

CHAPTER I

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CHAPTER I

INTRODUCTION AND RESEARCH METHODOLOGY

1.1 INTRODUCTION-

Before independence Indian Economy was basically agrarian. Maximum number of people were living in villages and getting their livelihood from agriculture and allied activities like animal husbandry etc. Industrial composition was in primitive stage there were some consumer goods industries i.e. Sugar, paper mills, salt & cotton textile these industries were above dependent on agriculture for raw material requirements. The organized industrial sector was practically negligible.

But after independence (1947) the development strategy adopted by Indian planners consisted of accelerated industrialization. This industrializations has a major role to play in economic development of the country. The process of industrialization is associated with the development of mechanical knowledge, attitudes & skills of industrial work. Problems like unemployment financial availability can be solved due to the industrialization.

The industrial sector mainly divided into three sectors namely small medium & large scale industrial sector.

However small scale sector or industries have an important role to play the development of the country. The country accorded high priority to this sector on account of its employment potential comparatively low requirement of capital use of traditional skills, utilization of local resources.

Hence the process of industrialization launched as a conscious & deliberate policy under various policy resolution & statements

subsequently in the year 1948, 1956, 1962, 1977, 1980, 1985, 1991 & vigorously implemented under five years plan.

The central & state government realized the importance of SSI for economic development & established number of organizations & agencies with the intention to provide different types of assistance. The government implementing development program through MIDC industrial estates, SIDBI. They helps in providing guidelines on working of SSI they also provides technical guidance infrastructural facilities like road water electricity etc. for the development of SSI.

Maharashtra government also provides assistance to development or MIDC & industrial estates of different districts by way of publishing journals, guidelines for business providing timely funds etc.

1.2 DEFINITION OF SSI-

It is difficult task to define the term SSI because it has undergone periodic changes. It is modified from time to time & made update in recent years. There are wide variations made in the definitions of SSI in the different countries of the world. These definitions are based on investment employment & some other criteria the variations are also due to size structure, investment employment etc. Hence it is difficult to make common definition of SSI.

After attaining independence in 1947, the government of India realized the importance of SSI & made first attempt to define the small scale industry. The Report of Fiscal Commission (1949-50) & Director General of Supplies & Disposal made a definition that "Small scale industries are those organized units using electrical power & employing less than 50 workers or those not using electrical power but employing

less than 100 workers & with the capital investments of less than 5 Lakhs.”

Later on Small scale industries was defined as “an industrial unit with investment on plant & machinery of less than 7.5 Lakhs & in the case of ancillaries Rs. 10 Lakhs.”

Further the limit has continuously raised upwards. In 1975 in the case of SSI the fixed capital limit was raised to Rs 10 Lakhs for SSI & Rs 15 Lakhs for ancillary units.

In 1980 these limits were raised to Rs 15 Lakhs for SSI & Rs 20 Lakhs in the case of ancillary units

In 1985 the government of India raised investment limit to Rs 35 Lakhs & Rs 45 Lakhs for SSI & for ancillary industries respectively.

In April 1991 the investment limit was raised to Rs 60 Lakhs Rs 75 Lakhs for SSI & for ancillary industries respectively.

After words the need was recognized to redefine the SSI in the light of changing environment it was pointed out that the cost of land & building as well as the cost of machinery have been increased considerably.

During 1997, on the recommendation of Abid Hussain Committee the government has raised the investment limit on plant & machinery for SSI and ancillary industries for 60 Lakhs & 75 Lakhs to 3 crores.

The new policy of 1999 the investment limit for SSI & ancillary industries reduced to Rs. 1 crore.

1.3 NATURE AND IMPORTANCE OF SSI-

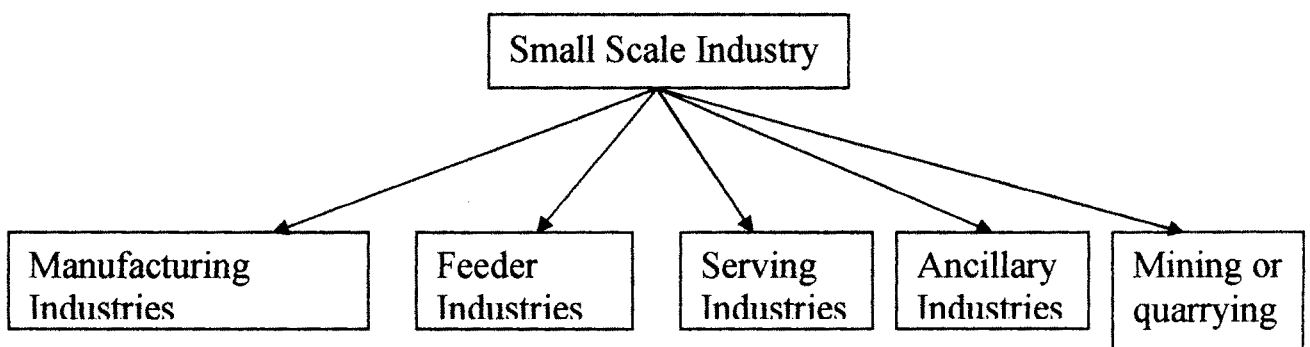
In the words of E.F. Schumacher in respect of small scale industries small is beautiful itself indicates that they are viable & useful in the production & employment generating. Small firms tends to be economically more, 3efficient than large firm only for those industries in which the nature of technology of the market small firms at an advantage over the larger competition.

