CHAPTER THIRTEEN

CONCLUSION

CHAPTER : ONE

Small Industries sector has become the main aspect of the industrial development of not only the developing countries but also of the developed countries (Refer Table No.1). Small industry, as per the latest definition adopted in 1975, is the industry, wherein, the ceiling on the investment in plant and machinery has been raised from Rs. 7.5 lakh to Rs. 10.00 lakh, In case of ancillary units, it has gone up from Rs. 10.00 lakh to Rs. 15.00 lakh.

Our country needs small industry for the reasons that (1) market for many commodities is small and the small industry can best serve such markets, (2) due to scarcity of capital, the industrial development will have to be supplemented by the small industry, (3) small industry can help generate opportunities leading to a desirable shift from agriculture to industry and (4) concentration of wealth and industries around the already avoided of urban areas can be minimised.

The important aspects of small industry are that it (1) requires small initial capital, (2) generates employment on a dispersed basis, (3) does not require very high skills, (4) serves as training ground for potential entrepreneurs, (5) helps in dispersal of ownership, (6) checks emmigration of people, (7) reduces regional disparities, (8) easily
adopts new technology, (9) produces on mass basis, specialised components at lower costs, (10) implements product development, (11) keeps cordial labour management relations (12) has more operative flexibility etc.

At the same time, shortage of capital, weak bargaining position, limited scope for expansion due to lower incomes are the limitations of the small industry.

CHAPTER : TWO

Small industries have played an important role even in the economically developed countries (Refer Table No. 1). Small industries also have a major role to play in the economic development of developing countries like India.

The Industrial Policy Resolution of India was passed in the year 1948. Both, the Karve Committee and the Ford Foundation Committee appointed by the Government came to the conclusion that small industry should be aided for providing sophisticated technology, promotional support and marketing organisations. Accordingly, National Small Industries Corporation was established. A Small Scale Industries Board was also constituted in the year 1954.

This was followed by The Industrial Policy Resolution of 1956 which mainly stressed that, in order to acquire sufficient vitality, the development of the small industry should be integrated with that of the large scale industry as far as possible.

In order to be eligible for various Government assis-
tance schemes and incentives, it was made compulsory to get the units registered with the industries office. As a result, the number of units not registered up to now have been slowly getting them registered to avail the above incentives.

CHAPTER THREE

It appears from the allocations made in the First Five Year Plan that small industry was rather neglected (Refer Table No. 9). Karve Committee and Ford Foundation Committee reports gave an impetus to the growth of this sector thereafter. The allocations were thus increased in the Second and Third Five Year Plans. The Third Plan envisaged to decentralise industrial sector with better employment opportunities (Refer Table No. 9). Between 1966-69, annual plans were made, followed by the Fourth Plan wherein substantial allocations were made towards the improvement of this sector (Refer Table No. 9). The strategies for the Fifth Plan were laid down having studied the achievements up to the Fourth Plan (Refer Table No. 10). The responsibilities for the development of small industry were divided and it was broadly decided that the State Governments will look after credit facilities, supply of raw materials etc., and the Central Government would look after the Extension services, training, exports/imports etc. Both the Governments jointly accepted to share (1) common facility workshops, (2) development of corporations etc.

Various Governmental agencies were set up to provide
help to the small industry sector. The help was provided in the form of (1) planning and coordination of small industry (Small Industry Boards), (2) implementing Government programmes (Development Commissioner, Small Industry), (3) supply of machinery on hire purchase (National Small Industries Corporation), (4) advise to State Governments on faster growth of small industry (Small Industries Service Boards), (5) catering the development at State level also (Directorate of Industries), and (6) providing financial assistance (State Financial Corporation).

This was followed by Committees of experts like Dutt Committee (1967), Pande Committee (1968) and Wanchoo Committee (1969) which went into suggesting means for better licencing policy, balanced regional growth and fiscal measures for the same. Not only this, but even the products to be manufactured by small industry were reserved by the Government to widen the scope of their markets (Refer Table No. 13). Industrial Estates were also established to achieve faster growth (Refer Table No. 14).

CHAPTER: FOUR

Maharashtra is a leading State in industrialisation in India. This was because of the existence of (1) suitable locations, with infra-structural facilities and their availability at reasonable costs, (2) availability of adequate finance to meet both, fixed and working capital needs and (3) fiscal concessions and other financial assistance for
including industry for dispersal to semi-urban and rural areas.

Bombay district is leading in Maharashtra State for its obvious natural advantage of being a gateway to Western World. This was followed by Thana district and then Nasik and Poona districts (Refer Table No. 16).

