Chapter Six

CONCLUSIONS, SUGGESTIONS, AND POLICY IMPLICATIONS
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CONCLUSIONS, SUGGESTIONS, AND POLICY IMPLICATIONS

The present research study has revealed some significant trends and has highlighted some issues and problems. The analysis has led to some important findings and conclusions. Based on the major findings and conclusions some suggestions have been formulated for improvement of the small scale industrial sector. The following are the major findings, conclusions and suggestions.

Findings And Conclusions

Macrolevel trends about the performance and prospects of the SSI sector have been very encouraging. However some international developments and the internal inadequancies have been posing problems to this important priority sector in the Indian economy. A summary of these aspects have been provided here. Small scale industry has emerged as the most dynamic sector of the Indian industrial economy. The positive economic strategy in India has accorded a vital role for the small industry in decentralizing the industrial activity, promoting employment opportunity and reducing the process of concentration of economic power in monopolistic agglomerates. SSI sector has the edge over large industrial units since it involves low capital intensity, high employment potentials, low import content, requiring limited market and
moderate technology. SSI sector accounts for 95 percent of industrial units, contributes about 40 percent of value added in manufacturing sector and over 33 percent of national export. SSI sector has 28 lakh units employing 160 lakh people, 28 lakh entrepreneurs along with 132 lakh employees. It is the destiny maker of the nation. Growth rate of SSI sector is higher than the Industrial sector in general. Its growth rate rose from 3.1 percent in 1991-92 to 8.16 percent in 1999-2000 compared to the industrial sector whose growth rate was 0.6 percent in 1991-92 and 6.5 percent in 1999-2000.

Some internal and international factors have been hindering the growth of SSI sector in the Indian economy. The SSI sector has passed through some lean period with high incidence of sickness during the 1980s. The sector has been facing problems arising out of economic liberalization and the WTO stipulations. The sector has been facing the chronic shortage of power, raw material and technology constraints in addition to credit inadequacies. The economic reforms coupled with the globalisation and the post WTO scenario are likely to devitalise the small scale industries considerably. Unhindered entry of large firms both domestic and foreign are likely to impose pressures on the underequipped and underfinanced units in the SSI sector. Competition is going to be more vigorous in the wake of removal of quantitative restrictions (QRS) as per WTO stipulations. Sickness has become endemic in the SSI sector owing to a combination of financial debility and mismatch with the larger industrial units.
There is a worldwide appreciation of the fact that small and medium enterprises play a catalytic role in the development process of most of the economies. This has been the experience of many developed and developing countries.

i. Japan is an outstanding example of dual economic structure with large companies acting as the main export outlet but basing themselves on large number of small units spread throughout the country. In Japan small business accounts for 81.4 percent of work force, 56.1 percent of total value added in manufacturing, and 79.9 percent of retail sales. Japan combines the advantages of small production and large volume of marketing.

ii. In China small industry provided 60 percent of fertilizers, 57 percent cement, 27 percent pig iron, 13 percent crude steel, 67 percent of agricultural machinery and 34 percent of electricity.

iii. Korea has reserved about 110 products for small and medium industry.

iv. Indonesia has reserved 126 items for exclusive production in the small sector.

v. In UK small companies had created between 800,000 and 1.1 million new jobs in the past six years.

vi. In Canada over 50 percent of the labour force work for small business.
vii. The US Department of Commerce has identified the bulk of inventions that have revolutionized human life in the 20th century have come not from large corporations but from independent small firms.

It is significant to note that SSI sector has registered a very impressive growth rate inspite of some the hurdles faced by it in recent years. The Small Scale Industrial sector in India currently contributes about 40 percent of industrial production, 35 percent of total exports and provides employment to over 186 lakh persons. The growth rate of the SSI sector in India has been much higher than the growth rate of industrial sector in government. In 1999-2000 the growth rate of SSI sector was 8.16 percent while the growth rate of the Industrial sector was only 6.5 percent.

