CHAPTER II:

RESEARCH METHODOLOGY
AND THE DETAILED FACTS ABOUT THE UNITS SURVEYED.

This chapter analyses the peculiarities of investments and the capital structure and the financial position of the selected small scale units chosen for the purpose of the present study. It also analyses how credit utilization has taken place and whether the utilization has any positive effect on the productivity, profitability and the repayment of the loans made by the small scale units to the banks.

It should be noted that the findings of the study relate to the units chosen which are not very small. Hence the results should be interpreted with care in case any comparison is attempted at issues like capital intensity, material consumption, labour productivity or profitability. The figures used in the tables represent averages for all the industries for the three years i.e.1978-79, 1979-80 and 1980-81. It was revealed that in most of the cases there was wide variance in the data supplied within the same industry manufacturing the same line of goods. The variances were due to various factors viz. operational efficiency of the units, locational advantages and the different product mix used by the units.
NECESSITY FOR SURVEY

The field survey was conducted in order to ascertain the utilization of bank's credit made by the small entrepreneurs in Pune. Various studies concentrating on specific aspects have been made on small scale units viz. Investment Output aspects, problems faced by the small scale units etc. So far the follow up aspect of utilisation of bank credit by the small scale units has rarely been studied. It is quite interesting to carry out an independent enquiry as to how the credit facilities granted to the small entrepreneurs running small scale units have been effectively utilized by them and whether the banks' credit facilities had a positive bearing in increasing the production, employment and profitability of the units.

The small scale units are not an organised sector. They are set up from one corner to the other. They do not still have systematic and the highly sophisticated way of managing their business. For example the accounts books, costing records, inventory and cash management are not looked after with due care. As a result adequate and accurate statistical information cannot be obtained easily. Moreover, the small entrepreneurs hesitate to disclose without reservation the information about their units as they feel that any
information supplied by them way lead to some legal complications later e.g. the Income-tax, Sales tax, excise authorities may sue them for noncompliance of various statutory requirements or for not disclosing the correct information.

Hence it was decided to choose a judgement sample of limited No. of units from Pune City proper, Pimpri-Chinchwad, Bhosari, Parvati area, Hadapsar and Kothrud area to have a wide coverage. The two maps 1 and 2 showing the area covered under Poona Municipal Corporation and the Pimpri Chinchwad Municipal Council are attached herewith to show the area covered under the survey.

METHOD OF SAMPLING USED :-

The method of sampling used is the "Judgement Sampling Method". In this method judgement is exercised in selecting the units and only those units which are most typical of the universe with regard to the characteristics under investigation are chosen. The Judgement Sampling method is used in view of the fact that by simple random selection, a good number of units satisfying all the characteristics required for the study would have been missed which would not have given a true picture for the purpose of the present study.

* The characteristics have been mentioned in details in the pages following
In the absence of an exhaustive list of all the registered small scale units operating in Pune with the Government authorities, the exact number of such units could not be ascertained. Moreover it was gathered that the number of unregistered units were either equal to or were more than that of the registered ones. The District Industries Centre furnished the following details of small scale industries which were registered with them and operated in the Pune District as on 31-12-1980:

<table>
<thead>
<tr>
<th>Type of Industry</th>
<th>No. of units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Food Products</td>
<td>72</td>
</tr>
<tr>
<td>2. Cotton Textiles</td>
<td>303</td>
</tr>
<tr>
<td>3. Textile Products</td>
<td>234</td>
</tr>
<tr>
<td>4. Wood, Wooden Products and Wooden Furniture</td>
<td>257</td>
</tr>
<tr>
<td>5. Paper and Paper Products</td>
<td>55</td>
</tr>
<tr>
<td>6. Leather and Leather goods</td>
<td>143</td>
</tr>
<tr>
<td>7. Rubber, Plastic and Coal Products</td>
<td>216</td>
</tr>
<tr>
<td>8. Chemical and Chemical Products</td>
<td>55</td>
</tr>
<tr>
<td>9. Basic Metal and Alloys Industries (Foundries)</td>
<td>1875</td>
</tr>
<tr>
<td>10. Machinery, Machine Tools, Metal parts (Engineering units)</td>
<td>48</td>
</tr>
<tr>
<td>11. Glass</td>
<td></td>
</tr>
</tbody>
</table>

Continued...
The District Industries Centre estimated that out of the total of 3806 units in the Pune District around 3,000 units operated in the Pune Metropolitan Region as given in the Map No.1 and 2.

The places having Industrial Area in Pune District consist of:

Pimpri-Bhosari, Nagar Road, Kothrud, Satara Road, Hadapsar.

The places having Industrial Estates in Pune District consist of:

Gultekdi, Parvati, Hadapsar, Bhosari, Lonavala, Baramati, Bhor.

The total No. of Large and Medium Industries operating in Pune District is given as 116.
For selection of the units references were made to the "Industrial Directory of Maharashtra", 1979 (Pune Division) published by the Directorate of Industries, Government of Maharashtra and the "Industrial and Commercial Directory of Pune" published by the Maratha Chamber of Commerce and Industries, Pune, 1978.

**CRITERIA FOR SELECTION:**

(a) Only the factory units were chosen for the purpose of the present study and the servicing, repairs and others were excluded.

(b) Only the units availing facilities from the Nationalised Banks were taken for the purpose of study and the units availing financial assistance from the State Bank of India or any other Financial Institutions or other sources were excluded.

(c) The following criteria were applied while choosing the units for the survey:

1. Investment in plant and machinery not exceeding Rs. 10 lakhs.
2. The scale of production
3. The type of security offered
4. The type of banking facility granted
(5) The success or otherwise of the industrial units supported by the banks.

(6) Type of product manufactured.

(7) The manner in which the bank loan account has been operated.

PECULIARITIES OF THE UNITS SELECTED:

Initially, 70 units were chosen on the basis of the above mentioned criteria. Out of these 50 units were chosen which were running concerns and satisfied all the criteria while 4 units were "sick". Out of the remaining 16 units, 5 units had either closed their business or shifted their business elsewhere, hence they could not be contacted. 2 units did not co-operate and refused to give any information inspite of best efforts to convince them that any information supplied by them would not be disclosed to anyone by any means. In case of 3 units the data supplied were inconsistent since they were new concerns and had yet to prepare their Profit and Loss Account and Balance Sheets. 2 units did not avail themselves of any loan from any bank, hence were excluded and the remaining 4 units had borrowed from the State Bank of India and hence were omitted for the purpose of analysis.

