**A STUDY OF ADMINISTRATIVE AND MANAGERIAL PRACTICES OF SMALL AND MEDIUM SCALE ELECTRONIC UNITS IN PUNE REGION (2000-2010)**

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**Chapter No. 1**

**INTRODUCTION**

* 1. Introduction
	2. Historical Review
	3. Definition
	4. Nature
	5. Importance
	6. Advantages

**Chapter 1**

**INTRODUCTION OF SME**

* 1. **Introduction :**

 SMEs are significant global presence. People need them because they speak the common man’s language, and this common man who ultimately shapes history.

 Functions of SME are important in informal sector in all over the world. Because of their important share in terms of employment, export, tax income, innovation, equitable income distribution, social stability, domestic resources, wages and regional development.

 Upto the early 1960s many economists showed the continued existence of SME, in less developed countries because of scarcity of capital and administrative experience.

 SME as a provide for urban employment and a provider of less expensive consumer goods, SMEs contribution is great in long run industrial growth by producing items that grow up and out of small and medium scale sector.

 The necessity of wholly small and medium scale Indian industries is likely to be a pre-requisite for industrialization.

 The role played by SME in the economic activity of advanced industrialized countries like Japan, Germany, Great Britain and USA is significant. Many nations both developed and developing identified that small and medium industry sector is a useful vehicle for growth, and later for the creation of new employment opportunities within short period of time

 SMEs provide for approximately 80% of employment to industrial workers and so create an important position in the industrial structure of India.

 Indian economy is developing economy. Its vast resources are not fully utilized. Most of manpower is lying idle. The per capita income is low. Capital is shy and scarce and investment is lean. Method of production is traditional and technique which is applied is outdated. The output is not sufficient and the basic needs of the people are not fully satisfied. Industrialization is the best answer to this present state of disrupted economy. The SME have a talent of ‘dispersal’. Such industries do not require huge capital and hence suitable for a country like India. They can be accessible to the remote rural areas of the country and do not lead to regional imbalances and concentration of industries at one place, which is responsible for many economic resources such as entrepreneurship and capital.

* 1. **HISTORICAL REVIEW OF SME :**

 The concept of SME, which has been developing in years, is one of the confusion and lacks clarity. The Government and the planners could not provide a clear and graphic definition of SMEs.

 SME were not given much importance during the British rule as is given today. The concept has changed from time to time. Before 1947 the present SME was meant to denote the Village and Urban Cottage industry. The SME included a variety of industries from manufacturing of Iron safes, locks, carpets, marble jigs, baskets, hand-loom cloth, electronic items and the like.

 SME were indigenous with a historical background of ages. They received encouragement and support during the freedom movement. The nationalists considered it to be their patriotic duty to develop them.

 The basic policy support of SME sector had in the Industrial policy Resolution 1977. This policy laid emphasis on reservation of items. The reservation sent only for manufactured by SME, for a list of 47 items, which was gradually extended to many more products. At present 812 items are reserved list. (Source – Annual Report of MSME)

 Rapid growth of SME since independence is a significant feature of Indian economy. In the Industrial policy resolution 1948 and 1956, the small and medium sector was given special role for creating additional employment with low capital investment.

 In March 1985, the government has again revised the investment of small and medium scale to Rs. 35 lakhs and 45 lakhs to ancillary.

 In May 1990, the investment ceiling was raised from 35 lakhs to 60 lakhs and 45 lakhs to 75 lakhs.

 During 1997, on the recommendation of Abid Hussain Committee, the government raised the investment limits to 3 crores.

 The government in 2000 has reduced the investment limit on plant and machinery from 3 crores to Rs. 1 crore.

 Again the Government of India in its budget for 2007-08 has raised investment limit in plant and machinery of SME to Rs 1.5 crores.

**(Source –** [**www.planningcommission.org**](http://www.planningcommission.org)**)**

**1.3 DEFINITIONS OF SME:**

 Section 7 (1) of the Micro, Small and Medium Enterprises Act 2006 takes into account ‘Enterprises’ in place of ‘Industry’. Enterprises have been classified into two categories –

1) Enterprises, which engaged in the manufacture or production of goods, and

2) Enterprises, which engaged in providing or rendering services.

 The two categories have been classified in the following manner in terms of investment in plant and machinery (excluding Land and Building).

**Investment slab in Manufacturing Enterprises**

**Investment slab in Manufacturing Enterprises**

|  |  |  |
| --- | --- | --- |
| Sr. No. | Size of unit | Investment limit |
| 1 | Micro Enterprises | Up to Rs. 25 lakhs |
| 2 | Small Enterprises | Rs. 25 lakhs to Rs. 5 crores |
| 3 | Medium Enterprises | Rs. 5 crores to Rs. 10 crores |

**Investment slab in services Enterprises**

|  |  |  |
| --- | --- | --- |
| Sr. No. | Size of unit | Investment limit |
| 1. | Micro Enterprises | Up to Rs. 10 lakhs |
| 2. | Small Enterprises | Rs. 10 lakhs to Rs. 2 crores |
| 3. | Medium Enterprises | Rs. 2 crores to Rs. 5 crores |

Source: Compiled from [www.smallindustryindia.com](http://www.smallindustryindia.com)

 By considering various definitions, a small and medium unit or establishment may be defined as follows –

 ‘A small and medium unit is one which employs a few workers, with low capital intensity, with a relatively small and medium –

1. Investment of fixed assets
2. Quantity of material consumed
3. Annual turnover and income
4. Scale of management and organization and with a low individual share in the output of the industry concerned and which may or may not use power.

 According to Fiscal Commission -1950 ‘A unit operating with hired labour, usually 10 to 50 hands’

 According to SSI Board-1955 ‘A unit is employing less than 50 persons using power and less than 100 persons without the use of power and with a capital investment Rs. 5 lakhs.

* 1. **NATURE OF SME :**

 Small and Medium enterprises contribute nearly 8% of country’s GDP, 45% of the manufacturing output and 40% of exports. They provide the largest share of employment after agriculture.

(Source: Compiled from [www.smallindustryindia.com](http://www.smallindustryindia.com))

 SMEs are the nurseries for entrepreneurship and innovation. SMEs are widely dispersed across the country and produce a diverse range of products and services to meet the needs of local markets, the global markets and national and international value chain.

 SME sector has been recognized as an engine of growth all over the world. The sector is characterized by low investment requirement, operational flexibility, and location wise mobility and import substitution.

 In India, The MSMED Act 2006 is the first single comprehensive legislation covering all the three segments. In accordance with the Act, these enterprises are classified into two –

1. Manufacturing enterprises engaged in manufacture or production of goods pertaining to any industry specified in the first schedule to the IRDA Act 1951. These are defined in terms of investment in plant and machinery.
2. Service enterprises engaged in providing or rendering of services and are defined in terms of investment in equipments.

 India has a vibrant SME sector that plays an important role in sustaining the economic growth by contributing around 39% to manufacturing output and 34% to the export in 2004-05. It provides employment to around 29.5 million people (2005-06) in the rural and urban areas of the country.

 SMEs significance in terms of fostering new entrepreneurship is well –recognized. This is because, most entrepreneurship starts their business from a small unit which provides them an opportunity to harness their skills and talents, to experiment, to innovate and transform their ideas into goods and services and finally nuture it into a larger unit.

