CHAPTER I
CHAPTER  I

Introduction

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1.1. INTRODUCTION:

The most important factor for economic development of a country is its industrialization. In the process of industrialization, emphasis is given to the three major groups of industries; large-scale industries, small-scale industries and cottage industries.

We propose to study problems and prospects of small-scale and cottage industries in Beed district where large and medium scale industries are completely absent and whose development is vitally linked with various programmers and policies designed to remove poverty, unemployment and backwardness of the rural people.

Cottage and small-scale industrial sector plays a dominant role in the economic development of both developed and developing countries. In developing countries cottage and small-scale industries are especially important in context of employment opportunities, equitable distribution of national income, balanced regional growth and development of rural and semi urban areas.

They provide immediate large-scale employment, offer a method of ensuring a more equitable distribution of the national income and facilitate effective mobilization of resources of capital and skill, which might otherwise remain unutilized.

The role played by the small-scale industry in the economic activity of advanced industrialized countries like Japan, Germany, Great Britain and the
United States of America is significant. Many Nations, both developed and developing exteriorized that the small industry sector is a useful vehicle for growth, in the later for the creation of new employment opportunities on a wide scale in the shortest possible time. Small and Medium enterprises account for approximately 80 percent of the private sector industrial workers and hence occupy an important position in the industrial structure of Japan. The employment creating capacity of the small and medium enterprises in Japan has been seen to be larger than that in Germany or United States.\(^1\) Small and Medium enterprises play in extraordinarily important role as muscles for regional economic development.

In the development of sparsely populated areas such as Hokkaido Island in the North, they have been a valuable tool for development. In the first half of the sixties, the small and medium enterprises accounted for more than 50 percent of Japanese exports. Such business was mostly labour intensive and not dependent on imports of raw materials and hence, its net contribution to foreign exchange was very high.\(^2\) Indian economy is an under developed economy. Its vast resources are either unutilized or underutilized. A major section of man-power is lying idle. The per capita income is low. Capital is shy and scarce and investment is lean. Production is traditional and the technique is outdated. The output is insufficient and the basic needs of the people remain unfulfilled.\(^3\) Industrialization is the only answer to this present state of disrupted economy.

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The problem is of the approach, which should be direct, utilitarian and pragmatic. Such industries do not require huge capital and hence suitable for a country like India. The small-scale industries have a talent of dispersal. They can be accessible to the remote rural areas of the country and do not lead to regional imbalances and concentration of industries at one place, which is responsible for many economic resources such as entrepreneurship and capital.4

The planners and the economists in India took recourse to small-scale industry because most of these industries existed in the traditional form, which symbolize our heritage and past glory. These still serve as the backbone of our economy, which is mostly rural. It is with this view that an assessment of growth, development and working of small-scale industries in the specific region is attempted in this research study. However, before entering into an analytical study of this project, it is necessary to examine the concept of Small-scale industry as it has come to be, today, in India. The concept of small-scale industries, as it has developed in years, is one of the confusion and lacks clarity. Neither the Government, nor the planners could provide a clear and graphic definition. Obviously Small-scale industries were not given such importance during the British rule as is given today. We now have a pragmatic approach to the concept in view of the prevailing economic conditions, gradual industrial development and the difficulties that arise in the implementation of planned programs.5

Hence, the concept has undergone changes from time to time. Before Independence, the present Small-scale industry was meant to denote the village and the urban cottage industry. This group included a variety of industries ranging from manufacturing of Iron safes, locks, carpets, marble jigs, baskets, hand-loom cloth and the like. In fact, at that time the term „cottage and Small-scale industries was used in juxtaposition to large scale industries, which were established under the British patronage. Small-scale industries were indigenous with a historical background of ages. They received encouragement and support during the freedom movement. The nationalists considered it their patriotic duty to develop them. The cottage and small-scale industries found a prominent place in the economic programmer envisaged by the Indian National Congress. Prof. K.T. Sash was the first Indian economist, who realizing the importance of Small-scale industries in India, tried to give a workable definition of these industries. He defined “A Small-scale or cottage industry may be defined as “an enterprise or series of operations carried on by a Workman skilled in the craft on his responsibility, the finished product of which, he markets himself. He works in his home with his own tools and Materials and provides his own labour or at most the labour of such Members of his family, as are able to assist. These workers work mostly by hand labour and personal skill, with little or no aid from modern power driven machinery, and in accordance with traditional technique. Such supplementary energy as is provided by animal power may add to the economy and efficiency of the industry.

