Problems In Marketing Of Small Scale Industries In Jharkhand : A Case Study Of Bokaro Industrial Area Development Authority (BIADA)

Krishna Mohan Prasad Sinha* and S.K.Gupta**

Small scale industries must survive and grow for which marketing is of vital importance. But Small scale industries are faced with marketing problems. Marketing problems is not an independent one, it is a related issue and it is a complex problem of Marketing Finance, marketing infrastructure like forward and backward linkages, product decision, promotion policy, selection of distribution channel problems and the like. Therefore, to tackle this, it requires collective efforts on the part of entrepreneurs of these units, Government, policy makers, promotional agencies involved in the promotion of small scale units, customers and the financial institutions providing finance. It requires a well devised future marketing strategy to overcome this problem. The problem of marketing of small scale units in future can be tackled if all engaged in the process realize their responsibility and put forth concerted effects with commitment, dedication and real will to solve the problem.

Keywords : Small Scale Industry

Introduction

Industrialisation has become an integral part of the development endeavors of developing countries. Such countries, which in general are agrarian, capital scarce and labour abundant, can ill-afford the establishment of large scale industries in their straggle for attaining economic progress. This being so Small Scale Industries (SSI) occupies position in the economic programs of such country.

In a developing economy like India the Small Scale Industries occupy a prominent position since they are capital surplus and labour intensive sectors. They are considered as harbingers of economic progress and have stemmed and grown out of India’s own skill, have resources, enterprise and culture and thus, occupy a proud place in the industrial economy of India.

Besides, Small Scale sector occupies an important position in the industrial economy of the country because of its advantages of low investment, high potential for employment generation and wider dispersal of industries in rural and semi-urban areas. This sector also offers a method of ensuring a more equitable distribution of national income and facilitates effective mobilisation of resources of capital and skill of human resource, which might otherwise remain un-utilised.

The significant role that this sector plays in the development strategy of India’s economy can be attributed to the substantial continuation that this sector has been making towards industrial growth in recent years. Despite the global and domestic recession, Small scale industries registered a higher growth rate than the over-all industrial sector in term of number of units, production, employment and export.

The development of Small scale industries is a must for successful implementation of the policy of

*Lecturer, Dept. of Commerce, Baghmara College, Baghmara, (Dhanbad).
**Reader, Dept. of Commerce, Katras College, Katrasgarh, (Dhanbad).
economic reforms and Liberalisation, as small industries are capable of solving the cronic problem of unemployment, poverty and miseries of the masses of India. Despite their strategic role and substantial contribution to the country’s economy, the small scale sector has not been given due recognition and place in the policy of economic reforms initiated by the government since nineties. Following the first wave of economic reforms, the SSI had already taken a few punches of the chins with drastic pruning of their list of products reserved for them.

The Small scale industries have always been the subject of controversy primarily due to the popularity of the concepts which were not till recently put into scientific definition. Keeping in view the government’s definition and ground reality obtaining in the area of our research here, only those units have been taken as small scale units which have investment in the plant and machines between 1 lakh and 1 crore.

Small scale industries everywhere have been facing two major constraints, namely lack of infrastructure and the problems of proper marketing their product.

Review

The first official definition of SSI was coined, in 1950 in terms of the size of gross investment in fixed as well as on the strength of the workforce in the unit concerned.

The concept of small scale industries has undergone periodic changes. The definition of small scale industries has been modified from time to time since 1954. As per the union ministry of commerce and industries letter no. 12-SSI(A)(136)/57 Dt. 4th January 1960 “Small scale industries will include all industrial units with a capital investment of not more than Rs 5 lakh, irrespective of the number of persons employed.