The concept of small scale sector in India has undergone changes due to the changes in the definition provided by the Government of India which has considered SSI sector as a priority sector. The government's definition of SSI units has been revised in the years 1955, 1960, 1962, 1966, 1974, 1980, 1985, 1991, 1997, and 1999. The changes in the definitions were made taking into account the factors like, the Industrial Policy Resolutions, the inflationary effect on the investment in SSI sector and the New Economic Policy of liberalization etc.

There has emerged an Institutional Infrastructure for the Small Scale Industries in India for the promotion and development of SSI sector. Major aspects have been explained below.
i. The Small Industries Development Organisation is the apex body headed by the Development Commissioner for Small Scale Industries in the Ministry of Industry and Agriculture and Rural Development. The main thrust of the functioning of SIDO relates to formulation, co-ordination and monitoring the policies and programmes for promotion and development of small scale industries.

ii. There are 28 Small Industries Service Institutes and 30 Branch SISIs set up in State capitals and other places all over the country. These Institutes provide interface between Central and State Government, provide technical support services to SSIs and help EDPs, and other Development Efforts.

iii. There are 4 Regional Testing Centres and 10 Field Testing Stations as well as workshops attached to the SISIs and Branch SISI, to meet the needs of the small scale industries.

iv. Tool Rooms/Tool Design Institutes.

These are located in Calcutta, Ludhiana, Jalandhar, Hyderabad, Nagpur, Ahmedabad, Aurangabad, Indore, Bhubaneswar and Jamshedpur. These Institutes help SSIs in providing tool designs, manufacturing tools, jigs, fixtures, moulds etc. and provide consultanary.

v. Product-Cum-Process Development Centres

These are located in Agra, Meerut, Bombay and Ramnagar.
These Centres work as R and D institutions and provide product design and innovation.

vi. Central Footwear Training Institutes

These Institutes are located in Agra, Madras, Cultutta, and Bombay. They provide training for manpower in leather industry.

vii. Other SSI Related Institutions

1. Integrated Training Centre Nilkheri.

viii. National Small Industries Corporation (NSIC)

This Corporation provides assistance to SSIs like machinery hire purchase scheme, equipment leasing scheme, Marketing Support Programmes, Technology Assistance, Development and Training activities etc.

ix. Sub-Contract Exchanges

These are established in major cities to promote interaction between small and large units. These exchanges are established in Mumbai, Chennai and Calcutta.

State Government have set up institutions and have introduced schemes of assistance to SSIs. The promotional activities are operated through
Directorate of Industries Set up at each State. Small Industries Development Corporations play important role in the promotion of SSIs by providing machinery, raw materials and marketing facilities.

District Industries Centres are set up in all 431 districts of the country. DICs are envisaged as a single window interacting agency with the entrepreneur at the district level.

Assistance Programme for SSIs

The State and Central Government have initiated some assistance programmes for the promotion of SSIs viz.

i. Establishment of Industrial Estates
ii. Reservation of products for exclusive production by the SSI sector.
iii. Purchase preference schemes under which government agencies to purchase their requirements from the SSIs.
iv. Ancillarisation programmes
v. Supply of machinery on hirepurchase basis to SSIs and
vi. Technical counselling to SSIs.

Financial Assistance to SSIs.

Following are the financial facilities for SSIs.

i. State Financial Corporation to provide fixed capital
ii. Commercial Banks to provide working capital
iii. Co-operative Banks to provide working capital to co-operative SSIs
iv. SFCs and SIDS to provide equity assistance to SSIs
v. NSIC to provide machinery on hire purchase and
vi. The IDBI and now SIDBI and NABARD to provide refinance facilities to
the banks and SFCs for lending to SSIs

Fiscal incentives have been a major boost to the SSI sector. These
incentives from Central and State Government have provided a substantial
stimulation to the SSI sector. The following are some of the major incentives
and programmes if assistance.

Fiscal Incentives to SSIs

i. Excise Duty Exemptions

Excise duty exemption and concessions are available to SSI
units with turn over upto Rs.300 lakhs. Excise duty exemptions have
been given to SSIs to enable them to compete on favourable terms with
their counterparts in the large and medium sector.

i. Income Tax Rebate

New SSI units can avail income tax rebate by way of deduction equal to
25 percent of their profits for a period of 10 years provided the unit
employs more than 10 persons. A 5 year tax holiday for all types of
new industries set up in selected backward states and Union Teritories
is provided.