The following chart shows the classification of the units chosen:

* The questionnaire was prepared on the basis of the above mentioned criteria. The questionnaire was revised subsequently to collect additional information.
<table>
<thead>
<tr>
<th>Industry</th>
<th>No. of running units</th>
<th>No. of sick units</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Light Engineering Industry</td>
<td>10</td>
<td>1</td>
<td>11</td>
</tr>
<tr>
<td>2. Electrical and Electronics Industry</td>
<td>10</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>3. Chemical Industry</td>
<td>10</td>
<td>2</td>
<td>12</td>
</tr>
<tr>
<td>4. Printing Press Industry</td>
<td>10</td>
<td>1</td>
<td>11</td>
</tr>
<tr>
<td>5. Others</td>
<td>10</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>50</td>
<td>4</td>
<td>54</td>
</tr>
</tbody>
</table>

Under each category of industry, 10 running units were chosen by omitting or adding the No. of units to bring the total to 10 units in order to have a comparative study of all the industries.

The "Others" included units engaged in leather works, food products, plastic industries, furniture and wood works and manufacture of metal containers.

**THE METHOD OF DATA-COLLECTION**

The units were visited and a questionnaire prepared for the purpose of the present study was filled in by the method of personal interview with the owners of

* The sick units have been treated separately as case studies in Chapter number V.
the units. The questionnaire prepared for the survey sought to give information from the selected units for 3 years 1978-79 through 1980-81. The factual data was collected from the records produced by the units i.e. the Profit and Loss Account and the Balance Sheet while the questions which were of general nature were asked directly and their opinions, views and suggestions were noted. In spite of their preoccupation with their busy routine, the entrepreneurs interviewed gave adequate information without much reservation.

Subsequent visits were made with prior appointments to get further data required and not supplied in the previous meetings and certain clarifications were sought for wherever necessary.

ASSUMPTIONS OF THE SURVEY :-

The following are the assumptions of the survey :-

(i) Judgement Sample Method is used for selecting units.

(ii) The units surveyed consist of small industrial concerns as defined previously.
(iii) Most of these units do not maintain systematic and adequate records. The records maintained are also not absolutely accurate. In case of any doubt arising as to the correctness of the records, the owners were asked repeated questions by indirect means e.g. if the annual sales figure as given by the unit was doubtful, the monthly sales were called for to testify the reliability of the data supplied by such units.

(iv) In some cases, the entrepreneurs were very much eager to list out the various problems faced by them, but were reluctant to provide detailed statistical information required on their capital or production structure. A few questionnaires were to be rejected after filling in the details, since there were apparent inconsistencies in the information supplied by these units.

(v) The information about the asset structure was assumed to be fairly reliable.

(vi) The financial information pertains to a period of one accounting year i.e. 12 months.

(vii) It was found that the units were either unwilling or not able to provide the ex-factory value of the output. Hence from the sales figures, all expenses were deducted to arrive at the Gross Profit before tax. It
was also difficult to collect the figures of taxes paid by the units and only a few units could give this information. The reason for not furnishing the figures of taxes paid was that the units were scared to disclose this information for the fear that income tax authorities may trouble them afterwards. Hence the profits taken for the purpose of the present study were before tax.

GENERAL PARTICULARS AND CAPITAL STRUCTURES
OF THE SELECTED SMALL SCALE UNITS:

General Particulars:

Under this head, it is proposed to give certain information about (I) how the owners entered into the business, (II) qualification and/or experience of owners, (III) constitution, (IV) age of the units, (V) occupancy of land and buildings, (VI) mode of power used, (VII) nature of business, (VIII) type of labour used (IX) rates of wages paid to different types of labourers, (X) registration under various Institutions, Bodies, etc., (XI) Particulars of Raw Materials purchased from various sources, (XII) Sources through which products are sold, (XIII) Markets where products are sold, (XIV) Credit policy of the Small Scale Industrial units.
(I) CLASSIFICATION OF OWNERS SHOWING HOW THEY ENTERED INTO BUSINESS -- (Table No. 1)

The data showing the details as to how the owners entered into business is given in Table No.1. From the table it can be seen that owners of 7 units (70%) in the Light Engineering industry started their own new business from the beginning. They did not have any job experience earlier, but just started their business on their own accord. Owners of 2 units (20%) left their jobs and started new business. On enquiry it was revealed that these owners did not like to work under their bosses and they wanted to have independent status and apply their own new ideas for developing the products. The owner of 1 unit (10%) stated that he is presently working in another concern but manages his unit by devoting his spare time, Sundays and holidays for developing his own unit. This he does as he is well experienced in the technical field and his entire family is engaged in the Small Scale Industrial unit. He guides them and gives technical advice only. The rest of the matters viz. purchase of Raw Materials, Sales, Production, Banking and other activities are taken care of by the other members of the family.
In case of the Electrical and Electronics Industry, owners of 6 units (60%) started new business from the beginning without having any job experience or business experience. The owners of 2 units (20%) left their jobs and started their own business. The reason stated by them was that their friends and colleagues who passed their degree examinations with these owners and who had set up their own Small Scale Industrial units have been doing very well. This prompted them to resign from their present jobs and set up their own business. The owner of 1 unit (10%) had entered his family business from the beginning only. Another owner of 1 unit (10%) had received on the job training from the Small Industries Service Institute, Pune, before starting his own business.

In case of Chemical industry also the owners of 6 units (60%) started their own new business from the beginning, while the owner of 1 unit (10%) left the job and started his own new business. On investigation it was found that he had not been given lift in the concern where he was working. This made him frustrated and hence he resigned from his job and started his own business. The owners of 3 units (30%) entered their family business from the beginning only and did not possess any job experience.
The owners of 5 units (50%) in Printing Press Industry started their own business from the beginning while the other 5 owners of the 5 units (50%) entered their own family business from the beginning.

The owners of the 3 units in the first category did possess some technical experience before starting their business since they had worked as apprentices in the Press for periods ranging from 6 months to 1 year.

The owners of 9 units (90%) in case of Others started their own business from the beginning. Out of these 9 owners, 3 owners possessed technical experience before entering into business, while the rest did not have any technical experience. The owner of 1 unit (10%) became the partner in his own family business as soon as he attained majority (18 years of age). Hence he did not have any technical experience.