Taking into consideration a high level of concentration of industry in and around Bombay and Poona, the Government declared a number of incentives for the dispersal of industry to underdeveloped areas. The measures included, financial assistance, concession in taxes, building industrial estates etc.

Not only that but autonomous bodies like Maharashtra State Financial Corporation (for financial assistance), Maharashtra Industrial Development Corporation (for industrial estates), State Industrial Corporation of Maharashtra (for industrialising rural areas) and Maharashtra Small Scale Industries Development Corporation (for raw material supply and marketing assistance) were established. The decentralisation of industries has now started though not on large scale. It will bear fruits slowly as an outcome of all these Governmental assistance.

CHAPTER: FIVE

Situated at 190 kms. south-east of Bombay, Poona provides an ideal centre for location of industries because of easy transport, easy availability of skilled personnel, a
dependable water supply and electricity, excellent equable climate and access to all important markets, both in the Northern India and also in the southern parts. Major fields of small industry were as under:


There were in all 1473 industrial units (Table No. 22), inclusive of large, medium and small units, in the region. The total capital invested in them was Rs. 129.44 crores with their average production per annum of Rs. 220.27 crores, offering employment to 76,110 persons. Various financial institutions like MSFC, MSSIDC, NSIC and Nationalised Banks had their financial stake in these industries in the region.

For the purpose of this study, following industries were selected which formed a group of 402 registered small units out of a total of 1473 units as seen above. The group-wise classification showed (Table No. 23) that engineering group units were more than half of the total units (204). In the remaining, chemicals were leading (66) followed by electricals and electronics (34). Paper product units (26) and mineral product units (17) respectively. Then, there was a large group of (55) units which could not be classified in individual groups and hence netted together as the miscellaneous group. These units mostly had local markets and
small capital investments.

Out of 402 total units, 202 units were established earlier to 1965. Between 1966 and 1968, in all 106 units were established. In the year 1969 only 51 units were established. (Table No. 24). Hardly 30 units established in the year 1970 and only 3 units reported established in the year 1971. The possible causes have been dealt within the survey reports.

There was a balance of proprietary and partnership forms of organisation in these units (Table No. 25). 184 units had proprietary form and 192 units had partnerships. Taken together, the family-owned forms were leading in the region. In all 376 units out of 402 total units, i.e. more than 90% units had the family owned forms of organisation. The possible causes for this phenomenon have been examined in the survey reports.

These 402 units employed a capital worth approximately Rs. 437 lakhs with an employment of around 5,200 workers produce approximately Rs. 732 lakhs of production per annum, (Table No. 26).

These 402 small units formed 3.5% average units of the total 1138 large units in these sectors. These small units employed around 8% of employees compared to those employed by large units in the large scale sector. The volume of production of these small units was hardly 4% to their large counterparts as against the 4% capital employed (Table No. 27).
CHAPTER : SIX

There was an equal distribution of job-work manufacturing and independent product manufacturing units in the engineering group. Products manufactured by the units from electricals and electronics group mainly went into the assembly of other products. Products manufactured by the units from chemicals group were for dual purpose: (1) the products that went into the formation of other products and, (2) that were directly consumed as well. Products manufactured by the remaining units from other groups were mostly the direct consumption products.

Units manufacturing job-work mostly had proprietary form of organisation (mainly engineering group). Units having local markets also had the proprietary form of organisation (mainly miscellaneous group followed by a few units from chemicals and minerals and metals groups also). Industries also manufacturing independent products had to carry greater market risks compared to other units seen above. Not only this, but these units had to face a keen competition, had to maintain as many outlets for their products, had to advertise their products etc. which made them necessary to divide these risks among the owners. Thus, the partnership made its appearance mainly in the electricals and electronics group (where sophisticated technology was involved) and the paper products group (where more investments were required
to be made in stocking of paper).

Units having to share more risks with markets extending over the whole country, having a greater product mix, a sophisticated technology were observed shifting to limited forms of organisation, where the sharing of risks and the investments made were still broadened compared to partnership forms (refer Table No. 28A to 28F).

When we considered the whole industrial profile of Poona region, it was observed that out of the 402 such units from all the groups, 376 units i.e. 93.50% units had family owned forms of organisation i.e. either proprietorship of partnership. Similar was the observation in the sample units where the said percentage came to 93.83% (76 units out of a total of 81 units). It can, therefore, be assumed, that this phenomenon of family ownerships might be in predominance for the country as a whole.