Concessions And Assistance to SSIs in Karnataka

Karnatak is one of the top five industrialized States in the country.
There were 93845 SSI units with investment of Rs.3008.78 crores employing
444259 persons. Districtwise Bangalore leads the other districts in terms of number of SSI units followed by Belgaum, Mysore, Tumkur, D.Kannada, Bangalore(Rural), Dharwad, Bellary, Kolar, Shimoga and Gulbarga and other districts.

i. Institutions For Assisting SSI sector In Karnataka

Some of the institutions assisting the SSI sector in Karnataka Small Scale Industries Development Corporation, Karnataka State Khadi and Village Industries Board, Karnataka Leather Industries Development Corporation Karnataka Small Industries Marketing Corporation, Karnataka State Financial Corporation etc.

ii. Incentives For SSI Units. At State Level.

State Governments including Karnataka have provided a wide range of facilities concessions and incentives. Some of the important incentives/facilities provided by the State Government are given below.

1) Hand developed plots and sheds in Industrial Estates on easy terms.

2) Necessary infrastructure at developed sites i.e. power, water, communications

3) Capital subsidy on investment etc., on fixed assets in selected backward areas.

4) Sales tax deferment/tax holiday

5) Relief on octroi, electricity duty and stamp duty.
6) Interest subsidy
7) Power subsidy, subsidy on generating sets
8) Financial assistance for preparation of project reports.
9) Seed capital for obtaining technical know how
10) Subsidy for obtaining technical know how
11) Subsidy for testing the products in approved test houses.

The financial assistance to 100 selected SSI units in the seven districts centers by the financial institutions like commercial banks and KSFC has been provided here. The responses of the units covered by the study are analysed based on the primary data collected through field survey. The data has been scientifically collected through a comprehensive questionnaire which it self was finanalised after a pilot study.

Financial assistance in the form of working capital from commercial banks and fixed capital for investment in plant and machinery are provided by SFCs etc. A brief summary of the financial assistance obtained by the SSIs is given here.

The financial needs of small scale industrial units pertain mainly to capital requirement for fixed capital assets and for meeting working capital requirements. State and Central Governments have set up a network of financial institutions to meet financial requirements of the SSI units. The total investment in plant and machinery made by the 100 small scale industrial units in the seven North Karnataka centers is Rs.1725.14 lakhs. Maximum amount of
investment is in 33 engineering small scale industrial units as compared to SSI units food based, plastic, and chemical industries. Maximum number of (96) small scale industrial units covered by the study have acquired the plant and machinery through outright purchase while other (4) units have procured the plant and machinery through hire purchase. The main source for the financial resources for obtaining plant and machinery are the commercial banks and Karnataka State Financial Corporation. A small number of (4) SSI units have also used their own funds.

The main problem faced by the small scale industrial units in obtaining finances for plant and machinery has been the high interest cost. Another problem of a substantial nature is the inconvenient number of installments for repayment. Rigid repayment conditions and inadequate amount of loan are also mentioned by the respondent SSI units. Majority of the small scale industrial units covered by the study have made full use of the loan subsidy and incentives given by the government. A small number of the respondent SSI units have not been able to make full use of the loan subsidy and incentives. Awareness about the investment loan subsidy given by the government to the SSI units was confirmed by all the respondents. Majority of the 81 respondent SSI units availed of the loan subsidy of more than 20 percent while a small number of 8 SSI units availed loan subsidy of 15 to 19 percent. More than 50 percent of the SSI units (54) have asserted that they obtained loan subsidy through Karnataka State Financial Corporation while a
lesser number (43) of the respondents obtained the subsidy directly from the Government.

Working capital requirement of SSI units differ from one type of industry to another type and from one unit to another unit. Important factors determining working capital requirement of SSI units are

i. Size of the small scale unit
ii. Nature of production process
iii. Price of materials and total cost
iv. Terms of sales and purchase
v. Turnover of Inventories
vi. Labour Intensity
vii. Cash Requirements of the units
viii. Seasonal Variations
ix. Banking Facilities
x. Level of growth and development of the SSI units.