From the above discussions, it is clear that more and more entrepreneurs are coming up to enter into the business field instead of making a rush on the job front. This is a healthy sign of the economy as setting up of one business unit generates employment to at least 2 to 10 workers on an average, which helps solving the unemployment problem to a great extent.
This has become possible since the banks after nationalisation have adopted the policy of priority sector approach which was hitherto a neglected sector of the economy. The Government of India by framing various credit policies in conjunction with the Reserve Bank of India from time to time has changed the outlook of the banks from the capitalistic approach to the socialistic approach. This has helped the common man stand on his own legs and contribute to the national economy of our country by increasing the total industrial output to a considerable extent. It is estimated that more than 40% of the total industrial output of our country comes from the Small Scale sector.

(II) CLASSIFICATION OF OWNERS ACCORDING TO THEIR QUALIFICATIONS/EXPERIENCE :- (Table No. 2)

Table No.2 shows the classification of owners according to their qualifications/experience. It was observed that there was only one owner in the Chemical industry who possessed Doctorate degree in Science. There were 6 Post-Graduates in all. One was an engineer in the Electrical and Electronics industry while the rest 5 were from the science faculty in the Chemical industry. There were 10 engineering graduates, 2 in the Light Engineering industry and 8 in the Electrical and Electronics industry,
while there were 12 science graduates, 3 in the chemical industry 3 in the Printing Press industry and 6 in the Others. There were only 3 Diploma holders in engineering in the Light Engineering industry.

As regards the Non-technical owners, there were 2 graduates who were from the Arts faculty in the Light Engineering industry and one from commerce faculty in the Electrical and Electronics industry. There was one Post Graduate in Commerce with Master of Business Administration qualifications in the Others.

Light Engineering, Printing Press and Others had 3 owners each who were matriculates but possessed technical experience. While Chemical industry had only one such person.

The Printing Press industry had 4 owners who were Non-Matrics and also did not possess any technical experience. They depended for everything on their workers and relied on their skills.

Thus from the above, we can conclude that the small scale units can be run even by small entrepreneurs who do not have formal education in a faculty and possess any technical qualifications, but have some experience in the line of his business. The banks do consider such cases
and help the owners to set up new units to earn their own living as well as provide employment to many. Such types of owners are generally found in the semi-urban and rural areas. Hence the banks have now started financing such owners as was enacted in the New Industrial Policy of the Government of India, 1977.

(III) BREAK UP OF UNITS ACCORDING TO THEIR CONSTITUTION :

(Table No.3)

Table No.3 shows the break up of units according to their constitution i.e. Proprietorship concerns, Partnership concerns, Co-operative Societies, Private Limited Companies and Public Ltd. Companies. From the table it can be seen that 22 units (44%) out of the 50 units under survey were having Proprietorship concerns. Industrywise Printing Press had 6 units (60%) Light Engineering and Electrical and Electronics industry 5 units (50%) each, Chemical and Other 3 units (30%) each.

The reason for having Proprietorship concerns was stated to be that the business being small could be managed effectively by the owner himself. All these owners stated that if they formed Partnership firms, there was always difference of opinions amongst the partners and profits were reduced if the partners did not take individual and active interest in the business. The owners further stated that
they did not want to expand their business activities, but were satisfied at the present level of output, and profits. When enquired whether with Bank's assistance they would like to expand their business, all of them gave negative reply stating that the interest burden of the loan taken will not commensurate with the profits generated because of the interest rates.

Partnership concerns constituted the highest number 27 (54%) amongst all the units interviewed. Others had 7 units (70%) followed by Chemical industry 6 units (60%) Light Engineering and Electrical and Electronics 5 units (50%) each and Printing Press 4 units (40%).

The owners were asked about their experiences in running their business/Partnership basis that is to say whether there were any differences of opinions amongst the partners, interest taken in the business by the partners and whether they would like to convert their Partnership firms into Private Ltd. concerns.

It was observed that 1 unit in the Light Engineering and 2 units in the Chemical industry stated that there were internal quarrels among the partners on the issue of sharing of profits. The profit sharing ratio amongst the partners was required to be altered and hence all these
units were Registered ones, any change in the constitution would mean lot of inconvenience from the business point of view. The banks will also require them to execute various documents and hence they continued their business as it is. One owner of the chemical unit stated that since his other two partners did not take active interest in the business but had vested interest outside, his business suffered a severe set-back and the business unit is on the point of getting sick. The bank also does not consider sanctioning of further loans and other facilities as the Banks required the signatures of all the partners on every document executed. Hence the owner said that it is better to run the Small Scale Industrial units on Proprietorship basis instead of on Partnership basis.

Not a single owner of the Partnership concerns wanted to convert the business into Pvt. Ltd. Companies as they felt that by expanding their business further, it would become unmanageable. They said that no amount of Bank's loan will solve the internal difficulties of the units. On the contrary the interest burden will eat away major portion of their profits. Moreover, the demand for their products also may change and hence they may have heavy set back.
There was only 1 unit in the Chemical industry which was a Private Ltd. Co. This unit though is in the small scale sector has an investment of Rs.11 lakhs in the Fixed Assets (Land and buildings - Rs.9 lakhs and Plant and Machinery - Rs.2 lakhs). While this unit has borrowed from one Nationalised bank to the tune of Rs.35 lakhs for its working capital requirements. It was decided to include this unit in the present survey to bring out the fact that even the Small Scale Industrial units can do "large scale" business by enjoying the facilities granted to Small scale industries.

There was not a single unit which was under the Public Ltd. Co.

From the above, we can conclude that 27 units (54%) were in the form of Partnership firms, followed by Proprietorship Concerns 22 units (44%) and Pvt. Ltd. Concerns, 1 unit (2%). The reason for having partnership concerns was that every partner contributed some amount at least while becoming a partner and also looked after certain portion of the business activities. This helped in the smooth running of the business. The Partnership concerns also could be continued even after the death of one of the partners after dissolution of the firm and forming a new constitution. This is not possible in case of the Proprietorship concerns. When the proprietor died the business is closed down.
completely as in most of the cases the entire business is looked after by one man only. The same is the case when the proprietor is ill. In this case also, the business comes to a standstill as the business is dependent on one man only.

