CHAPTER - VIII

FINDINGS AND SUGGESTIONS.

AN OBJECTIVE ANALYSIS OF THE WEAKNESS OF INDUSTRIAL
STRUCTURE OF ELECTRICAL GOODS INDUSTRY

Despite state aid and advantages of industrial resources
the Electrical Goods Industry is suffering from a number of problems
some peculiar to individual manufacturing units while some other
of a general character which stand in the way of industrial
development. A brief narration of these will be helpful in a
critical appraisal of the subject under study:-

a) Lack of Proper Organisation:

Most of the work is conducted on a cottage scale. Artisans produce
for suppliers. Suppliers provide them with money and material. Artisans
sell their goods daily at cheap prices. They remain at the sweet mercy
of suppliers. This results in waste of resources and low quality.
The labour of artisan is not fully rewarded.

In case of oil concerns we find employment of non-regular workers.
The manufacturers of electrical goods give the work to workers at their
residential houses. In this state of tough competition the labourers
have to work hard to get even the contracts and again remaining without
employment after the contract is over. By doing so the clever factory
owner even escape the application of Factory Act upon themselves and
in this way the exploitation of the workers is being carried out by
these big manufacturers. Workers remain busy in work for even more
than 12 hours in a day which results in loss of the efficiency of
there, workers in the long run.

The sad story does not stop here. There are a large number of manufacturing concerns, who produce electrical goods secretly. They are not registered by escaping from sales tax, they supply goods at cheap rates. They also do not bother about quality, as they are not known firms, which may care about its prestige. Such types of fictitious firms have become a source of bad reputation of Aligarh Electric Goods Industry throughout India.

b) Outdated Technique of Production:

Much of the productive equipment of Aligarh Electrical manufacturers is old, worn out and modish. The result is high cost on one hand, and on the other side it is not possible to produce latest designs and compete with others. Lack of general and technical education effects efficiency of workers which affects quality of production. Workers have a narrow outlook full of conservatism and dislike to learn the up-to-date scientific methods of producing electrical goods. Workers do not know anything about latest designs of the goods and the same old and worn-out methods and designs are in vogue and are repeated again and again which make the markets dull for goods. Even the big manufacturers try to copy some articles which are famous in market and they do not try to invent new designs and articles produced by their intelligence. This is all due to lack of general and technical knowledge amongst producers as well as workers.

c) Shortage of Capital Requirements:

Capital is said to be the bone of an industry. But in case of this industry the very bone seems to be very weak. There is no proper agency to provide capital to needy persons. The rules of J.P. Financial Corporation and J-P Industries Directorate for giving loans to small industries are very complicated, difficult to be fulfilled and likely to cause undue delay with the result that it hampers the progress of industry. Whether it is a Government agency or a bank, poor artisans are asked to provide tangible securities which is outside of their capacity.

New comers do not get an lift. Those who have sound footing in society get loans easily. But those persons who really need money in the initial stages are not helped. New entrants are thus discouraged the major portion of earnings of small producers is said to Bahajan or Commission agents in form of interest. They are famous for their unreasonable terms.
d) Scarcity of Raw Materials:

An equally great handicap from which the artisan suffers is:

An adequate and regular supply of raw materials widens the scope of business and increases profit margins. But in case of this industry, the process of distribution of raw materials is not satisfactory. It is difficult for an artisan to acquire sufficient quantity of required raw material at the appropriate time. In case of those materials, whose quota is granted by Government, it is sanctioned to big firms and takes a very long time to get deliveries. Those who are not sanctioned quota by Government fulfill their requirements through black-market.

Not only this, sometimes, it is seen that small producers do not get raw materials as it is sold only in large quantities which is beyond the purchasing capacity of a small producer. Large dealers like "'I. Rustan Illuminum Co., deal with big purchases. This results in trouble to small manufacturers and to rise of un-social activities. It is seen that some parties having a semi credit position and at wool in electric goods purchase raw materials in quantities and then sell it on higher prices to other producers.

There is discrimination to those manufacturers who have no firm footing in society. The newly enthusiastic entrepreneurs do not get basic. Those who have relation and can please officers are allotted raw material quota and capital. There is no criterion to know the actual needs of or so's to be helped. Moreover, quotas once
allotted are not checked as to where it has been used.

e) Defective Marketing of System:

The only means for disposal of electrical goods from its manufacturing place is middlemen. They go from place to place convincing particular goods and creating new markets, but they charge a high percentage of commission and are indirectly responsible or raising the price of the finished electrical product. Sometimes artificial agents also cheat customers by getting advances booked in favour of a bogus firm. This kills confidence of customers particularly in Madras, Madhya Pradesh etc. It is also noticed that agents of Aligarh are not well versed in English. There are only a few persons who can speak in English and can convince customers in South and in Bombay which can absorb a major portion of total production.

