CHAPTER - VI

RESULTS OF CASE STUDIES
6.1 INTRODUCTION

As part of this research study, a purposive sample of 11 SSI units had been selected for in depth case study. Two questionnaires were canvassed in respect of each one of these 11 SSI units; one questionnaire focussed on the problems of SSI units and the other focussed on the role of entrepreneurs and how they solved the problems of the SSI units of their own. Further, these 11 entrepreneurs’ views were canvassed on four important policy issues facing the SSI units through lengthy interview and oral examination. Further case studies have been made of official agencies financial, non financial and regulatory set up to promote, assist and regulate the SSI sector, to ascertain the extent to which they have been successful in achieving the goals and objectives set for them. The views of the selected sample of 11 SSI units on the working of these agencies as well as on the policies and programmes of the Government in respect of SSI units have also been ascertained. The combined results of these two studies about the organisations have been presented in section III of this chapter.

The results of all these case studies and interview have been presented in this chapter in four sections as follows:

Section - I : Problems of SSI units
Section - II : Role of Entrepreneurs
Section - III : Case study of organisations.
Section - IV : Views of entrepreneurs on four major policy issues facing the SSI sector.

The views and findings of the author are presented at appropriate places in the different sections.
SECTION - I
PROBLEMS OF SSI UNITS

6.2 RESPONDENTS

A purposive sample of 11 SSI units had been selected for in-depth case study. The names of the selected units are as follows:

(1) Madan Micro Metals and Cast Pvt. Ltd.
(2) M/s Rajmata Enterprises.
(3) Premier Seals Industries.
(4) Tiara Industrial Pressing Co. Pvt. Ltd.
(5) Union Steel Industries.
(6) Phalnikar Engineering Pvt. Ltd.
(7) Uma Precision Industries.
(8) Metapow Industries.
(9) Ex-Armny Engineers.
(10) Ele-mec Industries.
(11) Consolidated hoists Pvt. Ltd.

Of these 11 units, 9 were located in "A" zone and one each in "B" and "C" zones. All 11 were engineering units; of these 3 were engaged in the manufacture of complete units; 4 were engaged in manufacture of sub-assemblies and the balance 4 were engaged in job work - either machining or fabrication. There were no tiny or village industry units in the selected sample, all of them being modern SSI units of which four were ancillaries. Most of these units started with a narrow capital base. 8 of them had less than 2 lakh rupees invested in the unit initially; 2 others had started with a capital base of four to five lakhs rupees; only one unit had an investment of rupees 20 to 25 lakhs. Most of the SSI units in Poona metropolitan area are young units which have
came up in the last three decades.

The age distribution of the 11 selected SSI units was as follows: one was more than 30 years old; 2 were between 20 to 30 years old; 4 were aged between 10 and 20 years and 4 were less than 10 years old. This reflects the rapid rate of growth of SSI Units in the past two decades. All the SSI units were partnership firms barring 4 which were private limited companies. A study of technical qualifications and experience of the principal entrepreneur of each unit revealed that 1 was an engineering graduate, 3 were technically trained and experienced and 1 had work experience; the balance 6 had no technical background at all and were only managers employing technical personnel.

PROBLEMS OF PRODUCTION

6.3 An SSI unit has to face numerous problems on the production front. The case study method was used to find out the nature of these problems and how the SSI units coped up with these problems. The problems have been classified and discussed under the following heads:

(A) Choice of product
(B) Choice of Location of the unit
(C) Choice of scale of operation
(D) Acquisition of Plant and Machinery
(E) Choice of appropriate technology
(F) Selection of Personnel
(G) Choice of raw material and its sources.

These problems have been discussed in this order hereafter.
6.4 CHOICE OF PRODUCT

Over the years Poona has emerged as a centre of Engineering industry. This is because the ammunition factories, and vehicle depots of Government are located in around Poona. Further engineering giants like Telco and Bajaj are located in Poona. Further a large number of Engineering units of multinationals are located in Poona e.g. Atlas Copco, Alpha Lavall, Sandvik-Asia, J.N. Marshal, Elpro-International, Buckau Wolfe, SKF etc. Also a major workshop of Maharashtra State Road Transport Company is also located at Poona. These along with many other private sector Engineering units has made Poona a centre of Engineering industry. Also the educational complex developed at Poona for training Engineering graduates and diploma holders, and for providing certificate courses, and apprentice training programmes has contributed much to develop a reservoir of trained man power and hence has created a climate conducive to the growth SSI units in the Engineering industries. The ancillary development policy pursued by larger Engineering units also favours growth of Engineering ancillaries. Hence it is no wonder that fresh Engineering graduates, diploma holders as well enterprising persons go in for organising SSI units in the Engineering industry. The concentration in Poona of financial and non financial organisation meant to promote, assist and regulate. SSI units, has also favoured this movement. In view of this favourable business climate new entrepreneurs choose engineering products. That is how all the 11 units in our sample came to select an Engineering product or job work for their unit.
6.5 CHOICE OF LOCATION

Of the 11 units 9 are located in "A" zone and one each in "B" and "C" zones. The units thus showed strong preference to more into areas where infrastructure facilities are fully developed. Another criteria of choice employed by the SSI units was to minimise the cost of land and civil construction. Thus the movement away from "A" zone is explained in terms of lower cost of land and civil construction rather than the incentives provided for setting up units in "C" and "D" zones. Thus the push factor of real estate cost rather than the "pull" factor of incentives seems to be most powerful.

6.6 CHOICE OF SCALE OF OPERATION

For this study installed capacity has been defined as Annual Production capacity of the unit if it works three - shifts regularly throughout the year. Such a concept is useful to assess whether the scarce capital resource is being fully utilised and whether the units are capable of expanding production without additional investment in fixed capital.

The 11 SSI units had an aggregate annual installed capacity to produce an annual output valued at Rs. 852 lakhs i.e. average annual production of Rs. 77.46 lakhs per unit. However, 2 of these eleven units together accounted for an installed capacity of Rs. 750 lakhs (One Rs. 2.50 lakhs and the other Rs. 500/- lakhs). The other 9 units together accounted for an installed capacity of Rs. 102 lakhs giving an average of Rs. 11.33 lakhs per unit for those 9 units. This thus majority of the units had a monthly installed capacity of less than Rs.1/- lakh.
As regards actual production, all the 11 units together produced Rs. 762.5 lakhs with an average of 69.31 lakhs per annum. Thus capacity utilisation for all the units together works out at 89.3% ( \frac{69.31}{77.46} \times 100 ).

As regards operation of No. of shifts, 1 unit worked one shift only; another 5 units worked 2 shifts per day and the remaining 5 units worked 3 shifts. A questioning of the SSI units revealed that lack of orders and inadequacy of managerial manpower lead to under utilisation of capacity. The units working one shift only indicated lack of orders as the main cause while those operating two shifts reported inadequacy of managerial manpower as the principal reason for under utilisation of capacity.

6.7 ACQUISITION OF LAND BUILDING

Here again, the SSI units showed strong performance to buy a ready made structure or a running unit rather than buy land and construct the factory shed. Of the 11 SSI units only four acquired sites and built up their own factory sheds. These 4 units financed their acquisition of site and construction of factory shed either out of their owned funds or from funds raised from either friends and relatives or from other private sources. The other 7 units acquired ready made sheds. Of these 7, two acquired such sheds in MIDC industrial estates, 3 in cooperative industrial estates and 2 acquired running units from private parties. All these 7 units secured finance from institutional sources to acquire the factory sheds. Of this 5 units were financed by Commercial banks and only 2 were financed from MSFC. Thus it may be seen that the share of MSFC in
providing term finance to SSI units is seen to be less than 20% indicating need for extra efforts on the part of MSFC and need to commit more funds for providing term finance to SSI units. It is not known to the SSI units as to whether the commercial banks which provided term loan to 5 SSI units secured refinance from either MSFC or some other term lending Institution.

6.8 ACQUISITION OF MACHINERY

The 11 SSI units in aggregate acquired 151 machines at a total cost of Rs. 166/- lakhs. Thus the SSI units on an average owned 13.73 machines costing Rs. 15.1 lakhs. Of the 11 SSI units 8 bought their machinery in the open market. Of the remaining three units, 2 acquired machinery from NSIC under a hire purchase scheme, while one unit secured its machinery from a large industrial unit of which it was an ancillary. Of the 8 units which purchased machinery from open market all had secured finance from Institutional sources – six from commercial banks and 2 from MSFC directly. Of the six commercial banks financing purchase of machinery only one had served refinance from MSFC.

6.9 CAPACITY UTILISATION OF MACHINERY BY SSI UNITS

The rate of capacity utilization was between 30-35 per cent in the case of one unit, between 35 and 65 percent in the case of 5 units. This data is internally consistent with the data on no. of shifts worked presented in para 6.6. Because 33.4% capacity utilisation represents one shifts working 65% represents 2 shifts working and more than 65% capacity utilisation represents three shifts of working.
6.10 CHOICE OF APPROPRIATE TECHNOLOGY

Of the 11 SSI units 5 claimed that they already had an appropriate technology and that they had no technological problems. Of the remaining 6 units which had some technical and/or technological problems, 1 was an ancillary unit of a large factory and claimed that it would overcome its problems with the guidance and assistance of the larger unit of which it was an ancillary. The remaining 5 units solved their technological problems by engaging professional consultants.