As compared to the Partnership concerns, the Private Ltd. Companies are better off since they have perpetuity and need not be closed down in case of death of the directors or their illness. They also have good bargaining power since the banks have more "faith" in the Companies than in the Proprietorship concerns or Partnership concerns.

(IV) CLASSIFICATION OF UNITS ACCORDING TO THEIR AGES

(Table No.4)

Table No.4 gives the classification of the units according to their ages. Out of the total of 50 units surveyed, 21 units (42%) are in the age group of 1 to 5 years, 11 units (22%) are in the age group of 5 to 10 years, 13 units (26%) are in the age group of 10 to 20 years, 2 units (4%) are in the age group of 20-40 years and 3 units (6%) are in the age group of 40-80 years.

Industrywise 2 Printing Press units (20%) and 1 (10%) Electrical and Electronics unit belonged to the age group of 40-80 years. Out of the 2 Printing Press units, 1
The chemical units numbering 7 (70%) were in the age group of 1 to 5 years. On further enquiry it was revealed that 4 chemical units had just started their business 3 years ago while the rest 3 units started their business 5 years back. The Electrical and Electronics units numbering 6 were in the age group of 1 to 5 years. 3 units were 3 years old, 2 units were 4 years old while 1 unit was 5 years old.

In the case of 5 units in Others which belonged to the age group of 1 to 5 years, 2 units were just 3 years old, another 3 units were 4 years old.

The Light Engineering units which were in the age group of 1 to 5 years were 3 in number. Out of this 1 unit was 5 years old and 2 units were 4 years old.

(V) OCCUPANCY OF LAND AND BUILDINGS CLASSIFIED (Table No.5)

22 units (44%) out of the 50 units surveyed had fully rented premises. On enquiry it was observed that the monthly rent paid for the premises ranged from anything between Rs.25/- to Rs.800/- p.m. Some old units still continue to pay the old rent fixed by the landlord when they
started their business. Hence these units had the loca-
tional and contractual advantage. While the new entrants
had to pay as high a rent as Rs. 800/- p.m. for the same area
occupied.

16 units (32%) had their own land and buildings and
were not required to pay any rent for the premises occupied.
8 units (16%) had their own building constructed on leased
land. Hence they were required to pay only a nominal rent
for the leased land.

4 units (8%) only purchased the factory sheds pro-
vided by the Maharashtra Industrial Development Corporation
or Co-operative Estate on instalment basis.

(VI) MODE OF POWER USED :- (Table No. 6)

All the 50 units surveyed used electricity for their
production purposes. 2 units (20%) in the Chemical industry
used steam in addition to electricity and another 4 units
(40%) used Diesel in addition to electricity while another
2 units (20%) used coal and electricity together and 1 unit(10
used hand operated machines in addition to electricity.

In case of others, 2 units (20%) used hand operated
machines in addition to electricity.
The Light Engineering, Electrical and Electronics and Printing Press industry fully depended on the use of electricity and did not use any other mode of power for production purposes. Hence any power failure or load shedding caused production bottleneck in these industries. When asked about the use of Diesel Generating Sets in case of power failure, all the owners stated that due to heavy investment in the initial cost of the Generating set they could not afford to buy the sets. Moreover one owner made the cost benefit analysis and showed that the cost of borrowing for buying the set would be more (by way of payment of interest and instalments) than the loss suffered as a result of stoppage in production. Also, the small units had the problem of space. Hence installing a Generating set was a problem. Secondly, the repairs, servicing and depreciation was also high. Thirdly huge amount will have to be set aside for repayment of the loan amount and periodic payment of interests. Moreover, if the frequency of power failure is small idle hours for the generating set would increase the cost of maintenance enormously.

The units when asked about whether they had approached the banks for any assistance for purchasing of Generating sets, they stated that the banks had advised them not to purchase these sets as it would bring financial strain on their
business and the benefit derived would not be commensurate with the cost involved.

(VII) NATURE OF BUSINESS CONDUCTED (-) (Table No. 7)

Table No. 7 shows the nature of business conducted by the units, i.e. whether their products are manufactured for supplies to Defence/Government establishments, for exports, as import substitutes, for supplies to Large and Medium industries or for seasonal supplies e.g. uniforms or woollen garments supplied to the Government departments or printing of invitation cards for marriages, etc. or for printing of text books and exercise books after reopening of schools and colleges.

An analysis of the figures in the table shows that 21 units (42%) supplied their products to the Large and Medium sized industries. Industrywise Light Engineering units 6 (60%) supply to Large and Medium Industries, while 5 units (50%) each in the Electrical and Electronics and Chemical industries supplied to Large and Medium sized industries. Then comes Printing Press 3 units (30%) and Others 2 units (20%)

The next major supplies are made to the Defence or Government Establishments. 18 units (36%) of the total units supply to the Defence or Government Establishments.
Industrywise, 4 units (40%) each in the Light Engineering, Electrical and Electronics and Others supplied their products to the Defence/Government Establishments. Then came the Chemical and Printing Press industries 3 units (30%) each. Then came the Seasonal Supplies. 8 units (16%) of the total units surveyed supplied their goods to the Government Departments, Schools and colleges, Hostels and hospitals.

Industrywise, 4 units (40%) each in Printing Press and Others only produced seasonal goods while the Light Engineering, Electrical and Electronics and Chemical industries did not produce any seasonal goods.

As regards exports, only 1 unit (10%) each in the Electrical and Electronics and Chemical industries produced goods meant for exports mainly (80%) while about (20%) of the remaining goods were sold in the local market or in India.

The Light Engineering, Printing Press and others did not produce any articles for exports.

1 Chemical unit (10%) only developed certain chemicals which were import substitutes. By this India could earn about Rs.30 lakhs of foreign exchange annually, it was estimated.
Average Number of workers employed:

Table No. 8 shows the Average number of workers employed by each firm in the selected industries. From the table it will be seen that Printing Press and Others employed maximum number of workers, i.e. 12 each, followed by Light Engineering industry - 8, and Electrical and Electronics and Chemical industries - 6 each.

Industrywise, the number of skilled semiskilled and unskilled workers employed by each firm show that Printing Press industry employed maximum No. of skilled workers - 5, followed by Light Engineering and Others 3 each and Electrical and Electronics and Chemical industries 2 each. The number of Semiskilled workers employed by each firm in the Light Engineering, Printing Press and Others were 3 each. Electrical and Electronics units employed 2 workers, while chemical units employed 1 semiskilled worker only.