Subbi Reddy (1979) undertook a case study covering 21 SSI units of Ananthpur city shows that the poor marketing, lack of raw material and labour and managerial problems as factors responsible for under utilisation of capacity, Vijaya (1981) studies 23 SSI units of an industrial estate in warrangal town of Andhra Pradesh revealed that there was general under utilization of production capacity in different units studied and only two units utilized their maximum capacities. The study found deficiency of demand, scarcity of raw material, lack of finance, initial stage of development, competition from large units and technical reasons as causes for under utilization of capacity. Bedbati Mohanthy (1982) surveyed 171 small scale units in Cuttack district of Orissa state for a period of 5 years from 1976-77 to 1980-81 and found that the capacity utilization in different sizes of industrial units does not depend on size of the unit. Ramayya and Papayya (1985) studied 47 units of Warangal district was utilizing inrolled capacity even for eight hours a day. Ramamurthi, Krishna Kumar & Hephzibah (1990) covered 85 units situated in and around the twin cities of Hyderabad and Secunderabad reveals that out of 85 units, 58.82% ware not in a position to utilize their capacity beyond 50% and identified inadequate market demand, lack of working capital, inadequate and irregular supply of raw materials and power failure, inadequate work force etc., as reasons.

Objectives Of The Study

The present study has been carried out with the following objectives:

1. To analyses the marketing concept an appropriate to Small scale units including ancillaries.
2. To discuss the various marketing mix being adopted by Small scale units and problems are faced by them.
3. To find out the various type of problems being faced by Small scale units.
4. To analyses the problems of marketing of belonging to BIADA in particular and units in the
whole state of Jharkhand in general.

5. To suggest the measures to be adopted to bring the decentralized sector of economy on the path of fast development.

In the view of the above objectives, the study concentrated mainly on the problem of marketing and allied problems. Since the marketing is not an isolated problem, other problems of the Small scale units have been elaborately researched by means of primary and secondary data.

**Methodology**

The universe of the study constituted Small enterprises in the state of Jharkhand in general and BIADA in particulars. The problem of marketing is not an isolated problem, rather linked with the problems finance, with infrastructure, product, pricing, promotion and physical distribution decision. In the of the complex problem of marketing, statistical and quantitative and observation have been used. Both primary and secondary data have used for the analysis. For collection of primary data extensive questionnaires have been prepared and served the small units belonging to BIADA. Their responses have been analyses to arrive at some conclusions. The sample units were selected out of units which appeared in the list of BIADA and were in operation having an age of five years. The secondary data have been selected from the publications of BIADA, DIC, KVIC, RBI, Lead Banks NABARD, SIDBI Ranchi and BSICIC Ministry of Industry, Jharkhand and others. Thus the study is both theoretical as well as empirical in nature. Various relevant information has been quoted in the support of the basic contention.

The study is basically confined to 12 units registered with BIADA for intensive study and SSI units of Jharkhand for general study. We have selected 12 units of BIADA as sample units on the basis of random sampling for the study of the problem of marketing and other associated problems like finance, power shortage and other basic amenities and government’s policy. The sample units were in operation for at least five years.

The units are mostly proprietary in nature and do not make available information for the purpose of research. It is their feelings that if accurate information are made available. These will be passed to the government and they will be deprived of certain concessions which are being received from government. Sometimes problems are exaggerated with the expectation that the government will be liberal and generous towards them if the problems are highlighted. Thus the authenticity of data made available by small units is not out of question. Here the personal observation of the researcher counts.

**Marketing Of SSI**

Marketing is the key factor in determining the success of an enterprise, commonly, the marketing consisted of those efforts which effect transfers of the ownership of goods and care for their physical distribution in economic term. Marketing covers those activities which relate to the creation of time, place and possession of activities. Marketing is generally considered to be an exchange of goods and services between seller and buyer. Kotler defines “Marketing as a human activity directed at satisfying offer and process”. (Kotler Phillip, marketing management 1994 P10 ). The American Marketing Association defines “Marketing as a Performance of business activities that direct the flow of goods and services from producer to consumer or user”. (American Marketing Association 1960 P15)

Marketing is a creative function which may create demand if the demand for the product is not already there. It carries out the activities relating to satisfying the needs of the customers in matter of the quality, quantity and the price of the products. The marketing is based on the concept of actual wants of the consumers and their choices and aspiration.
The process of marketing creates employment through raising the volume of production and diversification of production of goods and services. Besides the growth of output and creation of employment opportunities in the society, marketing raises the volume of trade to a new height and in its wake horizon of trade crosses the national boundaries. In a bid to search market European travellers searched Indian sub-continent and established their foot hold on Asian and African countries and made the countries their colonies.