The SSI play pivotal role in the Indian economy in terms of employment & growth has recorded a high rate of growth since independence in spire of stiff competition from the larger sector & not so encouraging support from the government. They provide immediate large scale employment offer a method of ensuring a more equitable distribution of national income & facilitate an effective mobilization of resources of capital & skills.

The SSI provide employment opportunities to unskilled & semi-skilled persons. The capital requirement for the establishment of SSI compared to large & medium scale industries is very low. Hence it is deliberate to start SSI in India where paucity of capital is acute.

1.3.1 TYPES OF SMALL SCALE INDUSTRIES-

Small scale Industries can be classified into five main types



1. Manufacturing industries: Those are industries producing complete article for direct consumption & also processing industries.
2. Feeder industries: Are specializing in certain type of products & services e.g. casting, electro-plating, welding etc.
3. Serving industries: These industries covering light repair mechanical equipment.
4. Ancillary industries: These are ancillary to large industries producing parts & components & rendering services.
5. Mining or quarrying.

1.4 GROWTH AND DEVELOPMENT OF SSI-

1.4.1 PRE-INDEPENDENCE-

To doubt today India is the largest operating program for the development of SSI in developing economic. Before independence Gandhiji strongly advocated the revival of village industries, it was the “Constructive programmer of the rural development. The idea behind was that supply the essential goods to satisfy the local needs. Further he introduced the program of khadi and swadeshi program for million of people.

The first experiment before independence was made by C.N. Devan in Bombay and started cotton mill in 1854 subsequently, new mills were opened up all over India regarding development of small scale industrial sector successfully attempts Tata, R.N. Mukharjee, L. K. Kirloskar in manufacturing industries.

Up to Second World War (1939-1945) progress of industrialization in India was though significant slow. The basic industries like textile jute, chemicals, etc were made considerable progress.

1.4.2 POST INDEPENDENCE PERIOD-

(Industrial policies and plans)

After the independence number of steps and measures were taken for the development of SSIs by introducing industrial policies & programs.

For the development of SSI Cottage industries board was set up in 1947. Industrial policy has to work within the board framework. of India's constitution and her Five Year Plans. It is accordance with plan objectives and priorities that decision regarding starting new industries or expansion of old ones, regarding overall investment in industrial sector and in specific industries location of new industrial establishments etc. all come to be taken-up. This only means that industrial policy has to help the attainment of plan objectives and is a part and parcel of the overall economic policy which the government has decided to adopt.

During the first plan three boards were established such as

- i. All India Handloom Board
- ii. All India Handicrafts Board
- iii. All India Khadi and Village Industries Board.

Beside these number of boards was established for the development of SSIs. The Industrial Policy Resolution of 1948 which was the first definite statement of government of India's industrial policy contemplated a mixed economy for the country in which both the public sector and private sector would play an important and efficient role in industrial sphere.

In this policy SSI and cottage industries were given their due place and importance in the economy and also as a means of decentralization of industrial structure and power.

After the adoption of IP resolution 1948, a number of developments had taken place in the country. The economic planning era has commenced in the country by 1950 and the first five year plan (1951-52 to 1955-56) had been completed with a fair amount of success.

For the development of SSIs the government made the provisions of Rs. 42 crore in this plan. This rose up to Rs 187 crores in the second plan. On the eve of Second Plan the program of industrial estate was introduced and during the same plan period 60 industrial estates were set up for providing factory accentuation and a number of common facilities. During the third five year plan the actual expenditure was amounted to Rs. 241 crores.

In this policy the encouragement given to SSIs by imposing restriction of some goods by large scale industries and thus reserving their production exclusively by SSI. They also give direct subsidy and taxation reliefs.

In March 1977 the congress party government was replaced by Janata Party, government and wanting to make radical change in industrial policy and announced its industrial policy statement in the Indian parliament in December 1977.

This policy gives more emphasis on development of SSI such as the list of reserve items of 180 extended to 807 items by May 1978, the concept of DIC was introduced. The government ready to provide financial assistance, raw material, training and marketing etc. Facilities for sound development. At present there are 422 DIC operating in the country covering 431 district.

