

---

CHAPTER II

---

INTRODUCTION OF THE SUBJECT AND  
M E T H O D O L O G Y

- 2.1 Definition of Small Scale Industries
- 2.2 Importance of Small Scale Industries
- 2.3 Progress of Small Scale Industries in India
- 2.4 Progress of Small Scale Industries in Maharashtra State
- 2.5 Progress of Small Scale Industries in Sindhudurg District
- 2.6 Industrial Sector of Devgad Taluka
- 2.7 Methodology
- 2.8 Objectives of the present study
- 2.9 Coverage of the study
- 2.10 Schedules and Analysis

INTRODUCTION OF THE SUBJECT AND METHODOLOGY[2.1] Definitions of Small Scale Industries

- 1) The Industries (Development and Regulation) Act 1951 - stated that "the S.S. Industries means where the number of workers employed as 50 when using power and 100 when not using power".
- 2) The Karve Committee in its report define "S.S. Industry as a unit which have a capital investment of less than 5 lakhs of Rupees and employ less than 50 persons when using power and employ less than 100 persons when not using power."
- 3) In the Handbook for Industrial Development Rules and Procedures Directorate of Industries 1982 - define "the S.S. Industry is a firm with investment upto Rs.20 lakhs in fixed capital at original cost regardless of employment, if it is ancillary unit the investment is upto Rs.25 lakhs".
- 4) According to latest official definition April 1985 "Small scale industries now been redefined to include those manufacturing and repairing units as have investment in plant and machinery upto Rs.35 lakhs (in case of ancillary units upto Rs.45 lakhs). To facilitate modernisation and achieve rapid growth the upper limit on investment (Plant-Machinery) has been raised in respect of S.S. units from Rs.20 lakhs to Rs.35 lakhs and in the case of ancillary units from Rs.25 lakhs to Rs.45 lakhs. With this as the upper limit the village and small industrial sector consists i) traditional industries namely handlooms, cottage and village industries, handicrafts  
ii) Modern S.S. industries including tiny units and powerlooms.<sup>1</sup>

---

1. S.C. Kuchhal-"The Industrial Economy of India", Chatana Publishing House, Allahabad (1987-edition), page 218.

## [2.2] Importance of Small Scale Industries

The small scale industries as an effective instrument for creating employment opportunities has been realised the world over and we find that this has led various states of Europe, Asia, Africa and Latin America to concentrate on this vital sector by provision of a coherent and inspiring policy framework.<sup>2</sup> Heavy industries cannot provide enough employment potential for the populated country like India. So it is but necessary and logical to give more priority to small scale industries. It is stated that S.S. Industries are employment orientated. It has local market and another argument in favour of small scale industries that there is proper and optimum utilisation of local resources. There is vast scope for value adding for local resource-based small scale industries. Agro, Marine, Primary Sector as well as local skill-based industries are known as 'Traditional' S.S. industries. However machinery, modern technique, electronics, new weapons-based industries are known as 'Modern' small scale industries. Modern industries include bicycle parts, machine tools, radio-sets, T.V. sets, polythene bags, transport equipments and other modern products. The emergence of the 'Modern' S.S. industries sector is considered to be a recent phenomenon in Indian Economy. There is greater importance of S.S. industries in developed as well as under developed countries wherein 50 % employment is

---

2. Bedabati Mohanty - "Economics of Small Scale Industries"  
Ashish Publishing House, New Delhi, Page No. 2.

contributed by S.S. industries. In countries like Japan and Singapur, Latin America the contribution is 80 %. In India according to the National Income Committee the S.S. industries are providing employment to 40 lakhs people. This figure increase upto 100 lakhs in the year 1985-86.<sup>3</sup> The large scale industries required large number of skilled labourers and capital, but we have lack of it. In this context, Mahatma Gandhiji also advocated the need of developing small scale units to tackle the problem of poverty and unemployment prevailing mostly in Rural India.

