CHAPTER IX

CONCLUSIONS AND SUGGESTIONS
The small scale industries development programme has been recognised by the Government of India as a major instrument for achieving certain important socio-economic objectives such as decentralised economic growth, employment generation, production of items of mass consumption, capital formation and stimulation of the growth of a new class of self-employing entrepreneurs. The developmental schemes initiated by Government about twenty years ago, has been tried now in various parts of the state under different conditions and climates.

It is a well known fact that the growth of any industry depends on the marketing of its products. It is the market demand which decides the size and scale of production and in turn the production and employment of the industry. In the foregoing pages the problems facing the small scale industries have already been discussed. It has been thought appropriate to recapitulate some of the inferences that can be fruitfully drawn from the foregoing study here.

Most of the units have failed to choose an effective middlemen. Middlemen demand more commission and undue terms and conditions. It is uneconomical to hand over the product to these blood suckers but at the same time, the entrepreneur has no option. So the entrepreneurs are left in the utter confusion leaving their fortunes to fate and shift the burden of
distribution to some one of the other. Almost all units don't know the channel strategies and also distribution pattern.

More than 50 per cent of the units do not follow any systematic or scientific procedure in pricing their products. The remaining units follow cost plus or competitive pricing or both. Even while doing so they do not have proper system of accounting. It is noticed that in many cases convenience has dominated the principle.

Competition is severe not only with large scale industries but also among the small scale units. This virtually weakens the bargaining power of the small scale units.

Other 55 per cent of the units report sales promotion effort by way of advertising or show room or other methods as a means of clearing their goods. Insignificant amount has been spent by small units for their advertisement except in few cases. Special sales promotion efforts like exhibitions, gifts are also not popular among the sampled units.

One third of the units have employed salesman for organising the sales. Such employment is significant in the chemical group followed by miscellaneous and metal groups. The size of salesmen ranges 1 to 15. Of this, 43.43 per cent have just one salesman. The size of sales force is more in higher capital sizes and also from the urban areas.
The selection and training of salesmen are more un-scientific and many of them are not qualified, and at the same time they were put to their respective work immediately after selection. Nearly 82 per cent of the salesmen's activities are within the state. Most of the urban and higher investment groups operate their salesmen at national level. Fixation of compensation mainly depends upon the entrepreneurs and not on any systematic method. The impact of promotion mix is insignificant in majority of the sampled units.

More than 80 per cent of the units sell their goods on credit. This is mainly due to the unwillingness on the part of the middlemen to clear the stocks as they are not qualitative and standardised. In many cases the retention period is more. It generally ranges from one month to seven or eight months. Payments are very much delayed by the government.

Product planning was not based on any systematic study. Only 10 per cent of the units have conducted commercial feasibility study of the product before the execution of production process. Remaining units have chosen their product based on past experience, suggestions from friends and relatives, encouragement from department of industries etc. The feasibility study was conducted only in the general engineering and the chemical categories. That too many of these units are from higher investment groups located in the urban and the semi-urban areas.
Only 7 per cent of the units have reported product 
diversification in the line of their manufacturing. Except one unit, remaining of them are in one lakh and above investment groups. These units are found mainly in general engineering, metal and miscellaneous categories. In many cases, these industries could utilise the existing capacity for product diversification. Such diversification seems to have paid dividends also.

Only 14 per cent of the units undertake marketing research as a tool in solving the problems of marketing for their products. The significance of marketing research is considered in the general engineering and the chemical based groups. All these units belong to higher investment groups and are located in urban areas. The method of undertaking marketing research is not on any systematic basis. The common practice is to meet the different customers and make the decisions based on the opinion expressed by them. At the same time they do not use any experts for this purpose.

With regard to marketing information only 10 per cent of the units have collected primary information about the marketing position of their products while starting the units. Entrepreneurs thought that the markets being small, they mostly rely upon their early experience, rather than on the systematic information collected and analysed in support
of their decisions. To depend on published marketing information, it is neither timely nor adequate. Besides this, the marketing information is based on general factors but not on local conditions. At the same time the information provided by the salesmen is also inadequate.

Only 41.90 per cent of the sampled units adopt sales forecasting. This is noticed in higher capital sizes, located in the urban areas, miscellaneous, general engineering, mineral and chemical groups have shown more interest in going for sales forecasting. A very few units are conversant with modern methods of sales forecasting which are generally followed in large scale industries. However the general practice has been that in many units, past sales have been the primary base to assess the future sales. Some units are of the opinion that mathematical models and graphs will never be closer to reality and also that the speculations will be assessed easily based on past experience.