In the year 1980 the congress (I) party come back to power which proposed to encourage SSI in rural areas to make rural communities economically viable, raising per capital income of rural people.

India's new industrial policy was announced on 24th July 1991 and the procedures and condition of SSI were liberalized. As per this policy the small industries development organization (SIDO) had been recognized as the nodal agency to support and promote exports of products of SSI.

Technology development and modernization found (IDMF) scheme was launched for modernization of SSI.

In pursuance of this policy again new policy package of SSI was announced in March 1994. This package provided faster mechanism for review of list of reserved items for SSI and also facilitate integration of SSI with other sectors accelerate modernization and technology up gradation.

In the year 1998 the government announced a package of policy initiatives to extended much demanded industries who were in need to aid at specific critical situation this includes checking audit procedures coercive action to realize excise dues etc.

In the year 2000 the government announced another package which was based on the recommendation of S.P. Gupta committee with a view to prepare the SSI sector to meet global competition. This package includes innovative measures such as 15 items short listed for de-reservation, the hike investment limit to Rs. 5 crores for 41 items as compared to Rs. 1 crores. 12 percent capital subsidy for investment in technology in selected sector, credit guarantee scheme with Rs 125 crore

at one time, composite loan limited raised to Rs 25 Lakhs and Rs. 441 crore scheme for Khadi and village industries.

1.4.3 PROBLEMS OF SMALL SCALE INDUSTRIES-

There are number of problems faced by the SSI. The main problems faced by the SSI are the problem of raw material problems of finance, technological obsolescence, imperfect knowledge, unorganized nature of operation, constraint of infrastructure facilities including power etc.

The main problem faced by SSIs is lack of finance needed for SSI. This is because of their weak economic base and hence they find it difficult to take financial assistance from banks and financial institutions.

Another problem is related to marketing majority of units do not have their own distribution channels and their products are also compared with the quality of large scale industrial.

Their productivity is also low because of under utilization of capacity. There is lack of co-ordination between support organization set up over the period for promotion and development of these industries.

With this background the present study attempts to identify the financial strengths, weakness, opportunities and threats of SSI.

1.5 STATEMENT OF THE PROBLEM-

I have decided to undertake The Study of "A Financial SWOT Analysis of Small Scale Industrial Units with Special Reference to Foundry Industry in Palus Surrounding Area."

The government of India in its first Industrial Policy Resolution 1948 recognized the importance of SSI for economic development as a whole. Foundries are the manufacturing industries of goods which are further utilized for production of finished goods or consumer goods.

Foundry industries are also called as casting industries. These industries include casting of iron, metal, aluminum etc. So it is essential that adequate and prompt availability of credit facility crucial for development of foundry industries.

Lack of adequate finance hampers the growth and development foundry industries.

Lack of suitable financial intermediaries, skilled labour, infrastructural facility are also some problems faced by the foundry industries.

1.6 OBJECTIVES OF THE STUDY-

The main objective of this study, is to make in depth Financial SWOT Analysis of foundry Industries of Palus surrounding area.

1. To study role and importance of foundry industries in development of area.
2. To study growth and development of foundry industries in Palus.
3. To analyze the financial strong points of foundry industries.
4. To predict the financial opportunities for foundry industries.
5. To evaluate the various financial problems faced by foundry industries.
6. To perceive the financial threats in the foundry industries.
7. To suggest appropriate measures to over come the weakness or problems faced by the foundry industries.

1.7 HYPOTHESIS OF STUDY-

The study is based on following hypothesis

1. For foundries working capital is required more than fixed capital
2. The existing personnel are unskilled, inadequate management skills and needs proper training.

3. In spite of different problems the foundry industries, as small scale industries are essential for over all economic development.

1.8 REVIEW OF LITERATURE-

The researcher has made an attempt to review some selected literatures related to SSI in the following paragraphs.

Prof. R.M. Tungare has conducted the survey of 76 SSI in the Sindhudurga district of Maharashtra. He concluded that SSI with its less capital intensity and greater labor intensity would establish backward and forward linkages in the district. In this study, 67% of the SSI was operating below their installed capacity. The main causes were inadequate provision of working finance non-availability of raw materials etc.

Sharad Kopardekar has conducted the study of 72 SSI in Pune District. He highlighted the aspect of structure and composition of investment. He also concluded most of small units were working below capacity because of lack of demand, lack of finance shortage of raw material and lack of trained labor.

Vivek Dandekar in his research work entitled 'Management of Small Scale Industrial' has studied 192 SSIs in backward area of Marathwada region of Maharashtra. He also investigated in detail the sick industries. In addition, he also considered the government policies and implementation method in SSI. He concluded that majority of units were sick due to lack of competent management and poor marketing facilities.