 Nowdays, , the small and medium sectors in India has progressed from the production of simple consumer goods to manufacture of many complicated and precision products like electronic control systems, micro wave components, electro medical equipment

 The economic liberalization and market reforms has helping these enterprises to increasing their levels of competition.

 A common classification is between traditional SMEs and modern SMEs. Traditional SMEs include Khadi and handloom, village industries, handicrafts, sericulture, coir etc.

 Modern SME produce wide range of goods from comparatively simple items to sophisticated products such as television sets, electronics control system, various engineering products, particularly as ancillaries to the large industries.

 The traditional SMEs are highly labour intensive, while modern SMEs make use of highly sophisticated machinery and equipment.

(Source: Compiled from [www.smallindustryindia.com](http://www.smallindustryindia.com))

* 1. **IMPORTANCE OF SME :**

 SMEs are classified by their size which includes employee head count, assets and financial turnover. SMEs form the lifeblood of developing and also developed economies, enabling faster growth and economic stability. They are considered as key engines of growth and essential for efficient and competitive markets as well as key creators of jobs.

 The SME sector contributes significantly to manufacturing output, employment and exports of the country. It is estimated those in terms of value, the sectors accounts for about 45% of manufacturing output and 40% of total exports of the country.

The sector is estimated to employ about 69 million people in over 26 million units throughout the country.

 There are 6000 products ranging from traditional to high-tech items, which are manufactured by SMEs in the country.

 It is well-known that SME sector provides maximum opportunities for both self-employment and jobs, outside agriculture sector. The inclusiveness of the sector is underlined by the fact that nearly 50% of the SMEs are owned by disadvantaged (weaker) groups of society.

 SMEs have a strategic role to play in the economic and social development of the developing countries. These industries are the seed bed for new entrepreneurs. There is enormous job potentiality with low rate of investment. These industries being under the ownership and control of the producers, themselves dispersed throughout the country, can ensure an equitable distribution of income and wealth. They are instruments of change, growth and diversification.

 In a vast labour surplus country like ours, the SME sector plays a predominant role in exploiting local resources, providing gainful employment, promoting entrepreneurship among technocrats and educated unemployed, developing indigenous skills, boosting output of consumer goods, raising the standard of living in rural areas, decentralizing manufacturing activity and reducing regional disparities in development.

 SMEs play a major role in India’s present export performance. This takes place through merchant exporters, trading houses and export houses. They may also be in the form of export orders from large units or the production of parts and components for use for finished exportable goods.

The product groups where the SMEs sector dominates in exports are sports goods, readymade garments, woolen garments and knitwear, plastic products, processed foods and leather product, tobacco and tobacco items, electronic items, computer software, cashew item machine product etc.

(Source –www.business-standard.com)

* 1. **ADVANTAGES OF SME :**

 India is a poor country where purchasing power of the majority of consuming people is low. Here, at the take off stage of the economy, we need cheaper products which need not have the sophistication of international standard. If a cheaper product can satisfy the basic purpose for which it is bought then, not only the want of the consumer will be satisfied for that product but his standard of living will also be increased because he will now be in a position to buy other higher order necessities within his family budget.

Products of small and medium industries are cheaper because

1. It incurs lesser overheads
2. Its distribution cost is minimum as it generally caters to the demand of local market.
3. The publicity and advertisement cost which swells up the price of big firm’s product, which is either very low or negligible in a small unit.
4. Cost of capital is less as it consumes lesser amount of capital.

SMEs provide following advantages to the economy

1. Employment generation
2. Meets the demand of the market
3. Share in the national income
4. Social advantages
5. Make use of industrial waste
6. Reduces regional disparity
7. Export Promotion
8. Mobilization of resources
9. Close customer contacts
10. Continuing innovation
11. Niche strategies
12. Specialization on certain limited market segments
13. Flat business structure
14. Fast reaction times – ability to adopt new situations.
15. Special corporate culture

**CHAPTER NO. 2**

**CONCEPTUAL AND THEORETICAL FRAMEWORK OF MANAGERIAL FUNCTIONS**

 2.1 Introduction

 2.2 Planning

 2.3 Organizing

 2.4 Staffing

 2.5 Forecasting

 2.6 Decision Making

 2.7 Directing

 2.8 Motivation

 2.9 Communication

 2.10 Leadership

 2.11 Control

 2.12 Budgeting

**Chapter 2**

**2.1 INTRODUCTION:**

 The elements of management process are known as functions of management. All authors agree on the management functions of planning, organizing and controlling. Management functions classified into five categories as given below

The functions of management classified into five categories as given below

|  |  |
| --- | --- |
| Planning | Forecasting, decision-making, scheduling, budgeting etc. |
| Organizing | Divisionalisation, departmentalization, delegation, decentralization etc. |
| Staffing | Manpower planning, recruitment, selection, training, etc |
| Directing | Supervision, Motivation, Communication, leadership etc. |
| Controlling | Fixation of standards, recording, measurement, reporting, corrective action etc. |

Managerial functions should be differentiated from operative functions

 of business. Production, marketing, financing, personnel etc. included in operative functions. Managerial functions include planning, organizing, staffing,

 directing, controlling etc.

**2.2 Planning :**

 Planning is the most important function of management. It is the basic to all other management functions.

 Planning means deciding in advance what to do, how to do it, when to do it and who is to do it. In the words of Koontz and O’Donnell, “Planning involves selecting enterprise objectives, departmental goals, and programmes and determining the ways of reaching them. Planning thus provides a rational approach”.

 Plan is the outcome of planning process. Planning is the process of deciding, how the organization can get where it wants to go and what it will do to get there.

 Planning is not an end, It is a means towards the accomplishment of objectives. Planning provides the basis for efficient organizing, staffing, directing and controlling. Without planning there is nothing to organize, no one to actuate to control.

 Planning involves anticipating the future course of events. Therefore, forecasting is the essence of planning. Forecasting involves assessing the uncertain future and making provisions for it.

 Planning is essentially choosing among alternative courses of action. Planning presupposes the existence of alternatives. There is no need for planning if there is only one way of doing something.

 Sound plans are essential to effective management, because they serve as guides to all management functions. Absence of well-defined goal and objectives are the common cause of failure. “Failure to plan is planning to fail”.

 Uncertainty and change are inevitable and planning can control them. But planning enables an organization to cope with uncertainty and change. Planning helps an enterprise to predict future events and make due provision for them.

 Planning makes work more meaningful and activities more orderly.

 Planning is forward looking and it enables an enterprise to cope with technological and other developments. Planning helps in the delegation of authority to lower levels of management. Planning facilitates maximum utilization of resources. It helps to reduce the costs and to increase economy.

