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INTRODUCTION

Rationale of Small Scale Industry

Rapid industrial development contributes to the process of accelerated economic growth significantly. It is the production of industrial goods that shapes and sustains the momentum of growth in an under-developed country like India. Therefore in every scheme of economic development through national planning, efforts are mainly directed towards increased industrial production in order that chief objective of growth with welfare could be achieved without side ill effects. While industrialisation on the whole plays an important role in the development of under-developed countries small scale industries occupy a unique place in respect of economic development. In a country like India where unemployment and under-employment are prevailing economic diseases and where most of the entrepreneurs are capable of only small investment and where there is dearth of sophisticated machinery and modern technology small-scale industries which are labour-intensive and capital-saving play a vital role in the overall economic development of the country. Adaptability of small scale industries to semi-urban and rural areas where the infrastructure is lacking makes an additional case for these industries to flourish. The primary object of developing small scale industries in rural areas is to extend job opportunities, raise income as well as standard of living and to bring about a more balanced and integrated rural economic development of the country.

Here it is also important to mention that industrialisation and economic development have become so closely integrated with each other that economic growth or progress of a nation is often assessed in terms of
measures of its success in transforming its agricultural economy into a modern industrial economy. As far as India’s industrial development is concerned, in the early stages of industrial development large scale industries like iron and steel, machine building including castings and forgings, heavy engineering, aluminum, basic chemicals, cement and intermediate goods etc. were considered as foundation of industrialisation and economic growth. These industries being capital-intensive require large scale operations and high degree of mechanization. It was therefore realized that the choice in favour of these industries along with programmes for expansion at economic and social overheads like transport facilities, generation of power, health and education, social services would involve a severe strain on resources of capital and skill.

Hence, the consumers’ demand arising from increased expenditure on these sectors were planned to be met substantially by developing small scale industries, which on the one hand do not make heavy demand on limited capital resources and provide increasing employment on the other hand.

A Report of the International Labour Organisation submitted in 1947 also states that, “Cottage and small scale industries have a very important role in the national economy, offering as they do, scope for individual village or cooperative enterprise and means for the rehabilitation of displaced persons. These industries are particularly suited for the better utilization of the local resources and for the achievement of local self-sufficiency in respect of certain types of essential consumer goods.”

The Industrial Policy Resolution dated 6th April, 1948 has also paid special attention to the development of small scale industries. Recognizing the importance of these industries, the Resolution stated, “These industries are particularly suited for the better utilization of local resources and for
the achievement of local self-sufficiency in respect of certain types of essential consumer goods.”

The Resolution further stated “The healthy expansion of cottage and small scale industries depends upon a number of factors like the provision of raw materials, cheap power, technical advice, organized marketing of their products and where necessary, safeguards against intensive competition by large scale manufactures as well as on the education of the workers in the use of the best available techniques.”

During the **First Five Year Plan**, the importance of small scale industries was recognized and the allocation was made for its development was quite nominal amounting Rs 42 crore in a total plan expenditure of Rs. 1960 crore which is only 2.1 percent of the total plan outlay. After the formulation of the **First Five Year Plan**, a Committee was appointed by the **Planning Commission** under the chairmanship of Prof., **D.G Karve**. The Committee was entrusted the task of preparing a scheme industry-wise and, wherever possible State-wise for the utilization of resources earmarked for the purpose of the development of village and small-scale industries. This Committee recommended that any development programme for small industry should be decentralized, aim at gradual and regulated improvement in techniques without reducing the opportunities of job, assured marketing through cooperatives and aim at promotional support rather than reinforce protection.

The **Karve Committee** and the **International Perspective Planning Team** (1953-54) jointly sponsored by Government of India and Ford Foundation, in their reports put focus on small scale industry. The team recommended the setting up of four regional Extension Institutes to provide technical advice and guidance, the establishment of a marketing service corporation and the provision of adequate credit facilities. Following the recommendation of this team four regional institutes were
set-up at Kolkata, Mumbai, Delhi and Chennai. A Small Scale Industries Board was also set-up to guide and coordinate all activities pertaining to this sector. Besides, Central Small Industries Organisation (CSIO) now called the Small Industries Development Organisation (SIDO) and the National Small Industries Corporation (NSIC) were also established. Earlier during 1949-54 five other Statutory Boards have been constituted to look after the development of handloom, silk, handicrafts, coir and Khadi & Village industries. These Boards are – The All India Handloom Board, All India Handicrafts Board, All India Khadi and Village Industries Board, Coir Board, and Central Silk Board, The agencies set-up by the Central Government were intended to supplement and coordinate the activities of the State Governments which were primarily responsible for the development of small scale industries.

The **Industrial Policy Resolution** dated 30th April, 1956 also laid special emphasis on the development of small scale industries. Recognizing the importance of these industries, the Resolution stated, "They provide immediate large scale employment, they offer a method of ensuring a more equitable distribution of the national income and they facilitate an effective mobilisation of resources of capital and skill which might otherwise remain unutilised." The Resolution emphasized the aim of the State Policy as, "To ensure that the decentralized sector acquires sufficient vitality to be self supporting and its development is integrated with that of large-scale industries. The State will, therefore, concentrate on measures designed to improve the competitive strength of the small scale producers."

