CHAPTER SIX

A STUDY OF THE ORGANISATION

Introduction:

The outstanding feature of the Small Scale Industry is the personal character of its organisation and management in contrast to the predominantly impersonal management of large industries.

Small industrial units are, by and large, started by persons who value independence and are desirous of obtaining the highest rewards for their initiative, technical skill and experience in a competitive market. The owner of a small industry values his undertaking for the job satisfaction it provides to him as well as for any return it may receive on his invested capital. In many small units, therefore, the proprietor is himself the manager, technical man and financier. In others, the promoter may admit a partner who contributes a part of the initial capital or provides technical assistance in the beginning for a new line of manufacture. Generally, therefore, the sector of Small Scale Industry consists of units in which the form of management is predominantly proprietory or partnership. Though, the number of private limited companies are also quite large, their percentage to total number is relatively small. In these small units the officer-owners i.e. only the owners, work in their plants and also sell their product themselves.
Small scale industries are predominantly proprietary or partnership establishments and their number in the corporate sector is smaller. In such circumstances, owned resources of the proprietors/partners being inadequate, initial capital is just sufficient to give a start to the venture. Because of their particular status, they cannot enter the market to raise capital and as such they start with a narrow base which, in general, continues to be weak. In view of the limited field in which they operate and with meagre capital at their command, their rate of profitability is low. They have very little reserves which they could reinvest. Want of adequate security generally inhibits the flow of institutional finance to the small sector. Hence, whenever, a small unit reaches a particular capacity of production, or wants to add more products etc. it becomes difficult for the unit to raise the resources. This phenomenon results in the change in their form of organisation also. Proprietor admits a partner. Partners later seek additional capital from private sources and change over to private limited form of organisation - with every stage of development. The next important factor is the traditional thinking of entrepreneurs. The outcome of this thinking in stages is arrange finance, produce the product and then sell the product. There is a large number of small units owning the latest plants and equipment, but the number that can boast of modern marketing
organisation is small. The attitude seems to be - to avoid expenditure on market research, sales or advertising, when the entire production can be sold without trouble in a sheltered market and when, there is trouble, managements think of cutting price etc. In non-competitive industries the tendency is to be content with the present size of the cake, when profits accumulate, they are diverted elsewhere. Inadequate attempt is made at enlarging the capacity to the benefit of both the investor and society. This will indicate, in short, that the importance of examining and analysing markets, collection of market intelligence has not been the factor of unawareness to sustain its growth and development in competitive conditions.

This chapter proposes to examine and analyse the forms of organisation. Their capital structure and their efforts in collecting and analysing marketing intelligence of the small industrial units under study against the above background.

(A) ENGINEERING : (43 Units)

Let us first examine the units manufacturing their independent products. There were in all 19 units of this kind out of a total of 43 units.

(1) Material Handling Equipments

This unit manufacturing various types of material handling equipments had a proprietary constitution. The unit was established in the year 1968. The capital investment made was less than Rs. 1.00 lakh.
(2) **Hydraulic Pumps**

This unit manufactured hydraulic pumps in various sizes/capacities required by bigger units. The designs of these pumps were first developed as per the specifications prescribed by them. This unit was established in the year 1970. The unit had a partnership form and had initial capital investment of Rs. 0.30 lakh.

(3) **Cycle parts**

This unit manufactured cycle parts as its principle product. The unit supplied cycle parts to a big cycle manufacturer in the country. Pneumatic couplings, a new product developed, was under a final testing stage. The unit had partnership form of organisation and was established in the year 1966. It had the capital investment of Rs. 1.75 lakhs.

(4) **Material Handling Equipments**

The unit manufactured trollies which were supplied to oil engine manufacturers both in the region and in the State. The unit was established in the year 1968 and had adopted partnership form of organisation. The capital investment made was Rs. 1.50 lakhs.

(5) **Machinery**

This unit manufactured specialised machinery, its spares and machine accessories required mainly by bigger engineering units. The unit was established in the year 1966 and had partnership form of organisation. The capital investment of the unit was to the tune of Rs. 1.61 lakhs.
(6) **Gear Boxes**

Formerly three independent units were run, manufacturing allied products. In the year 1965, these 3 units got amalgamated and formed a Private Limited Concern. This private limited unit therefore, had an existence of more than 5 years from the base year (1971). The amalgamated capital of the unit was to the tune of Rs. 7.00 lakhs.

(7) **Valve guides**

This unit manufactured valve guides. It was established in the year 1968 and had partnership form of organisation. The unit had a capital base of Rs. 0.38 lakh.

(8) **Resistance Welding Machines**

This unit was established in the year 1968. The proprietor of the unit had developed import substitute products viz. resistance welding machines and a few more machines and received very good response from the consumers. The unit had its initial capital base of Rs. 0.32 lakh.

(9) **Motors**

This unit was established in the year 1960. It manufactured motors and mono-block pumps and had the proprietary form of organisation. The unit had a capital base of Rs. 1.30 lakhs.

(10) **Turbine Pumps**

This unit also developed 2 to 3 import substituted products (i.e. circulating water pumps, sea water pumps etc.) of which turbine pumps was the main product fully developed and had a ready market in the industry and with Government bodies.
These developments were done by the proprietor. The unit was established in the year 1966. The unit had its capital base of Rs. 2.13 lakhs.

(11) **Industrial Safety Gloves**

This product also was an import substitute and had a continuous demand from the industrial sector. Industrial gloves of various types required by different industries were manufactured by the unit. It was established in the year 1966 and had a partnership form of organisation. The unit had a capital base of Rs. 1.61 lakhs.

(12) **Crank Shafts**

Crank shafts of various sizes and specifications were manufactured by the Proprietor of the unit since the year 1965. The unit had its capital base to the tune of Rs. 1.84 lakhs.

(13) **Material Handling Equipments**

This unit was established in the year 1970. Both the partners were formerly serving with a bigger unit manufacturing similar products, left their jobs and formed a partnership organisation with a capital base of Rs. 0.20 lakh.

(14) **Motor Cycle Accessories**

The former agency of similar products went into manufacturing some of the products handled by them in the year 1965. The unit had a capital base of Rs. 2.00 lakhs and had the proprietary form of organisation.

(15) **Dynamometers**

This unit came into existence in the year 1959 and had
proprietary form of organisation. The unit had a capital base of Rs. 2.10 lakhs.

(16) **Agricultural Pumps**

This product, manufactured by the unit, had a heavy demand, especially from the Agricultural Sector. The unit had partnership form of organisation and had a capital base of Rs. 1.00 lakh. It was established in the year 1968.

(17) **Precision Gauges**

This unit which was established in the year 1965 manufactured measuring precision gauges such as vernier callipers which formed an import substitute product. The unit had a Private Limited form of organisation and had a capital base of Rs. 4.50 lakhs.

(18) **Rolling Shutters**

This unit with partnership form had been selling rolling shutters since the year 1955 onwards till todate in all India market. It also manufactured engineering structures required in various erection purposes, and had a capital base of Rs. 4.29 lakhs.

(19) **Agricultural Implements**

Products manufactured by this unit had a mass demand, especially from the Agricultural Sector. It came into market from the year 1955 and had adopted partnership form of organisation. It had a capital base of Rs. 0.80 lakh.