As regards the unskilled workers 6 units in Others employed the maximum number, followed by Printing Press - 4, Chemical-3 and Light Engineering and Electrical and Electronics - 2, each.
The rates of wages paid to the different categories of workers i.e. skilled, semiskilled and unskilled vary from industry to industry. To arrive at the rates paid in general and for the purpose of comparative study the Mean is worked out by taking the Minimum and Maximum wages paid and dividing the total by two. Table No. 9 shows the details of wages paid to different categories of workers in different industries. From the table it can be seen that the skilled workers are paid Minimum Wages per day per worker at the rate of Rs. 10.0 in the Chemical industry while the maximum rate is paid by the Electrical and Electronics industry which is Rs. 37.0.

Printing Press and Others pay Rs. 7.0 each as Minimum Wages to the Semiskilled workers while Light Engineering Industry pays Rs. 25/- as the maximum wages. The unskilled workers are paid at the minimum rates of Rs. 5.0 by the Electrical and Electronics industry, while the Chemical industry pays Rs. 18.0 as the maximum rates.

If we compare the Mean values taking all industries together, we find that Electrical and Electronics Industry pay the maximum i.e. Rs. 26.00 while the Printing Press industry pays the least Rs. 19.00, to the skilled workers.
The Printing Press Industry pays the least - Rs.12.00 in case of Semi-skilled workers, while Light Engineering Industry pays the highest - Rs.18.50.

As regards the unskilled workers, Printing Press pays the lowest - Rs.8.00 while the Chemical Industry pays the highest - Rs.13.00.

(X) REGISTRATION OF UNITS UNDER VARIOUS GOVERNMENT BODIES, INSTITUTIONS AND ASSOCIATIONS : (Table No.10)

Table No.10 shows the details of the various Government Bodies, Institutions and Associations with whom the units under survey are registered.

It will be seen from the Table that 47 units were registered with the District Industries Centre giving a percentage of 94% while only 3 units (6%) did not register themselves with the District Industries Centre.

46 units (92%) of the total units had registered themselves with the Municipal Corporations/Council, while 4 units did not have registration. Out of these 4 units 3 units (1 unit in Electrical & Electronics, 1 unit in Chemical and 1 unit in Others) were out of limits of the Corporation/Councils and one unit in Others did not get registration in spite of best efforts though it has started functioning its activities and is carrying on
business. On enquiry it was found that the owner had some dispute with the Registering Authorities which has led to this situation.

14 units (28%) of the total of 50 units were registered under the Factories Act while 36 units (72%) had registered themselves under the Shop Act.

27 Units (54%) of the total of 50 units surveyed were members of the Mahratta Chamber of Commerce and Industries, Pune.

11 units (22%) of the 50 units surveyed, were members of other Trade Associations etc. related to the Small Scale Industries.

(XI) PARTICULARS OF RAW MATERIALS PURCHASED FROM VARIOUS SOURCES : (Table No.11)

Table No.11 shows the particulars of Raw Materials purchased from various sources, i.e. Indigenous, Imported, Controlled items or Supplied by the clients.

From the table it is observed that one unit may be using any one source or more than one source for procuring Raw Materials.

Out of the total of 50 units surveyed, 29 units (58%) bought the Raw materials from the open market. Only 1 unit (2%) depended solely on the Imported materials,
1 unit (2%) bought the Raw Materials through District Industries Centre. 4 units (8%) got the Raw Materials from their clients. 9 units (18%) of the total units bought Raw Materials from the open market as also used imported goods. 2 units (4%) bought the Raw Materials from the open market and also through the District Industries Centre. 3 units (6%) bought from open market as also the Raw Materials were supplied by their clients. Only 1 unit (2%) in the Printing Industry purchased imported raw materials as well as the clients supplied them the raw materials.

Industrywise it is seen that in case of Others 9 units (90%) purchased raw materials from the open market, followed by the Chemical Industry, 7 units (70%), Electrical and Electronics industry 6 units (60%), Light Engineering industry 5 units (50%) and Printing Press 2 units (20%). Thus Others 9 units (90%) depended much on the raw materials bought from the open market while Printing Press Industry depended the least 2 units (20%) only.

Out of the total of 50 units surveyed, there was only 1 unit (10%) in the Electrical and Electronics industry which depended solely on the imported raw material for its products.
Also, only 1 unit (10%) in the Light Engineering Industry bought raw materials through the District Industries Centre. The reasons stated by the units for not getting their raw materials through District Industries Centre is that the District Industries Centre never supplies raw materials as per the requirements and also in time. Moreover, bulk purchases are required to be made which causes storage problems as well as blocking up of funds. Another fact brought to my notice, while conducting the survey was that the units complained that the District Industries Centre supplied raw materials to many "Ghost" units which bought the raw materials at controlled prices fixed by the Government and sold them in the black market to the better placed units at higher prices. This is a known fact and even the District Industries Centre knows of it. It is surprising to note that even though everyone knows of this fact, nothing has been done to improve this situation.

Only 1 unit (10%) in the Light Engineering Industry and 3 units (30%) in the Printing Press Industry stated that the raw materials were supplied by their clients entirely and they did not purchase any raw materials from the open market.

3 units (30%) of the Electrical and Electronics units, 3 units (30%) of the Chemical units, 2 units
(20%) of the Printing Press units and 1 unit (10%) of the Others purchased the raw materials from the open market as well as imported some of the raw materials required.

Only 2 units (20%) in the Light Engineering Industry bought the raw materials from the open market and also through the District Industries Centre.

1 unit (10%) in the Light Engineering Industry and 2 units (20%) in the Printing Press Industry bought the raw materials from the open market and also the raw materials are supplied by their clients.

There was only 1 unit (10%) in the Printing Press Industry which imported the raw materials like paper and some raw materials like colours, ink and others were supplied by the clients.

(XII) SOURCES THROUGH WHICH PRODUCTS ARE SOLD : (Table No.12)

Table No.12 shows the sources through which the products are sold by the units.

From the Table, it is seen that 21 units (42%) of the total units surveyed sell their products directly to the customers. 5 units (10%) sell to the retailers, 3 units (6%) to the wholesalers, 3 units (6%) to the Government Departments, 1 unit (2%) to own dealers and
1 unit (2%) to the Export Agency. The remaining 16 units (32%) sell their products through one or more sources.

