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**PROBLEMS OF SSI UNITS WITH REFERENCE TO  
SANGLI MIRAJ KUPWAD MIDC**



Janhavi Shridhar Bedekar

**INTRODUCTION**

India is a highly populated country. Job creation, dearth, per capita income and many more are the challenges before our country. Sustainable development of small scale industry is one of the major solutions for our highly populated country. Upliftment of poor people is the crux in development of India. Small-scale sector is expected to play an important and crucial role in the economic upliftment of the country. Contribution of this sector in terms of national income, industrial output, employment and export, development of backward areas, strengthening entrepreneurial culture and using the home talent are of immense value. They provide immediate large scale employment, they offer a method of ensuring a more equitable distribution of the national income and they facilitate an effective mobilization of resources of

**ABSTRACT**

*In the light of the vastness of the country, the wide variations in the level of industrial development of different regions and rapidly changing industrial environment. The owners of the small-scale industries face many problems. Firm's viability depends upon four functional areas of management i.e. production, finance, human resource and marketing. A diversity of challenges hampers the growth of SSI in India and after adoption of globalisation policy there may be addition in the problems. These problems are present in the area of labour, marketing, finance, production, technology and infrastructural problems. The challenges faced by the SSI in the Sangli Miraj Kupwad MIDC are discussed in this paper.*

**KEYWORDS** : industrial development , industrial environment , human resource and marketing.

**Short Profile**

Janhavi Shridhar Bedekar is Lecturer.

capital and skill which might otherwise remain unutilized.

Even after more than five decades of developmental efforts after 1947, India was a low-income developing economy, facing the twin problems of unemployment and poverty. Major cause of this may lie in overpopulation. Employment generation at all levels can be the good solution to satisfy unending human wants and for sound sustainable developmental economy. The new economic policy that may have adopted in 1991 had deep impact on almost all fields of Indian life.

When new reform was implemented it was claimed that reforms are for welfare of common people and they will upgrade life of the downtrodden but there was mixed picture. Globalization has many meanings depending on

Lecturer

the context and on the person who is talking about. Globalization on a whole is considered to be a phenomenon that has been witnessed in the world in the last few decades and which involves the inter-connectivity as well as inter-dependency of people from different countries on each other. Different people with different backgrounds and those who are working in different fields tend to define globalisation in different ways. It not only is restricted to the purview of the people from different countries but also encompasses the interconnectivity of trade, economics, technology and science. Globalization is a broad concept casually used to describe a variety of phenomena that reflect increased economic interdependence of countries. Such phenomena include flows of goods and services across borders, reductions in policy and transport barriers to trade, international capital flows, multinational activity, foreign direct investment, outsourcing, increased exposure to exchange rate volatility, and immigration. These movements of goods, services, capital, firms, and people are believed to contribute to the spread of technology, knowledge, culture and information across borders. Globalization and consequent trade liberalization program were initiated in early 90s of the 20th Century all over the world and particularly in developing economies like India. These programs have replaced industrialization strategies based on import substitution with those geared to market reforms and opening of domestic economy to foreign competition. At the same time, foreign investment regulations have been relaxed and policies aimed at attracting foreign investment inflow have been implemented.<sup>1</sup>

The significance of SSI cannot be undermined in a country like India whose economic growth is dependent on its industries. The significance of SSI in India can be illustrated in the following points

- SSI are considered as the engine of economic

growth in both developed and developing countries

- Cost of employment is low since the cost of employing a worker in SSI is much lower than cost of employing a worker in the large sized sector.
- Accelerates the growth of the rural area development by connecting it to the organized urban sector
- Helps in the equitable distribution of wealth by the dispersion of economic activities
- Helps in the upliftment of local and indigenous material because these industries reduce the dependency on imported raw material
- Rural people get an opportunity for income generation and well as an opportunity to grow personally since they have the option of working from home in such a scenario.
- Economic down turns can be cushioned since the SSI relies on local produce hence helping to balance out the economic growth during these times<sup>2</sup>.

The socio-economic transformation of India cannot be achieved without paying attention to the small scale sector, which is labor intensive with comparatively low capital investment; next to agriculture this sector's contribution to employment is magnificent. But for being successful entrepreneur in this globalized era, entrepreneurs have to give attention to the global dimensions of business and management. Good management should be ideal to deal with this cut-throat competition. From all over the world importance of management could not be denied. Many more small scale industrialists are sole proprietor, they have to handle their whole business management at their own. A diversity of challenges hampers the growth of SSI in India. These industries are subject to all types of small scale problems due to the inherent nature. These problems are present in the area of labour, marketing, finance, technology, availability of power and other infrastructure

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problems. Some problems are directly related to the globalization but some are local or personal.