Modern methods of advertising and propaganda are not adopted. No expenditure is incurred on popularising goods through newspapers.

The transport also presents some difficulty in the successful marketing of electrical goods. Railways are preferred to road transport by the electrical dealers of Aligarh. Despite of the superiority of railway transport, booking is closed for several places. This results in over-projection and blocking of capital for a certain period. Poor facilities for despatch and loading etc. are also not available in Aligarh railway station. Sometimes it has been observed that the purchasers refuse to take delivery of goods even to the late despatch
of goods from Railway station. Railways maintained their resumption in the market. Producers of electrical goods have to allow special concession for the delay. All this reduces of marginal profits.

e) Dearth of Managerial and Technical Personnel.

The most striking defect is that majority of electrical goods manufacturers have no knowledge regarding the technicalities of their industries. Very few of them have had the benefit of technical training. The bulk of them are purely of the merchant class, and, as such, it affects the efficiency and cost of production.

f) Heavy Burden of Taxes:

Excessive taxation is killing incentive of producers and encouraging corruption. High rates result in rise in prices. It is interesting to find double taxation in Ahmedabad at the time when Ahmedabad Electrical manufacturers face a competition with manufacturers of Delhi and Punjab, who are subjected to single taxation. The transactions between merchant and dealers are taxed here. Tax could apply to all commodities and not at different points in its production i.e., in case of share carrier, tax is payment
arises at several places. First when the manufacturer purchases
Gloss from Premier Enamal Co.,(late is 10 per cent) then second time
when the manufacturer purchase aluminium sheets and so on. Even
if one manufacturer makes sales to another manufacturer within the
state it is taxed. But it is not so in Delhi and Punjab. The
result is the goods cost more here.

There is a vast hue and cry against the inspectors of
Sales Tax Department. It is said they are not given sufficient
amounts as bribe then they become a problem to poor manufacturers.
Those who can please them save sufficient amounts from taxation.

There are also complaints against Electricity Department
for its irregular supply which causes great trouble to manufacturers.

The growing labour movement is not satisfactory. A tendency
appears to increase in industries and that is of not very less heart.
There has been no major strike in electrical goods industry
in recent past but the labourers continue to pose troubles to their
employers.

The general dissatisfaction in the labourers caused by
rising prices has its impact on workers in electrical goods industry
as well. Not being able to get wages which could cater in rising
cost of living they express their dissatisfaction by adopting
to slow tactics.
ACCOMMODATIONS FOR THE REJUVENATION OF VARIOUS INDUSTRIES

1. Improvement in Organisational Set-up:

The manufacturer should be induced to carry production on basis of division of labour. There should be introduction of scientific management. It will reduce costs and will help in widening market for products of Electrical Goods Industry.

2. Formation of Co-operative Societies:

Industrial Co-operative movement can be suggested in sphere of distribution and procurement of raw material. Improvement in the inequitable conditions existing in the position of the workers of Electrical Goods Industry by mere are important, but to some extent and in certain fields are totally dependent on middlemen dealers. For example, they have to resort to them for obtaining their raw materials. Furthermore, the so-called independent worker are forced into agreement to sell of their finished goods to these dealers at prices some what lower than ruling prices. All these difficulties will continue until these workers do not form themselves into a society or unity. If they form such organisation they will have to fix lower prices for raw materials and will get higher prices for the finished goods.
Scarcity of capital presents many difficulties before independent producers. It is therefore very important to supply requisite financial help. The Industrial Co-operative Societies, should form an allied co-operative Credit society, which should function as financier. The credit society should borrow funds from the District and Provincial Co-operative Banks on clean and easy terms, and help its members by advancing them under similar terms.

The idea of co-operation has been helpful for the purpose of removing defects of small units run by petty producers on a cottage basis. It is hoped that manufacturers of Aligarh Electrical goods can also be benefited by working on these lines.

3. Quality Making Scheme:

The products produced by this industry are of various kinds. Every firm and factory manufactures varieties and designs of product of its own choice because everyone wants to dispose off its articles in huge quantity in consuming centres, at the cheapest rates. This cheap price leads to the inferiority in the quality of the product. Standardisation in this industry does not exist, therefore, it is a permanent need in this industry to regulate the quality making scheme, or the sale of standardised products. The whole industry should be covered by the quality making scheme and all the firms and factories should be compelled to join the scheme.
technical experts and examiners should be appointed under this scheme who would supervise and examine the working, manufacturing, and packaging operations of firms and factories. They will try to detect and check the deceptive practices of the workers and traders of electrical goods industry of all-ah. Under this scheme, the organization in Industry will not remain as such a hotch-potch and in haphazard condition as it is today. The co-operative societies should be forced to carry out principles of co-operation so that the scheme of quality marketing may be possible and the deterioration of quality of electrical goods be restricted.

