CHAPTER IV : OUTPUT RELATED ISSUES

4.1 Output Related Issues in India

The various problems of small-scale industries related to inputs were discussed in the previous chapter. In this chapter, the attempt has been made to throw light on the problems during the course of and after production cycle is completed. These problems may be described under the general description of output related problems.

Small industries as mentioned in the previous chapter, suffer from a number of handicaps in their production cycle, which are inherent on account of the smallness of their size. In case of marketing, they may be capable technically, but are inexperienced in marketing their products. Financial and production activities demand a lot of attention for the satisfactory operation of the unit and therefore, they do not find time to systematically analyse and solve their marketing problems. They rely on sales agents and distributors if they do not have one or two large customers. Their resources are also small and therefore, they do not have the necessary strength to withstand economic pressures and forces. Hence, it is not possible for them to undertake systematic market research and to cultivate markets for their products on the basis of field survey. It is almost impossible for such units to independently launch promotional campaigns, create a brand image or collect marketing information which would be uneconomical. These units thus suffer from lack of specialised knowledge in exploring new markets, as it is rightly mentioned even in sixth Five Year Plan;
"The marketing problem of cottage and small-scale industries flow from their scale of operation, lack of standardisation, inadequate market intelligence, competition from large-scale units and sufficient holding capacity".

One of the important reasons why the small-scale units fall sick is that they often do not take into account the market potential and marketing environment. From the conceptual stage itself a small-scale unit should adopt modern marketing and innovation techniques. There is no dearth of agencies meant to assist small units to modernise. Small-scale industries, therefore, need not hesitate to grapple with the problems of adjustment.

Small-scale industries face many problems while marketing their products chiefly because of the absence of well developed sales organisations as compared to that of larger competing units, absence of standardisation of products, inability to meet the requirements of government and other bulk purchasers and the urgent need to dispose of their products immediately at any available price, due to paucity of working capital and consequent lack of staying power.²

With the rapid expansion of the small-scale sector, the problem of marketing its products has started evoking interest and concern. The sector which has already become a million strong, produces a very wide range of products. There are units producing traditional and relatively simple items as well as thousands of units engaged in the manufacture of sophisticated items hitherto produced only by the

1. Government of India, Sixth Five Year Plan, Para: 12.30
organised large industry. The items produced by it are consumer goods, durable and non-durable, intermediate and components and producer goods. The quality of most of the goods produced in this sector is fairly good.

In the recent past, there has been an attempt to play down the difficulties and play up the progress and achievements of small-scale sector. The fact that small-scale units passes the necessary capacity and capability to produce goods of acceptable quality is now widely acknowledged. But just production is not enough.

The marketing problems of small-scale industries may be divided into two parts;

A - Internal marketing
B - Export marketing

4.1.1 Internal Marketing

Marketing occupies an important place in the management of a small-scale industry. It is a key factor in determining the success of an industrial concern. Traditionally, marketing consisted of "those efforts which effect transfers of ownership of goods and care for their physical distribution". P. Kotler defines marketing as a:

"Human activity directed at satisfying needs and process".3

In the internal marketing small-scale industries may face different problems as:

4.1.1.1 Methods of Marketing

The existing methods for the marketing of the products of small-scale industries are two types;

a - Direct marketing

b - Indirect marketing

4.1.1.1.1 Direct Marketing

Small industries for their sustenance, need various supporting services, efficiently organised and promptly extended. Marketing guidance is one such service, which is increasingly expected by newly established small units in areas which are far from developed metropolitan cities. These industries are often not in a position to carry on the activities which are essential pre-requisite in the marketing process. These activities are as follows:

1. Production Bottlenecks

Actually, marketing problems of small industrialists can not be studied in isolation without taking cognizance of the production bottlenecks. Though many small industrialists are frequently found to be production oriented, with necessary technological background and skills, they are unable to produce goods acceptable in the market mostly because of non-availability of the requisite quality of raw materials. In case of some industries, the higher prices of raw materials leaves the possibility of producing only inferior quality goods, if the entrepreneur had no control over prices either because of contractual obligations or of market force.
For the units manufacturing capital equipment the sales problem, though mainly arising out of limited size of operation, is slightly of a more serious nature. It is not only one of exploitation of the existing market in competition with medium and large enterprises but also that of maintaining efficient after sales service, which is often beyond the capacity of a small industrialist. Even here if the coverage of the market is limited small industries are better placed than even large industries, as they can attend to the consumer's complaints more quickly. But if the geographical spread is wider, the small industrialist has often to depend on distributors or other specialised agencies to look after sales as well as after-sales service.

2. **Lack of Finance**

An entrepreneur venturing to start a small unit can not afford to establish a well-knit marketing organisation for the sale of his products. The small-scale entrepreneur is normally the one who has to look after all the aspects of his business, such as production, marketing, finance, purchasing, labour, etc. He finds it difficult to give adequate attention to marketing which actually is of paramount importance. He takes his decision alone or may be with the help of a partner. In a large company, a dozen people would discuss the pros and cons of all the problems involved in different areas, such as production, marketing and pricing. He can not afford to have services of specialists who prepares marketing plans for penetration into domestic and foreign markets for their products, mostly, they have to depend on government purchase programmes.
A little more careful consideration than hitherto of the marketing potential and some concrete advice on marketing could be given at the time of registration of new small-scale unit. The units could be cautioned about the inherent danger of entering into a line where too many entrepreneurs are already present and encouraged to go into a line with greater potential.

3. **Quality Control and Standardisation**

One of the reasons why the small-scale sector sometimes suffers from marketing disabilities is that they are often unable to obtain testing facilities and quality certification. At present, the problem of quality is being tackled from two angles, first, by having as many products under Indian Standard Institution (ISI) specifications as possible and second, to make testing facilities available to the manufacturer at nearest places.  

It should be the duty of market research how articles should be designed, made, and finished in order to be acceptable. The setting up a reliable organisation that will test and certify the products of small-scale and cottage industries and materially enhance the market value of their products is recommended.

4. **Market Research**

A careful market study and correct forecasting of demand are pre-


requisites for the success of a unit whether in the small or large-scale sector. The report of the study team of the State Bank of India, which examined the difficulties and problems of the small-scale sector in 1975, found out that over 40 percent of the samples (of small-scale units) examined by the team were started without any feasibility study and detailed project reports. Such reports as were prepared and submitted by the sponsors to banks or other financing institutions were offered more as a device to obtain finance rather than as a guide to further operations. It is obvious that the mortality among such units was high.

Marketing management is a specialised job involving techniques which demand creation and sales promotion. In majority of cases, small industrialists, do not have the necessary training in this regard. With the limited size of operations and finance, many units are unable to hire specialists services or engage in own market research. Hence, in many cases the units had to make often unsatisfactory marketing arrangements.

Data Bank

Marketing research is very important in the case of small industries, because their articles are tailored to suit individual or group tastes, habits and uses. The change of tastes on the part of consumers is important explanation for the fall in demand of a specific article. Due to lack of market surveys and the absence of

organised efforts very little readjustment may take place in the shape of the commodities turned out by small industries. Possession of superior factual knowledge of the ultimate buyer will provide the strongest competitive weapons to the small scale industries in India.

A glaring lacuna in the whole set up for small industry development is the absence of an institution to collect reliable and up-to-date market intelligence on industrial products and make it available in time. What is important is timely availability of information with a reasonable degree of accuracy rather than delayed supply of cent per cent accurate information. Actually, it could be as:

"The question of creating an institution in the private or joint sector to collect and disseminate both national and state level market intelligence, therefore, merits urgent consideration both by government and private businessman. The institution can ultimately become self-financing provided it is soundly conceived and implemented. Such an arrangement will smoothen the process of both promotion and expansion of industrial activity in the small scale sector."

Management thinking in these industries should therefore, begin with the demand side of economic equation. Production in accordance with a carefully measured demand will provide a sounder base with the existing products as to performance, style, quality, size and price can be invaluable in determining the competitive position of small industries.

5. **Information Feedback**

Types and areas of consumption are shifting, but only a few

products try to follow them. There are no sound channels of communication between the small manufacturer and the ultimate consumer. In many cases the artisan do not know in what part of the country their goods are used, or who buys them. Under the stress of economic conditions, businessmen have learnt that is not enough to produce technically perfect goods, but that it is in the market place that their fate is decided. When the buyer become supreme, more and more market research is needed to keep pace with production and reliable system of distribution takes the centre of the stage.\(^8\).

Today, mainly for the lack of information about the capabilities of this sector, many large-scale units are continuing to depend upon imports or are themselves producing components and intermediates that are used to make their own products despite their production being economically unwarranted. At the same time, the small units are not always aware of what the requirements of the large units are and, as a result of this information gap, both the large and small units continue to suffer in isolation. This is one area where the associations of industries and the promotional agencies can play a much more effective role. On the other hand, the production capacity of the small sector need to be compiled elaborately and, on the other, the requirements of the large-scale sector need to be concisely documented and updated from time to time.