The large scale industries required huge amount of investment in plant-machinery and equipments. At another side the S.S. industry can be started with little capital or investment we have the problem of capital shortage. The S.S. industries does not required too-much imported machinery and equipments. By this we may save foreign exchanges also. The financial need of S.S. industries are limited. That is not the case of big industries. There is personal relationship amongst organisation, management and ownership in S.S. industries.

The S.S. Industries has more contribution to the development of a country. They stimulate the growth of indigenous entrepreneurship in the state. They help in the process of industrial dispersal programme of the state. The S.S. industries create their own market. They serve as a check on migration of population from rural to big cities, they also provide jobs locally to the population. The value adding

---

3. 'Yojana' March 1988.

encourages development and utilize local resources. The S.S. industries are less organised and scattered by their own features. In short the S.S. industries has an important role to play in achieving socio-economic planning goals in India.

[2.3] Progress of S.S. Industries in India

The progress of S.S. industrial units in India in terms of no. of units, employment, investment and bank credit can be seen from the table no. 9.

Table No. 9 : Progress of Small Scale Industries in India.

Year	No. of Units (in lakhs)	Employment (in lakhs)	Investment (in Cr.) Rs.	Bank Credit (in Cr.) Rs.
1978-79	7.34	63.8	4431	2177
1979-80	8.05	67.0	5540	2635
1980-81	8.74	71.0	5850	3229
1981-82	7.62	75.0	6280	3902
1982-83	10.55	79.0	7094	4486
1983-84	11.50	84.15	7360	5412

(Source :- 'Economic Times' 28/12/1988.)

In the total production of a country the S.S. Industries' contribution is to the extent of 40 %. The percentage of S.S. industrial units in total export of a country is 32 %. The number of S.S. units is also increasing rapidly.

The exportable items in S.S. Industrial Sector includes varieties of goods both, consumer and capital goods items like- garments, leather products; process products, pvc pipes,

engineering goods, marine products, sports goods, sewing machines, etc. In case of some of the items like sports goods, processed tobacco, snuff and bidi, woolen garments, kintwear the contribution of S.S.I. is 100 %. Thus, we find that there has been a perceptible change in the composition of export items. Likewise there is also change in the direction of export. Since industrial products produce in S.S. industrial sector are being exported, not only to developing countries but also to developed nations like U.S.A., USSR, Japan, Germany. The change in the composition and direction of export, point out that the products being manufactured by S.S. Industrial sector are acceptable to the western world and thus those products have stood the test on quality. We notice that the share of traditional items in the export by the S.S.I. Sector has dropped considerably giving a significant drive in the export of non-traditional items like engineering goods, basic chemicals etc.

#### [2.4] Progress of S.S.I. units in Maharashtra State

We find that during the VIth and VIIth plan, there has been quite impressive growth of S.S. units in the State of Maharashtra. By the end of the VIth Plan period Maharashtra had a total of 46,280 S.S.I. units. It's regionwise break-up is given in the table no. 10.

Table No.10 : Regionwise break-up of S.S.I. units in Maharashtra.(End of the VI Plan).

Sr. No.	Region	No. of S.S.I. Units
1.	Bombay - Konkan	16,057
2.	Western Maharashtra	13,002
3.	Marathwada	6,309
4.	Vidharbha	10,912
	Total	46,280

(Source :- 'Economic Times' - 1/12/1988.)

[2.5] Progress of S.S.I. units in Sindhudurg district

Sindhudurg is one of the industrially backward district in Maharashtra. This has been also announced as 'Backward District' by the planning commission for giving priority to locate industries in this region.

The entire Maharashtra State has been divided in four groups according to industrial location policy of 1974. It is shown in table no. 11.

Table No.11 : Zonewise distribution of Maharashtra State.

Group	Category	Zone	Area
I	A	Very developed Region	Bombay-Pune
II	B	Developing growth centres	Nasik, Aurangabad, Nagpur
III	C	Underdeveloped region	Beed, Latur
IV	D	Backward region	Sindhudurg, Gadchiroli

(Source :- Maharashtratil Pradeshik Asamatolavaril Satyashodhan Samiticha Ahawal (Maharashtra Shashan, Niyojanvibhag, Bombay, April, 1984).

