

**CHAPTER - FOUR**

**PROBLEMS OF SMALL SCALE  
INDUSTRIES**

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## **CHAPTER IV**

# **PROBLEMS OF SMALL SCALE INDUSTRIES**

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### **4.1 Introduction**

The small scale sector has been recognised as an important economic segment with considerable potential for employment generation. The small scale sector as it plays a vital role in the country's economy. So the Indian government is keen to support the small scale sector units. As a result now more units will be classified as small scale and will be eligible for all the benefits and privileges enjoyed by small units.

The small scale industries occupy an important place in the industrial structure of the Indian economy. Village and small scale industries taken together account for about 49% of the total industrial production.

The small scale industries are next only to agriculture in order of importance. They form the second biggest sector in the Indian economy. From the income point of view, the ratio of output between large and small scale sector is approximately 1.5:1.

But from the employment point of view the ratio is 1:4. It means 80% of workers are working in small industries in all over India. From the point of view of employment small scale,

industries are important. About 4 persons out of 5 persons employed in industries are engaged in small scale industries.

The real importance of small industries can be explained from other angle also. The small scale industries form an integral part of the rural economy. India is agriculture base country there are 70% people depend upon agriculture. Small scale sector supported to agriculture by providing various machines and machine tools, chemicals and other facilities for farmers. Whereas the agriculture provided the raw materials and facilities to small industries. A good example is handloom industries. It produce the cloth for farmers and at the same time its raw material comes from agriculture. Thus mostly small scale industries are depends up on the raw materials which are come from agriculture. If adequate and low cost material is available then this is possible for small scale industries to produce the product at low cost. The effect of this factor will be on marketing also because of low cost of product it will be more beneficial to industry it self. Large industries are generally given importance because of the heavy investment in capital and the large scale production. When we talk about the industrialisation of the country we often think of the large industries but it is

also necessary to start the small units also which are supply the raw material to large industries. The best example of spare parts of auto cycles or motor vehicles part making, job work etc.

The small scale industries may be classified into three types. In the first place, there are cottage industries which are run as household or family members employing little or no hired labour. they require no power and the production is generally carried on in the home. They make the traditional products and used traditional method for the production. Their problems are limited and also different from small scale industries they get raw materials from the local market and dispose of their products in the local market as per the cost of local levels. They are found rural and urban areas. For example cotton handloom weaving, silk weaving, embroidery etc.

Second group of industries are tiny units employing 5 to 10 workers which are modern in the sense that they produce modern products and use modern techniques. They are becoming very popular in engineering and chemical industries and are located in towns and cities because they use power. Such industries are cycle parts, sewing machines razor blades, electrical goods radio sets etc.

Last third group of industries are small scale industries where less than 50 workers are employed while using power or less than 100 workers without using power. As per government policy in 1977 the investment limit in machinery and equipment would be:

Tiny units : upto Rs. 1 lakhs

Small scale : up to Rs. 10 lakhs

Ancillaries : upto Rs. 15 lakhs

In order to giving the facilities to small scale sector for better development of industries government has decided in 1980 to raise the investment limit in machinery and equipments.

Tiny units : upto Rs. 2 lakhs

Small scale : up to Rs. 20 lakhs

Ancillaries : upto Rs. 25 lakhs

All these units are entitled to get number of concessions and incentives provided by the government time to time.

The Janata government by the prime minister shri. V.P.Singh announced a new industrial limits for small scale industries are as follows:

Tiny units : upto Rs. 5 lakhs

Small scale : up to Rs. 35 lakhs

Ancillaries : upto Rs. 45 lakhs

As per the new government policy the limit of investment in small scale industries is Rs. 60 lakhs in plant and machinery.

A) Selection of a project of small unit

When any one decided to set up a small scale industries the most important task before the entrepreneur is to select the right project and right product. At this stage it would be advisable to sound a word of caution that entrepreneur should be emotions or fanciful ideas. The entrepreneur has to decide about the line of manufacture on the basis of dispassionate thinking and careful study. First he has to make the study of availability of raw material then select the location and possibility of getting low cost labour and then only it becomes profitable to start the new small scale industries secondly he has to know the various factors which have directly or indirectly bearing on the selection of particular product.

However to decide on any one product he will have to keep the following aspects in mind :

a. Personal background

- i. Qualifications
- ii. Experience
- iii. Family background
- iv. Technical skill

- b. Type of product
- c. Several product
- d. Marketability of the product at local, regional, national or international market.
- e. Number of similar units in the field and their performance.
- f. Availability of the product and its substitutes.
- g. Level of business management
- h. Level of investment required
- i. Availability of finance
- j. Availability of raw material
- k. Proposed location
- l. Availability of skilled labour
- m. Government policy
- n. Availability of transport facilities.
- o. Availability of heating coal water and other infrastructure facilities at low cost.

Above factors are mostly effected on profitability of the small scale industries. If the above factors are not available or available but high cost then cost of product will be increase and ultimately the demand of product will become less. The above factors created the problems to small scale units.

The problems of small scale industries are mostly same all over the India. But there are some special problem for the particular product which was increased by local business environment.

#### 4.2 Problems of small scale industries

##### A. Analysis, interpretation and Presentation of data

For the purpose of studying the problems of small scale industries in M.I.D.C. Miraj a random survey has been taken for 20% of the industries which are nearly 20 in members. As per the observation and personal visits to be made to M.I.D.C. Miraj block. I have got various types of industries. Basically following are the main production units at M.I.D.C. Miraj block.

1. Plastic and rubber products
2. Fabrication
3. Packing industries
4. Pharmaceutical works
5. Cattle feed
6. Food bakery products
7. Foudry
8. Mosaic tiles & cement products
9. Electrical & electronics goods
10. Chemical product





11. Textiles

12. Engineering products

For the better study and for correct conclusion of research work research has selected the 20 different industries and there are nearly 2000 employees are working in the Miraj M.I.D.C. block out of 1000 worker I have taken the random sample of 50 employees to be interview and getting the required information about the management problems such as wage and salary administration, bonus, welfare, activities, selection training for the employees.

Under this research work researcher has followed two separate questionnaires one is set for the 20 owners of small scale units and second questionnaire has been set for the employees working in the area of M.I.D.C. Miraj block. For the selected units and for the selected employees of Miraj block the questionnaire was taken duly filled by them or by research with the help of respondents.

The questionnaire belt mainly with the different problems of small scale industries such as selection of location, selection of project or product, financial aspect problems in the registration of industries, availability of raw materials production qualities technological problems marketing, labour and management problems.

Other questionnaire has been set for employees which are real source of getting correct information and come to know the actual problems faced by the small scale industries in M.I.D.C. Miraj block. In this questionnaire it dealt mainly with the management problem of the industry and industrial relationship between owner and employees. It included the information about the selection training and development of management wage and salary administration welfare facilities to be provided or not by employers.

In M.I.D.C. Miraj block there are 90 industries are actual working and there are few new industries are likely to started in near further.