He works, finally, for a market in the immediate neighborhood that is to say in response to known demand with reference to quality as well as quantity. In contrast Jawaharlal Nehru seemed to be clearer in his mind when he maintained separate entities of cottage and Small-scale industries. He was of the view that a small industry was the middle sector and it would overlap both the cottage and the large industries. The basic policy support of SSI sector had its roots in the Industrial Policy Resolution 1977, laid emphasis on reservation of items. The reservation economically viable and technologically feasible products to be exclusively manufactured by small-scale industry began with a list of 47 items, which was gradually extended to too many products. At Present 812 items are in the reserved list.\(^7\)

The other policy support which could be listed are excise exemption, credit under priority sector lending from banks and financial institutions, marketing support through reservation of items for products from Small-scale industry sector for government purchases, providing infrastructure facilities like sheds, plots in industrial estates, technological support, new management techniques, training and entrepreneurship development programmers. There were about 20 lakhs small-scale industry units in 1990 - 91 providing goods. Worth Rs. 1,55,340 crores exports order of Rs. 9,661 crores and providing employment to about 125 lakhs persons. The achievement of SSI sector in 1999 – 2000 were 32.25 lakhs SSI units providing production of Rs. 578299 crores, exports of Rs. 53995 crores and providing employment to 177.30 lakhs persons.\(^8\)

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Though this sector has shown substantial progress, its major problems like inadequate credit flow from banks and financial institutions, inadequate infrastructure facilities, low quality standards of products, use of technology, plant and machinery and equipments and inefficient management techniques, are still inhibiting the sector. In addition to these, this sector has to face challenges of competition from the opening up of economy to globalization, need for increasing exports and to meet World Trade Organization commitments. The policy support provided so far has acted a catalyst in promoting this sector. However, the planning commission felt an urgent need to review the policy measures to make a sector more growth oriented and enable it to withstand the pressure from global competition. India’s vision of emerging as an economic power in the 21st century can be realized through the promotion and development of the small and medium enterprises. Liberalization and globalization are the order of the day. The market forces will determine the systems and manner of production. The allocation of resources within the sector must be governed by the criteria of efficiency, productivity and competitiveness. The Small-scale Industries will have to move from a regime of protective environment to a competitive environment. Small-scale industrial units feel apprehensive about globalization and the impact of the agreements with World Trade Organization (WTO). The growth experience of the Asian Tigers (Hongkong, Singapore, Korea and Taiwan) has to some extent, promoted India to go for export orientation. But more important influence is on the perception of the small enterprises and their employment role as an instruction for an easier management of the social system. A high-powered
committee headed by Meera Seth, former member of Planning Commission describes how the hand looms faired during 10 years after implementation of the textile policy but the committee failed to provide a credible account or analysis for impact of policy.\(^9\)

Abid Hussain committee recommended raise in investment limit or small and tiny enterprises. The committee has also made a recommendation of scrapping of policy of reservation. The Abid Hussain committee report touches upon an array of concepts and debates in the area such as small profit centers, protection versus promotion, level playing ground, cluster based strategy of development and lead role of Small-scale industry.\(^{10}\)

Vijayaraghavan committee were appointed on 28 August 1995 to revise the reservation list and the committee deleted 91 items from the reservation list and 56 items included as addition in the list, Asok Mitra, economist and former finance minister of West Bengal, committee came out with a diametrically opposite position on policies and strategies being followed by the Indian Government. This committee emphasized the important poverty eradication role of SSI in the country. According to the opinion of the committee, any substantial improvement in the state of SSIs will also mean a significant reduction in the level of poverty. The committee pointed out that not even 3.3 percent of the union budget is speared for SSI sector. While the committee has highlighted the government’s negligence towards

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Infringements of law relating to SSI, it also reported that the multinational companies and the Indian corporate sector have back-door into the SSI sector in a big way. The committee also pointed out that the SSI sector is not receiving adequate attention in the hands of the Government. The report pinpointed out the need for an active protectionist role by the Government.\footnote{Tuteja, S.K. (2001), “Small and medium enterprises in the digital era”, Laghu Udyog Samachar, New Delhi, Vol.XXV, No. 6 to 8, p. 3.}

Small-scale industries are playing a stellar role in the economic development of the country but the problems in performing the financial functions are the major hurdles in their development. So there is a great need to examine the financial practices of this sector, since it has its own limitation in adopting the modern financial concept.