Availability of working capital is found adequate by a large majority of the small scale industrial units. However the units have to depend on more than one source for augmenting their working capital. The major sources of working capital for the respondent small scale industrial units in the study area are 'own funds', 'banks', 'finance companies' and others. Maximum number of SSI
units depend on their own funds for meeting their working capital requirements. Another major source of requirement is the commercial banks.

Some policy constraints of the banks are faced by the SSI units. Working capital obtained from commercial banks bear high interest rate. The high interest cost of working capital is mentioned by a maximum number of 86 small scale industrial units. The commercial banks have been following stringent credit policies with regard to the provision of working capital as mentioned by a large number of respondent SSI units.

Inconvenient repayment conditions have also been mentioned by some SSI units about the repayment policies and procedures of the commercial banks. Some other major problems related to the working capital management are the undue delay in releasing working capital by the banks. Further there is a divergence in the estimates of the working capital needs between those made by the State Finance Corporations in the initial stage and the commercial banks subsequently. The SSI units are not in a position to offer the guarantee required by the banking sector. Even when small loans can be raised from Government agencies, the procedure is so cumbersome that most of the entrepreneurs who are either illiterate, or semiliterate hesitate to make use of these facilities. And since the finance they acquire is on a small scale entrepreneurs prefer to put in their own rather than borrowed funds. Financial institutions ask for a lot of information and data. They are hardly ever satisfied with whatever information the prospective borrower supplies and go on raising
queries, often not at one time, but in installments with wide gaps. This makes matters very difficult for the small industrialist particularly when he is new to this way of life.

Production and product related aspects of SSI units have revealed some significant trends. Major findings are summarised below.

A large majority of SSI units have taken into consideration the preferences of consumers while designing their products. A small number of 26 of the 100 SSI units have ignored this aspect. Product designing has been based on the advice of technical personnel, in case of 39 SSI units, while 41 units designed their products as specified by large buyers, 16 units designed as per competitors' designs and 12 units on other basis.

Product mix of the 100 SSI units shows that majority of the units (36) have 3 products followed by small number of (24) units with 2 products and (17) units producing only one product. A good number of (23) units have been producing more than 3 products. A diversified product mix ensures stability of sales and can stand well in case of a particular product looses market. Abroad based product mix is always desirable.

Introduction of new product with a view to diversify the production base is planned by majority of (56) SSI units while maintaining the status quo is asserted by a lesser number of (44) units. Keeping in view the likely absolescence of a particular product it is necessary for the units to plan for introduction of new product.
Product modification to suit market trends and buyers' preference is favoured by majority of (71) SSI units while the rest of the (29) units did not show interest in modification of their product.

The major arguments in favour of product modification are

i. Technological change

ii. Policies of competitors

iii. Customers' reactions and

iv. The need for rectifying the faulty original design.

Product modification should form an inherent component of the policy of product planning. Greater emphasis should be on meeting adequately the changing demand pattern and market trends.

There has been a continuous and sustained growth in the value of production of all the four groups of small scale industrial sector-viz. food based industries, engineering industries, plastic industries and the chemical industries over the 5 year period 1996-97 to 2000-2001.

Large majority of (83) of the 100 sample SSI units in the study area have been engaged in their production continuously all the year round while a very small number of (17) units are seasonal units.

Majority of (84) SSI units have experienced increase in the physical volume of production. They have assigned four major reasons for the decrease in volume of production viz shortage of raw materials, decline in demand, power
shortage and shortage of financial resources. These responses clearly indicate the inadequacy of infrastructure for the SSI units.

