Chapter - IV

SSI UNITS IN MAHARASHTRA

4.1 Introduction

4.2 The Concept of SSI

4.3 SSI in Pre-Independence Period

4.4 SSI Development in Maharashtra

4.5 The Role of SICOM & MSSIDC in Promoting SSI

4.6 New Industrial Policy 2001

4.7 Comparison of SSI in Various Regions

4.8 Problems in the Development of SSI

4.9 The HR Problems

4.10 Summary

References
4.1 INTRODUCTION

The Small Scale Industries is an important component in the Indian economy. Small scale industries have not only contributed for increasing domestic products, but also they have created employment. R. P. Mishra has pointed that, in any program of rural development, one would have to take an integrated view, covering not only rural industries but also other sectors like agriculture and allied activities, construction, mining and quarrying and services. Among these services HR is also an important factor which is neglected.

About the nature of small scale industries in India scholars have rightly observed that, a distinctive feature of the small and village industries sector in India is its wide and varied spectrum. We have to study the HR problems of small scale industries in this context. The present situation of SSI units can be compared interestingly by understanding dynamics in their development. It has been observed that, at one end are the modern small scale industries which are characterized by features such as production carried out in factory type units, equipped with machinery using power and engaging hired labor. At the other end are the traditional industries, which are highly decentralized, located mainly in rural setting and producing goods with the aid of simple tools, but with rich traditional, often inherited, skills.

HR is one of such skills which is inherited through tradition and through serious efforts made by small scale units by paying attention to
work, training and development. The manifold aspect of human resource
development such as quality of work force, time and trace management,
internal quality assurance, effective supervision, branding of products and
packaging are mostly depended on the quality of human resource
development efforts. Hence, in this research work main focus is on
Human Resource Development of SSI units. Which is the subject matter
of this research problem.

In this chapter current status of SSI units in 2012 will be specifically
highlighted. A brief comparison of SSI units in various regions will be
made on the basis of SICOM reports. Further information available in
Maharashtra 2012 will also be collected from published reports as well as
web sites.

4.2 THE CONCEPT OF SSI

SSI units in backward region are mostly based on agro industrial
products or traditional folk arts and handicrafts. These are skilled
specialized labor groups who work on the basis of specific time schedule.
Further they require training and orientation. If so they can improve the
quality of products and quality of services which they import through
their production

The small scale industries in India have been developed right from the
First World War period. In between two world wars there was some
setback to these industries. However after freedom serious efforts were
made by young entrepreneurs of India.\textsuperscript{4} R. P. Mishra has noted that, the
term rural industries in this context since to comprise those industries,
which are broadly classified in two factors.
1) These industries are located in villages or small towns and they have agro based. Their raw material is local and manpower is also locally available. The skills employed by them are traditional.

2) Theses industries use locally available resources and human skills. Viewed in this perspective, rural industries comprise traditional cottage, village industries, small scale industries and even some small medium enterprise. These industries produced goods and commodities useful in the day to day life. The focus in the present paper is on one rural sector, viz. rural industries.

The small scale units in India have flourished by facing many difficulties. It is true that, the small scale industries sector in India comprises industrial units with investment in plant and machinery of less than Rs. 25 lakhs, in the case of ancillaries, and Rs. 20 lakhs in other cases. The small scale industries made their beginning 100 years back in 1910. Which mainly focused on textile industries, metal industry and handicrafts etc.

About the nature and scope of this industry Mishra has observed that, the small village and cottage industries form an integrated part of the structure of the Indian economy. As in 1979-80 these industries contributed an output value of Rs. 33,510 crores, giving employment to 236 lakh people. These industries were also able to achieve exports of the order of Rs. 2,225 crores.

Thus small scale industries are production units with a capital investment up to Rs. One crore. Small scale industries can be categories by three units. cottage industries, agro base industries and small
industries. There are arguments made in favour of SSI units by scholars and planners.

It presents an entirely distinct pattern of development and emphasis the importance of small scale industries in the Indian economic development, the IPR. 1956, stated they provide immediate large scale employment, they offer methods of insuring a more equitable distribution of national income and they facilitate an effective mobilization of resources of capital and skill which might otherwise remain unutilized. Some of the problems that unplanned urbanization trend to create will be avoided by the establishment of small centre of industrial production all over the country. There is the argument relating to allocation efficiency and the on-going debate about relative merits of low production and mass production. SSI Units have to develop strategies suitable for their performance. It has been observed that “The challenges of starting a new enterprise from the stage of its conception till actual functioning are indeed stupendous and multidimensional.”