The marketing of goods and services, besides the improving the health and vitality of a business enterprise, does social goods by creating employment opportunities and providing goods and services to the consumer at competitive price and quality.

Marketing has a special significance for the growth and success of Small scale enterprises. It has been found that small scale enterprises are graphing with the problems of marketing much more than the large scale ones. Because of their poor budget for advertising and other marketing activities, they are not in a position to create market among the potential consumers. Consequently their area a operation is limited and they are handicapped to do intensive marketing. It is a bit impossible for than to create their own brand which can be sustainable way to promote sale. Because of their smallness of size, limited financial resources, they cannot enjoy respectability for their product among the consumers.

The Marketing survey is must for launching a product which identifies the potential consumers. The proper marks are to be identified for intensive marketing. This part of activities is beyond the competence of small scale units.

In today’s marketing not only research and investigation services are required, but the standard of quality is to be maintained and improved.

The small scale units have made a significant contribution to India’s export earnings. The units particularly cottage and handicrafts sector, have a great export potentiality and their products are getting extremely popular with foreign consumers. But the introduction of products is foreign market is stupendous task for a small scale enterprise, unless similar units from their consortium to promote scale in markets abroad. Export making agencies engaged in efforts eat the cream of their export earnings. The main producers get much less, rather disproportionately low.

Marketing mechanism in small scale industries involves the activities undertaken in the transferring of goods and services and titles to there to from producers to consumers. The efficiency of marketing will naturally determine the scale and profit of small scale industries. In fact, these industries are able to prosper with a very significant marketing system. The marketing system no doubt differs from one industry to another. While tiny units and ancillary units opt for simple mechanisms, some others opt for full scale marketing mechanism usually adopted by medium and large scale units. In some other cases, marketing of goods is entrusted to marketing agencies, which are specialised in such operations. The significance of marketing for small scale industry is the very basis of its industrial activity. Thus, the marketing is a distinct and key factor for the success of small scale industries.

**Problems Of SSIs in Jharkhand**

The small scale sector has emerged as a dynamic and vibrant sector of the economy. It accounted for nearly 35% of the gross value of output in the manufacturing sector and over 40% of the total exports from the country. It provides employment opportunities to around 12 million people.

The main objective of the policy of the government towards small scale sector is to enable the sector to contribute its mite fully to the economy, particularly in terms of growth of output, employment and exports. The efforts are being made to deregulate and debureaucratise the sector with a view to remove all fitters on its growth potential, reposing greater faith in small and young entrepreneurs.
SSIs Sector is not adequately developed in Jharkhand. It is much below the national average, although there is an immense potentiality for its development. A large number of small enterprises in BIADA are sick; some units could not see the light of the day. Sickness has become endemic in small enterprises there. Financial position is not satisfactory and it becomes worse year after year.

**Sickness In SSIs**

The survey conducted by the Development Commissioner has identified the major causes of sickness of all India level. It has been pointed out in the survey that there are eight causes of sickness of small scale units such as

- Lack of demand for product.
- Shortage of working capital.
- Non availability of raw materials.
- Shortage of power.
- Labour problem.
- Marketing problem.
- Equipment problem.
- Managerial problem

The major cause of sickness was inadequate and irregular supply of working capital, lack of demand and problems of marketing.

It is essential to know the reasons for sickness or incipient sickness for better evaluation. About 66% of sick or incipient sick units were facing lack of demand, followed by 46% facing shortage of working capital and 36% facing the problems of marketing. Table 1 shows the reasons given by the units suffering from sickness or incipient sickness.

