and household savings: Small scale industries mobilize these small savings into investment. This leads to capital formation and helps in the development of large industries. SSI units tap the resources of capital especially from family savings, which would not have automatically contributed to the country’s capital formation and industrial growth\(^1\).

---

Dhar and Lydall hold that the development of SSI over a period of time reduces the availability of capital. Their argument runs as follows:

i) For every unit of output they use more capital.

ii) These industries, being labour intensive, use major proportion of the sale proceeds to pay wages.

Being the labour are poor, they use most of their income for consumption resulting in a lower rate of savings and capital formation for economy. But this argument is not very convincing. Low labour productivity will be reduced with equitable distribution of income across the country. Thus, there will be increase in human capital which is as important as physical capital and perhaps more important1. The SSI are less capital intensive than large scale units and the level of investment rose from Rs. 90 crores in 1947 to Rs. 32,054 crores in 1997. The average investment per unit moved narrowly from Rs. 75,000 per unit in 1947 to Rs. 1,10,000 per unit in 1997.

Range of products

The small scale sector produces a wide variety of over 7500 products such as stationary items, soap and detergents, domestic utensils, toothpaste and tooth powder, safety matches, preserved food and vegetables, wooden and steel furniture, flash torches, foot polish brushes, paints and varnishes, etc. Among the sophisticated items, mention may be made of T.V.sets, electronic desk calculators, microwave components, plastic film capacitors, carbon film registers, electronic equipment, electronic teaching aids, digital measuring equipment, air-conditioning equipment, optical lenses, drugs and pharmaceuticals, electric motors, pesticide formulators, photographic sensitized paper, razor blades, collapsible tubes, etc.

National income and wealth

A Government of India Report (1955) states that since SSIs encourage self-employment and widespread ownership, they are expected to bring about a more equitable distribution of wealth and income. Further, the development of a large number of small enterprises in place of a few large ones will reduce the tendency towards concentration of economic power¹. In the words of Sawant (1997) "the desire to be known as an entrepreneur

¹ Govt. of India Report of the village and small-scale industries committee, New Delhi (1955), p.22
on the part of several skilled and qualified persons who may be currently engaged as a cadre in large enterprises, is the strongest incentive for the growth of SSI\(^1\). Similarly, Dhar and Raj (1961) have shown that the average wage payment is lower in small factories than in large factories and this difference is greater in less developed countries like India. Nirmala Bannerjee (1981) gives more recent data on the lower wage rates in the small sector. She is of the opinion that the benefit of low cost in the small sector only goes to capital (management) and therefore the relative labour intensity in the small scale sector makes the situation worse\(^2\).

**Balanced industrial development**

While industrialization is desirable, a policy oriented towards balanced regional development is also essential. It is believed that small industries can be more easily decentralized than large industries. The evidence on this makes distinction between traditional small industries and modern small industries.

---


Anderson and Leiserson (1980), who attempted to assess the magnitude and growth of rural non-farm employment in fifteen selected developing countries, including India, found that most rural non-farm employment is in small scale and highly dispersed enterprises\(^1\). Dhar and Lydall (1961), however, found that while the traditional enterprises are decentralized, the modern SSI are concentrated in towns and cities. Small Industry, they argue, is a follower rather than a pioneer. It is the large units which are more suited for decentralization. They point out that efforts to grow small industry where nothing else grows are unlikely to succeed.

**Balancing of foreign exchange**

The exports from small scale sector form a significant portion of the total exports from India. But they do not require imported machinery or raw materials costing heavy amounts. The production will be carried on with the local raw materials and other resources by using indigenous machinery. On the other hand, a large scale industry requires imported machinery and other components and the exports from that sector may not balance the imports. But the small scale sector balances these two and brings in substantial foreign exchange.

1.2 GROWTH OF SMALL SCALE INDUSTRIES

The SSI have registered phenomenal growth in their number, production, employment and exports over the years. Their number has phenomenally grown from 16,000 in 1950 to 3.12 lakhs in 1998-99. While production registered an increase of more than twenty times, employment grew by about three times over the period 1974-99. Growth in exports has been particularly commendable from a mere Rs. 393 crores in 1973-74 to a high of Rs. 48,979 crores in 1998-99. One way, perhaps the most plausible of ways, of viewing the role of small enterprises in economic development is to see its relative position in terms of the country’s total production, employment and exports. It is encouraging to mention that the small scale enterprises account for 35 per cent of the gross value of the output in the manufacturing sector, about 80 per cent of the total industrial employment and about 40 per cent of the total exports of the country\(^1\).