Now, let us examine remaining units manufacturing only job-work.
(1) This unit manufactured spares. The unit was having proprietary form of organisation and was in existence since 1965. The capital base of the unit was Rs. 1.06 lakhs.

(2) This unit also manufactured spares, but was having partnership form of organisation and was in existence since 1964. The unit was having a capital base of Rs. 0.60 lakh.

(3) This unit manufactured industrial components on behalf of one big tool manufacturer. He also undertook other job work. The unit had partnership form and the existence of more than 5 years (1965) and had a capital base of Rs. 0.63 lakh.

(4) This unit manufactured spares with proprietary form of organisation. The unit had been in the line of products since 1965 and had a capital base of Rs. 0.27 lakh.

(5) This unit also manufactured spares. The unit had partnership form of organisation and was established in the year 1963. The unit had a capital base of Rs. 0.25 lakh.

(6) This unit manufactured allen caps on behalf of two big units. The unit had adopted proprietorship form and was established in the year 1965 and had a capital base of Rs. 0.46 lakh.

(7) This unit manufactured all kinds of job work on behalf of number of medium and big units with partnership form of organisation. The unit was established in the year 1968 and had a capital base of Rs. 0.35 lakh.
(8) This unit also manufactured job work and had adopted form of partnership organisation. The unit was established in the year 1965 and had a capital base of Rs. 0.11 lakh.

(9) This unit manufactured engineering spares required by three big units. The unit was run by a proprietor since 1965. The unit had a very small capital base of Rs. 0.045 lakh and also a smaller scale of operation comparatively.

(10) This unit manufactured components and had partnership form of organisation. The unit was established in the year 1965. The unit had initial capital base of Rs. 0.89 lakh.

(11) This unit also manufactured components with partnership form of organisation. The unit was established in the year 1965 and had a capital base of Rs. 1.30 lakhs.

(12) This unit manufactured spares with proprietary form of organisation. The unit was established in the year 1961 and had comparatively larger capital base of Rs. 4.00 lakhs.

(13) This unit manufactured spares with proprietary form of organisation and was established in the year 1965. The unit had a comparatively smaller capital base of Rs. 0.15 lakh.

(14) This unit also manufactured engineering spares and had a proprietary form of organisation. The unit was established in the year 1965. It had a capital base of Rs. 0.60 lakh.
(15) This unit manufactured industrial components on behalf of a big unit manufacturing oil engines. It was having a partnership form of organisation and was in existence for quite a long time (1961). The unit was having a capital base of Rs. 1.45 lakhs.

(16) This unit manufactured job-work and had a proprietary form of organisation. The unit was established in the year 1965, and had a capital base of Rs. 0.25 lakh.

(17) This unit did structural job work on behalf of industries as well as Government Bodies. The unit was established in the year 1952 and had a capital base of Rs. 0.70 lakh.

(18) This unit was established in 1965 with a capital base of Rs. 1.40 lakhs and had a proprietary form of organisation, manufacturing job-work.

(19) This unit manufactured job work. The unit had adopted a partnership form of organisation. The unit was established in the year 1968 and had a capital base of Rs. 0.10 lakh.

(20) This unit also, manufacturing job work, was run by a proprietor. He established the unit in the year 1963 with a capital base of Rs. 0.35 lakh.

(21) This unit also manufactured job-work. The unit had a proprietary form. The unit was in existence since 1969 and had a capital base of Rs. 0.60 lakh.
(22) This unit manufactured components and had adopted partnership form of organisation. The unit existed since the year 1969 with a capital base of Rs. 0.70 lakhs.

(23) This unit manufactured components, with proprietary form of organisation and was established in the year 1963. The unit had a capital base of Rs. 1.00 lakh.

(24) This unit also manufactured industrial components and was established in the year 1971. The unit had a proprietary form of organisation and had a capital base of Rs. 0.16 lakh.

Summary

Table 28-A: Forms of Organisation

<table>
<thead>
<tr>
<th>Units manufacturing</th>
<th>Proprietary</th>
<th>Partnership</th>
<th>Private Ltd.</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent products</td>
<td>7</td>
<td>10</td>
<td>2</td>
<td>19</td>
</tr>
<tr>
<td>Job-works</td>
<td>14</td>
<td>10</td>
<td>-</td>
<td>24</td>
</tr>
<tr>
<td>Total Units</td>
<td>21</td>
<td>20</td>
<td>2</td>
<td>43</td>
</tr>
</tbody>
</table>

Partnerships and Private Ltd. forms of organisation predominated in the units manufacturing independent products. The possible factors causing this formation could have been as under:

(1) Requirement of higher capital investments due to sophisticated technology and skilled man-power.
(2) Larger coverage of markets with multiple openings for the products cover greater market risks.

(3) Greater spendings on promoting the products to overcome the severe competition.

(4) Higher investment required to keep adequate inventory of raw materials to maintain the continuity of production.

However, units manufacturing job-works on ancillary basis had more proprietorship units. The obvious reasons were limited capacities, localised markets (mainly one or two bigger units) and hence the smaller investments. Nevertheless, units changed their forms of organisation whenever it was found necessary for them to bring in additional funds due to reasons like rising prices of raw materials, building of inventories due to shortages or even the addition of more products or expansion. But compared to the units manufacturing independent products, the capital investments, market coverage etc. had limitations in these units.

However, both proprietorship and partnership forms of organisations were uniformly distributed in the engineering industry as a whole.

Units manufacturing independent products were evenly spread over within the period of 3 years and the period of 5 or more years from the base year (17 units). Only two units had the period of existence of within one year from the base
Table 29-A: Period of Existence (Base year 1971)

<table>
<thead>
<tr>
<th>Units manufacturing</th>
<th>Within 1 year</th>
<th>Within 3 years</th>
<th>Within 5 years</th>
<th>More than 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent products</td>
<td>2</td>
<td>5</td>
<td>4</td>
<td>8</td>
<td>19</td>
</tr>
<tr>
<td>Job-works</td>
<td>2</td>
<td>7</td>
<td>1</td>
<td>16</td>
<td>24</td>
</tr>
<tr>
<td>Total Units</td>
<td>2</td>
<td>12</td>
<td>5</td>
<td>24</td>
<td>43</td>
</tr>
</tbody>
</table>

year. As against this, the major bulk of units from job-work manufacturing had the period of existence of more than 5 years (16 units). Hardly 7 units had the period of existence of 3 years and there was not a single unit having an existence of within one year’s period from the base year (1971).

More than half of the engineering units, therefore, had an average age of more than 5 years from the base year (1971) (24 units). The next bulk of 17 units were established between a period of 3 years and 5 years from the base year (1971), indicating a slow addition of units within this period. The addition of units had further slowed down near about the period of base year (1971). A clearer idea of this slow addition of units during the year could be gathered from the following statistics.
Yearwise profile of units

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Units manufacturing</td>
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<td></td>
</tr>
<tr>
<td>Independent products</td>
<td>5</td>
<td>3</td>
<td>4</td>
<td>-</td>
<td>5</td>
<td>-</td>
<td>2</td>
<td>19</td>
</tr>
<tr>
<td>Job-work</td>
<td>7</td>
<td>10</td>
<td>-</td>
<td>1</td>
<td>4</td>
<td>2</td>
<td>-</td>
<td>24</td>
</tr>
</tbody>
</table>

The formation of new units has been declining since the year 1966 and had considerably slowed down in the year 1970. This observation, moreover, falls in line with what we observed in Table No. 24. The reasons for this decline in the number of units could have been as under:

1. The existing demand for job-work manufacturing fully met with by the existing job-work manufacturing units in the region.