**Table 1**

<table>
<thead>
<tr>
<th>Reason for Sickness/Incipient Sickness</th>
<th>Total SSI Sector</th>
<th>Regd. SSI Sector</th>
<th>Unregd. SSI Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of Demand</td>
<td>66</td>
<td>58</td>
<td>69</td>
</tr>
<tr>
<td>Shortage of Working Capital</td>
<td>46</td>
<td>57</td>
<td>43</td>
</tr>
<tr>
<td>Non availability of Raw Material</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Power Shortage</td>
<td>13</td>
<td>17</td>
<td>12</td>
</tr>
<tr>
<td>Labour Problems</td>
<td>5</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Marketing Problems</td>
<td>36</td>
<td>37</td>
<td>36</td>
</tr>
<tr>
<td>Equipment Problems</td>
<td>11</td>
<td>9</td>
<td>12</td>
</tr>
<tr>
<td>Management Problems</td>
<td>4</td>
<td>5</td>
<td>3</td>
</tr>
</tbody>
</table>

*Source: Third causes of small scale industries 2001-02*
Problem Of Small Scale Units Of BIADA

Bokaro Industrial Area Authority was mainly created to provide infrastructure facilities to ancillaries to Bokaro Steel Plant. A few units came up with sole objective to supply the equipment required by the plant and some units came up as composite units which were to meet the needs of the plants and other adjacent units as well as other markets outside the industrial areas of Bokaro, Dhanbad and Giridih. The major industries located in BIADA can be seen from table 2.

The most of the units are basically ancillaries developed with the objective of

1. Development of employment opportunities coupled with growth of entrepreneurship in different fields and in different parts of the Country.
2. Dispersal of industrial activities in various regions bringing out the desired equitable distribution of power
3. Increase in the productivity of the small scale units
4. the development of low cost economy through the reduction in costs brought about my appropriate technology followed by ancillary units

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Nature of Industries</th>
<th>No. of units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Pencil Ingot</td>
<td>05</td>
</tr>
<tr>
<td>2</td>
<td>Steel casting</td>
<td>05</td>
</tr>
<tr>
<td>3</td>
<td>Ferrous &amp; Cl Castings</td>
<td>20</td>
</tr>
<tr>
<td>4</td>
<td>Wooden</td>
<td>20</td>
</tr>
<tr>
<td>5</td>
<td>Fabrication</td>
<td>03</td>
</tr>
<tr>
<td>6</td>
<td>Rubber Industry</td>
<td>03</td>
</tr>
<tr>
<td>7</td>
<td>Sheet / Plate Cutting</td>
<td>01</td>
</tr>
<tr>
<td>8</td>
<td>HDPE Bags / Polythene</td>
<td>06</td>
</tr>
<tr>
<td>9</td>
<td>Ferrous Alloys</td>
<td>02</td>
</tr>
<tr>
<td>10</td>
<td>Non Ferrous Castings</td>
<td>10</td>
</tr>
<tr>
<td>11</td>
<td>Mild Structural Fabrication</td>
<td>15</td>
</tr>
<tr>
<td>12</td>
<td>Fasteners</td>
<td>10</td>
</tr>
<tr>
<td>13</td>
<td>Machine Shops</td>
<td>45</td>
</tr>
<tr>
<td>14</td>
<td>Mineral Grinding Foundry Chemicals</td>
<td>10</td>
</tr>
<tr>
<td>15</td>
<td>Gear Coupling Carbide tools</td>
<td>11</td>
</tr>
<tr>
<td>16</td>
<td>Cement</td>
<td>03</td>
</tr>
<tr>
<td>17</td>
<td>Rolling Mills</td>
<td>03</td>
</tr>
<tr>
<td>18</td>
<td>Bottling Plant</td>
<td>01</td>
</tr>
<tr>
<td>19</td>
<td>Mineral Grinding</td>
<td>06</td>
</tr>
<tr>
<td>20</td>
<td>Chemicals</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>189</td>
</tr>
</tbody>
</table>
5. A somewhat special objective of ancillary development is to provide an effective solution to the marketing problems of small enterprises in the initial period.

**External And Internal Problems**

The problems affecting small enterprises can be grouped into external and internal problems. The external problems are those which result from factors beyond the control of the industrialist such as availability of power and other infrastructure facilities required for running of small scale industries. Internal problems are those which are not influenced by external forces. Internal problems affecting the small scale industries relate to organization, production, channel of distribution, technology, industrial relation and incompetent management.