Of these 11 units 2 did not foresee any need for technological upgradation in the near future. Of the remaining 9 units, 7 felt the need for modernisation of machinery while the remaining 2 felt the need for product development and diversification of production.

All the 11 units recognised the need for quality control in production. However 2 of them had not been able to provide for quality control; 3 others relied on experienced shift supervisors to ensure quality of production. In 4 cases quality control equipment was employed to ensure quality control; In the balance 2 units which were large and had annual production in excess of Rs. 250/- lakhs and Rs. 500/- lakhs respectively, there was a regular quality control department to ensure quality control during the process of production.

6.11 SELECTION OF PERSONNEL

Of the 11 SSI units 4 employed less than 20 persons while the remaining 7 units employed more than 20 but less than 50 persons. All units used power and semi-automatic and automatic machines. Use of numerically controlled machines was totally
absent.

As regards training of personnel, the emphasis was on in house training. Of the 11 units studied 6 units depended entirely on in house training of its personnel. In another 3 units, even though they recruited skilled workers they insisted on their in house training before they were entrusted with independent job work. In the remaining two units no in house training was provided but only trained and experienced workers were recruited. These were units organised by entrepreneurs who were non technical persons.

6.12 PROBLEM OF RAW MATERIALS

Of the 11 SSI units only one unit which was engaged in exports, needed to import a small quantity of raw material for its export production. All the other 10 units used only indigenous raw material.

As indicated earlier, 4 of the 11 units were ancillary units and they received an assured supply of material either for machining or for fabrication. All the 7 remaining units had an MSSIDC quota. However MSSIDC met less than 20% of the raw material requirements of 5 of these units and 50% of the raw material requirements of remaining 2 units. Consequently all these 7 units had to rely for their raw material requirements of the remaining 2 units. Consequently all these 7 units had to rely for their raw material on the open market as the MSSIDC supply was both irregular and uncertain despite advance payment for raw material.
As regards price of raw materials 3 units reported that the prices charged were reasonable; 3 other units considered the prices to be high, the remaining 5 units reported that prices were rising daily and that they have been trapped into a cost price squeeze situation.

As regards the 4 ancillary units the question of quality of raw material did not arise as they machined and fabricated using whatever material was furnished to them. Of the 7 units supplied by MSSIDC 2 reported that the quality was alright while the remaining 5 complained that the material supplied was sub standard. These 7 units were meeting part of their raw material needs through purchases on the open market. 3 of these unit reported that the quality of material was satisfactory while the other 4 reported that the quality of the raw material was very good.

6.13 PROBLEMS IN MARKETING

Out of 11 SSI units studied 4 were ancillary units and they had no problem of marketing. However, they had to complete with other ancillaries in securing orders and in securing items of high added value for machining. In the case of two of these 4 units they had to face competition from other SSI units while the other 2 had to compete with larger units. Of the 7 SSI units who were not ancillaries had a marketing problem. 4 of these units produced their own product and sold directly to the consuming units. Of the remaining 3 units one sold directly to Government, another to a trader and the third to a marketing company. Of these 7 units, one unit reported that it did not have any competitors. However the remaining six units had to face
price competition. Further these 7 SSI units which were not ancillaries, were experiencing a cost price squeeze due to rising prices of raw materials and 2 due to declining prices of finished product due to shift price competition.

6.14 PROBLEM OF EXPORTS

Only one out of the 11 units studied was actually engaged in exports. It has found that government agencies which are set up to assist SSI units in exporting are ineffective because they do not have staff who possess expertise about foreign trade and export. In fact the SSI unit observed that the advice given to the unit by Govt. agencies - if acted upon, would have proved disastrous. The unit relies on private professional consultants for market intelligence and advice.

6.15 PROBLEMS OF FINANCE

When the SSI units were organised, 3 units being underfinanced were in financial difficulties from their very inception, 2 units very financially sound; 2 other units were financially very strong from the very beginning; the financial condition of the remaining 4 units was weak initially, but improved with the availability of bank finance.

At present of the 11 units studied the financial condition of 2 is very good of 5 other is good and of the remaining 4 units is fairly satisfactory. Thus it appears that over the years there is a general improvement in the financial condition of SSI units.

Initially the SSI units faced many financial problems of the 11 units, 1 failed to secure bank finance, 3 had great difficulty
in securing bank finance, 4 units continued to experience financial stringency inspite of bank assistance and only 3 units were free from financial difficulties.

The situation has considerably improved since then. At present, out of the 7 SSI units 6 have no financial problems and only 1 unit is experiencing shortage of working finance due to problem of liquidity. The remaining units are ancillaries. They normally extend 30 to 45 days credit to their principals. However, sometime the principals delay payment of bills and take 90 to 180 days to settle their bills. In such a situation the ancillary units are caught in a liquidity trap and need bill discounting facilities from the banks or the services of factoring.
SECTION - II
ROLE OF ENTREPRENEURS

6.16 INTRODUCTION

In this study the focus is on entrepreneurship. The problems of SSI units are viewed as problem of entrepreneurs who own and operate these units and consequently have to solve the problems of these units. This role of entrepreneur as decision maker and problem solver is brought out clearly in this section.

6.17 THE RESPONDENTS

The respondents to this second questionnaire were the real decision makers - invariably the senior partner of the firm or the chief executive of the Pvt. Ltd. Company managing the selected SSI units. Thus the groups responding to the questionnaire were not the same though a few members were common to both the groups. The respondents to the first questionnaire included professional managers or a technically qualified junior partner or son of the proprietor, in the case of units where the entrepreneur was not himself a technical person.

6.18 PROFILE OF RESPONDENTS

All the 11 respondents were male and 10 of them were Hindus. Only one respondent was from Muslim community. Further none of them belonged to the hereditary business community and one was from a small farmer family. This clearly brings out the fact that social mobility has increased and that the caste barriers are no longer insurmountable. That official policies of promoting, and assisting SSI units have at last started attracting a new breed of entrepreneurs free from social shackles. Of all 11 respondents 6 were graduates or post graduates in arts, 2 were
Engineering graduates and 2 were diploma holders. Only one had graduated from high school. An analysis by the age of the SSI units shows that the newer units are founded by graduates and particularly by Engineering graduates and Diploma holders. This is evidence of the growth of entrepreneurship and the attraction that business holds for Engineering graduates and Diploma holders. Of the 11 respondents 3 had to work experience. The remaining 8 had experience of working in large factories—one in a public sector enterprise and the rest in private sector enterprises. Of the 11 respondents 8 were highly motivated and entered business because they were personally keen to do so. The other three were pursued by others to enter into business. Of these three one was pursued by his boss in the large factory to start an ancillary unit; a second was the son of a small farmer who pursued him to choose a new profession as there was no scope for additional employment on the farm. The third was persuaded by a close relative to join his business and later inherited the same. As regards motivation three viewed it as a source of employment while the other 8 entered it primarily to make large profit. Of these 8 one stated prestige, another creativity and a third a challenging job as additional factors of motivation. From this it is clear that difficulties in securing jobs is forcing young qualified persons to seek self employment in SSI sector. The profit motive may be interpreted primarily as a desire for substantially higher income.

An analysis of annual family income of the 11 respondents indicated that they had an aggregate annual family income of Rs.
16.70 lakhs indicating a mean income of Rs. 1.52 lakhs p.a. A frequency distribution of their income revealed that 5 of them had less than Rs. 1 lakh annual income (mean Rs. 69000); 4 others had income ranging from 1 to 2 lakh rupees per annum (mean 1.44 lakhs); and 2 others had income in excess of Rs. 2/- lakhs per annum (mean Rs. 3.75 lakhs). This majority of them belonged to upper middle class or were rich. All of them were very much above the poverty line.

6.19 PERCEPTION OF THEIR ROLE BY ENTREPRENEURS

6 of the 11 entrepreneurs were fully-aware of the role and functions of an entrepreneur. The remaining 5 foresaw only a limited role for the entrepreneur. 2 of them felt that entrepreneurs should engage themselves in organising new units; 2 others feel that entrepreneur should organise and manage production; one visualised that the role of entrepreneur was to finance production and secure market for the product. This emphasises the need for orientation courses so that entrepreneurs may perceive at least their true role and function.

6.20 AWARENESS OF ENTREPRENEURSHIP DEVELOPMENT PROGRAMMES (EDP's)

Of the 11 respondents only 3 were aware of the official ED programmes. These 3 who were fully aware of these programmes and were keen to participate in them were unable to do so due to limited number of participants selected. They feel that such programmes shall be held frequently and in the MIDC area to facilitate effective participation. They feel that the knowledge imparted is highly useful and the contacts developed during the programme with bankers Govt. officials and other entrepreneurs also prove to be highly fruitful. The main point to take note is
that most of the entrepreneur (8 our of 11) were unaware of official EDP’s. This aspect needs closer examination and attention by concerned government agencies.