**II] Objective:** To find out problems of SSI units in Sangli Miraj Kupwad MIDC in post globalization period.

**III] Research methodology:** The research methodology of the study comprises of the

survey method for collecting the primary data on the basis of appropriately designed sample survey of the SSI units in the selected Sangli Miraj Kupwad MIDC. Discussion and observation method were used by researcher while collecting the presented data.

**IV] Sample Design:**

Sr. no.	Contents
1.	DIC office Sangli gave computerized data of industries in whole Sangli District
2.	There were 462 registered units in the study area, 25% (115) units selected for the survey
3.	Systematic sampling technique was used
4.	Every fourth unit is selected after selecting 1 <sup>st</sup> unit at random
5.	But out of these 115 units 100 units gave consistent data
6.	100 units' data is presented (Response rate-87%)

**V] Data Analysis and Interpretation:**

The field survey was carried out in Sangli, Miraj, and Kupwad MIDC area. The entrepreneurs were personally interviewed. As research topic focused on (i) Management view i.e. four functional areas of management-production, finance, human resource and marketing, problems of SSI units after adoption of globalization policy were studied. In 1991

economic reforms were initiated at the national level and a number of challenges were posed to each sector of the Indian economy. Small scale sector also suffered and is suffering after this economic reform. In the present paper researcher has made an attempt to mark the problems and challenges faced by the small scale industries.

Sr. No	PROBLEMS IN FINANCIAL MANAGEMENT	AFTER 1991(in %)
1	Problems In Procuring Funds	74
2	Delay From Debtors	85
3	Government Policies	48
4	Banking Policies	72
5	Offering Securities	22
6	Problems Regarding Bank Procedures	82
7	Problems Regarding Tax Procedures	75
8	Cash Crunch/Working Capital Management	85
9	Sickness due to globalization	38
10	No financial discipline	48
11	Less credit period from creditors	67
12	Facing problems from bureaucrats	59

**Problems related to financial management**

Although there are so many institutes who are ready to provide financial assistance to SSI sector there are so many problems in procuring funds. Financial assistance is most pertinent issue for the MSME sector. Here we can see many heads related to financial problems. SSI faces a major challenge when it comes to financial aid. Since they are not very capital intensive, they require financial aid to fulfil their long term financial obligations as well as short term financial obligations. The long term loan involves the buying of machinery and fixed assets such as land, furniture etc. while the short term obligations involve the buying of raw material, payment of wages, over heads etc. the challenge faced by SSI is to procure this money on time in order to fulfil all their financial obligations. It is more difficult for an SSI to procure a loan from banks or other financial institutions due to the

lower availability of collateral available within these industries. Also in many areas, the government does not keep these industries subsidy of any kind as opposed to the kind of subsidy it gives to the larger companies. SSI has to depend on multiple financial institutions for them to aid these companies and also they pay a high interest rate. Delay from debtors is a major cause affecting on management of working capital, eventually it affects in repayment of creditors. Problems form bureaucrats, Government policies, banking policies and tax procedures are the problems related to the policies of central government. Only 38% unit holders were said that globalization is the cause for sickness and 48% said units don't have financial discipline. Best financial management have great importance while running the small scale industry.

Sr. no	PROBLAMES IN PRODUCTION MANAGEMENT	AFTER 1991(in %)
1	Problems Related to procurement of Resources	60
2	High Rates Of Resources	36
3	Irregular supply	50
4	Low Quality Of Material	27
5	Non availability material in India	56
6	High rates of Indian goods	44
7	Obsolete Technology	21
9	Under Utilization of Production Capacity	66
10	Lack of work order	45
11	Low production capacity	10
12	Labor problems	72
13	High rates of Power compared to nearby state	64
14	Shortage of raw material	46
15	No Recognized Quality Control System	90