Industrywise we find that the 8 units (80%) of the Light Engineering Industry sell their products directly to the customers. Hence they have to find out their own customers. The reason for selling directly to customers is that mostly they do job work of the medium and big industries to whom they sell their products. Therefore, the question of selling products to wholesalers and retailers does not arise. This has been the cause for receiving delayed payments from their suppliers. If they sell to the wholesalers or to the retailers, these units can get immediate money and even can get better price for their products by manipulating the prices. But since the products are not standardised and mass production is not possible, this facility cannot be availed of.

The Electrical and Electronics Industry sells its products through the various sources and only 2 units (20%) sell their products directly to the customers. Since they sell their products through the various sources and dealers, they do not face the problem of receiving the delayed payments as is faced by the units who sell their products direct to the customers.
The Chemical Industry also depends much on the customers directly and 6 units (60%) sell their products to the customers directly, while the remain 4 units (40%) sell their products through various agencies and sources.

Only 2 units (20%) in case of Printing Press Industry sell their products directly to the customers, while 6 units (60%) sell their products through various sources and agencies and 2 units (20%) to the Government Departments.

The Others who sell their products directly to customers constitute 3 units (30%) and the remaining 7 units (70%) sell through different sources.

(XIII) MARKETS WHERE PRODUCTS ARE SOLD : (Table No.13)

Table No.13 shows the markets where the units sell their products. From the table it is seen that 25 units (50%) of the total of 50 units surveyed sell their products locally. 9 units (18%) sell their products locally as well as in the State of Maharashtra. 7 units (14%) sell in the State only. 5 units (50%) sell their products in the State as also in whole of India. 1 unit (2%) sells the products locally as well as in whole of India. 1 unit (2%) sells the products in India and also outside India and 1 unit (2%) sells its products locally, in the State as well as in the whole of India. There is only 1 unit (2%) which sells in the whole of India.
From the above, it can be observed that 50% of the units sell their products locally, hence the sales realisation should not have any problems as is felt apparently. But on enquiry from the units it is seen that the units get more prompt payments from the outsiders as compared with those from the local clients. The reason being that outsiders (out of Pune) in order to maintain their reputation and for keeping good business relations for future supplies make prompt payments. While the local clients who know the owners of the Small Scale Industrial units and their business in and out take advantage of the situation of the Small Scale Industrial units. Owing to the weak follow-up systems by these units payments are delayed by the customers.

The Small Scale Industrial units now prefer to sell their products outside instead of locally for getting prompt payments. The second reason is that the local market is restricted, while the outside market is wide and hence more sales can be made.

If we compare the situation industrywise, we find that in the Light Engineering industry, 9 units (90%) sell their products locally, while only 2 units (20%) of the Electrical and Electronics units sell their products locally. Hence Light Engineering units cannot have wide
market and have to depend on the local market only. The 
reason being that they mainly supply to the medium and big 
industries of Pune and depend on them solely. Therefore, 
Light Engineering units are the worst sufferers as regards 
payments of their bills.

(XIV) CREDIT POLICY OF THE SMALL SCALE UNITS :-(Table No.14)

Table No.14 shows the No.of days for which credit 
is given by the customers to the Small Scale Industrial 
units. From the table it is seen that the customers (for 
purchase of raw materials, consumables and sundries) demand 
 immediate payment in case of 1 unit (10%) in the chemical 
 industry and 1 unit (10%) in case of Printing Press. Thus out of 
50 units surveyed only 2 units (4%) have to make immediate 
payments to the suppliers.

26 units (52%) have to make payment within 30 days 
from the date of purchases made, out of the total of 50 
units, followed by 12 units (24%) within 30-45 days, 8 units 
(16%) within 45-60 days, and 2 units (4%) within 60-90 days. 
No unit is granted credit period over 90 days.

The units have therefore to make payments to the 
suppliers within the stipulated time period otherwise they 
have to pay penalty by way of certain percentage for the 
No. of days delayed.
The units complained that this situation is not considered by the banks which results into either losing the suppliers or paying penal amount everytime. The banks sometimes flatly refuse to consider any further withdrawals from their working capital amounts if the limits are fully utilized even for a short period resulting into the longrun loss to these Small Scale Industrial units. And once the reputation of the Small Scale Industrial units is lost, it becomes difficult for them to secure the raw materials, etc. which implies tending towards sickness by these units.

The banks plea was that the units should also have more bargaining power and convince the suppliers for more No. of credit days to tide over the situation. Also, banks cannot afford to allow the units to overdraw their accounts everytime. The banks do generally allow such temporary overdrawings in the working capital accounts. But it has become a practice and in some cases a regular feature to allow them excess drawings everytime. This should be discouraged.

Industrywise, it is seen that in case of Others 8 units (80%), 6 units (60%) in Electrical and Electronics industry, 5 units (50%) each in case of Light Engineering and Chemical industries and 2 units (20%) in case of Printing Press industry have to make payment within 30 days from the date of purchase of raw materials, consumables and other sundry purchases.
This shows that the units have to make necessary arrangements for making payment of the bills, within 30 days while they receive payments from the customers which range anything between 30 days to over a year, in certain cases.

4 units (40%) in the Printing Press Industry, 3 units (30%) in Electrical and Electronics Industry, 2 units (20%) each in the Light Engineering and Others and 1 unit (10%) in the Chemical Industry have to make payments within 30-45 days from the date of purchases made.

3 units (30%) each in the Chemical and Printing Press Industry and 2 units (20%) in the Light Engineering Industry have to make payment within 45-60 days from the date of purchases.

1 unit (10%) each in the Light Engineering and Electrical and Electronics industry have to make payment within 60-90 days from the date of purchases.

From the above, it is observed that the suppliers do not allow the Small Scale Industrial units more than 90 days credit period and the units find it very difficult to arrange for payments.
CAPITAL STRUCTURE:

Under this head it is proposed to furnish and analyse certain information such as (a) Units classified according to Total Capital employed, (Working Capital and Term loans), (b) Various types of credit facilities availed of by each unit in the five industries from the Nationalised Banks and (c) Capital employed per worker as given in table Nos. 15, 16 and 17.