As seen in the graph (Refer Page No. 146 ), the proprietary form exclusively existed upto an investment of Rs. 0.10 lakh. Both, proprietary and partnership forms existed side by side in the investment range of Rs. 0.11 lakh and Rs. 0.50 lakh. However, above this level of investment, a change over from proprietary form took place in the forms of partnership firms. Partnerships were predominant in the investment range of Rs. 1.01 lakh to Rs. 2.00 lakh. Over and above an investment of Rs. 2.01 lakh again, a change over of partnerships was observed giving place to the private limited forms of
organisation. We, thus find that, the change in the size of investment resulted in the transformation of forms of organisation in the small industry (Refer Table Nos. 30A to 30F).

The average percentage increase in the growth rate (in percentage to earlier years) of small sector had slowed down considerably during the period under observation (1969-71). The heavy recession in the oil engine industry followed by the recession in the engineering industry in general not only slowed down the formation of new units but also endangered the existence of even the existing smaller units. The industrial recession, had its repercussions on the economy as a whole and affected the growth of other industries also. Followed by the recession, shortage of chief raw materials like steel, cement, paper, minerals etc. and the inflated prices of these raw materials and also the increase in wage bills due to increasing labour costs, caused the lowering down of the establishments of new units in the small scale sector (Refer Table Nos. 29A to 29F).

Skills and experience required to go into the manufacturing line was possessed by all the proprietors/partners of the units. They had on an average experience of five years in large concerns, earlier to establishing their units. The additional factors which led them take decision in selecting their products and starting the manufacture were:

(1) manufacturing of a new product in the region,
(2) manufacturing of a substitute for imported products,
(3) manufacturing a product with more demand, and lesser competition,
(4) manufacturing a product because of the attainment of skill and experience on account of:
   (a) the agency of the same products handled earlier on behalf of the larger units,
   (b) the repairer of the similar products earlier.

No unit had undertaken an indepth study of the markets before producing and selling their products. The general trend observed was to establish a unit for manufacturing orders placed by one or two large units. Once, this was smoothly started, the units would start thinking of expansion of their markets and capacity. The outcome of this policy was at times even the closure of small units totally dependent upon the major consumers like oil engine manufacturers in the industrial recession. Units manufacturing independent products had collected some information but the study was not carried out deep and analysed in detail.

No business activity can grow successfully without sufficient market information. A great deal of marketing information is available from secondary sources i.e. information already collected and published. The usual sources for such data are Government reports, export and import statistics, Industry Association reports, Tariff Commission Reports, Production statistics, Research reports etc.
Therefore, it would be most proper that small units undertake such a study on continuous basis and know definitely where they stand so far as the product demand, market share, competition, pricing policies, new products etc. were concerned. A small survey of the markets would help them. Just as there are more than one suppliers for supplying raw materials, there should be more than one buyer to avoid the dangers of contingent closures of one due to loss of demand.

CHAPTER SEVEN

The marketing section was considered to be independent, wherever there was appointed a manager to look after this function independently, on full time basis and with or without subordinate sales staff. All the other units were considered as units not having an independent marketing section. Proprietors/partners of these units looked after this function in addition to their other functions.

Fourteen units out of a total of eightyone units i.e. sections. These units generally had markets approximately 16% units had an independent marketing/covering the State or even the whole country. These fourteen units covered the products such as agricultural products, precision gauzes, accessories for vehicles, gear boxes, various electronic and recording instruments, fibreglass plastic products cement pipes, sanitary ware etc. They had competitors also. Apparently, therefore, in order to manage their whole show, as above, the units felt the necessity of keeping an independent marketing section.
The characteristics observed of those units not having independent marketing section were (1) their limited local markets, (2) their manufacturing for a few selected consumers in the region only, (3) their weak financial base (their sales did not exceed Rs. 2.00 lakh p.a.), (4) their non-conduction of market survey resulting in non-awareness about the market needs.

Because of their other occupations, the proprietors/partners could not concentrate fully on marketing function. These units, therefore, will have to be made aware of their limitations and advised to carry out a market survey to judge the potential for their product and try means to tap them. These units should employ at least one salesman to begin with to carry out all this exploratory work which would positively result in increasing the turnover and increased markets.