**Types of Planning:**

1. **Sectional or Group Planning**- sectional or group planning is for specific groups or sections within a department or division. Such plan prepared to implement divisional or departmental plans.
2. **Divisional or Departmental Planning**- Such planning includes the plans formulated for various divisions and departments of an enterprise. It determines the scope and activities of a particular department.
3. **Corporate Planning**- Planning for the whole company is called as corporate planning. It lays down objectives, strategies and policies for the entire organization.
4. **Long-range planning**- covers a long period in future. It is prepared for a period of 5, 10 or 15 years or more. It provides the overall targets towards which all activities of the organization are to be directed.
5. **Medium-term or Intermediate planning**- Such planning covers a period of more than one year but less than five years. It is more detailed and specific than long-range planning. These are designed to implement strategic plans by coordinating the work of different departments.
6. **Short-term Operational Planning** –are prepared for a period up to one year. They are specific and detailed. The main purpose of operational planning is to maximize efficiency in day-to-day operations and to ensure uniformity of action.

**Types of Management Plans:**

1. **Multi-use or Standing plans-** are used repeatedly in situations of a similar nature. They are long-term and represent standing answers to recurring problems. They serve as ready guides to action. These plans help to save time and effort of executives. They facilitate delegation of authority, coordination and control. Objectives, strategies, policies, procedures and rules are standing plans or repeated use plans.
2. **Single-use or ad hoc plans**- are formulated to meet novel, unique and non-repetitive situations. These are tailored to fit specific situations. A single use plan used up once the objectives is achieved. It is of short duration and non-recurring nature.

**2.3 ORGANISING:**

 Organizing involves analysis of activities to be performed for achieving organizational objectives, grouping these activities into various divisions., departments, and sections so that these can be assigned to various individuals, and delegating them appropriate authority so that they are able to carry on their work effectively. Organizing, being a process, consists –

1. **Departmentation**- It is creating various departments, divisions and sections in order to perform various organizational activities.
2. **Linking Departments**- Various departments of the organization will be linked together so that they operate in coordinated manner.
3. **Defining Authority and Responsibility**- When a particular activity or group of activities is assigned to an individual, he becomes responsible for the performance of those activities. He needs authority which comes to him through the process of delegation.

**2.4 STAFFING:**

 Staffing is the important part of the management. Staffing function involve obtaining, utilizing and maintaining a work force for the organisation. Staffing is the process of identifying, assessing, placing, evaluating and developing individuals at work. The function of staffing involves the procurement, development, compensation, integration and maintenance of personnel in an organization.

 Every manager is constantly involved in performing the staffing function to ensure successful functioning of his department and to develop his successors.

**Elements of Staffing:**

**1. Procurement** – Employment of proper number and kind of personnel is the first function of staffing. This involves- Manpower planning, Recruitment, Selection, Placement. Manpower planning is the process of deciding the number and quality of the personnel for current and future manpower need. Recruitment implies locating of acceptable candidates. Selection involves choice of suitable people from the available candidates. This requires evaluating various candidates and selecting those that match the needs of the organization. Placement means assigning specific jobs to the selected candidates.

1. **Development**- Proper development of personnel is essential to increase their skill in the proper performance of their jobs. Developments involve orientation, training and counseling of personnel.
2. **Compensation**- Compensation means Compensating employee, means deciding enough and sufficient remuneration to employee, for their contributions to achieve the organizational goals. Compensation involves job evaluation, performance appraisal, promotion etc. Job evaluation is the process of deciding the value of different jobs in the organization. Performance appraisal involves evaluating the employee’s performance with certain standards.
3. **Integration**- Integration involves creating a sense of belonging to the enterprise. Sound communication system is required to develop harmony and team-spirit among employees. Discipline and labour relations are necessary factors of integration.
4. **Maintenance**- It involves provision of such facilities and services that are required to maintain the physical and mental health of employees. These include measures for health, safety, and comfort of employees.

**2.5 FORECASTING:**

 Forecasting is the process of predicting future conditions that will influence and guide the activities, behavior and performance of the organization.

 Def.- “Forecasting is the formal process of predicting future events that will significantly affect the functioning of the enterprise”.

 Business forecasting means to analysis of past and current events so as to source for future trends in the business environment.

Forecasting is related with future events; it shows the probability of happening of future events. Forecasting is done by analyzing the past and present events relevant to the functioning of the enterprise.

 Forecasting is a specialized activity wherein several techniques are available for predicting the future. Forecasts are made on the basis of data collected from various sources of the organization.

 People at different levels participate in the process of forecasting. Regular interactions among the members of the organization facilitate cooperation and unity among them.

 Forecasting provides relevant information for exercising control. The managers find out their weaknesses in forecasting process and take suitable action to overcome these weaknesses. Forecasting can inform the areas where control is essential. Once such areas are identified, steps can be taken to make control effective.

 Forecasting provides clues about the future happenings. Because of this knowledge, managers can save the organization from the impact of trade cycles and other threats.

 The various techniques of forecasting may be classified into two broad categories- quantitative and qualitative. Quantitative techniques involve the use of various statistical tools to data for predicating future events. Qualitative techniques employ human judgment to predict future.

The choice of a method of forecasting depends upon several factors;

1. Time period to be covered
2. Cost of the forecasts
3. Time available for forecasting
4. Content of the forecast
5. Desired degree of accuracy
6. The relevance and availability of historical data

**2.6 DECISION MAKING:**

 A decision is a course of action which is deliberately selected from a set of alternatives to get a expected result. Decisions represent a judgment and a commitment to action. Decisions are always made to achieve goals. A decision is an act of a choice wherein an executive forms a conclusion about what must or must not be done in a given situation. To decide means to cut off or to come to a conclusion.

 According to Haynes and Massie,” Decision making is a process of selection from a set of alternative courses of action which is thought to fulfill the objective of the decision problem more satisfactorily than others”.

 Decision making is goal-oriented process. Decisions are made to achieve some objective or goal. The intention is to move toward some desired state of affairs. There may just be a decision not to decide.

 Decision making is always related to the environment. A manager may take one decision in a particular situation and quite another in different situation. Decision making cannot be completely quantified. Many decisions are based on intuition and instincts.

 Decision making is the vehicle for carrying managerial workload and discharging managerial responsibilities. Managers attempt to bridge the gap between the existing situation and the desired situation by taking and executing decisions.

 Administration is essentially a decision making process. The task of a manager is to make decisions and to get these decisions implemented. Decision making is a pervasive function because it is performed by managers at all levels of management.

**Types of Decisions**

1. **Programmed and Non-programmed Decisions**- Programmed decisions are concerned with relatively routine and repetitive problems. Information on the problem is already available and can be processed in a preplanned manner. They are made at lower levels of management. These decisions require little thought and judgment.

 Non-programmed decisions deal with unique or unusual problems, so high degree of executive judgment and deliberation is required to solve them. These decisions are generally made by higher-level managers.

1. **Routine and Strategic decision**- Routine or operating decisions are of repetitive nature. They involve short-term commitments and have minor impact on the future of the organization. These decisions relate to day to day operations of business. Usually standard procedures are established to make such decisions quickly. Strategic or policy decisions involve long-term commitments and large investments. These exercise a permanent influence on the future of the organization as a whole. Much deliberation and judgment are required because such basic decisions deal with unique problems and policy issues.
2. **Organizational and Personal Decisions**- Organizational decisions are made by managers in their official capacity as allocators of resources. These decisions are based on rationality, judgment and experience. Such decisions can be delegated to lower levels. These decisions affect the functioning of the organization.

 Personal decisions are made by managers as individual and on their own behalf. Such decisions cannot be delegated.

1. **Individual and Group Decisions**- Individual decisions are taken by a single individual. Individual decisions are related mainly with routine problems for which broad policies are available.