Production per worker rose from Rs. 9000 in 1947 to Rs. 2.14 lakhs in 1997 in industries with 50 or more workers than in smaller units. Empirical Studies show that larger firms have higher labour and capital costs more than compensate for the difference in labour productivity, and their growth

\(^1\) Khanka. S.S., “Entrepreneurial Development” : S. Chand & Company Ltd., New Delhi, 1999, p.67
rate is not higher than that of small units. The scheme of 100 per cent Export Oriented Units (EOU) was introduced in 1980 with the objective of generating additional production capacity for exports by providing appropriate policy framework and incentives. The predominance of small scale enterprises in EOU and their key role in generating additional production capacity producing quality goods and enlarging the scope for export is well recognized. The scheme needs to be revived and streamlined so that EOUs play a pivotal role in enhancing exports.

The Government of India has been attaching increasing importance to the development of small scale industries by way of various support measures introduced from time to time. In view of this, it is hoped that the relative share of small scale sector in the national cake production, employment and exports would definitely increase in the years ahead. Thus, its role in the economic development of the country would become more and more vital with the passage of time\(^1\).

\(^1\) Khanka S.S., “Entrepreneurial Development”, S.Chand & Company Ltd, New Delhi, 1999, p.67
The following table illustrates the gradual growth of SSI in the last few decades.

Table 1.1 Estimate of number of Units, Production, Employment and Exports.

<table>
<thead>
<tr>
<th>Year</th>
<th>Cumulative No. Of Units (Million)</th>
<th>Production at Current Price (Rs. Million)</th>
<th>Employment (Million No's)</th>
<th>Export (Rs. Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973-78</td>
<td>8.73</td>
<td>5,41,000</td>
<td>23.01</td>
<td>30,770</td>
</tr>
<tr>
<td>1978-83</td>
<td>4.43</td>
<td>13,29,950</td>
<td>35.58</td>
<td>80,540</td>
</tr>
<tr>
<td>1983-88</td>
<td>6.79</td>
<td>31,29,180</td>
<td>47.86</td>
<td>1,54,890</td>
</tr>
<tr>
<td>1988-93</td>
<td>9.81</td>
<td>78,20,590</td>
<td>62.18</td>
<td>1,54,460</td>
</tr>
<tr>
<td>1993-98</td>
<td>13.55</td>
<td>1,76,96,580</td>
<td>76.58</td>
<td>17,45,850</td>
</tr>
<tr>
<td>1999-00(P)</td>
<td>3.21</td>
<td>5,729</td>
<td>17.85</td>
<td>54,200</td>
</tr>
<tr>
<td>2000-01(Pr)</td>
<td>3.37</td>
<td>6,455</td>
<td>18.56</td>
<td>59,978</td>
</tr>
</tbody>
</table>

Note: (P): Provisional, (Pr): Projected.
Source: Dc (SSI), Ministry of SSI and NRI.

1.3 SMALL SCALE INDUSTRY AND THE ECONOMIC DEVELOPMENT:

Fifty years of development experience has yielded a number of important lessons for the Indian economy. The development strategy for the industrial sector in newly independent India was put in place during the Second Five Year Plan and pursued till initiation of economic reforms in 1991. The need for massive investments in relation to scarce resources
necessitated at that time, an elaborate system of controls and measures for protection like industrial licensing, exchange restrictions, capital issue controls, dual pricing policy, etc. With the evolution of the economy from the primary to the secondary stage of economic development, the industrial sector witnessed a better performance. However, in the process, a number of macro-economic imbalances emerged affecting sustainable growth. It was felt that the policy of controls, restrictions and protection had not been able to deliver the desired results. Due to internal and extraneous reasons, the country faced macro economic crises in 1991 by which time the foreign exchange reserves had depleted, thereby adversely affecting the sovereign rating of the economy in international markets and causing constraints in raising foreign capital and attracting investments.

The SSI is expected to play a pivotal role in economic development of a nation. Economic development is taken in various ways, i.e., increasing the per capita income, generating employment, improving levels of living, promoting more equitable distribution of national income, making effective mobilization of untapped capital and human skills and, ultimately, bringing about balanced regional development¹.

¹ Khanka.S.S., opcit.
The economy, after an initial slowdown in 1991-92 and a reasonable growth rate in 1992-93 and 1993-94, displayed a remarkable turnaround and the three years beginning 1994-95 witnessed well above 7 per cent growth rates. The overall high growth performance was made possible, among other things, by a higher industrial growth, especially in the SSI sector. The high growth rate, however, slipped to 5 per cent in 1997-98 due to decline in the growth mainly of the agriculture and export sectors and a slow growth in industrial production. The year 1998-99 saw a turnaround in favour of a high rate growth of 6.8 per cent as compared to 5 per cent in the previous year\(^1\). The above views amply demonstrate that small scale sector is a significant contributor to the economic development of the country. The role of SSI, in terms of exports, employment, standard of living, distribution of income and wealth etc., prompted the researcher to undertake this kind of study.