Raw materials for the SSI production units is obtained from three sources viz locally, outside the city and outside the state. A small number of 9 respondents have mentioned that they faced the problem of shortage of raw materials though the large majority of 91 SSI units did not face this problem. Majority of the (64) respondent SSI units did not get any government assistance in obtaining raw materials. However a small number of (36) SSI units secured assistance from the government in obtaining raw materials. Government agencies concerned with SSI should ensure adequate supply of this vital input. The total annual cost of raw materials of the 100 SSI units has been estimated to be of the order of Rs. 6565 lakhs. Assured supply at economic cost is the pre requisite for sustained production by the SSI units.

i. Karnataka Electricity Board has been the major source of power for the production units in the SSI sector in the study area. A small number of the units had their captive power generation units. The supply of power by the KEB has not been regular according to large majority of SSI respondent units.

ii. Power shortage for the sample units ranged from 11 to 20 percent of the requirement in case of majority of some (48) SSI units while the shortage was 10 percent of the requirement for smaller number of (31) units and 21 to 40 percent for other (2) SSI units.
iii. Production loss due to power shortage varied from 10 percent and to more than 20 percent for 3 units.

Labour management in the SSI units has provided some significant trends.

i. Production in the sample SSI units was managed by 454 skilled workers, 696 unskilled workers, 162 technically qualified workers and 86 non technical persons.

ii. Appointment of employees in the sample units was through personal contact according to majority of (80) units, while other (14) units recruited employees through advertisement and 6 units through training institutes like ITI.

iii. Majority of (92) SSI respondent units got training for their employees and majority of (81) units provided incentives to workers.

iv. Labour turnover is affirmed by large number of (98) SSI units and the labour turnover is mainly due to better remuneration elsewhere according to them (79) units.

The future plans for increasing production and the perception about the future prospects for the SSI sector have been suggested by the SSI units. The summary of the same is provided here. Majority of (62) units proposed to increase their production. Increase in production was contemplated upto 11 to 20 percent by majority of them lack of increase in production currently was due to inadequate demand and shortage of raw material and shortage of power.
i. Majority of the SSI units felt that there is future of the SSI units inspite of liberalization. They mention favourable government policies, incentives and prospects of future demand.

ii. The SSI units have made suggestions for future prospects of their industry. The suggestions include liberal credit policy, less tax burden, more subsidies on investment loans, and more purchase preferences.

Market related aspects of the SSI units and the approach of the SSI units units towards these aspects have been quite revealing. A summary of the same has been provided here. Preproduction market survey is undertaken by majority of (71) respondent units while other (29) units did not undertake preproduction survey. Information gap is an impediment in formulating proper production and marketing strategies.

Adequate market availability for the SSI units covered by the study is affirmed by majority of (89) units while other (11 of the 100) units faced the problem of inadequate market for their products.

Price competition to the respondent units is suggested by majority (94) SSI units followed by quality competition by (17) units advertisement competition (by 12 units) and competition through credit sales by competitors by other (22) units.

Majority of (86) SSI units have insured their products while (14) other units did not go in for insuring their products. The importance of insuring the
products must be properly impressed upon the SSI units by the Govt. agencies.

Transport facilities availed of by SSI units consisted of Tempo (69 units), Lorry (26 units), Train (09 units and other vehicle (13 units). Respondents have used more than one type of transport vehicles.

A small number of (27) SSI units have their own transport vehicles while the majority of (73) SSI units hired transport vehicles for their operations.

Advertisement of SSI units are done through exhibitions (6 units), local newspapers (17 units), conferences (6 units) and other newspapers (3 units).

Cost-plus profit policy of pricing has been followed by majority of (76) SSI units, pricing based on competitors' prices is adopted by lesser number of (53) units and pricing as per agreement with buyers is followed by other (9) units. Some units follow more than one method of pricing. Hence the responses are more than the number of respondents. Blind following of cost plus profit policy of pricing may result in loss during recessionary period. Hence rational pricing policy is more desirable.

Wholesalers account for the maximum buying of products from the (66) SSI units, private industries buy from smaller number of (27) units, retailers from (17) units and government agencies from other (6) SSI units. Here too the SSI units sell to more than one type of buyers. The purchase preference scheme of the Government must be fully utilized by the SSI units.
Local market is the major place for sales by SSI units, followed by places outside the city and places outside the state. Market concentration at local areas puts a limit on the expansion of production and fuller utilization of production capacity of the SSI units.

Maximum number of (78) SSI units have resorted to credit sales. A smaller number of (22) SSI units follow the policy of 'cash and carry'. Credit sales account for 10 to 14 percent of the total sales for smaller number of (19) SSI units while for majority of credit sales accounted for 15 to 20 percent of total sales (59) SSI units.

