

CHAPTER : IV :

PERFORMANCE OF SMALL INDUSTRIAL
UNITS LOCATED IN MINI INDUSTRIAL
ESTATE: KANKAVLI.

C H A P T E R - I V

PERRORMANCE OF SMALL INDUSTRIAL UNITS
LOCATED IN MINI INDUSTRIAL ESTATE: KANKAVLI.

In this chapter we have tried to take account of performance of small industrial units located in Mini Industrial Estate at Kankavli. Before analysing the performance, a brief profile of small industrial units has also been presented with a view to throwing light on their pattern of organisation; nature of registration; average age; type of machinery; number of shifts etc. The objective of taking account of this is that, it may be possible to correlate their functioning and the mode of organisation of this Mini Industrial Estate. It is our contention that when an organised locational facility is provided, it becomes the responsibility of the sponsoring organisation to see to it that units run in proper fashion and their performance is upto the mark. It also follows from this that organised locational facility should effectively influence the performance of the small units located in the area.

Table No.4.1 provides us the picture of pattern of organisation of these units.

TABLE NO.4.1

PATTERN OF ORGANISATION OF THE UNITS

Sr. No.	Pattern of Organisation	No. of Units	Percentage
1.	Proprietorship	4	57.15
2.	Partnership	2	28.57
3.	Cooperative	Nil	-
4.	Private Ltd.	1	14.28
Total		7	100.00

It is clear from the above table that more than half i.e. 57.15% of the small industrial units are functioning on proprietorship concern; 28.57% are functioning on partnership basis and 14.28% are functioning on private limited basis. There is not a single small industrial unit which is functioning on cooperative basis. The absence of cooperative form of organisation is certainly a matter of consideration for the sponsoring agency. Though DCKL can not be directly held responsible for this, it could have taken special interest in this connection. The cooperative form of organisation with its democratic character will ensure that the benefits of a planned industrialisation will percolate to the masses in the countryside. It is obviously due to the fact that democratic management of cooperative organisation ensures that people

with small resources participate in the process of economic development.

TABLE NO.4.2

NATURE OF REGISTRATION OF SMALL INDUSTRIAL UNITS

Sr. No.	Nature of Registration	No.of Units	Percentage
1.	Shops and Establishments Act	Nil	-
2.	Factory Act	7	100.00
3.	Bombay Industrial Registration Act	Nil	-
Total		7	100.00

It follows from table No. 4.2 that most of the units have been registered under the factory Act of 1948. It means they come within the purview of this Act and provisions with reference to various welfare facilities are required to be followed in this case. They can be said to be in the organised factory sector of our economy.

TABLE NO.4.3

AGE OF THE SMALL INDUSTRIAL UNITS (Period Since Establishment)

Sr. No.	Age of Units	No.of Units	Percentage
1.	0 to 5 Years	4	57.15
2.	6 to 10 Years	3	42.85
3.	11 to 15 Years	Nil	-
4.	16 to 20 Years	Nil	-
5.	21 to 25 Years	Nil	-
Total		7	100.00

Above table shows that out of reported 7 small industrial units, 4 small industrial units (57.15%) are of the age of 5 years, 3 small industrial units (42.85%) are of the age between 6 to 10 years.

The age of these units has been calculated on the basis of their registration with District Industries Centre, Kudal. Since this estate has been established in 1978, the maximum age could have been 10 years. The lower age is attributed to the factor of late registration.

TABLE NO.4.4

SHIFTS RUN BY THE SMALL INDUSTRIAL UNITS

Sr. No.	No. of Shifts	No. of Units	Percentage
1.	1 Shift(General Shift)	7	100.00
2.	2 Shifts(16 hours)	Nil	-
3.	3 Shifts(24 hours)	Nil	-
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	Total	7	100.00

It is clear from the above table that 100% of the reported units in Mini Industrial Estate are carrying their production activities on one shift basis only. This may lead to underestimation of the production capacity of these industrial units. Generally small units in India are run on two shifts or three shifts basis. Our observation in case of Mini Industrial Estate-Kankavai is in contradiction with the general tendency amongst small units in India. As these small scale units have got necessary flexibility in their production set-up it is desirable that they are run on two or three shift basis, maximizing their production.