1.4 SSI AND MARKETING PROBLEMS:

One can conclude from the above discussion that the peculiarities of SSIs particularly the organizational pattern, places them at a distinct disadvantage vis-à-vis the large scale sector and this in turn has given rise to

\(^1\) SIDBI Report on Small Scale Industries sector, Small Industries Development Bank of India, Lucknow, 2000, p.15
problems such as raw material, finance, marketing, underutilization of capacity, technological obsolescence, credit facility, nature of operations, etc. All these problems pose a threat to the survival and growth of SSI in general and marketing problems in particular.

According to the Seventh Five Year Plan \(^1\), the problems of SSI include technological obsolescence, inadequate and irregular supply of raw materials, lack of organized market channels, imperfect knowledge of market conditions, unorganized nature of operations, inadequate availability of credit facility, constraints of infrastructure facilities including power, deficient managerial and technical skills, etc. There has been a lack of effective co-ordination among the various support organizations set up over the period for the promotion and development of these industries. Quality consciousness has not been generated to the desired level despite various measures taken in this regard. All these constrains have resulted in a skewed cost structure placing this sector at a disadvantage vis-à-vis, the large industries, both in the domestic and export markets. Thus, the SSI is plagued by chronic problems, as a result of which growth of SSI has reached a stand still.

\(^1\) Govt. of India, Planning Commission, Seventh Five Year Plan, 1985-90, Vol.II, p.98
Turning to the marketing side of SSI, it is observed that these small units do not possess any marketing organization. In consequence, their products compare unfavourably with the quality of products of large scale industries and hence suffer from comparative disadvantages. Ancillary units face the problems of their own like delayed payments by parent units, inadequacy of technological support extended by parent units, non-adherence to quality and delivery schedules, thus disturbing the programmes of the parent units, and absence of well defined pricing system and regulatory loss. In order to overcome this competitive disadvantage, the Government of India has reserved items which have continuously expanded over the period and at stands at 824 items. Besides, the Trade Fair Authority of India (TFAI) the State Trading Corporation (STC) help the SSI in organizing their sales. The National Small Industries Development Corporation (NSIDC), set up in 1955, is also helping the small units in obtaining government orders and locating export markets.

It should be noted that despite the availability of skilled entrepreneurs, financial assistance, machinery and reservation products, the units continued to trail in the environment of volatile changing markets.
Bellary district has been responsible for considerable industrial growth during the past two decades. The district has abundant mineral resources like iron ore, manganese ore, red oxide, dolomite, granite, limestone, silica etc. There were 10237 SSI/tiny units functioning in the district as on 31-3-2001 with an investment of Rs, 186.31 crores providing employment opportunities to 46,636 people\footnote{DIC, Government of Karnataka, Industrial perspective plan 2001-2005, Bellary 2001, p.30}. However, the economy of Bellary district is dominated by agriculture and allied activities. About 40 per cent of the total income of the district is contributed by the agriculture sector but only 20 per cent of the districts total income is from industry. This consequently speaks about the scope for the development of the district industrially. After the formation of DICs during 1978 and the new industrial policy, the Government of Karnataka has given an impetus to the industrial growth of the district. The DICs function as a Nodal Agency in identifying prospective entrepreneurs and assisting in selection of viable ventures, depending upon locally available resources. Of course, Government schemes like \textbf{SEEVY, PMRY, TRYSEM} have further boosted the growth of SSI/tiny sector industries. Further, the policy of the Government of Karnataka during 1996-2001 offered attractive package of incentives and concessions to the prospective entrepreneurs, besides providing industrial

\footnote{DIC, Government of Karnataka, Industrial perspective plan 2001-2005, Bellary 2001, p.30}
areas and sheds, water supply, power facilities, etc. The significance of Bellary district from SSI point of view and the magnitude of marketing problems faced by SSI in the district motivated the researcher to take this study.

1.5 KEY TERMS:

At the heart of today’s marketing is the belief in a philosophy of business which states that the customer’s want-satisfaction is the economic and social justification for a firm’s existence. This philosophy of modern business is acknowledged as the “Marketing Concept”. Marketing concept was brought first into light by Philip Kotler and Sidney J. Levy. The basic thesis of Kotler and Levy was that marketing concept, which focuses on consumer or consumer needs can be effectively applied in areas like political campaigning, public policy formulation, religion, tourism, education, health which are non-business areas and not merely confined to business world.

---

Channel of distribution:

According to Chobra T.N. and Grover S.K., “A distribution channel consists of the set of people and firms involved in the transfer of title to a product as the product moves from producer to ultimate consumer or business man”. The word ‘channel’ has its origin in the French word for canal.

Market segmentation:

It is the precise determination of the distinctive categories of customers a marketer wants to cater to.

Marketing Mix:

Marketers use numerous tools to elicit desired responses from their target markets. These tools constitute a marketing mix. McCarthey classified these tools into four broad groups that is called the four Ps of marketing: product, price, place and promotion.

---

Product Line:
This refers to the group of products which are classified together for reasons of similarities on any one of the several criteria such as customer needs, market served, channels used, or technology used in manufacture.

Product Mix:
The product mix refers to all the products offered by a firm.