Sindhudurg district is included in the 'D' category of the Govt. of Maharashtra. It has been the policy of the Govt. of Maharashtra to offer incentives, subsidies and other concessions for small entrepreneurs with a view to encouraging them to locate the units in this district. As a result of this policy various units have come-up in this district as it can be seen from the table No.12.

Table No.12 : Physical Report of the Industries in Sindhudurg district (1986-87).

Sr. No.	Name of Category	No. of Units
1.	Agro based	135
2.	Forest based	100
3.	Animal Husbandary	-
4.	Textile based	-
5.	Chemical based	15
6.	Engineering based	65
7.	Building Materials	77
8.	Misc.	16
	Total	408

(Source :- Office of D.I.C. Kudal).

Out of this 408 units only 365 units are permanently registered with District Industries Centre, Kudal. A permanently registered unit (PMT) is one which has production continuously for two consecutive years. Naturally, PMT, ensure



that the unit is functioning and has undertaken commercial production. The break-up of permanently registered units (talukawise) is given in the table no. 13.

Table No.13 : The Break-up of PMT registered Units  
(Talukawise) (1986-87)

Sr. No.	Name of the Taluka	No. of units
1.	Sawantwadi	79
2.	Vengurala	46
3.	Kudal	113
4.	Malvan	52
5.	Kankawali	62
6.	Devgad	13
7.	Vaibhavwadi	--
	Total	365

(Source :- Office of D.I.C. Kudal).

Along with these PMT units, the breakup of provisional units talukawise has been given in the table no. 14 for the year 1987-88 and 1988-89.

Table No.14 : The Break-up of Provisional Units (Talukawise)

Sr. No.	Name of the Taluka	1987-88 (No. of units)	1988-89 (No. of units)
1.	Malvan	38	19
2.	Sawantwadi	80	70
3.	Kudal	108	76
4.	Kankawali	53	51
5.	Vengurala	28	22
6.	Devgad	27	20
7.	Vaibhavwadi	07	10
	Total	341	268

(Source :- Office of DIC, Kudal).

There are Industrial Estates at Kudal, Kankawali and Sawantwadi (Mangaon). The Kudal and Sawantwadi Tahsil's industrial development is fast with compared to other tahsils of the district. The functional classification of different industries in the district is given in the table no. 15, which also refers to the aspects of number of employment, amount of investment.

Table No.15 ; Functional classification of S.S. Industries in Sindhudurg.

Sr. No.	Type of industries	No. of Units	Persons employed	Capital Investment (in lakhs)
1.	Agro Based	139	545	43.40
2.	Forest Based	90	359	51.30
3.	Mineral Based	16	128	16.00
4.	Textile Based	14	056	5.60
5.	Chemical Based	66	204	44.00
6.	Engg and Allied	104	413	90.50
7.	Building Material	12	850	18.00
8.	Animal Husbandry	4	08	0.40
9.	Others and Ancillary	79	273	26.15
	Total	524	2836	295.45

[Source:- Action Plan for Industrial Development Sindhudurg District, DIC, (1983-84 to 1987-88) page 24].

There are some large scale industries in this district. They are - Sahyadri glass, Kudal; W.G. Forge-Kudal; Power Metal

and Ally Pvt Ltd - Pinguli Kudal; Konkan gas - Kudal; Setthi Nippan - Kudal, New India Co. Mining Corporation - Redi Vengurla; Gogate Mineral - Redi Vengurla; Deccan Mineral - Redi Vengurla; Konkan Distlary - Sawantwadi. In this district Meltron; Escort units are likely to be set up. These medium and large units in the district provide necessary background of industrial development in the district creating the need for development of industrial infra-structure.

