

C H A P T E R - 5

CONCLUSIONS AND SUGGESTIONS

CHAPTER - 5

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1. CONCLUSION
2. SUGGESTIONS

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5.1 CONCLUSIONS

Kolhapur has a distinct culture and environment of its own. It is a rapidly developing industrial belt. The city is famous for the production of oil engines and spare parts for years together. Traditionally, the oil engines were manufactured in the heart of the city named Udyamnagar. This area is predominated by tiny and small-scale engineering units, workshops and other business activities.

With growing industrialization, the Kolhapur Municipal Corporation has restricted the development of any more industries within the city limits and especially in Udyamnagar industrial estate. Hence two new industrial estates were developed by MIDC called Shiroli Industrial Estate and Gokul Shiragaon Industrial Estate on Pune-Bangalore Road - each 10 Kms. away from the city. In these industrial estates there are different types of units catering to different types of industries namely, foundry, pistons, printing machinery, icecream, milk and dairy, news paper publication, steel units etc.

The present study was focused on tiny and small-scale units manufacturing various plastic products in and around Kolhapur City. More thrust was given on studying different types of units existing in Kolhapur, problems of these units and prospects of this industry in Kolhapur city.

The data was collected by administering a questionnaire to the plastic unit holders. The findings of the study are presented in the following paragraphs.

1. The plastic industry in Kolhapur city comprises moulding and tubing. The moulding is done by two processes or types of machines namely injection moulding and blow moulding.
2. Different plastic products which are made from injection moulding and blow moulding are decorative electrical items, bulb holders, plastic covers for various containers, covers for various parts of machine parts, handles of oil engines etc.
3. The tubing type of machines manufacture various types of plastic bags, packaging bags, carry bags, consumer durable item covers, etc.

4. As regards injection moulding processing is concerned there are 16 hand moulding machines and 4 semi-automatic machines. There is only one fully automatic injection moulding machine. However this unit cannot manufacture big plastic products.
5. The blow moulding category of process has only semi-automatic types of machines. This is because it is very difficult to operate hand blow moulding machine whereas, the fully automatic blow moulding machine require skill and technical know-how in addition to high capital investment.
6. In contrast to blow moulding, tubing processing is done in Kolhapur city only on 6 fully automatic machines. In spite of high capital investment these are preferred because of simple operation, large demand and flexibility in the types of products manufactured.
7. Most of the entrepreneurs (10 out of total 30) decided to start their own unit by observation of other similar type of units. Whereas, the rest were either employed as workers in similar units or were inspired by their friends or market survey.

8. Two third of the entrepreneurs have formal education in addition to technical education. Formal education involves graduation, S.S.C. pass or Seventh standard pass, whereas the rest have passed upto Fourth standard.
9. The plastic unit holders have to get licence from Kolhapur Municipal Corporation to start their unit. Such licence is given to those units which are on the outskirts of the city limits, especially for semi-automatic and fully automatic moulding and tubing machines. Whereas, hand moulding machines are given licence to operate in the residential area since they are tiny units and have no pollution problems.
10. The tiny unit holders as well as many small scale plastic unit owners were unaware of any kind of subsidy obtained from District Industries Centre. Some of these were even not getting finance from commercial banks either for fixed investment or for working capital dut to lack of such awareness.
11. Majority of the respondents (22) have gathered fixed capital for plant and machinery from friends, relatives, money lenders, in addition to

their own finance. Only six respondents out of thirty, have got term loan for financing their units.

12. The injection hand moulding machine costs about Rs.5,000. The unit holder has to get dies for different type of products. Thus, the fixed investment comprises of cost of machine(s) and cost of dies. The fixed investment of the respondents (16) owning hand moulding machine(s) ranges from Rs.5,000 to Rs.2,00,000. Some of them have more than one moulding machine.
13. There are only four semi-automatic injection moulding machines with a fixed capital ranging from Rs.50,000 to Rs.3,00,000. In addition there is one fully automatic machine costing more than Rs.3,00,000.
14. In blow moulding category there are three semi-automatic machines with a fixed capital in the range of Rs.50,000 to Rs.1,00,000.
15. The tubing processing is done by six entrepreneurs with a investment of Rs.3,00,000 or more.

