CHAPTER I

INTRODUCTION, HYPOTHESES AND RESEARCH DESIGN
India today is amongst the less developed nations of the world. This is true in terms of the per capita national income, and many of the other economic percentage used for such classifications. India takes 102nd place among the 122 countries listed in regard to per capita income in the latest World Bank Atlas on growth rates and population. With a population of fiftyfive crores and an area of 3.3 million sq. kms., India, it must be remembered, is not a country like France or Germany, but a large sub-continent.

Only a few centuries ago, India was amongst the technologically advanced geographical areas of the world; standards of living in India compared well with those existed anywhere else. In many areas of science and technology, India's contributions and status were well recognised. It is over the past three centuries or thereabout that this country has fallen behind. There have been during this period the spectacular developments in science and technology which originated in the West with the Industrial Revolution, and which have led to the almost dizzy advances that we almost expect everyday.
now—in the areas of atomic, special, electronic, chemical, geophysical, agricultural and medical sciences. We, in India, could not make any break-through on any scale into these new horizons due to our internal feuds and the subsequent Colonial Rule.

**About Small scale Industry**

It is a fact very widely known that small industries with their chief merits of low-capital intensity and dispersed location, constitute an important segment of the industrial structure of the economies not only of developing countries like India, but also of affluent countries like the U.S.A. and Japan. Considering their far-reaching contribution to the national economy, it is but natural that small industries in India have been assigned the dual role of accelerating the rate of industrial growth and of attaining the much-needed social objective of decentralization of economic activity. Growing recognition of these facts has stimulated interest in the problems of promoting and developing prosperous small industries, but the future pattern of development of this decentralized sector of our economy has not as yet received significant attention as systematically as it deserves to.

**Ancillary development**

The development of ancillary units has opened new vistas for planners, researchers, managers and productivity consultants not only from the purely productivity
point of view, but from the wider scope of attaining a number of socio-economic objectives. They have found it to be a useful tool for generating spread effect in an area, as well as for having a spiral effect in employment generation, through the development of ancillary units associated with a large scale unit or group of large scale units in an industrial belt.

A real significant dimension is that it reduces the production headaches of a large scale manufacturing unit. A large scale unit requires a number of spares and components and it is obviously not physically possible for it to focus attention on the production of all these minor parts and at the same time manufacture the main products. It is, therefore, in the interest of a large scale unit to devote attention to its main production process and sub-contract minor parts to the ancillary units. This would obviously increase productivity of large scale units and in the process would improve the quality of the end-product, as the present firm would have the time to devote its energies to the production of critical parts of the end-product. Even in developed economies, the dependence of large scale units on ancillary units has been found to be inevitable.

In India there is a variety of large (public and private sector) undertakings. There is also a wealth of technological, technical and entrepreneurial talents available. In spite of all this, it is sad that we have our
finest expendable resource idle. I am referring to the unemployed educated engineers for whose development, the nation has already spent hundreds of millions of rupees. Many of them are burning with enthusiasm; given the opportunity of ancillary entrepreneurship, they can join us in taking the nation to the levels of productivity higher than that of the five year period of 1960-65 (9% growth rate) and may, perhaps bring it to the level of the growth rate of the capital goods industry during the same period which was over 25 per cent per annum. One basic condition for their proper development is a radical change in the attitude of the large scale undertakings. Organizations like the Bureau of Public Enterprises—and of course the Government—can be instrumental in causing this change. This is imperative if ancillaryisation is to acquire the dynamics of a movement, in the overall interest of the country's development.

The Changed Indian Environment

Major trends of change have emerged in the recent past which might continue in the years to come:

(a) Modern state: from the pre-Independence function of revenue collection and control, the government is becoming a primary generator of wealth through ownership of production and trading facilities. This is leading to continuous changes in government policies affecting the operation of the entire economy. The concept of modern state in India has taken up two major responsibilities on itself:
(i) To stimulate and regulate economic growth on a balanced basis among the various sectors.

(ii) To correct regional and sectoral imbalances in development.