 Group decisions are those taken by a group of persons constituted for fulfillment of group objectives and goals. These decisions are generally important for the organization. Group decision-making results in more realistic and well-balanced decisions.

 In the era of dynamic environment, creativity is a vital ingredient in successful decision-making. Decision making is a particularly useful in perceiving problems and in generating alternative courses of action through which the problem can be solved. In case of unique and non-repetitive situations past experience is not enough and creative thinking is necessary.

1. **Maintenance**- It involves provision of such facilities and services that are required to maintain the mental health and physical health of employees. These include measures for health, safety, and comfort of employees. Various welfare services may consist of provision of cafeteria, restrooms, counseling, group insurances, recreation club, education of children of employees, etc.

**2.8 DIRECTING:**

 Directing is the managerial function of instructing, harnessing, guiding, and inspiring, people towards the accomplishment of desired results.

 According to Urwick and Brech, “Directing is the guidance, the inspiration, the leadership of those men and women that constitute the real core of the responsibilities of management”. The process of directing consists of the following steps-

1. Issuing orders and instructions that are clear, complete and within the capabilities of subordinates.
2. Continuing guidance and supervision to ensure that the assigned tasks are carried out effectively and efficiently.
3. Rewarding those employees who maintains discipline and perform well.
4. For achievement of predetermined goals, inspire subordinate to work hard.

 Thus, motivation, leadership, communication and supervision are the main elements of directing.

**Techniques of Directing :**

In order to direct the subordinates effectively, managers use several techniques-

1. **Delegation-**

Delegation of authority implies that a superior entrusts his subordinates with certain rights or powers. Delegation is a useful technique of directing. It is a means of sharing authority with a subordinate and providing him an opportunity to learn.

1. **Supervision-**

Supervision is the most significant part of a manager’s job. It suggests experts overseeing of employees at work, for compliance of plan and procedure.

1. **Orders and Instructions**-

Issuing of orders and instructions is very important to direct the subordinates, so that they may work efficiently and effectively for the achieving of predetermined goals.

**2.9 MOTIVATION:**

 Motivation maybe defined as the work a manager to induce subordinates to act in the desired way. Motivation is important and crucial factors that determine the deficiency and effectiveness of an organization.

 Motivation is most effective technique in the hands of management to maximize efficiency of operations. Motivation inspires employees to make best possible use of different factors of production.

 High motivation leads to job satisfaction of workers. Opportunities for need satisfaction make employees loyal and committed to the Organization. Motivation will foster team spirit among workers. This will reduce labour unrest.

**Bases of Motivation:**

Incentives divided into two categories-

1. **Financial incentives**- are payments directly or indirectly in money. wages, salaries, bonus, profit-sharing, retirement pay, vacation pay, etc. Financial incentives can be two types -
2. **Individual incentives** –refer to all such plans which induce an employee to achieve better performance to get better financial rewards.
3. **Group incentive plans-** group incentive are provided to groups where groups are rewarded for collective performance. It include profit sharing, production bonus, pension plans, etc.
4. **Non financial incentives**-

**Non fin**ancial incentives are too important to financial incentives. It provide psychological and emotional satisfaction rather than financial rewards. Status, responsibility, recognition of work, job security, challenging job, team spirit, competition, participation are examples of non-financial incentives.

 Reward is a more effective motivator when it is directly linked with performance.

 Punishment should be used to modify the behavior and to force the person to adopt desirable behavior which is rewarded. The mixture of reward and punishment should be judiciously applied to reinforce desirable behavior patterns.

* 1. **COMMUNICATION:**

 Communication defined as an exchange of emotions, opinions, facts, ideas, views to create mutual understanding. Communication is generally understood as spoken or written words.

 Def. Koontz and O’Donnell, “Communication is an intercourse by words, letters, symbols or messages and is a way that one organization member shares meaning and understanding with another”.

 Communication means all the things one person does in order for understanding in the mind of others. It is the systematic and continuous process of making oneself understood by others and of understanding others.

 Communication is the foundation of all group activity. Communication is the element which sets the enterprise in motion and provides life to the dead structure. Communication is difficult to imagine any kind of inter-personal activity without communication.

 Communication provides to managers the information and ideas necessary for sound planning. Communication enables a high level of authority to diagnose the problem and to gather information for making sound decisions.

 Managers use communication to secure acceptance of their ideas and orders. With the help of communication employees can express their grievances and enables to reduce industrial unrest and tension.

**Channels of Communication**

1. **Downward Communication**- refers to the flow of information from a superior (high level) to a subordinate (lower level). It is used to issue orders and instructions; to employees.
2. **Upward Communication**- means flow of communication from lower level (subordinates) to higher levels (Superiors) of authority.
3. **Horizontal Communication**- implies the flow of information, ideas and opinions among positions at the same level of authority.
4. **Diagonal Communication**- It means communication between people who are neither in the same department nor on the same level of organization structure.
5. **Informal Communication**- Members of an informal group pass on information and opinions to each other as well as to other informal groups. A grapevine is structure less and information passes through it in all directions.

**2.11 LEADERSHIP:**

 Leadership is a process to influence on a group in a particular situation, at a given point of time and in a specific set of circumstances that induce people to struggle willingly to achieve organizational goals.

 Leadership is a working relationship between the leader and his followers. This means that the leader must be an active participant in the activities of the group. There must be community of interest between the leader and his followers.

 The purpose of leadership is to achieve some common goal or goals. Leadership is a social interaction-influence process between the leader and his followers. A person’s leadership position exists only in relation to people not things.

 The first function of a leader is to determine the goals and policies of the organization. The leader clarify these goals and policies to his subordinates. He behave like a friend, philosopher and guide to his subordinates and takes the lead in all activities, which he want to achieve.

 A leader provides advice and suggests. He uses his power in the best interests of the group. A leader acts as the captain of his team in order to win the confidence and cooperation of his followers. He convinces people about the goals and policies of the group.

**2.12 CONTROL:**

 Control is the process of ensuring that activities are producing the desired results. According to Koontz and O’Donnell, “Managerial control implies the measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plan.”

 Control process consists of the same elements irrespective of the type of organization. Control is the responsibility of every manager to regulate on-going activity and to keep focused on objectives and goals.

The main aim of Control is at future because one can control future onlyand not the past events. To control means to check or monitor actual performance, to keep watch on activities. Evaluation and measurement is the main activity of control process.

 When a manager gives some activities to the subordinates and delegates authority to them, still he remains responsible for their performance.

 Control creates an atmosphere of order and discipline in the organization. Absence of control leads to a lowering of morale among employees because they cannot predict what will happen to them.

 A sound control system of organisation inducesubordinates to work hard and give better performance. When they know that their performance is being judged and their rewards are linked to such appraisal, they try to contribute their best efforts.

Control helps to maintain balance between ends and means. Control provides unity of direction in organizational activities.