TABLE NO. 4.5

MOTIVE POWER USED BY SMALL INDUSTRIAL UNITS IN MINI
INDUSTRIAL ESTATE

Sr. No.	Type of Motive Power	No. of Units	Percentage
1.	Electricity	7	100.00
2.	Electricity and Generator	Nil	-
3.	Other	Nil	-
Total		7	100.00

The above table shows that 7 small industrial units (100%) are using electricity as a fuel for carrying their production activities. Not a single unit is using (Reported and non-reported) generator or other type of motive power. Many a time their production is held up for want of adequate power supply.

TABLE NO.4.6

TYPE OF MACHINERY USED BY THE SMALL INDUSTRIAL UNITS

Sr. No.	Types of Machinery	No.of Units	Percentage
1.	First hand (New)	6	85.72
2.	Second hand (old)	1	14.28
3	Both (First and Second hand)	Nil	-
4.	Parts purchased and assembled	Nil	-
Total		7	100.00

The above table shows that out of 7 reported small industrial units, 6 small industrial units (85.72%) are using new machinery from their establishment. Only one reported unit is using old type of machinery from its establishment. It is clear that majority of the small industrial units are using new type of machinery. Therefore the performance of these units can not be attributed to the type of machinery being used.

TABLE NO.4.7

SOURCES OF ACQUISITION OF MACHINERY

Sr. No.	Sources	No.of units	Percentage
1.	Indigeneous Market	7	100.00
2	Foreign Market	Nil	-
Total		7	100.00

From above table it is seen that 7 reported small industrial units(100%) have purchased the essential machinery from the indigeneous markets only. In a way, there is no drain on our foreggn exchange.

TABLE NO.4.8

EDUCATIONAL QUALIFICATIONS OF THE ENTREPRENEURS

Sr. No.	Educational Qualifications	No.of Units	Percentage
1.	Illiterate	Nil	-
2.	S.S.C.	2	28.57
3.	College Degree course i.e. B.A.,B.Com.,B.Sc.,B.E.	4	57.15
4.	Diploma	1	14.28
Total		7	100.00

From the above table we come to the conclusion that 2 entrepreneurs (28.57%) have passed S.S.C, 4 entrepreneurs (57.15%) have obtained college degrees and only one entrepreneur has completed diploma course.

It is a noteworthy feature from the point of view of production, that there is no illiterate entrepreneur in this MiniIndustrial Estate.

TABLE NO.4.9

TECHNICAL AND OCCUPATIONAL EXPERIENCE OF THE ENTREPRENEURS

Sr. No.	Technical and Occupational Experience	No. of Units	Percentage
1.	No experience	Nil	-
2.	Less than five years	1	14.28
3.	5 to 10 years	3	42.86
4.	More than 10 years	3	42.86
Total		7	100.00

Table No.4.9 shows that one entrepreneur has technical and occupational experience of less than five years, 3 entrepreneurs have technical and occupational experience between 5 to 10 years and remaining 3 entrepreneurs have technical and occupational experience of more than 10 years. It is clear from the above table that all entrepreneurs started their small industrial units having proper technical and occupational experience.

TABLE NO.4.10

USE OF PRODUCTION CAPACITY OF THE SMALL INDUSTRIAL UNITS

Sr. No.	Total Units	Units using Fullest production capacity		Units not using fullest production capacity	
		No.of Units	Percentage	No.of Units	Percentage
1.	7	2	28.57	5	71.42

Table No. 4.10 shows the picture of capacity utilisation of small industrial units located in MiniIndustrial Estate. Out of 7 reported units, only two units are in a position to utilise their capacities fully; remaining 5 units are not utilising their capacities fully. The phenomenon of under utilisation of capacity is an indicator of incipient sickness and may lead to closure of a unit. The factors which have led these units to the phenomenon of underutilisation are :

- a. No adequate supply of power.
- b. Shortage of raw material.
- c. Inadequate finance.