Classification of Industries in M.I.D.C. Miraj.

Table 4.1  
Classification of units

Type of industries (approx)	Number of units	Percentage
1. Engineering units (Fabrication/foundry)	28	31.15
2. Cement product (Pipe industries, Mosaic tiles brikes)	15	16.66
3. Plastic & rubber product	4	4.5
4. Chemical & pharmaceuticals	7	7.5
5. Food & Beckery product	15	16.66
6. Job work & educational equipments	13	14.5
7. Other units (textile edible oil)	8	9
Total	90	100

Table 4.1 shows the actual performance of the particular product. As the highest industries in Miraj M.I.D.C. are engineering product such are casting of steel parts and other steel manufacturing.

Secondly the cement 17% product as like a cement pipe industries, mosaic tiles, cement bricks cement windows and ventilators. these are some percentage of food product and bakery products in Miraj block.

third group of industries is production of job work, electrical and educational equipments.

Fourth group of 7.5% industries are chemical and pharmaceuticals production.

There are other several small units such as edible oil, cold storage, machines and tools, plant and machinery, spare parts production etc.

As the above table shows that mostly there are engineering cement products foods and bakery products, chemical industries is M.I.D.C. Miraj block.

#### Selection of units

the researches has been selected 20 small scale industries in M.I.D.C. Miraj block. As to study the problems of small scale units in Miraj block. In all there are various types of industries and this is not possible to

researcher to make the study of all types of industries such as engineering unit, chemical, plastic industries, job work, food & bakery product and cement product and textile industries. For the study of all types of small scale industries research has been given equal weight to all groups of industries. And so far units selected for survey and research from the units of M.I.D.C. Miraj.

Research has been studies mainly 5 groups of industries which are major industries of M.I.D.C. Miraj block. The major group of industries to be studies are as follows.

1. Engineering industries
2. Cement industries (product)
3. Textile units
4. Food product & bakery product
5. Plastic & rubber product
6. Job work

Table 4.2

Major group of industries in M.I.D.C. Miraj.

Unit (production)	Selected units for	percentage survey
1. Engineering units	5	25%
2. Cement product (Pipe industries, Mosaic tiles bricks)	4	20%
3. Plastic & rubber product	2	10%
4. Chemical & pharmaceuticals	2	10%
5. Food & Bakery product	4	20%
6. Job work & educational equipments	3	15%
Total	20	100%

Table 4.2 It shows that the main groups of industries that they are manufacturing engineering goods 25% in M.I.D.C. Miraj, cement and current products as like pipe industries, mosaic tiles and bricks at 20% production Food and bejery manufacturing goods are 20% job steel work units and educational testing equipments production 15% and plastic & rubber and chemical units are 10% each.

Table 4.3

Classification of industries as per investment in machinery and plant.

Investment	Total selected units	Percentage
Up to Rs. 5 lacs	2	10%
Up to Rs. 15 lacs	4	20%
Up to Rs.25 lacs	6	30%
Up to Rs. 35 lacs	7	35%
Up to Rs. 45 lacs	11	5%
Up to Rs. 60 lacs	--	--
Total	20	100%

Table 4.3 It shows that most of industries in M.I.D.C. Miraj they invested Rs. 5 lakes to Rs. 45 lakes in their business. Mostly 951 of small scale industries are invested Rs. 15 lakes to 35 lakes in the production units.

Types of organisations

Before an entrepreneur takes up manufacturing activity, it is necessary to decide about the type of organisation which he intends to set up. For any small scale industries planning of suitable type of organisation is mainly necessary. The selection of the form of organisation is depend on the following factors.

1. Size of project
2. Level of investment by promoter
3. Income level of promoters
4. Government policy
5. Liability of owners
6. Nature of production
7. Nature of marketing the goods

Generally one of the following types of organisation has to be selected for started the small scale industries:

1. Sole proprietary concern
2. Partnership firm
3. Hindu undivided family
4. Trust
5. Co-operative society
6. Private/public limited company.

As per the general practice and general observation the sole trader, partnership firm and hindu joint family are mostly famous and adequate form of organisation for small sector.



Table 4.4

Classification of industries as per type of organisation

Organisation	Number of selected units	Percentage
1.Sole proprietary	8	40%
2.Partnership firm	5	25%
3.Hindu joint family	5	25%
4.Co-operative unit	1	5%
5.Private/public company	1	5%
Total	20	100%

Table 4.4 shows that most of the industries out of 20 that 8 are sole proprietary organisation nature that is 40% of total industries of M.I.D.C. Miraj, Second group that is partnership or hindu joint family organisation contributed 25% each group and remaining part is organised by co-operative sector and also by private limited companies which are registered as per company act 1956.

**B. Problems of small scale industries**

Through the small scale industries plays important role in the national economy, but there are many problems of production, distribution, marketing, labour, management problems and finance while some of them are more or less



common problems to all small scale industries in all over India.

Mostly problems of small scale industries may be classified as below.

A) Internal problems:

We may divide the problems of small scale industries into two groups first internal problems and second external problems. Internal problems are those problems which are not influenced by external force. The internal problems affecting the small scale industries relate to organisation, structure, production channel, distribution channel, technical know-how, training and industrial relations and problems of management.

B) External problems:

External problems are those which result from factors beyond the control of the industrialist for example the availability of labour force, electricity-power and other infirascure facilities are required for smooth running of the small scale industries. these problems are uncontrolled by the entrepreneur. most important external problem is government policies related to small sector.

The problems of industries whether in the small scale

sector or in the organised sector are mostly identical. However, the organised industries are financially very strong and its resources are large, so they can face their problems more effectively.

C) Function wise classification of problems

Generally problems of small scale industries are same to all type of industries, organisation and at all India level. As per the functions of organisation their may be following main problems to faced by scale sector.

1. License (Registration)
2. Finance
3. Location
4. Raw materials
5. Technology
6. Marketing
7. Management problems
  - i. Activity of labour
  - ii. Wage & salary administration
  - iii. Bonus
  - iv. Welfare facilities
  - v. Planning
  - v. Training programme
8. Sickness in small scale industries

As per the observation and survey taken by researcher through two separate questionnaires to be set one for industrialist and other for selected 50 employees who are working in M.I.D.C. Miraj area. As per study of research work researcher has been fine out. following main problem in M.I.D.C. Miraj.

1. Location

Selection of location is the most complex and important decisions to be taken by the an entrepreneur before he can set up the project. Site conditions are always important for all types of small scale industries because cost of production may change. As per the availability of plot its cost of land had been changed. For example cost of land at Bombay, Puna, Kolhapur, Sangli and Miraj are different because of heavy demand of land and limitation on allotment of industrial plots.

