CHAPTER X.

CONCLUSION AND SUGGESTIONS.
In earlier Chapters an attempt was made to study various aspects of SSI in M.P. Various aspects analysed were income - employment potential, scale and efficiency, export promotion, dispersal, entrepreneurship, structural analysis and problems of finance. While SSI still remains relatively less important than large industry, the number of SSI units, their production and employment are all increasing much faster than those of large industry. Thus SSI has acquired sizable importance in the economy of the country.

According to 1971 Census, of the 9.4% of the labour force employed in manufacturing, 2.8% was in factories and 6.6% in small, cottage and tiny industries. Similarly, of the national income generated in 1974-75, the large-scale contributed 10% while SSI, 5.5%.

Considering the importance and scope of SSI in the economy of M.P., the Government of M.P. has given special attention to the establishment and development of SSI in the economy during the 30 years of planning. In spite of these efforts the mineral and forest resources are not being utilised satisfactorily. Recent position of SSI in M.P. in respect of number of units, capital, employment and output indicates that SSI are making a slow progress.

A study of structural analysis of SSI in M.P. shows that large-scale industries are much ahead of SSI in many respects. However the total number of factories in SSI sector are two times
greater than those in large scale industries sector. A study of various types of ratios reveals that the value-added per unit of capital in SSI is greater than that in large scale manufacturing. The value-added per employee, and fixed-capital per employee, in SSI are much less than those in large-scale industries. The growth rate of SSI sector has shown better performance than large-scale sector, from the point of view of income and employment.

A detailed study of income and employment aspect of SSI in M.P. was carried out with the help of four characteristics. These characteristics were value-added, employment, number of units, and material consumed. Four SSI groups were found to rank high with regard to income and employment aspects. They were found to contribute 50% of value-added and employment out of total contribution by 72 industry groups. These four industry groups were found to be bidi, grain mill, turpentine, plastic and synthetic fibre products and printing and publishing of periodicals not elsewhere classified.

Next to these four industries the following industry groups followed in importance from the point of view of income and employment generation. These SSI groups were cotton ginning, cleaning and bailing, cold storage, manufacture of ice, cement, lime and plaster products, manufacture of television and radio sets, electrical machinery, iron and steel industries, etc. A close relationship is found between value-added per industry group and number of workers per industry group. It can, therefore, be concluded that
industry groups employing more workers tend to have more value-added.

SSI are playing a pivotal role in promotion of exports. This has indirectly helped in generating more income and employment in SSI sector. The main exported products were animal and agricultural. A variety of items of plastic, sport goods and handicrafts are specially produced for export purpose. All the quantities of these goods produced are exported from M.P. This is a unique point in the export of SSI products from M.P. Apart from Madhya Pradesh Export Corporation, Small Industries Service Institute, Indore; Small Industries Development Organisation and the National Small Industries Corporation Organisations are also assenting to increase the export of goods manufactured in SSI sector in M.P. Efforts like reduction of export duties, exemption of taxes and attractive packings are creating favourable climate for M.P. State products.

A number of organisations are active for the development of entrepreneurship in SSI in M.P. SSI Development Organisations, namely Small Industries Extension Training Institute, Hyderabad; the Small Industries Service Institute, Indore; Okhla Industrial Training Institute, New Delhi, and Directorate of Industries, Bhopal are providing facilities for training of entrepreneurs. The SISI, Indore had provided consultancy services and assistance to 16,907 existing and prospective entrepreneurs in 1970-80. 40 ladies were imparted training in the manufacture of phenyl, chalk-crayons, pen-ink, etc. through SISI branch, Raipur in collaboration
with District Industries Centres, in 1981.

The scale and efficiency of SSI in M.P. was analysed. Marginal productivity of labour was found to be much more higher than the marginal productivity of capital. It was found that the output-capital ratio decreased and the output-labour ratio and the capital-labour ratio increased with the size of units, defined in terms of employment. The output-capital ratio decreased with the size of units defined in terms of capital and the other two ratios increased with the size. This shows that SSI of M.P. can employ more workers per unit of output. The average ratio method and the marginal ratio method lead to similar results on scale and efficiency. Production-Function analysis suggested the existence of increasing returns to scale. Elasticity of labour was found much higher than that of capital in SSI sector. Thus we can conclude that there are many avenues for providing employment in SSI sector in M.P.

The regional distribution of SSI in M.P. with respect to the dispersal of small-scale units and workers employed in small-scale units was studied with the help of the Gini's coefficient of concentration. It was observed that the coefficient of concentration as well as coefficient of variation had a tendency to decrease for number of units overtime. This shows that SSI units tend to spread more equally throughout the state. But this tendency was not found present for workers employed in SSI units. The deliberate action on the part of Government has helped dispersal of
small-scale units. Small-scale units employing more workers still tend to concentrate in urban areas, hence the number of workers employed in small-scale units do not get equally distributed over the region. Small-scale units are found to be concentrated in districts like Indore, Bhopal, Gwalior, Hailur, Ratlam, Ujjain, Durg and Jabalpur.