The respondent realise and insist that government must take greater initiative in this matter and organise more such programmes. 10 of them wanted EDP’s to be organised by the Govt. 3 of these added that the programmes would be more effective if they were organised in collaboraton with a trade association, chamber of commerce or a reputed management institute. Only 1 respondent opined that EDP’s should be organised by the private sector.

6.21 ATTITUDE TOWARDS MANAGEMENT TRAINING

While the respondents seemed to be enthusiastic about entrepreneurial development programmes, they were not very much in favour of technical training for entrepreneurs. 6 of them stated that such training was unnecessary and superflows. These were the entrepreneurs who were non professionals who were managing their units with the assistance of professional managers. They felt that technical personnel can be hired and that entrepreneurs need not be professional and need not undergo technical training. They felt that management was a district skill. The remaining 5 stated that technical training was necessary for entrepreneurs also. However two of the five maintained that such training was available only abroad and not on India. Two others maintained that professional training is essential for entrepreneurs and can be imported within the country while the fifth maintained that ED programmes as at
present designed would be sufficient for entrepreneurs to manage their units successfully. The interesting feature of their reply was that those who had received technical education and had work experience insisted that technical education and work experience are essential for good management and success while those who were arts graduates insisted that management skill was quite different and distinct from technical skill and work experience which an entrepreneur need not possess. They insisted on distinguishing between management training and professional or technical training.

6.22 ROLE AND FUNCTION OF ENTREPRENEURS

As indicated earlier majority of the respondents were clearly aware of the role and functions of entrepreneur while the rest had a limited vision of the role of entrepreneurs. However on one aspect of management function they were unanimous. They held strongly and emotionally that they and they alone had the right and the duty to solve the problems of their SSI unit and in fact it is they who took the initiative in solving the problems of their SSI units. How and on what considerations they resolved these problems is detailed below.

6.23 CHOICE OF PRODUCTS

Chronologically, the choice of product becomes the first decision, once an entrepreneur decides to organise an SSI unit of his own. Of the 11 respondents 5 had no specific product in mind. They were technically qualified but were unable to secure any employment. Hence they decided to set up shop as an Engineering unit ready to accept any machining or fabrication
job. Of the remaining 6 units 4 decided to select a product which had good market potential. Of these four units 11 selected a challenging job of developing and producing an independent product of his own. The remaining two did not have to choose a product as one of them joined an ancillary unit as a junior partner and inherited it in due course. The other was working in a large factory and his boss persuaded him to leave the job and set up an ancillary unit and assisted him by supplying machinery and allotting him a specific machining job which he was formerly doing in the factory. From these facts it is obvious that only 4 of the 11 units were required to choose their products, and this they choose on the basis of their profit potential. It is noteworthy that all 11 units work into engineering business as this business has maximum scope at Poona.

6.24 CHOICE OF LOCATION

The entrepreneurs showed a district preference for locations having complete infrastructure facilities. The official incentives proved inadequate to attract them to C and D zones. Out of 11 units 8 decided to located themselves in "A" zone and that too in industrial estates either Government (MIDC) or co-operative. 2 others located themselves in "B" zone because they were ancillaries to a large factory in "B" zone and wanted to be close to that units, that is, their market. Only in one case the choice of site was based on personal attachment of the entrepreneur to a particular location which to like extremely. Apart from availability of infrastructure facilities the cost of land and construction was an important consideration in choosing
the actual site or the shed. The entrepreneurs strived to minimise capital investment in land and building. This was the oversiding consideration in deciding whether to buy a site or a ready shed.

6.25 ACQUISITION OF LAND AND BUILDINGS

The entrepreneurs were highly cost conscious. They were keen to reduce the gestation period so that the unit may start commercial production as early as possible. The preference to acquire ready made sheds in industrial estates was primarily due to this consideration. Also bank finance was secured for acquisition of such ready made factory sheds in the industrial estates. Further the fact that these sheds were sold on installment plan, was a plus factor as it reduced requirement of initial capital. Hence the entrepreneurs exhibited a distinct preference to acquire such ready made factory sheds in MIDC industrial estates.

6.26 ACQUISITION OF MACHINERY

When the 11 SSI units were set up they owned 50 machines. The expansion was slow in in the first 3 years when the number of machines increased by 10% only. Only two units expanded in this period. In the next three years the pace of acquisition was quickened and by the end of the sixth year every unit had acquired new machines and the number of machines owned had doubled. At present the 11 SSI units own more than three times the machines that they owned initially. At present they own 151 machines valued at Rs. 166 lakhs. Thus present they own 151 machines valued at Rs. 166 lakhs. Thus they own on an average 13.73 machines valued at Rs. 15.1 lakhs (see table ). The fact
to be noted is that all units have grown in size. However, the rate of expansion is relatively faster in the case of larger units as they are able to generate larger volume of surplus for capital investment.

6.27 SCALE OF OPERATION AND NO. OF SHIFTS WORKED

As was indicated earlier, the capacity utilisation has improved but only marginally (see table No.2). There units still continue to operate one shift only and none of the units operating two shifts have moved into the 3 shifts class. Of the 3 units still operating only a single shift, 1 attributed it to lack of orders, another to inadequacy of working finances and the third to non-availability of raw material of suitable quality. The units operating two shifts did not face any of these problems. They were reluctant to operate the third shift because they find it difficult to control quality as well as to control labour and achieve reasonable level of labour productivity in the third shift.

6.28 CHOICE OF TECHNOLOGY

Relatively speaking, in the opinion of the respondents, 8 of the units employed very advanced technology, 1 unit employed advanced technology and only the remaining two units needed modernisation and upgradation of technology. The 9 SSI units employing advanced or very advanced technology had sufficient technical expertise internally to solve all their technical problems. Of the remaining 2 units, one depended on a private consultant and the other in a large unit (of whose ancillary it was) for solving its technical problems if any. All the
respondents were unanimously of the view that product
development and diversification are essential to remain
technologically competitive. Five of them were confident that
could successfully undertake product development and
diversification work internally. The other 6 felt that they
needed external assistance in this respect. Surprisingly, they
invariably looked to private sector units for assistance in this
area. None of them felt that government agencies would be able
to help them effectively in this respect. This represents a major
failure on the part of government agencies to inspire confidence
among the SSI unit that they can really render them effective
technical services.

6.29 CHOICE OF PERSONNEL

All the 11 SSI units employed power. 4 of them employed less
than 20 persons and the remaining 7 employed more about than 50
persons, and as such were factories under the factories Act. The
units, by and large, enjoyed industrial peace and good industrial
relations. Of the 11 units the industrial relations were
excellent in 6 units, good in 2 units, satisfactory in 20 per
units and normal in the remaining unit where earlier the
conditions were disturbed. As regards training of workers, the
units generally prefer to recruit and train their own workers. 9
units did so. Even in the case of the other two unit where
skilled and experienced workers were recruited, they were
provided with in-house training before being entrusted with
independent job work. This was primarily to ensure quality
control during the process of production.
6.30 ACQUISITION OF RAW MATERIALS

Material management is an important area of management and profit centre. All the 11 units were conscious of this fact. 4 of the 11 units were ancillaries and were supplied with parts for machining by their principals. The remaining 7 units had an MSSIDC quota but the supplies were irregular, inadequate and substandard. Hence they had to depend upon the open market for their supplies of raw materials. Of these 5 units found that the open market prices were rising continuously and that they were consequently caught in a cost price squeeze leading to erosion of profits. 2 other units have complained that in the case of the raw material required by them, even though the prices were stable, the level of prices was high and hence affected adversely the profitability of the units. The remaining 4 units which were ancillaries had no price problems.

6.31 PROBLEMS OF MARKETING

Of the 11 respondents 2 reported that they had no competition as they employed the most advanced technology. 2 ancillary units reported that they had to face stiff competition in securing orders for high valued machining contracts – one from a large scale unit and another from a small scale unit. All these 4 were ancillary units. The remaining 7 units had to face price competition from other SSI units. To improve their competitive position in the industry the entrepreneurs adopted a variety of strategies. One entrepreneur selected for production a product for which there was no competition. 4 maintained high quality of production to beat competition; 5 tried cost reduction through material management and 1 unit improved labour productivity for
the same end. From the preceding analysis it is clear that SSI units function in a competitive market and cost control must be practiced to gain a competitive edge.

6.32 EXPORTS

At the national level, the SSI sector accounts for more than 35% of national exports. However, in our sample of SSI units only one was engaged in export and the quantity exported was too small and insignificant indicating that export units are not adequately represented in the sample. Nonetheless, even the case study of that single export unit has brought out many important aspects of the problems of such export units. The case study revealed that Government agencies set up to promote exports by SSI units have singularly failed. That the agencies do not have competent staff having expertise in foreign trade. They do not inspire confidence in SSI units that they are capable of helping them. They do not possess up-to-date market intelligence and are thus unable to furnish latest market intelligence to SSI units engaged in exports. Consequently, these units are compelled to rely on private consultants for guidance in export marketing.

