CHAPTER VIII
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Summary, Conclusions and Suggestions.
Summary:

The research work entitled “A Study of Small Scale Industrial Units of Beed District Industrial Area: With Special Reference To Marketing And Labour Problems.” is a descriptive study conducted with specific objectives. Various problems that stand in the way of the growth of the small-scale industries are analyzed.

This chapter summarizes the study undertaken at the micro level covering 100 sample units in five Taluks in Beed District, based on observations and findings.

Conclusions:

The small-scale sector has grown steadily and occupied an important place in economy. Contribution of the sector in terms of generation of employment, output and exports are quite significant. The number of registered units in SSI sector according to the 3rd All India Census of SSIs, 2001-2002 are 901,000 units and in the SSIs units in registered manufacturing sector are 870,000 units. The gross output for SSIs is Rs 1951 billion for registered sector and 1907 billion in manufacturing SSIs. Employment for SSIs for registered and manufacturing sectors are 51,51,000 and 50,20,000 respectively. Overall, India’s economy performed well in the 1980s and even better after the reforms of early 1990s. Structural reforms stimulated industrial and services growth and investment in the early 1990s.
• Diversification of the rural economy is regarded as an essential component of rural transformation. An expanding non–farm sector contributes to higher rural incomes by providing additional opportunities for employment and income opportunities in rural areas. It also helps in raising income levels of the workers in agriculture sector by reducing population pressure on land.

• The rural workforce in Maharashtra is much less diversified and the process of Diversification towards non–agricultural employment has been much slower as compared to others states of the country. The share of non–agricultural workers in the total number of rural workers has increased only moderately during the last two decade.

• The external factors responsible for industrial sickness include: unexpected adverse Marketing conditions for a prolonged period; changes on government policies in respect of excise duty, import/export restriction and subsidies; disequilibrium between demand and supply; recessionary trend; rise in cost of production; scarcity of critical resources like raw materials, power and skilled labour etc.

• Internal factors responsible for industrial sickness are management structure and prevailing work culture; economically in viable price structure; level of capacity utilization; technological upgradation; resource mobilization; socio–economic factors related to workers, management and business environment; environmental degradation etc.

The survey findings demonstrate that most of the entrepreneurs use intermediate and traditional technology of production. They also face
problems in getting timely supply of raw materials since they do not have institutional arrangements for raw material supply. More than half of the entrepreneurs have received financial assistance; however, there is gap between amount of loan applied and loan received. Again, most of the entrepreneurs do not advertise their product and conduct marketing research. Thus, they face marketing problems.

- There are a good number of industries promoting agencies functioning in the State. They are established after the formation of State in the 1960. They have made a mark in the development of the State industrially. Their services are appreciable in this regard. In the absence of these agencies, the state would have remained industrially undeveloped.
- From the analysis of data obtained from sample units it has found that, the growth was different in different types of industries in Beed District. It is true in respect of both small-scale sectors. Besides this, some fluctuations were also observed with regard to the number of units functioning during the period of the study. There has been an increase in the number of firms in all types of industries.
- It has found that differences in the size of total capital exist not only between different types of industries but also among different units in the same industry. The different units of both small-scale sectors have different capital structures.
- A multifold increase in the number of small-scale industries are registered with DIC is observed.
• It is found that accumulated wealth and self-employment are the inspiring factors for starting of small-scale industries.

• The small-scale industries are not following the basic principles of business management.

• Untimely and inadequate availability of credit continues to bruise the small-scale industries.

• As far as the organizational structure is concerned 19% of the sample units are in the form of Partnership firm, while 70% of the sample units are in the form of Sole Proprietorship and 11% of the sample units are Private limited.

• Majority of the small-scale industrial industrialists are not quite aware of many of the financial supportive schemes.

• Inspection wing of the respective organizations harass the small-scale industrial industrialists largely.

• The small-scale industries were unable to upgrade their technology due to paucity of funds. Only few units have availed of the assistance under modernization scheme. No sample unit has availed of the assistance.

• The small-scale industrial industrialists were reluctant to go in for modernization due to absence of incentives, cost constraints and cumbersome procedures followed in sanctioning the assistance.

• Most of the small-scale industries did not know about the schemes and assistance under modernization programme. Nearly 34% were ignorant about an ineffective consultancy service by government agencies.
• There is no technical consultancy organization in the study area. The small-scale industrial industrialists were not provided with testing facilities to certify their product or for quality marking.