2. The recession in oil engine industry in the year 1969-70 followed by a recession in general engineering industry causing shrinkage of demand for job-work.

3. Constantly rising trend in prices of basic raw materials such as steel, chemicals, minerals, paper, cement etc. and their tremendous shortage, fetching premium prices in the markets. (Table No. 30-A on next page).

While discussing Table No. 26 earlier, we observed that the requirement of funds by the proprietary units was much lesser than that required by the units having partnership forms.
Table 30-A: Capital Investment (Rs. in lakhs)

<table>
<thead>
<tr>
<th></th>
<th>Upto 0.10</th>
<th>Between 0.11 to 0.50</th>
<th>Between 0.51 to 1.00</th>
<th>Between 1.01 to 3.00</th>
<th>Between 3.01 to 5.00</th>
<th>Between 5.01 to 7.50</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units manufacturing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Independent products</td>
<td>-</td>
<td>5</td>
<td>2</td>
<td>9</td>
<td>2</td>
<td>1</td>
<td>19</td>
</tr>
<tr>
<td>Job-work</td>
<td>2</td>
<td>9</td>
<td>8</td>
<td>4</td>
<td>1</td>
<td>-</td>
<td>24</td>
</tr>
<tr>
<td>Total Units</td>
<td>2</td>
<td>14</td>
<td>10</td>
<td>13</td>
<td>3</td>
<td>1</td>
<td>43</td>
</tr>
</tbody>
</table>

of organisation. The above table showed that units manufacturing job-work were more in number up to a capital investment of Rs. 3.00 lakhs; however, those manufacturing independent products largely had an investment up to Rs. 5.00 lakhs in general, and even up to Rs. 7.50 lakhs in a few cases.

The engineering group, though dominant in the region, was not fully developed and expanded as it should have been over the number of years. The group, especially that manufacturing job-work, was still in its infancy. The reasons, therefore, could have been as under:

1. Recession faced by this group since the year 1969 onwards and shrinkage of demand thereof.
2. Limited demand for job-work, mostly saturated, due to absence of growth of bigger units.
3. Keen competition among existing units.
(4) Nearness of Bombay Industrial Group with distinct advantages such as rich infrastructure developed, concentration of demand, healthy competition, availability of raw materials enjoyed by the smaller industry in and around Bombay must have reflected the non-entry or difficult entry for Poona Units in Bombay markets.

(B) ELECTRICALS AND ELECTRONICS : (5 Units)

(1) Electrical Accessories

This unit was established in the year 1966 as an ancillary unit meeting the requirement of a big unit manufacturing four-wheelers in the region. The partners were earlier working with the same units. They left the service and became suppliers of electrical accessories required by the same unit. The unit had a capital base of Rs. 2.00 lakhs.

(2) Electronic Equipments

This unit had a private ltd. form of organisation. It manufactured electronic equipments like resistors, potentiometers, condensors etc. sold to bigger electronic product manufacturing units (like ICL) and radio manufacturer (Phillips) in the region. The unit was established in the year 1965. It had a broad capital investment of Rs. 7.75 lakhs.

(3) Resistors

This unit manufactured products like resistors, neon lamps etc. It was having proprietary form of organisation. The unit was established in the year 1965. It had comparatively a
smaller base of capital i.e. Rs. 0.04 lakh and was still in the age of infancy.

(4) **Regulators**

This unit manufactured regulators and allied products like automatic labeling machines, tip welding machines etc. It was having partnership form of organisation and was established in the year 1965. The unit had a capital base of Rs. 0.40 lakh.

(5) **Recording Instruments**

This unit manufactured products like voltmeters, ammeters, altimeters etc. of various specifications and also on behalf of various research institutions both private and public. The unit also develops products by itself in its own laboratory. It was having partnership form of organisation. The unit was established in the year 1950. It had a capital base of Rs. 1.12 lakhs.

**Summary**

This group happened to be very small compared to the engineering group. Not only this, but the very existence of this group was felt recently. A separate industrial estate was established for accommodating this group in recent years in the Bhosari region. This estate fostered development of this group. The typicality of the products manufactured by these units was that though the size of the product was small, its design of panel presented a very complex structure. So also, the raw material, the technology and the skill to manufacture these products were observed to be of a very sophisticated nature. This, therefore, necessitated higher financial outlays which
could hardly be met by a proprietor. This was the most probable reason in addition to the necessity of higher sales promotion and specialised and selective markets for having adopted the partnership form of organisation by these units. This can be observed from Table no. 28-B below:

Table No. 28-B : Forms of Organisation

<table>
<thead>
<tr>
<th>Proprietary</th>
<th>Partnership</th>
<th>Private Ltd.</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>3</td>
<td>1</td>
<td>5</td>
</tr>
</tbody>
</table>

A proprietary unit was there, with its capital base of Rs. 0.04 lakh and sales Rs. 0.13 lakh. In fact it was suffering severely from financial difficulties. There was a Private Ltd., unit also. This unit even with a sales figure of Rs. 18.60 lakhs per annum was reported facing losses under the period of observation (1969 to 1971).

Table 29-B : Period of Existence (Base year 1971)

<table>
<thead>
<tr>
<th>Within one year</th>
<th>Within 3 years</th>
<th>Within 5 years</th>
<th>More than 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>-</td>
<td>1</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Almost all the units had a period of existence for more than 5 years from the base year 1971 (Table no. 29-B). We have earlier stated that the group's existence was felt recently, which might create a feeling of self-contradiction in the above statements. The deep enquiries into this matter revealed that
these units existed earlier in the form of repairers of the same products now manufactured by them. They were in existence in this form for a long time, even with 10 to 15 years' period of existence. However, when they found that special concessions, subsidies, financial help etc. were forthcoming from the Government and financial institutions for the development of this group, these repairers decided to take advantage of the same and became manufacturers themselves. This appeared to have happened sometime around the year 1965. We can, thus, observe from the above Table that excepting one unit, all the other units had a period of existence of more than 5 years with 3 units establishing themselves in the year 1965.

Table 30-B : Capital Investment (Rs. in lakhs)

<table>
<thead>
<tr>
<th></th>
<th>Upto 0.10</th>
<th>Between 0.11 to 0.50</th>
<th>Between 0.51 to 1.00</th>
<th>Between 1.01 to 3.00</th>
<th>Between 3.01 to 5.00</th>
<th>Between 5.01 to 7.50</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>1</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td>5</td>
</tr>
</tbody>
</table>

We saw earlier that one unit with proprietary form of organisation was trying hard to survive with a smaller capital base of Rs. 0.04 lakh. Other unit manufacturing regulators had a capital base of 0.40 lakh to begin with. Two more units had it between Rs. 1.00 to 3.00 lakhs. One more unit which reported losses even with the average sale of Rs. 18.00 lakhs per annum was having a capital base of Rs. 7.75 lakhs. It was
observed that the capital investment commonly made was anywhere between Rs. 0.50 lakh to Rs. 2.00 lakhs with preferably the partnership form of organisation. The likely weightages given for partnerships to grow in this sector were as under:

(1) From the point of view of absorbing shocks of the market while the product was developing till the acceptance stage was reached, and

(2) To develop further the range of products and/or allied products which required modern and sophisticated technology and skilled manpower requiring higher capital outlays.