(b) Planning: More and more of planning from the base level with increasing participation from all the agencies concerned.

(c) Age of the people: This is the age of the people and so numbers count. The common man is demanding an increasing share in income and wealth.

(d) Authority: Authority associated with conventional hypotheses is losing its power to influence and get things done.

(e) Leftist trends: Trends towards the left in ideological thinking which are affecting all aspects of economic life, social and political policies, actions and behaviour of people and organisations, are fast appearing.

About this enquiry

Every second person we meet today talks of at least one of the following:

(1) The changed Indian environment

(ii) Ancillary enterprises

(iii) Management skills

(iv) Small scale industry entrepreneurship

(v) Appropriate technology

(vi) Management consultants
The present enquiry relates to all the six mentioned above.

The issue, therefore, was to study some of the management problems of small scale industry enterprises with special reference to ancillary enterprises in the changed Indian environment with the objective of creating and maintaining a suitable environment for small industry development, particularly the ancillary enterprises, and to see them grow into a vigorous and self-reliant sector in the future set-up of the economy. Naturally, if the sector is to survive as a veritable ferment for a socio-economic revolution in the country, there is an urgent need to evolve a well-conceived, but long range development strategy. The present thesis is the result of an attempt to examine some of the hypotheses in this connection.

The whole approach has been split up into eight chapters. These are:

Chapter I: Introduction, Hypotheses and Research Design
Chapter II: Small Scale Industry—Some Problems and Perspectives
Chapter III: Ancillaries—Analysis of Developmental Problems at Macro and Micro Levels
Chapter IV: Managerial Skills & Techniques and Their Application
Chapter V: Creating New Entrepreneur-Managers
Chapter VI: Appropriate Technology
Chapter VII: Management Consultancy Services
Chapter VIII: Summary of Findings and Recommendations
Immediately after chapter I (which deals with introduction, hypotheses and research design), chapter II provides some background and perspective for the problems dealt with in later chapters. To understand the growth of small industry movement in India in its proper setting, a few very fundamental aspects have been discussed which are like: what is a small scale industry unit; why small scale industry; India's basic policy towards small scale industry development; role of development agencies; analysis of major trends regarding small industry development.

The next chapter, i.e. chapter III deals with ancillaries. In addition to discussing the need of ancillary development, some of the important aspects discussed in this chapter are: experience of developed and developing countries; extent of ancillary development in India; fostering ancillary estates around public sector undertakings; explorative analytical study of the functional relationship between ancillary units and parent/client organisations; proposed legislation; subcontract exchanges; responsibility of enlightened private groups. The hypotheses in this connection were: though most large industry enterprises realise the need to develop ancillaries—and equally well prospective entrepreneurs are available for developing ancillary units around the large undertakings—yet, not much is happening—so, there must be some strong barriers which must be explored; though the large organisations claim to be doing a whole
lot for developing small industry enterprises, really speaking, they are not doing anything very much helpful; sub-contract exchanges can play an important part; and the enlightened private groups (associations, individuals, etc.) can play a meaningful role in developing ancillaries.

Chapter IV which deals with managerial skills and techniques and their application, discusses creation and development of managerial skills; application of management techniques and attitudinal gap in small industry management. The approaches used for this chapter are both quantitative and impressionistic. The hypothesis regarding management development and the application of management techniques in the small industry sector was that though training is one of the most important management components, it is greatly ignored and as a result of it, the application of management techniques also is at a very low ebb.

The next chapter (Chapter V) deals with creating new entrepreneur-managers. The main hypotheses were: whereas it is important to train the existing small industry managers, it is at least equally important that some effort be made to ensure that the new small industry units which come up are entrepreneurised by well-qualified technocrats; though a lot of money is being spent by the Government in training young managers in entrepreneurial development, yet the results are poor, since not very many of them start their own enterprises after this training; some of the organisations like the Indo-American
Society, Bombay, by conducting this entrepreneurial development programme for more mature men and women (and by charging them, rather giving them stipends—the Government give a stipend of Rs. 250/- per month), have indicated substantially good results; some autonomous professional organisations like NITIE could play an important role. This chapter examines how far those organisations have been successful.