As far as the first reason is concerned, DCKL authorities may attend to this problem since provision of infrastructure facilities is one of the basic objectives of establishment of an industrial estate.

TABLE NO. 4.11

DIFFICULTIES IN GETTING RAW MATERIAL

<u>Total No. of Units</u>	<u>No. of Units facing shortage of raw material</u>	<u>Percentage</u>	<u>No. of units not facing problem of raw material</u>	<u>Percentage</u>
7	3	42.85	4	57.15

Table No. 4.11 shows that 42.85 percent units are facing the problem of shortage of raw material and remaining 57.15% small industrial units are facing the problem of shortage of raw material. Though small industrial units are not facing the problem of getting raw material, these small industrial units say that, the cost of transportation of raw material is significantly high. The units which face this problem of securing adequate raw material stated that their problem pertains to the following type of raw material.

1. C.R. Steel Sheets.
2. Aluminium Sheets.
3. Plastic Granuals.

As they do not get this raw material from Government quota, they are required to purchase them in the open market where the prices are generally prohibitive.

TABLE NO.4.12

SHORTAGE OF POWER

Total No.of Units.	No.of Units faced the problem of power.	No.of units not faced the problem of power.
7	5	2

It is clear from the above table that 5 small industrial units are facing the problem of irregular supply of electricity and 2 small industrial units are not facing the problem of irregular supply of electricity, because their all production activities are not fully based on the regular supply of electricity. The two units which do not face the problem of power supply acutely can adjust their activities in such a fashion that they may switch over to an activity which can be carried out manually.

This problem of adequate power supply shows that there is lack of coordination between DCKL and M.S.E.B. Authorities.

TABLE NO.4.13

PROBLEM OF GETTING THE FINANCE

Total No.of Units.	Unit faced the problem of getting finance		Units not faced the problem of getting finance.	
	No.of units	Percentage	No.of units	Percentage
7	6	85.72	1	14.28

It is clear from the above table that our of 7 small industrial units, 6 are facing the problem of getting finance, while one small industrial unit is not facing the problem of finance as its economic and production condition is very good.

TABLE NO.4.14

AVERAGE PRODUCTION IN RUPEE TERMS

Sr. No.	Rs. in lakhs	No. of Units.
1.	Less than 10	2
2.	10 to 20	2
3	21 to 30	2
4	31 to 40	1
5	41 to 50	Nil
6	51 to 60	Nil
7.	61 to 70	Nil
Total		7

The above table shows the classification of small industrial units according to their production per year. It is clear from the above table that 2 small industrial units have got average production of less than 10 lakhs rupees per year, 2 have production between 10 to 20 lakhs rupees, 2 have production between 21 to 30 lakhs rupees and only one unit has production between 31 to 40 lakhs rupees.

TABLE NO.4.15

CLASSIFICATION OF THE UNITS ON THE BASIS OF EMPLOYMENT

Sr. No.	No. of Labours	No. of Units	Percentage
1.	1 to 9	3	42.85
2.	10 to 19	4	57.15
3.	20 to 29	Nil	-
4.	30 to 39	Nil	-
Total		7	100.00

In taking the frequency distribution of employment, both skilled and unskilled workers have been taken into account. Out of 7 units reported, three units employ labour within the range of 1 to 9 while rest of them have employment within the range of 10 to 19. There has been a general tendency amongst small scale entrepreneurs that they try to restrict their number of employment in order to escape from the stringent provisions of the Factories Act of 1948. Our observation in the course of this survey confirms this type of general tendency.