In spite of all these arguments SSI units are surviving on strong basis even in the adverse situation. They form backbone of Indian economy. In a developing country like India, the role and importance of small-scale industries is very significant towards poverty eradication, employment generation, rural development and creating regional balance in promotion and growth of various development activities. SSI units in Maharashtra are also doing the same role effectively.

It is estimated that this sector has been contributing about 40% of the gross value of output produced in the manufacturing sector and the generation of employment by the small-scale sector is more than five
Employment generation is an important factor that SSI are contributing to the national economy of India.

This clearly shows the importance of small-scale industries in the economic development of the country. The small-scale industry has been playing an important role in the growth process of Indian economy since independence in spite of stiff competition from the large sector and not very encouraging support from the government. However SSI units are standing on their own efforts and own vision.

4.3 SSI IN PRE-INDEPENDENCE PERIOD

The rise and growth of SSI in India is mainly an integrated phenomenon which begins in the pre-independence period. During two world wars many small entrepreneurs were making their sincere efforts or production and employment creation on local level. Dr. Lina Kulkarni has placed forth five important characteristics of small scale industries in the pre-independence period.

1. Small entrepreneurs were not supported by British Government because the British Government felt that, they would create problems by competing products which were brought to India by English trading companies, hence heavy taxes were imposed on Indian small scale industries.

2. During the war period due to uncertainty production was declining and after some time it was again picking up because economic condition in the world was not secured and safe for investment.
3. Small scale industries were marching ahead on the basis of their own innovations. Local business men like Tata, Godrej, Kirloskar were doing efforts based on their own innovations. They were appointing engineers or technocrats on the basis of their own capital.\(^1\)\(^8\)

4. The small scale industries were traditional in nature and they were based on local textile which was created on the basis of cotton. Handlooms and Indigenous looms were based on skilled labour. Which was producing raw cotton later on described as khadi.\(^1\)\(^9\)

5. British Government was not supporting infrastructure development. Handmade paper, glass work, small machines, agricultural tools, colors, local medicine were prepared by business men who were investing by their own capital.\(^2\)\(^0\)

In the pre-independence period Bombay State had only 2.6% industries which were having more than 500 workers.\(^2\)\(^1\)

Thus industries in pre-independence period were facing many difficulties and complications due to adverse economic policies of British India. These policies were very rigid and they were not allowing Indian entrepreneurs to take a boost or great leap forward. The Government agencies were not at all supporting for the flourishment of small scale industries in India in general and Maharashtra in particular.
4.4 SSI DEVELOPMENT IN MAHARASHTRA

The SSI development in Maharashtra requires a critical approach. In many backward regions there are some sick units and they require a proper training. The HR problems are key in these units and if these problems are solved, there can be positive change. A careful and critical approach is required to study the development of SSI units in the state. They can explore these facilities well. SSI units must work together in an organized manner to adhere to these facilities in a neat way. They require proper and timely help to face complications. In 1960 independent Maharashtra State was established and serious efforts were made for promoting small scale industries. Brief highlight of the rapid development of small scale industries in Maharashtra can be highlighted below.

Maharashtra had background of Tata, Birla, Maphatlal and Kirloskar group which was later on supported by Garware, Godrej, Ambani and Dhoot etc. Maharashtra's first government of Y. B. Chavan supported agro based co-operative movement and small scale industries. Due to liberal credit policy and concession given to small industries, many entrepreneurs opened their units in Mumbai, Pune, Nashik belt in first phase and in the second phase from 1970 to 1990 in Aurangabad, Nagpur and Kolhapur.22

In organized production sector Maharashtra's contribution is 20% in the national economy. The annual survey of industries conducted by central government shows that Maharashtra has maintained its number one status since last 15 years continuously.23 In 2008-09 the industrial growth of Maharashtra was 11.5% and out of entire stable capital in the country 17.3% is invested in Maharashtra.24
The small scale industries in Maharashtra includes small machine, automobiles, car industry, paper industry, rubber and plastic, metal industries, printing technology and furniture etc. ten major industries in which Maharashtra is on number one.\(^{25}\)