Promotion Mix:
The term ‘Promotion-mix’ is used to refer to the combination of different kinds of promotional tools used by a firm to advertise and sell its products.

Brand:
It is a name, term, sign, symbol, or design or a combination of these intended to identify the goods of one seller or group of sellers and to differentiate them from those of competitors.

Brand equity:
Brands vary in the amount of power and value they have in the market place.
Product planning:

According to William J. Stanton, “Product planning consists of activities which enable producers to determine what should constitute a company’s line of products. Ideally, product planning will ensure that the full complement of a firm’s product is designed to strengthen the company’s profit position”\(^1\).

Advertising:

Advertising consists of all the activities involved in presenting to a audience a non-personal, sponsor-identified, paid for message about a product of the organisation\(^2\).

Packaging:

Packaging is concerned with the design and production of appropriate packages for the product.

---


\(^2\) Stanton, et.al., opcit.
Entrepreneur:

The word ‘entrepreneur’ is defined as an agent who buys factors of production at certain prices in order to combine them into a product in order to of selling it at uncertain prices in future\(^1\).

1.6 AN OVERVIEW OF LITERATURE:

There have been a number of studies empirically tested in Malaysia and Thailand and a few studies in India on marketing problems faced by SSI. This section presents an overview of the existing literature pertaining to the topic under study. However, it is practically impossible to review all the available studies and hence the review is confined to the major works in the area that have a bearing on the present study. At the end of this section, a few research gaps are identified which form the basis for the study undertaken by the researcher.

One of the significant studies in the field was sponsored by the United Nations Industrial Development Organization (UNIDO), Ireland and conducted by the expert group headed by Alan G. Scharenguive\(^2\), an economist. This study was conducted to examine the marketing problems faced by SSI in Malaysia (1972) with special reference to Handloom


industry and suggest a suitable prescription to overcome the problems. The expert group found that the entrepreneurs had limited capital, and they were not in a position to offer a wide selection to their customers. Further it was observed that local retail market is very small indeed. The expert group suggested that an extensive and elaborate marketing organization has to be deployed, involving dealings with large consumers, wholesalers, and retailers, to make the working of SSI effective in Malaysia.

A similar study was conducted by UNIDO, Ireland with Mr. Varali Hutasingh, Thailand, as chairman of the committee to study 'Marketing problems of small, industrial firms in Thailand'\(^1\) 1972. The major findings of the study were: due to its size the SSI had neither the money and manpower, nor the time to market its products successfully. The committee recommended that a methodical approach to the functions of marketing and their co-ordination was necessary. It may be that the owner/manager himself has the time and the personal qualities to carry out this to make the SSI work in Thailand.

\(^1\) Varali Hutasingh, "Marketing problems of small scale industrial firms in Thailand", Sponsored by UNIDO, 29 May – 3 June 1972 (Unpublished)
Delivering the inaugural address at a National Seminar, S.D. Sharma (1975) expressed the view that the measures adopted by the government in assisting the SSI have been very helpful. He suggested in his paper that the government may speedily look into the various recommendations of Ramanujam committee. Sharma further felt the need to bring out legislation on the line of Japan in order to promote ancillary units and relieve SSI from the problems faced by them.

An article on ‘Marketing Management of small Industries Products’ by S.V.S.Sharma (1975) reveals that the efforts required to satisfy consumer demand are in the areas of marketing research, product planning, pricing, advertising, sales promotion, distribution and selling. He stated that marketing problems mainly arise out of the size of SSI and non-availability of appropriate marketing skills. Sharma concluded his study by saying that most of the small business firms in retail trade have taken to retail selling business on trial and error basis.


G.A.Bhatkal¹ (1976), in an article on “Role of State Corporations in the Marketing of SSI products”, expressed that SSI have considerably diversified their production and are manufacturing a large variety of items including the sophisticated import substitution based products or the export-oriented products. He identified marketing as the main problem of SSI owing to the stiff competition. The author concludes the study by stating that the government agencies like the Small Industries Development Corporations have comparatively little role to play in this type of marketing. Most of the corporations are running the emporia for the sale of products manufactured in their states.

S.N. Bhattacharya² (1976), in his reading material on “Rural Industrialization Programme (Tier-II)” opined that there is entrepreneurial wave as a result of the efforts to increase self-employment for unemployed technocrats and other educated persons. He identified that small industries products have by and large been confined and restricted to metropolitan cities and towns, where ready markets are available. Mr. Bhattacharya suggested that there is a need for National Marketing Organizations for


promoting the sales of SSI products and the export houses which were created with the object of enabling maximum participation of small scale manufacturers in the export drive of the country have not been of much help to the exports from the small scale sector.

Another interesting study was conducted by A.K. Ganguly\(^1\) (1977), in which it was identified that the small scale industries suffer from a number of handicaps that are inherent owing to the size of small business. He suggested that there should be adequate encouragement for market research on professional lines as in UK and US. Mr. Ganguly further recommended the setting up of a ‘Data Bank’ for providing marketing information to SSI sector.

