The smooth adjustment of production to demand and the channelling these products to the ultimate consumers are the two main problems that are faced by every business man. But the magnitude of these problems are far greater in the cases of small and medium-sized industries. The marketing problems of small and medium-sized industry can be broadly classified into two groups. Firstly there are certain basic defects in the marketing of the products of these industries which are more or less consequences of their size and thus are more acute in the smaller sized concern. The second one is the problem of unplanned growth and excess capacity, a problem which has become one of the most serious of all problems to the indigenous small and medium-sized industries in the late post-war period. This second problem strictly speaking cannot be isolated from the first one as it is to some extent the consequence of the basic defects associated with marketing. Lack of knowledge about the market conditions, absence of proper market investigation and researches in this field often lead to serious maladjustment between demand and supply in these industries sector. But there are also certain other factors which can be held as responsible for the unplanned growth in many of the Indian industries.
Basic problems of marketing

The basic problems of marketing are that firstly the manufacturers, specially the smaller ones lack any knowledge about the demand condition of the market. Thus too often, industries manufacture those things they are accustomed to produce without any consideration/consumers. The small and most of the medium sized manufacturers have no sales agents of their own which is impossible in their position to maintain. Distribution cost is found to be practically negligible in the small sized units which in sharp contrast is increasing in the larger sized units. Break down of cost items would also lend support to this view. The proportion of distribution cost to gross income of the small engineering firms of Howrah were found to be 3.1% only of which transport charges account for 2.7 p.c., advertisement charges for 0.2 p.c. and brokerage expenses accounts for 0.1 p.c. only. The distribution cost in the small and medium sized industries surveyed in connection with this study was found to be as follows:

Table 1
Proportion of distribution cost to gross income (1953-54)

<table>
<thead>
<tr>
<th>name of industry</th>
<th>medium sized concerns</th>
<th>smaller sized concerns</th>
</tr>
</thead>
<tbody>
<tr>
<td>saw mill</td>
<td></td>
<td>2.2%</td>
</tr>
<tr>
<td>small tools &amp; cutlery</td>
<td>9%</td>
<td>5.2%</td>
</tr>
<tr>
<td>oil pressure lamp</td>
<td>6.8%</td>
<td></td>
</tr>
<tr>
<td>pipe fittings</td>
<td></td>
<td>3.02%</td>
</tr>
<tr>
<td>hosiery</td>
<td>8%</td>
<td>5%</td>
</tr>
<tr>
<td>battery</td>
<td>9.1%</td>
<td></td>
</tr>
<tr>
<td>fountain pen ink</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>belting</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>electric lamp</td>
<td>12.2%</td>
<td></td>
</tr>
<tr>
<td>lamp holder</td>
<td>not available</td>
<td>1.7%</td>
</tr>
<tr>
<td>glass*</td>
<td>11.51%</td>
<td>-</td>
</tr>
<tr>
<td>ferrous foundry industry*</td>
<td>7.12%</td>
<td>-</td>
</tr>
</tbody>
</table>

2 Gross income means value of product at ex-factory prices.
* According to the survey of eight selected industries by Bureau of Industrial Statistics, op. cit.
But the proportionately low distribution cost does not reflect the true picture. Absence of sales organisation of their own and lack of holding power compel the producers to depend on the middle men. Thus there is found to be considerable gap between the retail prices and ex-factory prices of goods when the products are sold through the dealers and middle men. This difference is not reflected in the cost structure. If this is included in the marketing cost, which should be, for realisation of the proper situation, the marketing cost would be considerably high in the cases of many smaller sized units compared to the larger sized units in the same trade. Thus in the case of sport goods manufacturing industry, marketing costs represent 50 to 70 p.c. of the retail price. In the case of well-to-do manufacturers, however, the marketing expenses are substantially low. The reasons for this large spread between the prices received by small manufacturers and the retail prices according to the dealers are long term credit to purchasers of goods, transport charges, establishment charges, breakage replacement, presents to schoolmasters, secretaries and managers of private clubs and institutions as inducements for placing orders and commissions to institutions for purchase. In the case of leather footwear industry, it has been found that large concerns have much lower marketing expenses on account of efficient sales organisations. In the case of products of cottage workers, marketing cost forms about 50 p.c. of total cost of production and the cottage workers receive very little. In the case of boot polish industry, middle men's charges ranging between