(C) CHEMICALS : (14 Units)

(1) Oil Seals

This unit with partnership form of organisation manufactured oil seals with rubber as raw material in different specifications mainly required by one big engineering group in the region (TELCO). The unit was established in the year 1963 and reported the capital investment of Rs. 1.00 lakh.

(2) Resins

This unit manufactured chemical resins which formed a product of import substitution. With a very feasible indigenous competition. The product was of high unit value and was imported in totality before this unit undertook the production. It was run by a proprietor. It was established in the year 1965. It had a capital investment of Rs. 7.50 lakhs.
(3) **Rubber components**

This unit manufactured bushings, gaskets, components etc. from special purpose rubber. The main supply of these parts was made to a big automobile dealer in the region. Small batches of gaskets were also supplied to a scooter manufacturer in the region. This unit was established in the year 1968 and had a partnership form of organisation. The unit had a capital base of Rs. 2.00 lakhs.

(4) **Rubber components**

This unit manufactured products like bushings, gaskets, rubber tubings and erasers as per the specifications stipulated by the consumers and also in its own standard sizes. The bushings, gaskets and rubber tubings were supplied to industries in the region and also to Railways. Erasers were manufactured and sold to an agency. This unit had proprietary form of organisation and came into existence in the year 1967. It had a capital base of Rs. 0.40 lakh.

(5) **Rubber components**

This unit manufactured rubber sheets as per the specifications of one big rubber products manufacturer in the region. This unit was established in the year 1969 and had adopted partnership form of organisation. The unit had a capital base of Rs. 1.24 lakhs.

(6) **Chemicals**

This unit manufactured chemicals required for electro-
plating since the year 1965. However, the product has proved a failure in creating the demand in the presence of heavy competition. The unit, thereafter also started an electroplating unit. Even then profitability was not improved. The unit was in a very precarious condition and was facing losses. It was, therefore, thinking to diversify the product and enter the manufacturing of basic consumer chemicals. The unit had a partnership form of organisation and had a capital base of Re. 0.14 lakh.

(7) Chalk sticks

This unit manufactured such a largely consummable product which was required right from educational institutions to the industrial concerns. It was in the line of manufacture since the year 1961 and had hardly a few big competitors in the country. The unit had a proprietary form of organisation and had a capital base of Rs. 0.13 lakh.

(8) Dyes

This unit manufactured various types of synthetic dyes which formed basic raw materials for dye-stuff manufacturers (like ICI etc.). It had adopted a partnership form of organisation and was in the line of manufacture since the year 1960. The unit had a capital base of Rs. 0.52 lakh.

(9) Polythene Bags

This unit was operating on a very small capacity and mostly meeting local demand only. It was having proprietary form of organisation and was in the line of manufacture since
the year 1960 onwards. The unit had a small capital base of Rs. 0.06 lakh.

(10) **Foundry Chemicals**

This unit manufactured foundry chemicals. The products were import substitutes and were used mainly by steel product manufacturers to treat their melting kilns. The unit had a proprietary form of organisation with a capital base of Rs. 0.12 lakh. The unit was established in the year 1964.

(11) **Aromatic chemicals**

The product manufactured by this unit found its market with perfumery manufacturers. These products manufactured were import substitutes. The unit had adopted proprietary form of organisation. It had a capital base of Rs. 0.12 lakh. The unit was established in the year 1965. Thus, though, it had completed more than 5 years from the base year (1971), due to financial difficulties, it had yet to reach to its full capacity of production.

(12) **Soaps**

This unit manufactured different types of soaps meeting mostly the local demand. The unit had a partnership form of organisation. The capital base of the unit was Rs. 0.15 lakh and had established itself in the year 1962.

(13) **Fibreglass Plastics**

This unit manufactured products from fibre-glass plastics. The major share of production went to a big vehicle manufacturer
in the form of fibre-glass bodies. It also undertook the manufacture of fibreglass plastic parts on behalf of vehicle manufacturers from outside the State. The unit had Limited form of organisation and a capital base of Rs. 4.50 lakhs. This unit was established in the year 1965.

(14) Polythene Tubing

This unit manufactured tubing in various diameter sizes and length required by both industrial and non-industrial consumers. It had adopted a partnership form of organisation and a capital base of Rs. 0.85 lakh. The unit came into existence in the year 1963.

Summary

Chemical industry was the second biggest in the region. However, unlike engineering industry, all the units from this group manufactured independent products. The unit manufacturing soaps, polythene bags etc. served the local markets, exclusively, whereas units manufacturing resins, fibre-glass plastics etc. had secured markets outside the region also. Ancillary development of chemical industry could not take place because of the absence of growth of bigger chemical units.

Those units serving local markets with their investments in general, not exceeding Rs. 0.12 (lakh) (with a few exceptions) were observed to be having proprietary form of organisation. The remaining units had partnership forms.
Table 23-C: Forms of Organisation

<table>
<thead>
<tr>
<th>Proprietary</th>
<th>Partnership</th>
<th>Limited</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>7</td>
<td>1</td>
<td>14</td>
</tr>
</tbody>
</table>

Both the proprietary and partnership forms were observed to have been evenly distributed. This could have been because of the observation made above that there was a mixture of units serving local markets with proprietary form and those selling their products in outside markets also with partnerships or limited company forms.

Table 29-C: Period of Existence (Base Year 1971)

<table>
<thead>
<tr>
<th>Within one year</th>
<th>Within 3 years</th>
<th>Within 5 years</th>
<th>More than 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>3</td>
<td>1</td>
<td>10</td>
<td>14</td>
</tr>
</tbody>
</table>

From the statistics observed above, it could be seen that this industry had been established in the region with its period of existence for more than 5 years from base year (1971). Hardly three units out of the total 14 units had the period of existence of within 3 years from the base year (1971). New units did not show their appearance within a period of one year from the base year (1971). The possible reasons for this could have been as under:

(1) Saturation of local demand due to the existence of units over 5 years from the base year (1971), and
(2) Absence of growth of bigger chemical industry in and around the region.

Table 30-C: Capital Investment (Rs. in lakhs)

<table>
<thead>
<tr>
<th>Upto</th>
<th>Between 0.10</th>
<th>Between 0.51 to 1.00</th>
<th>Between 1.01 to 3.00</th>
<th>Between 3.01 to 5.00</th>
<th>Between 5.01 to 7.50</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>6</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Very few units like those manufacturing resins, fibreglass plastics or dyes which adopted sophisticated technology, employed skilled labour and had to search out specialised markets which had their capital investment in the higher ranges, say above Rs. 3.00 lakhs (Table no. 30-C). The remaining bulk of the units serving mostly the local markets with simpler product technologies like soap manufacturing etc. were observed to be having their capital investments below Rs. 2.00 lakhs.