#### [2.6] Industrial Sector of Devgad Taluka

Devgad is one of the talukas in Sindhudurg district. There is no industrial estate. There is deficiency of infra-structural facilities like power-education-transportation-banking etc. The market is very limited and yet to be developed properly. There is lack of technical know-how, entrepreneurs in local folks. Mango plantation and fishing has an important role in the economy of Devgad taluka. Devgad has been classified as rural area by the Govt. of Maharashtra. It has got Grampanchayat as the local self Govt. body. The abstract of industries of Devgad taluka from 1983-84 to 1987-88 has been shown in the table no. 16.

Table No.16 : Abstract of industries of Devgad taluka  
from 1983 to 1988.

Sr. No.	Types of industries	No. of units	Employment to be generated	Total credit requirement (in lakhs)
1.	Agro Based	27	108	8.43
2.	Forest Based	26	104	6.70
3.	Mineral Based	17	68	2.90
4.	Chemical Based	01	04	0.40
5.	Engg and Allied	05	20	2.00
6.	Building Material	15	60	3.75
7.	Textile Based	07	28	2.70
8.	Animal husbandary	16	32	3.25
9.	Others and Ancillary	14	56	6.00
	Total	128	480	36.13

[Source :- Action plan for Industrial Development  
Sindhudurg district, DIC (1983-84 to 1987-88)]

There are some occupations in Devgad taluka such as - drawing the catchu (Kath in Marathi) at Shirgaon Campus; cutting Laterite stone (Chira Mines) at Talebazar, Lingdal area. This stone (Chira) is being utilised as construction material locally as well as outside. There are number of schools for making the idols of 'Lord Ganesha'. There is one co-operative tiles factory at Are. There are three boat building factories located at Devgad, Taramubari and Anandwadi.

## [2.7] Methodology

Research methodology has an important role in the field of all type of investigation. For the proper, scientific and valid conclusion and analysis, it requires suitable research methodology. The present study relating to small scale processing units of Devgad taluka of Sindhudurg district is based on certain objectives which are explained as under. From the point of view of objectives, Suitable technique of investigation has been adopted and statistical analysis has been undertaken. In this study the efforts have been made to analyse the 'Economics of processing units' which are mainly depend upon local resources. This study is based on primary data collection. From amongst the various categories of food processing units only two categories i.e. Mango processing and Fish meal units have been selected for the study purpose.

## [2.8] The objectives of the present study

- 1) To find out the quantity of production in processing units.
- 2) To find out the cost structure in processing units and profits earned by them.
- 3) To find out the extent of investment; sources of finance and capital output ratio in processing units.
- 4) To study the structure of marketing of the products of processing units.
- 5) To find out the extent of utilization of capacity by processing units.
- 6) To find out the extent of and pattern of employment and capital labour ratio in processing units.
- 7) To see whether economic factors affecting small scale units

are significantly different from large scale units.

[2.9] Coverage of the study

1) Units covered -

A systematic record of small scale units of Devgad taluka does not exist. Many small scale industries are found to be operating without registration. No information could be obtained about the total number of such units and locations. The study, has therefore been confined to these processing units which are registered under D.I.C. Only two categories of processing units which are basically local resource based, has been taken for the study - i) Mango processing units, ii) Fish meal units. The total number of processing units has been shown in the table no. 17.

Table No. 17 : Total No. of processing units in Devgad Taluka (upto 1988)

Sr. No.	Category	No. of Registered units	No. of Non-registered units	Total
1.	Mango processing	09	01	10
2.	Fish meal	07	02	09
	Total	16	03	19

(Source :- Personally collected data by the researcher).

Alongwith the registered processing units, three non-registered processing units have also been included in the present study to make the sample representative.

The break-up of small scale processing units i.e. Mango

processing and fish meal has been shown in the table no.18.

Table No.18 : Break-up of processing units in Devgad taluka.