• Many units have suffered in marketing their output because of their poor or sub-standard quality. It has also found that units are demand based but there is no sufficient demand to meet their output.

• Technical training facilities for employer and employees of small-scale industries are not available.

• The outlay for energy has been increasing during the plan periods. Compared to the first plan, the outlay in tenth plan is many more times.

• The availability of power is not commensurate with the requirement. The deficit of power has been estimated at 800 mw of requirement.

• There is an increasing trend in the number of pending connections for industrial power.

• There is no proper organization to explore market conditions and requirements.

• Small-scale industries managements rarely make efforts at market penetration to improve their market share.

• 70 per cent of the study units have primary or protection packaging.

• More or less of the units are concentrating on cost and pricing basis, than any other basis.
• Agro, textile and electrical goods manufacturing units are forced to sell their products on competitive price resulting in unfair price.
• 92 per cent of the sample units do not have any trademark for their products.
• Most of the sample units are not making any advertisement but some other units participated in local trade fairs.
• Small-scale industries sell their major share of production through retailers.
• 41 per cent of sample units concentrating on direct contact while 25 per cent through the market coverage and 21 % of the units are easy payment for sale and remaining 13 % ready market.
• Only 8 per cent sell goods to the Government under Government purchase scheme, while the remaining units sell their products to the private parties.
• Sample units are depending upon credit sales. But the percentage of dependence on credit sales varies from one category of industry to another.
• Intensive competition was found more in the case of agro, textile, mineral and chemical units. Majority of the units are facing competition from similar, as well as, large scale units.
• Maximum quantity of products is sold outside the Beed District.
• 40 per cent of agro and 54 percent of forest-based units were more dependent on local market, while 60 per cent of mineral
based units were found to depend upon mainly state level markets. 47 per cent of textile, 40 per cent of engineering, 50 per cent of chemical and 50 per cent of miscellaneous based units were found selling their products throughout the country.

- Products of agro and forest based units find it difficult to expand their market.
- Inadequacy of funds shortage of power, marketing difficulties and low utilization of capacity is being the reasons for low profitability of the sample units.
- Small-scale industries are selling their products on credit basis. The terms of credit are also not strictly followed by them. The units are also very weak in their credit collection policy.
- The important problems experienced by them at different stages are related to production, Labour, marketing and finance.
- It has found that many units have been suffering production problems due to the shortages of inputs such as raw materials, skilled Labour, breakdowns in equipment and machinery and shortages of power.
- The problems of overdue have been quite serious in almost all the industrial groups. Their percentage of overdues is high in mineral and other units.
- The contribution of different industries to total production has been different.
- The average production in case of all the industrial units except textile-based units reveals a slight upward trend over the period of study.
- The average rate of production in all units has declined due to inadequacy of power difficulties in getting the raw material inadequacy of finance and inadequate infrastructural facilities.
- Among the sample units have that availed of the generator set facility offered by DIC.
- It is found that inadequacy of power forms the main reason for the inefficiency in production. Out of the total sample units 57% units have reported about the inadequacy of power.
- Non-availability of the right type of raw material at reasonable price posses the small-scale industrialists in hardship.
- It has observed that both small-scale industries have been suffering from shortages of working capital, which ultimately resulted in idle capacity.
- Shortages of finances, lack of demand, seasonal nature of the manufacturing, poor quality, Labour problems, shortages of raw materials, fluctuations in power supply, etc., have found to be the major reasons for the observed idle capacity in small-scale units.
- Existence of quack units and establishing small units by the large scale units also posses many problems in getting the raw material.
- Existing arrangements for the supply of raw material are not satisfactory.
- Majority of the sample units are drawing raw material from outside the District.
The small-scale industrial industrialists were satisfied with the availability and quality of raw materials. But they were not satisfied with the fluctuation in price, channels of supply and availability of raw materials on time.

The sample units in the study area do not seem to have any idea as to how they can device their product strategies.

It has found that investment in fixed capital constitutes a greater proportion of total capital both in small-scale industries.

Most of the units are concentrating their production in producing one product while the rest are producing more than one product.

The capital base of small industries is very poor and it is more in respect of small-scale units. Hence, small sector has been facing severe financial crisis.

Out of the units have made an attempt to introduce certain new products.

There has been considerable delay in the clearance of loan applications. Unusual time gap between the receipt of loan application and sanction of loan is evident. Almost in 44 per cent of cases the delay in loan sanction is between two to six months.