It has been observed that, there are many industries in Maharashtra are including unorganized sectors. Lack of management limited turnover, limited self employment, traditional, professional approach are the major characters of un organizing industries. There are 11 lakh groups and activities operating in unorganized sector and 29 lakh workers are engaged in this. Further 20 lakh business are including in service sector and 35 lakh employees are working in this sector.\(^{26}\)

Thus from 1998 InfoTech industry is a new sector in Maharashtra. In 1999 Maharashtra declared information technology year and alongwith mumbai, Pune, Nagpur, Aurangabad, Sangli, Kolhapur, Satara, Nagar and Nashik cities InfoTech parks were established. In total 367 IT. Parks have been established and the investment is more than 12 crores and employment is given to more than 8 lakh persons.\(^{27}\)

### 4.5 THE ROLE OF SICOM & MSSIDC IN PROMOTING SSI

SICOM is a premier financial institution in INDIA located at Mumbai dedicated to catalyzing development in the Industrial, Services and Infrastructure sectors in India by providing tailor-made financial solutions and advisory services to companies in the private & public sector and Government bodies. SICOM is the nodal agency for foreign direct investment in “Maharashtra State”, the most industrialized state in India. SICOM with its exposure across different sectors is ideally placed to
understand and serve the needs of entrepreneurs to set up projects and service facilities in India.28

SICOM was established in 1966 in order to promote industries in the backward region. 29 The industries and projects which had scope of more than 2 crores rupees have been included in SICOM project. Initially for small and medium industries SICOM was helping them rupees 90 lakhs grant.30 Due to SICOM's efforts industrial sector have been developed at Aurangabad, Nagpur, Nashik, Roha, Tarapur industrial sectors. Further Ahmednagar, Patalganga Dist. Raigad, Jalgaon, Jalna, Murbad Dist. Thane and Chiplun, Nanded, Paithan, Vardha etc. industrial areas are also upcoming.31 During last 40 years SICOM has assisted 8236 industries due to efforts of SICOM more than 8 lakh persons have received employment.32

Since its inception in 1966, SICOM has dedicated itself to providing entrepreneurs with a range of fund-based and non fund-based products and services. For more than 4 decades SICOM has been responsible for catalyzing the development of infrastructure and industry in the State of Maharashtra.33 After 1994 SICOM has been offering its services for projects located anywhere in India. 34

SICOM has 5 regional offices at Delhi, Nagpur, Pune, Aurangabad and Nashik. SICOM’s belief in continuously upgrading its products and providing a wide range of financial and advisory services to Indian and international investors is reflected in its vision.35 This is the sign of its good health. SICOM's vision is clear cut. It has been pointed that,
1. To emerge as a leading public financial institution in the country devoted to achieving sustainable and balanced economic development through value based financial services;

2. To excel on the strength of professional competence, innovation, customer orientation, enrichment of all stakeholders and empowerment of employees;

3. To set an example of enlightened Corporate Governance and Citizenship.\(^{36}\)

Thus SICOM brought the vision into practice.

SICOM has provided financial assistance to local industries sick units and it has provided seed capital for begin ups in 1983 SICOM has tried to accommodate NRI in the development of industrial growth. In 1994 51% capital was provided to different industrial agencies. It has supported handloom industries, petroleum, computer, IT, electronics, leather technology, food processing etc new projects. SICOM has promoted 900 NRIs for participating in the development of local industrial growth.\(^{37}\)

In promoting SSI units in Maharashtra is known as MSSIDC. The Maharashtra Small Scale Industries Development Corporation Ltd., popularly known as MSSIDC, was established on October 19, 1962 with a view to giving a new orientation and strength to the development of Small Scale Industries in the State of Maharashtra.\(^{38}\) The main objective of MSSIDC is to aid, counsel, assist, finance, protect and promote the interests of Small Industries. The Corporation renders assistance to approximately 30000 SSI units in the State.\(^{39}\)
MSSIDC plays a vital role in revival, development and growth of traditional handicrafts of Maharashtra by responding to the diversified needs of rural artisans and marketing their products in India as well as abroad.\textsuperscript{40}

Over the years, MSSIDC has grown to become India’s leading Small Scale Industries Development Corporation, continuously responding to the expanding and diversified needs of Small Scale Industries, Village and Cottage Industries, providing support services like Training and Entrepreneurship Development Programme.\textsuperscript{41}