V.K. Chobbi and Shri V.K. Desikacharya conducted a research study on “Location of Small Industry” with the objective of finding out not only the locational factors but also the rationale behind them by focusing the study on the different aspects of location of SSI. The conclusions of the study whether inertia of the backward areas is due to insufficient incentives or inability to absorb the massive developmental efforts because the basic inadequacy in entrepreneurial talents.

A Seminar sponsored by FICCI (1977), focused on "Development of Small Scale Industries", stated that the industries such as handicrafts, diamond-cutting, garments, leather exports, etc., had penetrated into the world market. The committee opined that the small scale enterprises were dynamic resilient and had inherent strengths. Abid Hussain felt that adequate finance at the right time was much more important than the rate at which it was available and we should allow the private sector to enter into power generation. Further, identified the significance of SSI in providing largest employment next only to agriculture.

A case study was carried out by Reddy and Murthy¹ (1978) on "Marketing of Small Industry Products" at Industrial Estate, Anantapur, with the objectives, viz., visualize the area of marketing operation, identify the existing channels of distribution, analyze the promotional steps taken, etc. According to their study, entrepreneurs do not possess thorough knowledge of the potential markets for their products. Small scale units find it difficult to get suitable show rooms or selling outlets in commercial centers, "Trade centers" with facilities for both display and sales-counter. They should be arranged either through the government or the association.

The study concluded with the suggestion that there was an urgent need for the effective co-operation and co-ordination among industrialists, traders and government.

In an article written by D. Rambabu\(^1\) (1978) on “Small Scale Sector-Some Marketing Problems” it has been clearly put forth that the vital role of the small scale sector has been increasingly recognized on account of its substantial contribution to employment and production. He made a recommendation that the state and central governments insist all the government and public sector units buy their requirements exclusively from the SSI. Rambabu concluded his study by saying SSIs were not quality conscious.

In a theoretical contribution on “Village Industries – Problems and Prospects of Marketing”, P. Subba Rao\(^2\)(1979), examined the problems faced by village industries and said that traditional artisans on their own have not been getting continuous supply of raw materials at reasonable prices. Rao concluded his study by stating that the village industries can get adequate technical guidance, raw-materials, equipment, etc., if they could organize service societies on the lines of farmer’s service societies.

Ramesh Nangia ¹ (1979) in his paper “Small Scale Industries Development Strategy and Marketing Problems” discussed the major components of the development strategy of the Draft Five Year Plan (78-83) in the light of the New Industrial Policy 1977. The author quotes various studies in favour of strands of thoughts on urbanization, eg., Mahalanobis strategy for rapid development of the economy and the recommendations of the Karve Committee in particular, made for the promotion of SSI. He identifies the marketing problems and felt that the problems of marketing are by far the most serious handicaps of small units. The discussion suggested that there should be high level committees not only at the district and state levels but also at the centre to ensure coordination in working of SSIs. The author concluded the study by mentioning that certainly achievement mystique cannot be developed by indirect means such as manipulation of tax laws, infusion of foreign capital, or land reforms.

An article presented by Subbi Reddy. T. ²(1980) on “Problems of sales planning in small industry”, high lighted the significance of sales planning in

---


small industry, identified the consequences of not having sales planning or ineffective planning and such problems might cause sickness and failure of the units subsequently. The author further stressed that the proprietors hardly get time to prepare detailed sales planning and this negligence can underscore the key basis on which entire business stands. It was concluded that adequate efforts should be made to strengthen consultancy services by involving more institutions including DIC.

M. Ashok Kumar and C. Shiva Rama Krishna Rao, \(^1\)(1982) in their empirical study on "Marketing Problems of Rural Industries" stated the emphasis on traditional and rural industries was the central element in the strategy for rural industrialization. The objectives of the study were to ascertain the area over which the marketing operations are carried on; to identify various channels through which the products are distributed and to suggest measures to increase the distribution of these small industries products. The study suggested that the Industrial Policy should be divided as reserve for certain products in rural industries exclusively and eliminating competitions to these products from urban industries. They also suggested that promotion of sales counters for a cluster of villages wherever it is

feasible should be extended for the increased sales efforts and for creating new markets.

Subbi Reddy And P. Narayana Reddy\(^1\) (1984) in their paper on “Product Planning and Development in Small Industries” expressed the importance of product planning for the development of SSI. They felt product is the vehicle by which a company provides consumer satisfaction. According to the authors, if one could not select a product suitable to the market in which one wishes to enter, one may be forced to close down the business. The study was concluded by mentioning that very few industries are looking for commercial feasibility and diversification of production according to the present needs of the customers.