Local units and units within the SSI sector pose competition to the SSI units covered by the study. Competition to the respondent units also comes from big industrial units located in places outside the city and outside the state.

Cost of salary and wages for the salesmen accounts for the maximum marketing cost for the SSI units followed by cost of packing, cost of transporting, cost of insurance, cost of advertising and cost of storage.

Majority of the SSI units have mentioned that competition, inadequate distribution and inadequate transport facilities are the major marketing problems. The SSI units have thrived under a protective regime of the Government. There is need for realizing that the inward looking mindset no longer fits in the changed market conditions in the wake of the new economic policy and liberalization. SSI units should try to induct productivity and enhance their competitiveness.
Maximum number of (99) SSI respondent units have made arrangements for storing their products in their own store room.

A large majority of (73) SSI units have not branded their product. A small number of (27) units have been using their brands for their products. Grading of products is done by small number of (13) SSI units. Majority of (8) SSI units do not grade their products as the products are uniform in quality size, shape or colour etc.

Marketing incentives given to SSI units by the government is asserted by a majority of (96) SSI units. Purchase preference scheme by the government is known to only 3 of the respondent SSI units.

Major marketing problems indicated by the respondent SSI units relate to uncertainty of demand, faulty government tax policies and inadequate marketing finance given by banks and other government agencies.

The SSI respondent units have made some suggestions for improved performance of marketing. The suggestions include modifications of product design, change in packing, better advertisement, choosing new markets, and improvement of quality of the products.

**Suggestions**

1. SSI units should give top priority for product planning since product is the prime element in the ‘marketing mix’ along with promotion pricing and placement. Product planning consists of some sequential operations like
   i. Product idea generation
ii. Screening of ideas

iii. Business analysis of ideas

iv. Product development

v. Product modification and product diversification

2. Before commercializing of the product the SSI units should undertake a proper market survey for the product taking into account the prevalent market environment.

The SSI units must undertake a techno-economic survey to establish the technical viability of the proposed unit.

3. A proper 'product mix' should form an overall strategic planning mix of the SSI enterprise. The following pattern of strategic planning mix would ensure the success of an SSI unit.

1 Production

Production mix so that over reliance on one product and when technology of one technology is avoided the buying unit changes.

2 Marketing

Supplying to more than one unit and not becoming over dependent one one when large buyer unit itself is in difficulties.

3 Personnel

Mix of full time and part Coping with availability
time personnel and turnover and keeping wage costs low.

4 Finance

Mix of loan and borrowed funds For overcoming liquidity crisis for survival needs.

4. Modern techniques of production should be incorporated to reduce production costs and retraining of technical and skilled workers would go a long way in improving labour productivity.

5. A proper raw material inventory would be useful for uninterrupted production schedule. Modern inventory management techniques should be adopted by the SSI units.

6. Assured adequate and quality power supply should be provided to the SSI units at economic cost. In addition to the supply of power by KEB the SSI units should install captive power generating units in order to overcome the unscheduled power cuts.

7. The marketing aspect of the units should be given priority by the SSIs. There is need for developing marketing entrepreneurship along with manufacturing entrepreneurship.

Trained salesmen should be employed with necessary incentives to promote sales.
8. Most of the small scale industrial units are either sole proprietory or partnership organizations. The form of business organization chosen by the entrepreneurs generally reflects the size and scope of the operation. In the case of small industry the most favoured is the sole proprietorship. It reflects the independence and mobility of entrepreneurs operating on his own usually with limited capital and that is precisely the reason that sole proprietors out number partnership and other forms of organizations. This has important implications because capital shortage among the smaller units is a major stumbling block in the entry and subsequent expansion. This calls for a new outlook and policies towards forming of partnership and joint stock companies to widen the capital base of these units and ensure greater degree of survival and development.

9. SSI units covered by the study have faltered in preparing scientific project reports before initiating their operations. Preparation of project report is the first step and it calls for collection of data on the marketability of the product chosen, the availability of raw materials, the manufacturing techniques involved, the choice of machinery and location. Hence the SSI units should prepare scientific project report to avoid subsequent problems in the production and marketing areas.