6.33 PROBLEMS OF FINANCIAL MANAGEMENT

Out of 11 respondents initially only 3 received financial help from banks. Of the remaining 8, five depended exclusively on owned funds and the other three partly on owned funds and partly on friends and relatives for financing. However, this situation has changed for better. At present, 6 out of 11 respondents are receiving bank finance and balance 5 are operating exclusively with owned funds. This implies that the
five units which were organised exclusively out of owned finance continue to remain self sufficient in finance inspite of rapid expansion of the units. The remaining units are now receiving adequate institutional finance and are no longer accepting funds from friends and relatives. Thus their financial situation has considerably eased, due to extension of institutional finance to SSI Units.

Also over the years the SSI units have become financially more sound and credit worthy. This may be seen from the fact that initially when the SSI units were started 4 unit (which are ancillaries) were financially weak. Of the remaining 7 SSI units 3 were under financed; only the remaining four units were financially very sound and two of them were financially very strong. As of to day none of the 11 respondents are financially weak or unsound. In fact, the financial condition of all the 11 respondents is sound. Of these 11, the condition of 5 is good and 2 is very good.

6.34 PROBLEMS OF GROWTH

The SSI units have many problems to face. But the relative importance of the various problems change over time. The case studies indicated that of the 11 units under study initially 6 suffered from scarcity of skilled labour, 2 from lack of demand, 2 from lack of finance and remaining 1 from non availability of raw material of acceptable quality. At the second stage (after six years of operation) 6 of the 11 units suffered from lack of finance, 2 from non availability of raw materials, 2 from shortage of skilled manpower and 1 from lack of demand. Thus it appears that shortage of finance and not shortage of skilled
manpower has emerged as the main problem of SSI units. Finally at present all 11 units except 1 have problems. Of these ten units, one suffered from lack of demand; another from lack of quality raw material and a third from lack of finance. The remaining 7 units suffered from 2 or more of these three causes. Thus it appears that lack of demand, lack of finance and lack of quality raw material continue to plague SSI units in Pune, increasingly.

6.35 Finally the entrepreneurs' views were sought to ascertain as to what qualities in an entrepreneur contribute to his success. Out of 11 respondent 6 considered hardwork as the major quality contributing to the success of an entrepreneur. 3 others thought that work experience and family connections were important for success. The remaining 2 insisted that availability of finance was the key to success.
Table 1: Distribution of units by No. of machinery owned by them.

<table>
<thead>
<tr>
<th>No. of machines</th>
<th>Initial</th>
<th>Frequency of SSI units</th>
<th>Frequency of SSI units</th>
</tr>
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<tr>
<td></td>
<td></td>
<td>end of first 3 years</td>
<td>end of first 6 years</td>
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<td>current holding</td>
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<td>1 - 3</td>
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<td>6 - 9</td>
<td>-</td>
<td>-</td>
<td>3</td>
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<tr>
<td>9 - 12</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>12 - 15</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>15 or more</td>
<td>-</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>All</td>
<td>11</td>
<td>11</td>
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</tbody>
</table>

Total no. machines 50 55 100 151

Average No. 4.55 5.00 9.1 13.73

Average value (lakh Rs.) 15.1

Total value (lakh Rs.) 166
Table 2: Capacity utilisation by SSI units

<table>
<thead>
<tr>
<th>No. of shifts worked</th>
<th>Percentage of capacity utilisation</th>
<th>Frequency of units</th>
<th>Initially</th>
<th>Finally</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0-33</td>
<td>6</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>33-66</td>
<td>4</td>
<td>4</td>
<td>7</td>
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<tr>
<td>3</td>
<td>66-100</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>All</td>
<td></td>
<td>11</td>
<td>11</td>
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SECTION - III

CASE STUDY OF ORGANISATIONS

6.36 INTRODUCTION

As part of this research study case studies had been made regarding the working of the following organisations:

1. MIDC (Maharashtra Industrial Development Corporation).
2. MSSIDC (Maharashtra State Small Scale Industries Development Corporation).
3. SISI (Small Scale Industries Service Institute).
4. DIC (District Industrial Centre).
5. WMDC (Western Maharashtra Development Corporation).
6. MSFC (Maharashtra State Finance Corporation).
7. MCED (Maharashtra Centre for Entrepreneurship Development).
8. MITCON (Maharashtra Industrial and Technical Consultancy Organisation Ltd.).
9. MCC (Maratta Chamber of Commerce).

The purpose of the case study was to ascertain the views of the "beneficiaries" regarding the working and effectiveness of these organisations. The working of these organisations has been discussed in the following in that order.

6.37 MIDC

Maharashtra Industrial Development Corporation (MIDC) is a government of Maharashtra undertaking. The Corporation set up a regional office at Pune in 1977 the main activities of MIDC are:

(A) General Activities: Development of Land and allotment of industrial plots to entrepreneurs.

(B) Specific activities: (i) Provision of industrial plots;
   (ii) Provision of infrastructure facilities such as roads,
and road lighting, water supply, electricity through MSEB, and telephone connection through P & T department. (iii) Development of Industrial zones for various types of industrial projects in other parts of Poona e.g. Development of electronic zone in "J" block near Poona railway station.

Every one of 11 entrepreneurs were aware of MIDC and its activities. Out of these 11 entrepreneurs 6 had their SSI units in MIDC industrial estate. They indicated that their preference to MIDC industrial estate was primarily due to the availability of infrastructure facilities. One of them added proximity to the market as an additional factor for selecting a site in MIDC area. All these 6 units were satisfied with the services of MIDC and the terms and conditions on which sites were alloted to them. They were quite happy with the supply of water and the water rates which were quite low (Rs.4/- per cft). However, they were not happy with maintenance of roads and lighting of roads. 5 of the 6 units suggested better maintenance of roads while all the six insisted on the need to improve road lighting. As regards electric supply only 2 units were receiving regular supply and the others were unhappy because of frequent power break down. However, they blamed MSEB and not MIDC for this state of affairs but only wanted that MIDC should pursue this matter vigorously with MSEB authorities.

The five entrepreneurs who had selected sites outside MIDC area reported that this primarily because they could save money on purchase of site. Three of them further stated that when they
started their SSI unit, they were located in rural zone and hence enjoyed special benefits.

The MIDC authorities who had also been interviewed claimed that their organisation had done a yeoman's job in providing industrial sites. But for the regulations of water pollution Board, they would have been able to develop and furnish sites for chemical, pharmaceutical and plastic industries. At present such units are not allowed in MIDC area. They admitted that their procedures were time consuming and the load of paper were was quite heavy. None the less entrepreneurs prefered MIDC area because of the excellent infrastructure facilities and the reasonable terms and conditions for allotment of industrial sites. The MIDC land prices are reasonable and the terms of payment are 30% down payment and balance payable over 7 years in seven equal annual instalments payable in arrears. The rate of interest 17.5% on the reduced balance.

The author found that MIDC has an impressive trac record and that its presence was felt and was visible. The entrepreneurs were by and large satisfied by its activities also it was reported that MIDC authorities were highly flexible and responsive to the needs of the entrepreneurs if they were offered suitable inducement. The authorities of MIDC hotly denied these allegations.

6.38 MSSIDC

Maharashtra small scale industries development corporation is a Maharashtra Government under-taking incorporated in 1962. The regional office of MSSIDC was opened in Poona on 1st August, 1965.
ACTIVITIES:

(i) Supply of scarce and/or controlled raw material such as cement, steel and pig iron.

(ii) Marketing assistance and development of Export and Handicraft and Handloom industry.

(iii) Supply of machinery (through NSIC) to SSI units on hire purchase.

(iv) Warehouse facilities.

A case study of MSSIDC revealed that the organisation was well staffed and had adequate financial resources and man-power to discharge its functions. The organisation commenced its market assistance programme in 1970 and its warehousing facilities in 1972, when it commenced storage and distribution of scarce raw material like copper, zine, capro lactum etc. MSSIDC claimed that it is assisting 5.5% all SSI units in Poona and 5% of the SSI units in 1989-1990 MSSIDC extend marketing assistance to 240 SSI institutes, raw material assistance to 280 units. He stated categorically that due to resource constraint it is not possible to assist any more units than at present. In order to utilise its resources more effectively MSSIDC has taken a policy decision to focus on only three areas viz.:

(i) Supply of scarce and controlled raw materials.

(ii) Provision of warehousing facilities and

(iii) Extension of market assistance to export units and handicraft and handloom industry. Consequently it has discontinued such activities as (i) entrepreneur development programmes (ii) Technical training programmes and (iii) technical consultancy services, particularly as
these activities are being taken up by specialised agencies created for this purpose (e.g. MITCON, DIC, and MCED).