G. Narashimha, M. Venugopalacharyulu and V. Bramhanandam\(^2\) (1984) in their case study on “Marketing Practices of Small Scale Industries” pointed out that in a developing country like India, small scale industries constitute the backbone of the economic structure. The objective of this discussion was to examine the practices adopted by small scale units in


marketing their products. The study focused on major marketing issues in SSI such as product, pricing, promotion and distribution, and further revealed that the small entrepreneurs followed traditional and rudimentary methods of marketing. It was finally suggested that the government must take appropriate steps to translate their policy pronouncements into action.

L. Ashraf Alikhan ¹ (1985) in his paper on “Small Scale Industries in India – Export problems and prospects” stressed the importance of SSIs for the economic development of the country. The study identified the various problems of SSI such as small size, finance, management skill, etc., One of the significant observations was in favour of setting up a multipurpose Institutes of Technology for SSI to extend training facilities.

An empirical study conducted on “Growth of Small Industries and Problems of Small Entrepreneurs” written by Umesh C. Patnaik² (1989) emphasized the strategic position of SSI in Indian Economy. The study was carried out with an objective of finding out the rate of growth of SSI problems, which ultimately lead to untimely death of the unit. After

identifying the various problems, it was suggested to evaluate the role, working and effectiveness of the DIC’s promotion of SSI sector.

B.P. Rao, et al ¹ (1989) in their study conducted on “Marketing Practices of SSI units” examined the marketing practices prevailing among small scale industrial units in and around the twin cities of Hyderabad and Secunderabad. It was found in the study that a large number of enterprises did not take step to meet the slump in demand, but merely relied on the passage of time when the demand picked up by the changes in the market forces. It was suggested that the central and the state governments must instruct the respective public sector units to implement the price preference to the SSI units while making their purchases from these units.

In an empirical inquiry made by Mithilesh Kumar Mishra & Anup K. Karan ² (1990) on “Sickness in Small Industries”, it was jointly expressed that small scale industries have a vital place in our development strategy. They also said that the main factors responsible for sickness in small scale industries are internal such as capability, motivation, inexperience of entrepreneurs, etc., and external factors such as availability of raw-materials,


transport, facilities of marketing of products, etc. The recommendation to overcome sickness was made in the form of entrepreneurial orientations that contribute towards sustaining and overcoming the hazards of the support system.

In an article titled “A critique of problems of small and cottage industries in India”, Sahdeo Pande 1 (1990) stressed that SSIs have an important role to play in India’s economic development. He also outlined the marketing problems such as finance and credit, raw-materials availability, underutilization capacity, etc. the prescription was to evolve a Central Marketing Organization. It was further suggested to follow a common brand to all the products marketed by SSI.

In an empirical study conducted by BEVWN Murthy2 (1992) on “Problems of Small Scale Industry: A case study of Chittoor District in Andhra Pradesh”, it was pointed out that the development of new classes of entrepreneurs in small and medium scale sectors should form part of the strategy for industrial development in India. The principal objective of the study was to collect data relating to problems faced by the entrepreneurs

---


during inception and operational phases and to analyze and interpret the same. It was said in conclusion that putting the entrepreneurs through training programmes on project planning and evaluation and management appreciation programmes may help to some extent in dealing with operational problems.

Ranabijoy Deb (1992)\(^1\) in his article “Marketing Practices of SSI units in Assam: A case study” examined the marketing practices prevailing among the SSI units located in Assam. He found in his study that the knowledge of changing market situation is totally absent among the producers. The author suggested for a well equipped trade center that should have a full fledged information division to collect and disseminate marketing information to small scale industries. High cost and poor quality being the main hindrances to progress of small scale units, proper cost and quality control measures with government initiative must be undertaken.

Sunil Saikia¹ in his article on “Marketing of SSI products in North East (1995)”, identified the problems of marketing faced by SSI in North East region and expressed that view the success of SSIs depends upon the effective marketing of the products. He gave organization of seminars, workshops by DIC, SISI, etc., as a prescription to boost the sales of local products. He also suggested for attractive packaging and labeling of the products.

A paper of SSIs credit opportunities and Marketing Assistance by S.K. Mitra² tells us that the contribution of SSI sector to employment in next only to agriculture. According to him the major factors affecting the growth of SSIs is flow of credit. The large gap in the supply of working capital is hampering the growth of small scale enterprises. The author suggested a three tier information network which is needed to be built up at local, regional and national levels to strengthen the business advisory services.

V. Govindaraju in his paper “Marketing Research for SSI: A Brief Review”, outlined the importance of decision making in marketing and need for market research. He said that to discover new uses of a product, we have to find out marketing opportunities and problems. He pointed out that small scale firm’s products do not enjoy brand image. Marketing research helps the entrepreneur in projecting a brand image, product image and corporate image. Finally, he concluded that the need of the hour is scientific marketing research to promote and accelerate the growth of small scale and cottage industries.