Location of Miraj M.I.D.C. is well for the growth of small scale units there is sufficient are Sangli-Miraj M.I.D.C. blocks there are two separate blocks which are as follows

- i. M.I.D.C. - Miraj-block
- ii. M.I.D.C. - Kupwad block

It is impossible to prepare a complete detailed list of

all possible aspects, never the less some of the major aspects to be taken into consideration while selecting a location are as under :

1. Size and sources of capital investment
2. Availability of raw materials
3. Availability of skill and unskilled labour
4. Nearness to market
5. Socio-economic climate
6. Fiscal government policy
7. Infrastructure facilities
8. Transport & banking services

In the choice of location the simplest model is to calculate the transport, product and distribution costs at alternative locations determined principally by the availability of raw materials and principal markets. In case of perishable products or agro-processing industries are market oriented and located near to the local markets.

Miraj-M.I.D.C. is a availability of road transport and railway transport away from only 4 km fro. M.I.D.C. Miraj block.

#### Purchase of plot

A plot may be obtained from

- a. Maharashtra industrial development corporation

b. Industrial co-operative societies

c. Private parties

the above two organisations provided plots and infrastructure facilities to the owner such as water, power, bank, housing, telephone exchange, roads and few other facilities.

Table 5.5

Allotment of plots in Maharashtra Industrial Development Corporation  
Performance in Sangli-Miraj block

Industrial Area	Total area (hectars)	No.plots allotted	Working units	No. unit under cons.
1. Sangli-Miraj	380.52	725	399	117
2. Vasantdada sahakari audyogik vasahat society ltd. Sangli.	30	258	157	---
3. Govindraoji Marathe Sahakari Audyogic society Ltd. Miraj.	9.90	64	44	---
Total	420.42	1047	600	117

As per the above table 5.5 it shows that in the area of Miraj and Sangli city these are two organisations allotted the industrial plots by M.I.D.C. totally 725 plots to be allotted up to 1992 out of which 399 industries are now in working of the production but in the block of Sangli-M.I.D.C. and Miraj- M.I.D.C. there are totally 117 units are under construction they will be started their production in near future.

Total area is 420.42 hector of land is under the use of M.I.D.C. and industrial estates. there are 1047 plots are allotted and out this 600 units are in working and as per the records available up to 31 March 1993 there were 117 units are under the construction process which will be started shortly.

#### Location and Industrywise data

In Miraj M.I.D.C. there are 90 units out of which 25% of industries are located in Miraj area are engineering and select small scale industries and 20% industries are food processing unit and 20% industries located are cement product manufacturing units.

#### 2. License (Registration):

The next problem is to obtain the permission of new industry and license from government or state local bodes.

After completing the preliminary, the entrepreneur should proceed to get his unit registered as small scale unit with the state directorate of industries through the concerned district industries centre Sangli. There is no statutory binding on any small scale unit to be registered. IT is in the interest of the unit to get registered.

The registration of small scale units should be done in two stages which are as follows.

1. Provisional registration
2. Permanent registration

Provisional registration is to enable a party to take the necessary steps to bring the unit into existence. A provisional registration is valid for one year and may be renewed for a further period of one year.

When the entrepreneur taken all steps to establish the unit when factory building is ready, power connection is given and machinery has been installed.

In Sangli district there are 1024 units registered as provisional and 3877 units are registered as permanent nature.

In M.I.D.C. Miraj block mostly 90 industries are permanent nature.

As per the selection units far research work the major 20 selected industries are registered as permanent nature.

The registration of small scale industries may be benefited to entrepreneur as follows.

1. Apply for a shed in an industrial estates or M.I.D.C. area.
2. Apply for municipal corporation for permission to construct the shed to establish a unit.
3. Apply for power connection
4. Apply for financial assistances to M.I.D.C. and nationalised banks on the basis on project report.
5. Apply to the NSIC/SSIC for getting machinery on hire purchase
6. Make firm arrangement for working capital resources with banks and other institutions.
7. Obtain sales tax, excise duties etc. registrations wherever required.
8. To apply for import of raw materials if necessary for production unit.

But this is not so easy job to get the registration of small scale industries through as provisional nature or permanent nature. It taken lot of time and energy are wasted in persuading these officials to perform their duties.

It is also true that the small scale units in small sector does not know how to make an approach and avail



itself of the various facilities announced by government. Alternatively, it is not in a position to communicate with the well organised, urbanised bureaucracy. These are the major handicaps which hinder the growth of the small scale sectors in the country.

If the production programme calls for imported machinery or raw materials the small scale industries has additional problems of obtaining suitable licenses and of going through import pressers which keep on changing frequently because of changes in the government's policy. As result people generally cannot understand them easily and corruption takes deep roots in the Indian economy. Such problems are similar to all small scale units industries which are situated at M.I.D.C. Miraj.

As per the observation and survey taken the location problem is not only about the cost of land, plant and machinery but location increase the cost of production. Mostly in Miraj area there are 25% engineering and steel units because of availability of raw materials near to location and there is a adequate transport facilities. As Miraj there is junction railway station Sangli railway station and transport by roadways also followed.

In case of food product or agro based industries are

also situated at Miraj area they contributes 15% units to total industries in M.I.D.C. total industries in M.I.D.C. Miraj because they produce bakery product food product and some peritiable goods. Such industries are getting marketing benefit so they have been registered in the location of M.I.D.C. Miraj block.

### 3. Financial problem:

Mostly 90% of small scale industries are facing the financial problems. For the purpose of starting the new small scale units it requires capital investment in land, building, machinery, plant, tools, equipments and other fixed nature expenditures. Such financial requirement in known as a fixed capital and small units also require the working capital also for qualitatiable product.

Money is no problem for starting the a new small industries, but you will have to take certain steps and follow special procedure to obtain it. In case of small scale industries all types of industries and organisations required short term and long term capital for purchases of raw materials payment of salaries and wages and for holding stock of finished goods. Long term capital is needed for building, machinery and equipment.

A numbers of financial agencies will have give you

loans at concessional rates of interest. It is a known fact that most of the small scale industries are persons with extremely limited financial resources. Many of the entrepreneurs start a small scale units after leaving their jobs and invest all their savings in the venture.

Initially, finance is required for setting up the project and for implementing the scheme not only that the finance is necessary at the beginning of business but running the business. In the former case, the financial assistance is required by way of fixed capital and working capital.

The source of funds available to the entrepreneur are

- a. Own fund
- b. Friends and relatives
- c. Banks
- d. Maharashtra state financial corporation
- e. State directorate of industries
- f. Industrial development banks of India.
- g. Buyers
- h. Subsidies and tax rebates.

Assistance from Maharashtra state financial corporations

The single major source for term loans is the state financial industrialization are set up by various state

governments. Under the state financial corporation act 1951. In all there are 18 financial corporations out of which M.S.F.C. is one of them.

Among the term lending institutions Maharashtra state financial corporation (M.S.F.C.) is one of the premier bodies in the country to look after the fixed capital needs of small scale units in the Maharashtra state. the M.S.F.C. can extend assistance to concerns engaged in the following activities :

1. Manufacture preservation and processing of foods.
2. Mining
3. Transport of passengers
4. Hotel industry
5. Generation and distribution of electricity
6. Maintenance, repair, testing
7. Assembling, repairing or packing any activities with the aid of machinery or power.
8. Development of any continuous area of land as industrial estate.
9. Fishing or providing stores facilities.
10. Providing special or technical knowledge or other services for promotion of industrial growth.