3 Small Scale Industries Board - Analysis and Planning Report, No. 1
36 to 61 p.c. are added on the manufacturers' selling price. While the wholesale margin ranges from 3 p.c. to 11 p.c. the margin gained by retailers is 20 p.c. The margin in cases of foreign and well known Indian brand on the other hand is very low. Among some of the small scale manufacturers in the bicycle part industry which are better organised and who specialise in manufacture of certain items, have their own sales agents. But most of the small concerns need working capital to keep their production going. They sell their products to local suppliers and dealers, sometimes on credit and in such circumstances they alleged to have been exploited by the suppliers and middlemen whose margin of profit is very high. This has serious repurcussion on small producers. While they do not enjoy the advantages of high retail price, such high price often have adverse effect on the demand for their products. Some of the suppliers and dealers are also found to have been responsible for the lowering of the quality of the products, by offering very low prices and thus forcing small manufacturers to reduce their cost of production, by using inferior and cheap raw materials, and inferior technique. Lack of standardisation in the quality of goods is also a serious handicap to the proper marketing of the products/small industries. Not only the products of small industry but medium sized industries are not always found to have manufacturing quality goods. Products of any industry can never be able to fetch a good market unless it is able to turn out quality goods.

Successful operation of business requires that production should always be adjusted with the demand. This means that not only the supply of products should always conform to quality and quantity to existing demand, but that production effort should be so geared as to meet the future demand of the market. Looking at the history of the Indian industries for the last few years, specially in the sector of the small and medium sized industries, the smooth adjustment between demand and supply unfortunately appears to be painfully lacking. There is at present a serious maladjustment between demand and supply, mostly of the nature of over-production and excess capacity in the consumer goods industry sector where the small and medium industries mostly predominate.

The small and medium sized industries in our country as has been shown earlier, are mostly war time babies, starting production in a sellers' market and goods produced found a ready market irrespective of quality and price. Absence of imports from other countries paved the way for the establishment of new industries as well as the extension of the existing industries. But Indian industries failed to utilise the favourable condition created by the war - the industries developed in an unplanned way. Lured by the war time huge profit, new units entered the field without considering the existing demand in the country and the productive capacity of the existing units. So, the end of the war time boom sounded the death-knell of many of the existing, specially smaller sized units. Government also did not take any measure to help them in stabilising their position in the peace time condition. On the other hand, a liberal import policy was followed and the industries failed in competition with the imported goods. The existing preference for foreign goods among consumers also created
great difficulty among the indigenous producers in selling their products. Moreover, the indigenous small and medium sized units had to face not only the competition from the imported goods and the goods of indigenous large scale units in some cases but also from that of the foreign companies operating in India, under the banner of 'India Limited' mysteriously enough with the permission of the national government even when the quality of the indigenous products was found to be satisfactory, and when there was existing enormous excess capacity in the indigenous manufacturing sector.

In fact, the problem of overproduction and excess capacity appears to be a general problem with the Indian industries in the late post war period. In the year 1952, when the general index of industrial production stood at 128.2 with 1946 as base and also in 1955 when the index stood at all time height of about 134, there was considerable gap between the installed capacity and actual production. In 1953, the production of certain engineering goods, such as power transformers and electric motors was between 80 p.c. to 90 p.c. of the installed capacity, the production of electric fans was 68 p.c., wood screws 65 p.c. and dry cells 66 p.c. In certain other cases, the gap between the installed capacities and productions was wider as in the case of power driven pumps where production was about 40 p.c. of the installed capacity, oil pressure lamps 33 p.c. radio receivers 36 p.c. diesel engines 28 p.c. In the case of certain other industries such as razor blades the production was as low as 10 p.c. of the installed capacity. There was considerable gap in other industries including confectionery, biscuits, soap, electric brass lamp holders, electric lamps, hosiery, fountain pen ink, belting etc. The extent of under-utilisation of available capacities can be realised from the following table.
### Table 2