Not only the cumbersome procedures but also some illegal practices delay the sanctioning of loan. 50 per cent of the units are not in a position to avail of the credit easily.
• It has observed that capacity utilization varied from industry to industry as well as from year to year. Much of capacity has found to be idle in several industries.
• The principal sources of capital for both the small scale sectors are self-finances and funds borrowed.
• The important sources of borrowed funds are commercial banks, state financial corporation, moneylenders, friends, and relatives.
• Small-scale units in dealing with different sources of borrowed funds experienced several problems.
• The entrepreneurs could not get the full amount of loan applied for. There is huge difference between the loan amounts applied for and the amount actually sanctioned.
• It is found that lot of time is being taken by the financial institutions in sanctioning of loan. 88 per cent of the sample units confirmed the existence of the inordinate delay in sanctioning of loans.
• The main reason for delay in sanctioning of loan is the varied and cumbersome procedures followed by financial institutions.
• Entrepreneurs feeling the pinch of financial crisis, approach financial institutions for credit. The excessive formalities result in the delay ultimately the entrepreneurs are compelled to avail credit from private sources, which adversely affect the profitability of the units.
• The units in respect of moneylenders and friends and relatives experienced the problems of higher rate of interest, cheap means of recovery.

• The investment on working capital constitutes 50 per cent of total capital invested in small scale industries.

• Working capital is relatively more important than the fixed capital in engineering, chemical and textile based industries, whereas fixed capital constitutes greater proportion in agro, forest, miscellaneous and mineral based industries.

• The development of small industry has diffused through the multiplicity of agencies and duplication of functions both at the centre and state levels.

• Investments on plant and machineries constitute the greatest proportion of total fixed capital in the sample units.

• The working capital requirement of different industries increases in proportion to capacity utilization. Only 31 per cent of the credit requirement for working capital is available to the units.

• The sample small scale industries are unable to attain the optimum production due to inadequacy of working capital.

• Small scale industrial industrialists are forced to depend upon their own source for the initial capital requirement. They also borrow funds from various sources.

• The percentage of own funds (69 %) to total funds also reveals the high dependence on their own funds.
• The selected small scale units are able to mobilize 62% in the form of short term finance and (26%) as long term finance. The main source of short term finance is from non-institutional finance (56%). As far as long term finance is concerned KV IC has provided for 18%.
• Untimely recovery of outstanding dues contributes to the slow growth of sample units.
• The financial institutions, insisting on the small scale industries to furnish registered mortgage security.
• The terms of repayment of loan are not conducive from the point of view of periodicity of payment.
• Out of the total sample units 26 units were getting a return up to 10 per cent. 15 units were getting a return up to 15 per cent. Only seven units are getting return above 15%. Chemical based units are found running at a loss.
• Untimely recovery of outstanding dues contributes to the slow growth of sample units.
• Unannounced power shutdowns and tripping disruptions.
• Existence of greater percentage of casual labour was found in the case of mineral, forest and agro based units.
• Agro and forest based units employed a higher percentage of women.
• Less than 50 per cent of the total workers employed in the sample units do not possess any technical qualification or training.
• It is found that the skilled workers employed were mainly male.

• As far as the training of the workers is concerned none of the sample units has sent its workers for any special training.

• Labour turnover is higher in the sample units. Since they always look for a better job with higher wages.

• Absenteeism among the workers of the sample units is found to be high.

• It is found that only 5 per cent of the total sample units give bonus to the workers.

• It is found that only minimum cent of the sample units registered under the factory Acts.

• As far as welfare and social security of the workers is concerned not much interest was evident by the industrialists.

• It is also found that none of the sample units is suffering from any problems like strike, walk out or other industrial disputes.

**Suggestions:**

On the basis of the study made it is clear that the Small Scale Industrial units in the Beed District are facing a number of problems relating to finance, production, marketing and labour. They stand in the way of existence and growth.

However following suggestions are made, which can help to improve the functioning of the small scale units.

1. It is recommended that central facilities should be established for small and tiny sectors for liaison work and market development.
These SSIs should also be availed the benefits of product exhibition for export.

2. It is also recommended that State Technology Information Bank should be established in the state to make a mission of spreading knowledge about every aspect of technology to all small scale industries situated at every part of the state. It should act as a central Document Centre by sourcing, collecting and disseminating information regarding the availability of technology developed technologies as well as technologies available in the country and abroad.

3. For improving productivity, imparting knowledge for the employees in SSIs is also suggested. Further, artisans are to be trained to develop their skills and also equip themselves to design according to the tastes and preferences of consumers in different markets such as rural and urban, national and international.