(D) PAPER PRODUCTS (5 Units)

(1) Water Proof Paper

This unit manufactured water proof paper which had demand from chemical factories, fertilizer factories, biscuit factories etc. for packing purposes. This paper also served the purpose of protection from moisture climate etc. It had adopted partnership form of organisation and was having a capital base worth Rs. 1.35 lakhs. The unit was established in the year 1965.
(2) **Boxes**

This unit manufactured corrugated boxes. These boxes were mainly used for packing purposes. These boxes had demand from both industrial and non-industrial consumers. It had established its business over a number of years since the year 1960. The capital investment of the unit was to the tune of Rs. 1.77 lakhs and had adopted a private limited form of organisation.

(3) **Coated Papers**

This unit manufactured wax coated papers and found its utility mainly in biscuit and bread manufacturing units. It was established in the year 1966 and had partnership form of organisation. The capital base of the unit was Rs. 1.00 lakh.

(4) **Boxes**

This unit manufactured boxes of paper. It was established in the year 1967. It had a capital base worth only Rs. 0.35 lakh and had adopted a partnership form of organisation. However, it was observed that the scale of operation of this unit was smaller than the box manufacturing unit examined earlier.

(5) **Cardboard Paper**

This unit manufactured cardboard paper. It was established in the year 1967. The unit had a capital investment of Rs. 0.50 lakh and had adopted partnership form of organisation.
Summary

The units from this group had to make investment in stocking their main constituent of raw material i.e. raw paper. This could have been mainly due to large scale shortages of paper leading to the non-availability of paper on continuous basis. As and when the paper was available in the market, these units had to make purchases on bulk basis. Even, at times, premium prices, were required to be paid. The large investments required to be made in stocking the paper, therefore, could have been the possible reason for the absence of proprietorship in this industry. In addition to making huge investments, purchases on cash basis and receivables on credit were again the main financial features which must have made partnerships necessary.

Table 28-D : Forms of Organisation

<table>
<thead>
<tr>
<th>Proprietary</th>
<th>Partnership</th>
<th>Pvt.Ltd.</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4</td>
<td>1</td>
<td>5</td>
</tr>
</tbody>
</table>

The observations made in Table No. 25, substantiate the above observations made in regard to the absence of proprietorship.

Table 29-D : Period of Existence (Base Year 1971)

<table>
<thead>
<tr>
<th>Within one year</th>
<th>Within 3 years</th>
<th>Within 5 years</th>
<th>More than 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>-</td>
<td>3</td>
<td>2</td>
<td>5</td>
</tr>
</tbody>
</table>
Not a single unit was newly established within 3 years from the base year (1971) as seen in Table no. 29-D. Whatever the factors described earlier on page 136 i.e. shortage of paper, paying premium price, large stockings of paper etc. appear to be one of the reasons responsible for the not setting up of new units in the line within 3 years from the base year 1971.

The second possibility could have been that since the units, already in existence, had eaten up the major share of requirement of the region, perhaps the new units were not coming up fast.

We saw above various special features of this group of industry. These features, in short, were (1) premium prices were required to be paid for the purchase of raw material, (2) huge stocks were required to be built up and (3) mainly the purchases were on cash basis and credit was simultaneously required to be given to their consumers. All these reasons were also responsible for the units to have, though not huge, but moderate capital investments.

Table 30-D: Capital Investment (Rs. in lakhs)

<table>
<thead>
<tr>
<th>Upto</th>
<th>Between</th>
<th>Between</th>
<th>Between</th>
<th>Between</th>
<th>Between</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.10</td>
<td>0.11 to</td>
<td>0.51 to</td>
<td>1.01 to</td>
<td>3.01 to</td>
<td>5.01 to</td>
<td>0.50</td>
</tr>
<tr>
<td></td>
<td>0.50</td>
<td>1.00</td>
<td>3.00</td>
<td>5.00</td>
<td>7.50</td>
<td>2</td>
</tr>
</tbody>
</table>

- 2 1 2 - - 5
It could thus be seen from Table 30-D above that one unit manufacturing boxes and the other manufacturing cardboard papers, operated on mostly the local basis and hence with limited demand. However, units with the above limitations manufacturing coated papers required sophisticated machinery etc. and thus had made capital investment upto Rs. 1.00 lakh. The remaining two units had comparatively a larger demand, both from the local markets, bigger units and places around the region and were found to be operating on comparatively larger scale and with higher investments in the range of Rs. 1.00 lakh to Rs. 3.00 lakhs.

(5) MINERALS AND METALS: (8 Units)

(1) RCC Spun Pipes

This unit manufactured RCC spun pipes. Majority business was operated on tenders both of Government and semi-Government Bodies. Orders from private parties were also accepted. The unit had established itself in the year 1960 and since then for last 15 years, it had been in the line of manufacturing spun pipes. The unit had partnership form of organisation and had the capital investment of Rs. 3.70 lakhs.

(2) Ceramic Products

The unit had started operating just within one year from the base year (1971). It was supplying its product mainly to one oil engine manufacturer in the region. It had adopted proprietary form of organisation and had made a capital investment of Rs. 1.00 lakh in the business.
(3) **Cement Articles**

This unit since the year 1960 had been manufacturing cement articles, mainly domestic ovens, segrees etc. However, in the recent years due to the emergence of substitute product like domestic gas for cooking purposes etc. the products manufactured by the unit faced almost negligible demand, compared to earlier times, in the market of the region. Thus, the unit, thereafter started diversifying and accepting orders for cement products like grills, blocks, vases etc. It had adopted a proprietary form of organisation and had a capital investment of Rs. 0.68 lakh.

(4) **Castings**

This unit mainly concentrated its investment and technology on developing castings of various metals/minerals in the form of alloys. It booked large orders from the industrial group of the region. The unit had adopted partnership form of organisation and had made a capital investment of Rs. 1.50 lakhs.

(5) **Metallic utensils**

The products manufactured by this unit had since long been on continuous demand. It manufactured metallic utensils of various sizes required by the domestic consumers. Utensils were required in almost every house even as early as 10 years back and today also and will continue to fetch demand for the coming years. This was particularly so because though the
technology has developed fast even in cooking appliances, there was no substitute evolved in the use of utensils. This unit was established in the year 1942 and since then had adopted a partnership form of organisation. It had invested Rs. 2.35 lakhs in the form of capital.

(6) **Fe/Non Fe castings**

This unit also manufactured castings of metals and minerals but operated on a smaller scale than the one examined earlier. It had a proprietary form of organisation and was established in the year 1960. The unit had a capital investment of Rs. 0.23 lakh.

(7) **Cement Tiles**

This unit manufactured cement tiles of various types, designs, colours etc. It had captured a Statewide market. The unit had adopted a partnership form of organisation and was in existence since 1960 and had a capital investment worth Rs. 1.28 lakhs.

(8) **Fe/Non-Fe Castings**

This unit has been third of its kind, manufacturing castings. However, this unit operated on ancillary style. Its major product went to its major big consumer manufacturing agricultural implements. In excess capacity left over, it undertook orders received from private parties also. The unit had adopted partnership form of organisation and had been in existence for more than 5 years from the base year (1971). This unit had made a capital investment of Rs. 0.50 lakh.
Summary

This group like other groups had a mix of proprietary and partnership forms of organisation. Private Limited or Public Limited forms were found to be totally absent.

