Generally in the discussion of the problems of small industry, main emphasis is placed on the problems relating to finance. Yet financing is often not the most acute of all problems of small scale industries. Small Industries frequently are in need of managerial and technical assistance, improved financial reporting and reduction and elimination of certain market or competitive disadvantages than they are of additional funds. The problem of efficient resource utilisation is as important in the case of finance as it is in the case of labour or material which is entirely the task of the owner manager in the small industry and to this end, the calibre of management has on the whole been the most decisive factor influencing the success or failure of small industry.

The Role of Management in Small Industry

To point out that small industries must raise the level of its management is not to signify the absence of such problem in the cases of large or medium sized concerns. The problem of efficient management of business is present in every type of concern and the difficulty of management generally increases with the increase in the size of the unit. But the small industry, for its very size, is in a state of positive disadvantage in this respect. In the larger sized concerns the problem of management is mainly the problem of efficient coordination between different departments of the industry. But the problem is entirely different and more complex in relation to the small industry. In fact
here the problem is not so much of that of the manager of big industry as commonly understood, but that of promoter manager. In small industry, we find the typical example of the entrepreneurial system. The function of an entrepreneur consists of several distinct elements such as technical innovation or adaptation, business promotion, capital provision and risk bearing and finally business management. In the large scale industry, there is a tendency for each of these sub-functions being carried out by separate persons or groups. Internally one of the consequences of continued technical revolution and deeper investment associated with or rather leading to larger sized plants is a higher proportion of managers, supervisors, technical assistants and office staff per manual worker.

But the owner manager of a small concern performs or at least is expected to perform all or most of the sub-functions himself. So the term, 'management' always has wider significance in the case of small industry and includes all the functions from planning of the business to the marketing of the products. To be more precise, it includes, as observed by Kaplan, all the three aspects of the executive functions, namely (a) administration which involves the creation of plans and determination

1 The distinctive feature of deeper investment and progressive increase in the size of concerns is the evolution of 'Enterprise' and specialised management in the place of entrepreneur. In a progressive economy the distinctive feature of a high policy as against mere management is 'enterprise' and modern economists often define the top rulers of business as per excellence entrepreneurs. This is confusing since certain economists defined entrepreneur as a man who manages and owns much of the capital of a firm. Only a small share of business is done in America and Britain today by such entrepreneurs. But the enterprise or the need of it remains. In essence an enterprise is the carrying out of something new - all new policies which involve the taking if not the bearing of financial risks. — Florence — Logic of British and American Industry, 1955, page 163.

of policies including the problem of technological improvement and adoption of improved technology, (b) organisation i.e., to facilitate smooth and coordinated functioning of the various parts of enterprise and (c) management in the stricter sense of carrying the administrative plans through the supervision and control of operation including the marketing and distribution.

To describe the function of the owner manager in this way is to suggest why entrepreneurial ability has become the most scarce factor in the case of small industry. Small business personnel consists entirely of himself and it is not only physically impossible for him to give the required attention to the manifold problems connected with his business but he is not also generally mentally equipped in this respect.

In keeping himself informed about current changes in the demand for his product and in the method of production, the direct experience of a single small entrepreneur has obvious limitations. The relative efficiency of large units over small units accrues mainly from the large scale economy enjoyed by the larger sized concerns. Apart from the economies connected with the large scale production, such as economies in bulk transaction and optimum utilisation of the factors of production, its tremendous financial resources enable it to enjoy the advantage of continuous technical development with the help of independent research. The management of a big business is in a position to receive expert views on different problems from the specialists. So he need not concern himself with the smallest details of every aspect of business, a function which the owner manager of a small firm is compelled to undertake.
The Team of Experts from West Germany remarked that "owners of small scale enterprises in the majority of cases investigated were found to be sadly lacking in (a) marketing experience, (b) technical training, (c) engineering background and (d) cost accounting practices". The International team of experts, invited by the Government of India also expressed the opinion that the basic causes of present difficulties in small industry in our country, are methods of management and production which fall far short of meeting modern demands for efficiency. The rapid development of small industries in our country was achieved during the war and in the immediate postwar years. Under the impetus of war time demand, the small concerns generally registered a large increase in profit, and financial resources. The small industrialists at that time had very few problems to tackle and were mostly engaged in producing whatever they could, because goods produced were found to have a ready market, irrespective of the quality and the price. But in the post war period, the small industrialist cannot afford to be less realistic about his position. The small owner-manager is required on a smaller scale to meet the same general problems as his large competitors. With the return of normal marketing conditions, the small industries are facing competition, not only from the big units, but from other small and intermediate sized units. In order to hold its place in the face of competition the small industries must improve the overall level of management and to this end the owner manager must be guided in their field of operations, techniques of productions, sources of supplies of factors of production as well as in marketing their products.