Government's assistance in marketing of small industry products is inadequate. Sampled units are thoroughly dissatisfied over the government purchase system, because of the cumbersome procedures, the competition from large units and the delayed payments etc.

Out of 105, only 6 units are ancillaries. Even these units face a lot of problems, the average utilised capacity
is around 59 per cent. The reasons are low degree of subcontracting, absence of relationship and inability of these units to get long term contracts. Parent units delay the payments unduly. Most of these ancillary units are dissatisfied with the price fixation of their parent units. Therefore the ancillary relationship between the small scale industries and the large scale industries in the study is hard to mention, thus proving our hypothesis in this regard.

Although there appears to be some relationship between size, type and location of the units, it is not significant in their levels of success. For under-utilisation of the installed capacity, marketing and finance are the primary reasons followed by raw material. Other factors are insignificant.

The following suggestions may form a basis to overcome the hurdles of small scale industries for their organised growth.

Small entrepreneurs are not in a position to study the existing distribution network and to decide which is more feasible. It is therefore desirable to undertake a nation wide survey of distribution channels for small industry products either by Small Industry Extension Training Institute or by National Small Industries Corporation for suggesting the right channel for various products.
The reputed wholesalers and retailers are not willing to push up the products of small industry due to the suspicion about the quality, durability etc. To avoid this the small scale industries Development Corporations have to use their good offices to secure the same by getting suitable guarantee to cover quality, delivery schedules etc. The government should give instructions to Indian Standard Institute (ISI) to issue quality certificates to small industries without imposing too many conditions and procedures.

It is the experience of many small manufacturers that they suffer from various disadvantages merely on account of their smallness. They have a limited demand and consequently a small turnover, the middlemen are not interested in accepting its products. Sometimes the small entrepreneurs are exploited and they get very little margin over their cost. For this, small industrialists can think of establishing co-operatives for marketing their products. These co-operative societies may be helpful in the following ways.

To relieve the small scale entrepreneurs from their excessive dependence on middlemen-traders, it would be advisable to set up formal and informal marketing associations on a co-operative basis. Such co-operatives would reduce overheads of marketing channels, marketing surveys and market research. This would enhance their market upto national or
even international levels also. Co-operative marketing is of special importance in the field of export. It is not merely for keeping in touch with markets or advertising, but also for continuous adaptation and improvement of their products as well as for continuous progress in technical efficiency.

The advertisement and publicity and other sales promotion practices are negligible in the study. The small scale industries development corporations should arrange to print consumer/industrial guides of the size of one full page of an English daily in which advertising space should be allotted strictly to small industries at a concessional rate. These guides should be circulated through leading dailies and periodicals, so that the products of small scale industries can avail themselves of mass media at a reasonable cost.

The All India Radio and Television which are the government concerns should assist small industries for advertising their products on nominal charges. The government should take and exhibit news reels on small industry products, their importance and their role, so that the people will purchase small industry products only.

The persons recruited for the purpose of marketing the products do not have proper marketing background. It is
desirable that the salesmen of these units are exposed to training both in small industry Management and marketing Management. This training may be provided through small Industries Service Institutes at the cost of the government.

Most of the units are forced to sell on credit terms either because of prevailing competition or tradition in that line of business. Due to non-availability of adequate credit facilities from commercial banks to match the working capital needs arising out of unavoidable credit sales, the small entrepreneurs find it difficult to continue production without break. For this, commercial banks should be made to provide credit to the extent of 80-90 per cent of credit sales on the submission of sale receipts with the signature of the buyer. The buyer may be asked to pay the bank and the latter will pay the balance amount after deducting interest on the loan and collection charges if any. Thus the small entrepreneur may be saved from the hurdle of inadequate working capital.

Delayed payments are more in government departments. To minimise delays all the government departments may be instructed to clear the bills within 30 days, failing which they may be asked to pay 12 per cent per annum by way of interest after the lapse of 30 days. And also government should implement the suggestions made by the committee appointed by Reserve Bank of India.
The small entrepreneurs are not in a position to think over the systematic product planning which makes the units sick. There is an urgent need to emphasise sound proper product planning and development. Due to technological advancement the products turned to become outdated. To meet the changing conditions, the entrepreneurs may develop alternative uses of the products wherever possible and diversify the product by utilising the existing plant and machinery and labour by making necessary alternatives with little more investment.

