CHAPTER- IV
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GENERAL PROBLEMS INCORPORATED WITH THE SMALL SCALE INDUSTRIES OF ASSAM & MANIPUR

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INTRODUCTION:

"The small scale sector in India has been passing through a critical phase. The supporters of small scale establishment in India often pointed out small scale business unit survive in large numbers with numerous problem".\(^1\) It is generally believed that lack of entrepreneurship among the people of Manipur and Assam is a serious matter to be taken into consideration when discussing about industrialization of these states. "The forces of custom and habitat, distrust of anything new or innovative and a lack of intellectual curiosity have all combined to discourage indigenous entrepreneurship."\(^2\) The people of these states generally prefer simple living and their risk bearing capacity is very low. Except traditional cottage industries, the people, generally were not exposed to various types of industries, - be it small- scale or medium-scale. It was not surprising that barring a few exceptions, Assam and Manipur did not have entrepreneurs. However, we notice a welcome change in the attitude of people and also the emergence of a few dozen entrepreneurs in these two states.

4.1 Efforts on entrepreneurship Development:

The North- East will complete 30 years of systematic efforts on Entrepreneurship development in November 2003. It was in November 1973 when the Government of Assam started planned and systematic efforts on entrepreneurship development for promotion of self- employment, particularly among the unemployed youth by setting up district level agencies called Entrepreneurial Motivation Training Centres (EMTCs). The EMTCs are to identify, select and train prospective entrepreneurs and provide them support services for setting up their enterprises and run them successfully. In addition to


EMTCs there are now Small Industries Service Institute (SISI), Branch SISIs, North Eastern Industrial and Technical Consultancy Organisation (NEITCO), North Eastern Industrial Consultants (NECO), National Small Industries Corporation (NSIC) and Indian Institute of Entrepreneurship (IIE) who are directly involved in the entrepreneurship development in the North East. In addition there are voluntary organisations etc. who are also engaged in providing training to prospective entrepreneurs.

Socio-cultural ethos and values in the North-East are more or less similar to the rest of the country. However, an environment conducive for emergence of entrepreneurs in a large measure is yet to happen because of a number of inhibiting factors. Geographical isolation coupled with underdeveloped infrastructural facilities particularly transport and communication and power have hindered the growth of an entrepreneurial friendly environment in the states of Assam and Manipur in particular and in the North-East in general.

4.2 Starting a SSI unit:

"Selection of product, selection of form of ownership, selection of site, designing capital structure, acquisition of manufacturing knowledge, preparation of project report, registration of project report, municipal license, power connection arrangement of finance are the steps to be taken for starting a small industry"3 In the background of Manipur and Assam’s underdeveloped industrial infrastructure, it is quite possible that the entrepreneurs are not familiar with the steps to be taken for establishment of an SSI unit. Moreover, now a day, training is also available for new entrepreneurs under Entrepreneurship Development Programme, which are conducted in these states by some developmental agencies and respective state governments.

4.3 Feasibility Report:

"The project report being compiled by the entrepreneur should accomplish the purpose of providing a "Birds-eye-view" of the entire of the spectrum of activity. Thus, the first practical point to be taken into consideration is to prepare a project or feasibility report. Generally, selections of the product and its nature, market survey, financial viability, technical feasibility etc. are included in such report. One can prepare such a report with the help of a private consultant or expert or Government agencies that are available in these states.

North Eastern Industrial and Technical Consultancy Organisation, (NEITCO), National Productivity Council (NPC), Small Industries Service Institute (SISI), All Manipur Entrepreneurs Association (AMEA), All Assam Small Scale Industries Association (AASSIA) etc. are some of such consultancy organizations. Every feasibility analysis is different but its goal is to identify strength and weaknesses, opportunities and threads of the project.

4.4 Registration of SSI units:

In order to obtain Government and other institutional facilities SSI entrepreneurs have to register their units with the concerned authority. The entrepreneurs can submit an application in prescribed form to the District Industries Centre or Directorate of Industries, Assam or Manipur accordingly. Units are registered in two stages (a) Provisional and (b) Permanent. Provisional Registration entitles the new entrepreneurs to:

i) Apply for a shed an Industrial Estate or a Developed plot in an Industrial Area.

ii) Apply Corporation/ Municipalities for other institutions,

iii) Apply for power connection.

iv) Apply for financial assistance from Banks and other Institutions.
The provisional registration can be obtained at district level and it for one year which remains valid for one year and can be renewed for a period of another year in two six-monthly terms. After providing satisfactory proof of the unit having come into existence, it can get necessary registration certificate from the respective directorate of industries. The provisional registration can be cancelled also, if the concerned authority feels so after inspecting and examining the unit (s) concerned.

4.5 Acquisition of land for factory/ Unit:

The entrepreneurs should take special care in selecting the size of the land, location of the unit and the factory building etc., so that they can meet the present as well as future requirements of the industry. In this stage, some advantages such as availability of industrial facility like power, market situation etc. should be the guiding criteria. Assam Small Industries Development Corporation, Directorate of Industries, Government of Assam, Directorate of Industries, Government of Manipur, Manipur Industrial Development Corporation Limited, (a Government of Manipur undertaking) provide readymade factory sheds in industrial estates along with some other facilities.