**Organisational Problems**

Most of the small enterprises are set up by individual promoters and entrepreneurship. They set up the unit with personal ego and ideas which does not stand up to the test of market economy which does not only require conception of an idea of starting a venture, but the idea has to undergo hard economy evaluation and test. Proprietarily attitude does not contribute to efficiency. The delegation of authority is a foreign to these enterprises. The entire authorities are rest in proprietor who is the arbiter of the destiny of the enterprise.

In building up the organisational structure only personal loyalty counts, career planning and motivation are nonexistent. In many cases, business ideas and exposure of the promoter remains inadequate. The rules and regulations are not understood. The knowledge of the market potentiality of the product is not there. Business remains confined to local or regional market.

No doubt some units survive because their owners are excellent entrepreneurs or they have trusted lieutenant to manage affairs of the firm. In BIADA only a few units are managed by private companies, the majority units are proprietorship or partnership firm. That is reason that they lack professionalism is management.

**Finance**

The small scale units at BIADA & Jharkhand depends on their own funds and borrowed funds from non banking and non government sectors are generally reluctant to advance money to these small units, since they have to establish credibility with them. The small units are not in a position to offer guarantee required by the Banks. The procedure is so cumber same that most of the entrepreneurs who are either illiterate or semi literate hesitate to make the use of these facilities. Bank have not yet shed their traditional attitude of liquidity and safely.

Financing of working capital is a great problem in small scale units, particularly in the state of Jharkhand. Jharkhand is under served state in matter of financial assistance from commercial banks. The state is having poorer credit deposit ratio than the all India average.

**Raw Material**

The raw material problem has been extremely acute for those enterprises in BIADA which are based on steel raw material. Bokaro Steel plant is not meeting the requirement of steel for BIADA units adequately and regularly.

**Technology**

The technology is a must for all type of industries, but more essential for small scale ones because they
have to complete with the large scale ones. The large scale enterprises have their own research and development using to upgrade the existing technology. The small scale units cannot be in a position to create their own research and development organisation. One of the major handicaps of the small scale sector has been the absence of the latest technology, which alone can ensure quality and high rate of productivity. The BIADA units lack technology and they are not utilising their full capacity.

**Marketing**

The marketing of products by small scale units is more difficult as they lack necessary resources to market their products on the one hand, they cannot go on advertising to create new customers or to keep intact the existing ones loyal to the product. The cost advertisement is too prohibitive for them. Besides this, they cannot create their own channel of distribution and they are not innovative in packaging and creative their brand.

The product of small enterprises in BIADA lack standardization of both quality and quantity. Products have poor designing and finishing lacking precision.

Thus the small scale units are suffering from both external and internal problems. Even the internal problems are to a great extent creation of external ones and partly due to their smallness of size and lack of managerial expertise. BIADA units are also affected with those ailments in their operation.

**Marketing Problems At Bokaro in Jharkhand**

BIADA i.e. Bokaro Industrial Area Development Authority was formed to provide for planned development of industrial area and promotion of industries. It has come a long way in establishing itself as the torch bearer of industrialisation in Jharkhand with nearly thirty years of long experience; BIADA is poised to usher in a new wave of industrialisation in Jharkhand. But BIADA has not yet achieved the required growth, although huge steel plant, Bokaro Steel Plant and B.C.C.L a coal giant are located there providing the ample scope for development of ancillaries. At present there are 337 units registered with BIADA. We have surveyed 193 units operating in different industrial areas of BIADA, as given in the table –

**Table 3**

From Table- 3, it is obvious that 55.56% of the surveyed units are closed, 18.13% units are sick and 30.05% units are weak. Out of 149 units at Bokaro Industrial Area 51 units are financially weak, 31 units are sick and 6 units are in working condition. In percentage term weakness accounted for 34.23%, sickness 20.80% and closures 6.74% of the total units registered at Bokaro. This does not
auger well for the industry.

Problems Of Small Scale Units At BIADA

A total number of 12 units in BIADA were selected for empirical study of the problems. Small scale unit have been facing two major problems-1. Financing and 2. Marketing.

Financing Problems

Sample consisted of 12 units. None of these was a public limited company, so the non-availability of share capital was their main difficulty. Most of the units had to depend upon the resources of the individual entrepreneurs. More than 50% units have formed partnership firm, their state of accounts was in shambles. None of these units accept two such as Associated plates and Vessels Ltd and Geepee Co. have audited statement of accounts. Their accounts are not maintained by qualified accountants.