Working Capital:

The volume of working capital (W/C) of the sample small scale units varied from one industry to another. The analysis given in Table No.15 reveals that Working Capital required for different industries shows marked variations on account of varying operating costs. These variations occur not only due to the differences in prices of raw materials but also due to the purchase and policies of the stocking inventories and varying degree of liquidity prevailing in different units.

It was observed in certain cases that the requirement of working capital is high since the units keep huge quantities of Raw Materials and stocks which seems to be in short supply or are likely to be so.
It was also observed that the different sizes of the stocks of finished goods produced, had an impact on the marketing of the goods. This factor therefore, influenced the volume of working capital of the Small Scale Industrial units.

**COMPOSITION OF WORKING CAPITAL :-**

The working capital of the units comprised of Stock of Raw Materials, Fuels, Finished goods and Semi-finished goods, Cash in hand and at bank and Amount receivable less amount payable.

The composition of Working Capital of the Small Scale Industrial units under survey is given below :-
## Composition of Working Capital of the Units During the Period of Survey

<table>
<thead>
<tr>
<th>Industry</th>
<th>Raw Material</th>
<th>Electricity and Fuels</th>
<th>Finished &amp; Semi-Finished Goods</th>
<th>Cash in hand and at Bank</th>
<th>Amount Receivable less Amount payable</th>
<th>Total Working Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Light Engineering</td>
<td>74,000</td>
<td>13,600</td>
<td>49,000</td>
<td>13,500</td>
<td>1,09,900</td>
<td>2,60,000</td>
</tr>
<tr>
<td>Electrical &amp; Electronics</td>
<td>5,37,000</td>
<td>15,000</td>
<td>53,000</td>
<td>1,25,000</td>
<td>2,75,000</td>
<td>10,05,000</td>
</tr>
<tr>
<td>Chemicals</td>
<td>35,00,000</td>
<td>22,000</td>
<td>5,25,000</td>
<td>2,73,000</td>
<td>10,41,000</td>
<td>53,62,000</td>
</tr>
<tr>
<td>Printing Press</td>
<td>27,000</td>
<td>15,000</td>
<td>45,000</td>
<td>1,13,000</td>
<td>25,000</td>
<td>2,25,000</td>
</tr>
<tr>
<td>Others</td>
<td>5,16,000</td>
<td>12,000</td>
<td>1,18,000</td>
<td>93,000</td>
<td>1,96,000</td>
<td>9,35,000</td>
</tr>
<tr>
<td>All Total</td>
<td>46,54,000</td>
<td>78,600</td>
<td>7,90,000</td>
<td>6,17,500</td>
<td>16,46,900</td>
<td>77,87,000</td>
</tr>
</tbody>
</table>
It is seen from the above table that the cash in hand and at bank of all the units taken together in only Rs.6,17,500/- (Average cash per unit is Rs.12,350/-) as compared to the net Amount Receivables which is Rs.16,46,900/- (Average amount receivable per unit is Rs.32,938/-) this means that the liquidity position of the units is very low and hence their demand for borrowing more working capital is justified to certain extent.

(a) UNITS CLASSIFIED ACCORDING TO TOTAL CAPITAL EMPLOYED (WORKING CAPITAL PLUS TERM LOANS) FROM BANKS' FINANCE:

Table No. 16 shows the particulars of working capital and term loans obtained from Banks' finance.

From the table it is seen that 10 units (20%) taken together out of the total of 50 units surveyed avail loan upto Rs.25,000/- only. 8 units (16%) avail loans between Rs.25,000/- and Rs.50,000/-. Another 8 units (16%) avail loans between Rs.50,000/- and Rs.75,000/-, while another 8 units (16%) avail loans between Rs.75,000/- and Rs.1,00,000/-, 2 units (4%) avail loans between Rs.1,00,000 and Rs.1,50,000/-. 5 units (10%) avail loans between Rs.1,50,000/- and Rs.2,00,000/-. There was not a single unit which availed loan between Rs.2,00,000 and Rs.2,50,000/-. 1 unit (2%) avails loans between Rs.2,50,000/- and Rs.3,00,000/-.
Another 2 units (4%) avail loans between Rs.3,00,000 and Rs.3,50,000/- 1 unit (2%) avails loans between Rs.3,50,000/- and Rs.4,00,000/-. There was not a single unit which availed loan between Rs.4,00,000/- and Rs.4,50,000/- and between Rs.4,50,000/- and Rs.5,00,000/-. There were 4 units (8%) which avail loans between Rs.5,00,000/- and Rs10,00,000/-. Only 1 unit (2%) avails loans above Rs.10,00,000/-.  

Industrywise, 2 Light Engineering units availed loans from banks upto Rs.25,000/- minimum and Rs.2,00,000/- maximum. Electrical and Electronics units availed loans between Rs.25,000/- and Rs.2,00,000/- minimum and only 1 unit availed loans between Rs.5,00,000/- and Rs.10,00,000/- maximum. One Chemical unit availed loans between Rs.25,000/- and Rs.50,000/- which is minimum and another unit availed loans above Rs.10,00,000/- which is maximum. In case of Printing Press industry 4 units availed loans upto Rs.25,000/- minimum and 1 unit availed loans between Rs.5,00,000 and Rs.10,00,000/- maximum. 3 units in the case of Others availed loans upto Rs.25,000/- minimum while 1 unit availed loans between Rs.2,50,000/- and Rs.3,00,000/- which is maximum.
<table>
<thead>
<tr>
<th>Industry</th>
<th>Working Capital</th>
<th>Term Loans</th>
<th>Total Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Light Engineering</td>
<td>2,60,000</td>
<td>3,14,000</td>
<td>5,74,000</td>
</tr>
<tr>
<td>Electrical and Electronics</td>
<td>10,05,000</td>
<td>4,34,000</td>
<td>14,39,000</td>
</tr>
<tr>
<td>Chemical</td>
<td>53,62,000</td>
<td>21,22,500</td>
<td>74,84,500</td>
</tr>
<tr>
<td>Printing Press</td>
<td>2,25,000</td>
<td>9,25,000</td>
<td>11,50,000</td>
</tr>
<tr>
<td>Others</td>
<td>9,35,000</td>
<td>1,50,000</td>
<td>10,85,000</td>
</tr>
<tr>
<td>All Total</td>
<td>77,87,000</td>
<td>39,45,500</td>
<td>1,17,32,500</td>
</tr>
</tbody>
</table>

From the above table, it can be seen that the Printing Press industry avails the minimum amount of working capital (Rs.2,25,000/-) while Chemical industry avails the maximum amount of working capital (Rs.53,62,000/-), while Electrical and Electronics and Others require nearly the same amount of Working Capital i.e. Rs.10,05,000/- and Rs.9,35,000/- respectively.

