

CHAPTER-VPROBLEMS OF THE SMALL SCALE INDUSTRIES5.1 INTRODUCTORY INFORMATION :

This Chapter highlight the main problem of S.S.I. For this purpose we tried to seek entrepreneur's opinion with the help of questionnaires. Two types of questions were framed i.e. fixed answer questions and opinionative questions. For the study purpose 15 S.S.I. registered units were selected from the Purandar Tahashil in Poona District.

Following paragraphs give various aspects such as year of establishment, ownership pattern, type of industry, Registration with factory act, factors governing choice of product, problems faced by S.S.I., Reasons for idle capacity in different S.S.I., Source of finance for S.S.I. and apart from this role played by D.I.C. have been covered.

Table 5.1

S.S.I. Regi.units classified According to the year of Establishment.

Year	Number of units	Percentage
1978-79	4	27
1979-80	3	20
1980-81	1	7
1981-82	-	-
1982-83	1	7

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Table No.5.1 (Contd..)

Year	Number of Units	Percentage
1983-84	3	20
1984-85	1	7
1985-86	2	13
Total :	15	100

Table 5.2Ownership Pattern :

S.S.I. classified according to Type of ownership.

Sr.No.	Type of ownership	No.of Units	Percentage
1	Proprietorship	5	33
2	Partnership	9	60
3	Others (Trust)	1	7
Total :		15	100

Proprietorship concern is the most popular form among the S.S.I. in Purandar Tahashil out of 15 S.S.I. units 9 units are proprietorship and 1 unit is Trust concern and the remaining partnership concern. It has been often stated that co-op. has spread rapidly in various economic activities of Pune district. However our survey enables us to conclude that none of the units over by the survey was having co-operative organisation.

Table 5.3

S.S.I. Units Registration under factory Act.

Sr.No.	Category of Units	No.of units	Percentage
1	Registered	6	40
2	Un-registered	9	60
	Total	15	100

Table 5.4

Factors Governing Choice of Product.

The data regarding factors governing choice of production are given in Table 5.4

Sr.No.	Factors	No.of Units	Percentage
1	Ready market	8	53
2	High demand	9	60
3	High rate of profit	4	27
4	Lower cost	3	20
5	Future prospect	3	20

Note : Total exceeds 100 percent due to multiple answers.

The starting of a industry unit is based on so many factors but first two factors namely Ready Market and High demand are more important for starting the S.S.I.

Table 5.5PROBLEMS FACED BY S.S.I.

Sr.No.	Nature of problem	No.of Units	Perce- tage	Rank
1.	Preparing project	2	13	8
2.	Machinery	4	27	4
3.	Arranging capital	6	40	1
4.	Raw Material	2	13	7
5.	Skill Labour	6	40	2
6.	Technical know how	3	20	5
7.	Marketing	2	13	6
8.	Others - Water, Power	5	33	3

Note : Total exceeds 100 percent due to multiple answers.

From the above table, it is clear that there have been more than one factor affecting the entrepreneurs.

However, it could be seen from the table that among all the problems, arranging capital, skill labour and availability of water and power are upper rank and project preparing, Raw material and marketing are lower rank.

Only one S.S. Units namely Kasturba Memorial Trust, Saswad, Dist. Pune have stated that it has not any problem to start business. Because this unit sponsored by Garware Nylone for Social purpose.

Table No.5.6(A)Factors Governing Choice of Location

Sr.No.	Location Factors	No.of Units	Percentage
1.	Easy availability of land	9	60
2.	Availability of Plot/Shed in industrial area.	1	7
3.	New opportunity in respect of production & marketing.	6	40
4.	Other business establishment	1	7
5.	Availability of labour	3	20
6.	Availability of Transport & Power	4	27
7.	Availability of subsidy	2	13
8.	Government Policy	7	47
9.	Others - Raw material etc.	1	7
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Note : Total exceeds 100 percent due to multiple answers by entrepreneurs.