On the other hand Surguja, Bastar, Sidhi and Mandle are found to be highly backward in respect of establishment of SSI units. A study over a time period shows that the proportion of backward districts is declining in this respect.

Small-Scale Industries in M.P. are being financed through a number of institutions, like M.P. Financial Corporation, Laghu Udyog Nigam, District Industries Centres and Commercial banks. Apart from these institutions the State Government provide various types of subsidies. The National Small Industries Corporation and State Bank of India are also playing an important role in providing financial assistance to SSI in M.P.

Suggestions:

1. There should be a provision for proper training to youngsters, so that they can make up their minds to take risk for the establishment of small industry. We have to find out local talent and give suitable work according to their ability. People have therefore been compelled to make the best of whatever local resources exist, and local talents have been developed to exploit the local
resources. Modernisation of management techniques and skills of personnel should be done at all levels.

(2) As the development of small enterprises is a State subject, there should be a separate Ministry for the development of SSI. No doubt, the State Government has tried to develop SSI, but equal attention has not been paid to the development of trading and servicing units in this sector.

(3) The business management and research institute already existing in the country should be asked to conduct management courses and researches on different aspects of small business. In fact, the establishment of a separate small business management and research institute would be very desirable. Universities and Colleges should also undertake research concerning small business, and more training centres should be set-up to train the workers and small entrepreneurs.

(4) The Government of India should set up an enquiry commission to ascertain if there are monopolistic trends in SSI also. If necessary, law should be enacted to curb such trends as the purpose behind the promotion and development of small units is to help the small entrepreneurs with limited means.

(5) Foreign markets should be surveyed and items in small-scale sector, having export potential should be identified. Export oriented units in small-scale sector may be identified and provided with intensive technical and managerial assistance. Such units may
be assisted in modernisation, standardisation and quality control. These units should also be assisted by modernisation of their equipment, installation of adequate test facilities.

(6) For higher exports, ancillary units development would be the key to future growth of modern small-scale industries. If developed with imagination and understanding, they could turn into healthy competitive units which would contribute a sizable share in our exports with credit.

(7) The magnitude of sickness which varies widely from about 50% to 60% due to storage of raw-materials, and power problems being faced by many small-scale units. This needs the instantaneous corrective action by the Government.

(8) Resource-based industries in the State have not received due attention. M.S.I.O. should try to assist the development of these industries in the State. This will help in export promotion.

(9) In order to increase export, the export cell should organise exhibitions of products of small enterprises and undertake publicity in foreign markets. The measures which Japanese Government has adopted to improve export performance of small enterprises (i.e., establishment of joint research centre for technology and design promotion of joint brands, preshipments financing by commercial banks, rediscounting facilities to commercial banks and export advance billing by the bank of Japan) need strong consideration by our Governments in this matter.
(10) The State Government should restrict the export of some types of raw-materials like wood, timber, iron and steel bars and sheets etc. These raw-materials should be further processed in small sector in Madhya Pradesh.

(11) Bank agents, should be exposed to orientation courses and latest banking practices. Their discretionary powers should also be suitably amended. Bank agents should also be assured that no risk is involved if the expected result does not accrue from a bonafide action.

(12) A need for revolutionary dynamism in bank finance requires personnels with dynamic outlook and promotional approach, particularly in branches at the growth centres of S&I.

(13) Financial discipline on the part of small-scale units is a must to induce greater financing by banks to the small-scale sector. Hence, they should lend their utmost cooperation in maintaining accounts.

(14) Banks should appoint suitable permanent staff for the above purpose.

(15) Some coordination should be established between the commercial banks and urban cooperative banks so that the former may route a part of the loan to S&I through the agency of the latter.

(16) To arrest the increasing trend of default, attractive rebates should be allowed on prompt repayment of instalments. Repayments should be scheduled on repaying capacity of the borrowers.

(17) Small-scale industry is an easy entry sector, and the assistance programmes should not make entry too easy. Over-crowding in
this sector may nullify the impact of assistance, or what is worse, make assistance counter-productive. Therefore financial assistance should be provided according to efficiency and capability. Larger allocation should be given to backward districts.

(18) Industrial Estates should be established in rural areas. Special attention towards estates should be given in planning periods.

(19) Small-scale industries should get all the benefits given by NISIT. In comparison with other States, M.P. is not getting all the benefits available from NISIT.

(20) To help the smaller units, the State Bank group charges interest on graded scale, the rate of interest rising with the increase in the size of the advance. Other banks particularly the nationalised ones should also follow this example and modify their interest structure on the pattern of the State Bank of India.