The information that were made available could be used to analyses the financing of the requirement of fixed capital. It has found that large units numbering six were in position to get loans for acquisition of fixed assets. The small entrepreneurs were feeling difficulty in getting financial assistance; as such their own resources come to their rescue.

About four of them did not want to borrow to avoid the checking of their account and sending the account and stock statement.

The three of them also stated that 10% of the loan money would have to be spent for completing formalities of institutional finance and in giving bribes to officials.

Two of them mentioned that they did not expand the unit because they produced enough to make a living and they were not enough to make a living and they were not willing to borrow as business philosophy.

Problems Of Working Capital Management In BIADA

The management of working capital forms an integral part of overall financial management, but it has a special significance for small enterprises. No operational as well as marketing function can be carried out effectively and efficiently without managing working capital efficiently. BIADA units are not very scientifically managing the working capital. They estimate the requirement of working capital haphazardly and mostly on the basis of their fixed assets.

BIADA units are facing numerous constraints in procuring short term credit from commercial banks. A majority of units fell sick because of non-availability of adequate working capital. Banks are generally found to be unwilling to grant credit to small units, although these units belong to priority sector. Banks avoid granting credit fearing the risks of bad debts. It has also been found that some unscrupulous entrepreneurs borrow money from banks with the very intensive of not paying it.

Sources Of Working Capital Financing

The sources of working capital financing are its own capital, loans etc. Table-4 presents the details of sources of financing of working capital in small units in BIADA.

Table 4

It appears from table-4. That unit under study are not using only single source of financing, rather than one sources of working capital financing is being used by them. The most popular source of financing of working capital is the short term loans and cash credit facilities from the commercial
banks. Nearly 69% units have reported to take short term credit from the commercial banks.

<table>
<thead>
<tr>
<th>Sources</th>
<th>No. of units</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own capital</td>
<td>4</td>
<td>30.77</td>
</tr>
<tr>
<td>Loans from Commercial Banks</td>
<td>9</td>
<td>69.23</td>
</tr>
<tr>
<td>Loan from NBFCS</td>
<td>3</td>
<td>23.08</td>
</tr>
<tr>
<td>Friends and Relations</td>
<td>5</td>
<td>38.46</td>
</tr>
<tr>
<td>Indigenous Bankers</td>
<td>1</td>
<td>7.69</td>
</tr>
</tbody>
</table>

**Problem Of Marketing Of Small Units In BIADA**

While the small scale sector has many achievements to its credit, it faces a number of problems at present, especially in relation to marketing and distribution of its product. The marketing problems of small scale units in Jharkhand have assumed a greater importance in present days.

First, the competition from large scale units in fast increasing and becoming more and more intensified. Small scale units find it difficult to complete with the large manufacturers who are better equipped with modern method of marketing.

Secondly, because of the growing number of small scale units spread over different parts of the country. There is at present inter-unit competition within the small scale sector itself.

Thirdly, with the production of varied variety of products both by the small and large scale units, market for many products is fast changing from sellers to buyer market. Effective marketing has, therefore, become a vital necessity for the small scale sector to meet the new challenges in the market.

Realising the difficulties which the small scale units face in marketing their product, Government has formulated a number of measures to assist them in their activities. The government has reserved about 180 products exclusively for the small scale industries. Similarly, several products have been reserved for government purchase price preference is also given to the product of small scale sector in government’s product to the extent of 15%.

The small scale units are not taking advantage of the facilities and help offered by the various agencies and maintain their competitive position in the market. They are not modernizing their marketing and method. Product modification, packaging and pricing are not in keeping with the customer’s needs and liking. They are not yet prepared to the actual requirement in the market.