Table 26-E: Forms of Organisation

<table>
<thead>
<tr>
<th>Proprietary</th>
<th>Partnership</th>
<th>Private Limited</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>5</td>
<td>-</td>
<td>8</td>
</tr>
</tbody>
</table>

Similar to the observations made earlier, we observed that the proprietary units trying to meet the local demand from their available capacities. One of these 3 units had started the production mostly on ancillary basis and one unit more had been passing through difficult times having lost the demand for its products due to substitute products. The third unit mainly met the requirement of castings of one big consumer. (Table no. 28-E).

However, the markets of those units having partnerships were wider and had covered the whole of the State and in case of one or two units even extended to other States also. Wider coverage with higher market risks may have necessitated them to attain partnerships.

Table 29-E: Period of Existence (Base Year 1971)

<table>
<thead>
<tr>
<th>Within one year</th>
<th>Within 3 years</th>
<th>Within 5 years</th>
<th>More than 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>-</td>
<td>-</td>
<td>7</td>
<td>8</td>
</tr>
</tbody>
</table>
Excepting the unit manufacturing ceramic products, units from this group had a long standing. Perhaps, these units might have been meeting all the needs of the existing demand and hence no new units were found forthcoming. (Table no. 29-E).

**Table 30-E : Capital Investment (Rs. in lakhs)**

<table>
<thead>
<tr>
<th>Upto</th>
<th>Between</th>
<th>Between</th>
<th>Between</th>
<th>Between</th>
<th>Between</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.10</td>
<td>0.11 to</td>
<td>0.51 to</td>
<td>1.01 to</td>
<td>3.01 to</td>
<td>5.01 to</td>
<td>0.50</td>
</tr>
<tr>
<td>0.50</td>
<td>1.00</td>
<td>3.00</td>
<td>5.00</td>
<td>7.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td></td>
<td>8</td>
</tr>
</tbody>
</table>

The units having capital investment up to Rs. 1.00 lakh were mostly proprietary units with limited markets. There was only one exception for this which had partnership and its production mainly going to a big consumer. The remaining units had the capital investment above Rs. 1.00 lakh and had wider market coverage and also the partnerships. (Table no. 30-E).

(F) **MISCELLANEOUS : (6 Units)**

(1) **Toilet Soap Papers**

This unit was manufacturing toilet soap paper since the year 1957. The unit was run by a proprietor with an investment of Rs. 0.10 lakh. In fact it was observed that on the one hand the competition to this product was tougher and on the other, the proprietor himself had one or two other businesses in addition, to look after and hence not much attention was paid to the development of this unit.
(2) **Writing Pens**

This unit manufactured writing pens and had started the production from 1969. In fact market penetration for this product was stated to be difficult due to the existing competition. However, this unit could penetrate the same successfully with huge amount of efforts. It was run by a proprietor and had a capital investment of Rs. 0.20 lakh.

(3) **Weights**

This unit, though in the line of manufacture since the year 1965, was initially only a repairing workshop. It was only recently i.e. from the year 1970 that the unit had entered the manufacturing of weights by itself. It was run by a proprietor and had a capital investment of Rs. 0.04 lakh.

(4) **Single edge blades**

This unit was established in the year 1967. However, due to a number of difficulties inclusive of non-availability of permanent electric connection, the actual manufacture was started in the year 1971 only. It manufactured single edge blades and stepple removers. It was run by a proprietor with a capital investment of Rs. 0.04 lakh.

(5) **Sanitary ware**

Different types of sanitary ware products were manufactured by this unit. It had a coverage of All India markets. It started its production in the year 1960. It had a partnership form of organisation and had a larger base of capital investment of Rs. 7.00 lakhs.
(6) Pens and Inks

This forms the second unit of this type under examination. This unit came into existence in the year 1967 i.e. 2 years earlier to the other unit examined earlier. This unit manufactured not only pens but also ball pens and inks of various types. It was run in partnership and was having a capital investment of Rs. 0.50 lakh.

Summary

This group happened to be very small, in all respects, compared to the groups examined earlier. In fact it was a combination of heterogeneous industries grouped together which could not be classified in other groups. Even the strength of each industry was not sufficient enough to show it as a separate category by itself.

Table 28-F : Forms of Organisation

<table>
<thead>
<tr>
<th>Proprietary</th>
<th>Partnership</th>
<th>Private Limited</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>2</td>
<td>-</td>
<td>6</td>
</tr>
</tbody>
</table>

It is observed that there is a clear dominance of proprietary form with 4 units out of 6 total units having proprietorship (Table no. 28-F). These units had mostly local markets. The two units which had a comparatively larger scale of operation, had partnership forms and had Statewide (pens and inks) and All India market (sanitary ware) respectively.
Table 29-F: Period of Existence (Base Year 1971)

<table>
<thead>
<tr>
<th>Within one year</th>
<th>Within 3 years</th>
<th>Within 5 years</th>
<th>More than 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>6</td>
</tr>
</tbody>
</table>

It could thus be observed that very few units have come up newly in the recent past i.e. within 3 years from the base year (1971). Majority units had either more than 5 years existence or were running 5th year from the base year (1971). (Table no. 29-F).

Table 30-F: Capital Investment (Rs. in lakhs)

<table>
<thead>
<tr>
<th>Upto</th>
<th>Between 0.10</th>
<th>Between 0.11 to 0.51</th>
<th>Between 0.51 to 1.01</th>
<th>Between 1.01 to 3.01</th>
<th>Between 3.01 to 5.01</th>
<th>Between 5.01 to 7.50</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6</td>
</tr>
</tbody>
</table>

The very observation that 5 units out of total 6 units having their capital investment only upto Rs. 0.50 lakh shows the smallness of operation of this industry (Table no. 30-F). All these units excepting one unit had local markets and the remaining had Statewide markets. Even out of these 5 units, excepting one unit which had an investment of Rs. 0.50 lakh and the Statewise coverage of markets, all the other 4 units had it below Rs. 0.20 lakh. The only unit having investment...
of Rs. 7.00 lakh was operating on all India level and was an exception.

Thus, local demand, lower investments, proprietary forms, competition etc. were the factors observed to be responsible for negligible growth of these units in the region.

CAPITAL FORMATION AND FORMS OF ORGANISATION

As a matter of examination, efforts were made to find out whether any relation exists between the above two variables, direct or indirect. Following graph summarises the position of number of units per stage of capital formation and their form of organisation:

![Graph showing the relationship between capital formation and forms of organisation](image-url)
The cross section taken for representation is for the sample as a whole. Following are the observations:

1. In the initial stage of capital investment up to Rs. 0.10 lakh, there was observed the existence of only proprietor form of organisation. The units were found operating on a very small scale, though having an existence of within 5 or even more than 5 years. It was mainly observed to be so because the units were fully dependent upon the local demand only. This dependence might have been perhaps due to -

   (i) lack of finances, making the unit unable to expand,
   (ii) competition from bigger units from nearby region,
   (iii) inability to adopt sophisticated technology due to constrained financial outlay, and
   (iv) non-availability of reasonably good marketing knowledge to exploit markets for the unit.

2. Both the forms of organisation i.e. proprietary and partnership existed side by side in the stage of investment between Rs. 0.11 lakh and Rs. 0.50 lakh. This stage was observed to be of those partnership units which had limited local demand like proprietorship units e.g. job-work manufacturing units.