4. To motivate the first generation entrepreneurs and to encourage industrialization, management institutions and government must extend help in marketing the products.

5. Indian manufacturing capabilities should be developed to a level where Indian products are competitive across global markets in terms of price, quality, technology, delivery of services. To achieve this, Indian firms should be enabled to access the latest technology from across the globe, indigenous research and development innovation need to be encouraged and a passion for manufacturing needs to be created while infrastructure, public services and utilities
should be improved and made more efficient to assist manufacturing growth. Government, industry, research institutions and academicians should be facilitated and encouraged to work in collaboration to improve industry capabilities. Moreover, firms should be able to obtain funds easily and cheaply, and be encouraged to invest in developing technology.

6. To improve standard of living through manufacturing growth, workers should be enabled to move from lower value added to higher value added jobs. SSIs and cottage industries should be encouraged to grow and become competitive. Moreover, education should focus on fostering a culture that encourages innovation and manufacturing so that people are training for alternate avenues of employment.

7. India should be developed into a strong player in global market. To achieve this, trade barriers should be further reduced progressively while FDI should be encouraged actively through creating business climate and attracting NRIs for industrial investment.

8. Government must eliminate all reservations in SSI sector, standing with 63 items which constitute over 80 per cent of the total output of SSI sector. State governments and industry bodies have to take a lead to identify SSI clusters, promote cooperation between business and local authorities for cluster development, and formulate policies that attract investment to these clusters.

9. India needs priority in development strategy for development of infrastructure such as power, roads, highways, railways, ports, transportation etc. For this, India needs priority in foreign/ private
participation that permits formation of joint ventures for strengthening and growth of network of national and state highways, power generation, communications and economic zones.

10. It is recommended that central facilities should be established for small and tiny sectors for liaison work and market development. These SSIs should also be availed the benefits of product exhibition for export.

11. For improving productivity, imparting knowledge for the employees in SSIs is also suggested. Further, artisans are to be trained to develop their skills and also equip themselves to design according to the tastes and preferences of consumers in different markets such as rural and urban, national and international.

12. To motivate the first generation entrepreneurs and to encourage industrialization, management institutions and government must extend help in marketing the products.

13. It is found that the small scale industrial units could not get adequate amount of credit and even the available credit is not reaching them on time because of the varied and cumbersome procedures. To overcome the difficulties in availing of loans and advances the following suggestions are made.

14. The procedures and yardsticks followed, while sanctioning the financial assistance to the small scale industrial units, should be made uniform for all banks.
15. Timely disposal of credit proposals should be stressed upon to save the small entrepreneurs from paying exorbitant rates of interest to the moneylenders and friends and relatives.

16. Government should set some guidelines so that undue delays may avoided in payments of bills of small-scale units by large units of public and private sectors.

17. The Banks can constitute ‘Technical Cell’ consisting of industrialists, consultant Charted Accountants and Industrial Associations to reduce unnecessary delay in the sanctioning and disbursed of loans.

18. To solve the marketing of products, Marketing centers need to be setup and development with modern infrastructure facilities.

19. The association of small scale industrial units must come forward for collective purchase and supply of scares raw materials to small scale industrial units.

20. Marketing research and information conducted and collected by the Central and State Government agencies should be made available to the small scale industrial units for their follow up action.

21. It is suggested that there is need to give better publicity to help the buyers to know about the manufacturing of certain items of products.

22. For providing marketing support, facilities like data-bank, libraries and internet service should be provided to the small scale industries and industrial estates.
23. To minimize competition among the similar units, the cluster approach should be followed. The association of industries must come forward and assist in this respect.

24. No attempt is made by the sample units for estimating the demand for their products. Hence it is suggested that they should conduct market survey jointly and forecast the demand for their products.

25. It is suggested that the small scale industrial units have to open different outlets in the needy areas to increase their sales.

26. Small scale industries should follow attractive packaging methods. New technologies, styles, taste preference and conveniences of the customers should be taken into consideration.

27. A State level Governmental agency should be established for ensuring the quality of the small scale industrial products and their rating.

28. For technical consultancy there is no agency working in the District. Hence it is suggested that, such a consultancy organization should be established.

29. No testing facilities are available in Beed District. Hence it is suggested that Testing Facility Centre’s should be established in the clustered area.

30. The small scale industrial units’ share in the Government purchase scheme should be increased.
31. Legislative measures have to be taken to make the government purchases compulsory from rural industries.