S. Akaram in his article entitled YSFC striving for a Dynamic Developmental financing of small enterprises has taken a review of various BFCs and their activities and concluded that they are playing

a significant role in small enterprises development by extending term loans and other facilities. He emphasized the co-ordination among the financial institutions for the development of urban and semi urban area.

Prof. Nisar Ahmad in his book “Problem and management of small scale and cottage industries” highlighted various problems of micro and macro level and suggested practical measures for the speedy development of SSI in India.

Dr. Vasant Desai as an eminent researcher in social science has contributed in about ‘Problems and prospects of SSI in India in multi dimensional approach’. He observed number of problems at each and every stage to the SSI such as selection of product marketing of goods, Besides, inadequate management and training, planning sticking etc. The book also analyzed the unique role of industrial estates and DIC.

Dr. T. Venkateshwara Rao developed the concept district Industries Centers (DIC) on the great experience on few DICs in Andhra Pradesh State. In his book entitled development of small scale industries (Role of DICs). He. Covered the overall performance of DICs in the fulfilling the twin purposes of the development of SSIs in semi-urban as well as rural areas.

1.9 RESEARCH METHODOLOGY-

In order to make Financial SWOT Analysis of SSIs in general and Foundry Industries in particular researcher have selected the location. “Palus Surrounding Area”. This deliberate selection of location has basically for the reason that the area is well known to researcher and in this area number of industries are emerging.

1.9.1 DATA COLLECTION-

1.9.1.1 PRIMARY DATA

The primary data is mainly collected through interviews, questionnaire, discussion held with top level personnel of particular industry and personal observation etc.

1.9.1.2 SECONDARY DATA

The secondary data is collected from annual reports, financial records, documents MIDC office, journals, news papers, libraries, concerned to small scale industries of foundry nature.

1.9.2 METHODOLOGY FOR SAMPLE SELECTION-

In order to study the foundry industries in Palus Surrounding area researcher has adopted following sample procedure.

A) Researcher has collected data regarding the total number of small scale industries existed in the year 2007. There were 137 units.

TABLE NO. 1.2
TOTAL SSI IN PALUS

Sr. no.	Type of Industry	Total No. of units
1	Engineering Job works	61
2	Foundry industries	15
3	Felting	6
4	Chemicals	3
5	Cement Products	4
6	Plastic	4
7	Rubber	4
8	Wine	1
9	Miscellaneous Industries(other)	4
10	Textile	4
	Total	137

A) After classification of total number of industries, researcher has concentrated on the study of Foundry Industries only.

B) There are 15 foundry industries, with the help of census method, the researcher has taken all 15 industries for study.

The selected SSIs are visited by the researcher with structured schedule (questionnaire) for collecting information.

1.9.3 SCOPE OF THE STUDY-

The industrial area of Palus is divided into two parts.

Viz-a) Dr. Patangrao Kadam Industrial Estate Co-operative Society Ltd. Palus and b) Palus MIDC. From these two areas I took only foundry industries for the study.

1.9.4 LIMITATIONS OF THE STUDY-

The study is limited to

1. Only to small scale industries
2. Only to Palus surrounding area.
3. Only to financial aspect of foundry industries
4. The study depends on only financial SWOT Analysis of foundry industries and the suitable period from 1997 to 2007.

1.9.5 CHAPTER SCHEME-

The present research work is divided in seven chapter as stated below –

CHAPTER-I- INTRODUCTION & REASERCH METHODOLOGY

This chapter deals with the introduction of statement of problems methods of collection of data along with the scope of studies. This chapter also deals with the area and sector of the study.

CHAPTER-II- GROWTH DEVELOPMENT & ORGANIZATION STRUCTURE OF FOUNDRY INDUSTRIES.

The second chapter reveals the growth and development of foundry industry in Palus surrounding area and also organization structure of foundry industry.

CHAPTER-III- THE STRONG FINANCIAL POSITION OF FOUNDRY INDUSTRY

This chapter reviews the sources of finance, the importance of finance for foundry industries.

CHAPTER-IV- THE BETTER OPPORTUNITIES FOR FOUNDRY INDUSTRIES.

This chapter deals with the opportunities or ways available for the development of foundry industries.

CHAPTER-V- THE FINANCIAL WEAKNESSES OF FOUNDRY INDUSTRIES

In this chapter, study is made on the constraints in getting the finance or how financial weakness raises in foundry industries.

CHAPTER-VI- THE FINANCIAL THREATS OF FOUNDRY INDUSTRIES

This chapter is based on how the weaknesses acts as a threats for development of foundry industries.

CHAPTER-VII-SUMMURY, CONCLUSIONS AND SUGGESTIONS

This chapter is based on brief summary of research work, conclusion at which researcher arises and the some suggestions for the development of SSI (foundry industry).

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