TABLE NO.4,16

REASONS FOR ESTABLISHING SMALL INDUSTRIAL UNITS IN THE ESTATE

Sr. No.	Reasons	No.of Units.
1.	Availability of the factory sheds in the estate	7
2	Availability of raw materials locally	Nil
3.	Availability of the market	3
4.	Sales Tax exemption	7
5	Any Other	Nil

A question was asked as to the reasons for establishing small industrial units in the estate,4 options were given as under :

1. Availability of the factory sheds in the estate.
2. Availability of raw materials locally.
3. Availability of market
4. Sales tax exemption
5. They were also given freedom to state any other reason which they think suitable. Almost all entrepreneurs favoured reason number 1 and 4. It follows from this that in establishing industrial units in Mini-Industrial Estate Kankavli, these

entrepreneurs get initial economies in their capital expenditure, since they get ready-made sheds in this Mini Industrial Estate.

Secondly most of them also felt that getting the concession under sales tax act is also one of the important reasons for establishment of their units. The District of Sindhudurg where this Mini-Industrial Estate is located have been declared as industrially backward district of Maharashtra, and small units in this district are eligible to get sales tax rebate under the Maharashtra Sales Tax Act. Incidentally DCKL which is a sponsoring agency for this Mini Industrial Estate is also an agency of the Government of Maharashtra to implement the scheme of sales tax concession. It is very important to note that no entrepreneur cited the reason of locally available raw material. It is because of the fact that these units located in Mini Industrial Estate are not resource based, that is exploiting the locally available raw material. No. entrepreneurs feels that he has got easy access to local market. It is clear from these responses that availability of raw material and market has not affected the decision of small entrepreneurs to locate their units in Mini Industrial Estate Kankavli.

TABLE NO.4.17

AVERAGE AMOUNT OF FIXED CAPITAL INVESTED IN SMALL INDUSTRIAL
UNITS

Total No.of units.	Total Fixed capital invested in Rs.	Average Amount of fixed capital invested in Rs.
7	26,30,500.00	3,75,785.71

It is clear from Table No. 4.17 that the average amount of fixed capital invested comes to Rs. 3,75,785.71 per unit. The amount of fixed capital has got three main components.

1. Cost of shed.
2. Cost of machinery and equipments if any
3. Cost of foundation.

Though these units follow the investment norm laid down for the purpose of defining a small unit, we may say that they can not be called as capital saving in nature, With the restriction of employment and increase of fixed capital, capital labour ratio will be high. The capital labour ratio is an indicator of labour intensity which is not favourable in case small units located in this Mini Industrial Estate. The total amount of fixed capital of Rs. 26,30,500.00 generates employment of 79 only. This point goes against the argument in

favour of small scale industry which is based on its labour intensive character. To quote from the report on¹ "Efficacy of Incentives for Small Industry." The second set of argument emphasises the character of a Welfare State and the employment potentiality of small industry. The number of persons employed, disguisedly as well as openly, is truly large. A Welfare State is expected to provide relief to the unemployed. In view of the paucity of resources, however, this is ruled out: Creation of employment opportunities on a large scale is, therefore, a way out. Here, in view of the facts of capital scarcity and capital intensive nature of large industry, the organised sector can play a limited role. The hope is then pinned on small industry, because of its labour intensive character, especially where it is technologically feasible and economically tolerable."

TABLE NO.4.18

TOTAL SALES OF THE SMALL INDUSTRIAL UNITS

(Rs. '000's omitted)

Units	1985	1986	1987	Total
U ₁	310	405	413	1128
U ₂	400	518	472	1390
U ₃	4000	4000	4000	12000
U ₄	583	599	612	1794
U ₅	29	454	219	702
U ₆	321	474	511	1306
U ₇	570	815	1043	2428
Total	6213	7265	7270	20748

It is clear from the above table that ^{total} sales of 7 small industrial units since 1985 is Rs. 20,74,8000/- . And average sales of each unit during the period 1985 to 1987 comes to Rs. 2964000.00.