10. Obtaining of permission/licence from the concerned Industries Departments is another problem faced by good number of SSI units. Petty officials are non-cooperative and unhelpful. A lot of time and energy is wasted
in persuading these officials. Small scale industrial entrepreneurs do not know how to make an approach and avail of the various facilities announced by the Government. They are not in a position to communicate with the well organized urbanized bureaucracy. Hence it is necessary that SSI units should associate in their management persons who have technical expertise and experience in dealing with officials and financial institutions.

11. Many of the SSI units have been encountering the problem of working capital shortage. Capital infusion and credit flow seem to be the real stumbling blocks. All is not well with the nationalized banks and the pattern of their linkage with the small industry. The NPA syndrome and the whole thrust of collateral-based lending to SSI units seem to be in serious disarray. Small scale industries should aim at a proper mix of own and borrowed funds to overcome liquidity crisis for survival needs.

Planning and control of working capital centers round sound cash planning which includes setting of cash policies and procedures and the control over cash and credit. Cash is of course the very sensitive component of working capital. The working capital has to be managed properly especially by the SSI units.

12. There is scope for cooperative efforts through the small industry associations minimizing dependence on governmental agencies. Despite many promotional agencies as far as an entrepreneur is concerned he has to go from pillar to post. He may get only a bundle of sympathies from the
agencies. It is therefore time that small industry associations realize the fact that instead of merely going to the Government for concessions they can do a lot for their members by organizing themselves well. They could become strong negotiators with the government rather than merely extending their bowl for concessions.

13. The small scale industrial sector should extricate itself from the mindset inculcated by the Control Raj and prepare itself to face competition, both domestic and international, without looking up to the government for artificial sanitation via subsides and fiscal concessions. The whole cluster of concessions and incentives granted to the units in the SSI sector would soon become unsustainable. It is not correct to suppose that owing to the probability that deprived of these incentives and fiscal giveaways many units would have no option but to exit.

14. Small scale industrial units should reorient their outlook and adhere to competitive efficiency in terms of cost effective use of resources, value addition, productivity, financial discipline, marketing skills, customer orientation, and technological competence. This is the driving force of the industrial system in the new dispensation. The perpetuation of protective regime which shields industrial units from the discipline of a competitive market is obviously incompatible with the rationale of the new economic policy.

15. The recommendations of Abid Hussain Committee are quite appropriate in this regard. The Committee has recommended for specialized commercial
bank branches for SSIs for easy credit facilities and for reduction of credit cost of SSIs. Abid Hussain Committee has also recommended for credit rating for small business to enable them to avail funds at lower cost.

16. SSI units would be benefited by adopting a 'Consortium Approach' when they are producing identical products. This would help in promoting standardization, quality improvement, bargaining power etc. Consortium approach would also help in conducting Research and Development, in developing technology, product designing, product development, product modification, cost reduction and pricing. Consortium approach is useful to SSI units since they experience shortage of funds and technology constraints.

17. For sound financial management small scale industries have to realize that liquidity is even more important than profitability. For continued survival balancing between profitability and liquidity becomes necessary. As for deployment of funds a suitable mix of own funds and borrowed funds will be a prudent step.

18. Market forecasting through proper techno-economic research has been much neglected in the Indian context and particularly by the SSI sector. The market intelligence system has to improve considerably.

19. The technology lag of the SSI units should be overcome. To overcome this the SSIs should establish long term alliances with large companies through the process of ancillaryisation. The competitive position of SSIs is fragile because of technological obsolescence and low quality products as per
international standards. The Abid Hussain Committee has recommended that the Department of Science and Technology should initiate a new scheme to form 50 R and D associations with interested small scale units as members, based around identified clusters and provide funding. A National Research Institute be established to promote schemes for assisting in technology upgradation and R and D for small scale enterprises. This Institute would operate as a networking institution and clearing house for policy studies and technology issues that are raised by small scale industry.