During **Second** (1956-61) and **Third** (1961-66) **Five Year Plans** these industries acquired much needed confidence and self-reliance by all-round expansion, diversification and venture into the manufacture of
precision and sophisticated items. During this period, emphasis was laid on quality up-gradation and standardization of products. Many State Governments introduced quality marketing on raw materials and finished products, as also arrangements for certain intermediate processes like heat treatment, electroplating etc, which contribute to the ultimate quality of products. Indian Standards Institute (ISI) laid down standards for a wide range of products and a number of small scale units secured I.S.I. certificates. During this period a new development was visible on India industrial scene that massive industrial estates programme aimed at providing on easy terms suitable factory buildings of sites in well-planned areas alongwith other necessary facilities. During the Second Five Year Plan the allocation\(^7\) made for the development of village and small scale industries was Rs. 187 crore in a plan of Rs. 4672 crore i.e. 4 percent of the total plan outlay. During the Third Five Year Plan the allocation\(^8\) made for the development of these industries stood at Rs. 241 crore in a plan of Rs. 8577 crore i.e. 2.8 percent of the total plan outlay.

In Fourth (1969-74) and Fifth (1974-79) Five Year Plans promotional efforts concentrated on better production, innovation and import substitution, widening of entrepreneurship base, development of ancillary industries and exploration of export markets. From soaps to sewing machines and from toothpaste to T.V. sets summed up the spectacular progress of small scale industries in the planned area. On the other hand, their broad sweep extends to a number of consumer and producer items being manufactured with a high degree of skill and precision in engineering, chemicals, electrical and electronics, metals, minerals and other groups of industries such as leather, hosiery, sports, food processing etc.
During the **Fourth Five Year Plan** the allocation\(^9\) made for the development of village and small scale industries was registered Rs. 243 crore in a plan of Rs. 15,799 crore i.e. 1.54 percent of the total plan outlay. During the **Fifth Five Year Plan** the allocation\(^10\) made for the development of these industries stood at Rs. 510 crore in a plan of Rs. 39,322 crore i.e. 1.3 percent of the total plan outlay. Under the **Sixth Five Year Plan** (1980-85) positive efforts were made to disperse cottage and small scale industries over a wider area, particularly in rural or semi-urban areas. The ancillarisation programme and establishment of proper linkages among large, medium and small scale units were specially encouraged.

The **Industrial Policy** (1980) proved to be a turning point in the development of small scale industries. This Policy has rightly pointed out the need to evolve a system of coordination to ensure the flow of credit to the growing units in the decentralized sector at the right time and appropriate terms. Union Government proposed to strengthen the existing arrangements and make such changes as may be needed to facilitate the availability of credit to the growing units in the small scale sector. Setting-up of few nucleus plants in each district identified as industrially backward was also proposed to generate as many ancillaries and small-scale industries as possible. A nucleus plant helps in concentrating on assembling the products of the ancillary units falling within its orbit or producing the inputs needed by a large number of smaller units and making adequate marketing arrangements. Under **Sixth Five Year Plan** the allocation\(^11\) made for the development of these industries stood at Rs. 1780 crore in a plan of Rs. 97500 crore i.e. 1.83 percent of the total plan outlay.
During the **Sixth Five Year Plan**, the Government changed its policy of poverty elevation programmes to employment generation which would result in increase in the income of the poor and hence fall in the number of persons living below poverty line. Besides, Government aimed at self reliant economy. We are aware of the fact that small scale industries need less capital and are labour-intensive. Only these industries better suit to the economic environment of a poor nation like India. The role of small scale enterprises was also envisaged in **Industrial Policy Resolution of 1956** which stated, “They provide immediate large scale employment, they offer a method of ensuring a more equitable distribution of the national income and they facilitate an effective mobilisation of resources of capital and skill which might otherwise remain unutilised. Some of the problems that unplanned urbanisation tends to create will be avoided by the establishment of small centres of industrial production all over the country.”

There are certain characteristics of Indian economy such as high degree of unemployment, low per capita income that results in less capital formation, less capital resources and technological backwardness etc. Therefore, in such an economy small scale industries are greatly needed because they are most labour-intensive and high employment-oriented. Other factors favouring small scale industries are-low availability of capital equipments and shortage of skilled labour. The large scale units may not be properly operated without these two factors but in small scale units skilled labour is less needed. In this way, small scale industrial units are more suited to Indian conditions. **R.V.Rao**\(^\text{13}\) also observed that the problem of unemployment and under- employment can be tackled by the expansion and modernisation of the existing small scale industries.

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\(^{12}\) Source: [Reference](#).
\(^{13}\) Source: [Reference](#).
CONCEPT OF SMALL SCALE INDUSTRY

The small-scale industries may be classified into two sets of industries-the traditional small-scale industries and modern small-scale industries. Traditional small-scale industries include khadi and handloom, village industries, handicrafts, sericulture, coir etc. Modern small-scale industries produce wide range of goods from comparatively simple items to sophisticated products such as television sets, electronic control system, various engineering products, sports goods, leather products, woollen garments, readymade garments, chemicals, rubber, pharmaceuticals, plastic items, card-board, paper board, printing paper, electrical goods and a host of other items of daily use. As distinct from modern small-scale industries, the traditional cottage and household industries are located mostly in rural and semi-urban areas. Generally, these industries are operated by labourers and artisans living below the poverty line with the help of members of the family or few outsiders kept on hire. A large number of these industries do not need power-operated appliances and equipments. These industries involve comparatively low level of investment and technology and provide only subsidiary or part-time employment to agricultural labourers and artisans. On the other hand, modern small-scale industries can provide a good source of livelihood.