1.7 NEED FOR THE PRESENT STUDY:

It is true that the problems of SSI have stemmed from their peculiarities such as organizational structure, competition with large scale industry, finance, marketing, etc. These have posed intum the other problems like raw material technological obsolescence, credit and risk management, nature of operations, etc. Of course, they have invariably hit profitability in particular and the growth of SSI in general.

Although there has been continuous research on various dimensions of SSI, the marketing problems faced by these are yet to be addressed seriously. To be very clear, it can be said that the SSIs have been caught up in the vicious circle of problems and obstacles. The establishment of various institutions and organizations either by the government or voluntary organizations have done much less in addressing and resolving these issues. The government, despite the establishment of a separate ministry for small business, has devoted very less attention both at central and state levels. A sizeable number of studies carried out in the west and east could not help the small business establishments in removing these bottlenecks. This amply demonstrates that there is scope for more research studies on a topic like this.

Bellary district which comes in Hyderabad-Karnataka area is a backward district blessed with mineral resources and ranks as number one in Karnataka. This district has housed 10237 small scale units whose production ranges from photocopying service to granite goods. Unless the problems of SSI are addressed seriously there is no scope for development of this industry in this backward district. At present there is no research study on marketing problems of SSIs in Bellary district. The studies conducted on SSIs in this district are related to other issues of SSI but not on
the marketing problems. Hence, in view of this lacuna, the present research study has been undertaken.

The present study is designed to make an in-depth study of the current marketing problems faced by the selected small units in the district. The various facets of SSI such as the causes and consequences and their implications are evaluated by the researcher keeping in view the major and secondary objectives. The perception of the entrepreneurs of the sample units are weighed by using a few statistical tools to draw meaningful and purposeful conclusions. This empirical inquiry may also suggest a suitable prescription for the problems faced by the units. Going by the present fate of SSIs which are caught up in the problems in marketing area, studies on this topic may be considered as the need of the hour.

It can be further stressed that the findings of this research are not only useful to the selected small business units but also to similar enterprises working elsewhere in the country. Since the entrepreneurs hail from agriculture background and middle and upper middle classes, this segment is very significant in the society and thus this study conforms to the principle of social relevance, too. Last, but not the least, this inquiry, it is hoped, will
draw the attention of other researchers to undertake further studies on various marketing issues of SSIs.

1.8 OBJECTIVES OF THE STUDY:

The main purpose of this study is to examine how well the SSIs in Bellary district are performing in marketing area despite their problems and prescribe remedial measures to make the marketing activities effective.

The main objective is expected to be fulfilled through the achievements of the specific objectives. The following are the specific objectives of the study.

1. to study the role of SSIs in Bellary district and their impact on economic development of the region;
2. to examine the current practices adopted by SSIs in marketing their products;
3. to analyse and evaluate the perceptions of the entrepreneurs on various dimensions of SSIs such as production, finance, transport, storage service, etc;
4. to assess the role of the government through its policy concerning the facilities and incentives offered to SSIs;
5. to identify the various marketing problems or obstacles faced by SSIs
the causes and consequences and their impact;
6. to know the magnitude of credit sales effected by the units under
study and the problems of credit sales and their impact on profitability
and growth;
7. to critically appraise the marketing strategies followed by the sample
units, in the areas of marketing research, marketing organization and
planning standardization, etc;
8. to suggest a prescription to overcome the various marketing problems
faced by SSIs.

1.9 RESEARCH METHODOLOGY:

The researcher has followed questionnaire method for conducting this
inquiry into management of marketing problems in selected SSI units in
Bellary district. Before the main study was conducted, preliminary
discussions were held with the entrepreneurs and also with institutions
connected with small industry development in Bellary district. As per the
outcome of the above discussions, a pilot study was made with the tentative
questionnaire and was administered to 8 units among the units chosen for the
study. Their comments and suggestions were incorporated in the questionnaire designed for the main study.

The questionnaire contained open-ended, closed-ended, multistage questions. It was designed by including various aspects concerning profile of the SSIs, Government policies, Marketing problems, Educational background of entrepreneurs, Problems of finance, Market research, Audit etc.

The questionnaire was divided into two parts. Part I covered the profile of the respondents and Part II contained 15 sections starting from ‘A’ to ‘O’ (See Annexure I ). The second part covered information relating to entrepreneurs, production, finance, marketing problems, etc. These questionnaires were personally administered by the researcher to each of the units selected as sample. In all these cases, the responses were obtained from the entrepreneurs who were directly involved in the promotion of the units. The object of study was to focus attention on the marketing problems of SSIs in Bellary district.
Sources of data:

In view of the multiple objectives, the data is collected from more than one source. The study is based on both primary as well as secondary data. The primary data was collected through questionnaires which included various dimensions of SSIs (see Annexure I). The secondary data is drawn from the office of DIC, Bellary, SIDBI, journals of published and unpublished reports, dissertations and theses, etc. On the basis of records maintained by the District Industries Centre, Bellary, the names and addresses were collected relating to the units under study. Detailed discussions were also made with the entrepreneurs to elicit accurate information on the topic of study.