4. General Moral and Technical Education of Workers:

Success of electrical goods industry is largely dependent on the proper development of general and technical education of workers. Improvement in their economic condition, their efficiency, as well as a considerable influence on their output and earnings, must be improved. What has a direct effect on the efficiency of craftsmen is the promotion of industrial training and vocational guidance. In both these workers of Electrical Goods Industry are notoriously backward. In fact, carefully planned technical education can provide a satisfactory solution for many of handicaps of Electrical Goods Industry.
To arouse the enthusiasm of labour for the small industries, it is essential that they should be paid according to their technical advancement - degree by degree and stage by stage.

Industrial Training Institute Ali arh should arrange training in more processes. At present it is providing training in three processes. A more responsible man should be made incharge of Small Scale Industries Service Institute. The activities of this centre should be enlarged. Mobile training centres should be arranged.

There should be some sort of moral education to workers to remind them frequently over their duty towards industry and nation. Jarslessness is on increase. This should be checked and labourers should not be free to indulge in destructive activities which may lead to situation of Cherno.

5. Collective And Publication of Statistics:

Lack of adequate statistical and trade information is admitted as standing difficulty in an industry's development. In case of Light Electrical Goods Industry, the data maintained by various departments is not sufficient. These departments - i.e. District Industry's Office and Planning Office etc., should activise their activities.
6. Removal of Duplicate Taxation:

Tax should be levied only once i.e., either at the stage of purchase of raw materials or at the stage of sale of finished goods so that the industry may not be unduly burdened. The various Municipal taxes should be examined and thoroughly watched by State Governments and those found detrimental for the development of industry should be scrapped.

The state should try to prevent the exploitation of workers which is now on increase and is done by the activities of large-scale manufacture, and, at present, do not come under the jurisdiction of the 'Factory Act of 1943'. It has been seen that workers work even on holidays besides the door of the factories to earn more and more remuneration. For all these reasons it is advocated that State must come with its regularity measures to the help of workers.

PROJECTS OF FUTURE DEVELOPMENT

There are very good prospects for Electrical Goods Industry of India to develop in near future because of existence of required resources and increased demand for its product. With expectation of bumper crop, the industry will be posse more demand from rural areas and industrial areas. Not only this but with the finalisation of existing expansion programmes of industrialists, India will earn a name as Electrical Goods producing Centre not only in country but even in foreign lands.
PROVISION OF CAPITAL

In the sphere of industrial credit the concept of security needs to be redefined. Credit institutions should review the types of security that they consider adequate and thereby widen the range of their activities. Secondly, they may in concert with each other take a measure of risk in extending credit provided the losses arising therefrom are, to some extent, guaranteed by a special institution or Government.

In order to work it properly, the commercial banks will have to re-orient their ideas about the type of goods that can be accepted as realisable security and assess the risk of transaction on the basis of performance and standing of a unit rather than purely on how much of the security it offers can be realised immediately and without loss.

Banks will only not have to investigate the personal integrity of the borrowing party but will also have to make an overall appraisal of the competence of the management and of the financial soundness and earning power of the undertaking. Banks will have to take a long-term view about the prospects of a borrowing unit and of the industry to which it belongs for in a developing economy problem of production and marketing are vitally related to the problem of credit, whether short or long term. The banks
will, therefore, require information in most of the aspects of accounting, technical, economic and human resources.

It is true that these units suffer from various handicaps like lack of equipment, power, necessary raw materials, marketing and finance and they do not seem credit-worthy because their position is highly unstable. Merely provision of finance to such units would not be sufficient to make them work as economic units. In many instances lack of finance is the result, and not the cause, of other difficulties. Unless these difficulties which may relate to lack of equipment or marketing facilities or inefficient management are removed, financial assistance alone may not be fruitful. The problem in essence is to make these small industrial enterprises credit-worthy. It will therefore, in the first instance be necessary to grade different units requiring financial assistance as (a) credit-worthy, (b) potentially credit-worthy and (c) non credit-worthy. For this purpose specific criteria should be laid down. Generally, an industrial unit would be credit-worthy provided it is well-equipped, is economically managed, has a margin of profit and its proprietors are men of integrity. A potentially credit-worthy unit would be one in which most of the factors relating to production and management, technical personnel and marketing arrangements, that would make the working of the unit successful, are present, with the exception of one or two factors, say finance and equipment the provision of
which would render it an economic unit. The third category consists of the misguided ventures which may be allowed to run their course. We must look to the three principal elements in an undertaking: (1) the entrepreneur or craftsman, (2) his tools and equipment, and (3) the job he is doing, and arrive at a judgement whether the enterprise has either already succeeded or is at least likely to improve its prospects if the required financial or non-financial aids are forthcoming.