3 Findings and recommendations by a Team of Experts from West Germany in Indian Small Scale Industries during their visit in India from March 24 to May 14, 1956, page 9.
Problems of Technical adaptation and Small Industry

Small industries are generally found to be backward in the technique of production. Burdened with manifold responsibilities, the entrepreneur in the small industry rarely proves to be an innovator and in this respect, his task is merely that of technical adaptation. In this respect also he seldom succeeds in adopting the improved technique. In our country as also in most of the underdeveloped countries, the tendency is to look upon the small industry as a type of production which offers no scope for improvements in the methods of production. The logic behind this view is the apprehension that improvements in methods of production would involve the application of improved techniques of capital intensive type, which would invariably increase the size of the concern. But improvement in the methods of production do not necessarily mean the application of capital intensive methods of production. There are many factors other than mere technology, such as proper costing, accounting, proper financial management, good labour relationship etc., that contribute towards efficiency in production.

Secondly, even improvement in the technique of production does not necessarily entail large capital expenditure. Improvements in techniques and appliances must be made and applied in the small industries sector if it is to survive in the modern race for technological improvements among large units.

Small industries in India have to compete with modern methods of production and distribution used by large industry without having had an opportunity to take advantage of the same methods and tools so necessary for successful competition. As a result, many of the Indian traditional small industries are facing crisis, their number of employed workers and their output of production gradually declining and in some cases slowly
grinding to a halt. The team of experts from West Germany remarked that in the majority of cases observed, small scale industry enterprises are badly in need of reliable and accurate production equipment.

Role of Public Agency

Here remains a wide field of research, and as it is not feasible for the concerns to engage in such research work, it is the task of outside agencies to undertake such work. But research of this nature, although significant in its social and economic implications for the country as a whole, offer little by way of early profit to any individual firm. So it should be the responsibility of the Government. Government may be able to contribute as much to the solution of the technical adaptation problems as can be expected from private entrepreneurs. Indeed in some areas the main burden of this type of research may have to be borne by the Government in the development of small scale industry at the local level. The success of small industries in Japan is due to a great extent on the invention of single purpose tools specially designed and suitable for small units engaged in specialised production. In India today, the small industries are found to be engaged in the production of too many items. It appears to be the exception rather than the rule if the individual small scale industry enterprise limits its activities to a specialised phase of work, well planned, well supervised and well done. There is a dire need, in Indian small scale industry for specialisation of production in agreement with modern practice as established in Western countries and in Japan small scale industry.

4 Report on Small Industries in India by the International Planning Team Published by the Government of India, 1954.
6 Ibid.
Most small industries do not have any ready access to competent management and technical guidance. In addition to the internal facilities for management appraisal and research, big concerns have access to and freely utilise the services of outside experts in market research, industrial management, product development and other forms of business counselling. Competent services of this type, even in accounting are beyond the financial means of typical small firms. Medium sized concerns are in a somewhat favourable position compared to small concerns on the one hand and larger sized concerns on the other, so far as the problem of general management is concerned. Financially they are in a position to avail themselves of the services of specialists and outside experts, though not to the extent feasible for large concerns. Yet they do not suffer from the danger of extreme departmentalisation of functions of large superstructure of managerial staff, a weak point and source of constant trouble to the big concerns. But, medium sized concerns are as much in need of technical guidance and research services as the smaller sized concerns.

