

CHAPTER-IV

PROBLEMS OF SMALL SCALE INDUSTRIES IN M.I.D.C.MIRAJ

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Small scale industries have a strategic role to play in the industrialisation of developing economy like ours. In this survey an attempt has been made to throw light on the problems of small scale industries in M.I.D.C. Miraj Industrial estate.

In spite of the initiative and active part of the Govt. to boost up the small scale industries. The Maharashtra Industrial Development Corporation has been put in charge of 87 of the industrial estates in the state. It was set up on 1st August 1962 under the provisions of Maharashtra Industrial Development Act, 1961 with a view to promoting and assisting growth and development of industries all over the state. There are many problems which are being faced by small entrepreneurs.

1. PROBLEM OF LOCATION :

The choice of location, is very important thing to the small entrepreneurs. It is not easy to decide on location, for the choice involves consideration of the availability of infrastructural facilities like approach roads, water supply, plots drainage etc. The cost and tenure of acquisition, the availability of labour and the proximity of market also affects this decision. Though the small entrepreneurs select M.I.D.C. area for getting necessary infrastructural facilities, in practice they face number of difficulties. This is especially in case

of availability of some infrastructural facilities like water, electricity etc. The lack of conscious planning in this behalf affects significantly the supply of these facilities in adequate and at appropriate timings. More specifically the following problems are pertinent.

- a) The proper approach roads are not there. The approach road from M.I.D.C to the highway is not pacca and hence entrepreneurs encounter lot of difficulties. The transporters are not willing to come to the interior parts of M.I.D.C and hence unit owners are put to difficulty in complying with the orders schedule.
- b) Generally the water supply is not adequately available in the months of April, May and some part of June. It being an important input in the production process, sometimes even the production is held up. M.I.D.C. Industrial estate is expected to have its own water supply arrangements. It can have water tank with continuous supply of water especially during the hot season.
- c) M.I.D.C. generally provides sheds along with the plot to the entrepreneurs. If ready-made sheds are available, an entrepreneur can very easily start the production with no time lag. In case of M.I.D.C. Industrial estate at Miraj, it is stated that the sheds are not available in adequate number and hence plots are allotted to the small entrepreneurs. It takes time for them to mobilise the resources for the construction of sheds on their own.

- d) The drainage facilities are not available at M.I.D.C. Miraj for the effective carriage of the waste material.

2. FINANCE PROBLEM :

Financing for the fixed and working capital has been the main problem of small entrepreneurs. In case of finance two aspects are important.

- a) Adequate quantity of finance.
b) Secondly timely availability of finance.

The dimension of time is more important since the time gap between sanctioning of loan and actual disbursement of loan stifles the working of a small scale units. Generally, the long-term finance is made available through Institutional sources like SICOM or Regional Development Corporations. The working capital finance is made available through banks. Since there is no proper co-ordination between the two, it results into structural imbalance in case of a small scale unit.

Another important aspect of financing is in regard to the working capital. If the raw material is to be procured during a particular season, the need for working capital finance would be more during a specified period of the year. In the case of M.I.D.C. Miraj one unit producing tumberial powder, their raw material requirements are at peak in the months Feb., March., April. Naturally they would like to exhaust their CC limit during these three months. This aspect of special

needs of working capital finance have to be borne in mind by the financing agencies.

3. LABOUR PROBLEM :

The availability of trained labour force is another major problem with small entrepreneurs in M.I.D.C.Miraj. Through the unskilled labour-force is available in plenty, the availability of skilled labour is certainly a big problem. This may be because, small scale units are not in a position to pay adequate wages to the workers. The semi-skilled workers may join a small scale unit, get some training and switch over to some other job in a large scale unit. The percentage of labour turnover is generally high and hence some serious thought has to be given to the availability of trained labour force.

Generally, small entrepreneurs would like to escape from the provisions of various labour laws. The labour welfare provisions of these laws are stringent and resource-wise small entrepreneurs cannot afford this. It has been observed that there is sometimes indecent haste on the part of small entrepreneurs to take such steps which will enable them to escape from the provision of the labour laws.

4. PRODUCTION PROBLEM :

Because of the weak financial position small scale units could not use modern techniques in production. The replacement of the old machines are necessary to stand in the market because

the emerging competition necessitates that cost of production should be minimised.

Lack of production planning and control is important problem in the small scale industries. Production planning and control is another area which needs the attention of the Manager. Project planning, financial and inventory controls are very important for the success of industry. The production planning is its very heart and must properly attended to if an industry is to survive. A full capacity utilisation of machinery and man is essential for planning. If does not ensure the availability of surplus.