The general difficulty arises from the lack of objective material on the basis of which the element of risk involved in each proposal can be assessed. For instance, it is sometimes found that the prospective borrowers do not maintain proper accounts either on the basis of individual jobs undertaken or for the different products manufactured by them; nor are some of the accounts properly audited so as to be dependable. It is true that A is a very reliable person is highly qualified, knows his job, but there should be objective proof to show that his sales have been maintained or are progressively rising and that he is working at a fair margin of profit and is likely to maintain it in future. Again, there is a firm which requiring financial accommodation for building factory premises, it is doing well but there are no audited accounts to show that the record of past earnings was satisfactory.
These difficulties can be overcome by requesting the prospective borrowers to have their accounts properly organised and duly audited by qualified accountants; most of them are willing to comply. There are some units, however, that have not got the accounts personnel and which cannot afford to have their accounts audited because it is expensive. For such units, long term financial institutions or departmental agencies should engage their own internal auditors who would advise the prospective borrowers how to maintain their accounts in a simple manner, and secondly would carry out the necessary audit checks to test the earning capacity of the units concerned. The lending institution or department must satisfy itself that the net value of security, offered is adequate, the concern has the prospect of utilising financial assistance fruitfully, the party is reliable and credit-worthy, and the unit will be in a position to service the loan and repay it by agreed instalments. So far as the small industrial undertakings are concerned, the officers of the lending institution would look to the proprietor or the key man in the undertaking and test his attitude as a borrower. This is a crucial test because in every type of lending it is essential to know that the borrowers are genuinely concerned in utilising the funds for the purposes for which they are given and further that they are anxious not only to service the loan but to repay the principal amount of instalments. The problem affecting
the unorganised segment are difficult but they have to be faced, because unless the small units are properly assisted, it will not be possible to organise, expand and develop this sector of our industrial structure. They are in need not only of financial assistance but of assistance and advice on other matters, technical and managerial. For instance, X is producing certain articles which are mainly produced by hand, he is now in need of suitable machinery and wants working capital. Taking all factors into account he deserves help because he has created a good market and if he gets the machinery he wants, will be in a position to produce superior quality goods and improve his earnings. N, a proprietary concern, was producing metal utensils and suffered heavy losses, but it has since changed its lines of manufacture with the result that its earnings have improved; it wants financial assistance for the acquisition of additional machinery and working capital. It has been amenable to suggestions about changing the lines of manufacture and the employment of suitable technical personnel. With these changes, there is every prospect of its using effectively any financial help that may be extended to it. Further, there is T who has started a new industry which is the first of its kind and requires financial assistance to establish it. Before this can be given, certain conditions must be fulfilled. There should be a minimum share capital. Arrangements for adequate working capital have to be made, the technical soundness of the whole scheme must be examined and the prospects
of its earning capacity should be assessed. Investigation on all these factors having proved satisfactory, the loan accommodation can be safely given.

In case where manufacture and trading distincts exist, the lender should ask that the two activities should be kept separate and the financial accommodation should be utilised only for the manufacturing activity.

It is essential to insist that the small entrepreneurs know the job they are doing, have experience of manufacturing these particular products and have prospects of marketing them. In assessing the soundness of a loan proposition, therefore, what is needed is an overall approach and if the usual criteria are satisfied the financial assistance should be given; but in cases where the units concerned have no prospect of improving their position, no useful purpose would be served by throwing good money after bad. There are quite a number of units, however, which may be brought under an 'Improvement programme' and special grants should be allocated to make them efficient and economic units so as to deserve institutional credit.
PROSPECTS OF FUTURE DEVELOPMENT

Seeing the availability of required resources and increasing demand for its products it can be said that the future chances of Electrical Goods Industry of Aligarh are bright. With the present bumper crop, the rural economy will revive and there would be large increase in demand for electric goods because villagers are to be electrified. Not only this but after the finalisation of existing expansion programmes of various firm, Aligarh shall earn a name among ranking electrical goods producing centre not only in the country but even in foreign lands.