Sr. No.	Name of the Units	Location
<u>Mango Processing</u>		
1.	F.A. Chougule	Pambhurle
2.	Dwarka foods	Jamsande
3.	Hindustan foods	Jamsande
4.	Devgad Agro products	Soundale
5.	Gajanan Canning factory	Fanasgaon
6.	R.M. Dhopawkar foods	Vijaydurg
7.	Devgad Sahakari Fal Prakiya Sanstha	Kinjawade
8.	Prashant food products	Pural
9.	Shradha products	Jamsande
10.	Gogate foods (Non-registered)	Jamsande
<u>Fish meal</u>		
11.	Sea Agro chemical industries	Jamsande
12.	Quality Sea enterprises	Vijaydurg
13.	D and B enterprises	Tammubari
14.	Narayan Khara Suka Unit	Hindale
15.	Ramkrishna parkar & Co.	Devgad
16.	Sanjay fish meal	Vijaydurg
17.	N.V. Kolambkar	Mithbaon
18.	S.J. Parkar (Non-registered)	Devgad
19.	Memon company (Non-registered)	Jamsande

(Source :- Survey of S.S. processing units in Devgad taluka conducted by the researcher).

The above table gives the classification of units according to two groups i.e. Mango processing and fish meal. In all these are 19 units (both registered and non-registered)

out of which 11 units have been selected in the sample, thus making the sample size of 57 percent of the population. In fact out of 19 units falling under this category only 11 units were found to be functioning and hence included in the present study. The rest of them i.e. 8 units got registration but due to certain problems like non-availability of finance at proper time, were closed down subsequently. This would ultimately gives us the picture that all the eleven units functioning which fall under the two categories i.e. Mango processing and fish meal have been included in the study - thus ensuring 100 percent coverage.

## 2) Area covered

The study has covered the above mentioned processing units operating in the entire Devgad taluka only.

Generally, mango processing units are located at Devgad, Jamsande, Fansgaon, Soundale and fish meal units are located at Devgad Jamsande, Vijaydurg area of taluka. The locations of processing units had been shown already in the table no. 18, and in Appendix I also.

## 3) Period of Survey

It was originally decide to cover the performance of three years that is 1981-82, 1982-83 and 1983-84. For the purpose of analysis and evaluation. But at the time of data collection it has found that some of the units were established after 1984, and therefore the question of their earlier performance does not arise. In those cases the period of references is of two years or may be one year. The classification of the



units with reference to their period of reference i.e. period covered for collecting data is given in the table no. 19.

Table No.19 : Classification of units according to period covered.

Group	period covered	years	No. of units
I	1981 to 1984	3	06
II	1984 to 1988	4	05

(Source - Personally collected data, by the researcher).

Data relating to production, investment, employment and marketing have been collected for the purpose of to find the effect of variables like capital, labour, raw material on production over the time period of years. The best structure of above mentioned units also analysed for the year 1987-88.

#### [2.10] Schedules and Analysis

Keeping the objectives in view the schedules have been prepared which can be seen in Appendix II. Data have been collected by personal contact with the owners-managers.

Experts, knowledgeable persons and skilled labourers in this field have also been consulted while collecting data in the field. The field work started in Dec. 1988 and over by June 1989. The long period is due to difficulties in locating the units. Data collected have been analysed by manually operated calculator.

Data have been analysed keeping objectives of the study

in view. Production in these two types of processing units is of different types, for a uniform representation, the money value of production has been taken into consideration in the process of analysis.

Analysis has been made to co-relate resources with production. The engineering relation between input and output is technically called production function. That is also taken into account in this study.

By deducting the total cost from total value of production the profits have been worked out. This have been calculated for the units.

Total production = Money value of production.

Total cost = Expenditure on

1) Raw materials, 2) wages, 3) fuel  
4) transportation, 5) premium on insurance, 6) interest,  
7) Depreciation, 8) Rent, 9) Repairing cost, 10) sales-packaging cost. Capital output ratio has been calculated by following formula.

$$\text{Capital-output ratio} = \frac{\text{Total productive capital}}{\text{Total output}}$$

Total productive capital = Fixed capital + working capital.

Capital labour ratio has been calculated by following formula.

$$\text{Capital labour ratio} = \frac{\text{Total capital}}{\text{Total Employment}}$$

Labour output ratio has been calculated by following formula.

$$\text{Labour output ratio} = \frac{\text{Total output}}{\text{Total Employment}}$$