Small and cottage industries are those industries whose capital is supplied by the proprietor or through means like partnership or from financing agencies setup for this purpose etc. Those industries generally use power driven machines and also employ modern methods of production, engage labour on wage, produce for expanded market. Their work pattern is on permanent basis. Such industries can be managed with little resources and in terms of returns provide much better results.

Cottage industries, on the other hand also called household industries, are organized by individuals with private resources and with the help of family members and are pursued as full-time or part-time occupation. These industries generally use locally equipments used is simple.
These industries generally use locally available resources, raw materials and indigenous skills.

The output produced in each industrial unit is generally sold in local market. Small-scale industries, including traditional cottage and village industries and modern small enterprises have been given an important place in India’s economic planning for ideological and economic reasons. Our late Prime Minister Mrs. Indira Gandhi once remarked, “Small-scale industries offer many opportunities; besides adding to production, they broaden the industrial base. They enable the process of modernization as well as entrepreneurship to spread to more regions and layers of society”. Father of our Nation, Mahatma Gandhi had strongly advocated the development of Indian villages by making them financially viable through small and village industrial units. The Small-scale and cottage industrial sector have found their economic rationale in Mahalanobis modes of economic development, which was the basis for India, is second and subsequent, Five-Year Plans. This sector has emerged as a vibrant and dynamic sector of Indian economy, which contributes nearly 40 percent of the total industrial production and over 34 percent of the national exports by providing employment to over 250 lakh persons. This sector enjoys the pride of being second largest employer in the country and offers a wide variety of products.

Small and Medium Enterprises (SMEs) are showing their impact on national and regional economic throughout the world. They have been recognized in both developed and developing countries as an effective instrument for creating employment opportunities with a small amount of capital investment.
The Small-scale and cottage industries also play an important role in removing regional disparities. The industrial development in a backward area can only be achieved by the rapid development and promotion of small-scale industries. Besides economic aspects, the social role of Small-scale and cottage industrial units are quite significant in achieving various social goals such as removal of poverty, attainment of self-reliance, reduction in disparities in income, wealth and standard of living and regional imbalances.

In 1995 Government grouped Small-scale industries into two categories-those using power but employing less than 50 persons and those not using power but employing less than 100 persons. All small-scale enterprises had capital investment of Rs. 5 lakh. This limit was revised to Rs. 10 lakh in 1975 and Rs.15 in 1980. In March 1985, the Government has again revised the investment limit of small-scale undertakings to Rs. 35 Lakh. As per the Industrial policy Resolution of 1990, the investment limit for small-scale industries has been revised to Rs. 60 lakh and correspondingly for ancillary units from Rs. 45 lakh to Rs. 75 lakh.

During 1997, on the recommendation of Abid Hussain committee, the Government has raised the investment limit on plant and machinery for Small-scale industrial units and ancillaries from Rs. 60/75 lakh to Rs. 3 crore and that for tiny units from Rs. 5 lakh to Rs. 25 lakh. The investment limit on plant and machinery was reduced from Rs. 3 crore to Rs. 1 crore for Small-scale units in 2000. However the investment ceiling for tiny industries remained unchanged to Rs. 25 lakh.
According the provision of Micro, small and, Medium Enterprise Development (MSMED) Act, 2006, the micro, small and medium enterprises are classified into two classes- (a) Manufacturing Enterprises - The enterprise engaged in the manufacture or production of goods pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951. The manufacturing enterprises are defined in terms of investment in plant and machinery. (b) Service Sector – The enterprise engaged in producing or rendering of services and, is defined in terms of investment in plant and machinery. The limit for investment in small manufacturing enterprises is more than Rs. 25 lakh but does not exceed Rs. 2 crore.