3. However, as the capital investment range went up, a phenomenal rise in the partnership form of organisation was observed with a decline in the proprietary form of organisation. Partnership units went up in the investment range between Rs. 0.51 lakh to Rs. 1.00 lakh. In the next range of Rs. 1.01 lakh to
Rs. 3.00 lakhs, the peak point of the existence of partnerships was observed. Again, there was also observed to be the emergence of Private limited form of organisation in this range. This range of investment was observed to be the limitation of financial risks shared by the partners.

(4) The next range of investment of Rs. 3.01 to 5.00 lakhs was observed to be uncommon. An exceptional unit from proprietary form, 2 units from partnerships and one unit each from Private Limited and Public Limited form were observed in this range.

In the last range of investment, the Private Limited form of organisation went up with exceptional cases of proprietary and partnership forms, still in existence.

In short, we conclude here that, as the investment in capital went on increasing, the form of organisation went on changing from proprietary to partnership and from partnership to limited companies. However, it was not found possible to draw a distinct demarkation line between these changes in capital investments and the forms of organisations. Exceptional cases in each range of investment existed from each of the two initial forms of organisation.

FACTORS AFFECTING THE BUSINESS DECISIONS OF THESE UNITS

Let us, in brief examine, what prompted these units to go in for the manufacturing line which they had chosen. Following were the common observations made during the survey:
(A) **Expertise Available**

The entrepreneurs with these qualifications were having specified technical/technological qualifications and were got employed with bigger units in order to get practical experience. Having acquired the same, they ventured to take to manufacturing themselves.

(B) **Weaker competition**

Having had the advantage of expertise available as in (A) above, they found that the product manufactured by them today had not had competition in the market/region when they entered the manufacturing line.

(C) **Ancillary Units**

Experts working with bigger units deciding to manufacture jobs/parts by themselves which were earlier got manufactured from outside.

(D) **Independent Manufacturing Activity**

Dealers/Stockists/Distributors handling number of products on agency business for years, achieve certain minimum expertise in the products handled by them, both in the technology and in its marketing. These people deciding to enter manufacturing themselves in one or two of the products handled by them based on the expertise possessed by virtue of their being the agency for a long.

(E) **New Products**

Experts working in research laboratories or in the developmental institutions starting manufacturing the production
of newly developed products by them or a product of import substitution value by virtue of having worked out the technology by themselves.

(F) **Manufacturing Job Work**

Persons completing small techno-professional courses like ITI, fitters, Diploma in Radio Engineering etc. entering manufacturing line with a view to undertake the sub-parts/jobs manufacturing on behalf of the larger units.

However, it would have to be further noted here that none of the factors observed above by themselves required these people to go in for the manufacture. Combinations of these factors on one hand and various environmental factors on the other were responsible for the implementation of their decisions. The survey reports of the units selected for this sample pointed out combination of minimum two influential factors from those explained above which made them enter the manufacturing line. Let us now take a short resume of the units surveyed - industry-wise.

**Engineering : (43 Units)**

Expertise available was stated to be an assumed factor by all the 43 units. All these units stated this factor as the beginning of their idea of going into manufacture. The qualifications attained were of different kinds, right from obtaining degrees in engineering on one hand to obtaining ITI certificates by doing apprentice training on the other. All these entrepreneurs had a practical experience of having worked in manufacturing units earlier.
We also observed that 24 units out of the total were manufacturing purely job works. They had with them the machinery required and had established a few contacts in the field and were observed to be satisfied with the amount of job work they got. This tendency persisted mostly because of limited financial resources available to them on one hand and earnest desire to become a manufacturer on the other. At the same time, they wanted to take limited market risks for obvious reasons as seen above.

Units manufacturing material handling equipments, rolling shutters, turbine pumps, crank shafts and precision gauzes selected their products having negligible competition in the region when they started the manufacture.

Units manufacturing pneumatic couplings, agricultural implements, motors, precision gauzes, gear boxes, resistance welding machines started the manufacture of totally new products in the region, when they started the manufacture.

Units manufacturing valve guides, agricultural pumps and dynamo-meters were more or less working on ancillary basis, though not purely ancillaries.

Those units manufacturing motor-cycle accessories and industrial safety gloves were dealers/stockists/distributors of the same products earlier to their starting the manufacture. Thus, they entered the sphere of independent manufacturing activity by themselves.
Electricals and Electronics : (5 Units)

Units manufacturing electronic bulbs, panels, diods, resistors, tape recorders, electrical appliances, gauzes, instruments etc. had selected and manufactured these products for the first time in the region. In fact these products formed import substitute products since they were earlier required to be totally imported.

One entrepreneur from a vehicle manufacturer left his job and started manufacturing electrical instruments by himself required by his earlier employer purely on ancillary basis.

So far as the expertise was concerned, the qualifications in the field and the practical working experience was observed to be a minimum must in the manufacture of these products. Though the products appeared to be of smaller size, their design, raw material and the technology employed happened to be most sophisticated, complicated and costlier. Hence technical and practical know-how was a must for starting the manufacture in this industry.

Chemicals : (14 Units)

In absence of the development of bigger industry in this field in the region, the development of ancillary industry did not take place. Whatever the units were there, all were manufacturing independent products.

The necessary expertise in the field (as defined earlier) was attained and informed as an important factor by those units
manufacturing chalk sticks, oil seals, dyes, rubber components, polythene bags, aromatic chemicals, chemicals, soaps, polythene tubing (in all 11 units).

Earning reasonable returns on the investment made was specifically stressed as a motive by units manufacturing polythene bags, chemicals and soaps.

No existence of much serious competition in the region at the time of starting the manufacture was much stressed by seven units manufacturing chalk sticks, oil seals, dyes, all the rubber product manufactures and the unit manufacturing aromatic chemicals.

Units manufacturing resins and fibreglass plastics and also foundry chemicals undertook the manufacture of products which formed effective import substitutes. These products were also new to the region.

**Paper Products : (5 Units)**

Manufacturing products in this industry required full know-how of technology. The entrepreneurs had an earlier experience; and, expertise obtained while working with bigger units and was observed to be the common feature among all of these units.

Units manufacturing paper packagings (2 units) had to resort to specifications specified by the consumers. Hence, their work was moreover of job work type. They could not undertake production of independent packaging products for the
simple reason that these packagings would hardly have satisfied the consumers' requirements.

The other 3 manufacturers, manufacturing independent products viz. water-proof paper, oil coated paper and wax coated paper, manufactured these products for the first time in the region.

Minerals and Metals : (3 Units)

Units manufacturing products like metallic utensils have been in the line of manufacturing for more than 15 to 20 years. Hence the expertise was observed to be transferred from the older generation to the new generation. At the same time, since such families were limited in number, no effective competition was in evidence in these products.

Experience was a must for those units which manufactured cement products like spun pipes and cement articles. The competition was also negligible when they started the manufacture about 15 to 20 years earlier. However, today, the manufacturer of house ovens and cement articles in the house had gone out of business due to lack of demand and was seriously thinking of shifting to some other product. This was because the cooking gas, widely accepted, and developed within last 10 to 15 years had substituted the products manufactured by these units.