**Types of Control**

Depending on the time at which corrective actions taken, controls are of three kinds-

1. **Historical or Feedback Control**- Under it, results are measured after the performance. Such measurement provides information about how goals have been achieved. This information is known as feedback and on this basis corrective action is taken. Historical or feedback control check only a completed activity and learning from mistakes.
2. **Concurrent Control**-concurrent control is just opposite of historical control. Concurrent control occurs while an activity is ongoing. It is also known as steering control or real time control. Concurrent control monitor ongoing activities, adjusting these activities and ensure to comply with standard.
3. **Feed forward Control**- This control system anticipates the problems that the management is likely to encounter in future and identifies the steps to be taken to overcome them. It is more aggressive approach to control because correction can be made before the system output is affected.

**2.13 BUDGETING:**

 It is one of the important and useful techniques of control. It is the process of preparing and utilizing budgets to evaluate actual performance.

 ‘A budget is a financial and a quantitative statement prepared prior to a definite period of time of the policy to be pursued during that period for the purpose of obtaining a given objective’.

 A budget is a useful tool of planning and control. Budget-making is a task of planning but administration of budgets involves controlling.

**Types of Budgets**

1. **Sales Budget**- Sale budget is a forecast of the total sales during a given time period in future. It is expressed in money or quantities.
2. **Production Budget**- Production budgert is a forecast of the output for a future period showing break-up of the estimated output according to products. It is based on the sales budget as production has to be scheduled according to sales.
3. **Materials Budgets**- Materials budget is based on the production budget. It is helpful in scheduling the purchase of materials to produce a given volume of output during a specified period.
4. **Cash Budget**- Cash budget is an estimates of cash receipts and cash payment for the budget period. Cash budget helps to ensure that cash is available in time for meeting the financial requirements.
5. **Master Budget**- Master budget is the summary budget including its component of all other functional budgets which are finally approved.

**2.14 ORGANIZING:**

 Organizing involves analysis of activities to be performed for achieving organizational objectives, grouping these activities into various divisions., departments, and sections so that these can be assigned to various individuals, and delegating them appropriate authority so that they are able to carry on their work effectively. Organizing, being a process, consists –

1. **Departmentation**- It is creating various departments, divisions and sections in order to perform various organizational activities.

**2. Linking Departments**- Various departments of the organization will be linked together so that they operate in coordinated manner.

**3. Defining Authority and Responsibility**- When a particular activity or group of activities is assigned to an individual, he becomes responsible for the performance of those activities. He needs authority which comes to him through the process of delegation.

 (Sources – Management Concepts and Practices – Tim Hannagan

 Management Theory and Practices – J. P. Mahajan

 Management Theory and Practices – C. B. Gupta

 Principles and Practices of Management – L. M. Prasad

 Managing For the Future – Peter F. Drucker)

**CHAPTER NO. 3**

**NATURE AND SCOPE OF THE STUDY**

 3.1 Introduction

* 1. Need for the study
	2. Significance of the study
	3. Objectives of the study
	4. Hypotheses
	5. Methodology adopted
		1. Data collection
		2. Selection of sample
		3. Period of study
		4. Selection of area
		5. Selection of sample
		6. Scope of study
		7. Limitation of study

**Chapter 3**

**3.1 INTRODUCTION**

 Research methodology is a significant part of scientific investigation. Appropriate methodology helps to analyze the collected data and draw the conclusions. The purpose of this chapter is to describe the methodology adopted for the present investigation, including the need of the study, significance of the study, selection of the subject, objective of the study, selection of the samples, data collection, data analysis, scope of the study, limitations of the study and the outline of the study. Besides, a brief summary of reviews of literature related to the topic has also been offered.

 Small and Medium scale industries play a significant role in the economic development of the country. These industries meet the twin needs viz. solutions of an unemployment problem and checking the economic concentration in the hands of a few. Small and Medium scale industries encourage self-sufficiency, self-reliance and co-ordination. Small and Medium scale industries provide a beneficial reallocation of an available resources and their proper utilization. In this context small and medium scale industries are the heart of an industrial system and play a very important role in economy. Therefore, there is a strong need for the proper attention towards the management of administrative and managerial functions. The key to success is a good management.

3**.2 NEED FOR THE STUDY**

 The statistics about the growth of small and medium scale industries in the country are very impressive in the field of employment, production, exports, etc., However, not all is well with the Small and Medium scale sector, because one out of every four units is either unhealthy or sick. This is a major cause of concerns, while many small and medium entrepreneurs are experienced or technically knowledgeable, but they face management and administrative problems. They are as follows:

* There is a lack of planning of activities of the business organization.
* There is no co-ordination among the different departments of business organization.
* Less communication facilities in the business organization.
* The proper method of control is not implemented in the business organization.
* Only top level authority takes various decisions.
* There are not many criteria for recruitment and staffing of required employees.

This situation may create complex problem in the area of management and administration of various functions.

 It is the right time to study the problems of administration and management of the small and medium scale industries in the study area, to find out the ways and means for the effective performance of the small and medium scale industries.

Thus, the study began with the problem into the various functions related to the administration and management and initial inquiry, suggested some measures for the competitive growth of small and medium scale industries.

**3.3 SIGNIFICANCE OF THE STUDY**

 Management of Small and Medium scale industry normally is personalized rather than institutionalized; still management of Small and Medium scale industry can improve their position by introducing the management practices that give consistency and viability to the administrator of the business.

 Small and medium scale enterprises use a minimum formalization. They achieve output without a little differentiation in the job content. They built informality, facilitate a smooth response to the minor disturbance, but it renders at the same time, excuses for not establishing and enforcing the proper performance standard.

* Many entrepreneurs of the small and medium enterprises, lack managerial experience when they start their business career.
* There is a tendency in which decisions and actions are based on dreams, without having any solid data.
* There are several cases of small and medium enterprises, bankruptcy because of the very simple fact that they did not know how to price their goods or services.

 In such cases, the introduction of basic administration and management principles could improve the performance of the organization.

**STATEMENT OF THE PROBLEM**

‘A study of an administrative and managerial practices of the Small and Medium Scale Electronic units in the Pune Region (2000-2010)’. Since, many entrepreneurs of the small and medium enterprises do not use administrative and managerial functions in their business which causes failure in business.

**3.4 OBJECTIVES OF THE STUDY**

1. To reveal the management and administrative practices of the Small and Medium scale industries.
2. To understand the concept of various administrative and managerial functions.
3. To find out the administrative and management weaknesses in the Small and Medium scale industries.
4. To know the nature and characteristics of the management process followed by the Small and Medium scale industries.
5. To analyze the performance of the Small and Medium scale industries in India with the help of a few selected indicators.
6. To study the problems of Small and Medium scale units and prepare a planning strategy for the perspective point of view.
7. To know the future challenges faced by Small and Medium scale industries in implementing managerial functions.
8. To identify the management task in operative areas of Small and Medium scale industries.
9. To determine whether lack of managerial skills constitutes the major challenges in the performance of SMEs.
10. To suggest some remedies for an improvement in the working of Small and Medium Scale Industry.