Marketing has come to be recognised as crucial to the viability of a project. In recent times, many small-scale units have come to grief because of lack of organised marketing efforts, and difficulties

\(^8\) Farooque, Q.H., Op. Cit, p.18
regarding market research. Small industries do not have adequate information about competitive price quotation, consumer performance etc.\(^9\) The solution is in scientific, well-organised and planned marketing. The seventh Five Year Plan remarks in this regard is;

"The marketing strategy needs to be reoriented to meet the consumer needs. This will necessitate diversification of markets and product-mix, introduction of modern marketing techniques, better inventory control, better management practices, exploring new markets, keeping the cost of marketing low and efficacious use of mass media for consumer education and market promotion".\(^10\)

4.1.1.1.2 Indirect Marketing

1. Distributors

The small-scale industrialist has to take positive steps to bring his products to the attention of potential customers in order to create a demand for them. Once a product is accepted by a customer, the small-scale industrialist has to consider the ways and means of arranging to supply it to his consumers.

Normally, in the absence of sales organisation, poor publicity, small industrial units are often forced to sell their products to dealers who market them under their own brand name.

The sales problems of the small industrialists would also reveal the extreme dependence on distributors or merchant houses. Often they have to extend credit facilities to their selling agents and other


\(^10\) Government of India, Seventh Five Year Plan, Para:4.13
purchasers. The private sector traders or manufacturers, barring a few exceptions generally stipulated long payment conditions extending from three months to nearly one year. For this period the small entrepreneur has to stretch his resources which he often finds it difficult with a weak financial base and inadequate flow of institutional credit.

2. **Government**

The units supplying to governments do not fare better. Although, general satisfaction has been expressed regarding favouritism shown in the placement of orders. It is stated that the governments and government industrial enterprises do not show a preferred treatment to the small sector in placing the orders. Also granting of price preferance, it is not held, and rarely observed.

Even in respect of payment in government purchases small industrialists are not feeling quite happy. The payment reportedly, take a long time and producers are often cumbersome.\(^{11}\)

To establish contacts and secure government contract for the supply of goods and services appear to be a simple enough task, but it is not really so. The government is a demanding customer. The risks are great, and the job calls for competent marketing skills and expertise. Contract interpretation and proposal preparation are difficult jobs. To the extent an entrepreneur succeeds in these two tasks, his penetration in the Government Purchase Department is

\(^{11}\) NCAER, OP. Cit, p.39.
assured. The quality norms and reliability levels are relatively higher for government purchases because the purpose of government buying is different from that of private buying. The government purchases are not for resale but for use. Therefore, the products must have a high degree of reliability. This can be ensured if quality control is enforced and if there is a high sense of business.

4.1.1.2 Competition

Competition with large and medium scale industries is a major deterrent to small entrepreneurs in the markets. This is oversimplifying the problem. Large-scale units have an edge over small ones in the matter of economies of size and scale, sufficient financial strength to face the temporary set backs and competence to hire profession managers specialising in different branches of the management. Small scale sector, on the other hand suffers from lack of resources and specialised know-how, absence of motivation and lack of emotional involvement in the productivity movement. The specialisation available in the large units is difficult to be engaged for the small scale units. This results in acute competition between large and small scale units.

Where the small industrialists have to compete with branded goods or where consumers are scattered over wider areas, marketing was found to pose a critical problem. The small industrialists with limited turnover could not afford to spend sufficient money in advertisement and other sales promotion activities to capture the market nor had they the necessary skill. Hence the majority of small entrepreneurs
were forced to hand over their production to distributors or sole selling agents or big trading houses to be marketed under their own brand names. A small proportion of small industrialists did, however, depend upon their own resources to build up distribution channels and attempt to create an image through various media with varying degrees of success.\(^\text{12}\)

Small scale units have to face a triangular fight in the internal markets from large units, middle-man or traders and intra industry specially, in respect of consumer products, the firms and companies which can afford to earmark sizeable budgets for advertisement and publicity make it difficult for a small entrepreneur to introduce his product, however, good in quality, the expenditure on publicity is not financed by financial institutions, which is a further constraint for small unit to enter into consumer marketing field.

4.1.1.3 **Institutional Facilities**

The need for marketing assistance, preferably on organised basis, is very much made clear in the proposed Small Industries Development Act in India. Assistance and facilities to associations and consortia of small industries should be provided. Other suitable agencies for organising marketing of the products of small units, particularly in those products lines where they foresee competition from large industries should be established. In cases where goods could be marketed or market could be developed through the establishment of a chain of marketing outlets the necessary arrangement should be done.

\(^{12}\) Ibid.
The facilities shall include financial assistance for setting up departmental stores, common publicity and advertisement, participation in trade fairs and for providing transport facilities and certification works for the products of small industrial units in order to create confidence among the consumers. In the field of quality control, appropriate measures to popularise such products should be taken.13

And even in the Sixth Five Year Plan draft one observes almost the same emphasis on marketing of products of small-scale units. The continued dependence of a significant large number of different rural and other small industries for marketing their products on middlemen has been mentioned. And even it has been mentioned that a large number of these industries has also been experiencing difficulties in marketing their products. Therefore, it has emphasised on;

"marketing assistance including those for market intelligence and surveys, testing facilities, quality control and standardisation of products of selected industries will receive special attention. Greater efforts will be made to provide closer marketing linkages between the products of small-scale industries and the requirements of medium and large industries particularly the public sector undertakings".14

With a view to support the marketing efforts of small entrepreneurs, the Central Government gives its support mainly through two policy measures. First, about eight hundred and seventy three

13. Jain, O.P., Rural Industrialisation, Commercial Publication Bureau, New Delhi, 1975, p.283

items have been reserved for production in the small-scale sector and as a result, the increased demand is supposed to be not only through the expansion of the small-scale sector thereby limiting competition in marketing from large scale units. The list of reserved items is continually reviewed and items added and deleted depending upon the market demand and the capacity of the small-scale sector to produce these items.

Secondly, in the purchase programme of the Central Government, a little over 400 items are reserved for exclusive purchase by governments from the small scale sector.

Many of the items figuring in this list are also produced by the large sector but the Central Government has deliberately decided to purchase these items only from the small units. In addition, a price preference of upto 15 percent, Vis-a-vis, the medium and large-scale units and traders, is also admissible, in the Government Purchase Programme, to products of small industries.

Besides these two important support measures, the Central Government has also allowed units having investment in plant and machinery upto Rs.45 lakhs to be eligible for benefit available to small units as long as they supply 50 percent or more of their production to other units, i.e., function as ancillaries.

4.1.1.3.1 Central Government Stores Purchase Programme

Government happens to be the largest single purchaser of the various items produced in the country both in the large as well as the small scale sectors.
With a view to increase the share of government purchase from the small-scale sector, the Central Government store Purchase Programme was launched by DGS & D with reservation of certain products for purchase exclusively from small scale sector. Government being the single largest buyer of a large variety of goods, the reservation of items, would provide not only boost to the marketing of the products of small-scale sector but would also motivate them to produce goods in conformity with the different standards laid down by the purchasing departments.

A number of facilities are provided to small-scale units under the programme:

1. Free registration with DGS & D
2. Free supply of tender forms
3. Exemption from payment of earnest money and security deposits.
4. Price preference upto 15% in case of selected items.

4.1.1.3.1.1 Reservation for Purchase

The items of Government purchases have been grouped as follows:

Group I: Items which are of no interest to small scale units and are to be procured only from large scale sector.

Group II: Items which by their very nature require large scale firms as prime contractor but permit scope for purchase of components and parts from small scale sector.
Group III: Residual items which both small-scale and large-scale firms can supply.

Group IV: Items reserved for exclusive procurement from small-scale units. The number of items under Group IV has increased from 16 in 1956-57 to 409 in 1985-86.

Group V: It contains 13 items which are to be procured exclusively from small-scale industries upto 75% of the requirements.

Group VI: It contains 28 items which are to be procured exclusively from the small-scale industrial units upto 50% of the requirements. 15

The items not included in the list of items for exclusive or preferential purchase but included in the list of items reserved for production in small-scale sector are given price preference upto 15 percent. This price preference is not automatic and is subject to certain conditions. Similarly the actual quantum of price preference is decided in each case on merits.

15. SIDO, Marketing Assistance to Small-Scale Industries, 1987, p.3
<table>
<thead>
<tr>
<th>Year</th>
<th>No. of items</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>11</td>
</tr>
<tr>
<td>1981-82</td>
<td>11</td>
</tr>
<tr>
<td>1982-83</td>
<td>12</td>
</tr>
<tr>
<td>1983-84</td>
<td>12</td>
</tr>
<tr>
<td>1984-85</td>
<td>12</td>
</tr>
<tr>
<td>1985-86</td>
<td>13</td>
</tr>
</tbody>
</table>

Source: SSI in India, Fact and Figures, Development Commissioner (SSI), 1987, P:13

In the situation where basic considerations like quality, delivery conditions are comparable or where small-scale industries have an advantage over large-scale units or where the small-scale units have established themselves as suppliers to the government on competitive terms, the products of small scale units are given preference over those of other manufacturers.
### Table 4.2  
No. of Group VI Items from which upto 50\% of purchases by DGS & D are Reserved for SSI Units.

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of items</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>15</td>
</tr>
<tr>
<td>1981-82</td>
<td>16</td>
</tr>
<tr>
<td>1982-83</td>
<td>25</td>
</tr>
<tr>
<td>1983-84</td>
<td>25</td>
</tr>
<tr>
<td>1984-85</td>
<td>25</td>
</tr>
<tr>
<td>1985-86</td>
<td>28</td>
</tr>
</tbody>
</table>

Source: SSI in India, Fact and Figures, Development Commissioner (SSI), 1987, p.13.