32. Necessary arrangement should be made for the supply of raw materials with confessional prices to reduce the cost of production.

33. A survey should be conducted to identify the availability of raw materials, human and other resources.

34. Most of the units are getting raw material from outside source, it is very much desirable that local market for raw material should be developed.

35. The industry-promoting agencies should take care of the well-being of small-scale sectors and they should initiate such measures, which would result in the further promotion and smooth functioning of small-scale units in the state of Maharashtra and in Beed district.

36. The activities of all the agencies must be co-ordinate in such a way that we help the small scale industries to a greater extent.

37. To promote self employment and help the budding entrepreneurs, colleges should be advised to set up Entrepreneurs Development Cell, under the guidance of the General Manager, District Industrial Centre.

38. It is high time to adopt the idea of limited partnership with a view to boost up the financial resources in small-scale sectors and to encourage small entrepreneurs to bear the risk. This suggestion has
given in view of the fact that capitals based of small-scale sectors are very poor which cause severe financial crises.

39. It should also be ensured that the small scale industrial units get opportunity to select the bank of their choice.

40. Entrepreneurial Development Programme should be launched to enlighten the industrialists’ so that they can manage their financial resources in a more elegant way.

41. The small scale industrial units are showing less interest in the modernization programmes. Hence it is suggested that:

a) The programmes should be well published by way of organizing seminars at the educational institutions.

b) The banks and other financial institutions must come forward with easy terms and lower rate of interest for speedy and easy implementation of the schemes.

42. Tax incentives, liberalized credit policy, and flexible repayments to be provided by the government.

43. Transport, advertisement and warehousing facilities should be provided with minimum charges.

44. To create awareness about rural entrepreneurship, and imparting entrepreneurial education in schools, colleges and universities.

45. To encourage the small scale industrial units to participating in the trade fairs they must be provided with free stall, advertising and concessional transport facilities etc.
46. Small scale industrial sample units are not spending enough money on Research and Development.

47. The Government must resist the pressure to open up areas, currently reserved for the small scale industrial sector from intrusion by large and multi-national companies.

48. As regards Technical Training is concerned, no specialized Technical Training Centre is available in the study area. Hence it is suggested that training centre’s like ISI should be established in Beed District.

49. The re-orientation Programme, workshops and seminars should organize at district level to provide latest information to the small entrepreneurs.

50. The work force is very casual in nature in the study units. Hence the industrialists should recruit the work force with proper recruiting policy to install job consciousness among the workers.

51. The working conditions and other welfare facilities should be improved and extended to a satisfactory level.

52. In-service training and refresher courses must be provided to the workers to enrich their knowledge. The work force should be encouraged for higher education and properly rewarded.

53. A separate bank exclusively for the tiny sector should be set up on the same lines as SIDBI. This would ensure that tiny units are not sidelined in the development effort.
54. The existing arrangement for loans granted to the Small Scale Industries for acquiring plant and machinery, adopted by the financial institutions are fund to be not satisfactory in the Sense that the units are compelled to buy certain specified brands of plant and machinery. This leads to the acquisition of poor quality of plant and machinery. To overcome this, the Small Scale industries in should be given the freedom for the selection of the plant and machinery in accordance with their needs.

55. Gestation period of the loan should be extended at least till the commencement of commercial production. Similarly, recovery of interest should start only after the commercial production commences. These steps would prevent the units from becoming sick.

56. In order to avoid the problems of non availability of raw materials in time, the intervention of the government becomes the inevitable action. It is suggested that the allotment of raw materials under government quota be enhanced. In addition the availability of such quota of raw materials in time and the required quality should also be ensured.

57. In order to monitor sickness in the Small Scale Industrial sector, a state level committee on the lines of the Board of Industrial and Financial Reconstruction should be set up. This will help to study the problems of Small Scale Industries units.
Marketing has been identified as an important problem area affecting the growth of the small scale units. The competitive attributes are beyond the reach of the small scale industrial units. Hence it is concluded that a proper organisation is essential in any form of business to overcome the difficulties in the field of marketing. The small scale industrial association can collectively provide vestibule training to the work force of small scale industrial units. The new employee of the units should be trained ‘on the job’ itself.

There is a lot of potential for rural small-scale entrepreneurs, which needs to be tapped for the economic growth of our country. Guidance on design and technology should be provided. Appropriate products can be identified and produced in rural areas by motivating the rural small-scale entrepreneurs to undertake their production, sell their products at remunerative prices, get reasonable income and lead a decent living.