Among the nine factors listed in Table, 9 units given top priority to the first factor viz. easy availability of land, on the other hand location factor such as Raw Material, Other business establishment and availability of plot in industrial area are affected only oneunits out of 15 units.

Table No.5.6(B)Sources of Finance

Sr.No.	Source of finance	No.of Units	Percentage
1.	Own funds	15	100
2.	Friends and Relatives	1	7
3.	Nationalised Banks	12	80
4.	W.M.D.C.	6	40
5.	M.S.F.C.	6	40
6.	Government subsidy	1	7
7.	Money lenders	1	7

Note : Total exceeds 100 percent due to multiple answers.

The table shows that self finance is major source of finance in S.S.I. Twelve units (80%) have obtained loans from banks. Funds from W.M.D.C. and M.S.F.C. have been obtained by six units each of them and one units (7%) have provided funds from friends and relative, Government subsidy and money lender.

CAPACITY UTILISATION :

Under utilisation of capacity has special significance in respect of problem of S.S.I. and role played by D.I.C. programme.

Following paragraphs describe the extent of excess capacity in S.S.I. surveyed, the reasons for this excess capacity and the possible ways of attaining the full capacity.

Table No.5.7

Capacity utilisation of in different
S.S.I.

Percentage of utilized capacity	No.of Units	Percentage
1 - 30	3	20
31 - 60	6	40
61 - 99	5	33
100	1	7
Total :	15	100

Among the 15 units surveyed only one unit is fully utilised, five units (33%) have utilised capacity ranging between 61 to 99 percent, six units (40%) have utilised capacity ranging between 31 to 60 percent and three units (20%) have utilised capacity below the 30 percent.

The data regarding the reasons for the under utilisation of capacity are given below -

REASONS FOR IDLE CAPACITY IN DIFFERENT SSI IN
PURANDAR TAHASHIL

Table 5.8

Sr.No.	Reasons	No.of Units	Percentage
1.	Lack of Demand	6	40
2.	Power shortage	8	54
3.	Inadequate finance	6	40
4.	Shortage of Raw materials	1	7
5.	Skill labour	3	20

Note : Total exceeds 100 percent due to multiple answers.

Out of total 15 units, 8 units (54%) listed the reason, power shortage seem to be predominant. Lack of demand and inadequate finance have affected six units of each. Only one unit namely Jams Smith & Co. which is agrobased units affected by Raw material in slack season.

Table 5.9

ASSISTANCE FROM GOVERNMENT AGENCIES

Sr.No.	Scheme	No.of Units assisted	Percentage
1.	MSFC	6	(18.75)
2.	WMDC Seed Capital	6	(18.75)
3.	DIC Loan (Margin money)	-	-
4.	SEEUY	1	(3.12)

Table No.5.9 (Contd...)

Sr.No.	Scheme	No.of Units assisted	Percentage
5.	Interest subsidy to Rural Industries	4	(12.50)
6.	Engineer Entrepreneur Interest subsidy	-	-
7.	Package scheme of Incentive	9	(28.13)
8.	C.S.P.O.	-	-
9.	Export promotion	-	-
10.	Import	-	-
11.	Power concession	6	(18.75)
12.	Technology Training	-	-
13.	Quality making scheme	-	-
14.	Sick unit assistance	--	-
15.	MSSIDC	-	-
Total		32	100

(Figures in brackets indicate percentage to the total)

Among the 15 units surveyed 3 units (20%) have not received any assistance as mention above scheme of various Government agencies. Out of these scheme package scheme of incentive most popular in promoting S.S.I. Units.

The others scheme availed by WMDC, MSFC also important for getting financial facility. In the surveyed units six SSI units has received power concession which is more valuable in these units.