Small units, as is well known are not exclusively and

not even mainly dependent on government assistance. most of the units are their origin to the spurt in the demand of their products either in the local market or distant market.

Table 4.6

Financial sources

Nature	Number of selected unit	Percentage
1. Own and borrowed funds	10	50%
2. M.S.F.C. Loan	7	35%
3. Commercial Bank	1	5%
4. Co-operative bank	1	5%
5. Sangli Bank ltd.	1	5%
	20	100%

As per the data collection of 20 selected industries mostly small scale industries are depend on their own and borrowed funds, there is 50% entrepreneurs are used the own finance.

M.S.F.S. provided finance to small scale units. As per above table 35% finance is given through M.S.F.C. As per the functions of M.S.F.C. they provided finance to new industries and existing industries concerns for expansion of production capacity. The finance given any for plant and machinery building or fixed assets.

M.S.F.C. cannot provided loans for working capital of small units so they followed the other sources to finance that is bank loan cooperative bank loan. Totally banks provided 15% contribution in the financial sources of M.I.D.C. Miraj block.

Generally M.S.F.C. provided loans for 8 to 10 years. Following are the various types of schemes to be followed by M.S.F.C. for providing loans.

- a. Finance assistance to artisans, village and cottage industries under composite loan scheme.
- b. Technical assistance scheme
- c. Scheme for assistance to young technicians
- d. Regular loan scheme
- e. Loan to educated persons under employment promotion programme.
- f. Seed capital scheme

Table 4.7

Disposal of application of loan.

Time taken	Units	Percentage
1 to 2 months	2	10%
3 to 4 months	4	20%
5 to 6 months	8	40%
above 6 months	6	30%
total	20	100%

Table 4.7 shows that the period of sanction of loan is nearly in first group that is which requires 1 to 2 months after the loan application has been sanctioned by bank or financial institution 10% units getting the loans within the two months. As per the observation second group shows that 20% applicants getting the loan from the institutions in between 3 to 4 months. The third group shows that 40% industries taken the time of 4 to 6 months for getting sanction their loans. Lastly there are 30% applicants are not sanctioned their loan facilities by the institutions within a one year means they required above 6 months.

Basically financial problem effected on the activity of production low productivity, low profitability and alternately it effected on existence of industries after all in near future such industries becomes sick units.

#### Procedure of making loan application

Financial problem includes the term of sanction of loan. It take more time to complete the procedure of loan application. After that application institute sanction the loan with in 6 months or one year. along with the application submitted to the financial institution or bank the following documents have to be enclosed.

a. Copy of the project report.

- b. Copy of the partnership deed.
- c. Quotations in respect of plant and machinery
- d. Copy of possession of land
- e. Income tax assessment order
- f. Copy of proposed building plans
- g. Estimates of factory & loss a/c and balance sheet.

Above procedure is not easy to understand and there are various problems to complete the procedure of loan application of small scale unit. They have not adequate knowledge of banking and financial procedures to be followed to get the loans quickly.

#### Raw materials problem

The shortage of the right type of materials at standard has affect the entire industrial sector. Because at their smallness and weak financial position, small scale industries have to utilise to services of middle man to get raw materials on credit. Such an arrangement however results in higher costs and in particularly disadvantages when raw materials are imported for profit margins of middle men. The small industrialist use the cheap and inferior materials which naturally affects the quality of their finished products.

The raw material problem has been extremely acute for



steel based industries like a cycles and parts sewing machines and parts. The shortage of special step required is even greater. Following are the problems in raw materials to be faced by small sectors.

- i. Poor quality of raw materials
- ii. High cost of raw materials
- iii. Lack of planning and control
- iv. National and regional shortage
- v. Overdue payment
- vi. Uncertain supplies
- vii. Middlemen problem

The availability of raw materials has been a great problem in our company.

Table 4.8

Availability of raw materials as per region

Nature of market	No. selected unit purchases	Percentage
Local markets	7	35%
District market	3	15%
State	5	25%
National	4	20%
Foreign	1	5%
Total	20	100%

Small scale units of Miraj M.I.D.C. has been purchased the raw materials as per the base taken from selected units. 40% of the raw materials are purchased in local market but there is low quality goods and inferior materials which effected the quality of goods.

Second group shows that 15% required raw material to small scale units are purchased from district level market which is most costly than materials available in local market.

Third group shows that 25% of the required raw material is purchased in state level market that from the all over the Maharashtra. It requires high cost of transport in purchases of Materials. There is cost of material and also transport cost charges on materials which will be cause to increase the total cost of production.

Fourth group shows that some small scale units has to purchase the goods from the other states also. For example some industries have been purchase raw materials from Karanataka state, Gujarat, U.P., Madras etc. But in this way cost of material and transport cost is very high in relation to local purchases or district level market.

Last group shows that requirement of imported raw materials. As regards engineering and chemical processing

industries they required 5% percentages of the raw material to be imported from foreign country. In this group the small units will have to face various problems of getting imported license, import duty. Time of delivery of goods and lastly there is a problem of foreign currency.

Table 4.9

Percentage of imported raw materials

Industries	Percentage of imported material Consumed	Percentage of indigenous raw materials	Total
Engineering	2%	98%	100%
Chemical industries	12%	88%	100%
Cement Products	1%	99%	100%
Plastic & Rubber	--	100%	100%
Food and bakery product	--	100%	100%

As per table 4.9 it shows that engineering industries required low imported material in their manufacturing process. And 98% of raw materials are indigenous nature. This is possible to get such material within 2 to 3 months

It was found that percentage of imported raw material

was the highest in the chemical industries . But percentage of imported raw materials to total consumption of raw materials varied from unit to unit in the chemical industries also. They required 12% imported raw materials generally.

In case of cement and rubber industries they also required 1% of imported raw materials.

As regards the food and bakery industries the raw materials they required are available indigenously. As they required low working capital for the purchases of raw materials.

Small establishment in the Miraj M.I.D.C. has facing the difficulty in getting raw materials and machinery,. This may be cause of their poor financial conditions. In the recent years the raw materials problem has been acute for steel based industries such as engineering and steel spare part industries.

The non-availability of raw materials forces small units to stop production. At the some times the high price and long delay in getting raw materials and machinery are other difficulties for small units. Finally the small units which use electricity power breakdowns and load shedding result in complete stoppage of production or under utilisation of capacity.

### 5. Problem of technology

Technology is the base of all industries. The growth of small scale industries in India has not been very satisfactory despite the various provisions for its promotion in the industrial policy of the country. One of the major problem of small scale unit has been the absence of the latest technology. Technology insure quality and a high rate of productivity. The small scale units therefore, should keep himself abreast of developments in technology so as to -

- i. Remain in the market
- ii. Improve the quality of this products
- iii. Lower the cost of production
- iv. Pass on the benefits to the customer.