Number of industries classified according to utilisation of capacity

<table>
<thead>
<tr>
<th>Utilisation of Capacity</th>
<th>1946 (1)</th>
<th>1947 (2)</th>
<th>1948 (3)</th>
<th>1949 (4)</th>
<th>1950 (5)</th>
<th>1951 (6)</th>
<th>1952 (7)</th>
<th>1953 (8)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 25%</td>
<td>6 (18)</td>
<td>4 (10)</td>
<td>4 (7)</td>
<td>13 (20)</td>
<td>8 (10)</td>
<td>8 (10)</td>
<td>14 (16)</td>
<td>13 (16)</td>
</tr>
<tr>
<td>25% to 50%</td>
<td>9 (21)</td>
<td>16 (59)</td>
<td>18 (52)</td>
<td>20 (31)</td>
<td>25 (32)</td>
<td>25 (30)</td>
<td>25 (31)</td>
<td>27 (33)</td>
</tr>
<tr>
<td>50% to 75%</td>
<td>9 (21)</td>
<td>9 (22)</td>
<td>19 (54)</td>
<td>18 (28)</td>
<td>27 (34)</td>
<td>18 (23)</td>
<td>22 (27)</td>
<td>21 (26)</td>
</tr>
<tr>
<td>75% &amp; above</td>
<td>10 (30)</td>
<td>12 (32)</td>
<td>16 (23)</td>
<td>14 (22)</td>
<td>19 (24)</td>
<td>29 (37)</td>
<td>19 (24)</td>
<td>20 (24)</td>
</tr>
<tr>
<td>Total</td>
<td>34 (100)</td>
<td>41 (100)</td>
<td>57 (100)</td>
<td>65 (100)</td>
<td>79 (100)</td>
<td>78 (100)</td>
<td>80 (100)</td>
<td>81 (100)</td>
</tr>
</tbody>
</table>

(Figure in bracket gives percentages).

The table brings out the important fact that in both 1951-52, nearly half the number of industries worked at a level of utilisation which was less than 50 p.c. of their capacities. Out of 78 industries, for which detailed figures of their capacity are available for all the four years between 1950 and 1953, 28 industries were working at less than 60 p.c. of their capacity for a period of 3 years or more. In other words, 51 p.c. of the industries worked for a period of 3 years or more at less than 60 p.c. of capacity. There were many factors which can be held responsible for this gap, but the most important appears to be the unplanned growth of the industry and the wrong import and licensing policies of the

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Government. Since 1939, a considerable expansion has occurred in various industrial fields. In an unplanned expansion of this kind, it is rarely true that the expansion that is brought about is only of the requisite extent. In a competitive world, different business units plan their schemes autonomously of one another and while each one responds to a particular stimulus, the net result of all their activities would in many cases exceed the required response of the stimuli. Some such process appears to have been working in India during the post war period. A few concrete cases would show how the unsympathetic and unwise import and licensing policies of the Government put a set back on the development of many of the existing industries and also the new industries developed during the war and post war period, as well as the unplanned nature of our industrial sector.

The manufacture of electric brass lamp holder began in India only during the years immediately after the war, there being only one unit manufacturing the same during the war. But seven out of nine units had to close down during 1949-51 as a result of free imports of foreign lamp holders allowed by the Government in 1948 and the remaining units had to curtail their production by 50 p.c. of their capacity. During July 1951 to June 1955 more than ten lakhs pieces of brass lamp holders were imported, practically equal to country's total demand for these two years (as estimated by the Tariff Board in 1949-50). Imports have now been practically stopped on the recommendation of the new Tariff Commission which allowed imports of only 10 p.c. of total imports of the year 1951, constituting not more than ten percent of the total internal demand. The indigenous section of the brass lamp holder industry is facing not only the competition from imported goods but also that of a foreign company operating in India. It is rather
puzzling that when the indigenous units were already finding difficulty in working up to full capacity, Government permitted this new unit in 1950 to encroach the field of production although the quality of the indigenous product was found to be satisfactory by the Tariff Board. The foreign controlled concern is the biggest unit in the lamp holder industry both from the point of view of capital invested as well as from installed capacity.