4.6 Raw material:

"The Small Industry Extension Training (SIET) Institute, Hyderabad also in survey (1978) in Koshi Koda District, Kerala found the shortage of raw-materials forms one of the causes for sickness. Another report by the same Institution (1978) based on survey in Malappuram District in Kerala, emphasized the need make use of the available resources within the District itself and to import training to the uneducated unemployed"5

Availability of right quality and quantity of raw materials at a right price, at the right place and at the right time are some of the requisites for the continuity of an industry.

Necessary arrangement should be made with the suppliers of raw material. It is profitable to start an industry with locally available raw materials. ASDIC supplies raw materials to the SSI units of Assam. Also Directorate of Industries of these two states allots quotas of scarce raw materials to the certificate holders (for scarce raw materials) SSI units. In the case of imported raw materials, the entrepreneurs have to apply to the Joint Chief Controller of Import and Export through the Directorate Industries Centre.

4.7 **Machinery:**

Use of modern machinery, tools and equipments, using of bye-product and increasing wastage are the major problems relating to production in SSI units.

The entrepreneurs can get advice from the SISI about their essential provide indigenous and imported machinery on hire-purchase basis or on deferred credit basis.

4.8 **Power:**

Arrangement for power is a prime necessity for a modern industrial unit before starting production. For such arrangement, an entrepreneur has to apply to the Electricity Department, Manipur for Manipur and to the State Electricity Board, Assam for Assam.

4.9 **Finance:**

Most of the surveys revealed that the major problems regarding production were largely those of shortage of raw material and inadequate finance. To arrange necessary fund is the most crucial point for SSI entrepreneurs. In Assam, an entrepreneur can arrange term loan for acquiring fixed capital comprising land, building, plant and machinery etc. from A.F.C. and working capital required for continuation of production for raw materials, wages, transportation costs etc. there is discrimination between these two states. A.F.C. provides less percentage to the SSI entrepreneurs of Manipur. The application
should be submitted along with the project report and the relevant information such as copy of registration, cash-flow statement etc.

4.10 Marketing:

"Soon after independence when the new Indian Government was deciding for its economic and industrial priorities it was recognized that the proliferation of imports is to be checked and domestic industries encouraged for the import substitution. This resulted into the establishment of thousands of small scale industries in every nook and corner of the country as they required only marginal financial resources. At the time of scarcity of supply, production was the problem but with the passage of time the degree of competition among the small-scale units also intensified and they felt the need for scientific marketing to sell their output".  

Market situations for the project also should be studied thoroughly. Otherwise the industry will not be commercially viable. SISI, NSIC and ASIDC help the entrepreneurs of Assam in case of marketing through the Government Store- purchase program. There are no such programs yet by the Government of Manipur accept the agro- based industrial products that are arranged by the agriculture department of Manipur. Thus, lack of proper marketing arrangements for selling their products at fair prices deprived the artisans of a good part of their earnings.

4.11 Organization:

An SSI enterprise can be set up on any of the following organizational patterns-

i) Industrial proprietorship

ii) Partnership

iii) Public Limited

iv) Private Limited  
v) Co-operative  
vi) Public co-operation and  
vii) Others  

There are only a few SSI units in the public sector in Manipur and Assam and most of the SSI units are proprietorship concerns. Again, there exists a number of traditional crafts in different districts of Assam and hill districts of Manipur in unorganized manners.

4.12 Problems associated with SSI units in Assam and Manipur:

In spite of their notable role in the State economy, and various incentives provided by the Government, SSI sector faces varieties of problems.

4.13 Financial Problem/Difficulty:

The biggest problem for this sector is that of obtaining the necessary finance. They do not have adequate funds of their own. Therefore, they cannot install modern machinery or tools; they can not buy good quality raw materials and become unable to face competition in the market for the finished products. The facility of institutional finance as available in these states appears to be quite inadequate. It is reported that many villages of these states are yet to get at least one branch or other financial institution. On the other hand, in many cases the entrepreneurs can not furnish sufficient security for bank loan etc. and as observed by the Reserve Bank of India, they can not obtain the necessary resources from institutional agencies that are doubtful of the ability of such borrowers to repay the loans in time. Therefore, non-availability of adequate institutional finance in proper time has stood as the main obstacle in motivating the entrepreneurs, who are already victims of decade-old inertia in the field of self-employment. This type of financial problem is not faced only by Manipur and Assam’s SSI sectors rather the whole sector of our country as this is observed by different study teams, organised by the government and other
institutions. But the flow of institutional finance is too poor in Manipur and Assam compared to other states or all India level.