Main problem of small scale units that is they does not use modern technology and research in the production process because of limitations of finance. It is advisable for the small scale entrepreneur to give a lead to research and development, which may not always be very expensive. The use of new technology is possible for small entrepreneur to stumble upon some new ideas, provided that he is development oriented and is capable of innovation.

The technology may be useful for every unit and for any

type of the production. The new idea, ways, methods and alternative product or raw materials is a new technology. It gives to the birth to new production line or new product.

As per my observation and survey taken mostly all the small industries of Miraj M.I.D.C. facing the problem of technology. It requires more fixed capital and funds for purchases of new modern automatic machinery which gives more productivity and quality goods but really this is not possible to the entrepreneurs to invest huge capital in new machinery.

Although they do not use scientific method of production storage or material handling.

Table IV. 10

Percentage of technology used in small scale industries.

Industries	Technology used percentage
1. Engineering units	60%
2. Chemical Industries	75%
3. Plastic & rubber	40%
4. Cement and cement product	60%
5. Foods & bakery product	30%

Table 4.10 It shows that in engineering units of Miraj area are used 60% production process through the machinised modern system but they followed 40% production process through manual work by uneducated labors and they

causing low quality and high cost of production.

In chemical industries production process has been done 75% systematic and machinised way, it gives more capital investment in machinery and it requires also most qualified and skilled employees.

In case of plastic and rubber units they followed 40% modern technology and 60% production process through man power. It is increases the high cost of production.

In case of cement product as like tiles, cement pol, cement bricks, cement pipe. The entrepreneur has been followed 60 activities by way of machines which gives good quality goods low cost of production.

Last group of food and bakery industries they followed 30% technology in production activities and 70% work has been completed by man power.

All our small scale industries producing traditional goods have been using old and out modern machinery, tools and implements. This particularly true in case of cottage industries but small scale units producing many types of consumer goods like cycle parts, electrical and electronics goods etc. They use most modern machinery and adopt the latest techniques of production. they are thus able to reduce the cost of production mostly following are various

methods of using the new technology in small scale industries for better production and more profitability and highest marketability.

1. New production techniques
2. New machinery
3. Alternative production method
4. New tool's and equipments to be used in production
5. Scientific storage system
6. Machinised material handling
7. Modern technology used in advertising.
  - a. Ratio
  - b. News papers
  - c. Magazines
  - d. T.V. media
  - e. Banner
  - f. V.C.R.
8. New techniques in packing of goods
9. Electronics data processing system
- 6) Marketing problem

Marketing is one of the major stumbling blocks for small scale industries. The absence of a marketing channel of their own, many small units sell their products to large selling houses. Voltas for example markets number of goods



produced by small units. As a result, small units invariably gets a raw deal. The large companies making handsome profits from marketing of products of small units by charging a much higher price from the consumer. So there is need of consultancy in marketing of small sector units.

The many problems which they face in marketing their products are as follows:

- i. Lack of standardization
- ii. Poor designing
- iii. Poor quality
- iv. Lack of quality control
- v. Lack of precision
- vi. Poor finish
- vii. Poor bargaining power
- viii. Lack of service after sales
- ix. Scale of production
- x. Availability of brand
- xi. Distribution contacts
- xii. Lack of knowledge of marketing
- xiii. Completion
- xiv. Ignorance of potential markets
- xv. Unknown with export activities
- xvi. Financial weakness.

Table 4.11

Percentage sale of goods in local and national level

Industries	Local	State	National	Total
1. Engineering	15%	50%	35%	100%
2. Cement product	80%	15%	5%	100%
3. Food & Bakery industries	90%	8%	2%	100%
4. Chemical industries	20%	20%	60%	100%
5. Plastic and rubber	30%	40%	30%	100%

Table 4.11 shows that first group of engineering industries has be sale their product 15% in local market or at district level market and 50 goods are sold out in the state of Maharashtra indifferent district and 35% of goods are sold in various states or all over India as per the distribution channel of small scale units followed.

Second group that is cement product as pipe industries, tiles, pole and cement bricks are sole 80% in local market and 15% in various district of Maharashtra it means totally 95% of cement products to be sold in state level market and only 5% of goods are sold at national level.

Third group that is food and bakery products are mostly

90% are in local market and 8% in state level and only 2% goods can be sold out at national level market. As per the nature of product entrepreneur has to sell it as early as possible in local market.

Forth group of chemical units sold their products 20% only in local market 20% in state level and 60% marketing is taken place in nation and international market. It requires more investment in finished product, transport charges offer expenses to be paid. Ultimately cost of production and selling price will be increased.

Fifth group shows that 30% of goods of plastic and rubber are sold in local market 40% goods to be sold Maharashtra state level and remaining production has been distributed all over national market and international market.

As per the observation and survey taken it is found that small scale industries are selling their product in local market district and national level market but they are not exported their goods to foreign countries. If small scale industries wanted to get better prices to their goods they have to acquire foreign market also. But for that they have to face financial problem export license, knowledge of foreign market and more funds for working capital. but this

is entrepreneurs to manage the self business activities having limited education without training and without technical knowledge of production.

Table 4.12

Percentage of distribution of goods by railway or road transport

Industries	Roadways	Railway	Total
1. Engineering	40%	60%	100%
2. Cement product	85%	15%	100%
3. Food & Bakery industries	95%	5%	100%
4. Chemical industries	60%	40%	100%
5. Job works units	80%	20%	100%

Table 4.12 Shows that small scale units of Miraj M..D.C. has been distributed their products by way of road transport and by the railway transport.

First group of engineering product are heavy goods and they have been followed the railway transport 60% of their product are distributed by railways and 40% by road ways.

Second group of the cement production units may be pipe factory tiles or cement bricks making factory have been use 85% distribution of goods in the way of road ways and 15% by railways.

Third group of food making and bakery products are mostly sales in local market and they followed the road transport 95% and some production that only 5% of their products are sent by railway.

Fourth, the chemical industries are distributed their products 50% by road ways 40% of goods to be distributed by railways.

Lastly other small scale units such as job industries are used 80% of road transport and only 20% of their production has been distributed by railway transport.

Table 4.13

Advertising Media used by small scale industries.

Media	Selected units used the media	Percentage out of total 20 selected industries
1. News Paper & magazines	20	100%
2. Cloth & Paper Banner	10	50%
3. Exhibition	5	25%
4. Radio	2	10%
5. T.V.	--	--

Table 4.13 shows that the medium used for advertising the manufacturing unit as per survey in each per

mostly all the small scale industries are given their advertising in news papers and various magazines for better sales. Selected units 20 and 100% of them are used this media because it is most economic way of advertising and also distribution of their product is mostly in local market so it is used.

Secondly the cloth and paper banners and boards of their product are display in various part of the cities and villages for advertising the product. Selected study group used this way of advertising at 50% units. This is also economic and effective advertising method.