Traditional small-scale industries includes Khadi and Handloom, Handicraft, Village industries, Bamboo based industries, Sericulture etc. Modern small-scale industries produce a wide spectrum of goods ranging from comparatively simple items to sophisticated products such as television sets, electronic control system, mixer, grinder and various engineering products particularly as ancillaries to the large industries. The traditional small-scale units use highly sophisticated machinery and equipments.

The New Industrial Policy of 1991 announces a number of measures to promote small-scale industries. Presently, 836 items have been reserved for exclusive manufacture in the small-scale sector. A new scheme of Central Investment Subsidy exclusively for the small sector in rural and backward areas capable of generating higher employment at lower capital cost would be implemented. Programmers’ for modernization and up gradation of
technology in the small-scale sector to improve their competitive strength will be implemented. A new Apex bank known as Small Industries Development Bank of India (SIDBI) has been established to channelize need based higher flow of credit, both by way of term loan and working capital to the tiny and rural industries. To help the artisans’ working with Khadi and Village Industries commission (KVIC) and KVI Board, special Marketing organization at the Centre and State level shall be created.

The industries are playing a pivotal role in Maharashtra by carrying in industrialization to the under-developed areas like Maharawada. They are the means of mopping up rural savings by providing opportunities for investment; Finance, output, marketing and labour are the lifeblood of the industries.

Hence, it is essential that adequate and prompt attention over then is crucial. Due to lack of the same, the growth of the industries is hampered. There is need for the study, which will throw light on the above factors, which assist the industries.

Government and its sponsored Maharashtra Industrial Devolvement Corporation (MIDC) have made special efforts in promoting industries in Marathwada. MIDC played key role by offering infrastructure to entrepreneurs’ for promotion of their industrial units. All promotionally, efforts need micro-scrutiny to detect the flaws in the same for ratification elsewhere, where industrial units are being promoted.

Finance, output and marketing have become a permanent problem for the industries. Majority of the units do not have their distribution channels. They are generally local market oriented. They suffer the problems of
standardization adequate market information and poor quality of output. There productivity is also low and they cannot utilize their installed capacity in full. In the light of this backdrop, the present study has been taken up to identify the aspects of finance, investment, output and labour and thereby suggest appropriate measures in order to resolve the problems of Small-scale Industries of Beed District.

The labour is pivot factor in the industrial development. This factor contributes the large fortune of the industries. The study of labour on different angle is necessary. Total population of Beed district is 21, 61,250. This city is situated on the bank of Bendsura River near Godavari.

1.2. STATEMENT OF THE PROBLEM:
Both small and large-scale industries play a significant role in the process of economic growth in developing countries like India. These are looked upon as potent instrument of economic decentralization employment generation and dispersal of industries over different Regions. It has been accepted all over the world that the prosperity of a country cannot measured only on the basis of development of agriculture, because agriculture alone cannot provide enough employment potential for the population of a country.

For a country like India, with limited financial resources and huge reservoir of human resources, large and small-scale industries are the only means for solving the unemployment problems. Hence, Government of India accepted a broad based economic policy in which small entrepreneurs have a enough scope to provide work for themselves and others. The topic selected for the study is most essential for the marketing and industrial problems of
Beed District. Beed is economically backward district in the Marthawada region. It is not only economically but also it is backward by education, social, cultural and industrial also. So it is to be highlighted on the industrial units of Beed district.

1.3. OBJECTIVE OF THE STUDY:-

The study is mainly related to “Marketing” and “Labour” aspects of industrial units in MIDC of Beed district. The detailed objectives of the study are follows:

1) To study the industrial units in general and marketing in particular of the Beed district.

2) To know the detail reasons of the sickness of SSI units and their product promotions.

3) To study the recruitment, promotions, retention of the labours in industrial units.

4) To study the recruitment, promotions, retention of the labours in industrial units.

5) To study the cost structure in different types of industries and to examine the relationship of cost with the development of productivity.

6) To study in detail about the impact of globalization on employment generation.

7) To study the problems of industrial units in Beed district and to suggest some remedies to overcome the problems.
1.4. HYPOTHESIS

To meet the objectives of the study, the following hypotheses are postulated for empirical verification in the study;

1) The small industries mostly depend on large units for the scale of their products.