MSSIDC has its main office in Mumbai and sub offices as Pune, Nagpur, Kolhapur, Aurangabad, Akola, Thane. It has supported various industries such as iron, coal, acid, wax, paper, rubber, copper etc. It helps for marketing, transportation, export, exhibitions etc. The paithani traditional sari viewing center have be renovated at Paithan and Yewla. The corporation has supported 320 crores help assistance to more than 2000 small scale units. In the 10th plan MSSIDC has spend more than 15 crores rupees.\textsuperscript{42}

Thus these two agencies have been helping for the healthy development of small scale industries in Maharashtra State.

\textbf{4.6 \quad NEW INDUSTRIAL POLICY 2001}

The new industrial policy of Maharashtra has provided scope for the healthy development of SSI units. There are many facilities given for sick units, but there is ignorance and lack of access. The proper network of information must be provided to the SSI unit.
In January 2001 Maharashtra has declared new industrial policy to support information technology industry in the state. Further facilities have been provided to industries at various places. Electricity generating efforts have been supported. The textile mills which were in losses have been closed down. The surplus land of Bombay Textile units were decided to use it for information technology development. Further State Govt. has supported industries to attract them towards Maharashtra State.

In this new policy industries has been classified as big industries, medium industries, small industries, ancillary industries, micro industries, rural industries etc. In the new policy special focus was laid down on the development of bio-technology in which agriculture development, fishery development, floriculture, horticulture have been promoted.

New industrial policy in 2010 was further restricted in which changes were made in agriculture industries and information technology sector. Special support was given on development on cotton, sugar as well as oil seeds. In the field of horticulture development of grapes, orange, mangos and casunuts were mainly focused. Sugarcane development was also seriously supported. Process industries based on agriculture were promoted.

Human Resource Development and entrepreneurship development was also focused. Central Government has declared Aurangabad, Bhandara, Beed, Chandrapur, Buldhana, Raigad, Dhule, Jalgaon, Nanded, Osmanabad, Sindhudurg and Yewatmal district as backward districts in Maharashtra State.
State Government is promoting various schemes for rapid development of these districts. Government is trying to bring coordination among various agencies to promote industrial development.\textsuperscript{44}

4.7 COMPARISION OF SSI IN VARIOUS REGIONS

Maharashtra Government has established regional development boards to promote industries in the backward region. Now these boards have been given status of Statutory Development Board as per provisions in the constitution. If we compare regional industrial development of Western Maharashtra, Vidarbha, Marathwada and Konkan. The following points

1. Major industrial growth in the state in concentrate in Mumbai, Pune, Nashik belt. Because this is the area where electricity is easily available, water resources are ample and trained manpower is also available. Marketing and transportation network is also well connected. The Mumbai, Pune belt had initiated industries prior to first world war. They have a tradition of Tata, Birla, Godrej and Ambani.\textsuperscript{45}

2. The backward regions like Vidarbha and Marathwada have been exposed to industrial developments in 1960's only. In the backward region in 1970 development corporations were established. Through these agencies new projects were prepared. But latter on due to lack of financial support these project lagged behind. Even after development of Statutory Development Board financial condition has not been improved well.\textsuperscript{46}
3. Many industries in the backward region are sick and these sick units are not in good health. Agencies like SICOM have many schemes to support sick units but money is wasted many times.47

4. Government is neglecting towards basic infrastructure development in the backward region. Outsiders are enjoying and local entrepreneur are not getting proper support. Even in the field of employment large benefit goes to urban people.48

5. Western Maharashtra is having edge over backward regions and now many rich agriculturists from Baramati and Kolhapur are purchasing sick sugar factories in Vidarbha and Marathwada region. The advance region leadership is thus capturing islands of development and also infrastructural system in the backward region.49

4.8 PROBLEMS IN THE DEVELOPMENT OF SSI

The SSI units in the state are undergoing through these critical issues of sick units. They are also needed to seek resource support. When they receive resources, it is difficult for them to arrange audit as well as accounts procedures. The special package support and repayment of MSFC loans require proper guidance, which they can seek from different agencies together. A special cell for such guidance must be established.