Third 25% industries of Miraj M.I.D.C. has been participated in various sales exhibition and they get the opportunity for marketing their goods through exhibitions. Mostly is Sangli city or two industrial and technological products exhibition has been place and small scale units has been give their contribution in the exhibition.

Fourth the ration media is also used for advertising their product. As per observation only 5% units are used this type of advertising media because this is costly way of advertising.

Lastly no industries of M.I.D.C. Miraj has been giving their advertising of product in T.V. because small scale

units having a limited fund for advertising and their products are mostly sales in the local market so it is not possible to small scale units and also not publicity of product.

### 7) Management Problems

The main problem of small scale industries is management. A well organised industries owes its success mainly to its good management. The mainly there are three Ms of industries that are men, money and materials. Manager is person who can use this means of product at 100% capacity then only cost of product will be decreased, otherwise if there is not proper management men, money and material it will effected on cost of production direct. As per the man, money and material the following sector or function of management may be taken place.

- A> Personnel management functions
- B> Financial Management
- C> Materials Management
- D> Marketing Management
- E> Production Management

In short small scale industries has to manage the labor problems may of selection training and development of management. Management of man is dynamic problem because



changes from person to person. As per the nature, caste, Age, education of employee having different problems. worker is a soul of factory. Productivity and set of production is mainly depends upon labor utilities Management has to do financial management functions such as planning of capital, cash budget, working capital budget. Analysis of fund flow statement.

Material management is other problem of management. Under the subject of material management the study of purchases as per systematic manner and stores of goods scientifically. Materials handling or systematic storage gives minimum cost of product. And small scale units are working with minimum capital funds. Generally 80% of the cost is raw materials in the product. So manager has to do control on material management.

Marketing is a subject where manager has to plan to co-ordinate and control the selling of product. They have use method and systems for better sales and at high profitability. Marketing is a uncontrollable function but with best effect planning and distribution channel profitabilities in the business activities.

Production management includes the plant lay out routine work, production channel production method use of



technology use a materials and process on raw materials. It meaning the production manager has to plan of production, quality control and reduce the cost of product. As per the management their is a mostly problem of quality of goods in case of small scale units.

Traditionally, the management of industries has been in the hands of the families of business communities and managerial talent was handed down the family leaders. However this traditional practice has not been free from own limitations on decision making process. Finally the success of business is depends up on efficiency and knowledge of entrepreneurs.

Modern management however has overcome the shortcomings of the old system. It makes a proper and systematic study of the subject. But in case of small scale units they have manage their business as per their knowledge which will not be more profitable and giving limited quality goods.

Planning is the first tool of management. The entrepreneurs are not aware of the important of planning. The collection of data is not always possible and easy. To start the new small scale units the information is required on many times the marketability of the product the size of the product, the choice of the market, raw materials

required and their cost. All this information is needed before a proper strategy can be planned and worked out.

Control is another function of management. it requires in case of small scale units. As per planning, estimates of material, capital, working capital or cash requirements has been control by qualified managers. But mostly all the small units are run by owner who having limited higher and technological education and experience.

Table 3.14

Entrepreneurs education management and technology.

Education	Selected units	Percentage
1. Below graduate	5	25%
2. Graduate	10	50%
3. Post graduate	13	15%
4. Technical education	1	5%
5. M.B.A./D.B.M.	1	5%
Total	20	100%

Table 4.14 shows that the small scale owner having limited education. First group shows that 25% entrepreneurs has been taken the education below graduate level which is not sufficient for successful owner and manager.

Second group shows that 50% of graduates in small scale units of selected industries. Mostly they are working as manager and owner also but physically entrepreneurs are unknown to modern techniques of management.

Third group shows that the entrepreneurs who having masters degree. They having a adequate knowledge of man, money and material management. Ultimately it cause to more productivity and more profitability.

Fourth category shows for the selected units of Miraj. M..D.C. having only one unit who have a taken technical education degree course which is useful in plant lay out machine lay out, production activity an for getting more productivity.

Fifth there is only 5% entrepreneurs having management course so that 95% of the industrialist are not a adequate knowledge of management subject. Management has to following planning, material management, personnel management, financial management function but the owner has been followed tradition way of management in their business activities. The effect of that the small scale units have to face number of problems in business activities.

A) Faulty planning

Planning is one of the most important function of management. The main problem under the management is faulty planning and inadequate appraisal of projects. No proper viability of study.

Very few entrepreneurs launches their operations on the basis of careful plan but in small scale units plan is not followed mostly 50% of the selected units are doing their production as per tradition method. There is no planning for availability of materials, labour and also finance.

As per the survey taken observation mostly all the industries are not followed the techniques of planning of material, labour and finance. Because of faulty planning following problems may be created by the management it self.

1. Low rate of productivity.
2. Availability of materials
3. Availability of skilled and unskilled labour
4. Availability of low cost labour
5. Inadequate distribution channel of marketing goods.
6. Break-down in production because of raw materials tools or labour
7. Inadequate working capital in business operations
8. Faulty estimate of cash flow or fund flow in industries

9. It creates high cost of production

10. Low rate marketing.

This management factor given birth to the problem of industrial sickness in small scale industries.

B) Labour Management

Labour management or personnel management or management or human resources are the same subject. Labour is most important element in production process. As the project of small scale industries entrepreneurs has to make the study of availability of low cost skilled and unskilled labour.

The importance of personnel management is being increasingly realised in industrial and non-industrial organisations both India and abroad. In the managements three ms money materials and men- it is needless to state that, consideration the nature of the man the management of men in small scale units is fundamental and dynamic. It, is the management of man and nor machine.

The soundness of any business depends upon its peoples. The personnel management is to assure a steady source of sound people that can be contributed to the success of business enterprise. The challenge of personnel administration is people their development, their well-being and their satisfaction.

Personnel administration is covered the following two functions separately.

A. Managerial functions

- i. Planning
- ii. Organising
- iii. Directing
- iv. Controlling
- v. Co-ordination

b. Operative functions

- i. Recruitment
- ii. Selection
- iii. Training
- iv. Developments
- v. Maintenance
- vi. Utilisation

It shows the scope of the labour problems. It includes planning of human resources recruitment process then selection of right person at right place and at last they have to give training of job for better skill and more productivity. But in case of small scale industrialist this is not possible to give more time to manage the business. Manager are not appointed by 70% of small scale units. The small scale units are managed by owners only.

There is lack of management and so many activities are mismanagement leads to the sickness problem in small scale industries.

Mostly small scale units having a labour problem. There may be problems in recruitment, selection, training and welfare facilities to be given to labour. In case of small units they have not given much time to labour problems and to manage the men.

As per the survey taken in the M.I.D.C -Miraj it is found that there is availability of adequate labour force but the available labour has not educated, well developed, trained labour and they are mostly in the nature of unskilled labour. Which will be effected on productivity and cost of production.