**JUSTIFICATION OF OBJECTIVES OF THE STUDY**

|  |  |  |
| --- | --- | --- |
| **Sr. No** | **Objective** | **Justification** |
| 1 | To reveal the management and administrative practices of the Small and Medium Scale Enterprises | This objective will help to study actual the management practices of the Small and Medium Scale Enterprise  |
| 2 | To understand the concept of various administrative and managerial functions | To understand the insight of the subject of study. |
| 3 | To find out the administrative and management weaknesses in the Small and Medium Scale Enterprise | This will help to study difficulties in implementing the managerial and administrative functions |
| 4 | To know the nature and characteristics of the management process followed by the Small and Medium Scale Enterprise | This will help to study an actual management practices of the Small and Medium Scale Enterprise |
| 5 | To analyze performance of SMEs in India with the help of few selected indicators | To understand the performance of SMEs |
| 6 | To study the problems of SME and prepare a strategy for the perspective point of view  | This objective will help to study the difficulties in an implementing administrative and managerial functions |
| 7 | To know the future challenges faced by SME in implementing the managerial functions | To help in policy formation for implementing an administrative and managerial functions |
| 8 | To identify the management task in operative areas of SMEs | This will help to see various opportunities for SMEs |
| 9 | To determine whether the lack of managerial skills constitutes major challenges in the performance of SMEs | This will help to understand the importance of an administrative and managerial functions in SMEs |

**3.5 HYPOTHESIS:**

 Problems of the Small and Medium scale units are not only due to raw material but also the lack of efficient management functions

1. All small and medium scale enterprises have used the same administrative and managerial practices to run business.
2. Absence of proper implementation of administrative and managerial function causes failure to small and medium scale industry.
3. Absence of Modern tools and techniques for Administration and Management.
	1. **METHODOLOGY:**

 Research methodology in any research defines and indicates the way and procedure chosen and gone through, in order to have the correct approach to achieve the predefined objectives in the research.

 The method selected for the study and to collect the data two disciplines known as - Primary data collection and Secondary data collection.

In the present work, the collection of secondary data has been derived from related books, magazines, articles and different web-sites as the main sources.

 For the other kind of data collection process i.e. primary data, a pilot survey has been conducted by the researcher in the Pune region of Maharashtra State of India, to know the tendency of management to apply various administrative and managerial functions and answer the questions and the type of data which has made available by them. At the same time the questionnaire has been prepared.

 Finally, a structured questionnaire has been prepared and distributed among selected the small and medium scale electronic companies, in Pune region, which were carefully filled by these electronic units and were used for the data analysis.

* + 1. **Data Collection –**

For the present study, the relevant data has been collected through a number of sources. The major thrust of this work is on collecting the information in the respective areas with an administrative and managerial functions of SMEs in the study area. The study is empirical in nature as it is based on the data collected through following sources:

**Sources of Data Collection**

 In the collected data the facts, information and opinions have been taken into account. The data has been collected through the primary as well as the secondary source.

1. **PRIMARY DATA**
2. **Questionnaire-**

In the survey method, a scheduled questionnaire was administered to collect the relevant data. The questionnaire was framed for entrepreneurs, which include,

1. General information
2. Personal information
3. Planning
4. Recruitment
5. Training
6. Record Keeping
7. Overtime
8. Promotion
9. Increment
10. Welfare facilities
11. Control
12. Budgeting
13. Leadership
14. **Discussion and Interview** –

 The entrepreneurs of the sample units were personally contacted. Personal discussions had taken into consideration with the chief officers of District Industries Center, Maratha Chamber of Commerce, Industries and Agriculture, Pune. Chairperson and Secretary of Manufacture Association, Baramati and the Officials of MSFC, MITCON, MCED, MIDC.

Several visits were made to SME units under the study area for the collection of primary data.

1. **SECONDARY DATA**

 Besides the primary data, the researcher has collected the information through the secondary sources also. The secondary data is collected from the following sources –

* Visits to the Libraries –

Literature search from various renowned libraries helped in building the theoretical and conceptual framework of the study. The researcher visited various libraries namely

* Jaykar Liabrary, University of Pune
* Khardekar Liabrary, Shivaji University, Kolhapur
* Department of Commerce, University of Pune
* Tuljaram Chaturchand College, Baramati
* Records of the District Industries Center, Pune
* Internet Surfing –

 The statistical information/data has been collected from internet surfing.

The secondary data for the study has been collected from the books, periodicals, articles from the journals, published reports by the central and state government, other supporting agencies and unpublished research studies undertaken in the past.

**3.6.2 SELECTION OF SAMPLE**

The researcher had visited District Industries Center, Pune and obtained a list of units registered at study area. The study has been confined to those SME units that were registered with DIC, Pune upto March 2010, covering Electronics – manufacturing units, service units and job work. There were 285 units registered as SME with DIC, Pune in the study area. The industry wise break-up of units has been presented in following table.

**Table No. 3.1**

Registered Units in Pune Region

(Population in study area)

Universe and Sample Size

|  |  |  |  |
| --- | --- | --- | --- |
| Sr.No. | MIDC Area | Units | Sample size |
| 1 | Baramati | 34 | 03 |
| 2 | Bhigwan | 23 | 02 |
| 3 | Bhor | 22 | 02 |
| 4 | Chakan | 46 | 05 |
| 5 | Daund | 12 | 01 |
| 6 | Indapur | 18 | 02 |
| 7 | Jejuri | 11 | 01 |
| 8 | Saswad | 22 | 02 |
| 9 | Shirur (Ranjangoan) | 45 | 05 |
| 10 | Shirwal | 26 | 03 |
| 11 | Walchandnagar | 26 | 03 |
|  | Total | 285 | 29 |

(Source – Field survey data and DIC Pune)

The result of the study is based on the sample survey of 29 SMEs in study area. The technique adopted for selecting this sample size was stratified random sampling. The SMEs were stratified into 04 categories on the basis of their capital, on the basis of technology used, of service provided, number of labour/employee working in the unit and from each stratum 10 percent of the units were selected for intensive study.

**Table No 3.2**

**SELECTION OF SAMPLE UNITS FROM STUDY AREA**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Name of the place** | **Manufacturing unit** | **Service unit** | **Job work** | **Total units** |
| Baramati | 01 | 02 | - | 03 |
| Bhigwan | - | 02 | - | 02 |
| Bhor | - | 01 | 01 | 02 |
| Chakan | 04 | 01 | - | 05 |
| Daund | - | 01 | - | 01 |
| Indapur | - | 02 | - | 02 |
| Jejuri | - | - | 01 | 01 |
| Saswad | - | - | 02 | 02 |
| Shirur (Ranjangoan) | 05 | - | - | 05 |
| Walchandnagar | - | 03 | - | 03 |
| Shirwal | 01 | 01 | 01 | 03 |
| Total (29) | 11 | 13 | 05 | 29 |

Source: Field Survey Data

**Construction of Tools:**

 This study is based on primary as well as secondary data. The primary data were used mainly for evaluating the managerial problems of Small and Medium Scale Enterprises in the Pune region.

 The interview schedule has been structured by the researcher himself, to identifying the variables used in the interview schedule, the researcher conducted a trial interview draft, and circulated among the fellow researchers for critical evaluation. The draft was then revised in the light of their comments. The revised interview schedule thus prepared was given to the 15 Small and Medium Scale Enterprises in Pune region for pre-test. Their suggestions were incorporated, into the final draft.

**3.6.3 PERIOD OF STUDY:**

 The study covers a period of ten years, from 2000-2001 to 2009-2010. In 1991, India opened her economy and formulated the New Economic policy. The new economic policy applied since 1991.