The tailoring of management guidance to the small concerns is very difficult of practical achievement. Small concerns are seldom aware of the need for such guidance and the type of assistance and counsel they actually require. The difficulties have been magnified by the psychological bent of the small industries. They do not always look with favour on outside counsel. The proprietors of small firms, surveyed in course of this study, have complained of all sorts of difficulties except those relating to management and showed much reluctance in accepting the suggestion of being advised from outside. So, not only facilities for such guidance are to be provided, but attempts must be made to impress upon the industrialists - on the necessities of such guidance.
Financial and marketing guidance to big and medium sized concerns are often provided by credit and trade associations. But such associations are rarely found in the cases of smaller sized concerns. Even if some such associations do exist, their activities are confined to legal affairs only. As has already been pointed out, assistance of such nature cannot be taken as profitable proposition by the private agencies and so Government and Government controlled institutions are best suited for the task. In fact, Government in some countries have already accepted the role and have taken steps to assist small industries not only with cheap finance but also with management and technical guidance.

Small Industries Corporation of Pakistan has been set up in 1955 for the development of Cottage and Small Scale Industries. Besides granting financial assistance to cottage and small scale industries, the Corporation has been further authorised to prepare and submit to the Central Government, schemes for development of such industries including schemes of research and mechanisation and to give effect to them by sponsoring subsidiary corporations or companies. Besides the preparation of schemes and of aiding the small industries, the Corporation would also assist in the marketing of the products of the small industries and would maintain depots for the supply of raw materials and purchase of finished products from cottage and small scale industries. For assisting the corporation in its task of rendering technical guidance, a committee of experts called Technical Advisory Committee has been appointed for giving technical advice to the Corporation when necessary. In Burma, an Industrial Development Corporation has been set up in 1952 to promote the setting up and the development of industrial enterprises of all types, big, medium

7 Gazette of Pakistan, March 4, 1955.
and small. The Corporation not only extends financial assistance to industries but prepares and plans for the development of industries and is responsible for storing, marketing and distribution of the products of such industries. For encouraging the introduction of improved capital equipment, the Corporation also lends new capital equipment on hire purchase system.  

The Central Government agency, responsible for fostering and developing smaller enterprises in Japan is the smaller Enterprise Agency set up in 1948. This Small Enterprise Agency, essentially is a planning office. Its main function is to determine the basic policies for the development of smaller enterprises and for this purpose it collects analyses and furnishes informations necessary for the encouragement, development and improvement of the business of smaller enterprises. It also administers and enforces the smaller enterprises etc. Cooperative laws and assists small concerns in securing the needed funds. It also gives technical assistance and advice on business management. To carry on these functions it conducts, surveys and diagnoses on business management of smaller enterprises and advises smaller entrepreneurs when required to do so. The so called diagnoses of smaller enterprises is conducted by experts in management and techniques who analyse their operations systematically and advise them on improvements and rationalisation. In U.S.A.

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9 Government of Burma's new hire purchase scheme, Press Comminique.

10 The Smaller Industry in Japan; prepared and published by the Society for Economic Cooperation in Asia, 1954.
the Small Business Administration, an independent government organisation, has been created in 1953 for the purposes of advising and assisting the smaller enterprises. Although set up mainly for assisting the small enterprises for securing a fair proportion of government contracts, in carrying out this function, it extends assistances in management and/technical problems. The Business Management Administration field office staffs include experienced management counsellers who work directly with owners of small businesses on specific problems presented to them. Moreover, production specialists in the small business administration regional offices are available to help individual small business concerns with technical production problems. 11

In India, a Special Board, known as the Small Industries Board, has been established in 1954 for formulating plans for the development of small industries. Several agencies have also been set up for imparting technical, managerial, commercial and marketing guidance to small industries. The functions of these agencies have been discussed in chapter eight.

11 Small Business Administration - What it is, What it does - Pamphlet published by Small Business Administration, November 1955.