DEFINITION OF SMALL SCALE INDUSTRY

The definitions of small scale industry went on changing over time to time. The definitions are influenced by inflationary conditions as well as industrial development of the country to a large extent. Since the inception of industrialisation in the country, some important definitions are given as under:-
(i) The Industrial Commission, 1916-18 defined small scale industries as,

"Industries carried out in the house of the workers. In these, the scale of operations is small and there is but little organisation, so that they are as a rule, capable of supplying only local needs."\textsuperscript{14}

(ii) The Bombay Economic and Industrial Survey Committee, 1938-40 put its definition as under:-

"Industries where power is used and where the number of workers does not exceed 50 and the capital invested is less than Rs. 30,000."\textsuperscript{15}

(iii) The Report of the Fiscal Commission (1949-50) Makes A Reference And Defines-

"A small scale industry is one which is operated mainly with hired labour normally number 10 to 50 hands."\textsuperscript{16}

(iv) The Director-General of Supplies and Disposals also defined small scale industry as follows-

"Small-scale industries are those organised units more than 100 persons without power or 50 persons with power and working capital of less than Rs. 5 lakh."\textsuperscript{17}

(v) For the implementation of the 'promotion plan' formed for small-scale industries in India, a working definition was adopted as under:-

"All industries which have a capital investment of less than Rs. 5,00,000/- and employ less than 50 persons, where using power and not more than 100 persons in case where power is not used."\textsuperscript{18}

Some of these industrial units are operated on factory scale and covered by Section 2(m) of the Indian Factories Act, 1948. Out
of these industrial units, some other are operated as small entrepreneurial enterprises while many of the others are too small in size that these are called tiny units.

(vi) In 1960, the **Small Scale Industrial Board** defined the small-scale industries as comprising:

"Those individual units which had capital investment of not more than Rs. 5 lakh irrespective of the number of persons employed. Capital investment for the purpose of this definition meant investment in fixed assets like machinery and equipments, and land and buildings." 19

(vii) Keeping advancement of technology and competitive strength of SSI sector into consideration, the small-scale industries were redefined in 1966 as:-

"An industrial unit with a capital investment of not more than Rs. 7.5 lakh in plant and machinery, is considered as a small-scale unit." 20

(viii) The inflationary pressures resulted in increase in cost of land, building and machinery, and the higher capital required to adopt modern techniques and managerial practices, the Government of India defined in 1977 a small-scale industry as:-

"One having investment of Rs. 10 lakh in plant and machinery and Rs. 15 lakh in case of ancillaries and in case of tiny units the capital investment is limited to Rs. 1 lakh." 21

However, the term *'tiny units'* was for the first time introduced in 1977.
In 1980, the Government of India further revised the definition of small scale industry as follows: -

"Small-scale industry in India envisages a capital investment on plant and machinery not exceeding Rs. 20 lakh, while in case of ancillaries, this limit could be extended to Rs. 25 lakh, and in case of tiny units, the capital investment is limited to Rs 2 lakh and to a location in terms of towns below a population of 50,000." 22

In March, 1985, the Government had again revised the investment limit of small-scale units to Rs. 35 lakh and for ancillary units to Rs. 45 lakh. The Government of India had again revised the ceiling of investment in small-scale industries with effect from 2nd April, 1991. According to this revision, and industrial unit in which investment in fixed assets in plant and machinery does not exceed Rs. 60 lakh is regarded as a small-scale undertaking. During 1997, On the recommendation of Abid Hussain Committee, the Government has raised the investment limit on plant and machinery for small units to Rs. 3 crore. The Government in 2000 reduced the investment limit on plant and machinery to Rs. 1 crore.

To facilitate technology up-gradation and enhancing competitiveness, the investment limit (in plant and machinery) had been raised in October, 2004, from Rs. 1 crore to Rs. 5 crore in respect of 7 items of sports goods, reserved for manufacture in the small scale sector. Consequent to the enactment of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, the small and medium sector has been defined as micro, small and medium enterprises with effect from October 2, 2006 (The Act defined the medium enterprises for the first time). Further, separate investment limits have been prescribed for manufacturing and service enterprises. The new definition is as follows-
A) **Manufacturing Enterprises**

i) A micro enterprise, where the investment in plant and machinery does not exceed Rs. 25 lakh;

iii) A small enterprise, where the investment in plant and machinery is more than Rs. 25 lakh but does not exceed Rs. 5 crore; and

iii) A medium enterprise, where the investment in plant and machinery is more than Rs. 5 crore but does not exceed Rs. 10 crore.

B) **Service Enterprises**

i) A micro enterprise, where the investment in equipment does not exceed Rs. 10 lakh;

ii) A small enterprise, where the investment in equipment is more than Rs. 10 lakh but does not exceed Rs. 2 crore; and

iii) A medium enterprise, where the investment in equipment is more than Rs. 2 crore but does not exceed Rs. 5 crore.