A few characteristics in common were observed in those units which had an independent marketing section. These were - (1) their period of existence was for more than 5 years from the base year (1971), (2) their manufacturing of products was for the open competitive markets, (3) their capital range was observed to be between Rs. 1.00 lakh and Rs. 7.00 lakh, (4) their minimum sales were to the tune of Rs. 2.00 lakh, (5) their marketing expenses were ranging between 4% to 20% of their sales, (6) their having partnerships (11 units) and private limited forms (5 units) and (7) their recording profits. From these observations the minima to have an independent
marketing sections could be drawn as under: (1) minimum period of existence for 5 years, (2) minimum capital investment of Rs. 1.00 lakh and sales of Rs. 2.00 lakh p.a. and (3) manufacturing independent product.

In all, 14 units of a total of 81 units had independent marketing sections. Out of these 14 units, there were four units where only managers carried out this function and no sales staff was appointed. The remaining ten units employed the sales staff in addition to their managers - out of the managers employed, two were educationally non-qualified (refer definitions in Ch. 7). All of them had an approximate experience of working in the field of around 8 years. Three salesmen out of eleven employed by these 14 units were educationally non-qualified (refer definitions in Ch. 7). The average experience of these salesmen was for 5 years. The sales assistants were employed by a few units to perform only administrative functions. These were mostly educationally non-qualified and fresh employees without adequate field experience. In short, we find that (1) managers were qualified and experienced, (2) the salesmen were employed depending upon the sales volume, coverage of markets, competition, the nature of product, financial capability etc. and were normally educationally qualified and experienced, (3) the sales assistants employed were usually educationally non-qualified and fresh, (4) the structure of the marketing section was not neatly planned and functions/jobs defined. It was tailored
to suit the own requirements by each of these units. But even such requirements/needs were not clearly spelt out by any of these units. It is, therefore, necessary for the units, first to plan its sales targets, the expenses to be incurred, the expansion of markets, the capacities available, the competition etc. and depending upon these factors the unit should decide the structure of its marketing organisation. In case the unit has regional/district level market with a few major clients, then it is felt necessary for the unit to employ a manager who would look after it solely. Producers having wider markets and having competition with more number of channels could employ salesmen depending upon their financial position. Lastly, the units having a large turnover, all India markets etc. only should think of employing sales assistants in addition to other sales staff to help their marketing division.

The general problems in marketing were observed as under - (1) whether the independent marketing section existed or not, the small units were commonly observed to be suffering from many deficiencies in the field of marketing. These deficiencies were branding, trade marks, standardisation, advertising, and selling organisation. In other words, these advantages could not be freely enjoyed by the smaller units through the Government, through its organisations like National Small Industries Corporation, the Small Industries Service Institutes and various Boards, Committees appointed to cater
for the needs of specialised products, helped the smaller units to market their products even on common trade names (like Janasevak brand, Hand Fab, etc.), (2) Initial markets surveys, even on small scale, were not carried out to ascertain the market potential for their products. Hence the units could hardly decide whether they really needed an independent marketing section to explore the additional potential existing if any. It is, therefore, desirable that such a survey is carried out by these units and decision to establish independent marketing section be arrived at, (3) the control of smaller units over their markets was weaker. They had to exert persuasion if not pressure in selling their products. Thus it is felt necessary that the small marketing section is established, by making available, a small portion of earnings towards this function and with the help of this section, the effective marketing strategies planned and implemented to increase their sales turnover, (4) Units manufacturing job-work could not afford such an independent section and also did not feel it necessary to have one, for the reason that they worked moreover as ancillaries for a limited group of consumers. Hence, such units used direct personal selling, (5) Even, where, the section existed independently, the units had the problem of co-ordination of their activities. It is, therefore, felt desirable that the delegation of authority to managers of the section should be clear and detailed in full. A manager should be made responsible for the decisions made
by him. A system should, therefore, be evolved for the submission of reports by all the employees from the marketing section, periodically, which would help the small units to establish controls over the working of their marketing sections and could aspire to get better results.

**Consortium Approach**

A consortium can be defined as coming together of units of common interests, similar products or line of products, marketing their products through common dealer network, under a common brand, with common advertising and sales promotion programme, under the common budget with resources pooled together from the members, projecting a common brand and image of the product, securing consolidated orders for execution for the group as a whole and emerging as a strong competitor for the large industry.

To meet the needs of marketing it would be desirable for a number of small units preferably with identity of interests or lines of manufacture to form a well-knit consortium which can tackle the problem of marketing effectively. The collective expertise, of members of the consortium can thus be intelligently exploited for organising efficient marketing. Some of the factors are as under:

1. A common brand name is evolved.
2. A common advertisement programme with a cess collected for advertising.
3. A common network of distribution agency is
appointed for channelising their common pool of production.