The 11 selected entrepreneurs’ views on the working of MSSIDC had been sought. All of them were aware of MSSIDC and its activities and had sought its assistance at one time or another. Of these 2 received assistance and were satisfied with its services. 8 others also received some assistance from MSSIDC but are thoroughly dissatisfied with the services rendered to them. The remaining entrepreneur complained that he received no response whatever from the MSSIDC to his request for assistance. As regards supply of scarce raw material only one entrepreneur had sought and secured assistance and was satisfied with the service. With regard to supply of controlled raw materials, 9 of the 11 entrepreneurs had applied for secured raw materials. They were neither satisfied with the quantity supplied (hardly 10% they alleged), nor the quality (substandard) or the delivery schedule which was irregular and invariably late. The other two had not sought raw material assistance as they did not need this facility being ancillaries receiving components from their principals for machining. The entrepreneurs were particularly dissatisfied with the marketing assistance programme of MSSIDC. They complained (i) that MSSIDC does not pay 90% cash on delivery as promised by them; (ii) that the rate of rejection of material was high and unjustified; (iii) that the paper work and formalities were cumbersome and time consuming.
As regards exports assistance, the only export unit in our sample had very bad experience with MSSIDC. According to the entrepreneur of that unit who is successfully exporting electric hoists, the MSSIDC personnel dealing with exports at Pune regional office have neither the knowledge nor expertise regarding foreign trade. They do not have commercial intelligence on specific items which the unit desires to export and being ignorant, the advice given by them is harmful to the unit in its export drive. The unit is now using the services of a private consultant.

From the proceeding analysis it is obvious that while MSSIDC is active and helps SSI units in diverse ways, on its own admission it is not able to serve the SSI sector on a massive scale. This amplifies that larger resources must be made available to MSSIDC if it is to make a major impact on the SSI sector. Consequently, the decision of MSSIDC to discontinue certain activities and focus on one or two activities only is welcome particularly in the light of the resource constraint faced by MSSIDC. It is note worthy that MSSIDC has a good record in supplying scarce raw materials but a very unsatisfactory record in the matter of distribution of controlled items. As regards market assistance they have had only partial success.

6.39 SISI

The small industries development organisation (SIDO) is a Govt. of India undertaking responsible for:

(i) Formulating industrial policy concerning SSI sector.
(ii) Co-ordinating and monitoring growth and development of SSI sector at the national level and
(iii) Providing extension facilities through field agency, viz. small Industries Service Institutes (SISI).

There is an SISI at Bombay and it opened an extension centre at Poona in 1960. The extension centre at Poona apart from extending technical guidance and services to SSI units at Poona, provides common facility services through a workshop attached to it. The facilities available at present are machine shop, heat treatment, hardness testing etc.,

The Activities of SISI:

(i) Providing Technical Consultancy Services including guidance on selection of machinery, process of manufacture, methods of testing and quality control, and designing, raw materials and on modernisation of the unit.

(ii) Workshop facilities.

(iii) Training programmes for workers and supervisory staff.

(iv) Economic information service.

(v) Development of ancillaries and sub contracting exchanges.

The organisation claims that it has responsibility for promotion and development of SSI units and for providing technical counsel and guidance to them. However when asked, the chief executive was unable to name even a few SSI units who have been bonafited from SISI he was unable to do so.

None of the 11 selected entrepreneurs were aware of the existence of SISI or its workshop. In the light of these facts it appears that SISI is not as yet an effective organisation and that it has been unable to make its presence felt. The SISI extension centre at Poona has 11 employees of which only 4 are
technical. They too did not appear to quite experts. Also the claims of the organisation appear to be too tall in the light of these facts observed by the author and the comments of the entrepreneur owners of SSI units.

6.40 DISTRICT INDUSTRIAL CENTRE (DIC)

The DIC's came into being in pursuance of the Industrial Policy Resolution of 1978, to accelerate industrialisation of rural areas. It is part of Govt. effort to reduce delay in paperwork and the need for SSI units to approach a large number of organisations for different purposes. The DIC has been viewed from its inception as an organization of "single window clearance" of all application by SSI units. Now an SSI unit has to approach only DIC for any assistance it needs and DIC will secure the necessary facilities for the SSI units: whether it is seed capital, bank finance, sanction of raw materials quota, supply of machinery on hire purchase, or export assistance, an SSI unit need approach only the DIC and apply through it to any appropriate agency set up for that purpose. The DIC provides follow up service. The DIC unit at Poona was organised in 1979.

The aims and objectives of DIC are:

(i) To promote industries in backward areas.

(ii) To implement the IPR of 1978, as per guidelines issued to it.

(iii) To promote cooperative industrial estates.

(iv) To act as a "single window" clearance agency for all requests and applications of SSI units.

(v) Registration of SSI units.
(vi) Recommendation of financial institutions to revive since SSI units.
(vii) Sanctionary seed capital to educated unemployed for organising new SSI unit.

According to the authorities of DIC it is successfully implementing the Industrial Policy Resolution (IPR) of 1978 both in letter and spirit. They claim to be very active and are assisting SSI units in all possible manners. They believe that the organisation have proved useful and effective and such is a successful organisation.

Our interviews with the selected 11 entrepreneurs were all its activities. Most of them were reluctant to seen assistance from DIC. Only 7 of them had ever approached them and of these only two were satisfied with the service. Those who had approached as well as those who had not approached were unanimous that the personnel of DIC were neither knowledgeable nor possessed any expertise. They were corrupt and followed delatory tactics. The 7 who had approached DIC had done so because they were obliged to route their application to NSIC for machinery on hire purchase through DIC. 5 of them later decided not to pursue the matter because of undue delay and demand for illegal gratification. The two who persisted because they had no money to buy machines in the open market, ultimately succeeded in securing machinery from NSIC on hire purchase. Our feeling is that before DIC could begin effective functioning, the Janata Government whose brain child it was, collapsed. The new Government did not abolish DIC; Instead it slashed its annual
budged and allowed just enough staff to permit it to function as a regularly agency, registerig SSI units and making recommendation for allotment of scarce material and controlled material quota. With the result the DIC is unable to pursue effectively its other functions.

6.41 WMDC

Western Maharashtra Development Corporation was established by the Government of Maharashtra on 3.12.1970 to encourage development of Industries in the districts of Poona, Satara, Sangli, Kolhapur, Sholapur, Ahmednagar, Jalgaon, Dhule and Nasik. The basic objective of WMDC is to provide self employment opportunity to educated unemployed youth and to promote industrial development of back ward regions in this area. ACTIVITIES:

(i) To provide seed capital to educated but unemployed youth to organise new SSI units.

(ii) To encourage entrepreneurs to set up new SSI units in backward areas classified as B, C, and D zones on the basis of their degree of backwardness.

For this purpose a package of incentives by way of tax benefits had been developed.

According to the authorities of WMDC who were interviewed about the working of WMDC,

(i) it had helped a large number educated unemployed youth to set up new SSI units.

(ii) It had encouraged establishment of new SSI units in backward areas by:

(a) offering package of incentives by way of tax benefits; and
(b) payment of subsidy of Rs. 10 to 20 lakhs to entrepreneurs starting new industries in B, C, and D zones.

(iii) It had participated in the Equity of units considered feasible whenever the entrepreneur requested WMDC to so participate in equity, capital of the unit.

(iv) It helped SSI units declared as "sick" by financial institution, by rescheduling the repayment of their dues so that they will have time to rehabilitate themselves financially. The WMDC, has not been able to furnish names of units which it has helped (particularly sick SSI units); Nor has it been able to advance in time the loans sanctioned by it. They blamed the State Government for this with the remark that Govt. failed to supply funds to WMDC regularly.

Further the WMDC authorities indicated that they have received policy guidelines to give priority to setting up SSI units in backward areas. Consequently they are NOT interested in helping units located in Poona. However, the public is not informed about this policy directive and as such they apply and feel frustrated when their applications are not attended even after a year or two.

Only 6 entrepreneurs from our sample of 11 were aware of WMDC and its activities and had applied to it for seed capital assistance. Of these only 2 applicants succeeded in securing sanction one at the end of 18 months and the other after 36 months. But even in these two cases, even after sanctioning the payment was delayed and further it was not paid in one sum. The
4 pursued the matter for a year and then abandoned it as they were not getting any encouragement from the authorities concretely. As regards application for subsidy and loan for setting up a unit in D zone had selected 4 names from the applications received by WMDC. 3 of them were never sanctioned even though they were eligible for both loan and subsidy in one case even though they were eligible for both loan and subsidy in one case even though it was recommended by DIC, MSFC and MITCON and even though the entrepreneur had brought its Rs. 15/- lakhs of his own and even though he was a skilled worker with experience of working in TELCO, WMDC took long time to approve a loan of Rs. 5/- lakhs only and even that amount has not yet been disbursed even though it is now more than a year since the sanctioning of the loan. Such frustrating experience has discouraged entrepreneurs from Poona.