To diversify or to develop new products it is felt that the laboratories and research institutes like the National Chemical Laboratory and the Industrial Research Institute etc., should open a special advisory wing and allow the technocrats in the small scale industries to conduct research work and experiments. The employees of such laboratories and institutes might give them guidance and all possible help. At the same time they must visit the small scale units and offer suggestions on practical problems. This would create proper understanding between the institutions and industries. Whenever a new product is developed the financial institution should provide better facilities to small scale units at least in the initial stages by acting as a friend, philosopher and guide.
The entrepreneur needs proper feedback of marketing information so as to enable him to decide what product should be taken up, where to sell and when to sell etc. Due to their weak organisational capacity the entrepreneurs are not in a position to get needed marketing information by themselves. Whatever information that may be provided by the government is neither adequate nor timely. So a systematic marketing information is necessary. For this, the Government may streamline the existing pattern and provide the marketing information product wise, area wise, distribution pattern, prices of the similar products, competitive position, demand and supply position etc. This may be made available timely and sufficiently through a well net of an organisation.

In the absence of proper marketing information, it is also difficult to estimate future sales. At the same time entrepreneurs do not have either sufficient knowledge or capabilities of doing so. Therefore, it is necessary to form a consortia by the units which produce similar products and do the effective forecasting by utilising experts, irrespective of their internal bickerings.

The government departments purchases from small scale industries are very meagre. Though small units have enough capacity to supply them much easily, the government departments go for large scale industries for various reasons
of their own. Having sponsored the development of small scale industries, the government have also to ensure at least in the initial stages that small scale units are effectively helped in marketing their products and the marketing assistance programme should be so planned that it does not interfere but only encourages the initiative of the entrepreneur. The policy of government purchase of stores from small scale units should be further expanded and a target of procurement of not less than 50 per cent of total. Government purchases from the small scale units need to be fixed. For this, the government may strictly instruct its departments and undertakings to purchase goods from small scale units only whenever the products are available from small industry sector.

Export sales are very limited though there is enough opportunity. This is mainly for want of proper marketing information about demand, competition and ways and means to supply goods to foreign markets. Unaware of export facilities is another reason. Cumbersome procedure and innumerable formalities stand in the way of small industries for export marketing.

For this, the procedures may be simplified as far as possible. The government may inform the export incentives
and assistance to the widely scattered units through proper publicity and also through their organisations like NEC. Special incentives may be provided to the units who participate in export marketing.

One of the important aspects of modern small industry development is its complementary role in the organised development of large scale industries by efficiently serving as ancillaries to them. But this aspect is insignificant in the study. Even those units which are ancillaries are also facing number of problems with their parent organisations. The government can play a major positive role in the development of ancillaries through certain policy measures like insisting the ancillary development by its own undertakings and joint ventures. More nucleus plants may be developed in all district centres based on the industrial activity of the small industry so that they can forge an alliance with small industry.

The large scale industries may be made to develop positive attitude towards their ancillary industries. They should not treat them as their slaves. In large scale industries number of changes or newly advanced technical development will take place as and when technology changes. The ancillary units should also go along with their parent organisations. In such cases, large scale units may provide full
technical assistance which may suit their changes, and
provide fixtures, tools etc., if not plant and machinery.
At the same time ancillary units should prepare to meet the
changes and adjust production accordingly.

There appears to be almost indifference in adopting
even simple cost accounting system to guide decisions conne-
ceted with product pricing, cost of using alternative cha-
nnels etc. It is desirable that small scale units develop
suitable but simple, cost accounting for their decisions
making.

At present, many state governments are running
Handicrafts Emporias, either as directly administered depart-
mental units or as units operated by state level handicrafts
Development Corporations. By and large, these emporia have
come to be popular shopping outlets for selling handicrafts
and other allied items. This principle has been accepted,
to a limited extent, in some handicrafts emporia. It is,
therefore, desirable to channel the sale of small industry
products which do not clash with the theme for which handi-
crafts emporia were founded.

The co-operation among various small entrepreneurs
engaged in allied lines of manufacture is essential to pool
together their resources, skill and ingenuity for an aggressive
market promotion drive. The competition from large scale industries and monopoly houses with the established brand image lead to share a limited market. In this context the manufacturer's own consortia approach where by a few manufacturer's in allied lines of a manufacture come together preferably with identity of interest to brand themselves into a well knit consortia and effectively tackle the various problems, right from pre-production stage to marketing stage is most desirable. Such consortia can create brand consciousness amongst consumers through establishment of common brands, conduct extensive publicity campaigns and a systematic marketing research which is beyond the scope of a single entrepreneur by himself. Commercial Banks and other financial institutions should forward to help such groups with credit facilities for their market survey operations and publicity campaigns for domestic and export trade.