**Small Industry Products: At a Glance**

The small industry products are also of two main types- consumer products and industrial products. These are discussed as under:

A) **Consumer Goods**

The goods purchased for final consumption by individuals and families are called ‘Consumer goods’. These goods are meant for personal use by the ultimate consumers. A pair of shoes, wrist-watch, pen, pencil, bread, butter, T.V. set are all examples of consumer goods. Further classification of consumer goods may be put as under:-
(a) **Convenience Goods:** The products which are bought by the consumers quite frequently, immediately and with minimum shopping effort are called convenience goods. Milk, eggs, sweets, fruits, cold drinks, cigarettes, bread, butter are the few examples of convenience goods. Such goods are needed in every day use and are non-durables. These goods are low priced, often branded, light in weight and purchased for immediate and repeated use. Often, consumers have complete knowledge of products before buying and they want them at the nearest or most convenient place. These convenience goods also further classified as – (i) staple goods which are bought and used frequently, e.g., bread, butter and groceries, (ii) impulse goods like gum, candy, razor blade, cosmetics, etc. which are purchased on impulse basis, and (iii) emergency goods purchased for urgent needs, e.g., ambulance service.

(b) **Shopping Goods:** These are the products which consumers select and buy after comparisons in terms of price, quality, design, style, service, etc. Generally, the consumers spend some time and effort in buying such goods. Shoes, jewellery, dress materials, furniture, T.V. sets, refrigerator, mixer-grinder, etc. are the few examples of shopping goods. These goods are expensive, durable and purchased infrequently. Consumers do not have full knowledge of alternative offering and, therefore, they want to compare at competing shops before making the purchase of such goods.

(c) **Speciality Goods:** Goods which are purchased after special shopping effort are known as speciality goods. Such products have a high unit price and are purchased infrequently. Fancy clothings, cameras, artistic objects, expensive perfumes, stereos, automobiles, etc. are the examples of speciality goods. A buyer of these goods has complete knowledge of the product and a certain brand has special
appeal for him/her. Therefore, he is willing to spend a lot of time and
effort in getting the preferred brand.

(B) **Industrial Goods:** The items which are used by the manufacturing
concerns for use in the production and distribution of other goods and
services are called as industrial goods. The examples of industrial goods
are- raw materials of different types, machine tools, office equipments,
trucks, computers, etc. On the basis of use, these industrial goods may be
further classified as under:

(a) **Raw materials:** These include unprocessed items that become
part of the final product. They are usually graded for standardized
quality. These raw materials can be of two types-natural products
such as minerals, forest products and products of the sea; and
agricultural products like wheat, cotton, eggs, fruits, livestock and
dairy products.

(b) **Fabricated Material and Parts:** These are partial or complete
items that become part of the final product. These are often custom
made and have already been processed to some extent. Fabricated
materials require further processing. For example, leather being
shaped into shoes and leather garments, flour turned into bread, yarn
being converted into cloth, and pig iron used to make steel. On the
other hand, fabricated parts or components are assembled into the
end-products without further processing. Examples are tyres in an
automobile, nib of pen, laces of a shoe, etc.

(c) **Operating supplies:** These supplies are necessary for the daily
operation of a firm and do not become a part of the finished product.
These operating supplies are used regularly and purchased
repeatedly. Such items are low priced, short lived and usually
purchased in bulk with little shopping effort. These item do not
influence significantly the long-run profitability of a firm.
Lubricating oil, heating fuel, floor wax, light bulbs and office stationery are some of the examples of operating supplies.

(d) **Installations**: Installations include large and expensive capital items necessary for the manufacture of final products but they do not form a part of these products. These are major and durable equipment of a producer. These goods determine the capacity and efficiency of production. Due to heavy investment, their purchase is a major and long-term decision. Heavy machinery, factory sites, trucks, diesel engines and production lines are some of the examples of installations.

(e) **Accessory Equipment**: These are capital goods, usually less expensive and short-lived in comparison to installations. These are required for the production of final products though they not become part of such products. Welding machines, hand tools, fork lift trucks, portable drills, small lathes, office equipments like typewriters, computers, etc. are the examples of accessory equipment.

**DESCRIPTION OF MARKETING**

**Marketing : Conceptual Analysis.**

*William J. Stanton* has defined marketing as " a total system of interacting business activities designed to plan, price, promote and distribute want-satisfying products and services to present and potential customers.". Not only does marketing deal with goods and series but it also focuses on ideas, issues, concepts and principles. The **American Marketing Association** defines marketing as the process of the planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives. *Paul Mazur* defined marketing as the creation
and delivery of a standard of living to society. Really this definition conveys the real spirit of the marketing process. It has consumer – orientation and duly honours the marketing concept which indicates a shift from product to customer – orientation, i.e., fulfilment of customer needs and desires. It emphasizes the major function of marketing, viz., satisfaction of customer and social demand for material goods and services. It includes product planning and development. It makes business firm a full-fledged marketing organisation. But this definition has some drawbacks too such as it is too vague, general, broad and lacks in descriptive tone in marketing.23

**Modern Concept of Marketing**

The modern concept of marketing describes marketing as a total system of business, an ongoing process of: (1) discovering and translating consumer needs and desires into products and services (through planning and producing the planned products), (2) creating demand for these products and services (through promotion and pricing) (3) serving the consumer demand (through planned physical distribution) with the help of marketing channels, and then, in turn, (4) expanding the market even in the face of keen competition. The modern marketer is called upon to set the marketing objectives, develop the marketing plan, organise the marketing function, implement the marketing plan or programme (marketing mix) and control the marketing programme to assure the accomplishment of the set marketing objectives. The marketing programme covers product planning or merchandising, price, promotion and physical distribution.24

Modern marketing brings with the customer, not with production cost, sales, technological land-marks and it ends with the customer satisfaction
and social well-being. Under the market-driven economy buyer or customer is the boss. Marketing is defined as an ongoing social process for the creation and delivery of standards and styles of life. The first function of marketing is to discover the customer and customer needs. The marketing opportunity is revealed through an analysis of the environment. Customer demand has to be matched with organizational resources and environmental limitations, such as competition, government regulations, general economic conditions, and so on. To accomplish the twin objectives of customer satisfaction and profitability, the marketing programme, called the marketing mix, covering product, price, promotion and distribution strategies (4 Ps.) will be formulated and implemented.