Closely relating to the preceding chapter is the concept of appropriate technology as a management problem. In view of its importance, an effort has been made to deal with this subject in a separate chapter, i.e. chapter VI. It not only highlights the meaning and the need of appropriate technology, but also shows how it is a national concern to tackle this problem. This chapter also gives some illustrative practical cases from India's small industry development. Lastly, this chapter recognises a definite plan of action to be taken by the Government of India.

Management consultants have a meaningful role to play by bringing to small manufacturing enterprises not only fresh viewpoint, but also professional management/systems expertise. Chapter VII deals with these management consultancy services, which could be possibly available from good consultants. The hypotheses in this connection were: very few (rather nominal) small industry units are
using the professional management consultancy services;
most of them were not using the consultants mainly because
they were not knowledgeable about the management consultancy
profession; most of the user small organisations preferred
hiring consultants from non-profit institutions; main con-
sideration weighing on the client regarding the choice of
consultant was books or articles published or lectures
delivered by the consultants; most of the consultancy
assignments were rather of a short duration; consultancy
fees were viewed as too expensive by the clients; most of
the clients were unsatisfied with the consultancy services
received by them; and out of the consultants in the pro-
fession, a negligible percentage of them was rightly quali-
fied to do the job.

Chapter VIII is devoted to Summary of Findings and
Recommendations.

Collection of data

Facts form the basis for any study. Obviously,
factual information, from the past and the present, should
form the necessary foundation for the type of work undertaken
by me. Thus, to begin with, a sincere effort towards this
end was initiated by examining the various books, periodicals
and articles (more especially of the past three decades or
so available on the subject). **I want to make it particularly

** Fortunately enough, I have been closely associated with
with the SSI management movement in India since 1957—
starting as an Assistant Director and later as Deputy
Director (Management Training & Consultancy Services),
before moving to NITIE.
clear that data on an all-India basis covering different aspects of small industry development are completely lacking, though a chain of organisations both at the central and the state levels has been established to tackle the diverse problems of industries, it is unfortunate that either the data are not available in a very haphazard and diverse fashion apart from being very much out of date. Not very many studies have been done in India—and those done tackle the hackneyed problems like marketing, finance and so on and not the ones enquired into, in this thesis. Hardly any researcher in India has so far done to project the problem empirically, starting with data systematically acquired by scientific observation or from a sizeable cross section of the small scale industry sector. Out of the studies done so far, nearly all were regional and often restricted to city or district or a group of towns only. Futility of data has thus willy nilly driven me to rely upon the secondary sources comprising government agencies, writings of recognised specialists in the field and publications brought out by professional agencies (both national and international). However, to add an extra dimension to the present study, field investigation through personal interviews with the managers of the industry was resorted to. Further, mail enquiry was pressed into service. It was not only one questionnaire used for studying different problems enquired in this thesis; on the contrary, different
kinds of questionnaires were used, since the problems studied are quite a few and have been done from many angles.

One glaring weakness regarding the frame of names and addresses of small scale units maintained by the State Directorates of Industries is the inclusion of a sizeable number of units which has gone out of existence over the years. Not much attempt has been made by them to identify these units. Often enough, small units change their addresses, lines of manufacture, ownership, etc. which are not properly accounted for, thus leading to the appearance of the units twice or thrice in the list. There were instances, wherein many units not falling under the purview of small scale sector were on the lists of the directorates of Industries. Further, many a ghost unit has made inroads into the register of the Directors of Industries. All these difficulties were relatively more pronounced in respect of the unorganised sector (i.e. those not registered under the Indian Factories Act).

The Indian experiment to develop a viable small sector has become an object-lesson to many a developing country. Even the developed countries are keenly watching the silent revolution that is taking place in the sector and are extending technical and other assistance to help India in its rapid industrialisation.
More specifically, this thesis attempts to analyse and pinpoint the paramount importance of survival for a small unit and some of the ways of achieving it—for, unless a company, small, medium or large, is able to survive, all other goals are meaningless.