2) In small-scale industries, the proportion of raw material and labour is comparatively more than other element of cost.

3) In small-scale industries, capital output ratio and capital labour ratios are low.

4) Labour problems hamper the growth of industrial units.

5) Due to marketing problems SSI units is more prone to sickness.

1.5. METHODOLOGY AND DATA BASE:

The study is empirical in nature. It is based on the data personally collected with the help of an exhaustive schedule. The data is collected by personal visits to the owners and managements of the industries not only in getting the schedules filled up but also for obtaining other relevant information. Personal discussions with the officials of the District Industries Centre Beed, Managers of the Banks and the Maharashtra state financial corporation will be the additional sources of information.

In order to accomplish the objectives, the present study is mainly based on both primary and secondary sources of information.

The secondary data is mainly congregated from published and unpublished works on the related topics. Census reports, economic surveys, journals,
newspapers, government and non-government organizations (NGOs) associated with the industrial sector especially the Directorate of Industries, Directorate of Economics and Statistics, Directorate of Agriculture and Minor Irrigation, DICs, SIDBI, MIDC. District Gazetteers, articles, journals, Govt. reports, published and unpublished dissertations etc.

The information collected from primary and secondary sources has been edited, categorized and arrange in logical order. The data collected from the primary and secondary sources is classified and analyzed keeping in view the objectives of the study. While analyzing the data, simple statistical techniques such as, percentages, mode, averages, and conclusion are drawn.

Derived ratios have been used to express the mutual relationship that exists among the capital, labour and output. They would seek to assess the relative contribution of efficiency of the various inputs that combine in production. Mainly, output capital ratios, Capital labour ratios and output labour ratios have been computed. Along with this, graphs and maps also used to make the information easy to understand and interpret it without much complication.

In the process certain error and omission where detected has corrected subsequently. Tabular analysis was done both manually and with the ‘statistical package for social scientists’ (SPSS).

1. 6. THE SAMPLE DESIGN:
For satisfactory sample enquiry, an accurate census of the universe is the most essential requirement. There for, the study has been confined to those units, which are registered in the MIDC office of the District Industries
Centre, Beed up to 2012. It is found from the records of MIDC the industry units are highly heterogeneous in character as far as capital investment, employment and nature of production are concerned. It is essential that industries should be made homogeneous as far as possible before drawing samples for study. Concepts of capital output, capital labour and not at all homogeneity of the industry investigated is assured.

The Beed industrial area is not so big. The total Small-scale and other industries are near about to sixty. For the convenience of the study, the industries are grouped into five groups, such as Engineering Industry, Chemical Industry, Printing press industry, Agro. and Forest Industrial units, Selected by random sampling method for study purpose.

1.7. PERIOD OF STUDY:

The study is limited for a period of five years, proceeding to 2007-2012. This was the absence period of any serious fluctuations during the study.

1.8. SCOPE OF THE STUDY:

The constraint of time and resources of the individual researcher compels researcher to confine the study mainly to the industries in MIDC of Beed district. The study has confined to marketing, Promotion Strategies and labour Problems.

1.9. SIGNIFICANCE OF THE STUDY:

The present study has great significance in the absence of similar study pertaining to Beed industrial area .the study will throw light on the
various financial and labour sources available to industries in Beed industrial area, which would help entrepreneurs and financial institutions.

The key features of small-scale sector are capital intensity and high employment potential. There is always problem of under utilization of capacity in the study would help the industrialists to improve capacity their units.

There is problem of cost, productivity and appropriate channel of marketing for the output of industrial units and therefore, the study would be significant to overcome these problems to some extent.

1.10  CHAPTER SCHEME

1. Introduction.
2. Review of literature.
3. Socio-economic development of Beed.
4. Beed district industrial area and employment generation.
5. Marketing strategy and units.
6. Recruitment, selection, retention and promotion of industrial labours.
7. Industrial sickness and Govt. policies.
8. Summary, conclusion and suggestions.
References:
6. C. B. Mamoria, Mamoria Satish, Lahozrr Welfare Social Secltrily and Indtr.srrial feace in India, New Delhi, Kitttab Mahal Distributors, 1980, p.4