On the basis of the above analysis of marketing concept it may be put that marketing is a system of integrated business activities designed to develop strategies and plans (marketing mixes) to the satisfaction of customer wants of selected market segments or targets. Marketing is a powerful mechanism which alone can satisfy the needs and wants of consumers at the place and price they desire. The success of a business depends largely on the effectiveness with which its marketing strategies are formulated and implemented.

**Scope of Marketing**

The scope of marketing is very wide. It may be analysed in terms of marketing performance through various functions. A number of functions are inherent in every marketing process which are to be performed on the basis of various utilities. These functions are summarised as under:-
A. FUNCTIONS OF EXCHANGE:

In this group, the marketing performs three functions as under:-

i) **Buying Function**: A manufacturer buys different kinds of raw materials for production purposes. Similarly, a wholesaler has to buy goods from manufacturer for the purpose of sales to retailer. In the same way, a retailer has to sell the goods to consumers. Thus, functions of buying have to be performed at various levels.

ii) **Assembly Function**: In assembling, goods are purchased from various sources and assembled at one place to suit the requirements of the buyer.

iii) **Selling Function**: Selling involves transfer of ownership from seller to the buyer. Selling function is vital to the success of any firm. Its importance has been continuously increasing in all organizations due to the emergence of severe competition. Producing goods is easy but it is very difficult to sell them.

B. FUNCTIONS OF PHYSICAL DISTRIBUTION:

In this group, the marketing performs four functions as under:-

i) **Transportation**: It includes decision to be taken on mode of transport, service selection, freight consolidation, carrier routing, vehicle scheduling, processing claims, etc.

ii) **Inventory Management**: It covers short-term sales forecasting, product mix at stocking points, number, size and location of stocking points and just in time (JIT) or push or pull strategies.
iii) **Warehousing**: It includes space determination, stock layout and design and stock placements.

iv) **Material Handling**: It includes equipment selection, equipment replacement, order picking procedure and stock storage and retrieval.

**C. FUNCTIONS OF FACILITIES.**

In this group, the marketing performs four functions as under:-

i) **Financing**: Finance has become an increasingly important function of marketing as liberal credit facilities work like a selling tool. This would necessarily involve higher working capital. Therefore, a marketer can plan for various kinds of finance: Short-term Finance, Medium-term Finance and Long-term Finance. There are various sources of finance viz, commercial banks, co-operative banks, credit societies, government agencies, etc.

ii) **Risk Taking**: There are innumerable risks which a marketing enterprise has to bear in the process of marketing of goods and services. It is noteworthy that risks arise due to unforeseen circumstance but risks can be insured also. For example, the risk due to fire and accidents may be covered by insurance. But the risks due to changes in government policies, risks due to increased competition, technological risks and business cycle risks cannot be insured.

iii) **Standardisation**: Standardised goods and services are always preferred by buyers and sellers both. This relieves the buyers from examining the product and wasting time. This is why
standardisation has now been accepted as a convenient and ethical basis of marketing.

iv) **After-Sales-Service:** After-sales-service has become an increasingly important function of modern marketing. Therefore, a marketer has to plan for after-sales-service i.e. repairs, replacements, maintenance, etc. to win the confidence of the customers.

**MARKETING IN GENERAL:**

Marketing practices may better be known by the marketing functions that are performed by the business enterprises. Marketing practices the practical application of marketing functions to achieve the goals set by the top management of the enterprise. Marketing management has to perform the following chief functions of marketing:

1. Knowledge of demand, i.e., customer needs unmet so far, and how the demand can be developed.
2. Obtaining demand i.e., getting orders can be developed.
3. Fulfilling orders, i.e., achieving a profitable turnover, and
4. Ensuring satisfaction of customer needs i.e. aiming at new and / or repeat business.

**The cycle of marketing management practices involves:**

1. Determination of the present and potential customer through marketing research,
2. Formulation of the marketing plan and policy,
3. Development of product and its adaptation to specific customer needs through product planning and development,
4. Physical distribution arrangement,
(5) Generation and stimulation of demand through all devices of promotion, (6) Determination of selling prices and discounts,
(7) Selling activities, i.e. personal selling, contract negotiation, payment provisions,
(8) After – sales activities,
(9) Feed back of information from the market on post sale reactions and usage,
(10) Replanning on the basis of feedback information from the environment and the market.

The marketing practices to be adopted by the business enterprises may be grouped as under:-

A. Marketing Research and Information: It covers marketing information, marketing research projects, marketing segmentation and distribution cost analysis.

B. Product and Pricing: It covers production research product development packaging, branding, pricing, warranties and after sales-services.

C. Planning and Control: It covers sales forecasting, marketing mix, annual marketing plans and budgeting & control.

D. Promotion (Marketing Communication): It covers management development and control of sales force, advertising and publicity, sales promotion devices, exhibitions and trade fairs, public relations and Government relations.