The same mischief has been done in the cases of belting, electric lamp, fountain pen ink, soap industries etc. The chief problem facing the belting industry is its inability to utilise its capacity to the full extent. Actually from 1951, more than 70 p.c. of its capacity was lying idle. In the face of it, Government permitted the entrance of Dunlop and Goodyear Companies with additional capacity of 1000 tons per year. Fenner Company of Madras has also been granted permission. But while the former companies confined themselves in the production of rubber ply beltings, the demand for which is confined to certain section of the consumer, such as jute mills, the latter has been granted permission to produce all types of beltings.

The main problem of electric lamp industry of India which made rapid progress even in the pre-war period is that of over-production and excess capacity. Signs of over-production was visible in this industry as early as 1946 and in the interest of the individual members as a whole, it was resolved with the consent of the Government that no member should be allowed to expand production beyond a certain percentage of total demand. But with no upward shift of demand position which has since been further reduced as a result of partition, Indian Government forgot the early assurance and sanctioned the amalgamation of Radio Lamp Works, with the parent bodies
of the well established foreign brands like Mazda, Phillips, Osram etc., and increased the capacity of the foreign combine, from 3 million to 6 million pieces. Thus the two concern now have a control of 12 million G.L.S. lamps (i.e. 6 million capacity of electric lamp manufacturing India Ltd. and 6 of the new combined) against a total demand which cannot, at present, be more than 18 million pieces per year. Thus, besides being aggravating further the problem of excess capacity of the industry, it has given rise to a monopolistic control in the industry. Government has further intensified the present unbalance of the industry by permitting Osler Electric Company to enter in this field of production with a capacity of 5 million pieces in India.

Hosiery, one of the earliest successful medium sized industry in India, is now facing a crisis due to the ill conceived action of the Government. Continually for about ten years since the beginning of the Second World War, yarn distribution to this industry for the purpose of civil production was restricted to about 25 p.c. on an average of the normal requirements. This continued short supply of hosiery goods has the natural effect of maintaining high level of prices, which had induced not only the older establishments to expand their production but also attracted many new comers to open new factories, which was not found possible immediately after the war due to the existing restriction on the import of knitting machines. At this psychological juncture, strangely enough the ban on knitting machines was withdrawn unconditionally on July 1948, although the control over the distribution continued upto 1952, with the result that the number of factories in West Bengal increased from 131 in 1945 to 499 in March 1954. The number of power driven knitting factories showed an
increase from 130S in 1945 to 3600 in March 1954. By the end of 1951, the boom period ended with the conclusion of the Korean war and the control over the supply of yarn was lifted by the middle of 1952. There was a sharp fall in the demand for hosiery goods purchased by the military department. Supply also increased as a result of lifting of control over the supply of yarn with the result of a crash in the price level of hosiery goods. Thus the industry at present is in a state of acute depression with huge stock of unsold goods and with enormous idle capacity about seventy nine per cent. On the usual basis of double shift working, the installed capacity of the industry in West Bengal alone is more than 480 lakh pounds, while the actual production is about 96 lakhs pounds. "During the last three years about 120 basic factories possessing about 1000 knitting machines have closed down and more than 90 p.c. of the remaining factories are working part-time and are incurring losses".  

The indigenous fountain pen ink industry which has made striking progress during and after the second world war received a set back during 1948-49 when the import of foreign inks was allowed. However the industry was granted tariff protection for a period of three years with effect from the end of 1950. But the beneficial effect of protection was nullified to a great extent by the establishment of giant foreign enterprises in the industry, although the quality of the indigenous fountain pen ink was found to be satisfactory, and even superior to some well known foreign inks in some respects.