TABLE NO.4,19

LOCAL AND MIGRATED LABOURS IN THE UNITS

Units	Total No. of labours employed	No. of local labours	Percentage	No of migrated labours	Percentage.
U ₁	6	4	66.66	2	33.33
U ₂	7	7	100.00	Nil	-
U ₃	16	15	93.75	1	6.25
U ₄	10	8	80.00	2	20.00
U ₅	8	7	87.50	1	12.50
U ₆	10	8	80.00	2	20.00
U ₇	16	15	93.75	1	6.25

It is clear from the above table that majority of the labours which are employed in the small industrial units/local are Only those labours who have technical knowledge and experience are employed from outside. It follows from this that local factor market provides unskilled and semi skilled workers to the factories. Only skilled workers are brought from outside, preferably Bombay.

TABLE NO.4.20

SKILLED AND UNSKILLED LABOURS EMPLOYED IN THE SMALL INDUSTRIAL
UNITS

Total No. of Units.	Skilled Workers	Percentage	Unskilled workers	Percentage
79	25	31.53	54	68.35

The above table shows that out of 79 workers 25 workers (31.53%) are skilled and 54 workers (68.35%) are unskilled. As far as requirements of labour are concerned it is clear that majority of them are unskilled workers. Only 31.53 per cent are skilled workers. Even the unskilled workers with reasonable level of training can pick up and handle the job effectively. Generally, these workers get on the job training.

The skilled workers mainly handle supervisory jobs, who can be termed as master craftsmen.

TABLE NO.4.21

AVERAGE EMPLOYMENT IN SMALL INDUSTRIAL UNITS

Units	No.of workers employed
U ₁	06
U ₂	07
U ₃	15
U ₄	10
U ₅	08
U ₆	10
U ₇	16
Total	79

It is clear from the above information that there are on an average 10 workers ($79 \div 7 = 10$) in small industrial units located in this Mini Industrial Estate Kankavli.

TABLE NO.4.22

PROFIT AND LOSS POSITION OF THE SMALL INDUSTRIAL UNITS LOCATED
IN MINI INDUSTRIAL ESTATE, KANKAVLI

(Rs. 000's Omitted)

Units	1985	1986	1987	Total
U ₁	25	46	29	100
U ₂	43	31	22	96
U ₃	26	35	42	103
U ₄	18	27	13	58
U ₅	37	09	20	08
U ₆	07	37	38	68
U ₇	13	31	60	104

The above table shows profit and loss position of small industrial units located in Mini Industrial Estate. Out of 14 units, only 7 units reported as to their financial data. Out of them 2 units, have incurred losses consecutively for three years and may be classified as sick units. Their cumulative losses for the years 1985, 1986 and 1987 are Rs. 1,00,000/- and 96,000/ respectively. The cumulative loss position can not be easily corrected and sizable amount of funds will be required to be pumped into these units.

The financial position in case of unit nos. 5 and 6 was not favourable initially. But in the subsequent two years, these units could come out of this financial mess and there is every chance of their success. The cumulative financial position in case of unit No. 5 has not been very satisfactory. Initially this unit showed some signs of sickness but could recover very fast in the subsequent two years i.e. 1986 and 1987.

The net profit (or loss) position of an industrial unit is the indicator of financial helath of an unit. This is that way a very sensitive indicator. If management gives timely response to this indicator, there is every possibility of its recovery as it happened in case of Unit No. 5.

It may be noted that out of 14 small industrial units located in Mini Industrial Estate Kankavli, 7 units are not functioning. Actually they are defunct. Out of 7 functioning units 2 units are on their way to closure. If they continue to accumulate losses in this fashion, they may be required to be closed down.

This phenomenon of incipient sicknessⁱⁿ this estate needs to be corrected urgently, so that suitable rehabilitation programme may be chalked out.