E. Distribution (Physical Distribution): It includes channel choice and decisions, transport, warehousing, insurance, order processing, protective packaging and inventory control.
RELEVANCE OF SOUND MARKETING PRACTICES FOR SMALL INDUSTRY PRODUCTS

Small scale industries have low capital base in comparison to large scale industries. As a result of low capital these industries are not in a position to make investment in research & development activities. This is why the quality of products is not at par with large scale industries. A controversy has raged in this country over the issue of efficiency in the small-scale industries vis-a-vis large-scale industries. While some studies have pointed out that small-scale industries are more efficient, others point out that large scale industries are more efficient. In their study Dhar and Lydall concluded that modern small scale industry is fairly capital intensive; that is, these units do not generate more employment per unit of capital than large-scale industry. One of the main problems faced by the small-scale units is in the field of marketing. These units often do not possess any marketing organisation and consequently their products compare unfavourably with the quality of the products of the large-scale industries. Therefore, they suffer from a competitive disadvantage vis-a-vis large-scale units. Because of the shortage of capital and financial resources, these units do not have adequate, 'staying capacity' and are often forced to sell their products at unremunerative prices.

The relative cost of performing the marketing function and the number of people employed in the marketing process are indicative of the importance of marketing in a country's economic system. As a country becomes more industrialized, marketing becomes functionally more important. Thus in a primitive subsistence society there is little room for marketing, i.e. each person grows the food he consumes, as well as makes the tools he uses and the clothes he wears. As the production methods become efficient, one man's output of a particular product far exceeds his
requirement for that product. Since he specializes in producing a particular item he does not directly supply himself with the many other goods and services that he needs to sustain life. This is the point where the marketing function enters the economic process. Thus greater marketing effort is required in case of more industrialized society. As the production efficiency increases, it may also indicate that marketing is urgently needed to find way efficiently and effectively for distributing and selling the resulting output.  

The small industry products are gradually getting acceptance all over the world. Marketers are witnessing an unlimited potential for global business and marketing development. Unique changes have taken place in the global markets creating far-reaching impacts on business and marketing practices all over the world. In international marketing the European Economic Area is a reality. The dissolution of communism is almost an accomplished fact. The socialistic economies in Europe, India and many other countries have chosen free enterprise system and are adopting market-driven economies based on customer-oriented integrated business plans and strategies. To penetrate into the international market, India has eliminated or considerably reduced tariffs and other trade barriers. Liberalization, privatization, decontrol and delicensing are the ingredients of new economic and industrial policies. Ecological awareness is demanding freedom from pollution and conservation of exhaustible natural resources. Eco-friendly products having Eco-labels are receiving special preference in all markets. Adoption of Dunkel Proposal and creation of International Trade Organisation will assure free multinational trade and international cooperation in world commerce.
In a developing country like India we have now more positive attitude toward large-scale foreign investment in capital and technology. India, China and many other developing countries are now experiencing huge inflow of foreign investment in capital and technology and entry of numerous multi-national companies. In this modern era, developing nations have no choice but to accept the world trend towards free trade and liberalized economic policies. In reality they are expected to capitalize the opportunities for sustained economic development and for removal of poverty and illiteracy. International Standards Organisation and its ISO 9000 series of global standards has achieved the status of a vital competitive tool in modern marketing management. In majority of the countries markets are steadily changing from seller's market to buyer's market. As regards small industry products customer delight and not merely customer satisfaction has become the centre of the marketing universe.

Growing societal marketing concept would result in reduction in the deterioration of the global ecological environment. Marketers will have to incorporate hidden social costs in their balance sheets and thereby balance profits against social and ethical consequences of their decisions. Green marketing laws will influence product packaging and its effects on solid waste management as well as on environment-friendly products. The total quality management would also play an important role in production and marketing management in all countries. In this way, marketers will enable consumers/users to enjoy enriched quality of life.

As overview of the global marketing environment reveals that it is much more turbulent and dynamic. In such an atmosphere, the marketer has to face competition and increasing demands of consumerism. We have global markets, global communication and global trading. Technology,
telecommunications, computers and television have made a quantum jump in the concepts of time and distance. With such a challenging atmosphere, a market must be customer-oriented, alert, positive, forward-looking and above all innovative. Almost in all human affairs, marketing has assumed a unique role and significance. In the emerging environment of 21st century marketing practices automatically occupy the centre stage in the socio-economic development in all nations. Keeping all these major changes of business environment into consideration it may be said that updated marketing practices are need of the hour for small industry products.

**IMPORTANCE OF THE STUDY**

Small scale industries occupy a unique place in the economic development of a country like India where unemployment and under-employment are prevailing economic diseases and where most of the entrepreneurs are capable of only small investment and where there is dearth of sophisticated machinery and modern technology. Small scale industries are not only labour-intensive but capital-saving also. These are quite suitable for semi-urban and rural areas where the infrastructure is lacking. The primary object of developing small scale industries in rural areas is to extend job opportunities, raise income and standard of living and to bring about a more balanced and integrated rural economic development. These industries are particularly suited for the better utilization of the locally available resources and for the achievement of local self-sufficiency in respect of certain types of essential consumer goods. **The Industrial Policy Resolution** dated 30th April, 1956 laid special emphasis on the development of small scale industries.
The Government of India strived to flourish small-scale industries so that these may run in profitable manner but the position is worsening year by year as a large number of SSI units are getting either sick or are on the verge of sickness. Besides other causes of sickness, poor marketing of products also has been one of the prominent causes responsible for this sickness. It may undoubtedly be put that inspite of manufacturing of good quality of products the industry may fall into the trap of sickness for lack of sound marketing. If marketing of products is done in efficient manner, the enterprise may get remunerative price of its product/products resulting in a state of profitability which is lubricant for survival. On the other hand if an enterprise is not in a position to undertake efficient marketing of its products its commercial viability may fall in danger tending to shut down of the industry. So marketing has become very crucial to a small scale unit.