The majority of units at BIADA were developed as ancillaries to supply the components and other items to Bokaro Steel Plants and B.C.C.L. and other large scale units. But they have been starved of order from BSL. This can be seen from table.
Table 5

Annual Work Order Placed by Mother Plant of BIADA Units during Last 13 Years

Table 5 shows the highest orders to the extent of Rs 97.41 crore were received from Bokaro Steel Plant in 1996-97. Since 1996-97, the order placed on BIADA units recovered more or less a consistent trend of a decline. In 2002-03, it was just 4.77% of total bought out items by Bokaro Steel Plant with declining off-take of their product. BIADA units are in trouble. They are not in position to utilize their full capacity and meeting their fixed and overhead cost making these units economically unviable. Inadequate and irregular order coupled with bureaucratic hurdle and redtapism in procurement of orders have pushed majority of units on the verge of closure.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total bought out items indigenous by Bokaro Steel Plant</th>
<th>Order placed on BIADA units</th>
<th>Percentage of order placed on BIADA units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992-93</td>
<td>656.85</td>
<td>30.29</td>
<td>4.61</td>
</tr>
<tr>
<td>1993-94</td>
<td>491.06</td>
<td>54.58</td>
<td>11.11</td>
</tr>
<tr>
<td>1994-95</td>
<td>786.12</td>
<td>61.12</td>
<td>7.77</td>
</tr>
<tr>
<td>1995-96</td>
<td>691.01</td>
<td>97.41</td>
<td>14.05</td>
</tr>
<tr>
<td>1996-97</td>
<td>313.67</td>
<td>33.06</td>
<td>10.53</td>
</tr>
<tr>
<td>1997-98</td>
<td>343.85</td>
<td>38.31</td>
<td>9.61</td>
</tr>
<tr>
<td>1998-99</td>
<td>344.00</td>
<td>25.73</td>
<td>7.47</td>
</tr>
<tr>
<td>1999-00</td>
<td>444.85</td>
<td>24.41</td>
<td>5.48</td>
</tr>
<tr>
<td>2000-01</td>
<td>310.53</td>
<td>22.67</td>
<td>7.30</td>
</tr>
<tr>
<td>2001-02</td>
<td>315.17</td>
<td>25.65</td>
<td>8.13</td>
</tr>
<tr>
<td>2002-03</td>
<td>523.97</td>
<td>25.04</td>
<td>4.77</td>
</tr>
<tr>
<td>2003-04</td>
<td>467.93</td>
<td>26.11</td>
<td>5.57</td>
</tr>
<tr>
<td>2004-05</td>
<td>578.25</td>
<td>31.76</td>
<td>5.49</td>
</tr>
<tr>
<td>Total</td>
<td>6267.26</td>
<td>496.14</td>
<td>7.92</td>
</tr>
</tbody>
</table>

Source: BIADA File

Steel Plant from indigenous local suppliers with declining off-take of their product; BIADA units are in a trouble. They are not in position to utilize their full capacity and meeting their fixed and overhead cost making these units economically unviable. Inadequate and irregular order coupled with bureaucratic hurdle and redtapism in procurement of orders have pushed majority of units on the verge of closure.

Findings

The growth of both primary and secondary sector of small scale industries in Jharkhand has been slow as compared to the national average. As compared to newly created states of Chhattisgarh and Uttarakhand, the current status of small scale industries in Jharkhand is quite poor, although the ground condition in the latter are stronger. Ranchi, Jamshedpur, Dhanbad and Bokaro are major industrial centre in the state providing ample scope for development of small scale enterprises including ancillaries. In term of number of units of small scale industries, Jharkhand accounted for
only 1.26% of the total units in the country. Ancillaries too accounted for just 1.72% of ancillary units operating at the national level.

The incidence of sickness in SSIs of Jharkhand is very high. Small units are afflicted with shortage of raw material, managerial incompetence, labour unrest and marketing problems. Marketing was found to be the greatest problem.

The small scale units were found to be suffering from both internal as well as external constraints in capacitating them to move on the path of sustainable development and prosperity. The small scale units have revealed certain inherent weakness which arises mainly on account of proprietarily attitude. The units have mainly been set up by first generation entrepreneurs with their personal ago and imagination which latter does not stand to the test of market economy. Besides, this, proprietarily attitude does not contribute to the efficiency, as the authority is rarely delegated. The economic viability is not ascertained before embarking on the project. There is a lack of individuals and institutions to prepare feasibility report.