Sample Size:

The investigation was conducted during 2000-02. The total number of SSI units in Bellary district supplied by the office of the Joint Director, DIC, Bellary district was 10237 out of which 110 units were selected at random. The sample includes all types of units: tiny and small scale, ancillary, rural and urban based, sole proprietary and otherwise, sick and healthy, within and outside industrial estate, etc. thus sampling conforms to the stratified random technique.
A list of units selected along with the industry is given in the following table.

Table 1.2: A size of units selected

<table>
<thead>
<tr>
<th>Type of Industries</th>
<th>Total Number</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agro Based</td>
<td>498</td>
<td>45</td>
</tr>
<tr>
<td>Readymade Garments</td>
<td>402</td>
<td>28</td>
</tr>
<tr>
<td>Engineering</td>
<td>80</td>
<td>18</td>
</tr>
<tr>
<td>Chemical</td>
<td>75</td>
<td>04</td>
</tr>
<tr>
<td>Mineral Water</td>
<td>10</td>
<td>06</td>
</tr>
<tr>
<td>Granite</td>
<td>25</td>
<td>06</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>20</td>
<td>03</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1110</strong></td>
<td><strong>110</strong></td>
</tr>
</tbody>
</table>

Source: Prospective plan of DIC, Bellary.

Statistical Analysis:

After the collection of data through questionnaires, a thorough verification of the data was carried out. A master table was prepared to consolidate the information so collected. Necessary classification tables were constructed for further analysis. Percentages were ascertained based on appropriate places to consolidate and convey the necessary information. Arithmetic mean has been used to find out the mean investment and age of the sample units. There are some important factors which influence the attitude of entrepreneurs towards age, educational background, family background, basis for starting unit etc. these variables are designated as
factors influencing the attitude of entrepreneur. The relationship between
the dependent variable and independent variable has been studied by means
of chi-square test. The use of the above simple statistical tools gives a
quantitative basis to the data generated.

1.10 NATURE AND SCOPE OF THE STUDY:

The present study was confined to 8 taluks of Bellary district, viz.,
Bellary, Sandur, Hospet, Kottur, H.B. Halli, Kudligi, Huvina Hadagali and
Siruguppa and covered 110 industrial units. The study was conducted on
Agro based industries, Readymade garments, Engineering, Chemicals,
Mineral Water, Granite etc. Small scale industrial units were selected for an
in depth study on the basis of the magnitude of investment in capital
equipment and machinery confirming to the definition of small scale
industrial units as per the latest declaration by the Government of India.
Since study was confined to Bellary district is micro in nature. Moreover, as
the investigation is based on practical aspects, it can be an empirical inquiry
also. However the whole study was done in Bellary district and does not
cover any other district from outside for the field survey. It was limited only
to Bellary district.
1.11 LIMITATIONS OF THE STUDY:

In any academic research of this kind, there are bound to be certain limitations. Since the private sector enterprises operate under a cloak of secrecy, the information is not so easily divulged to the researchers. The investigator has encountered the following limitations during the study period, i.e., 1999-2003.

1. Time available for the study was limited and collection of data is confined to Bellary district only, though the SSIs are scattered all over the country.

2. Information to the fullest extent could not be extracted from some of the entrepreneurs, the replies to questions were sketchy.

3. In spite of repeated requests, most respondents did not organize collection of data and prepare something like a 'draft reply' to the questions posed, before the investigator called on them.

4. The most disappointing feature was the lack of interest on the part of entrepreneur respondents themselves who seem to think that such surveys do not bring them any good. This attitude has acted as a road block to the flow of data for research.
5. The present study is concerned only with small scale units. The setting and problems of large and medium scale units are quite different from those of small scale units. Therefore, a comparison is not feasible.

Despite the above constraints, the researcher could get the required data for the research purpose. Availability of comprehensive data on various facets if the SSI sector is essential for formulation of policies and for examining the structure and performance of the SSI sector. Complete information on the SSI sector is not available from any single source. Notwithstanding these handicaps, an attempt has been made in this research to point out the direction in which a more purposeful and detailed study is warranted.

1.12 LAYOUT OF THE THESIS:

Keeping in view the primary and secondary objectives and their fulfillment, the researcher has organized this study in five chapters. A chronological list with sub-titles of these chapters along with a brief summary, is given below.
The first chapter deals with the Introduction, SSI and economic development, the overview of previous studies, SSI and marketing problems, objectives, methodology, limitations, etc.

The second chapter presents a theoretical framework of the topic chosen. The definition of SSI, Industrial policy, Incentives given to SSI and Marketing problems are highlighted here.

The third chapter sketches the general profile of the Bellary district and the entrepreneurs selected for the study.

The fourth chapter analysis and evaluates field data. Here the perceptions of the respondents are evaluated to arrive at meaningful conclusions.

The last chapter summarizes the entire study followed by the major findings and suggestions.