As a result of Government's sincere efforts, the industrialization process in Uttarakhand began in the early eighties of the last century when a number of fiscal incentives, concessions and rebates were granted by Union Government for industrially backward districts of the country. A large number of small-scale units got established in all the districts of Uttarakhand. But soon after these units could not stand on their own and began to get sick. Alongwith other causes of sickness, the poor marketing also has been a major cause of their sickness as these units could not analyse and plan the marketing system. They depended on agents for selling their goods which failed to fetch remunerative price of their goods. This reduction in revenue resulted in sickness of these industries. In this way the present topic is of paramount importance to understand and evaluate the marketing practices adopted by the small scale industries.
of Uttarakhand. To the best of my knowledge & belief no research on this topic has yet been conducted.

**Review of Literature**

Small scale industries have an important place in the economy of developing countries like India. The economic development achieved by such countries can be directly to the growth of this sector. The importance, growth and development of SSI sector has attracted a good deal of academic attention. A large volume of literature on small-scale industries has been studied at length. A brief review of such important studies is made as under:-

**Prasad (1974)** in his study highlighted that small-scale industrial sector in India is small only in size but big in achievements.

**Graham Bannock (1981)** presents a vivid picture of the practical problems of the individual small business, showing how they relate to the wider issues of economic policy. He believes the release of the economic dynamisms inherent in the assistance announced by the government are badly delayed for several reasons such as delay in issuing detailed orders, inadequacy of budget provisions etc.

**Tara Nand Singh Tarun and Devendra Thakar (1986)** reveal that the fundamental problem of industrial development in India is the problem of transplanting and acclimatizing the fruits of technology so as to raise the whole level of productivity.
Venugopal (1993) observed that Governmental agencies set up for promoting village and cottage industries are inactive and their performance is below the level of expectations. He argues that the survival of village and cottage industries depends on their ability to become competitive. Their efforts should be to reduce cost and improve quality through technological upgradation.

Ramabijoy (1993) in his study analyses government support, capacity underutilization, marketing and financing, power and transport of small-scale industries and also the entrepreneurship and management of sickness.

Thomas. T. Thomas (1994) states that there is a need for extensive education of the small-scale industrial units promoters in general management and specifically in the fundamentals of marketing management.

Balasubrahmanya (1988) in his study describes the elements of India’s small industry policy with specific reference to protective measures, and reviews its impact on the growth and efficiency of the sector.

Suni George (2000) in his study observed that the policy of protection with privileges for SSI has induced this sector to remain small, to become more inefficient with poor product quality. It is not protection but competition should be the rule of the day.
Bagchi (2000) dealt with the sources of finance for small scale industries and defined the assessee and the requirement of working capital for small-scale industries. Desai also dealt in detail the security approach to banks and the terms and conditions of the banks to provide finance.

Anbumani (2005) revealed that the small scale industries happened to be a significant component of the industrial sector, and therefore government has initiated several schemes and projects for the development of these industries in the era of globalization which cover techno.

Viasini, G. Patkar (2005) examined the technological input and innovative marketing endeavours and found that they have brought about good prospects to the village and small scale industries by improvement in the quality of goods and services after 1990-91.

Sonia and Kansai Rajeev (2009) studied the effects of globalization on Micro, Small and Medium Enterprises (MSMEs). They used four economic parameters namely number of units, production, employment and export and interpreted study results based on Annual Average Growth Rate (AAGR) calculation. They concluded that MSMEs failed to put up an impressive performance in post reform era.

Subrahmany Bala (2011) has probed the impact of globalization on the exports potentials of the small enterprises and has concluded that the current policy of increasing competitiveness through infusion of
improved technology, finance and marketing techniques should be emphasized.

**OBJECTIVES OF THE STUDY**

The present study relates to a specialized branch of business which is of utmost importance to the small scale industrial units for their survival. The main objectives of the present study are-

(i) What are the marketing practices adopted by small scale industries of Uttarakhand?

(ii) What are the small industry marketing mix elements in Uttarakhand?

(iii) What are the deterrents of sound causes of poor marketing practices?

(iv) What has been the impact of marketing practices on profitability?

After evaluating the marketing practices adopted by small scale industries of Uttarakhand, an attempt has been made to diagnose the weak spots in the marketing of small industry marketing. Measures also have been suggested to strengthen the marketing practices of small scale industries so that these may be operated in profitable manner.

**SCOPE OF THE STUDY**

The present study is limited to:

(i) Study of small scale industries of Uttarakhand only.

(ii) Study of marketing practices adopted by small-scale industries only.
(iii) Study of variables that are relevant to small industry products marketing only

**HYPOTHESES**

With the help of the following hypotheses the analysis and findings of the study have been tested:

(i) Sound marketing practices result in profitability of the undertaking.

(ii) Size of industrial unit and soundness of marketing practices are independent of each other.

(iii) The exogenous factors have no impact on marketing strategy of an enterprise.

(iv) Degree of financial soundness of a small scale unit results in soundness in marketing practices.