Among the other infrastructural support available for the small-scale sector, is the facility for single point registration with National Small Industries Corporation (NSIC) for sales to the Directorate, General of Supply & Disposal (DGS & D), the nodal agency for purchase on behalf of the Central Government and direct marketing support offered by agencies like National small Industries Corporation and Small-Scale Industries Development Corporation all over the country.
Table 4.3 Value of Government Purchases Made From Small-Scale Industries Through DGS & D

<table>
<thead>
<tr>
<th>Year</th>
<th>Value of Purchases (Rs. Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>197.35</td>
</tr>
<tr>
<td>1981-82</td>
<td>221.25</td>
</tr>
<tr>
<td>1982-83</td>
<td>218.04</td>
</tr>
<tr>
<td>1983-84</td>
<td>270.42</td>
</tr>
<tr>
<td>1984-85</td>
<td>258.08</td>
</tr>
<tr>
<td>1985-86</td>
<td>231.98</td>
</tr>
</tbody>
</table>

Source: Marketing Assistance to SSI, Development Commissioner (SSI), 1987, p.4

While measures to increase the support available to the small-scale sector in the purchases by the government and its agencies are being thought of; an area where vast potential for increase lies is in marketing to the private sector which, too in recent years, has expanded well and with the current liberalisation in the licensing policies is bound to grow even more rapidly. At present, there is no compulsion at all, upon the buyers in the private sector to accord any preference to the products of the small industries and perhaps, this is rightly so. Nevertheless, it is the area which holds out considerable promise for the small units.
### Table 4.4 Reservation of Items (SIDO) for Exclusive Production in Small-Scale Sector.

<table>
<thead>
<tr>
<th>Year</th>
<th>Reserved</th>
<th>Dereserved</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980–81</td>
<td>28</td>
<td>1</td>
<td>833</td>
</tr>
<tr>
<td>1981–82</td>
<td>11</td>
<td>13</td>
<td>831</td>
</tr>
<tr>
<td>1982–83</td>
<td>9</td>
<td>3</td>
<td>837</td>
</tr>
<tr>
<td>1983–84</td>
<td>35</td>
<td>–</td>
<td>872</td>
</tr>
<tr>
<td>1984–85</td>
<td>1</td>
<td>–</td>
<td>873</td>
</tr>
<tr>
<td>1985–86</td>
<td>8</td>
<td>18</td>
<td>863</td>
</tr>
</tbody>
</table>

Source: SSI in India, Facts and Figures, Development Commissioner (SSI), 1987, P.12

4.1.1.3.2 Small Industries Development Organisation

As marketing is a key factor in determining the success of an industrial concern and this activity occupies a strategic place in the survival of small-scale industries, the Small Industries Development Organisation is paying considerable attention to the promotion of marketing facilities for small-scale industries in India. Small-scale industries are being assisted by Small Industries Development Organisation (SIDO) to strengthen their marketing capabilities. The Organisation provides marketing assistance to small-scale units through developing or promoting ancillaryisation, providing marketing intelligence and information, establishing trade centres, encouraging
small entrepreneurs to participate in Government Purchase Programmes of Central and states Governments, setting up a sub-contracting exchanges, organising exhibitions, seminars and training programmes in marketing and publishing of information booklets etc.

The small Industries service Institutes are actively engaged in identification and promoting new items for ancillarisation besides rendering technical and managerial assistance to the existing ancillaries. Regionwise Seminars, exhibitions and buyer-seller meets were also organised to help the large undertakings and the small scale industries to have mutual benefits through ancillarisation.

The Small Industries Service Institute has established number of Sub-Contracting Exchanges located in different parts of the country. But, the information available with them is often for very few items and is to have complete information about the requirements of large industries located in that area and the production capacities of the small units in that region and furthermore. All these sub-contracting exchanges in turn need to be connected to a national grid so that units of one area could take benefit of units located elsewhere. In due course, this arrangement could also be expanded and an international sub-contracting exchange set up.

A number of state level Ancillary Development Seminars and Exhibitions were organised during the year 1985-86 by the Small Industries Services Institutes as per details given below:
Table 4.5 The Physical Achievement in Respect of Promotion and other Assistance by SISIs during 1985-86.

<table>
<thead>
<tr>
<th>A. Ancillary Development Activities</th>
<th>Nos.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Ancillary Development Seminars</td>
<td>22</td>
</tr>
<tr>
<td>2. State Level Ancillary Development Committee meetings held</td>
<td>19</td>
</tr>
<tr>
<td>3. Buyers-Sellers Meetings and Exhibitions</td>
<td>34</td>
</tr>
<tr>
<td>4. Plant Level Committee meetings</td>
<td>181</td>
</tr>
</tbody>
</table>

B. Sub-Contracting Exchange Programme

| 5. No.of units Registered under Sub-contracting Exchange | 1199 |
| 6. No. of small scale units Assisted by Sub-contracting Exchange during 1985-86 | 6700 |


As a result of the intensive efforts of small Industries Development Organisation, the value of purchases from the small scale sector made by public and private sector undertakings, corporations, railways and defence establishments increased from Rs.120 crores in 1977-78 to about Rs.150 crores in 1978-79. The total purchase made by public sector undertakings during 1979-80 came to Rs.156.88 crores.

out of which the share of the small scale units was Rs.55.80 crores.\textsuperscript{17} And the total purchase made by the public sector undertakings from small-scale ancillaries during the year 1980-81 would be of the order of Rs.120 crores.\textsuperscript{18}

With a view to provide effective support to small-scale units in securing sub-contracting jobs and services from large and medium undertakings in the country, 16 Sub-Contracting Exchanges located at all the major states of the country have been engaged in providing suitable and effective linkage between the large industries and the small-scale feeder units and in maintaining up-to-date information on the spare capacities available with the small-scale units and to match it with the requirements obtained from the large and medium sectors of the industry.

The main functions of Sub-Contracting Exchanges are:

- to invite small-scale units to register with the exchange their spare capacities on specific machines;
- to approach large industries with a view to listing out items which could be manufactured in small scale units.
- to render technical assistance to small scale units in creating new capacity for specific processes or manufacature of items required by large scale undertakings and
- to furnish information on firms from whom the enquiries can either secure orders to meet their requirements or can sub-contract their requirements.

\textsuperscript{17} Ibid, 1979-80 Report, p.75

\textsuperscript{18} Ibid, 1980-81 Report, p.48
Table 4.6 Activities of Sub-contracting Exchanges
(period January 1979 to October 1979)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. No. of large undertakings contacted</td>
<td>192</td>
</tr>
<tr>
<td>2. No. of Ancillary units developed</td>
<td>38</td>
</tr>
<tr>
<td>3. No. of Ancillary items identified</td>
<td>333</td>
</tr>
<tr>
<td>4. No. of Ancillary units assisted</td>
<td>520</td>
</tr>
<tr>
<td>5. No. of small scale units assisted</td>
<td>592</td>
</tr>
</tbody>
</table>

Source: Report 1979-80, SIDO, P:76.

1. **Trade Centres**

   Under the programme of Trade Centres the state governments are given assistance for setting up Trade Centres by way of grant-in-aid to the extent of 50 percent of recurring and non-recurring expenditures, excluding land, building and administration subject to maximum of Rs.3 lakhs per annum for period of five years. These centres provide a focal point for buyers and sellers with supplementary services necessary for trade centres and transactions between small-scale industries and buyers of their products including large-scale manufacturers, importers and merchant exporters, purchasing organisations and consumers in general.

2. **Marketing Division**

   In 1976 a separate marketing Division was created to help to intensify its efforts for solving marketing problems of the small
scale units. The Division looked after the work pertaining to creation of suitable market information systems, market counselling to small entrepreneurs, setting up trade centres and it maintained closed liaison with National Small Industries Corporation (NSIC), State Small Industries Development Organisation (SIDO) received a large number of trade enquiries and complaints from small-scale units, associations, other organisations about their marketing problems. Besides attending to these enquiries, Small Industries Development Organisation (SIDO) provided market counselling and assistance to a large number of small scale units.

3. Tendering Assistance

In order to help the small-scale industrial units in marketing their products, the small-scale industry corporation in states have started tendering on behalf of small scale industrial units to various agencies including Directorate General of Supply and Disposal (DGS & D), Railways, Defence, and Stat Store Purchase Authorities including public sector undertakings. The basic idea behind this approach is that individual small scale industrial units are scattered throughout India and their resources being limited, can not participate in Government store Purchase Programmes. Therefore, through this kinds of assistance they will be able to take part in this sort of programmes.

Small Industries Development Organisation (SIDO) also assisted Directorate General of supplies and Disposal (DGS & D) and other purchasing organisations indentifying the small-scale industrial units for the supply of items required by them. It has also disseminated
information to small scale industrial units on items which are in short supply and required frequently by the Directorate General Supplies and Disposal (DGS & D).

4.1.1.3.3 **National Small Industries Corporation**

One of the important activities of the National Small Industries Corporation (NSIC) is marketing activity. The National Small Industries Corporation's (Marketing Assistance) Programme incorporates the following activities:

I. Marketing programmes

a. Marketing of machine tools, manufactured by its prototype Development and Training centres (PDTCS) and also products (electrical motors and quality machines) of government.

b. International marketing of selected products and assistance encouragement to formation of small industry consortia and

c. Distribution and import of scarce raw materials, components and parts.