16. Since the awareness about the subsidy from DIC was very limited, only eight respondents got subsidy from DIC out of a total of thirty.
17. Infrastructural facilities are made available to those entrepreneurs who have installed their units in industrial estate. Those which are working in a residential premises however, do not get any special facilities.
18. Surprisingly it was noticed that the working capital needs of these plastic processing units is significantly high, at times more than the cost of machine and dies. This is because of the high price of raw material and credit sales, in addition to non-availability of credit facility from the suppliers of raw materials.
19. The working capital required by these units is financed by commercial banks, friends and relatives and through private loans.
20. The outstation suppliers, especially the Bombay based dealers who supply quality material do not give credit facility due to shortage of raw material and more demand. On the other hand the local suppliers give credit facility but supply sub-standard material.

21. There are various reasons for high prices of raw materials like anti-dumping duty, restrictions on imports, monopoly of IPCL, exploitation by dealers, high transport costs and short supply.
22. Majority (19) of the units are operating to only 40 per cent of their capacity. Only two units operate at 80 to 90 per cent of their installed capacity. The major reasons for under capacity utilization are shortage of raw material, shortage of power supply, labour absenteeism, paucity of working capital and cut-throat competition.
23. The plastic processing units face severe labour problems in terms of absenteeism and turnover. This is due to low wage rates and uncertainty of job. In view of this most of the unit holders especially hand moulding and semi-automatic get work done from their family members. Out of these 30 units only one has four permanent workers.
24. Some unit owners prefer to employ or administer piece rate system. This is because it is convenient and ensures quality of the final product in addition to high production.

25. It is noticed that in three units the production stoppage was more than 50 per cent exclusively due to labour absenteeism.
26. The marketing is the major drawback of all the entrepreneurs surveyed in present study. This is because of cut-throat competition from Bombay market besides lack of personal efforts on the part of entrepreneurs. The Bombay and Pune plastic process houses, due to economies of scales and automatic production can afford to sell at lesser price than the local units.
27. The profit margin of the plastic process units is substantially low and affects their profitability.
28. The sales by these plastic processing units are made partly on cash but majority on credit. Many of the respondents complaint that the creditors do not give money in time which severely affects their business.
29. The various marketing channels of distribution used by respondents include the wholesalers, the retailers, the middlemen and finally the consumer.

30. The packaging materials, carry bags etc. are marketed in Kolhapur city and nereby districts like Satara, Sangli, Belgaum. Whereas, the electrical decorative items and spare parts machine covers are marketed especially to Bombay and other parts of the State.
31. The credit facility given to the creditors is upto three months. Approximately more than 65 per cent of the total sales are made on credit and the rest on cash basis.

5.2 SUGGESTIONS

1. The existing plastic processing units as well as the prospective entrepreneurs must get the knowledge and should have skills for starting and managing their units. The District Industries Centre and MIDC should organise training and awareness programmes for such entrepreneurs.
2. The banks and financial institutions should spread awareness about the various financial assistance that they can give for fixed capital and working capital to SSI units and solve their problems. Especially in the present situation and in view of Government policy of providing

more credit to industries for industrilization and globalization, this step would be more help full both for the bankers as well as for the SSI units.

3. The Government and Small-Scale Industries Development Organisation should conduct workshops for prospective entrepreneurs and provide information on different matters such as subsidy, tax holidays, infrastructural facilities etc.
4. The major raw material required for these units is manufactured by IPCL and sold through different dealers. In view of the complaints registered by the respondents about malfunctioning of these dealers, regional dealers or depots should be appointed by the company in different places especially in Kolhapur rather than concentrating on metropolitan cities.
5. In view of high raw material prices it is suggested that the Government should reduce the anti-dumping duty, octroi, sales-tax in view of its present liberal policy. Government should also encourage private manufacturers of raw materials and break the monopoly of IPCL.

6. The plastic processors should try to learn to market more in depth, should cultivate marketing skills and have good rapport with the retailers and wholesalers to increase their sales and cut down the loss due to the middlemen.
7. If these entrepreneurs are successful in marketing their products they can afford to pay more to the workers and try to solve the most crucial labour problem in terms of absenteeism and labour turnover.
8. What is most required by these entrepreneurs is to tap other markets in other states than Maharashtra.
9. It may be advantageous for plastic processing units in Kolhapur to formulate an association which may jointly try to solve the problems faced by its members. This may be further helpful in increasing new markets and strengthen the existing marketing channels.
10. In view of cut-throat competition the entrepreneurs should come-up with innovative ideas, product design and may think of diversifying into related business or products. This will substantially increase their profitability.

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