**RESEARCH DESIGN AND METHODOLOGY**

The present study is a synthesis of both the primary as well as secondary data. But it heavily depends upon primary data. The secondary data have been collected from authentic sources. The study is also based on empirical evidences and strives to be objective and logical.

The primary data have been collected through-

(i) **Schedules**: Which consist of a number of questions relevant to small industry products marketing. Some questions are multiple choice answers, some questions let the respondents answer in their own words, while some
questions are projective in nature presenting abstract situations unrelated to the enterprise and require the respondent analyse and make comment on them.

(ii) **Personal Discussion:** While conducting field survey, personal discussions with the representative respondents were held so as to evaluate the marketing practices adopted by the small scale industries.

(iii) **Indirect Oral Investigation:** The individuals/firms engaged in small industry products marketing indirectly were put under indirect oral investigation with the help of which deterrents of small industry products marketing could brought to light.

**SAMPLING**

To conduct the field survey sampling method has been used to select the representative small scale units. Out of total 13 districts in Uttarakhand, Haridwar and Udham Singh Nagar are plain districts and the rest 11 districts are located in hill areas. One plain district Udham Singh Nagar and three hill districts Dehradun, Uttarkashi and Almora have been selected as sample districts. The small scale industries from these four districts have been selected in such a manner that these may represent all the commodity groups manufactured. In this way sample SSI were as under-
<table>
<thead>
<tr>
<th>Name of District</th>
<th>Total Units</th>
<th>Sample Units (1%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Udham Singh Nagar</td>
<td>1700</td>
<td>17</td>
</tr>
<tr>
<td>Dehradun</td>
<td>1300</td>
<td>13</td>
</tr>
<tr>
<td>Uttarkashi</td>
<td>600</td>
<td>6</td>
</tr>
<tr>
<td>Almora</td>
<td>400</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4000</strong></td>
<td><strong>40</strong></td>
</tr>
</tbody>
</table>

**Source:** Based on own survey

In this way total 40 units have been selected to conduct survey so that these selected units may represent the all commodity groups of small scale units is very large, this is why effort has been made to select the most appropriate representative units taking into consideration the geographical area in which these units are located, volume of production & sales, total number workers employed in the units, number of persons engaged in marketing and the type of marketing practice adopted by the unit.

The small scale units selected have been categorized on the basis of product or commodity or commodity-groups for which help of stratified sampling has been taken. The classification of SSI units selected has been made as under:
Table 1.2
Commodity Group Wise Classification of Sample SSI Units of Uttarakhand

<table>
<thead>
<tr>
<th>Name of Commodity</th>
<th>No. of SSI Units</th>
<th>Percentage to total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmaceuticals</td>
<td>4</td>
<td>10.00</td>
</tr>
<tr>
<td>Packaging</td>
<td>3</td>
<td>7.50</td>
</tr>
<tr>
<td>Furniture</td>
<td>2</td>
<td>5.00</td>
</tr>
<tr>
<td>Engineering Goods</td>
<td>4</td>
<td>10.00</td>
</tr>
<tr>
<td>Electronic Goods</td>
<td>5</td>
<td>12.50</td>
</tr>
<tr>
<td>Steel</td>
<td>2</td>
<td>5.00</td>
</tr>
<tr>
<td>Textiles</td>
<td>4</td>
<td>10.00</td>
</tr>
<tr>
<td>Plastic Items</td>
<td>5</td>
<td>12.50</td>
</tr>
<tr>
<td>FMCG</td>
<td>4</td>
<td>10.00</td>
</tr>
<tr>
<td>Automobiles</td>
<td>7</td>
<td>17.50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>40</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

The selection of these 40 units has been made on random basis for which units were numbered starting from upto total number of units in that commodity-group. These numbers were written on slips of paper which were placed in bowl. Subsequently the bowl was shaken to get a thorough mixing of slips and then a slip was drawn. Its number was recorded. This process was repeated till the required number of units were selected.

The techniques of ratios, percentages and indices have been used in presenting and interpreting the relevant material collected from various sources. Statistical tools and techniques have been used to establish relationship among various variables relating to small industry products marketing.

**Limitations of the Study**
As the scope of the study was very wide, it was not possible to study all the SSI units individually. On account of shortage of time and money the
study had to be confined only upto 40 units but it made no difference in 
results when compared to the results of the universe. The SSI units in the 
State are spread over an area of more than 40,000 km. This is why the 
study is limited to only four districts in which more than 80 percent SSI 
units exist. It took much time in covering the survey of 40 units as the 
units are scattered over a wide area with risky approach. Difficulties were 
also faced in getting the required information as move than 14 percent 
entrepreneurs were found quite reluctant in providing the information. 
They were furious over the non-cooperative attitude of the Government 
machinery. Inconsistency and incomparability has been witnessed in the 
data provided by the Government agencies and the proprietors of the SSI 
units.

The answers made by the 23.8 percent of the respondents were found not 
to be satisfactory as they made ambiguous answers. One disappointing 
fact was noticed during the survey that the respondents failed to make 
clear difference between various marketing practices in vogue. This has 
resulted in fall in accuracy level of the information and data received. 
Besides some of the respondents failed to make correct answers to some 
of the questions. In this way some difficulties were crept up in the 
collection of data. To bridge this gap indirect oral investigation had to be 
conducted with the help of intellectuals, marketing experts and other 
persons having knowledge of industrial development and marketing of 
industrial products including marketing of small industry products.

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