II. Marketing assistance under Government Purchase Programme.

Under the Government Purchase Programme, National Small Industries Corporation is providing institutional marketing assistance by enlisting small scale units for participation in the Government Stores Purchase Programmes.19

The National Small Industries corporation acts mainly as a liaison agency and helps the small-scale units to secure a larger share of government business. The features of scheme are:

"a) Instead of purchasing tender sets from the Directorate General of supplies & Disposal (DGS & D) the small units enlisted with the Corporation automatically get them free of cost, from it and its branches,

b) After verifying the technical competence of the small units, the corporation issues certificate of competency. The unit to which competency certificate has been issued by the corporation do not has to pay any security deposits to Government Purchasing Agencies.

c) Provided that the specifications and quality are acceptable, the small units get a price preference upto 15 percent over the quotations of large scale units, depending on the merits of each case,

d) Whenever the small units feel that injustice has been done to them, the National Small Industries Corporation takes up their cases with the Direcorate General of Supplies & Disposal (DGS & D) in order to find out the reason for the non placement of contracts with these units and tries to redress their grievances where ever feasible or possible.

e) As a result of the efforts of the National Small Industries Corporation (NSIC), another big purchase department, the Ministry of Defence, has come in line with the DGS & D, and has now started exempting small units from the payment of security deposits."

As on March 1967, Corporation helped the units to secure 20,565 government contracts from Directorate General Supplies & Disposal (DGS & D) of the value of Rs.117.5 million\(^{21}\).

The share of small scale industries in total purchases made by DGS & D in 1972-73 was Rs.72.75 crores against total indigenous purchase made by DGS& D in the same period worthed Rs.815.03 crores. In the 1978-79 the total indigenous purchase was about Rs.851.17 crores against 115.40 crores share of small units. A close look shows that the total purchase increased almost 4.5 percent but the share of small industries indicate the increase more than 72 percent in this period.

In 1981-82 the total purchase was about Rs.1657.17 crores and share of small units was Rs.207.32 crores. The total purchase compared to the year 1972-73 is almost double where as the share of small units is something around three times\(^{22}\).

Till March 1986, about 11,000 small scale units were listed with corporation under single Point Registration scheme.

The progress of purchases made by Directorate General of Supplies and Disposal (DGS & D) from small scale sector in period 1972-85 is given below;

\(^{21}\) Gupta, D.C., and Dubey, S.C., *Facilities and Procedures for Small Industries (Guide for Small Industries)*, Small Industries Research Institute, p.72

\(^{22}\) *The Economic Times*, New Delhi, Wednesday, January 30, 1985, p.II.
Table 4.7: Purchases made by DGS & D from SSI

<table>
<thead>
<tr>
<th>Period</th>
<th>Total indigenous purchases made by DGS &amp; D</th>
<th>Share of large units</th>
<th>Share of small units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972-73</td>
<td>815.03</td>
<td>742.28</td>
<td>72.75</td>
</tr>
<tr>
<td>1973-74</td>
<td>764.08</td>
<td>708.36</td>
<td>55.72</td>
</tr>
<tr>
<td>1974-75</td>
<td>860.98</td>
<td>774.95</td>
<td>86.03</td>
</tr>
<tr>
<td>1975-76</td>
<td>991.70</td>
<td>897.60</td>
<td>94.10</td>
</tr>
<tr>
<td>1976-77</td>
<td>975.16</td>
<td>868.69</td>
<td>106.47</td>
</tr>
<tr>
<td>1977-78</td>
<td>851.17</td>
<td>735.77</td>
<td>115.40</td>
</tr>
<tr>
<td>1978-79</td>
<td>886.97</td>
<td>772.93</td>
<td>114.04</td>
</tr>
<tr>
<td>1979-80</td>
<td>964.86</td>
<td>843.07</td>
<td>121.79</td>
</tr>
<tr>
<td>1980-81</td>
<td>1432.58</td>
<td>1235.23</td>
<td>197.35</td>
</tr>
<tr>
<td>1981-82</td>
<td>1657.17</td>
<td>1449.85</td>
<td>207.32</td>
</tr>
<tr>
<td>1982-83</td>
<td>1802.11</td>
<td>1584.07</td>
<td>218.04</td>
</tr>
<tr>
<td>1983-84</td>
<td>2212.74</td>
<td>1942.32</td>
<td>270.42</td>
</tr>
<tr>
<td>1984-85</td>
<td>2409.97</td>
<td>2151.89</td>
<td>258.08</td>
</tr>
</tbody>
</table>

2 - Report 1985-86, SIDO, p.72

To promote the growth of small scale unit institutional marketing support is indispensable. The corporation has therefore, been endeavouring to improve its service in the sphere of marketing and it is a matter of great satisfaction that the sales turnover of the corporation has increased substantially during the year 1985-86 to Rs.2178 lakhs as against Rs.629.78 lakhs in 1983-84 and Rs.1610.57 in 1984-85. The details are given below;
FIG. 4.1. TOTAL PURCHASES MADE BY DGS&D FROM SMALL-SCALE SECTORS DURING 1980 - 1986
Table 4-8: Sales Turnover of NSIC.

<table>
<thead>
<tr>
<th></th>
<th>1985-86</th>
<th>1984-85</th>
<th>1983-84</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Internal marketing value of small industries products marketed and raw materials distributed to small-scale units</td>
<td>1970.80</td>
<td>1245.95</td>
<td>439.63</td>
</tr>
<tr>
<td>b) Exports</td>
<td>207.97</td>
<td>364.62</td>
<td>190.15</td>
</tr>
</tbody>
</table>


The Corporation has adopted a multi-dimensional approach in the area of marketing and has segregated its overall marketing activities into various segments, one of them is internal marketing.

4.1.1.3.3.1 Domestic Marketing

Domestic marketing of the products of small-scale units is undertaken with a view to sell their products at remunerative margin. To obtain a reasonable price, the units require various support services as they are to compete with large sector and alongwith multinational concerns. Necessary support services include ensuring of standardisation and quality control, floating of brand name, creation of awareness among purchasers of products manufactured by small scale units through aggressive publicity, continuous upgradation of technology to increase productivity and sophistication of products of the small units, to enable them to produce right goods at the right price for the purchaser.
The corporation has taken up internal marketing of the products through a number of innovative approaches like:

a) Consortia marketing  
b) Agency marketing  
c) Market Development Centres

a) Consortia Marketing

In its consortia approach the corporation associates a number of small-scale units producing the same products and forms a consortium. The Corporation scans markets and secures bulk orders for various consortia. The orders are then framed out to the small scale units in tune with their production capacity. Testing facilities are provided, or arranged, to enable the units to improve and maintain the quality of their products so that their supply conforms with the standard specifications. The corporation has successfully managed to form consortia of units producing items like hosiery, handmade paper, electric fans, electric bulbs, T.V.s etc. The corporation holds stock of goods and in this, it directly buys and sells for a group of units so as to provide a cushion against supply and demand fluctuations.

The Corporation also at times takes up marketing of individual small-scale units products, consumables and consumer durables, whenever a small scale units approaches for marketing assistance.

b) Agency Marketing

The corporation has been marketing machinery and equipment on
agency basis. For example, it markets PVC extruders produced by Engel India Machinery & Tools Ltd. Calcutta. Wood Working Machine produced by A.O.K. Wood Working Machines, N.Delhi etc. The Corporation is acting as sole selling agent of these producers.

c) Market Development Centres

With a view to expand the package of its Marketing Assistance, the Corporation has envisaged to set up Market Development Centres in important cities of the country. Initially, it is proposed to establish five such centres. These centres will provide display facilities and will also act as sales and promotional outlets for small scale units products.

Under the future programme National Small Industries Corporation intends to:

a) cover domestic appliances, hand-tools, malleable castings, light engineering products, soap,
b) provide marketing intelligence within the country and abroad for the benefit of the small-scale sector,
c) assist small-scale sector units in their survey of the markets and marketing research,
d) provide the necessary technological inputs in developing and standardising products in the small-scale sector,
e) establish raw material banks to meet the requirements of the small-scale sector in ferrous and non-ferrous raw materials.23

4.1.2 Export Marketing

Export marketing is a function or activity of selling the product to foreign customers. Professor C.B. Agarwal has defined it as "it is selling to your customers abroad, it is pushing forward your goods in the overseas market." Selling abroad is a highly complex activity. It is complex because, there are different rules and regulations of various countries, business practices also differ widely and even language is not the same as that of the exporter. International competition in terms of price, product, quality and standards, packing and packaging, credit terms, delivery schedules and after sales services facilities, to mention a few is severe, thereby, rendering the task of export marketing more and more varied, hard and complex.

Thus, export marketing is not similar to domestic marketing. "Exports are not merely an extension to domestic trade." The difference between domestic marketing and export marketing is based on the fact that export marketing activities take place in more than one country representing a different type of market having its own peculiarities in taste, customs and business practice.