(4) A standard system of discounts for the retailers/distributors is arrived at and implemented.

(5) A common pool of funds is formed for designing and development of the product.

Thus, the single channel distribution system, quick flow of finance and the popularity of the brand will help to increase overall sales and the consortia will be able to create a large turnover capital ratio. The distinct advantages of consortia approach could be listed as under:

(1) Marketing through the medium of a sales distributor and a common dealer network.

(2) Co-ordinated advertising by pooling the resources for projecting a common brand and image of the product.

(3) and providing the wherewithals by exploring the foreign markets and securing consolidated orders for execution by the group as a whole.

Having observed the situations in the present survey like the poor finances, absence of marketing organisation, limited markets and fierce competition, inflationary trends etc. these small units need to form such consortia to evolve a strong shield against the above unfavourable factors.

CHAPTER : EIGHT

There were observed three types of units (1) units not
having marketing section, (2) units not having exclusive marketing section but sales staff employed and (3) units with independent marketing section. Thus, we find that the sales staff was employed by units classifying in (2) and (3) above. Hence the examination of personnel policies was done only for these units employing sales staff.

Independent marketing section or employment of staff for marketing section was observed done on an adhoc basis as and when required. However, it would be in the interest of these units that the recruitment for this section should be planned in advance to obtain better results. The point of time when such recruitment or the section is needed should be predecided by each unit independently depending upon its financial health.

Recruitment of personnel in the marketing section was done through the known sources of proprietors/partners or else coming through different levels of business contacts. If, however, a properly qualified staff is not employed through such source, the investment made in each such employee becomes a waste. Hence while recruiting, it should be seen that the person to be recruited has the necessary qualities to carry out the function intelligently. The units should also try other sources like employment exchanges, marketing consultants etc. to get skilled personnel.

Applications from such candidates were obtained. They were called for an interview and a formal interview was con-
ducted. It would always be beneficial to call more than one candidate for interview and the best among the lot, suitable to the unit, should be considered for the appointment.

The policies regarding training the staff differed with each category viz. manager, salesmen etc. The managers were qualified and had average 8 years of practical experience and were not imparted any training. The information about the product, the marketing policies etc., was provided to them and were put on the job directly. All the salesmen employed were qualified and had an average earlier experience of around 5 years in the field. They were put on the job after the completion of their 6-monthly training programme. However, in addition, it would be desirable that through knowledge about the company policies, the technology, the product, the coverage of markets, the selling techniques is imparted to them supporting their practical experience. Sales assistants were not generally put on training. They are to carry out routine duties viz. preparation of bills, keeping inward and outward registers, warehousing arrangements etc.

The basis for compensation in all these units was almost similar. All the employees were paid monthly salaries and were paid yearly increments. The salary per month was negotiated between the employer and the employee in case of managers and senior salesmen. However, in case of junior salesmen and sales assistants the salaries were decided by the managements unilaterally and the offers were then given accord
ingly. Further, the annual increment was released depending upon the wishes of the owners of the unit. The considerations like improved performance, increased sales etc. were only formally stated by the units. This may lead to the feeling of insecurity or dissatisfaction in the sales staff which may result in heavy staff turnover in the marketing sector. It is, therefore, necessary that the sales staff is kept informed about the minimum they would earn per month/per annum. The common ranges of compensation paid to the sales staff were as under:

- **Manager**  Between Rs.350/- and Rs.500/- p.m. Consolidated
- **Salesman**  Between Rs.200/- and Rs.400/- p.m.
- **Sales Assistants**  Between Rs.150/- and Rs.250/- p.m.

The managers would go on tours whenever (1) their salesmen brought an enquiry which might result in large order and to prepare grounds for bagging the same order, (2) the consumers had difficulties about the product performance and wanted to overcome the same, (3) the goodwill visit was to be paid to their distribution agencies, (4) at the end of each financial year to try maximum efforts to promote sales and realise bills. The tour programmes of their salesmen were planned by their managers as against those of managers planned by the owners.

The allowances paid were moreover common in all the units, the actual conveyance charges were paid. The halting
allowance was paid when they were on tour. A few units also paid the out of pocket expenses and entertainment expenses incurred by their staff while entertaining their consumers etc., if properly justified. The halting allowance paid by majority units was Rs. 30/- per day for managers and Rs. 20/- per day for salesmen. However, it was observed that there was no method of comparing the expenses incurred by the sales staff and the sales brought in by them. Hence, there is no direct control over the expenses. A system, therefore, will have to be evolved by each small unit individually so as to establish a control over their expenses linked with the sales brought in by the sales staff.