(A) Approaching WMDC: The author has observed that WMDC is not keen to assist entrepreneurs from Poona city presumably due to a policy guideline issued to it by Government. It is reluctant to assist the Poona entrepreneurs even when they want to start up units in backward areas. It was also observed that there was no proper co-ordination between WMDC on the one hand and DIC and MSFC on the other, and the authors enquiry revealed that WMDC was responsible for this state of affairs. Also WMDC suffered from "Red Tape" and bureaucratic delays. The irregular supply of funds by the state government aggravated the situation further. Hence the entrepreneurs feel that even sanctioning of loan does not necessarily ensure payment. Hence they feel frustrated and
discouraged. The net result is that the cause of promoting industrialisation in backward area suffers. The author feels that the work of WMDC should be look into carefully and remedian action should be initiated by the State Government if they want to encourage SSI units to move into backward region of the state.

6.42 MSFC

Maharashtra State Finance Corporation (MSFC) is a statutory term lending agency incorporated by the Maharashtra State Government in 1951. The Regional office at Poona was established in 1968. The organization is financially strong and has expert and knowledgeable personnel. It operates a large number of schemes for industrial development of backward and developing areas of Maharashtra, Goa, Daman and Div. It also caters to the financial needs of special target groups such as women, self employed professionals like doctors and chartered accountants and craftsmen and artisan in backward and rural areas. MSFC has introduced many financing schemes under the guidance of IDBI and SIDBI. To operate the schemes state wide it has established 9 regional offices and 21 branch offices. The schemes currently in operation are:

1. General Loan: Upto Rs.30/- lakhs for proprietary and partnership firms and upto Rs.60/- lakhs for joint stock companies and co-operatives.

2. Equipment Finance: For expansion, modernisation, Diversification, energy saving, pollution control and balancing equipment.
3. Assistance to doctors and medical practitioners: to acquire sophisticated electro-medical equipments for medical use.

4. Assistance for Quality Control: To SSI and MSI units.

5. Assistance to Ex-Service personnel: For rehabilitation and resettlement.

6. Assistance to Hospitals and Nursing Homes: For land, construction of building, purchase of electro medical equipment, hospital furniture, air conditioners, small generators and ambulance.

7. Single window: To provide both term loan and working finance.

8. Assistance to women entrepreneurs: Cash subsidy for projects, and bride finance on soft terms.

9. Assistance to Restaurants: For land, construction of Restaurant building, and for acquiring ownership premises for restaurant in commercial premises for restaurant in commercial premises and for furniture and equipments.

10. Assistance to Artisans, Craftsmen and Balutedars in rural areas: To encourage self employment and provide working capital.

11. Development Finance: For development prototypes/processes both for existing and new units.

12. Modernisation: For upgradation of technology, for improved productivity in quality and quantity.


15. Assistance for purchase of mobile sales vans: To be utilised exclusively for storing, display and sale of products of cottage and village industries.

16. Assistance for marketing: For setting up new sales outlets and or for industries renovation/expansion of existing sales outlets of existing units for marketing products of cottage and village industries.

Thus MSFC is operating state wide, a wide range of programmes of financial assistance. In addition, it organises entrepreneur development programmes (EDP's) and organises rehabilitation schemes for sick SSI units. During the year 1989-90 MSFC extended financial assistance to 232 units; of these 178 were sanctioned loans and the loans too were disbursed all within a period of 12 months from the date of assisting sick units in a big way and claims that it will be successful in rehabilitating at least 30% of the sick units. They could do more but for resource constraint (finance).

Out of our sample of 11 entrepreneur owners of SSI units 4 had availed themselves of the MSFC financial assistance. The remaining 7 did not care to approach MSFC as they were fully convinced that commercial banks offered better and prompt service while the MSFC was ridden with bureaucracy, red tapism and cumbersome and time consuming procedures. The 4 units were satisfied with the terms and conditions of finance which are highly favourable to SSI units. They also feel that only MSFC sanctions loans on priority basis for new units coming up in backward area and the single window approach ensures prompt
sanctioning of loans both term loan, working finance, and soft loan for equity. Further the case studies of entrepreneurs revealed that they had high expectations from MSFC.

The 4 entrepreneurs who had benefited from MSFC financial assistance have made the following suggestions to improve the effectiveness of MSFC:

1. Must cut down red procedural delays, undue paperwork and ensure prompt sanctioning of proposals.
2. Must increase the quantum of financial assistance of different types e.g. term loan, working capital finance, equity finance, modernisation loans etc.
3. Should modify eligibility conditions for beneficiaries so that a larger number of units may become eligible for the benefits.
4. Should extend financial support to private institutions and agencies conducting EDP's instead of conducting such programmes themselves.
5. They too must operate a scheme for educated unemployed to set up new SSI units.
6. Must extend greater help and assistance to export units.

The seven entrepreneurs who had not approached MSFC for any assistance had the following comments to offer about MSFC working.

1. The ceiling limits on financial assistance are too low and must be raised.
2. They must accept responsibility and ensure proper coordination between DIC, WMDC and MSFC so that application from SSI units are promptly cleared.
3. They should cut down red tapsim, bureaucratic delays, cumbersome procedures etc and ensure that all applications for financial assistance are promptly cleared.

Based on the study of the working of Regional office of MSFC at Poona, the author has the following comments to offer about its working:

1. The MSFC is truly offering a wide range of programmes of assistance.

2. There is inordinate delay in sanctioning proposal resulting in great dissatisfaction among beneficiaries regarding the working of MSFC. MSFC is fully aware of this situation and admit that commercial banks do provide prompt and better service. However they blame DIC and WMDC for delay due to non coordination as well as non cooperation. This is true to a large extent.

3. Mr. Yadav of MSFC stated that MSFC can sanction proposal more promptly if power is decentralised and regional managers/branch managers are invested with powers to sanction loan. With centralisation of power as at present, paper were and delays are inevitable. The author agrees with this view and suggests that greater decentralisation of power be introduced in MSFC.

4. The MSFC has done a good job in providing relief as well as in rehabilitating six units. They feel that they can do a better job if more funds are made available for this purpose. This should be tried as it is desirable to revive sick units. Also the rehabilitation programme will prove
more effective if there is proper coordination between MSFC, the WMDC and the commercial banks and if they all stick to RBI guidelines for reviving sick units.

5. From the preceding analysis it appears that "Single Window" approach to rehabilitation of sick units may prove more fruitful.

6. Inspite of its red tapsim and delays, the MSFC has played and is playing a vital role in promoting SSI units. Hence larger funds should be made available to it and also its procedure should be streamlined. Deentralisation of power would go a long way in improving the situation.

6.43 MCED

Maharashtra Centre for Entrepreneurship Development is an organisation jointly sponsored by MIDC, MSSIDC, SICOM, MSFC, MITCON and MELTRDN and established in 1987 with Aurangabad as its head quarters. The regional office at Poona was established in October 1988. MCED's main objective is development of entrepreneurship.

AIMS AND OBJECTIVES:

(1) Conducting entrepreneurship training programmes.
(2) Spreading entrepreneurship culture.
(3) Conducting research in entrepreneurship and
(4) Disseminating information on all aspects of entrepreneurship development.

ACTIVITIES:

To achieve these aims and objectives, the following types of activities have been undertaken:

1. Entrepreneurship Development Programmes.
2. Entrepreneurships Awareness Camps.
4. Management Development Programmes.
5. Programmes for overcoming sickness in Industries.
6. Publication of literature or entrepreneurship.
7. Organisation of seminars, workshops, discussions and exhibitions.
8. Industrial data bank.

The MCED claims that it has so far conducted 65 executive development programmes whether full time or part time. The full time programmes are of 6 week duration with 18 hours of work per week while part time programmes are of 12 weeks duration with 9 hours of work per week. So far nearly 2000 entrepreneurs have participated in these programmes. The success of the programme may be judged from the fact that 40% of the participants have subsequently started their own SSI unit. The Poona regional unit is as yet too young and had too little time to operate.

Hence it is premature to assess its operation or effectiveness. None the less the author requested the regional manager of MCED at Poona to introduce him to some of the participants. The following 3 participants were thus contacted and their views and comments were noted.
1. V.K. Jagtap B.Sc. (Physics).
2. K.H. Dixit B.E. (Mechanical) and
3. Kumar Kulkarni as undergraduate.

Of these three Kumar Kulkarni who was not fluent in English expressed through satisfaction with the EDP conducted by MCED.
Mr. Kulkarni, who is currently an employee of Garware Nylons, Poona has already acquired an industrial site near Aurangabad to set up his own SSI unit.

Mr. K.H. Dixit, B.E. (Mech.) is also fully satisfied with EDP. He feels that initially he did not know a thing about SSI business and that he has learnt a lot through MCED’s entrepreneurship development programme. He is planning to set up an SSI unit of his own with financial assistance from his father in law who is very rich. Mr. V.K. Jagtap a graduate of Physics claims that through the EDP programme he has acquired knowledge about marketing, finance and management of SSI units. However he is not yet ready to face the risk inherent in entrepreneurship. He feels that he should learn to face risk and compete successfully in business before entering business. He wants MCED to import training in these aspects and this supplement the training given through EDP’s.