4.1.2.1 Selection of Prospective Market

The question of selecting a potential market for export is of prime importance. Mr. Paras Ram in his book "Export, what, where and how" has rightly remarked:


26. Ibid.
"Though the entire universe can be potential market for one's products, it may not be possible and worthwhile to export to world as a whole. Each country has its own peculiarities, thereby, necessitating individual and specialised approach. Moreover, one can not sell every product to every country".\textsuperscript{27}

It is necessary for an exporter to approach only those markets where his products are demanded. For this purpose the exporter must know the market into which he desires, to enter. The exporter can know the market by gathering and analysing information regarding the nature of the market, the demand and supply position, buyer's preference, prevailing prices, import tariffs and local regulations, and nature of competition.

Small-scale units are flexible in product adaptation because of their small size. That is why the items which are frequently modified according to the customer's demand can be produced by them and should be undertaken for export production.

The export market is a highly competitive market, it would therefore, not be worthwhile to try to export the products of all the small-scale industrial units. It is desirable to identify some and select a few export-worthy, small-scale units. This should be done on a continuing basis. Once the products and units have been identified, every effort should be made to develop the export of the products of these units.

As mentioned earlier, export marketing is a highly complex activity. It is different from domestic marketing. The techniques

\textsuperscript{27} Ibid, p.13.
followed are different. The magnitude of its complexities requires a sound organised set up, adequate financial resources and personal expertise. Small-scale industries due to the limited resources and numerous problems involved in export marketing are unable to follow their own marketing strategy. They have to depend on a strategy bound on the mutual co-operation among themselves, they require a co-ordinated marketing approach. Small-scale industries in their export effort need government's patronage and assistance at every stage of their operation.

**4.1.2.2 Marketing Strategy**

Selection of suitable marketing strategy for small-scale industries is very important. The export marketing strategy involves several complicated functions such as customer analysis, technical changes, competition analysis, overseas marketing surveys and market research, export pricing, procurement of export credit facilities, quality control and packaging, export documentation, marine and air insurance, fixing of distribution channels and appointment of agents abroad, sales promotion and publicity techniques. The complexities and magnitudes of all these problems require a large organisational set up, adequate financial resources and personnel with requisite expertise. In the present situation it is rather difficult, if not impossible, for small-scale industries with limited resources and capacities to perform effectively these complex functions of export. Thus a suitable marketing strategy which small-scale exporters can follow is to export their products through assistance from government patronised marketing agencies such as National Small Industries
Corporation, State Trading Corporation of India, Trade Development Authority of India, State Small Industries Corporations, State Export Corporation etc. or they should come together and pool their resources to create their own market groups, such as consortia.

Exports have their own attractions. But unfortunately, very few entrepreneurs care to equip themselves adequately to export successfully and satisfactorily. The small entrepreneur should, as far as possible, utilise the services of an export house. In fact he should be helped to build up the right type of export houses, which have specialisation in the promotion of the production of small scale industries in foreign markets. All export houses can not do justice to the products of small sector, nor are their operations likely to be of real benefit to small exporting units. Hence the need for specialised export houses capable of promoting and pushing the products of small industries in overseas markets should be emphasised.

4.1.2.3 Export Performance by Small Industries

Small-scale industry sector has been receiving increasing emphasis in the export-import policy of the country. Much stress has been given to small-scale industries to improve their production technologies and adopt international standards, in order to compete in the world markets, thereby, earning maximum foreign exchange. Actually the exports of small-scale sector have been continuously expanding. As such, the share of small-scale sector in the total exports shows a perceptive increase over the years.
The available information shows that, the volume of exports by small industries has grown substantially during the last decade. The share of export from small-scale industries in 1980-81 was Rs.1643 crores out of the total Indian exports worth Rs.6711 crores. In 1981-82 this increased to Rs.2070 crores in the country's total exports of Rs.7803 crores and further accelerated to Rs.2094 crores in 1982-83 of the total Indian exports of Rs.8834 crores. On an average the small industries have been maintaining a share of 25 percent in India's export trade.28

Comparing the small industries export performance with the total production of the sector it is observed that despite an impressive continuous growth in output, this sector has been maintaining an average export performance of about 6 percent of its overall production during the last few years. During 1978-79 the total output of the small industries was Rs.15790 crores and exports Rs.1069 crores. During 1979-80 the production of this sector increased to Rs.21635 crores and exports to Rs.1226 crores, during 1981-82 against an output of Rs.28060 crores, the export performance was Rs.1643 crores.29.

During the year 1985-86 the small-scale sector made substantial contribution not only in augmenting the industrial production but also in exports from the country.

The export of small industry products, on the basis of

28. The Economic Times, Wednesday, January 30, 1985, New Delhi, p.II
29. SIDO, 1982-83 Report, p.49
information collected from the Export Promotion Councils, is placed at Rs. 2580 crores during 1984-85 as against Rs. 2219 crores during 1983-84 as per table given below;

Table 4.9: Share of the Small Industry Export in total export of the country.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Export from India</th>
<th>Exports of SSI</th>
<th>% age share of SSI in total Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979-80</td>
<td>6,458.76</td>
<td>1,226.31</td>
<td>18.98</td>
</tr>
<tr>
<td>1980-81</td>
<td>6,710.71</td>
<td>1,643.21</td>
<td>24.48</td>
</tr>
<tr>
<td>1981-82</td>
<td>7,805.80</td>
<td>2,070.61</td>
<td>26.52</td>
</tr>
<tr>
<td>1982-83</td>
<td>8,907.75</td>
<td>2,045.03</td>
<td>22.96</td>
</tr>
<tr>
<td>1983-84</td>
<td>9,872.10</td>
<td>2,219.23</td>
<td>22.48</td>
</tr>
<tr>
<td>1984-85</td>
<td>11,493.72</td>
<td>2,579.94</td>
<td>22.45</td>
</tr>
</tbody>
</table>


And further, during Seventh Plan period, the production is targeted to increase from Rs. 50520 crores to Rs 80220 crores (at 1984-85 prices), export from Rs. 2,350 crores to Rs. 4,140 crores.30

4.1.2.3.1 Share of Non-traditional Products

What is more, the percentage share of non-traditional products exports of the small-scale sector has been progressively increasing.

30. Government of India, Seventh Five Year Plan, Para:4.60
FIG. 4.2. SHARE OF SMALL INDUSTRY EXPORTS IN TOTAL EXPORT OF INDIA
and that of traditional products exports has been decreasing in recent years. The exports of non-traditional products from small-scale sector were Rs. 1487 crores (90.49 percent) during 1980-81, Rs. 1882 crores (90.9 percent) during 1981-82, Rs. 1844 crores (92.83 percent) during 1982-83. For the corresponding years the exports of traditional products by this sector were Rs. 156 crores, Rs. 188 crores and Rs. 150 crores, respectively.

Noteworthy feature of export performance by the small-scale sector is that the small industries have entered almost all the non-traditional export product groups and are effective members of the Export Promotion Councils of such product groups with a sizeable volume of exports to their credit. Besides these direct exports, products of a large number of small-scale industries are being exported indirectly by merchant exporters, export houses and other channels for which the information is not available.

The export performance of the small-scale sector is quite laudable. However, taking into account the potential in the international markets and performance by small industries of other countries the achievement of Indian small-industries may not be that impressive. Of course, they are capable of much better performance but, it entirely rests with various authorities responsible for the promotion and development of export oriented small industries.
Table 4.10: Exports of Traditional and Non-traditional items by Small-Scale Industrial Units

<table>
<thead>
<tr>
<th>Year</th>
<th>Value of exports of traditional items (Rs crores)</th>
<th>Value of exports of non-traditional items (Rs crores)</th>
<th>Total value of exports (Rs crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>156.20 (9.5)</td>
<td>1,487.00 (90.5)</td>
<td>1,643.20 (100)</td>
</tr>
<tr>
<td>1981.82</td>
<td>188.10 (9.1)</td>
<td>1,882.51 (90.9)</td>
<td>2,070.61 (100)</td>
</tr>
<tr>
<td>1982.83</td>
<td>149.43 (7.3)</td>
<td>1,895.60 (92.7)</td>
<td>2,045.03 (100)</td>
</tr>
<tr>
<td>1983.84</td>
<td>166.05 (7.5)</td>
<td>2,053.18 (92.5)</td>
<td>2,219.23 (100)</td>
</tr>
<tr>
<td>1984.85</td>
<td>225.93 (8.8)</td>
<td>2,354.01 (91.24)</td>
<td>2,579.94 (100)</td>
</tr>
</tbody>
</table>

Note: Figures in brackets give percentage to total.

Source: Small-scale Industries in India, Fact-and Figure, SIDO, 1987, P.14.

4.1.2.4 Encouragement

An average progressive small industrialist, not only in the metropolis but even in a small town, is very enthusiastic about exports. He has spare unutilised capacity to cater to the overseas markets. He is to be convinced that though he can not get the prices he gets in the home market for his product sales, he can afford to sell at lower prices for overseas buyers since his overhead costs have already been recovered on his home market sales and that he can charge
only his direct costs. With such a strategy his export quotations only on direct costs can fetch him good profit margin taking into account the export incentives like cash assistance, import replenishment, duty draw-back and other benefits provided by the government.

4.1.2.4.1 Pre-requisite

After having gained his confidence that catering to the export market is profitable, and feasible proposition, he needs systematic directive for locating overseas markets for his products. This involves two aspects:

I- Identifying the countries that would be receptive to the products of the small-scale industrialists and

II- Locating the names and addresses of foreign importers.