20. Intersectoral cooperation by way of ancillarisation has become an economic compulsion for the industrial growth. Ancillarisation leads to cost reduction, quality improvement and management efficiency. Small scale units are assured of orders and technical help from large parent units. The SSIs should take initiative in this direction and take the assistance of sub-contract exchanges set up in Mumbai, Chennai, and Calcutta. Government should promote ancillarisation by way of necessary support to SSI in obtaining payment expeditiously from the large parent industrial units.

21. The concerns of the SSI sector are not so much over the competitive challenge which may be posed by large industries a consequence of the economic reforms as over the continuous inadequacy of public policy in the matter of supporting the small industrial units with appropriate technical, financial and infrastructural means. Chronic shortage of power along with its indifferent quality, raw material constraints, working capital hassles owing to
inconsistent bank lending and the perennial blight of the 'inspector raj' continue to confront SSI units. Hence the Government and the plethora of specialized institutions created for promoting SSIs, have to address themselves to redress these constraints and revitalize the small industries to become really vibrant.

22. A realistic plan for putting the SSI sector on an even keel will have to address three major requisites. First access to improved technology through special loan funding programmes, second facilitation for working capital management with banks developing progressive lending schemes; and three, rapid progress in ancillaryisation for building symbiotic complementarity between large assembling plants and ancillary units with quality capabilities. The bottom line of course is reliable infrastructure.

23. To enable small industry to remain competitive after the withdrawal of quantitative restrictions (QRs) and to achieve a higher rate of growth, the Government needs to urgently reduce the cost of capital, remove procedural bottlenecks and increase research and development support. In addition it needs to help such international markets through industrial interaction.

24. There is need for using brand names since there is a good deal of brand consciousness among the customers particularly for consumer durables. Proper marketing, packing and scientific grading and assembling of the products should be given priority in the marketing management SSI units.
25. Credit sales should be avoided as far as possible since they would result in locking up of working capital. Such sales should be resorted to on a strategic scale of competition and to dispose of accumulated stocks.

26. SSI units should try to hold “Marketing Clinics” to provide for required database. Specialists could appraise products and help in providing information about design, packaging quality, weight, size and other factors that affect marketability, cost and price.

27. SSI units should adhere to some practical policies relating to costs and prices.
   i. Keep classified record of expenses
   ii. Arrive at exact cost structure
   iii. Decide major elements of cost control
   iv. Take measures to reduce unremunerative costs
   v. Keep a close watch on the market trend of prices
   vi. Take advantage of the rise/fall in competition prices
   vii. Use proper incentives at proper times
   viii. Review prices when they become unremunerative

28. Quality marketing centers should be set up at each Industrial Estate/Centre to provide facilities for technical guidelines, finishing and testing for the manufacturers to help them to standardize their products.

29. “Mobile Marketing” could be experimented by SSI units by carrying the products to the doors of the buyers through mobile vans.
30. SSI units should try to exploit the expanding rural market for a number of consumer goods as this market has vast potentials due to green revolution and vast population.

31. Government of India should explore the possibility of setting up a Central Marketing Corporation for distributing unbranded products of small scale industry. Consortia for marketing the products could also be formed by the small scale industries themselves. Such arrangements will reduce marketing costs and helps in avoiding competition among them.

32. The associations of small scale industries at state and regional levels should hold frequent meetings of the SSI entrepreneurs and enlighten them about the various incentives and assistance schemes for the SSI units. Many SSI units are not aware of the purchase and price preference schemes of the Government. Hence it is necessary to enlighten them about such benefits through meetings and conferences.

33. Industry demands a new sense of values individual as well as social. Productive processes or marketing practices call for attitudes and approaches different from traditional arts and crafts. Small scale entrepreneurs must imbibe a new industrial culture comprising of punctuality in attendance, continuous vigilance, sense of economy, attitude of productivity, pride in job, awareness of schedules. Industry and marketing are progressively becoming scientific and technological which again lead to a kind of specialization and
professionalism. This process further gains momentum when mechanization, sophistication and automation follow change in quality and magnitude, change in processes and practices change in designs and patterns. Small industries cannot afford to be oblivious of this factor. New industrial culture should emerge among the small scale industrial entrepreneurs.