One S.S.I. units started with help of SEEU Scheme. Interest subsidy to Rural Industries with less than 2 lakhs term loan advance are given difference between 9% and the actual rate of interest by banks as subsidy. Due to limitation of time and awareness about these scheme only 4 units (27%) have received benefit of interest subsidy.

Out of total 15 schemes, only 6 schemes utilised in SSI units, Purandar Taluka.

5.2 Empirical Findings of the Survey of S.S.I. in Purandar Taluka in Pune District. :

The S.S.I. units are usually registered with the DIC. The registered units are entitled to get various facilities like electricity, water, telephone connection, Scarce raw material, marketing and accommodation from financial institutions on priority basis. Keeping this consideration in mind we structured questionnaire inquiring about their various problems faced in the S.S.I. Units. The frequent visits and the discussion with the entrepreneurs reveals that a majority of S.S.I. Suffer from the problems of power shortage, water supply and other infrastructural facilities. Some of the major problems are as follows :

5.2.1 Raw Material : The Table No.5.5 shows the consolidated picture. In Purandar Tahashil two units (13%) have faced the problem of Raw materials.

The Raw material problem has been extremely acute for steel based industries. The inequality in the struggle for existence of the SSI against the faulty distribution policy of raw materials. Even though there are various schemes provided by MSSIDC, KVI would have only a marginal impact.

The non-availability of proper raw materials has been crucial problem in our country and also in Pune district.

In our country, S.S.I. does not normally satisfy more than 15 to 20 percent of the requirements of SSI.¹ In Pune District, the majority of SSI which faced problem of raw material, claimed that they received very little assistance from MSSIDC.²

In Pune District the raw materials like iron and steel, pig iron white quality paper are under scarce category and is distributed by the MSSIDC as per the recommendation,³ of the DIC, Pune. But this facility provided only 199 S.S.I. units in last year (1986-87). At present there are 8880 SSI registered units.

5.2.2 Marketing : The Table No.5.5 shows that out of the total No.of units surveyed 27% of the units faced the problem of marketing. In backward taluka, Purandar, majority of the S.S.I. units sells goods to the traders who exploit the situation and pay much less than what should actually be paid.

In our formal discussion with entrepreneurs reveals that

in District headquarter, MSSIDC and NSIC secure orders from the stores purchase organisation of the central and state Government. But this involves many procedural and operational problems. Every organisation like NSIC, MSSIDC has its own marketing system. Therefore, separate applications have to be made to each organisation which gives separate registration number. But entrepreneurs have no manpower to spare for these time consuming procedure.

Although in principle, Govt. purchase agencies are supposed to give preference to the products of S.S.I. In practice these units find it difficult to get orders and also to get payment in a reasonable time. Inconveniently elaborate procedures, inflexible regulations, inaccessibility of officers are responsible for this state affairs. At present in Pune district there are 8880 S.S.I. Units but only 48 S.S.I. units assisted by N.S.I.C., C.S.P.O. and Export promotion facilities. For details can be seen in Table 4.6(B).

5.2.3 Finance : It is observed from the survey that any problem, whether production, raw material, marketing faced by S.S.I. in its ultimate analysis turns to be a problem of finance. As finance is considered to be the cause and effect of several problems in most of the cases.

The survey study shows that out of 15 SSI Units, six units suffered from an inadequate finance. The inadequacy of

finance also creates reason of ideal capacity in surveyed unit. At present SSI can get bank loan from financial agencies at cheap rate but for that the procedure laid down is very complicated. The common characteristics of financial institutions are delays and procedural complexities. In the adequate finances S.S.I. receive considerable set-back. The loan are sanctioned against the pledge of machinery, land, building plus to collateral securities. This process always involves delay which constitutes a particularly heavy burden on the SSI. Financial institutions inquire for a lot of information. This makes matter very difficult for the S.S.I., particularly when he is new to this way of life. In Purandar Tahashil three units faced recovery problem, because these new entrepreneurs have not banking habit. So that they are helpless to match the banking routine.