A number of organisations publications both in India and abroad are helpful in this direction. The small industrialists need guidance to contact them, obtain the lists of importers from them, weed out sundry and fake importers and prepare a select list.

After having collected the list of overseas importers it is of utmost importance to make preparation toward presentation. Being used to home market selling which has been, by and large, a seller's market, the small industries are not aware of the importance of presentation.

Presentation in the wider sense means the way in which the product is offered to the buyer and includes;
1) Letter heads and envelopes—how they are designed, typed and worded.

2) Sales literature—leaflets, catalogues, price lists—how their matters are designed.

3) Packings, labels, presentation of the product itself, its design, finish and size, etc.

The small industrialists need consultation services to improve their presentation and tailor-make it according to the nature of the product, nature of the overseas markets and final users of the product for effective penetration in the export markets.

After the stationary, sales literature, price lists, etc. are ready, the small industrialists would need guidance on how to approach and deal with the foreign importers. Who may ask for credit terms. Though without credit, business may not materialise, it is riskly to provide credit and therefore, it is necessary to ascertain the credit worthiness of the buyer and obtain credit insurance policy. Small industries need consultancy on how to ascertain the credit worthiness and obtain credit insurance. The small industrialist is completely blank about the documentations and procedures involved. He has therefore, to be nursed with the requirements at least in the initial export orders.

4.1.2.4.2 Consultancy

Despite tremendous potential for export of small industries products, the average small industrialist is apprehensive for catering
to international markets due to the lack of know-how with him in export marketing. Institutional assistance in export consultancy to the small industries is therefore, absolutely essential to fully tap the export potential of this sector.

Among the different export promotion agencies in the country the most suitable for this consultancy services is the banking sector, nationalised banks are commercially very well equipped to provide the required information and are already working in the close liaison with the small industries for their credit and requirements. What is more, the branches of the nationalised banks have reached to the interior corners throughout the country where the small industries have been working. On their part, the small industries should not mind paying a small service charge for the services of the bankers.

4.1.2.5. **Institutional Assistance**

4.1.2.5.1 **Role of State Trading Corporation**

Right from the middle of the Third Five Year Plan during which the real thrust on the development of exports was given, the government of India created a new Ministry of International Trade, and even established a full-fledged division as Export Aid to Small Industries (EASI) in the State Trading Corporation to look after the commercial aspects of exports on behalf of the small industries. It also established export promotion cells in the all-India network of the Small Industries Development Organisation of the Government of India.
The main objective of such a set up, in a nut shell, was that the Small Industries Service Institute in the states would locate those small industries which are capable of handling exports, provide them techno-economic and management guidance to improve the quality and competitive marketing consultancy services to equip them to cater to international markets and introduce the export Aid to Small Industries (EASI) scheme. The state Trading Corporation on its part would locate foreign markets for such units, secure export business and handle the order on behalf of the small industries.

Once the small industry exporter is well trained in international trading and convinced about his profitability he will, on his own, continue with exports without the assistance of State Trading Corporation and Small Industries Service Institute, who were expected to slowly taper off and withdraw active involvement with such trained exporters and direct their assistance to new potential small industries exporters.

In the middle of 1960's when there were practically no facilities for training and consultancy in export marketing, the Small Industries Service Institute in collaboration with State Trading corporation had undertaken dozen of such training programmes all over the country and provided thousands of export marketing consultancies to train hundreds of small industrialist to enter export markets.

It is already mentioned that the major share of State Trading Corporation's exports originates from small industry units. In the case of various manufactured products the corporation lends its hand to small-scale units by forming consortia. To all these members, State
Trading corporation allocates export orders basing on their supply potential. Besides, the corporation has also been taking several steps to improve the skills and production in small-scale industries. While doing so, the corporation has been supplying technical, financial and input assistance to them.

4.1.2.5.1.1 Services Rendered by State Trading Corporation

Following are some of the services the corporation has been rendering to the small-scale industry sector:

- Undertaking actual export marketing, that is sending offers to foreign parties,
- Forwarding samples,
- Finalising negotiations,
- Contracting and post-contractual follow up work,
- Promotional activities such as;
  a) undertaking market research
  b) market development tours
  c) participation in fairs and exhibitions
  d) undertaking publicity
  e) packaging assistance,
  f) advisory services on trade environment
  g) technical advice and guidance
  h) brand promotion, etc.
4.1.2.5.1.2 **Task Force**

Recently, State Trading Corporation with the help of National Alliance of Young Entrepreneurs have established a Task Force which is essentially an advisory body to advise on strategies, Policies and programmes for promoting exports from small-scale sector with State Trading Corporation assistance. The Task Force will identify the items on which State Trading Corporation can provide assistance to the small-scale sector for exports. It will also identify the nature of services which can be provided to the small-scale industries by State Trading Corporation directly or in collaboration with the related agencies at the centre and states.

The Task Force will also prepare a plan for development of skills and potentials of export-oriented units of the small-scale sector so as to maximise exports from small-scale sector.

Various states agencies such as Small Industries Development Corporations, Leather Industries Development Corporation, Fisheries Corporations etc. are engaged in providing the needed infrastructural facilities to the small and medium enterprises in their respective states. They are primarily oriented towards production. India's export expansion plans require concerted and integrated efforts by all agencies and undertakings connected with export marketing as well as export production. Competition, overlapping functions and duplication of efforts should be avoided or reduced to the minimum possible extent.
With this objective, State Trading Corporation has already embarked upon a programme to select export-worthy small-scale units from each state by forming working groups with the active co-operation and assistance of various states agencies so that the units can be selected and all possible assistance may be provided by State Trading Corporation to eliminate exploitation by middlemen and create avenues for increased exports.

4.1.2.5.2 Small Industries Development Organisation

Export development in relation to the small-scale sector has been accorded high priority in the export strategy of the country. It does not only help in earning foreign exchange, but it also results in creation of more employment opportunities. It helps quality improvement of the products also. Therefore, Small Industries Development Organisation (SIDO) provides assistance to promote exports of small-scale industries through its network of Small Industries Service Institutes and Extension Centres. Such activities include dissemination of information about foreign markets, consultancy services in matters of export procedures for claiming replenishment, draw-back and other incentives, identification of small-scale units already possessing necessary equipment and skills to undertake production of items having export potential, organisation of training programmes on export marketing, meetings and seminars in export promotion, etc. Training programmes on Export Packaging also organised by Small Industries Service Institute in collaboration with Indian Institute of Packaging.
Small Industries Development Organisation (SIDO) also paid special attention to the problems of small-scale exporting units especially in the field of import entitlement, cash assistance, duty draw-back etc. and took up these issues with the concerned authorities.

Small Industries Development Organisation (SIDO) actively collaborated with other central and state level institutions in their export promotion programme especially for small-scale industries. Efforts were also co-ordinated in collaborating with National Small Industries corporation (NSIC), State Trading corporation (STC) and various Export Promotion Councils for identification and enlistment of various units to promote the export of products manufactured by them.

4.1.2.5.3 National Small Industries Corporation

The services rendered by National Small Industries Corporation (NSIC) on the export front are of a wide magnitude. The corporation assist the small industry in the export of their products as well as on projects on turnkey basis to the foreign buyers through mail contacts, participation in Exhibitions in India and aboard, buyer-seller meets, sponsoring of study-cum sales teams etc. 31

It extends broadly the following assistance to its associate units, financial advances against despatch of materials, raw material financing, import under duty exemption scheme, financing of remaining

31. The Economic Times, New Delhi, Tuesday, September 4, 1984, p.5
machinery and equipment, import of raw materials, components, consumable etc, complete export documentation work including replenishment licence.

The total export during the year 1985-86 amounted to Rs. 200 lakhs covering export of products valued Rs. 136 lakhs and small industry projects valued Rs. 64 lakhs.\textsuperscript{32}

4.1.3 Consortia

There is an urgent need for extending the marketing umbrella to the small-scale sector. There can not be commercial production if there is no market. No matter how excellent is the product, it will not sell unless there is demand for it. Small-scale entrepreneurs very often do not take into account the market potential and the marketing environment, with the result that they fall sick. The basic problems of small industries, which include marketing are highly interrelated and can be solved only within the frame-work of comprehensive strategy. Whatever promotional measures government takes, the small-scale sector continue to be at a disadvantage in the area of marketing. With modest resources in money, materials and manpower it lacks the inbuilt strength of big organisations to survive the impact of the fast changing economic environment.

The production and financial capacity of small industries are limited, so is their sustaining power and competitive strength. they can compete individually if the product is special, and when the

\textsuperscript{32} National Small Industries Corporation, Annual Report 1985-86, p.12
demand outstrips supply. In the case of products which are not special and in lines where competition, particularly from the large scale sector, is fierce, individual marketing becomes difficult. To compete against established large and even small units is not an easy job. The very small size of operation's is then a handicap. But if several small units decide to pool their resources, their aggregate capacity would be larger than of even the largest industrial unit. In fact, in some lines of production, the total installed capacity in the small-scale sector is higher than that of a large sector. Small units can then compete collectively and secure a share in the market, legitimately belongs to them. However, a collective effort of this type can succeed only if the participants are prepared to sacrifice a part of their individuality. This is more true in foreign markets, where one has to compete not only against all the other countries, but also against a vast domestic market. Extensive organisation is needed to reach potential areas, and to hold one's own against the unfair competition from the large-scale sector. It is in this context that the consortium ideas are relevant. Government purchase from small industries would also go up tremendously if small entrepreneurs adopt this consortium approach. They would eliminate, to a great extent, competition amongst themselves in their own sector and face confidently and successfully the competition from other sectors.