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8 Presidential Speech - Bengal Hosiery Manufacturer's Association - February 1955.
This is to mention only a few of the cases. In fact the problem of excess capacity is found to be a general problem at present with most of the small and medium sized industries which has not been given adequate consideration in framing the industrial policy during the plan period. In order to prevent recurrence of such cases in future and to stimulate the growth of small and medium sized units, a judicious import and licensing policy should be followed by the Government. So long, Government import policy has been framed largely with reference to our balance of payment position. Protection to industries has been given by way of tariff barriers but as has been seen in cases of many industries raising the tariff duties alone cannot provide sufficient protection and quantitative restrictions on imports are necessary, as a form of assistance to indigenous industries specially where there is strong consumer's preference or prejudice for particular foreign brands. Import control should not be regarded as a mere prop to bolster up uneconomic units in industries which resent the reappearance of competition in any form and stand in the way of building up a sound base of industrial structure. It is true that indiscriminate use of import control would impose a burden not only on the ultimate consumers but also on the industries enjoying freedom from foreign competition. At the same time, it has to be remembered that we have been late in the race of industrialisation and in the initial stages, our industries being labour intensive, cannot face the full blast of foreign competition, if liberal imports are allowed. Quality of indigenous products may not always be on par with foreign products because of the adoption of labour intensive method of production and consequent lesser degree of mechanisation. But it may be necessary to put up with inferior quality for some time, not only for the sake of industrial development as such, but for the larger problem
of unemployment. The development of small and medium industries has been desired primarily for their higher employment potentiality. Of course it is incumbent on indigenous manufacturers to make serious attempts to satisfy the buyers about the quality of the products and overcome consumers' prejudices. But for this favourable atmosphere need to be created. The allowing of large imports in this sector where indigenous capacity remains unutilised can hardly provide a spur to the improvement of quality as inflow of foreign goods would have adverse effect on indigenous production thereby raising the cost of production.

As a matter of policy, imports should be allowed after a careful scrutiny of domestic industries, their capacity and existing demand, in the country. Moreover it is necessary that imported goods should be shown separately and by specific items in the import schedule in order to prevent the import of the goods turned out by the protected industries under different nomenclature. It would also help indigenous manufacturers to know the amounts and types of goods in demand and adjust production accordingly.

But mere import control would be of no help unless the industries are protected from unhealthy internal competition. For this judicious regulation of the development of new plants, specially of foreign control is necessary. Special attention will have to be given in the licensing

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10 Even in 1938 the Association of Indian Industries referred to this problem in their memorandum to the Bombay Economic and Industrial Survey Committee - "the inroad of foreign capital with foreign management into the Indian Industries field is proving a menace to the progress of our industries. Taking full advantage of the large financial backing, technical knowledge and other resources, which they can command, the foreign manufacturers are pouring into India and competing with the Indian manufacturers, so to say at their very doors" - Bombay Economic and Industrial Survey Committee Report, Vol. I, p.168.
of plants so that new units may not have any adverse effect on the existing units in their respective fields of production, provided that the existing units adopt improved methods. Foreign capital should be allowed only in those fields of production where indigenous capital and talents are not forthcoming. In no case, foreign controlled companies should be allowed to start production where indigenous productions are already existing and turning out quality goods. Unfortunately in the case of many of the consumer goods industries, the mischief has already been done. In that case in order to protect the existing small and medium producers, Government should lay down the quota to be produced by the different sized concerns on the basis of estimated demand and the capacity of the different units. Very small units should be allowed to produce, if necessary, hundred percent of their capacity while the quota of other groups should be laid down according to their size so that no one unit should be compelled to produce beyond the economic level.

Government has already accepted the policy of reservation of spheres of production for small and handloom industries as a part of the common production programme. An important aspect of the first five year plan was the acceptance of the principle of a common production programme for large scale and small scale industries. The description of 'common production programme' was suggested in the first five year plan as a convenient way of expressing the desirability in each branch of industry, of considering together the respective contributions which large and small units should make towards the total requirements of the community and the measures which should be taken to enable small industries to fulfil the targets proposed for them. These measures fall broadly into two groups,
namely (a) those intended to provide a degree of preference or assurance of a market for small units and (2) those intended to provide positive assistance through supply of raw materials technical guidance, financial assistance, training, research, organisation of market. In pursuance of this policy a number of Agencies have been set for the assistances of small industries. 11 Both sets of measures are important, but from a wider standpoint it is the expectation of success over a period of the second group of measures which affords a special justification for restriction and other similar devices.

The possible elements under the first group of measures of a common production programmes are stated to be (a) reservation of spheres of production (b) non-expansion of the capacity of large scale industry and (c) imposition of a cess on large scale industries.