The working capital financing is another problem. Jharkhand is unreserved state with adverse C.D. ratio. Even the very common source of working capital financing i.e. cash credit facility is very difficult to avail of. The small scale units have to face many constraints to get cash credit limit sanctioned by commercial banks. Too many formalities are to be completed and palms of the bank officials have to be greased to procure short term loan. Bank demands periodical statement regarding use of the loan which consumes valuable time of the entrepreneurs. The banks officials are still reluctant to advance loans to small scale units, as they have not shed their traditional bias of liquidity and safety of loan to be given.

The units in small scale sector have to face the shortage of raw materials, particularly those raw materials which are supplied by the public sector enterprises. The quota of steel fixed by plant is not adequately being realized in time and small units are being forced to buy from open market. Shortage of materials and higher prices in the open market has compelled these enterprises to use inferior materials which affect the quality of their end product.

Jharkhand can boast of achieving industrialization only when small scale units including ancillaries are developed in and around the major industrial centres of Bokaro, Jamshedpur, Dhanbad and Ranchi. Ancillaries were developed in and around these centre’s to cater to the requirement of major plants like Bokaro Steel Plant, HEC, CIL and private sector giants like TISCO, Tata Motors etc., but the reality is quite harsh. Ancillaries being starved of the orders and are utilizing only just an insignificant part of their installed capacity. Inadequate and irregular orders coupled with bureaucratic hurdle led to sickness and closure of majority of ancillary units.

BIADA has no capital of its own, it remains grants and subsidies from state government for creation of basic facilities including meeting the cost of establishment. The grants received from the state government have gone on declining in each successive year. The government does not release sufficient grant in time. Consequently, fresh development of infrastructure has come to a standstill. Factory sheds, if at all are available, that too in Bokaro industrial estate, not at Giridih and Dhanbad. Bokaro steel Plant has not yet offered facilities of laboratory testing of products, R&D and consultancy services to ancillaries.

**Suggestions**

The problem of marketing for small scale units is the most formidable one. A variety of goods are produced by small scale units and the problem is to sell them at remunerative prices. Neither
producers have knowledge of the potential markets, nor do the consumers have knowledge of the goods so produced. The marketing efforts of small scale enterprises lack proper organization, product standardisation, due publicity and accessibility to market. It is but natural that products of small scale units would not find easily place in the market outside state where intensive advertisement is required to popularise a particular product. A small manufacturer can make an article of good quality, but cannot complete with the large scale enterprise producing even an article of inferior quality, for the latter can capture market by sheer weight of publicity. The stupendous task of marketing requires multidimensional approach.

BIADA was created to facilitate the development of small scale units including ancillaries. But it has not been bestowed autonomy to operate and declining grant of the state government has crippled its functioning. This calls greater autonomy and liberal grants from the state government so that it can create infrastructure for the development of small scale units. BIADA need to generate its own resources to meet establishment cost. How far the capital expenditure is concerned, it should get capital from state government without interest and loan from SIDBI and other institutions. BIADA has to participate in plant level committee and influence its decision in the interest of units belonging to BIADA.

To ensure greater marketability of the products of small scale sector, a consortium need be formed. For each type of product a separate consortium is to be organised with apex body at state level and second tier at the district level. The apex body at the provincial level will have the responsibility to prepare design and specification to control quality and to undertake marketing research and advertisement. The body can participate in exhibition at both provincial and national level to advertise the products and promote sale. As far as practicable attempts could be made to manufacture articles under a common brand name and specifications by all units in the state. The price may be fixed by the apex body which would be binding on all producers and collect the product for wider distribution at national and international levels. The apex organisation at the state level would maintain liaison with downstream organisation, financial institutions and connected functionaries of the government. Some large industrial houses with a wide retail marketing net work also are invited to assist small enterprises in their marketing efforts.

References

Dhar & Lydall, The Role of Small Enterprises in India’s Economic Development.
Desai, V., Organisation & Management of Small Scale Industries.
Rama Krishna, K.T., Finance for Small Scale Industry in India.
Shashi Bala, Management of Small Scale Industries, Deep and Deep Publication, New Delhi, P-77.
William A. Jhonson, The Steel Industry of India.