A group of producers in this sector could join hands to produce a variety of items under a popular brand name and undertake nation wide marketing with reduced overheads per unit. The state governments could assist by setting up corporations devoted exclusively to marketing of
Actually, in a number of countries, export marketing groups or export consortia have been operating successfully. Their functioning has demonstrated what can be achieved by the development of specialisation of the export work at the central or group level relieving the individual units, specially the small units, from the complexity of export marketing and yet making available to the participating units all the benefits occuring from the combined and centralised operations.

Some argue that it would be helpful to encourage small-scale industries to create their own consortia, combines or cartels for the purpose of marketing. This can be done preferably with identity of interests or lines of manufacture. Unfortunately, this approach has not so far been accepted because of the lack of mutual understanding among the small-scale manufactures. The tendency is manifested in trying to maintain secrecy of operations, discouraging contact where they may result in leakage of information to a potential rivals.

4.1.3.1 Advantages

a) Developing countries generally suffer from a shortage of experienced international marketing specialists and lack in qualified personnel in the technical aspects of international


business, such as overseas market research and export packaging. It is beyond the financial capability of individual firms, specially small firms to employ such highly paid experts. What is beyond the capacity of an individual firm is within the reach of a consortium.

b) Consortium approach has helped in upgrading local skills. It has not only helped to diversify the range of export goods and improve their quality, but can also be instrumental in developing more sophisticated export goods.

c) Consortium approach helps in taking advantage of economy of scale.

d) The consortium approach gives bargaining strength which is not possible in the case of an individual firm. It also provides an effective channel for government industry communication.

4.1.3.2 Disadvantages

a) The first problem relates to financing, is that, who should finance a consortium? It is suggested that both government and members should finance it. This is quite logical as it is not only members who benefit but the nation benefits as well.

b) Members are often afraid of the security and confidentiality of their know-how.

c) Size of member firm is yet another factor inhibiting the growth of consortia. It should be ensured that larger firms are not allowed to dominate. Equitable formula should be evolved for sharing the business obtained.
The 14th report of Estimate Committee on small-scale sector rejects the suggestion for the creation of the new body at the central level. The committee advocates a consortium approach by industries both for export and internal marketing. The problem of marketing requires much more fundamental treatment than such ad-hoc measures. Some experts stress the need to form marketing co-operatives in the small-scale sector. It is, however, expected that the information of trade-wise associations would bring a number of industries under one roof.

4.1.3.3 Benefits to Consortium Members

The advantages of individual members would be as follows;

a) Penetration of totally new export market and access to new types of buyers.
b) Reduction in seasonal fluctuation in business.
c) Reduction in the unit cost of products, increasing the overall profitability.
d) Alternative to export houses: Exporting through a consortium is often a better alternative than selling through an export agent or an export house. The consortium is in many ways an extension of the member companies themselves, because it is usually owned by the members. Profits of the consortium ultimately go to the members.
e) Members benefit when consortium makes a profit on exporting products of the non-members.
The efforts of the government notwithstanding, small entrepreneurs are not able to make such headway in organising themselves into export consortia or groups. So far, only two export consortia have been formed to export small industries products. One of them exports ready-made garments, marine products and engineering goods and the other sells electrical goods.

4.2 **Marketing Problems of Small-Scale Industries in Iran**

4.2.1 **Domestic Marketing**

Before they come up, and for their existence, small industries need various supporting services, efficiently organised and promptly extended. Marketing guidance and assistance is one such service, which is increasingly expected by newly established small units in areas which are far away from developed metropolitan cities. These industries are often not in a position to carry on market research, which is an essential pre-requisite in the marketing process. To encourage a small entrepreneur to take up the production and marketing of new products, the government in the developing countries and their specialised institution should collect, collate and disseminate up-to-date and reliable market intelligence on a regular basis in the absence of which an entrepreneur would often operate either in the dark or wander on an uncharted sea. As a matter of fact, manufacturing units should be guided into the unexplored areas of assured profit. This is the rationale behind the Market Intelligence Bureau, which collects and disseminates relevant information about potential and profitable market areas.
Marketing is a crucial area. Units with a weak marketing infrastructure are more susceptible to frequent and chronic illnesses. Units with a strong marketing set up stand up better to a rough weather, including recession. The organisation design should be planned for a difficult marketing situation. The marketing team should be dynamic, aggressive, in tune with contemporary needs and better than that of competitor.

But, unfortunately, small-scale industries in Iran while marketing their products, face almost the same type of problems, like, quality control, competitor, lack of market research, design, packaging and distribution. This is normally due to the inherent weaknesses of small-scale industries. Since there is no strong set up to care for the interests of small-scale industries in Iran and assist them in their problematic areas, these weaknesses may add up and the small industries may face greater difficulty in marketing their products.

The small-scale industries in Iran while marketing their products face another hardship that of competition, which their counterparts in India may not experience so strongly. This is the competition from imported products.

Putting aside the direct marketing, which brings a lot of trouble for small industries in Iran, the other alternatives for small industries products may be as follows.

I- Government Purchase Programme

II- Complementarity relation

4.2.1.1 Government Purchase Programme

The majority of the countries of the world, even the highly industrialised ones, have found it absolutely necessary to create governmental organisations aimed at rendering efficient help to small industries in governmental procurement. The reason being that the participation of these industries in governmental purchases will not only strength the industrial sector essential to the economy of the country but, by imposing certain quality requirements, it will generally raise the quality of the products of the small industry.

In order to achieve these aims, there should be an organisational set up for small-scale industries which must,

a) Collaborate very closely and efficiently with governmental agencies and secure as big a share as possible, of their purchase to small business.

b) Help building up and streamlining of the small business by liberal, low interest loans.

c) Help small business to be properly skilled and prepared to meet the governmental requirements, quantity and quality-wise.

If properly shouldered, the small business can supply a great amount of quality products to the government. The Iranian Purchasing agencies (governmental ones) are, in their great majority, reluctant to deal with the small industries fearing (some times, but not always and rightly so), that their requirements and standards cannot be met with quality and quantity-wise, by the small industries. On the other
hand, they do not even realize the existing supply potential of the small business. Here comes the great opportunity for the establishment of an organisation for small-scale industries of Iran. The organisation must also have the means to:

1. Satisfy the government which should get "its money's worth" by getting goods from the small business.
2. Satisfy the small industrialist by helping him with money, advice, managerial and technical knowledge and also by getting touch with and sell to the governmental agencies.

4.2.1.1.2 Measures to Make Small Industries Get the Optimum Share of Government Purchase

1 - Creation of a Central Purchasing Organisation

At present, government purchases are done in a disorganised way through numerous independent purchasing agencies. In the present conditions it is extremely difficult to assure the small industries of selling fair quantities of their products to the governmental agencies. This has to be changed.

2 - Small Industries Set-Aside Programme:

The Purchasing officials of the major civilian and military buying offices should review the proposed purchase lists to be obtained from the small industries and determine which ones can be reserved to be purchased exclusively from small industries. In India nearly 409 items are reserved for small industries only.
3 - **Price Preference**

Besides the "set asides", there should be a governmental policy giving a certain price preference to the quotation of small business over the acceptable quotations of the larger scale units in respect of tenders for which the quotations are invited both from small and large-scale units. In India 15 percent preference is given to small scale units. This incentive is fully justified by the necessity to upgrade the small industries, the fact that the small business is working under difficult financial conditions and other constraints and that small industries give employment and training to a large labour force.

4 - **Management Development**

This is a programme which places emphasis on the preparation of the small industrialists for business management and ownership responsibilities to be assumed where business opportunities exist, or will exist in the near future particularly when a company is modernised and well-qualified to meet the governmental procurement requirements.

5 - **Sub-contracting**

In many cases the great opportunity for the small industries will be more in sub-contract than in prime contracts, but the procurement agencies and the organisation of small industries must fully support this scheme. In order to be able to make the prime contractors accept the idea of sub-contracting they must both realize that this is a
strong desire of the purchasing agencies and feel that in this way they can make profit and have reliable small sub-contractors.

4.2.1.2 Establishment of Complementary Small Industries

Two main types of complementarity have to be distinguished: 36

(i) The indirect complementarity described as a division of tasks between small and large manufacturing units and which comes about without direct agreement or contracts. It results from the sorting out process of competition. There are ways to encourage small factories to adapt competitive co-existence with large factories by seeking out those links of activity where they have cost advantages and can compete effectively with the large factories or complement them while avoiding direct competition.

A better policy is to encourage a continual adjustment by such means as:

1 - making better economic and technical information available to entrepreneurs so that they are more rapidly and accurately aware of opportunities and costs,

2 - upgrading the competence of management in small firms by management-training, industrial consultancy services and other methods.

(ii) The direct complementarity may be defined as a relation between manufacturing firm in which one systematically uses the product of another as an input into its own manufacturing operation. Such relations are a characteristic feature of modern industrial structure, and may grow to a dense network of relations among small factories and also large and small factories.