As regards the term loans, Others avail the least amount of Term loans (Rs.1,50,000/-) while chemical industry avails the maximum Rs.21,22,500/-. Printing Press industry
avails (Rs.9,25,000/-) which is more than Light Engineering and Electrical and Electronics industries which avail Rs.3,14,000/- and Rs.4,34,000/- respectively.

(b) **VARIous TYPES OF CREDIT FACILITIES AVAILED OF BY EACH UNIT IN THE FIVE INDUSTRIES FROM THE NATIONALISED BANKS** :-

Table No.16 shows the details of various types of credit facilities availed (Average Amounts) by each unit in the five industries from the Nationalised Banks, i.e. Term loans and working capital.

From the table it is seen that Chemical industry has availed the maximum amount of Term loans (Average) - Rs.2,12,250/- per unit while the minimum amount availed per unit is Rs.15,000/- (Average) in case of Others.

The Working Capital per unit (Average) is maximum in case of Chemical industry - Rs.5,36,200/- while it is minimum in case of Printing industry i.e. Rs.22,500/-.

The ratio of Average Term Loans to Average Total limits per unit expressed percentagewise is highest in case of Printing industry i.e. 80.4%, while it is lowest in case of Chemical units which is 28.4%.
The ratio of Average Working Capital to Average total limits per unit (percentagewise) is the highest in case of Others 86.2% and lowest in case of Printing Press 19.6%.
## Analysis of Fixed Capital

<table>
<thead>
<tr>
<th>Industry</th>
<th>Land &amp; Buildings (Rs.)</th>
<th>Plant &amp; Machinery (Rs.)</th>
<th>Loose Tools &amp; Equipments (Rs.)</th>
<th>Office Furniture &amp; Fittings (Rs.)</th>
<th>Vehicles (Rs.)</th>
<th>T O T A L (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Light Engineering</td>
<td>65,000</td>
<td>2,15,000</td>
<td>13,000</td>
<td>9,000</td>
<td>12,000</td>
<td>3,14,000</td>
</tr>
<tr>
<td>Electrical &amp; Electronics</td>
<td>93,000</td>
<td>2,84,000</td>
<td>8,000</td>
<td>23,000</td>
<td>26,000</td>
<td>4,34,000</td>
</tr>
<tr>
<td>Chemicals</td>
<td>2,16,000</td>
<td>16,58,500</td>
<td>94,000</td>
<td>86,000</td>
<td>68,000</td>
<td>21,22,500</td>
</tr>
<tr>
<td>Printing Press</td>
<td>1,79,000</td>
<td>6,63,000</td>
<td>46,600</td>
<td>19,900</td>
<td>16,500</td>
<td>9,25,000</td>
</tr>
<tr>
<td>Others</td>
<td>41,500</td>
<td>89,000</td>
<td>2,500</td>
<td>6,000</td>
<td>11,000</td>
<td>1,50,000</td>
</tr>
<tr>
<td>All Total</td>
<td>5,94,500</td>
<td>29,09,500</td>
<td>1,64,100</td>
<td>1,55,900</td>
<td>1,21,500</td>
<td>39,45,500</td>
</tr>
</tbody>
</table>

Note: All values of Assets taken at original cost.
From the above data it can be seen that the highest amount is invested in Plant and Machinery which is Rs. 29,09,500/- for all the units taken together, followed by Land and Building Rs.5,94,500/-, loose tools Rs.1,64,100/-, office furniture Rs.1,55,900/- and vehicles Rs.1,21,500/-. 

Industrywise, the highest amount invested in Plant and Machinery is by the Chemical industry Rs.16,58,500/- followed by Printing Press industry Rs.6,63,000/- Electrical and Electronics Rs.2,84,000/-, Light Engineering Rs.2,15,000/- and others Rs.89,000/-.

The Chemical industry also has investment in land and building to the extent of Rs.2,16,000/- which is the highest while others have invested in land and building to the extent of Rs.41,500/- only which is the lowest. Next to Chemical industry is the Printing Press industry which has an investment of Rs.1,79,000/- followed by Electrical and Electronics industry Rs.93,000/- and Light Engineering industry Rs.65,000/-.

Again, Chemical industry has the highest investment in loose tools and equipments which is Rs.94,000/- followed by Printing Press industry Rs.46,600/-, Light Engineering Rs.13,000/-, Electrical and Electronics Rs.8,000/- and Others Rs.2,500/-.
In case of office furniture and fittings again Chemical industry has highest investment Rs.86,000/- while Others have the least Rs.6,000/-. Next to Chemical industry is the Electrical and Electronics industry which has an investment of Rs.23,000/-, followed by Printing Press industry Rs.19,900/- and Light Engineering industry Rs.9,000/-. Also, the investment in vehicles is the highest in case of Chemical industry Rs.68,000/- followed by Electrical and Electronics industry Rs.26,000/-, Printing Press industry Rs.16,500/- Light Engineering industry Rs.12,000/- and Others Rs.11,000/-. Thus from the above findings about the Capital structure of the units it is found that Chemical industry has heavy investment as regards fixed capital as well as working capital. The vast variation is due to one chemical unit which has investment in total fixed capital to the tune of Rs.11 lakhs and working capital to the tune of Rs.35 lakhs alone. Since this unit was under the Small Scale Industry sector and satisfied all the eligibility criteria, for selection of the units for the survey, this unit was included in the survey.
(c) **CAPITAL EMPLOYED PER WORKER**

Table No. 17 shows the amount of capital employed per worker in each industry.

From the table we see that Chemical industry has the maximum amount of capital employed per worker which is Rs. 1,13,402/- while Light Engineering industry has the least amount which is Rs. 7,455/- only. The next industry whose capital employed per worker is more is the Electrical and Electronics industry (Rs. 23,983/-) followed by Printing Press industry (Rs. 9,746/-) and Others (Rs. 9,042/-).

Taking all industries together the average capital employed per worker comes to Rs. 26,604/-. 

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