Table 4.15

Education Qualification of labour of 50 selected respondents and percentage.

S.No.	Educated qualifications	No.respondents	Percentage
1.	Illiterate	2	4%
2.	Primary	10	20%
3.	Secondary	27	54%
4.	Higher education	6	12%
5.	Technical	5	10%
	Total	50	100

The educational qualifications of the workers of the small scale industries in selected are of Miraj-Block-shows as per table 4.15, it will be seen that

- i. 20% worker are educated upto primary level
- ii. 54% of workers have obtained secondary education
- iii. 12% worker having higher education
- iv. Only 10% of the total selected respondents having technical education which cause to more productivity.



Table 4.16

Age wise classification of workers

S.No.	Age group	No.of selected workers	Percentage
1.	15 to 25 age	10	20%
2.	26 to 35 age	10	20%
3.	36 to 45 age	20	40%
4.	46 to 55 age	8	16%
5.	55 and above	2	4%
Total		50	100

Above tables No. 4.16 shows that the agewise classification of worker working in Miraj block. first group shows that 20% of worker are of the age of 25 years.

Second category has been shown that there are '20% worker in the age of 26 years to 35 years. They are young persons who having more efficiency and strong ability of job work.

Third group gives that there are 40% worker of the age of 45 years. This is biggest group of workers in small scale units. As per the above observation there are totally 80% of the worker are nearly the age of 45 years.

Fourth categories of workers that of above 46 and below 56 are 16% are in working.

Lastly there are only 4% of workers have the age above 56 years.

1. Recruitment and selection

In the small scale units recruitment has been done by internal sources. Selection of worker is done by the entrepreneurs as per the requirement. They did not followed systematic way of selecting the right person for right place. But if they fell to do so, they it will be effected on productivity and cost of production mostly fiends and relatives are appointed in small scale industries who have not adequate knowledge of that job.

Not only that but the owner have doing the practice to give minimum wage and salary to workers so that the skilled labour will not like to work in small scale industries.

Table 4.17

Methods used for recruitment and selection of workers

S.No.	Method	Selected respondents	Percentage
1.	On gate	10	20%
2.	Employment exchange	10	20%
3.	Advertising	5	10%
4.	Internal source	25	50%
	Total	50	100

Above table 4.17 shows that in small scale industries 20% workers are selected on gate means are the available of labour in the factory.

Through the employment exchange 20% workers are selected and only 10% of the workers are selected by small scale industries as per the advertisement and they followed systematic manner of selected qualified worker from the available good persons, so it is known that selection is the best of the good workers.

Last group shows that mostly all small units appointed worker through the internal recruitment system 50% of the total selected respondent are of last categories.

Table 4.18

Classification of labours as per their skilled

S.No.	Nature	No. respondents	Percentage
1.	Skilled	12	24%
2.	Semi-skilled	13	26%
3.	Unskilled	25	50%
	Total	50	100%

Table 4.18 shows that as per survey and observations of researcher there are only 24% of skilled labour in the

factory and remaining are unskilled force of labour.

There are 26% of semi skilled labour who have a limited knowledge of particular job but they also having inadequate knowledge of job which suffer the productivity and capacity.

Lastly 50% of labour in small scale units are of the nature of skilled. Because of capital fund and limited production, local marketing small entrepreneurs has like appoint the low rate workers that are unskilled labour which cause to low cost of labour but as per their productivity, utility and ability to work they having less efficiency of production which cause to high cost of production.

Table 4.19

Distribution of service according to the length of the period

S.No.	Length of service	No. of workers	Percentage
1.	Up to 10 years	20	40%
2.	11 to 20 years	18	38%
3.	21 to 30 years	12	24%
4.	Above 30 years	--	--
Total		50	100

Table 4.19 shows the length of service of the employees in small scale industries. First group shows 40% of workers have a service of 10 years.

Second group shows that 38% of workers have a service upto 20 years in small scale industries. It means mostly so many employees have leave their job from small units and going else where. As per the above two groups totally the are not interested to work in small sector because of low salary, low bonus their in not loan facilities and other social services or welfare activities in small scale units.

Third the service above 30 years no employee has been efficient to work in small scale units they may be leave or retire from their service.

Table 4.20

Distance of residence and place of work

S.No.	Distance from residence to factory	No. worker	Percentage of workers percentage
1.	1 to 10 kms.	25	50%
2.	11 to 15 kms.	20	40%
3.	Above 15 kms.	5	10%
Total		50	100%

As per the above table 4.20 It shows the distance of residence of workers and factory. In the first group 50% of employee are coming from upto 10 kms only.

Second group shows that 40% of workers are coming from 11 to 15 kms of distance.

Third there are only 10% worker who are coming from more than 15 kms distance.

It can be interpreted that most of the workers are living in the nearby villages of the Miraj M.I.D.C. Some employees come from Miraj, Kupwad, Kalanbi and Sangli city.

Table 4.21

Distribution of workers as per nature of service.

S.No.	Nature of employments	No. workers	Percentage
1.	Permanent	30	60%
2.	Temporary	20	40%
	Total	50	100

Table 4.21 shows that in small scale industries there are only 60% labour are permanent nature and mostly 40% labour are temporary nature. It also leads to increase the most of recruitment and selection.

Table 4.22

System of wage and salary administration

S.No.	Type of wage payment	No. workers	Percentage
1.	Piece rate system	10	20%
2.	Time wage system	40	80%
	Total	50	100%

As per the above table 4.22 it is observed that only 20% workers are getting their wages as per the piece rate system. As per their production of job they getting salary but if cause to more production of units in short time period and the quality of goods may be reduced.

Second category shows that 80% of worker are paid the salary as per time wage system.

Table 4.23

Distribution of workers as per the monthly wage and salary

S.No.	Salary/Wages per month	No.of workers	Percentage
1.	Up to Rs. 1000	10	20%
2.	1001 to 1300	15	30%
3.	1301 to 1600	20	40%
4.	Above Rs. 1601	5	10%
	Total	50	100%

Table 4.23 shows that the workers getting the monthly salary or wages in small scale industries. 20% employees getting only Rs. 1000 per month.

Second categories of workers have getting Rs. 1001 to Rs. 1300 are 30% and third group shows that 40% worker have getting the salary upto Rs.1600.

Fourth group shows that there are only 10% employees in small scale units are getting only above Rs.1600 per month.

It is observed that as per the nature of Hindu Joint Family there are mostly 5 to 6 members in the family which are depended on that worker but it is not sufficient to that worker to manage his own family.

Table 4.24

Opinion of worker about the existing wage and salary.

S.No.	Opinion of wage & salary	No.of workers	Percentage
1.	Sufficient	15	30%
2.	Not-sufficient	35	70%
	Total	50	100%

Table 4.24 shows that opinion of the workers regarding the existing wages and salary administration of



the organisation. It is found that there are only 30% of workers are satisfied with their salary but remaining 70% are not satisfied with their wages and salary which they are getting.