It was observed that most of the units did not possess their own equipment to test quality and suitability of various raw materials and components purchased by them for use in their factories. It must be admitted that it would be a difficult task for a small scale unit to purchase and install quality-testing equipment for the exclusive use of the unit. But common testing facility centres could be set up by a group of entrepreneurs in the industrial areas or industrial estates.
Many small units were required to purchase their raw materials from a single supplier on credit. Due to their small quantum of purchases and inadequate financial resources, they were compelled to forego discounts and concessions accompanying large scale purchases or cash purchases. It is felt that informal buying groups of small entrepreneurs or formal co-operative supply associations might strengthen their bargaining position and fetch advantages of bulk purchases.

The co-operative societies are set up at two levels i.e., at the district level and at the state level. The district level societies will get the sufficient information about the marketing through state level societies. The state level societies may act as apex body to provide every assistance to members of their societies.

The absence of reliable statistics about small scale industries has greatly hampered the planning and implementation of various schemes and programmes. There is, therefore a need for collecting such statistical data in an organised manner particularly in regard to units obtaining assistance in one form or the other. The organisations in charge of collection of statistics at present are not now in a position to readily make available information regarding units in the small scale sector. In the absence of such facilities, a well organised statistical cell has to be created in the Central Small
Industries Service organisation and this cell should collect and maintain operational statistics vital to a development programme such as this. The cell should be fed by similar cells at headquarters of the State Directors of Industries which in turn should have under them adequately equipped field statistical units at the district level. Only when these organisations are developed fully, accurate statistics can be maintained and future programmes can be planned with any degree of accuracy. It is, however, very necessary to avoid duplication with existing organisations who may be engaged in similar statistical work pertaining to the small scale sector. A well co-ordinated effort to collect statistics for small industries is most urgently called for.

The economic and industrial surveys conducted by the Central Small Industries Organisation have no doubt greatly helped in providing basic information to the small entrepreneur who wishes to start an industry. These have also helped the industrial extension service personnel to disseminate the correct technical advice to small scale industries. The importance of such surveys has, therefore, to be recognised in still greater measure, as these are the essential prelude to all planning activities. Greater attention must be focussed on the need for undertaking rapid surveys of areas and industries as they will clearly indicate the directions in which
Developmental efforts are most needed and will also show the
nature and level of technological services required to improve
production qualitatively and quantitatively. The most suitable
form of conducting these surveys would be on a district wise
basis as each district would form the industrial basis in the
country. Apart from such area surveys and industry-wise
surveys of the type already carried out by the Central Small
Industries Service Organisation, there may be a need to conduct
special technical surveys as well to check on matters like
suitability of local raw materials etc. For surveying 300
districts in the country, an outlay of Rs. 0.45 crores would
be necessary and the surveys would be carried out by the Central
Small Industries Service Organisation in consultation with
the State Government. The State Governments should give a
major lead in implementing the recommendations contained in
these survey reports by establishing implementation committees
which should be charged with the responsibility of periodically
reviewing the progress made on the implementation and submit
the reports to the CSISO.

There is no management orientation in marketing the
products of small entrepreneurs. Therefore there is an urgent
need to establish separate marketing institute to assist small
entrepreneurs like financial institute. The institute should
be a III tier one i.e., at National level an apex body at state
level a regional body and at district level a separate wing in the district. Wherever there is EEC, a marketing manager is there and in many cases the manager may be entrusted with too many jobs. So, for effective functioning, a well qualified specialist may be appointed. If EEC is not there, the same may be attached to Joint Director/Deputy Director of Industries. The institute will provide systematic marketing office information. The institute may also undertake the responsibility of conducting market surveys in providing proper feedback to the units. Besides, the institute will provide systematic training programmes on different aspects, such as selection of the product, product planning and development, marketing research, sales forecasting, selection of middlemen, costing methods in pricing, policies, procedures and strategies, promotion methods etc.

Some small units say 'they have no marketing problems'. To say the least, this is an expression of sheer ignorance. One can easily appreciate the truth in the saying 'there is always a better method of doing anything. One such method of improving the marketing effectiveness is by obtaining necessary training in marketing management including practical aspects to study marketing methods of by others.

It is desirable that small scale units should not be complacent of what they are aware, but equip themselves with...
better and improved methods of marketing, disseminated through proper training programmes conducted by the institute of marketing which may be started exclusively. Although different institutions set by the Government are fulfilling the task of small industry none of them is undertaking the job of helping the small industry completely. Hence there is a need for creating the institute of marketing for small industry at national level.