4.14 Problem of raw-material:

Though the North - Eastern region as a whole, has got vast resources for being utilised as raw - materials, the absence of practical demonstration cum - training centre has stood in the way of motivating our entrepreneurship in utilizing indigenous resources. As raw - material is a basic input for a unit. The shortage of right type of raw material at standard prices has affected the manufacturing unit; an irregular supply of raw material may create the problem of sickness to an industrial entire industrial sector. It is complained that the indigenous scarce as well as imported raw materials are not distributed equally in these states. Specially, new SSI entrepreneurs are not able to get their full requirement of raw materials. The SSI in many instances are to procure raw-materials and components at much higher prices than what the large-scale units have generally to pay for their purchases made in bulk. Even after thirty years, the problems are recognised by the Reserve Bank of India Study Team when it observed - Basic raw materials are not available locally. If available, they are in short - supply and prices are high. Due to the absence of national - level godown, the SSI entrepreneurs of Assam and Manipur have to procure the scarce raw material such as palm-fatty acid, ferrous, non-ferrous metals from Calcutta, paying extra Central Sales Tax, which makes the raw material costlier. All these results in the increase of the cost of production. But, due to lack of sales organisation, in many cases, SSI entrepreneurs are forced to sell their products at lower prices which finally lead to financial problem.

4.15 Marketing Problem:

Marketing continues to be one of the major problems of SSI entrepreneurs because of growing outside the purview of the purchase network of the Government agency. So, in many cases the SSI entrepreneurs have to depend upon the dealers or other middlemen, where they sell their commodity at very low prices now.
4.16 **Infrastructural Problem:**

Recommending measures for all round economic development of Assam, the Task Force on Economic Development, Assam observes that, the main constraints strangling industrial growth of the state are a total lack of infrastructural facilities. The Standing Advisory Committee of the Reserve Bank of India also observes that, the region is deficit in power generation which poses a major problem to the industries. Inadequate and input for a manufacturing unit, an irregular supply of raw-material may create the problem of sickness to an industrial unit. The shortage of right type of raw-materials at standard prices has affected the entire industrial sector. It is complained that the indigenous scarce as well as imported raw-materials are not available in time.

This case illustrates that if the unit wants to grow to increase to its sales, then a growth in sales up to 34.61% over the present level does not call for additional working capital. If the growth, may be unplanned exceeds 34.61%, the unit needs to borrow from banks for its working capital needs.

4.17 **Other Problems:**

The above problems are associated with a handful of other problems also, such as lack of technical and managerial skills and facilities, low rate of capital formation, illiteracy and ignorance of the people, underdeveloped human resources, lack of machineries and modernization etc.

In this background, lack of entrepreneurial talent and industrial awareness the exposure to industrial climate of these states. Without an adequate supply of entrepreneurial talent, it is impossible to establish new industrial or expands those already set up. Where there is lack of entrepreneurial talent, there is also lack of industrial development.
4.18 **Facilities and Incentives:**

Having knowledge of all the acute problems the Government of India had in December 1997 announced a separate Industrial policy for the North - eastern Region. The policy with its synergetic package of incentives was specifically designed to stimulate development of industries so that the region overcomes its continuing backwardness. Soon after the announcement the various Ministries under the Government of India and the State Industries Department commenced the exercise of holding consultations among themselves with a view to operationalising Department, major portions of the policy have become operationalised for the State of Assam and Tripura. But there were no feedbacks in the other states of North - Eastern Region including Manipur. A number of notifications have been issued by the concerned Ministries in the Government of India, the last ones being the Excise notifications issued by the Ministry of Finance on 6th July 1999 on the eve of the honorable Prime Minister's visit to Assam. These notifications are a major incentive and significant windfall to industrialists and entrepreneurs wishing to invest in the region and indeed these notifications could well be a watershed in our path to industrialization. The other significant notifications operationalising the policy are those pertaining to transport subsidy, capital investment subsidy and subsidy on interest on working capital loan.

There are many training centres run by the Govt. of Manipur in the State. There is one polytechnique and an ITI which provides training to the entrepreneurs and five more ITIs will come up very soon. An industrial estate has been set up at Takyelpat Imphal. So far 22.50 acres have been acquired for the same. 44 sheds have been constructed at the industrial estate, Takyal. There is already a provision for the construction of growth centre at Napetpaly.

"The management of the industrial estate is under the direct control of the Director of Commerce & Industries, Manipur. The allotment of sheds is entrusted to a committee consisting of 3 (three) members viz. Secretary (IND), Secretary (Law) and Director of Commerce & Industries, Manipur as member Secretary. Arrangement for establishing of
another Industrial Estate at Jiribam has been taken up. 15 acres of land has been acquired and land development and fencing is being taken up.

i) 50% rent concession is given for a period of 5 years commencing from the start of commercial production and sale of finished products.

ii) “Power is made available at Rs. 0.25 paise per unit upto a maximum of power load of 30 hp to a single industrial unit”7.

Other facilities and incentives/concessions at D.I.C:

1. Technical Assistance by opening the door of consultancy and extension services.
2. Registration of Industrial units promptly and liberally.
3. Credit facilities from Banks and Financial Institution for bankable schemes.
4. Assistance for procure of raw materials from MANIDCO, Civil Supply Department and other agencies.
5. Assistance for marketing of finished products of registered industrial units and market information
6. Arrangement for registration of SSI units under single point registration scheme of NSIC so as to enable the industrialists to supply their finished products which conform the standard and quality of the reserved items to the Government.
7. Assistance of arrangement for training to artisans and entrepreneurs.