 The second generation reforms were started in 2001-2002. The fruits of new economic reforms (1991) got, so the study period is crucial because the major changes took place in the economic and industrial policy, particularly related to the small and medium scale industries.

**3.6.4 SELECTION OF AREA:**

 Small and medium scale units registered with District Industries Center, Pune, in Maharashtra state were preferred and selected for the present research work. The sample units were located in Co-operative Industrial Estate, MIDC in and around Pune region.

**3.6.5 SELECTION OF SAMPLE:**

 The researcher visited the District Industries Center, Pune, MCCIA-Pune and obtained a list of units registered at the study area. The study is confined to those small and medium scale units that are registered with DIC, Pune, and upto March 2010 covering all types of electronics companies.

 Total 29 SMEs units are selected from Chakan, Baramati, Bhigwan, Bhor, Daund, Indapur, Jejuri, Saswad, Shirur, Walchandnagar, Shirwal taluka and out of 285 registered as SMEs. The selection was based on a stratified random sample of 10 percent from the study area. These units are chosen for an intensive study.

* + 1. **SCOPE OF THE STUDY:**

 The study is mainly related to the Small and Medium Scale Electronics units in the Pune Region only. It has been undertaken to know the managerial functions applied in such type of enterprises. The geographical scope of the study units is confined to Pune Region in Maharashtra State, India.

 The temporal scope is limited to the period of 10 years i.e. from 2000-2010.

* + 1. **LIMITATION OF THE STUDY:**

 The present study is based on the reliability of the primary data. The sample units were selected from the population of small and medium electronic units in Pune region. The small and medium scale industries in electronic units in Pune region functioning for a period more than 5 years were selected for the study.

 Conclusions, observations and recommendations have been made on the basis of analysis of the data presented in the study of various functions of management of Small and Medium Scale Enterprises in Pune Region only.

1. Small and Medium Scale Enterprises were selected for the deep study on the basis of stratified sampling method.
2. Many of Small and Medium Scale Enterprises were reluctant to provide the required information / data, particularly about the decision making and control.
3. The researcher could not use the large number of samples for the quantitative assessment due to the limitations of time and finance.
4. The focus of the study is limited only to the area with an administrative and management functions.

 The study is likely to have the following limitations:

1 The methodology used could not gauge all the factors influencing the responses, such as moral standing and social beliefs of the managers.

1. The sampling and data collection methodologies employed, inevitably impose limitations on interpretation of the results of this study. The accuracy and completeness of the collected data relied heavily on ability and skills of an interviewers and also co-operation of managers interviewed.
2. Sample size has been selected from the registered SMEs units under DIC and they are representative of the whole SME units in and around the Pune Region.
3. The researcher does not have any control over the environment in which the research is performed.
4. The finding is based on the ability of respondents to answer the researcher and if the respondents have not given an authentic information that could lead to a marginal error.

**Chapter - 4.**

 **REVIEW OF LITERATURE**

 Literature survey is undertaken to study and analyze the finding of other researcher in their studies that are related to the subject under consideration.

 A research literature review, as a process, is a systematic, explicit, and reproducible method for identifying, evaluating and synthesizing the existing body of completed and recorded work produced by researchers, scholars and practitioners (Fink, 2010).

 As a noun, literature review is an organized critical account of information that has been published on a specific topic, (for example, SME access to credit) and provides an organized synthesis of the information, ideas and knowledge.

 Review of literature involves both quantitative and qualitative data, both published and unpublished, was conducted. The main sources included libraries – public and university, libraries and the Internet. Literature review included:

1. Published working papers and journal articles, other theoretical publications on SME.
2. Papers/articles found on the websites for suppliers of credit, development of SMEs.
3. Papers/articles found on the websites for credit regulators and SME advocacy organizations.

 The collected data or information was categorized in groups, for example, the definition of SME was viewed within a global and regional. Various definitions were explored and analyzed for their inclination and specificity to developing countries.

 Most of the literature search was based on what others have come up with concerning SMEs’, access in general and focusing on the Indian context. This approach helped the researchers to bring to the developed countries’ concept of SMEs and less developed countries context.

 While conducting the literature search, the main focus was, to identify the critical drivers of SME failure in operating various functions and what the challenges for SMEs

 Every effort was made to ensure that the sources were as relevant and focused on the subject, when the literature research was being conducted.

 The literature sources were also categorized accordingly as quantitative (e.g. those focusing on methodology or policy) or qualitative (e.g. case studies) for easy analysis and summarization. The literature search was broad enough to cover all relevant detail.

 Prior to the selection of topic, the studies in the past have been reviewed in the following pages. Broadly, the available literature on SME sector can be allocated in research work, including published and unpublished dissertations, the paper published in journals, books. All attempt has been made to review some selected studies on SME in the following paragraph –