The sales staff was required to submit their tour reports. The period of submission of these reports varied with each unit depending upon its marketing policy. Units manufacturing consumer goods in general, made it necessary to submit daily reports, however, the remaining units either asked for weekly reports or to submit them immediately after the completion of their tour. No standard forms were devised for the submission of these reports by any of these units, and hence it became difficult for these units to keep, a proper follow up on the tour programmes. It is, therefore, necessary, that a system will have to be created whereby the activities of the sales staff could be ascertained every day and also the frequency of visits made and expenses incurred on tour are known and effectively controlled. In order to
achieve this, these units will have to devise standard forms for reporting, keep registers and up-to-date records of frequency of visits paid and expenses incurred by each sales staff. These records will also help them at the time of evaluating the performance of these employees and also at the time of releasing their yearly increments.

When we compared the strength of employees in this section to the total employees of the unit, we observed that the percentage of staff employed for sales to total staff of the unit was higher comparatively (even upto 12%) in case of units which had an all India market and also the units which manufactured consumer goods vis-a-vis the units having the local markets with limited capacities and having the percentage of staff employed for sales between 3% and 5% of the total employees.

It is, therefore, suggested that (1) units having their average per annum sales of around Rs. 2,00 lakh and expanding markets should employ minimum one salesman. He can keep an independent follow-up of sales and thus the sales turnover can increase, (2) plan in advance, at least five years ahead the likely sales and expenses, budgets prepared which will help the unit take decisions regarding the independent marketing section; its establishment or expansion whatever the case may be (3) while recruiting properly. This will avoid imparting a constant spoon feeding to their sales staff for obtaining the results. It is also desirable to see that the
personality, mannerism, the aptitude etc. were weighed while selecting them and given due weightage, (4) The information about each such employee should be obtained in detail and proper records should be kept by devising standard forms for the same, (5) the training should cover the information about the company, its products, the competition, the markets, the technology, the selling techniques, the sales promotion, the pricing etc. Providing this information helps the sales staff to derive confidence in their work. (6) Incentives like additional increments, gifts, certificate of merit should be given to the sales staff for exceeding the yearly sales targets. This technique was not in use and was not reported by any of the units examined. Such incentives boosts up the moral and helps to build up a loyalty and sincerity in the work of the sales staff, (7) Control methods should be devised by evolving a scientific and systematic reporting system and uptodate, simple and classified record system. Both these controls will be able to save a lot of money spent on unremonerative accounts by these units.

CHAPTER : NINE

The records were maintained by the units in a very unsystematic and unsatisfactory manner. Classified records segregated per account of expense were not available. It was observed that the units had not fully realised the importance of systematic records. It should be understood
by the small units in its true sense in order to avoid wastage of money and also in order to plan their budgets which bring financial controls.

The marketing expenses were formed mainly of (i) sales promotion expenses - these expenses did not exceed 2% of sales in any of the units examined in the survey. The share of this category of expenses was very low compared to other category expenses. The small units should realise the importance of more spendings on product promotion which brings more sales, (ii) commission expenses - incurred on (a) their distribution channels, (b) their own salesmen. The commission, in general, was paid to them for completing the predetermined quota per annum and was paid on the additional sales brought in by them. However, it appeared that paying commission was not a common practice among the small units, in general, (iii) packaging expenses - In fact, it was necessary to consider only the sales promotion expenses incurred on packaging for the purpose of study here. However, the absence of systematic records made it necessary to consider the total expenses incurred on packaging. Packaging had number of selling points in consumer goods and hence the percentage of expenses in such units were on the higher side. Specifications, protection, safety etc. were the main considerations in case of industrial products and hence, their spendings were on a lower side. However, the proper importance of selling points of a package was not realised by
the small units and hence could not use packaging as a successful weapon for sales promotion, (iv) miscellaneous expenses - included all sundry items such as travelling, conveyance, transport, stationery, taxes, telephones etc. The major share of total marketing expenses was spent as miscellaneous expenses. Even upto 30% of total marketing expenses were spent on this account. In fact this is the area where savings could be effected by controlling the various items explained above. This is possible if systematic records are maintained by the units.

In general, it is felt necessary that the small units realise (1) the main area requiring controls is the miscellaneous expenses and for that matter the maintenance of systematic records, (2) the necessity to prepare a sales budget incorporating the marketing expenses planned, every year. The projected sales can be taken as base and various measures planned to promote the product by using the possible combination of sales promotion techniques and the requirement of funds for them. Such sales promotion measures will not only help them increase sales, margin of profits but also will help to make financial arrangements in advance and the units will not get involved in unhappy situations of inadequacy of finances when a big push is required to the product promotion in the market.

