

CHAPTER V

FINDINGS AND SUGGESTIONS

The Sixth plan (1980-85) document states that -

"Promotion of village and small-scale industries will continue to be an important element in national development strategy particularly because of its favourable capital-output ratio and high employment intensity"¹.

As the small-scale industries serve the local market, problems faced by them may drastically vary from region to region. As such the study of small-scale units has to be under-taken on regional basis.

The present study has attempted to make a cretical study of the working and problems of small-scale engineering industries in Dharwad city.

The findings and suggestions of the study are broadly divided under six heads, viz., general information, capital structure, raw materials, production, marketing and employment.

The main findings and suggestions of the study are given in the following paragraphs.

I: GENERAL INFORMATION:

5.1: The study revealed that the sole proprietorship form of business organisation is the most common type of establishment. In the sample units covered, the sole proprietorship type of establishment accounted for 68.75% of the total. (11 units out of 16 units surveyed) The partnership and private limited companies accounted for 12.5% each (2 units each). Only one unit belonged to cooperative sector.(6.25%). The small scale industries serve as a best source of self employment. The very fact that the sole proprietorship form of establishment is the most common one leads one to conclude that, the argument of self employment in favour of small-scale

industries holds true here. It is disheartening to note that cooperative societies are not the popular type of establishment. The cooperative societies should be encouraged to establish more and more small-scale engineering units.

5.2: The study revealed that 34.5% (6 units) of the sample units covered were established after 1980. This data establishes the fact more and more engineering units are started in recent years. In Dharwad city there is a shift from the traditional small-scale industries to modern engineering industries. This fact helps to know the impact of development of these engineering industries on the economy. There is increasing scope for small-scale engineering units especially after 1980. The rate of industrialisation has been increasing in every decade after 1950, which is a welcome sign.

Still more efforts should be made to increase the pace of industrialisation. This is possible only by establishing large scale engineering units which help the establishment of small-scale ancillary units supplying spare parts to these bigger units. Construction of more industrial sheds in the industrial estate of Dharwad and speedy allotment of plots in Industrial areas of Dharwad will also go a long way to increase the pace of industrialisation in Dharwad city,

5.3: Majority of the establishments are the independent establishments from the point of view of the nature of jobs of these establishments.

There is a need to establish a cooperative complex in Dharwad region to stimulate rapid development of small-scale engineering industry in the cooperative sector.

5.4: All the sample units use power in the production process and the nature of power is electricity.

When the number of units in the small-scale engineering industry increases, the demand for electricity power naturally increases. From now only efforts should be made to increase the supply of electricity and to provide regular and adequate supply of electricity.

5.5: Majority of units were not registered under Factories Act as they employed less than 20 workers, on an average.

5.6: It was found out that for 62.5% of the sample units surveyed (10 units) the working condition was normal throughout the year. The present survey which attempts to study the working of small-scale engineering units, the data relating to the working condition serves as a useful yardstick.

5.7: The same number of units (10) also revealed that the working condition during the last month of the survey was normal. It can be concluded that the change in the budgetary policy has not adversely affected the units as majority of the units were working under normal conditions.

5.8: An interesting fact about the number of days worked during the last month of the survey revealed that each unit on an average worked for 21.38 days. They have not worked for the remaining days in that month.

5.9: Each unit on an average had worked for 252 days in the previous year of the survey. On an average each unit had worked for 69% of the days in that year. For the remaining 113 days (accounting for 31% of total days in the year) they did not work. If we take out the weekly holidays or Sundays (52 days) festival holidays, leave etc. (about 20) the total number of working days each unit has worked for 252 days.

It can be concluded that the number of days worked in fairly higher in small engineering units in Dharwad city. It can be concluded that fair amount of industrial peace and harmony prevails in these units as the strikes, lock outs etc. have not adversely affected the working of these units.

5.10: Shortage of power was the main reason for not working in majority of the units. The other strong reason for not working was the lack of raw materials.

It can be suggested that mini-power houses can be established mainly to cater to the requirements of small-scale industries. The Government is also seriously thinking in this matter. It can be hoped that the atomic power station to be established at Kaiga near Karwar may solve the problem of power shortage.

The small-scale engineering units in Dharwad city can form their own cooperative society through which they can secure adequate and regular supply of raw materials.

5.11: As majority of units are working with one shift only (of 8 hours), at present capital is not fully utilised. Rest of the investment is going waste.