The Government of Iran is in an excellent position, through the control of the large production units, to promote the establishment of complementary small industries. In particular a direct complementarity between large and small industries which must be aimed at, because of two reasons.

First of all the small factory consumes the products of the large factories as a basis for its own operations. The interest of the large scale manufacturer in promoting wide-spread and effective use of his product by other manufacturers often leads him to provide technical advice, to perform research and to disseminate the results to his customers. In industrialised countries this is one of the most important sources of technical advice and assistance available to small industries.

Secondly, and of even greater importance, the small factory operates as a sub-contractor for the large units supplying them with components and spare parts of very specialised nature. There are two main types of sub-contracting relations. 37

a) the independent sub-contractor which acts more as a buyer.

b) the small entrepreneur who, even if legally independent, is completely dependent on one big customer which takes all or nearly, all of its output.

4.2.2 Export Marketing

There is absolutely no doubt that a considerable export potential exists in the small industries of Iran, and perhaps larger than in many countries which are already exporting sizeable volumes of the products of their small-scale industries. But "potential" does not mean "actual results", and the results will be totally insufficient if the government does not help overcoming all the problems and difficulties faced by the small industries venturing into the highly competitive export markets.

One of the main problems faced in promoting exports of products of small industries of Iran is an alarming lack of knowledge of export market techniques among the small manufacturers. So government assistance is needed to provide adequate market information and guidance, at least in the early stages of the export efforts of the small entrepreneurs. He must be advised in respect of the type and quality of his product, specification, design, prices, quantity and the markets where he can sell. They must be identified for him. It is a time-absorbing, difficult task but is highly rewarding. It must also be remembered that the intensive promotion of some selected industries with high export potential has proved to be more successful than spreading the limited resources too thinly over a wide range of industries.
It is also a fact that the Iranian small manufacturer simply does not know foreign trade. He would like to export but it is one of the greatest mysteries of commercial life for him. He can not believe that he can sell his products to more advanced industrialised nations. These industrialists, left alone, although are keen to sell abroad, simply do not know how to do it, and the language problem is another stumbling block, or rather a definite obstacle.

The situation in which the small industry in Iran, as far as exports are concerned, find themselves happened to other countries in the initial stages of industrialisation. The development was initially directed towards meeting the needs of the domestic market, and if possible import substitution, and the government must promote extensively the exports of goods manufactured by the small units. But it must be remembered that no developing country was able to enter, efficiently, the export phase of the small industries without a full fledged help of the respective governments.

4.2.2.1 Finance

Another great obstacle for potential exporter, and existing small-scale industrial exports are the inadequate financial resources. The requirements of export financing are heavy for a small unit, as these impose additional strains which can not be easily overcome by the existing facilities (if any) provided by commercial banks in the form of pre-shipment, and post shipment credits. This is particularly difficult because small manufacturers often lack the adequate collaterals. To enable them to book orders, and even more, extend
credit facilities to foreign importers, and also meet the various expenses of export production and marketing, such as purchase or import of raw materials, cost of transport, cost of labour, overseas advertisement, an adequate capital is indispensable. Different ways have been adopted in other developing countries to meet this necessity and they usually include special governmental financial institutions providing loans for export production and marketing.

All these facilities, a hundred percent pre-requisite for the development of exports of small-scale industries, are lacking in Iran, and are making exports of these industries very difficult, often impossible. A complete revamping of financial policy must be undertaken and necessary measures must be adopted to relieve the situation.

4.2.2.2.1 Quality

To achieve optimal quality, production processes must be subject to strict export standards. Quality controls and cost controls should be undertaken at every stage of production, beginning from the selection of the raw materials and ending in presentation and packaging of the product. In many developing countries, including Iran, lack of technical know-how and production technology, the absence of an integrated and comprehensive institutional and economic frame-work to facilitate the export promotion of small industries products, are a handicap and make it an urgent and indispensable necessity. This demands for an adequate governmental institutionalised assistance.

4.2.2.3 **Trade Promotion**

Adequate trade promotion abroad is also vital to a successful promotion of the exports of products of small industries in the competitive foreign markets. The resources of small manufacturers are totally inadequate to meet the needs of effective export promotion without a definite governmental assistance. For this reason, export promotional services in overseas countries are so essential. In other countries, they consist of efficient trade commissioner's services which help finding suitable buyers or agents, provision of the necessary publicity, assistance in trade fairs, trade displays, publications, buyers guides and trade missions.

4.2.2.4 **Export Publicity**

The production of export goods, of internationally accepted quality is naturally a pre-requisite, but it is not enough in itself. The Iranian goods must be known and made popular in foreign markets through various media of export publicity. This publicity should be handled by specialists. The special delegates of the Export Promotion Centre stationed in the important importing countries would be the best people to handle this part of the indispensable foreign advertising policy.

4.2.2.5 **Steps to be taken**

While some products of small industries, have often a good export potential, many specific problems have to be solved before they are actually exported.
The people incharge must be trained in rational management and export techniques. They must have up-to-date knowledge of techniques. The improvement of workers' skill will also be important to keep pace with improved techniques of other exporting countries, and customers, changing requirements.

For improvements the following steps should be taken:-

1 - Export Product Development

It pre-supposes the identification, location and administration of information on export opportunities through market researches and surveys. It involves the study of the product to be exported, so as to ensure an international competition of the final product in terms of both quality and price. It must assure the necessary inputs at competitive cost. Market promotion implies that an export is introduced, publicized and displayed to foreign customers through selected media so as to conform to the conditions of the export market.

2 - Procurement of Raw Materials

Small industries are unable to buy raw materials in bulk, and get special quantity discounts, nor do they enjoy the facilities of deferred payments usually allowed to large buyers. A governmental institution in conjunction with banks should assist small industrial purchasing co-operatives in providing facilities for collective procurement of raw materials. The draw back procedures, difficult to understand and handled by the small firm, should be taken care of for them.
3 - **Standardisation and Quality Control**

Product reputation is very essential in foreign trade. To establish this product reputation requires standardisation of specification, and uniformity of quality, both of which call for strict quality control. Quality products are an incentive for the buyer, but only repeated quality can win the confidence of the foreign clients and guarantee a steady, increasing business.

4 - **Presentation**

A useful product will find buyers abroad as long as it is very well presented, is of good quality and sold at an attractive price. The presentation is often as valuable as quality, particularly in attracting new customers.

The domestic presentation is generally not sufficient when it comes to exporting. Presentation, must include the right sales literature and proper appearance of the commercial letters.

5 - **Trends in World Market**

Up-to-date techniques and skills are important to keep pace with the customers' changing tastes and requirements. All the trends of the world markets must be carefully studied and quickly followed up. It is important to find, well before hand, which new articles can be imported in the future. To predict changes in consumption, fashion, style, and tastes prepares the exporters to face any competition.
Due to limited experience and means the small industrialists are unable to make their own market surveys, and are unable to locate the suitability and value of their product in the world markets, and this is where he must be helped and advised.

6 - Locating the Markets

A small manufacturer does not know where to export, the sizes of the markets, the import regulations, the range of qualities and prices in the countries where he wants to export, the marketing channels, trade terms and discounts, payment procedures. He also can not screen his selling capacity and business integrity. All these difficulties must be overcome and all the questions answered. This can be done by a specialised agency, by export houses, or by creating a state trading corporation which will buy from these manufacturers and take care of their sales abroad.

4.3 Conclusion

Marketing is of outstanding importance. It is a key to the rationalisation of production and helps in improving quality standards, productivity and economical purchasing. The future of a large number of small-scale industrialists who deal directly with consumers depend on the marketing mechanisms in operation. It is, therefore, absolutely essential to rationalise the marketing system by reducing the number of middlemen, so that the entrepreneur may sell at a competitive price, and at the same time, get a good return on his investment that goes in the manufacture of his products.
Some small industries have good prospects of selling their products in international markets. If they can not develop a consortium for the export of their products, they should at least associate themselves with and support an export house. Well equipped and highly professionalised export houses are indeed necessary, if the products of small industries are to be established in overseas markets. There is a distinct need of large, strong, high voltage and high resources export houses, which are specialised in the promotion of the export of the products of small industries.

It can be mentioned that a net work of export promotion agencies is working in India providing several concessions, incentives and assistance to small-scale industries in order to boost up their exports. But the volume of exports from small industries and lack of desire on the part of small industrialists to enter into the export trade indicates that the available export promotion measures are not sufficient. There is further need to supplement them.

A comprehensive programme to develop the small industries is the greatest problem for Iran. But to achieve this aim, the country must have a clear cut and definite policy and do what other countries have done to create a modern, dynamic, exporting small industry. This can never take place until important steps are taken and a lot of money and know-how is invested to make the small units "exportable" technically and commercially, the so called technical and marketing modernisation.

There are numerous ways to assist the industrialists in their export drive. They require not only the adoption of particular
measures to specific purposes but also a combination of measures in a coordinated and integrated manner in order to get optimum results.

All Iranian small industrialists should avail facilities offered to the exporters by the government. They should know which institutions can help them and how.

They should know everything about the financial facilities, fiscal incentives and other advantages.

They should be aware of the world commercial network of the government, with all details.

They should know that export will not only increase production and consequently the lowering of the cost price, but also modernisation and quality improvement of their goods.