**Problems related to Production management**

The object of an industry is to sells its product at a price which covers the necessary profit in order to keep up the production levels. While doing production management major challenge faced by SSI is that they tend to make products of inferior quality due to less capital they have and the less production time compared

to big industries. They tend to make products of cheaper quality so that it can be sold in the market at a much lower rate. Also the raw material rate for good quality material comes to them at a higher piece hence they tend to use cheaper raw material. For an SSI raw material such as iron, steel, chemicals, coal is usually at shortage since they do not have enough money

to buy them outright. Thus they employ intermediaries to get the raw material on a credit basis. By involving these intermediaries the price of raw material becomes higher poses a major problem for the industry. Under-utilization of the capacity is observed as major a problem. Due to advancement in technology 21% units were suffering the problem of obsolete technology. By implication it means that it still continues to be a problem. High rates of power, recession, lack of finance and competition were the main reasons for under utilization of production capacity. There is an impact on import percentage after globalization. Good quality of imported material,

high rates of Indian goods & easy import are the reasons. Labor problems also affects very badly on production. High rates of power as compared to nearby states in a major problem face by small scale industry. It affects on tender price or we may say on competitive costing of the product. Recognized quality control system is the need of this era; only 10 units in the study area had recognized quality control system. Due to good production management, improvement in the quality and quantity of production can be possible. But units were facing many types of production management problems.

Sr.no	PROBLAMES IN MARKETING MANAGEMENT	AFTER 1991(in %)
1	No Loyal Dealers	20
2	High Commission Of Middle Men	48
3	Misuse Of Credit Facility	28
4	Increase In Cost	30
5	Problems Related To Export	88
6	Product Quality	56
7	Licensing policy	15
8	Foreign Competition	88
9	Foreign Exchange	25
10	Fear Of Export Procedure	33
11	competition	97
12	lack of Demand	85
13	high cost of product	65
14	over-quality cautiousness	49
15	No strategy for acquiring markets	54
16	Substitute global products	86
17	Octroi/ LBT	100

#### Problems related to Marketing management

For the growth of any industry it is important for the industry to have a marketing plan in order to address the rising competition, rising material cost and the limited working capital that a company has. The market decisions made by a company influences its future and the fate of the small scale industries for many years. An efficient marketing plan involves the usage of market opportunities available for the industry as well as an assessment of the company's ability to

take advantage of the opportunities presented to them. The small scales main competition is from large scale industries. In case there is a product which is produces by the SSI, due to economies of scale and the kind of capital available to them, it makes it simpler for the larger companies to market their product to a larger audience as their reach is much deeper in the target audience. Also the price offered by the large scale industry is much lower compared to that of an SSI due to the volume of products

produced by them. The bigger industries can offer the same product at a much lower price than the SSI. Also established brands create a challenge for the marketing of SSI. These brands already have a name in the market hence they are known among the audience at a deeper level compare to ones produce by the SSI. The lack of advertising at national and international platforms does not allow them to display their

produce at a global level. SSI units were facing the problems like heavy competition, recession, low profit margin, government regulations, over quality cautiousness, Octroi/LBT etc while marketing of their product. As marketing research is a scientific and systematic activity its cost more. So here we can observe big challenges related to marketing of products.

Sr.no	PROBLAMES IN HUMAN RESOURCE MANAGEMENT	AFTER 1991(in %)
1	Having Problems Related To Labour	98
2	Absenteeism	74
3	Less Educated	30
4	Lack of Skilled Workers	88
5	No Attention Towards Workers Skill While Recruiting	54
6	Not having Performance Appraisal System	40
7	No Training Activities	20
8	Fear in labor due to advancement in technology	36
9	No Reward For High Performance	34
10	Less Productivity	23
11	Less Availability	42
12	Non Cooperation	27
13	Labor Union	10
14	No Healthy Environment Between Management And Workers	22
15	Increase In Payment Workers due to globalization	63
16	Not having suggestion box	78

#### PROBLEMS RELATED TO HUMAN RESOURCE MANAGEMENT

The most essential element of the SSI is its labour. India is a country with increasing population hence the number of labourers has also increased. However a mere increase in labourers does not imply the economic advancement of the industry but it lies in the quality of skilled labours available. The optimum amount of raw material used to make a product is the job of a skilled labour. This requires quality training and education for the workers which is specific to each industry. The industry requires a large number of labourers since it is a labour intensive field. Labourers pose a major problem of absenteeism at their job. In case of an SSI mostly all sectors face this problem since most of

their workers are employed on temporary basis in the large companies workers are offered permanent position with many benefits such as insurance, leaves, bonus etc. while the SSI offers them only wages on casual basis hence they choose to shift from one job to another looking at the wage rate. Also high wages offered by other industries compel these skilled labourers to shift from one industry to another. In order to retain a skilled labour, small units have to pay higher wages to the workers which affect their profit margin directly. Since most of the units keep these workers on daily wages, may tend to switch units easily. Also the conditions of working are poor in most SSI which makes is challenging for the units to retain them. Also many workers come from surrounding rural