Small scale industries in Maharashtra are facing many problems in the new millennium. These problems are complex in nature. R. P. Mishra has pointed that, the countryside in India continues to be plagued with poverty and unemployment, as well as under-employment.50 On this background the problems of SSI units can be classified below.
1. **Resource Crunch:** Problem of adequate financial support is a major problem in the march of SSI industries. Agencies like SICOM or MSSIDC are accessible to rich and urban people and poor village people have no access to get these sources in a faster manner. Further regular supply of raw material is also a problem. There is a need of network of industries overcome these problems.

2. **Lack of Energy Sources:** In rural area power cut is a continuous problem. However the rural area in Maharashtra is suffering from loadshedding. Due to continuous loadshedding small scale units are suffering a great deal. Because they have to shift their production work as per availability of electricity.

3. **Problem of Aggressive Marketing:** The Small scale industries do not have network of marketing. In the globalization these units cannot sustain because they do not have proper packaging. Further difficulties in exports are also related to this factor. Philip Kotlar in its recent edition on marketing has added success story of dabewal's in Mumbai. But such success stories are rare in rural areas. Further successful SSI units do not follow principles of CSR and they grab their profit for personal achievement.

4. **Problem of Technical knowhow:** In the rural areas the technical advice is not available easily. Many small scale units have depended on Mumbai, Pune and Banglore and they are not ready to come to backward places, where minimum facilities are not available. Technical support is a significant factor in the march of SSI units. The backward mindset is a major problem in accepting advance knowledge.
5. **Lack of Industrial Relations:** The small scale units totally neglect public relations and communication aspects. They never care smooth industrial relations. In the all round development of industries, smooth and healthy relations play a key role but SSI units neglect towards them.55

6. **Sickness and Mortality rate:** The growing sickness in the SSI units is a major problem. Further mortality among these units is also increasing. Though there are many schemes of financial assistance to sick units. Yet these schemes are misused and healthy industrial development is not planned properly and sickness is increasing in the industries of Aurangabad, Nagpur as well as Solapur industries. And many SSI units are selling their units to the outsiders.

Thus all these problems are complex in nature and they are related to each other. But basic problem is related to training and development which is tackled in this work.

**4.9 THE HR PROBLEMS**

Small Scale Industries suffer a great deal due to lack of proper technical knowhow.56 SSI units do not care towards human resource development and training work. Maharashtra Govt. has established MCED for entrepreneurship development in the backward region. However the ideal EDP programs are mostly conducted in mega cities and not in rural areas. In 1988 MCED was established to foster entrepreneurship qualities.57 However three things are very important in the field of HR.
1. There is a need of planned training to support young entrepreneur in their day to day business.

2. Risk is a very important and challenging task and entrepreneurs required training to face risks in their business.

3. Information, automation is knocking doors of new business and SSI units have to accept new information technology for their bright future. But their traditional mindset cannot change and they are very slow in their performance. They have to accept the challenge of technology for their bright future.

Hence, in this work major focus is given on HR problems.

4.10 SUMMARY

About industrialization in the new world united nations unit reports has observed that, industrialization should be viewed primarily as a means of improving the condition of work and living standards of poverty-stricken masses the world over, and not merely as a means of producing a wider variety of products by application of modern technology. If this is not kept in mind, efforts to industrialize may leave the lives of the majority of the people untouched. In case of small scale industries there are no adverse of industrialization because SSI units are started in different places and they even do not pollute the environment.

It has been observed that, Monitoring and evaluation are essential features of the rural industries program. It is well realized that the mortality react amongst rural industries is high. Now is the high time to focus on HRD training programs for SSI units. Small scale units can be saved and strengthened because they are benefiting to local people for
employment generation, serving the needs of common people and enhancing social security as well as economic strength of industries. In this chapter status of SSI units in Maharashtra was critically examined.

First Conceptual frame was presented later on the conditions of SSI units in pre-independence period was examined. Further SSI development in Maharashtra was pinpointed. Specially the role of SICOM & MSSIDC in promoting SSI units was properly highlighted. Maharashtra's news industrial policy in 2001 & 2010 was examined and comparison of SSI units in Western Maharashtra, Marathwada, Vidarbha and Kokan region was conducted. Problems in the development of SSI units were crystallized. The HR angle was sharply focused and the whole study was finally presented in the capsule form. In the next chapter HR problems in SSI units have been highlighted.

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