Such measures although means subsidisation to a particular sector of industries directly or indirectly, are necessary when development of such sector of industry deemed to be necessary for the larger interest of the economy. In fields where large scale industry exists side by side with small industry, such measures involve regulating for the time being either expansion of the total capacity of large scale industry or an expansion of its productive effort above a certain level having regard to the estimated demand and the capacity of the small industry. This means putting a check on competition, but in a planned economy, such checks to free play of economic forces are not only unavoidable, but may in some cases be even desirable. Of the measures, the first one is more applicable to the small industries. The second and third devices are to be applied mostly in the

11 The functions of these agencies have been discussed in Chapter Eight.
field of cottage industry, although in fields where both large and small industry exist, and where the products of small industries are of quite satisfactory quality, it is desirable to put a check on further expansion of large scale units. We have already shown the necessity of the imposition of such check on large industry for the benefit not only of the small but of the medium sized units. In the case of medium sized industry this can be achieved by the extension of the existing Development and Regulation Act in those cases of those industries where it is found to be necessary.

The aim of the Act is to empower the Government to secure a balanced development of different sized industries. Unfortunately the problems of small and medium sized units in many of the consumer goods industries which do not come under the purview of the Governments Small Industries Scheme are not properly taken into account. Common Production Programme, to succeed, must include all sectors of industries and ensure their proper development. This can only be achieved by the adoption of such restrictive measures not only in the small industry's sector but if necessary in the sector of medium sized industry also.

Any proposal for non-expansion of the capacity of large scale industry would have to be considered from two different points of view. The first is the extent to which such measure would enlarge the market for that sector of industry for which the policy has been adopted. It may be that for lack of organisation or other similar reasons full advantage may not be taken of the available market. To this end, standard, quality as well as the nature of the products have to be improved and adjusted to the market condition. The second aspect to consider is the volume of production of a commodity that may be required in the economy specially during a development period, when likely trends of future demand will to a
considerable extent, be influenced by public policy. Within the limit set by the need to avoid shortage of goods on the one hand and the extent to which production in small units can be organised effectively to take advantage of a larger market in any individual case, the balance of public advantage will determine whether and at what level the capacity of large scale units be limited. In applying the policy, therefore, there is need for review from time to time in the light of changing economic condition.

Of even more important for the development of small industry is the measure aiming at reservation of spheres of production. For purposes of economic analysis, the small industry may be divided into three broad categories. To the first category belong those industries where small scale production has certain advantages and is not affected by large scale industry to any great extent. To the second category belong those industries whose products compete with corresponding large scale industry. There can be a third category in which small scale industry is concerned with the manufacture certain parts or with certain stages of production in a manufacturing process in which the predominant role is that of large scale industry. Within the limits of technical possibilities, demarcation of spheres of production would be a source of material assistance to small units which are either competitive to large scale units in the manufacture of particular articles or should be integrated with large units in terms of stages of production or manufacture of ancillary parts. By creating immediate market for their products, such measure would no doubt have the effect of giving great fillip to the development of specific small industries, but prior investigation of the scope of each industry will

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12 Second Five Year Plan - Published by the Government of India.
have to be carried on. Here also the future demand condition as well as
the capacity of that sector of industry which is sought to be given relief
to adjust itself according to the market condition will have to be taken
into account.

In those fields of production where both large scale and small
sectors compete, the principle of reservation/cannot be a long run solution
for the type conflicts arising between different sectors. It would not
only sterile type the existing structural pattern of the industry, but it
could also be rendered ineffective by the rival sector. Legal evasions
are possible by the production of substitutes. Much tangible result can
be expected from the common production programme aiming at the development
of small industries as ancillaries to large industries. In such cases,
the different sectors of the industry namely small and large operate
automatically in the sphere mutually beneficial to each other.