Though it is too early to judge the working of the Poona regional office of MCED one is impressed by its activities.

The regional office has excellent, knowledgeable and experienced staff. The climate in the office is pleasant and optimistic. The participant feel that they have gained valuable knowledge. Many are inspired to start their own units. We therefore conclude that this organisation holds great promise for the future, as it is working on the right lines and in the right spirit and with exceptionally competent staff.

6.44 MITCON

Maharashtra Industrial and Technical Consultancy Organisation Limited (MITCON) is a state level technical
consultancy organisation, operating in the states of Maharashtra and Goa Daman - Div. MITCON was organised primarily to provide quality consultancy services to industrial undertaking, large or small and private, public or cooperative.

Promoters: MITCON was promoted by three premier national financial institutions - IDBI, ICICI and IFCI who together hold 51% of the paid up capital MITCON. The remaining share capital of MITCON is held by MIDC, MSSIDC, SICOM, the Regional Development Corporations of Konkan, Marathwada, Vidarbha, Western Maharashtra and 8 leading public commercial banks, viz. SIB, BK of India, Central Bank of India, Dena Bank, Union Bank of India, Bank of Baroda, Bank of Maharashtra and Canara Bank.

ACTIVITIES:

1. Project/product identification for new investors.
2. Preparation of project profiles - to offer a choice of alternative projects to would-be entrepreneurs.
3. Conducting Market survey: To establish market feasibility in Indian market conditions.
4. Preparation of Techno-Economic-Feasibility Reports (TEFR): which cover capacity selection, selection of plant and machinery, finalizing suppliers, deciding manufacturing process and testing and quality control methods, raw material sourcing and specifications, assessing the technical feasibility and economic viability of the project and necessary finances from the financial institutions.
5. Modernisation of existing units: MITCON helps old industrial units to modernise by using latest equipment,
methods and materials.

(6) Special Projects: MITCON assists government departments in formulation of industrial policies, conducting area potential surveys, and establishing common testing centres and too rooms.

(7) Training: MITCON conduct training programmes for industries imparting latest management and technical know how to them.

(8) Technology Transfer: MITCON facilities small and medium scale industries in locating a technology transferor and also helps them to assimilate and absorb the technology. Similarly MITCON also helps the technology transferors to locate the right partner in India.

MITCON has the necessary human resources to shoulder these multifarious activities. It has a competent team of technical, financial and marketing experts who are specialists in their respective areas of expertise. Further, whenever necessary MITCON can draw expertise from a vast pool of experts working in industries to meet the specific requirements of an assignment.

MITCON has its head quarters at Pune in Maharashtra the leading industrial state of the Indian Union.

MITCON has assumed the important role of technology transfer in the sense of reaching the latest in the field ro recipients who are well prepared to receive and reap benefits from it.

MITCON is particularly well placed to help foreign companies locate a suitable partner in India and facilitate technical collaboration and technological transfer.

MITCON not only possesses the necessary human resources but also other infrastructure facilities to function successfully
as a technical consultant "Par excellent".

Thus it has following facilities available to it.

1. Client co-ordination centre - to receive clients and ascertain their specific needs.

2. Training Centre : where facilities for conducting short and long duration training programmes all round the year.

3. Communication centre : well staffed and equipped office for prompt and effective communication.

4. Information service centre : MITCON has a modern well managed library having 2000 volumes of reports, directories and hand books and references indexed and stored for easy retrieval. Detailed socio economic and industrial profiles of every district in the region are available in the library. Also documentation service is available to keep the constants and the clients well informed.

5. Computer services and data processing centre : Software packages for financial appraisal of (i) Techno Economic Feasibility Reports (ii) Sick unit rehabilitation report, (iii) Modernisation reports, as well as for accountancy and costing have already been developed. Also training in operation of Data Terminals of the National Information Centre (NRC) is in progress.

Consequently MITCON can provide expertise and services as detailed below :

1. Data Bank, Documentation, Library Information.

2. Computer Software in many areas.

3. Marketing survey and assistance.
4. Productivity and quality improvement.
5. Financial analysis and review.
6. Human resources; management and development.
7. Energy audit and conservation.
8. Counselling and advice; problem solving and motivation.

MITCON authorities claim that they are conducting training programmes for entrepreneurs both male and female. Separate programmes are conducted for male and female entrepreneurs. Between 1984 and 1988 MITCON has trained 601 male and 94 female entrepreneurs by conducting 27 programmes for males and 25 programmes for females. MITCON claims that it has the capacity to render technical services to any number of units provided they accept the terms and conditions of service specified by MITCON. During the year 1989-90 MITCON assisted 175 small scale industrial units. A survey of 11 entrepreneur owners of SSI units showed that 7 were unaware of its existence and activities. Only 3 units were aware of MITCON but not of all its activities. None of the 11 had approached MITCON for consultancy or training or technology transfer. They felt that MITCON was not suitable for serving SSI units and should hence concentrate on serving medium scale industrial units. They also felt that, if at all, MITCON can guide prospective entrepreneurs to set up new units and not existing old units. They commented that perhaps they would have benefited from MITCON if its services were available to them before they started their own SSI units. They felt that MITCON may serve SSI units usefully if it were entrusted with the job of distribution of scarce and controlled raw material.
The author had detailed discussion with Mr. Ranade – the MG. Director of MITCON. He learnt that the teaching faculty of MITCON were all alumni of the ED/I-I located in Ahmedabad a pioneer institute in the field of entrepreneurship development. The organisation has expert and efficient staff oozing self confidence. Morale of the staff is high.

MITCON has been rendering excellent service to the industry but its focus is on medium scale industry rather than SSI sector. This seems to be due promarily to the fact that SSI units cannot afford the high priced services of MITCON. Hence the SSI units have not been benefited by this organisation and are unwilling to utilise its services.

6.45 MCCI: The Maharatta Chamber of Commerce and Industries.

(MCCI): The Maharatta Chamber of Commerce and Industries.

(MCCI), Pune was established by the late A.R. Bhat, the doyen of Small Scale Industry, in the year 1934. It is one of the oldest as well as a prominent regional chamber of commerce.

AIMS AND OBJECTIVES: The aims and objectives of MCCI are:

1. To promote, advance and protect trade, commerce and industry in Maharashtra and in India.
2. To encourage and assist people in Maharashtra to take up and pursue industrial and commercial occupations.
3. To strive to develop entrepreneurial abilities.
4. To watch over, protect and promote the general commercial and industrial interest of Maharashtra and India.
5. To promote friendly feeling and unanimously among the business community.
6. To consider, and formulate opinions and proposals and actions upon all questions, connected with trade, commerce and industry and support or initiate necessary action in connection therewith.

ACTIVITIES:

(1) Ventilating Grievances of members.

(2) Representing and protecting the interests of members.

(3) Promotional activities.

(4) Extending Training facilities.

(5) Extending numerous facilities and services to the members.

PROMOTIONAL ACTIVITIES:

From its very inception, the chamber has undertaken a number of promotional activities e.g.:

(i) In 1934 it promoted Bank of Maharashtra to finance trade and industry;

(ii) In 1959 productivity Council was promoted to create productivity consciousness both among industrialists and industrial workers.

(iii) In 1961 Maharashtra Commerce and Industries Rehabilitation Society was set up to help industrial units affected by natural disasters and calamities.

(iv) In 1972 an Electronic Cooperative Industrial Estate was established on Satara road and 42 engineers were set up in business in 42 ready built sheds.

(v) In 1974 a new industrial estate was established at Ramtekadi in Hadapsar on a plot of land 135 acres in size and 200 industrial plots were developed and allotted to small entrepreneurs.
(vi) In 1982 the chamber promoted Pune Stock Exchange Ltd. The chamber is currently promoting two project viz.:

(i) Setting up an organisation to set up an International Trade Fair Complex near Pune.

(ii) Setting up a new industrial estate for SSI units which are displaced from the non-conforming zones of Pimpri, Chichwad, and Bhosari areas. This proposal is being worked out with active assistance and cooperation from PCMC and MIDC.

From the foregoing it is clear that the chamber has rendered valuable service to the business community and has emerged as a very effective and active regional chamber of commerce.

TRAINING PROGRAMMES:

The chamber organises 15 to 20 training programmes every year to keep its members up to date with business information and management techniques. The chamber organises every year two part-time courses of 3 months duration each one for "small industry management" and another for "International Trade". In addition a number of short term courses are conducted in various functional areas of management such as industrial relations, industrial safety, business law, export procedure, excise law, sales tax, import licensing etc.