5.2.4 Power supply : In Purandar Tahashil modern sophisticated S.S.I. urgently need regular supply of Electricity, so that these units are in a favourable position to maintain their supplies. But in Purandar Tahashil there is no adequate power supply. Apart from this there are power cut, low loading chronic problems which adversely affected production of SSI units. In survey study 7 SSI (47%) units faced the problem of power-cut or shortage of power.

In Purandar tahashil two S.S.I. units have been supplied spare parts to large scale industries but it find extremely difficult to get payments for their goods. These are delays for six months or even more.

5.2.5 Technology : Apart from this there are poor technology which is causing some technological problems in S.S.I. Lack of standardisation, proper costing procedure, faulty planning are the main constrains in the marketing techniques of the S.S.I.

5.2.6 Conclusion : Various Government agencies do not ensure desire growth and their smooth functioning. Some Govt. officials such as M.S.E.B., Forest Department, Town Planning etc. usually do not adopt co-operative or helping attitude for S.S.I. Their attitude usually is quite indifferent and that of rather creating the problems instead of solving the problems. Some problems arise out of the inequality of the treatment, some owing to sympathy and some owing to restrictive laws.

Table No.5.10

Identification of Problems and Role Played by D.I.C.

Sr. No.	Problems	: Answered by S.S.I.			: Role played by D.I.C.	
		: Total	: Yes	: No	: Yes	: No
1.	Idle capacity of S.S.I.	15	14	1	-	14
2.	Technology and Management	15	3	12	-	3

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Table No.5.10 (Contd....) :

Sr. No.:	Problems	Answered by			Role played	
		S.S.I.			by D.I.C.	
:	:	Total:	Yes	No	Yes	No
:	:	unit	:	:	:	:
3.	Labour	15	5	10	-	5
4.	Finance	15	6	9	3	3
5.	Marketing	15	4	11	-	4
6.	Management	15	2	13	-	2
7.	Training facility	15	3	12	-	3
8.	Sick unit	15	-	15	-	-

Consolidation of different problems of S.S.I. and Role played by D.I.C.

5.3 Role Played by DIC and Government agencies

Survey findings :

After finishing our discussion about problem of S.S.I., we turned our attention towards that what role played by DIC for solving the problem of S.S.I.

The Survey study reveals that because of their (S.S.I.) unawareness and remotness of their backward areas from the district place. They are not aware of various scheme of D.I.C.

The above mention Table No.5.10 reveals that Kasturba Gandhi Memorial Trust has started one S.S.I. unit for the

*How is it
recorded in
the file*

benefits of the orphan people. This unit is supported Garware Nylons. This units also has not received any financial marketing etc. help from D.I.C. Their perception is that the D.I.C. is only a registering authority.

The units which are not aware of the facilities provided by the D.I.C. and are not availing of the facilities because -

A) The procedure of D.I.C. is lengthy and time consuming. The S.S.I. units owners have no man-power to spare for these timing consuming procedure.

B) The quality of raw material provided is uncertain.

C) The unaccessibility of officers in D.I.C. due to their other inspectional duties.

The package scheme of incentive which is mainly for backward area is unknown to the three units in the Purandar Taluka in Pune district.

The 'ZUM' Zilha Udyog Mitra Committee is headed by District Collector. The 'ZUM' is to solve the current problems of SSI on the spot decision basis. But two units which have the problem of power supply, do not know about the existance of Committee.

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R E F E R E N C E S

- 1) Ram, K.Vepa, Small Industry, The challenge of the Eighties, Vikas Publishing House Pvt.Ltd., New Delhi-2. 1983. P.27.
- 2) Dr. V.S. Patwardhan, 'Role of S.S.I. in the process of Industrialisation in Pune and Aurangabad Districts of Maharashtra'. Gokhale Institute of Economics, Pune-4, 1986. P.206.
- 3) D.I.C., Pune Annual Administrative Report, 1986-87.