While a fully worked out common production programme has not
yet been adopted for any industry, some steps have been taken in several
of the elements of the programme mentioned above. But so long attempts
in this direction have been mostly confined to some cottage industries.
Steps for reservation of spheres of production have been taken for such
industries as handloom, match, leather footwear and tanning, rice milling
and oil crushing etc., though regarding a number of other industries
including furniture making sport goods, slates and pencils, bidies, writing
inks, chalks, crayons and candle, it has been decided to discourage the
establishment of large scale units in future and reserve the further
expansion of the products for the small scale sectors. A list of agricul-
tural implements has also been drawn in respect of which licenses will not
be granted for the establishment of large scale units or for the expansion of existing units. In the small scale industries however, main emphasis has been given to those small scale industries producing and are capable of producing ancillary goods to large scale industries. National Small Industries Corporation and Regional Institutes the agencies set up for the assistances of small industry, have been entrusted with the task of developing small scale and ancillary industries. The Central Investigation Team under the development programme for Small Scale Industries are carrying on survey of specific small industries in different regions and reports on several industries have also been published. In the case of sewing machine and parts industry the team suggested that new large scale sewing machine factory under the second five year plan be established with the agreement that the new firms would agree to sub-contract to small scale manufacturers for production of a substantial fraction of some of the component parts best suited for production by small units. Concrete steps have also been taken in certain cases such as sewing machines, bicycles etc. on the recommendation of the Investigation Teams. A coordination programme for development of the cycle industry, both in the large scale as well as in the small scale sector had been worked out by the Ministry of Commerce and Industry according to which production of the small scale sector would be a planned for approximately five lakhs of cycles per year and that approved firms are being assisted in the procurement of imported components and supply of rims, tyres and tubes from the large scale sector within the country.  

Scale

The Small/Industries Board has suggested that Government should with a view

13 Minutes of the 9th Meeting of the Small Scale Industries Board held at New Delhi on the 28th and 29th September 1957.
to develop ancillary small industries, to examine at the time of issue of any license under the Industries Development Act either for establishment of a new unit or for substantial expansion of an existing unit, as to whether the scheme offers any scope for promotion of ancillary units to serve as feeders of components and parts to the large unit. The licenses in cases which offer such scope, should be asked to obtain as far as possible their requirements for such components and parts from ancillary small scale units. These various devices for giving effect to the idea of Common Production Programme would no doubt help in securing a balanced growth of different sized industries in those fields of production where such policies would be adopted. By reserving existing markets and by creating new markets for the products of small industries, these measures would offer a partial solution to the marketing problems of small industries. As has already been pointed out, it is necessary to adopt such measures in the cases of certain medium sized industries also, and for this, proper investigation in the cases of medium sized industries should also be carried on. These various devices represent only a part of the totality of action to be taken for giving effect to the idea of common production programme. They are intended to be in the nature of inescapable holding operations to enable the small industries to gain the necessary strength to develop on its own. They have to be supplemented by the second group of measures under common production programme aiming at giving positive assistances to small industries in various aspects of their business such as technical, financial, marketing etc. From a long term point of view, these second group of measures are more important than the first one.
The basic problems in the marketing of the products of small and medium industries have already been noted. Lack of knowledge about the market condition, absence of marketing facilities and market researches are some of the problems which must be tackled for a long term solution to the marketing problems of such industries. Small and medium industries with their poor financial resources cannot be expected to carry one market investigation and researches. They need to be guided from outside agencies in this respect. In the cases of small industry, it is also necessary to give it active help in marketing the products through marketing arrangements and financial assistances. Only these type of assistances can save the small industry from the clutches of the middlemen. Marketing arrangements by public agency would also induce the small industries to produces standard goods and to improve the quality of the products. For these reasons, marketing aid to small industries often takes the form of counselling about marketing condition, market research as well as helping the small units in receiving a proper share of governmental orders. The main objective of the Small Business Administration of U.S.A. is to ensure that a fair proportion of the total purchases and contracts for supplies and services be placed with small business enterprises. The Government of India have also established an agency known as National Small Industries Corporation for assisting the small industries in marketing their products. But in emphasising the need for assisting small industry through outside agencies, the fact cannot be overlooked that the problems relating to marketing cannot be solved even partly by the efforts of the public agencies unless the small industry itself becomes alive to it and act in cooperation. The only effective solution to the marketing problems of small industries lies in the development of cooperative organisations and trade associations. Such
associations are only able to market goods economically and to bring standardisation in the quality of products. The public agencies cannot be expected to serve each one of the thousands of small units in India, but cannot only work through their associations. Development of trade association among the medium sized units is also necessary to safeguard the economic interests of such units and to approach the Government and Governmental agencies on their behalf.