FACILITIES AND SERVICES:

The chamber offers a wide range of services to its members e.g. It has export teams which advice members on custom, excise, import and export, labour and employment, industrial engineering, translation from and into foreign languages,
electronic data transmission, telex and telefax services and latest information on government policies and programmes. In addition, the chamber maintains a well managed and up-to-date reference library which is recognised as a search centre by the Indian patent office and as a depository library by international organisations like World Bank, International Trade Centre, GATT, UNIDO, Asian Development Bank etc.,

The case study of entrepreneurs brought out some very interesting facts. To begin with the chamber is a very well known and well-published organisation and as such all but one of the 11 entrepreneurs interviewed were aware of its existence. 2 of them are its members. The other 8 know about the chamber but not about its true role and functions. They are thoroughly dissatisfied with it because the chamber does not fulfil their expectation and does not play the role that they want it to play. The entrepreneurs think that the chamber should act as a sort of trade union and fight to protect the interests of SSI units. Inspite of their approach to the chamber, they claim that the chamber failed to act -

(i) To remove scarcity of raw materials.
(ii) To secure financial assistance for SSI units and
(iii) To act against large scale units who were making delayed payment to their ancillaries.

They also demand that the chamber should help all SSI units irrespective of whether they are members of the chamber or not. They also felt that the chamber and its facilities are meant for bigger units and not for SSI units. They also allege that the training programmes are not useful for existing units but may be
useful to prospective entrepreneurs.

From the foregoing it is quite obvious that the entrepreneurs have clearly no knowledge of the role of a regional chamber of commerce. They fail to appreciate that it is not a trade union type of organization and that it has to work for its members only. Non-members benefit from it when it promotes banks, industrial estates etc. or when it persuades banks, industrial estates etc or when it persuades Government to follow a more liberal policy of assistance towards SSI units. The chamber acts in the general interest of the SSI sector and does not hold brief for individual SSI units. Nonetheless it has used its influence with banks and bureaorate to help members units. The grouse of entrepreneurs is that it must render similar assistance to all SSI units whether members of the chamber or not. They were also opposed to classification of some industries as "village industries" because of their location in villages. They were pique at the thought that an entrepreneur owner of a village industry who moves into a nearby small town for the education of his children would lose the status and benefit of "village industry" simply because his unit is no longer located in the village. This appears strange and illogical to them. Further all the entrepreneurs were unanimously of the opinion that whatever the definition of a small scale industrial unit it should be such as to enable maximum number of self employed persons engaged in trade and/or industry to be eligible as beneficiaries for programmes meant for promoting and assisting SSI units.
The entrepreneurs were fully aware that it was very difficult to face competition from large scale factory sector which was financially strong and technologically more advanced and better equipped and manned. They had a number of strategies to face competition. They are:

1. Select a product which has such a limited market that it is uneconomic for a larger unit to manufacture it. Two units which produced their own proprietary product followed this strategy.

2. Select a machining operation requiring highly sophisticated machinery and install the requisite sophisticated machinery to securing machining contracts from larger units either as ancillary or otherwise. This strategy reduces competition from other SSI units which are incapable of investing in such sophisticated machinery. 4 units in our sample had adopted this strategy.

3. All the units were unanimously of the view that the policy of the government in reserving certain items for exclusive production by SSI units as in textile industry. However, they regretted that no such reservation of items has been made in the case of
6.46 During the course of the case studies, apart from canvassing two structured questionnaires, the entrepreneurs were invited to express their views and opinion on the following four policies issues of great interest to SSI units. They are:

1. Definitions of an SSI units.
2. How SSI units can be strengthened to face competition from large scale factory sector?
3. What form of constitution is most suitable to SSI units particularly from the point of view of raising resources?
4. Should SSI sector be considered as a homogeneous group and if so should a uniform and common package of assistance/incentives be offered to all the SSI units?

The views and opinions of the entrepreneurs as expressed to the author have been classified and presented in the following.

6.46 DEFINITION OF AN SSI UNITS

The entrepreneurs were fully conversant with the fact that an SSI unit may be defined in many different ways e.g. on the basis of size of labour force employed, amount of capital invested, Annual value of sales/turnover, quantity of annual output (tonnes of steel/year) etc. However they also realised that an objective and easily measurable yardstick should be employed to define an SSI unit so that it can easily be identified as a beneficiary. Under various Government programmes. They thought that capital invested in plant and machinery was a good and easily measurable yardstick for defining an SSI unit. However, the entrepreneurs were opposed to a single uniform
definition for the whole country. They feel that cost of land and plant and machinery vary so widely it is unjust and unfair to set the same thresh-hold limit on capital invested in plant and machinery for all states and regions of a vast continental sized country like, India, Engineering units. Otherwise these units would have chosen such reserved item for production. As it is they are required to complete with larger units.

4. Where capital is divisible, an SSI unit can adopt the same equipment and technology as a large scale factory unit and as it had less overhead costs, the SSI unit could complete successfully with a large scale factory. 3 units in our sample had adopted this strategy. Further to avoid competition they decided to become ancillaries.

5. The remaining 2 units had adopted the strategy of marketing cheap substandard product to eliminate competition by large scale factory units who produced high priced quality products.

Thus all the 11 units had worked out their own strategies, for overcoming competition from large scale factory units.

Commenting on Government policy in this respect the entrepreneurs expressed the view that:

1. Policy of reservation of items for SSI sector was good and should be continued.

2. The policy of preference in purchases by Government agencies is also good and should be continued.

3. The policy of 15% price preference to purchases from SSI units has not worked out satisfactorily in practice. This
policy should be reviewed and revised so that it may work satisfactorily.

4. The SSI units should be strengthened so that they may complete successfully with large scale factory sector. This can be done by supplying them with quality raw materials and scarce raw materials in adequate quantity and at controlled prices and by helping them in modernisation and in upgrading of technology.

5. Ancillary policy is good and has led to rapid expansion of the SSI sector. However, certain malpractices by the principal unit such as delayed payments and unduly large rejections must be corrected to ensure smooth and trouble free functioning of ancillary units.

6.48 CONSTITUTION APPROPRIATE TO AN SSI UNITS

Out of 11 units in our sample 1 were partnership firms and 2 were private limited companies. However all the 11 entrepreneur owners of the unit think an SSI unit should be properly speaking a proprietary concern. They stated that only in special circumstances partnership form should be preferred. These special circumstances may be:

1. Proprietor is unable to raise the necessary financial resources and hence needs a financing partner.

2. Proprietor is an non technical person and needs a technically qualified and experienced person as a partner to look after production.

3. The proprietor feels that the unit has grown so large that he needs a partner to help in the management of the unit.
Otherwise the proprietary form is the most preferred constitution. The units who are private limited companies were registered as such from their very inception. This was not because the entrepreneur thought it to be a more appropriate constitution but because the banker whom they had approached with their bank proposal insisted that they register the unit as a private limited company. In fact, they are not too happy with the constitution and feel that they are unnecessarily required by law to send numerous annual returns, get audited by a chartered accountant and subjected to many other legal formalities which would not be necessary if they had been a proprietary or a partnership firm.

They however expressed the view that often financing partners and friends and relatives who are normally willing to help the unit financially are afraid of the partnership form as even the sleeping partners are jointly and severally liable for all the partnership liabilities and that such liability is unlimited. They wish that the liability of the managing partner/partners should be limited. If this is possible and it is not possible as per law such a partnership would be an ideal constitution for the SSI units.

6.49 HOMOGENEITY OF SSI SECTOR

At present SSI units are not considered in law, to be a homogeneous group. They are at present divided into 4 broad classes as "tiny", "village industries", SSI units and ancillary units. The issue is whether it is desirable to differentiate them in this fashion and if so to what purpose. The entrepreneurs were unanimously of the opinion that the SSI sector should not be
treated as a homogeneous group. Instead they have suggested following 4 way classification:

1. Tiny Sector: Very small family units manufacturing traditional items using conventional techniques. The purpose is to provide decentralised job opportunities for craftsmen, handicraft workers, balutedars etc whether in rural or urban areas.

2. Cottage industries sector: The industries presently covered by the Khadi and Village Industries Commission but operated at home by family units whether in rural or urban areas.

3. SSI Units: Industrial units engaged in trade, commerce or industry using modern machinery and power with a ceiling on the amount of capital invested in plant and machinery.

4. Ancillary Units: These are SSI units manufacturing or machining for larger units, either mainly or exclusively. The problems of these 4 classes of SSI units are different and the purposes are also different. The object of ancillary units is to bring harmony between the factory sector and the SSI sector. And the problem of SSI units is primarily to generate employment and to utilise local resources - capital, raw materials, manpower etc. more fully. Consequently, it is necessary to differentiate them from each of the and evolve a separate passage of assistance and incentives suitable to them.

6.50 COMMENTS OF THE AUTHOR

In respect of all these issues the author found the views of the entrepreneurs both refreshing, sensible and useful and
heartily endorses them. In view of the stated opinions of entrepreneurs on these major issues of policy the author feels confident that the entrepreneur owners of SSI units has much cause for satisfaction as the new policy appears to have adopted a tone similar to their own.