The management of these units should produce such goods which have more demand, make better use of market survey etc.

5.12: Majority of the units carry out the production process in separate sheds constructed for the purpose.

It can be suggested that sheds or plots for the remaining units be provided in industrial estates or industrial areas. The existing units which are located in different parts of the city may be provided with sheds or plots in industrial estates or industrial areas.

II: CAPITAL STRUCTURE:

5.13: Majority of small-scale engineering units in Dharwad city are very small units having investment in fixed capital of less than Rs.2 lakhs.

It can be suggested that the establishment of small engineering units on cooperative basis increases both efficiency as well as production.

5.14: When comparison is made between the average fixed capital and the number of units working with less than and more than this average fixed capital, it was noted that majority of the units were working with an investment of less than the average fixed capital.

The small-scale units are suggested to take the benefit of liberal Government policy and preferential policy of the banks to increase the investment in fixed capital.

It is suggested that better building facilities be provided to the units especially in the industrial estates where other infrastructure is also available.

5.16: The investment in working capital on an average seems to be very low, which adversely affects the efficiency and production of small engineering unit.

5.17: About one-third of the financial assets are contributed by the owners, friends and relatives, one-third by the Government, and one-third by the banks, KSFC and other financial institutions. It is heartening to note that industries are free from the clutches of money lenders. Government and banks are playing a very important role in developing small-scale engineering industries.

There is a need to develop cooperative society so that it can cater to the requirements of industries.

5.18: The important difficulties faced by in securing loans for working capital are-cumbersome procedure, asking for lot of information, complicated forms of loan application, lengthy procedure etc. Because of these reasons, many a times, small-scale units cannot satisfy orders placed on them on account of shortage of working capital.

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Following suggestions can be made for sanctioning the loan by banks,

1. Production process should be seen and not the assets while sanction the loan.
2. At present credit - worthiness of the borrower is seen. That should not be the criterion. The criterion should be the potentiality of the borrower.
3. Sanctioning of loans should be made quicker
4. The application forms used for short term loans should be made simple.
5. Procedure should ~~be~~ be time saving and not time consuming.
6. Commercial banks should reject commercial approach and follow pro-entrepreneurial approach.

III: RAW MATERIALS:

5.19: Important raw materials used by the small-scale engineering units are - castings, M.S. steel, alloy steel, iron sheets, flats, angles, steel bar, M.S. pipes, forgings, clutch plates, laminated core etc. Total value of these raw materials used by all the sixteen units was worth Rs.14,01,613 which gives an average of Rs.87,600.81.

5.20: Dharwad is a developed city. Local traders know their customers well and give them raw materials on credit basis. There is a tendency of local entrepreneurs to purchase raw materials locally and to some extent from distant market.

The small-scale engineering industries in Dharwad are not import-intensive industries. These units use domestic raw materials only, Rapid development of such units will help to reduce pressure on foreign exchange reserves which are necessary for the development of country like India.

5.21: Majority of the units purchase raw materials from middlemen. As the small engineering units had not formed their own cooperative society, they had to purchase raw-materials from middlemen by paying a higher price.

5.22: Prominent difficulties faced in securing raw-materials are - frequent shortage of raw materials and prices of raw materials are rising rapidly while prices of finished products cannot be changed so easily. This affects adversely the profitability and hence efficiency of the working of the units.

It can be suggested that all units should come together and form the cooperative society which will

help to solve the problems of small entrepreneurs so that they can achieve the economic scale and raise the voice in favour of small-scale engineering units.

Steel Authority of India Ltd. (SAIL) should sanction separate quota and should supply the raw materials at a fair price fixed for a short period of three years to these units so as to remove their hardships.

The bulk requirement of small-scale units are very small and even though they decide to secure the supplies of raw materials directly from producers even then transportation of raw materials from factory site of the production many a times becomes very costly.

As the power supply, iron and steel and coal industry are mainly covered by public sector, there is a need on the part of the Government to work out a long term policy in such a way that proper coordination may be achieved and a steady supply of steel at a much lower price in adequate quantities may be made available especially to small-scale units by way of reserving special quota for them. Iron and steel is such a sector which has got maximum forward and backward linkages. Hence not only the availability but also the

price of iron and steel affects the price structure of a large number of manufacturing goods. Thus, there is a need to stabilise the prices of various qualities of iron and steel in the interest of a large number of manufactures working in the country.