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villages and India being predominantly agricultural land, many tend to go back to tend to their fields in the villages. Also labour unions and strikes post a big challenge for this industry. Unavailability of required labour class is also a big problem of these industries. Performance appraisal system, reward for high performance, healthy environment between management and workers, training activities and having suggestion

box are some management tools to motivate the workers but here we can observe less percentage of units who were adopted these management practises. We may observe that jumping mentality, increases in payment of workers, labour union and fear in labor due to advancement in technology are some bad effects of globalisation. But labour problems are in high amount in all strata's of industry.

Sr.no	INFRASTRUCTURAL PROBLEMS	AFTER 1991(in %)
1	Roads	75
2	Electricity (at high cost)	68
3	Changing Regulations	56
4	Drainage	37
5	water	38
6	No air facility	33
7	Research and Development	42

In India, anyone who aspires to build or run their own industry, face several obstacles in the form of money and infrastructure. Every entrepreneur wants basic infrastructure to run the business smoothly. But infrastructural problems are everywhere, here are the problems faced by these sampled units. Road, water, electricity, research labs, drainage and last but not the least in this fast moving world, i.e. availability of air service are some basics of infrastructure. These facilities are expected by the entrepreneurs but our government is not successful in providing these infrastructural facilities. It affects on success of the business directly. Here we can observe that, at what percentage industrialist suffering from these problems. Bad condition of roads affects often on transportation, which was the problem 75% unit holders facing. Electricity was obstacle in on-time delivery, work schedule and this was the problem faced by 68% units. Research and developmental labs are in the demand for new product development but this facility was also lacked by 42% units. 38% units faced problems related to 'water availability and supply'. 37% noted the problem of 'Drainage' and 33% demanded 'Air

service'; industrialist also pointed out that for arrival of big businesses in this SMK MIDC area, this service is important.

#### SUGGESTIONS & CONCLUSION

Many financial institutions such as Nationalized Bank's SIDBI, regional rural banks, NSIC, State Financial corporations are there to finance MSME's but there should but a good mediator agency required which can guide entrepreneurs about project preparation paper requirements, subsidies, schemes by banks & government etc. Another problem is the delay from debtors. For this problem entrepreneurs have to come together & make attractive policies for debtors & motivate them to purchase on cash basis. it is important to undertake more micro/regional studies from time to time in order to determine the effectiveness of the policies and programs as a tool for small-scale industrial development. When we are going global we have to think of a globe as part and parcel of it. Any one cannot easily revert back this globalization process. Importing and exporting goods is a great way to expand your business and participate in the

global economy. The most important factor causing industrial sickness is the financial problem faced by the units. Flow of working capital on a regular basis & management of fixed capital for maintenance, diversification & expansion are the necessary conditions. It is suggested therefore that a periodic assessment of financial situation by the concerned industrial unit should be done & the banking & financial institutions should be required to provide timely working capital loans. Awareness creation is necessary regarding provisions, facilities, and memoranda of MSME Development Act 2006. Due to this society & industry can get benefits from this act. The procedural formalities should be reduced to minimum by the banking institution since most of the units, faced procedural problems in getting timely financial assistance. It is suggested that short term courses be organized by academic institutions to train the entrepreneur regarding use of various financial statements in financial management. Tax procedures are required to be simplified for better compliance. It is expected that a single tax system is introduced for this purpose. The central government has already taken some steps in this direction. The introduction of GST as a single tax will go a long way in simplifying the tax procedures & improving the tax compliance. It is suggested that every industrial unit should go for adoption of some kind of quality control management system. The unit can choose from various quality control & improvement systems as per their choice Globalization & the increased competition have made it necessary to go for quality improvement. Proper training should be given to the entrepreneurs regarding management of all types of resources such as money, machines, material, men & mind set. In conclusion, though there are many challenges faced by small scale industries, there are many measures which can be put in place in order to overcome these challenges. It is important that SSI is helped by the government such that they can contribute to the economic growth of the

country.

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