(21) Availability of working funds should be made easier so that the small-scale unit can function effectively.

(22) The problem of raw-material is the most pressing for the small-scale sector. It is suggested that raw-material should be supplied as per requirements of the small-scale units at competitive prices.

(23) We should try to establish industries which are based on local raw-materials. This will link agriculture and industry.

(24) Government should provide consultancy services and laboratory facilities for testing of raw materials, components and
finished products and quality control on easy terms.

(25) An authority for Backward Area Development (BAD) should be set up at the national level to sponsor and promote a coordinated programme for expeditious establishment and growth of industry at selected growth centres in backward areas. Availability of infrastructure facility is inadequate for developing backward areas. Development of social infrastructure is equally essential for achieving this, a growth centre approach will have to be adopted.

(26) The schemes for backward area development should be enlarged to cover as wide an area as possible on the basis of identification of the problems and potentialities of each area. The next step is to adopt integrated schemes and their implementation by a single authority.

(27) A provision should be made in the income tax free reserve fund from the profit up to a specified percentage to be used exclusively for investment in a backward area/district.

(28) Trained technical personnel and management and commercial executives have been reluctant to go for jobs in units located in backward areas. Incentives should be provided to them for working in such areas.

(29) Lack of standardisation and weaker sales organisations are the main marketing constraints in the small-scale sector. In order to improve their competitive base and resources, joint marketing programme should be undertaken. The development of SSI
on ancillary lines may also help in marketing of products of the small-scale units.

(30) The marketing problem can be solved through the trading companies that have been set up, if they perform the vital job of exploring new international markets and providing indigenous units with commercial intelligence.

(31) A vigorous programmes of modernisation of small-scale units should be undertaken. Countries like Japan have adopted effective policy measures for regular studies of the problems and exploration of the problems and for developing ways and means for implementing modernisation plans. It is necessary that this problem should be studied in details in India too, so that adequate measures which would enable the small-scale units to stand on their own feet as efficient and viable units, are taken up.

(32) Erratic supply of power quite often disturbs the working of small-scale units in the state. This should be corrected because it causes loss to machinery and manpower. The Nimada valley project would help the SSI of M.P. in a better way by providing electricity regularly.

(33) We should eliminate transport bottlenecks, labour troubles and non-availability of land in rural area. This will help development of SSI in rural areas.

(34) Provision for more funds for the development of SSI in the state plan should be made.
(36) It is now generally agreed that the problems being faced by Indian economy have emerged as a result of borrowing technologies from abroad and by our reliance largely on imported equipment, raw-material and ideas from abroad. This is unfortunate and it needs immediate rectification.

(37) We should try to form link between small and large industries. Some domestic electrical appliances, printing machines, etc., should be reserved for small-scale manufacturing. It would help in horizontal integration of the economy. Some small industries, should be regarded as subsidiary and subordinate to large-scale manufacturing. This will help in vertical integration of the economy.

(37) The Government should set up a national commission such as Small Business Commission to enquire into the characteristics and problems of small business units to review their existing status, to find out the effects of various Government policies on them and to suggest measures to make this vital sector more dynamic and alive.

(38) Very few small-scale units submit their Annual Reports to their State Directorates. Collection of Annual Reports should be made at the State level by persons specifically assigned this duty so that compiled information becomes available. The Annual Survey of Industries should publish detailed information on small scale industries.

(39) There should be a liaison committee at the State level. It should consist of the representatives of the Ministries of Small
business, industrial development and finance, and it should function for development of MSME.

(40) A permanent body such as small business review committee should be set up in each state to review the progress of small business every year.

(41) We should try to design articles of better quality. There should be improvement in methods of production, and accessories and establishment of various new industries. But the old industries should be maintained properly.

(42) Some small-scale industry groups have low income and employment potential in M.P. These industries are: dairy products, indigenous sugar and khandsari, wool bailing and pressing, spinning and weaving of silk textiles, wooden furniture and fixtures, paper boards and newsprints, metal furniture and fixture manufacture of agricultural machinery, manufacture of electrical machinery, cold storage. But still these industries have their own importance in the state's economy and therefore production of these goods should be exclusively reserved for this small-scale sector, in spite of the above drawbacks.

(43) There are certain industrial products which require skilled labour for their manufacture. If such industries use more skilled human labour, they produce better quality of goods. Such industries should be reserved for small-scale sector. These industries are: manufacture of bakery products, manufacture of cocoa, chocolate and sugar confectionery, manufacture of ice, wool spinning, weaving and finishing, and manufacture of perfumes, cosmetics,
lotions, etc.

It may be said at the end of this Thesis that implementation of the above suggestions can go a long way in improving the SS1 sector, and putting it on a firm basis in Madhya Pradesh.