IV: PRODUCTION:

5.23: Majority of the units are producing machine spare parts. Some units taking sheet metal works, fabrication, welding transformer, battery charging etc. Total value of output produced during last year was worth Rs.36,19,625, which gives an average of Rs.2,26,226.56 per unit. This is fairly good compared to the lesser investment made in the sector.

Production process can be improved and new types of products can be produced if the new units are established on the cooperative basis. The cooperative processing industries is the standing example of the success of cooperative movement in India.

5.24: There has been a steady increase in the total annual production from 1980-81 to 1982-83. The rate of increase was 2.27% in 1981-82 and 2.74% in 1982-83.

This growth rate was less compared to the desirable growth rate of more than 5%.

The suggestion that emerges here is that efforts should be made to remove the bottlenecks in productive process ~~like~~ with the provision of adequate supply of raw materials regular power supply, wide market for the products etc.

5.25: Majority of the units are working below capacity.

5.26: The reasons for working below capacity are - scarcity of raw materials, power shortage, limited scope for job work, stiff competition etc.

The suggestion can be made to improve the supply situation of raw materials through forming cooperative societies, sanction - separate quota by the steel Authority of India Ltd. to these units etc.

5.27: Majority of the units make use of modern design. Engineering Industry is developing at a very fast rate and there should be a close link between the industries at Dharwad with the industries in major towns and even abroad.

Technical Collaboration with the leading manufacturing units in India and abroad will go a long way in obtaining modern design and modern technology.

V. MARKETING:

5.28: Majority of the units supply their goods either directly to the customers or to the major industries after securing orders from them.

It can be suggested that if more large-scale engineering industries are started in this region (as TELCO. had the proposal to start) the small-scale engineering industries can easily thrive.

5.29: Majority of the units are local oriented units. None of them is manufacturing goods for export market. Some cater to the requirements of distant market.

The suggestion can be made that as the Government is giving more incentives to export - oriented industries, the units in Dharwad should start producing goods for export market, Wherever possible by forming cooperative societies and by acquiring foreign collaboration they can easily get the foreign market for their products. The industry has already been saving foreign exchange

by depending on locally available raw materials. But at the same time it can also help the country in earning more foreign exchange by producing goods for foreign market.

5.30: The main difficulties faced by the units in marketing their products are - keen competition for their products, non-availability of markets and shortage of working capital.

The suggestion which can be given here is that each unit can specialise in a few selected production lines which will help to reduce competition and also helps to increase the specialisation and hence the efficiency of production.

The Government should give priority to small-scale engineering units while purchasing goods for its various departments.

The Government should declare its requirements for the next five year period about the various categories of engineering goods which will enable the small-scale engineering units to work out their production schedule on scientific lines.

Transportation of raw materials and finished products if undertaken. Jointly through cooperative societies, specially by service cooperatives, then it may help to reduce the problem of transportation faced by these units at present.

VI: EMPLOYMENT:

5.31: Outside workers form the major portion of the workforce employed in the small engineering units.

5.32: Each worker works for eight hours a day. It is also observed that the wage rates are very low, because of which there is the prevalence of exploitation of labour.

The management of small engineering units should increase the wage rates, which naturally increases the efficiency of workers cheap labour also attracts more industrialists to come to Dharwad.

5.33: Almost equal number of skilled and unskilled workers are employed in these units. Through experience within a short time, even unskilled workers in small-scale units become the skilled workers.

5.34: Most of the workers were not having the training in engineering field. They acquired the skill only after joining these units.

It can be suggested that as better training facilities are available in N.T.T.F., Dharwad, S.I.S.I, Hubli and Industrial Training Institutes in the region, the entrepreneurs as well as the workers should come forward to obtain these training facilities. It naturally increases workers efficiency.

To sum up, the small-scale engineering industries have played a very important role in the economic development of Dharwad region. By using the raw materials which are available locally, they help to save the previous foreign exchange and by selling their products locally, they help to meet the local requirement. As ancillary units, they also supply the spareparts required by the big engineering units. They work with less investment in fixed capital and are providing greater employment opportunities to the people in the locality. Availability of cheap labour and more incentives from the Government are the two important reasons which can attract more industrialists from other places to open new units at Dharwad.

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REFERENCE

1. Sixth Plan (1980-85), Government of India.

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