As per the observation the entrepreneurs are generally fix the salary to the employees at minimum level for to reduce the cost of production but they management has to face various labour problems in the organisation as like low cost of production, absenteeism and lastly causing to industrial unrest.

Table 4.25

Distribution of bonus as per the nature of small scale industries.

S.No.	Industries	Percentage of bonus distributed
1.	Engineering units	14.5%
2.	Cement product	12.5%
3.	Plastic industries	13%
4.	Chemical industries	15%
5.	Food product and Bakery product	12.5%

Table 4.25 shows that all the small scale industries have been giving bonus to their workers as per the companies act.

Generally engineering, chemical industries has given 14.5% to 15% bonus and other industries have been paid 12.5% to 13.5% Bonus to their employee but as compare to large scale industries gives bonus has been limited to worker. There is other of small units that is they can not give more bonus.

Mostly under the group of problems of management these number of problems may of internal nature of external nature, such as labour problems. The labour problem may be as follows.

- i. Labour wage and salary administration
- ii. Labour productivity
- iii. Labour turnover
- iv. Labour Recruitment and selection
- v. Worker participation in management
- vii. Education or skilled and unskilled labour
- viii. Labour welfare facilities are limited in small scale sector

Labour welfare facilities are limited in case of small scale sector. As per the observation there are some welfare facilities are provided to their labour that are medical, water, canteen facilities loan facilities, long term loans, facilities of education to the children of worker. There is

not transport facilities to be provided by small units and this is not also possible to provide that all welfare facilities to their employees but because of that the entrepreneur has to face the industrial unrest problem.

#### 4.8 Sickness in small scale industries

Industrial sickness is becoming extremely common in India during last two decades. The sickness problem is not only in small and cottage industries but even this problem is to be faced by new industries like cement, engineering, chemicals and rubber.

There are various causes, account for their sickness. Among these are faulty planning, long standing shortage of raw materials and power, internal management problems, production and marketing problems. A combination of these factors result in continuous losses and erosion of capital investment and eventually leading to a state of 'sickness' when a unit finds it difficult to meet its obligations to workers shareholders and creditors.

According to one school of thought a sick unit is one which work below 20% of its installed capacity other are of the view that a unit is sick when it operates at lower than the break even point. An expert committee has stated that a sick unit is one which fails to generate an internal surplus.

The criteria surplus applicable in large scale units for sickness are equally applicable in small scale industries. According to estimates 60000 to 70000 small units that is 12% in India level which employing over 5 lakh workers have been close down. These units could have produced goods of Rs. 1200 corers per year. So sickness in small scale industries is one of the main problem.

The Reserve Bank of India has been laid down the following definition of sick units.

A sick unit is that which has incurred a cash loss for one year and in the judgment of the bank is likely to continue incurring cash losses for current year as well as in the following year and the unit has an imbalance in its financial structure such as current ratio is less than 1:1 and there is a worsening trend in debt equity ratio.

A term lending institutions definition of a sick unit is -

- i. Continuous default in meeting four consecutive half-yearly installments of interest or principal in respect of institutional loans.
- ii. Continuous cash losses for a period of two years or continued erosion in net worth say by 50%
- iii. Mounting arrears on account of statutory and other

liabilities for say a period of one or two years.

Causes of sickness

There are several causes for a small scale industries units becoming sick some of the major causes may be classified as under

i. Problems in production

a. Machines breakdowns, poor maintenance poor quality of machines.

b. Poor quality of raw materials

c. Poor labour productivity

d. Power shortages

e. Lack of production planning

f. Poor industrial relations

ii. Problems in marketing

a. Competitions

b. Recessions

c. Low quality of product

d. Irregular deliveries

e. Poor marketing efforts

f. Government policies

iii. Problems in inputs availabilities

a. National or regional shortage

b. High cost

- c. Overdue payments
  - d. Poor quality
  - e. Uncertain supplies
  - f. Lack of planning
- iv. Problems in cost of production
- a. Increased cost not recovered by selling price
  - b. High material wastage.
  - c. High inventory cost
  - d. Problems of material handling
  - e. Inefficient production
  - f. Increased administrative and selling cost
  - k. Unplanned capital expenditure
- v. Financial problem
- a. Divisions of fund
  - b. Poor collection
  - c. Unplanned payments to creditors
  - d. High inventory
  - e. Unproductive investment
- vi. Other problems
- a. Delay in sanction of loan
  - b. Delay in sanction of loan
  - c. Strikes, lockouts, natural calamities
  - d. Change in government policies

e. Power cut and power shortage

f. Limited sources of working capital.

In case of small scale industries certainly they have to face this problems. But mostly is problem of sickness in not general problem but especially it has been faced by some small or large scale industries.

Actually no single factor is responsible for growing industrial sickness. The above general discussion on causes of industrial sickness could be supplemented by statistics as reported by the 'Tiwari Committee Report, 1984' The findings of the committee can be presented in a tabular form as given in the table.

Table 4.26

Causes if industries sickness in large and small scale units.

S.No.	Factors	Position as on No.	31/12/79 Percentage
1.	Mismanagement & management inefficiency	197	52%
2.	Market recession	86	23%
3.	Faulty planning	52	14%
4.	Labour	9	2%
5.	Other reasons	34	9%
	Total	370	100%

Source :- Business India November 1982 "why do industries turn sick"

As per the table 4.26 it shows that 53% of the total sick industries having their management problem. It means first and very important cause of sickness is the faulty or mismanagement of the organisations.

Second there is a 23% sick units having a marketing problem. As per the requirement of market industries will be developed or it becomes sick unit.

Third group shows that 14% problems of sick units of the faulty planning followed by the management. Thus that planning may of production, quality control, working capital or cash budget etc.

Fourth there are only 2% of labour problems to be faced by small scale units. Lastly 9% other reasons of sickness in the industries.

Generally the cause of small scale industries are same to all over India. Thus the industries of M.I.D.C. Miraj block are facing same problems in sick units. As per my observation and survey taken it is found that Sangli is well developing district in industrialisation. So there are very small scale units are under the categories of sick units.

In case of Miraj and Sangli M.I.D.C. there only 3



industries having declared as sick industries by MSFC -  
Branch Sangli.

Table 4.27

Problem of sickness in Miraj M.I.D.C.

S.No.	Industries	No. units	Percentage
1.	No.sick units (good working unit)	87	96.67%
2.	Sick units	3	3.33%
	Total	90	100%

Above table 4.27 shows that there is only 3.33% small scale industries are actually noted by MSFC as sick units.

Other units out of total 90 units of M.I.D.C. means totally 96.67% industries having doing their activities with some amount of profits.

As per my survey and observation researcher has found out that there is no big problem, m of sick units in Miraj area. Only 3 units have become sick. There are other 3 to 5 industries who doing their industries to be declared as sick units by MSFC.

In case of industrial sickness there is combination of inefficiency in management not only that but that industries having a problem of getting raw materials then there is no problem of productivity and also profitability.