CHAPTER : TEN

Distribution system utilised by the units manufacturing
job works and products going into the assembly of other
products mainly used a direct channel i.e. from the manufac-
turer to the consumer. Majority units in the region
were of this type and hence the direct channel was in
common use. This channel shows their total dependence on
a single or limited consumers. If their consumers failed
to place orders the future of such units is in danger. It
is, therefore, necessary that these units diversify their
products and expand their markets.

There were units which mainly resorted to personal
selling to their one or a few major consumers and for the
other consumers they employed a distribution agency. There
were units which catered to the local markets by personal
selling and employed a distribution agency for the outside
markets. The units were there which sold a few products
directly to the consumers and for the remaining products
employed an agency. The obvious advantages of diversifica-
tion viz. increased turnover and profits and lesser depen-
dence upon a single consumer are gained by this mixed
channel system. It was also possible for these units to
develop outside markets with the help of the distribution
channels. These agencies would also make purchases in bulk
which helped reduce the burden of carrying large stocks
of goods on hand by the manufacturing units to a greater
extent. The competition also could be overcome successfully
through these agencies. It is, therefore, desirable that
units dealing in the restricted markets, using personal selling methods should consider diversification on these grounds.

The last group of units did not use either of the above distribution channels. These units preferred to sell out their whole production to their distribution channels. These units thus did not entertain the markets directly. The advantages derived by such units were like (1) the continuous movement of the stocks of finished goods, (2) these selling arrangements handled by distribution channels, (3) the faster realisation of bills, (4) no transport problems. However, the major disadvantages of employing this distribution channel were (1) total dependence on them for the sale of products, (2) difficult implementation of product improvements, (3) obtaining of fixed margin of profits etc. These are the negative points in the employment of a channel as above which takes away the freedom of the small units in implementing their policies independently. It is, therefore, necessary to give a full thought to these matters before selecting any particular channel for distribution of their products.

The units had indicated various considerations for choosing their channels. These are as - (1) the location of the channels, (2) their market coverage, (3) their past experience, (4) their product mix handled, (5) their financial position, (6) their display facilities, (7) the demand
patterns and centres in their area etc. However, in practice it was observed that the agencies selected were either new or those recommended by their relatives, friends etc. These agencies were the smaller ones compared to the reputed agencies. These reputed agencies did not entertain the small manufacturers favourably and hence these small units had to approach the smaller distribution agencies in the line. This has been a grave problem and will have to be solved either through the associations of small units or will have to be looked into by the Government at their level. Another solution suggested for these units is to form a consortium. (Please refer page 525 for details). It is also suggested here that the small units had better look into their costs of the distribution arrangements and their product pricing and market trend of prices. The selection of distribution channel and distribution costs, should, as far as possible, not reduce their profit margins.

All units, irrespective of their size, generally offered credit for the goods supplied to their buyers. The common period of credit was that of 30 days. The experience of these units was that the realisation of bills for the goods supplied on credit were delayed by their buyers. The main reason for this delay was observed to be the negligence on the part of their buyers. The distribution channels in number of cases delayed the payment of bills as a matter of habit. The delays from the Government/Semi-Government departments/
agencies were reported to be due to their complex procedures of sanctioning payments. These delays were unnecessary and could be avoided. All these delays in realisation of bills strained the working capital position of these small units which make them run after financial institutions every now and then.

It is desirable to consider following points to avoid or overcome these difficulties. (1) Approach to big buyers through the Associations of small industries. (2) Approach governmental agencies requesting them to simplify their procedures. This could also be done through their Associations, and (3) Maintenance of systematic records and planning of cash flows to establish controls over the shortage of working capital.

CHAPTER : ELEVEN

It was the observation that a majority of units did not maintain systematic records of expense items has been the observation in earlier chapters also. This resulted in not locating important variables of costs i.e. expenses items which could be effectively controlled. There was a shortage of raw materials during the period under observation. Steel, cement, paper etc. were sold on premiums, resulted in the shortage of these materials in the market. The labour costs also went up during the period due to overall inflation in the economy. The administrative costs also went up simultaneously. Both the factors explained
above were mainly responsible for not having proper controls, by these units over the critical items of costs. In addition, the marketing expenses also went up but the units did not know whether the items on which the expenses incurred were on higher side or otherwise due to absence of systematic records. The accumulated result of all these factors was the reduction in the expected profit margins.