All the three units manufacturing metal/mineral castings had the necessary expertise with them when they started the manufacture. Secondly, there was a very feeble competition reported when they started the manufacture of their products.
Unit manufacturing cement tiles introduced the product in different sizes, colours, designs, for the first time in the region when the manufacture started. The entrepreneur stated that the expertise was a must in this manufacture since the technology used was a sophisticated one.

The last unit manufactured industrial filters. The entrepreneurs left the employment with the parent unit, undertook the manufacture of this product, and supplied the whole production to the parent unit. This happened to be an import substituted product.

Miscellaneous: (6 Units)

These units manufactured mass consumption products of day to day use and operated mostly on local basis, meeting the region's local demand. They expressed that the possession of expertise in the technology of products was a minimum must to start the manufacture.

The unit manufacturing toilet ware mainly expected reasonable returns on the investment made in the business in addition to the expertise available with them. The product happened to be an import substitute and had a feeble competition.

Summary

(A) Expertise available was observed to be the major cause of motivation to go into the manufacturing line in all the categories of industry in the region.

(B) With the expertise available, search for manufacturing only job work from bigger units was observed to be the
motivation with all the job work manufacturing units. Perhaps, this might have been because of faster development of engineering industry in and around the region.

(C) There were units in all these groups which had selected their products having negligible competition in the region when they started the manufacture.

(D) Number of units were in existence from all the groups which manufactured import substitute products also viz. resistance welding machines, safety gloves, resins, filters etc.

(E) There were units in each category of industry which undertook the manufacture of either a totally new product or the product new to the region. Industrial safety gloves, resistance welding machines were new products. Chemical Resins, industrial filters were also new products. However, turbine pumps, hydraulic pumps, voltmeters, chalk sticks, wax coated papers, sanitary ware were the products introduced to the region for the first time.

Initial Assessment of Markets

The proprietors/partners hardly were observed to have taken any keen interest to get the feel of what the market wanted and what they could offer before starting the manufacture. Searching questions were asked as to how each sample unit really made the study so as to ascertain the need of markets and decide production capacities. Deep queries were also made in the interviews. However, it was observed that none of the
units could state as to what exactly was done by them to get the feel of markets before starting their manufacture. It would, therefore, be worthwhile to state here that none of the units, under observation, had made any special efforts to know the exact potential, competition and the need of the markets for the product manufactured, in the given market situation. It was, therefore, concluded here that hardly any units from the present survey have seriously taken the trouble to know the market needs. This also shows the unawareness among the smaller units, as seen above, regarding the necessity of studying the market and its requirements before entering the manufacture of the product.

It was a common observation that though the product manufactured was an independent product, it went into the assembly of a bigger product or went into the manufacturing of some other product as raw material etc. Thus, these units always mainly relied upon one or two bigger consumers, and entered the market with small share of its products left over searching out for consumers. Examples of this type were as under:

(1) **Engineering**

Cycle parts, valve guides, hydraulic pumps, motors, motor cycle accessories, gear boxes, crank shafts, machinery, dynamo-meters etc.
(2) **Electricals and Electronics**

Resistors, regulators, electrical parts, recording instruments, electronic equipments.

(3) **Chemicals**

Oil seals, dyes, resins, rubber components, foundry chemicals, aromatic chemicals, fibre-glass plastics, polythene tubing etc.

(4) **Paper Products**

Water proof, wax coated paper, boxes etc.

(5) **Minerals and Metals**

Castings, tiles etc.

Thus, it can be seen from the above list that majority units from the samples under examination mainly depended upon the orders from one or two big consuming units. This might be one of the main causes why these units never bothered to make a detailed market examination. These units would first do trial orders of these big consumer units and would start production with a capacity equal to the requirement of these consuming units.

This method of assessing capacity and going into production was rather dangerous and led to the closure of such units on many occasions. There were times when the big consuming units which suffered either a loss in demand for their product or some financial troubles, or, even labour trouble, which made these units to cancel all the orders on these smaller units were left with no other alternative than closure. The major example that had taken place in the region was that of
oil engine industry. Slump in the demand for oil engines made the big producers to cut down their production drastically which ultimately led to the closure of number of smaller units.

It is, therefore, advisable for the smaller units always to seek more than one consumers and the combinations should be sought in such a form of that cancellation of orders by any one consumer should not lead the unit to total closure.

Conclusion

(A) The job work manufacturing units from engineering group procured orders from one or two big units and went into production on ancillary basis.

(B) The products manufactured by the units from electricals and electronics group, paper product group and a few units from chemicals and minerals and metals went into the manufacture of other products as sub-parts, raw material etc.

(C) All the remaining units from engineering, chemical, minerals and metals and miscellaneous groups manufactured products which went to the markets as independent products.

(D) The proprietary form predominated in the job-work manufacturing units. This was because of their smallness of operation serving limited markets. There was an equal mix up of proprietary units in the chemicals and minerals and metals groups mostly serving the smaller portions of local markets with smaller investments. Majority units from miscellaneous group served the local markets, had smaller capacities and investments and had proprietorships.
The remaining units from each group and all the units from electrical and electronics and paper products manufactured independent products which found the markets outside the State also. These units undertook more financial risks, required higher financial investments, required to keep higher inventories and hence had partnership form of organisation.

(%) The period of existence of the units was counted taking the year of survey i.e. 1971, as the base year.

(F) Recession in engineering industry around 1969 slackened the growth in the engineering industry thereafter.

Repairers of electrical and electronic products turned into manufacturers around 1965. However, the general recessinony trend in engineering industry and inflationary prices, shortages of raw materials etc. slowed down the growth in this group also. Similar was the observation made while searching the reasons for the decline in the growth of units from chemicals, paper products, minerals and metals and from miscellaneous groups.

(G) Upto an investment of Rs. 0.10 lakh, there were observed to be only the proprietorships. The higher investments upto Rs. 0.50 lakh showed proprietary and partnerships in existence simultaneously. With every stage of higher investment i.e. between Rs. 0.51 to Rs. 1.00 lakh, Rs. 1.01 to Rs. 3.00 lakhs, proprietors were observed to be short of funds and tended to share funds and risks with somebody else and partnerships went up while proprietorships declined. Above Rs. 3.00 lakhs both forms declined further and the limited company form emerged.
The other factors such as (1) sharp increase in raw material prices, (2) addition of new products, (3) expansion in market coverage, (4) increase in competition, (5) necessity of larger inventories etc. also made proprietorships changed into partnerships.

(H) Qualifications and experience in the technology before entering the manufacture was an assumed factor in all the units. There were units from engineering, electronics and chemicals which manufactured import substitute products. There were units from electronics and chemicals which developed their own products. Unit manufacturing utensils, skilfully used traditional skills to manufacture different utensils and those from miscellaneous group manufactured common products to meet the need of local markets only.

(I) Initial deep study/assessment of markets to know its potential was not done by these units on a scientific grounds before starting the manufacture. In fact, the assessment of markets, their potential, competition etc. is to be done on a continuous basis to obtain a feedback even after the establishment of the unit. Since no such studies were scientifically carried out, the expansion of the markets, production capacities, the earning capacity of the units etc. grew at a very slow rate. It is, therefore, essential that all the small units concentrate upon this study/assessment (i) before the establishment of the unit and (ii) on a periodical basis even
after the establishment of the unit. This will help keep close watch on market trend and allow the units sufficient time to take corrective steps, if necessary.