The frequent breakdowns are another serious problem. These units have incurred heavy repair expenses and many working hours are lost thus keeping the workers idle.

The another problem in production is poor quality of raw materials. The irregular supply of certain raw materials adversely affect their production programmes.

Poor labour productivity and power shortage make the problem in production more serious. This makes the small units vulnerable to industrial sickness.

5 MARKETING PROBLEM :

Marketing problem is one of the most important problems. In many fields small scale industries are exposed to the

competition with large establishment which are having all the advantage of large scale business and so their cost of production per unit is comparatively less.

Another problem is lack of knowledge of market. Many a time the small entrepreneurs do not have adequate knowledge of the market. Lack of standardization is the another marketing problem.

Small units invariably get a raw deal. The large companies make handsome profits from marketing the production of small units by charging a much higher price for the consumer. In this respect, there is a need for a large number of marketing agencies whose primary responsibility will be to assist small units in this respect.

6 SHORTAGE OF RAW MATERIAL :

The availability of raw material has been a great problem in the small scale industry. Some of them are chronically in short supply; some are very scarce at times and abundant at others, and there are great price variations. Manufacturers and suppliers very frequently create artificial scarcities and rig up prices. Even the good is a fault, some times since decisions are politically motivated, and often throws the trade into complete confusion by frequent changes in policy, especially in regard to controls. In such circumstances everyone wants to protect himself by resorting to stock piling for rainy day.

This results into the problem of overstocking.

The selection of the right type of the raw material and obtaining quotations so as to get it at an economic price are his most immediate problems. Moreover, the choice of raw materials of correct specifications is very important from the point of view of quality control. Sometimes, a sample of the material has to be tested in a laboratory before it is brought in bulk. This may have to be repeated on each occasion, because different batches of raw materials may vary in quality.

The shortage of the right type of raw materials at standard prices has affected the small scale industrial sector. Shortage of raw materials is the problem of Engineering industries mainly. Industrialist in the Engineering industries stated that the quantity of Iron and Steel available for distribution fell short of the total demand for them in the industrial sector as a whole. One industrialist remarked that the small scale industrialist would have to share the common difficulty until the iron and steel industries in India completed the expansion programme and provided enough supplies. The basic raw materials like alloy steel, grade aluminium and some basic chemicals like caustic soda, zinc, Antimony ammonia, Polythelene were in shortage of requirements. The Govt. has controlled the market of these scarce raw materials and allotted the quota to the industries; complaints were also heard that the allotted quota has been inadequate and actual supply has not matched to the

quota given. It is observed that dealers deliberately postpone the supply of quota till the expiry of quota certificates and later on sell their material in the open market at inflated price. The purchases in open market rise the cost of production and has an adverse impact on quality of finished goods.

Many small scale industrialists felt that the Govt. was not sufficiently alive to the problems of shortage of raw materials.

7 TRANSPORT PROBLEM :

Transport problem is not a peculiar problem to small scale industries, but the small industrialists are worried about the increasing rate of transport charges due to oil crisis. These charges increase the cost of production and due to the competition the entrepreneurs cannot increase the cost of sale so that margin remain intact.

The small scale units face the problem of transportation of chemicals which are liquid in nature like sodium silicate which requires tanker or industrial Hlchol. (Rectified spirit) necessitating special coating containers.

Many small scale industries are not getting the Railway wagons for carrying raw materials and despatching of finished products. Today political situation has affected the transportation for the small scale industries.

8 LACK OF DEMAND :

The problem of the lack of demand is faced by many small scale industries. Demand is important aspect for working of the small scale industries and absence of demand will make the unit sick for ex-one Ice factory works with full utilisation of its installed capacity. The demand for the Ice for consumption and for other dairy equipment is generally stable which can be taken care of by the concerned unit; with the establishment of another unit in that sector, it has created unnecessary. Competition-resulting into under utilisation of capacity in both the cases.

Sometimes the demand is seasonal in the sense that it is available during a particular period of the year and naturally during the rest of the period the unit remains idle. This seasonal nature of demand has certainly affected the survival of a unit.

With the coming of substitute goods in the market, the demand for original goods declines for example, with the introduction of P.V.C. pipes in the market the demand for R.C.C. pipes has declined significantly affecting small scale units producing R.C.C. pipes.

9 TAXATION PROBLEM :

The taxation policy of India has badly affected on the working of small scale industries. They have to pay the tax like sales tax, Excises duty, Octroi, Purchase Tax. Since the accounting procedure for the same is complicated, small units

face difficulty in complying with the taxation procedure. These units are required to spend their energies unnecessarily.