The units from electricals and electronics group also had to design and develop their products as per the specifications supplied by their buyers and then produce them on mass scale. Even these developmental costs are required to be taken account of and are to be spread over the total costs in these units.

In addition, there were certain factors like market trends, strategies of competitors (who made sudden changes in their prices to quickly cover up the demand) etc., which could not be controlled by the small units.

Hence, while fixing up the prices, it is necessary to keep a close watch on all these variables and make effective changes from time to time depending upon these variables so as to avoid depletion of profit margins. No unit could satisfactorily explain as to how do they control their pricing strategies in the wake of these realities. This, in short, gives an impression that the units were not aware of the importance of these variables and their influence on costs and pricing. It is, therefore, desirable
that the units maintain systematic records of each of the item of expense and know their importance and effect on pricing. It is also necessary that cost centres are developed to control important expense items like raw material costs, labour costs, etc. and systems evolved of constant feedback of information from such cost centres to keep the strategies ready to effect necessary changes in pricing at proper times to avoid depletion in the profit margins. The small units should also realise that pricing could be an effective tool in sales promotion, if understood in full and implemented cautiously.

Price revisions were unavoidable for all these units due to various factors mentioned above. The main reason for revision stated by the units was the rise in prices of their raw material. There were units which had their price lists printed.

In short, to have a proper control on pricing and also to keep abreast of competition, following points deserve attention by the small units - They should (1) keep classified records of expenses, (2) arrive at exact cost structure, (3) decide the major elements of cost control, (4) take measures to reduce unremunerative costs, (5) keep a close watch on market trend of prices, (6) take advantage of rise/fall in competitor's prices, (7) use proper incentives at proper times, (8) revise prices when these become unremunerative.
CHAPTER: TWELVE

There was a gross unawareness in these small units about the techniques of sales promotion and their usage. Units which explained the sales promotion methods though not in detail, manufactured consumer goods, had keen competition for their products and also had employed various distribution channels. The other methods of sales promotion in common use in these small units were using (l) various discount methods such as cash discounts for early payment of bills, quantity discounts etc., (ii) newspaper advertising, (iii) modern displays, (iv) use of small hoardings, (v) price offers etc. These methods were used as a matter of routine rather than using them as specialised skills. It is, therefore, necessary that the awareness of various techniques, their importance and usage should be created among the small units, preferably, by and through their Associations.

In absence of the detailed knowledge and the skillful use of various sales promotion techniques, the importance was mainly given to the direct personal selling through personal contacts. The enquiry was created, sample manufactured according to specifications, supplied by the potential consumer, demonstrations given for product performance and having satisfied the consumer the large/bulk orders were procured. This was a commonly used method of personal selling in those units, which had limited markets and manufactured job-works.

Various methods used by those units manufacturing co-
sumer products and had state widespread markets or those units serving all India markets are described in short as under -

(1) Advertising in newspapers/journals - The advertising was commonly done through local newspapers. They very rarely covered other states. No budget was prepared for advertising and hence there was no control over these expenses. It is, therefore, suggested that these units plan advertising budgets in advance and the expenses incurred accordingly, be compared with results obtained in the form of increased sales. Proper budgeting would make possible for the unit to allocate resources properly in a phased manner for advertising. A study of the advertising strategy of competitors should be made and then the strategies for advertising planned. Distribution agencies should also be consulted while preparing advertising budgets.

(2) The other methods for promoting their products informed to be in use were (a) displays through their show rooms, (b) mailing printed handouts, (c) participation in industrial fairs, (d) giving demonstrations, (e) distributing free samples of products, (f) offering various discounts and (g) offering free packs etc. However, these methods were not employed skillfully and in a planned way. It is, therefore, desirable that the small units consider the following check list before they plan their sales promotion programme. The check points suggested here are (1) estimates of markets and their size should be prepared, (2) in order to establish the potential, the surveys of markets should be made, (3) based upon the
findings the coverage of markets should be decided, (4) estimates of prices and likely margins should be made, (5) the consumer needs and their purchasing power should be assessed by conducting surveys, (6) the product should, therefore, be developed accordingly, (7) the consumer opinions about the product should be obtained by the survey, and the necessary changes effected in the product, (8) mass advertising should be planned, thereafter, once the decision of launching the product is taken.

A thought needs to be given to all the above points and then the budget for sales promotion should be planned. This will enable the small units, derive benefits, specifically relating to increased sales, increased profit margins, and will bring reputation to the product and the company.