* S. K. .Bansal in his study titled “Financial Problems of Small Scale Industries in Karnatak State”, studied 150 small scale units. According to him small scale industries, there is a need for efficient management in the field of finance, personnel and production. There is a need of proper implementation of planning and efficient management for the profitability of small scale units.
* V.S.P. Rao study has carried out in 100 selected small scale units of Vishakhapattanam city. The study shows different aspects of personnel in small scale industries such as recruitment, selection, training, remuneration structure, work environment, organization health and factors which are responsible for conflict and co-operation in SSI.
* Inderjeet Dagar has made discussion on the major aspects of personnel problems of small and medium scale industries i. e. recruitment, selection, training, wages, welfare, labour turnover, unionization, strike and victimization and employers – employees relation are also discussed.
* Desai Vasant throws focus on the small scale industries that are providing large employment and comparatively higher labour capital ratio. According to him SME need lower investment by ensuring a more equitable distribution of national income. It facilitates an effective mobilization of resources of capital and skill. It also stimulates the growth of industrial entrepreneurship.
* Jakate M. N. according to Jakate M.N. the marketing problems of small scale industry varies according the size of units, nature of demand and distribution channels which are necessary to reach the customers.
* Vaid Manorama suggested that the lack of training facilities creates certain hurdles for entrepreneurs especially for women in the area of management, production and marketing.
* The Indian SME survey: Analyzing Indian SME performance in Union Budget – 2014-15 – SMEs in India have seen awardable growth over the last decade. According to the latest reports by the chamber of commerce and Ministry of Micro, Small and Medium Enterprises, India currently has more than 48 million SMEs. These SMEs contribute more than 45% of industrial output, 40% of the country’s total exports and create 1.3 million jobs every year. Still these SMEs continue to face many challenges i. e. credit and finance issues, others are struggling to cope with stringent regulatory environment.
* International Journal of Business and Management Invention (Vol. – Jan 2014) ---- Sontoshkumar Munda, Sukhamaya Swain says – MSME being second highest employment generation sector is next only to agriculture. This sector needs special attention of the state government, policy makers and implementation. This is necessary for both objectives of ‘accelerated industrial growth’ and ‘creation of productive employment potential’ in rural and backward areas.
* Ramani quotes in State Bank of India Report which identified that the financial Management, lack of planned and organized approach is the major cause of failure of SMEs. However, in his study of 20 units of SMEs he finds management failure as the single largest contributing factor for failure.
* Nisarahmad in his study ‘Problems and Management of SME’ to the state of Jammu and Kashmir, that the growth of SME are hampered by the problems of lack of government support and insufficient management. The analysis is made of the Government policies related to financial and other incentives for the promotion of SME sector.
* S. M. Pattanaik in his study analyses the existing organizational, economic, technological and managerial structure of the SME units with reference to existing policy. It helps to identify their problems and impact of various policies on SMEs growth. It takes into consideration the factors like utilization of capacity, factor responsible for under utilization of raw materials, finance, and marketing. His analysis will help in promoting new programmes for accelerated growth of SME units
* S. K. Bansal in his study titled ‘Financial problems of SME in Orissa state’ studied 100 SME . According to him in SME, there is a need for efficient management in field of planning, organizing and directing. There is a need of proper implementation of planning and efficient management to increase profitability of SME.
* V S P Rao study has carried out 50 selected SME units of Vishakhapatnam city. The study shows different aspects of personnel in SME such as recruitment selection, training, remuneration structure, work environment, organization health and factors which are responsible for conflict and co-operation in SMEs.
* Indrajeet Dagar – has made discussion on the major aspects of personnel problems of SMEs which related with recruitment, selection, training, wages, welfare, labour turnover, unionization, strike and victimization and employer-employee relation are also discussed.
* Desai and Taneja based on a survey of 185 SMEs comprising metal product and engineering in Calcutta, Hydrabad and Pune made observation, that a considerable number of small enterprises got technology support from large enterprises.
* Asok Mitra, economist and former finance minister of West Bengal, committee came out with a dramatically opposite position on policies and strategies being followed by the Indian Government. This committee emphasized the important poverty eradication role of SME in the country. According to the opinion of the committee, any substantial improvement in the state of SMEs will also mean a significant reduction in the level of poverty. The committee pointed out only even 3.3 percent of the union budget is spent for SME sector. While the government’s negligence towards breaking of law relating to SME has been highlighted by the committee, it also reported that the multinational companies and the Indian corporate sector have back-door into the SME sector in a big way. The committee also that the SME sector is not receiving adequate attention in the hands of the Government. The report that need for an active protectionist role by the Government.
* Abid Hussain committee recommended that an investment limit for small and tiny enterprises should be raised. The committee has also recommended scrapping of policy of reservation. The Abid Hussain committee report touches upon an array of concepts and debates in the area such as small profit centers, protection versus promotion, cluster based strategy of development and lead role of small and medium scale industry.
* Raghavendra committee were appointed on 28 August 2005 to revise the reservation list of SMEs and the committee deleted 91 items from the reservation list of SMEs and 56 items included as addition in the list of SMEs.
* Shivendu (1982) said that SME in general, continue to be, technologically innovative. Technology based new SMEs plays an important role in the emergence of new echnology and an economic growth SME, particularly, technology based SMEs make an exceptional contribution to employment generation. It represent an important vehicle for regional development.
* Vishnu Sharma (2003) in his study reports that over the last *25* years a network of institutions and policies has been developed in the country but very few of them have got success. These institutions have provided a well-organized frame work for the small and cottage industry to allowed to grow.
* Das Shriram (2001) examines the scale, nature and effects of current sub contracting linkages between small and large Industries in Sri-Lanka, In general weaker relationships exist between large and small industries, however strong links exhibit with respect to more organized few larger firms. The reason for this weaker relationship is the immaturity of small Industries in meeting the requirements of large Industries in terms of technology, production cost, and quality and delivery services.
* Sandeep Shrivastav (2008) describes the Institutional framework, which is very necessary for the small and medium Industries in India. The impact of assistance on firms in this sector and the working of these institutions are also analyzed. He made some arguments for a institutional set-up and policy framework for this sector.

* S. N. Patil (2012) pointed the need to establish national level institutions or institutions at state level to finance tiny units, which come within the scope of small-scale sector. He also states that the loan should be project based, not security based. Then only the financial requirement can be fulfilled of these institution.

While stating the importance of SMEs, Devendra stated that

:1) SMEs increase capacity building as they serve as entrepreneurial training path.

 2) SME creates more employment opportunities per unit of investment because of their labour intensive operations;

3) SME achieves a much more relative high value added operations because they are propelled by basic economic activities that depend mostly on locally sourced raw materials;

4) SME provide feeder industry services as they serve as major suppliers of intermediate goods and components to large-scale industries as well as major agents for the distribution of final products of such industries;

5) SME provide opportunities for the development of local skills and technology acquisition through adaptation.

6) some of their major operational challenges faced in Management Problems**:**

**7)** Lack of trained manpower and management skills also constitute a major challenge to the survival of SMEs in Austriala.

* According to Vasant Desai…90% of all SME business failures result because of lack of experience and competence.”
* **Rangnathan says** that less efficiency in overall business administration and management and poor record keeping is also a major weakness of most SMEs. Technical Problems, competence and lack of essential and required expertise in production, procurement, maintenance, marketing and finances have always led to funds misapplication, wrong ecision making.
* The seminar conducted by the Reserve Bank of India (1959) on financing the small and medium scale Industries in India went details the problems of small and medium scale Industries, the Institutional set-up, role of government in assisting small and medium scale industries, resources of credit institutions and miscellaneous issues and remedies for that.
* Narayanan (1964) in his thesis discusses the financial problems faced by Industries in general and recommends the setting up of an Industrial development Bank at the state level for mitigating the problems.
* Mr. L. Gulik says ,” In administration, God helps those administrators who have a clearly defined mission.” According to him ‘objective’ provide basic foundation upon which the structure of a plan can be built.
* Prof. Theo – Haimann has used the term ‘management’ as a synonymous of managerial personnel also. The term ‘management’ is frequently used to denote managerial personnel or individuals managing as enterprise. Management has also come to be recognized as a body of knowledge and practice.
* F.W.Taylor has described management by referring to its economic and social objectives. He points out that ‘management is knowing exactly what you want men to do and seeing that they do it in the best and cheapest way.
* According to .McFarland : decision is an act of choice wherein an executive forms a conclusion about what must not be done in a given situation. A decision represents a course of behavior chosen from a number of possible alternatives.
* Col Urwick states that every business organization must have well defined objective to be achieved by it. These overall objectives of the organization as a whole may be sub-divided into departmental and sectional objectives. In short, everybody in the organization must know, for what he/she is striving in the organization.
* According to W.C.Scott – Motivation is a process of stimulating people to action to accomplish the desired goals. Motivation is an important task of management, but it is number one problem of management. Motivation can be positive or negative, extrinsic or intrinsic, financial or non-financial, primary and secondary. Motivation is the ‘core of management’. The presence of ‘tension, energy or drive’ becomes necessary in motivation.
* In words of Ralph M. Stogdill, Motivation is a function of drive and confirmed desirability estimates regarding various alternative satisfaction, where as moral is freedom of restraint in action towards a goal. Thus, an individual or group, may be highly related to strength of motivation. Motivation provides potential for morale.
* As K. Davis says,’ Leadership transforms the potential of knowledgeable people into reality of organization. Leadership alone can convert cherished dreams, visions and plans into realities. It presents the dynamics of management.
* F.E.Flots suggested that after a fixed interval, the whole process and control procedure should be reviewed. They must be modified according to plans and goals to fit into realities as condition change.
* Herber Bonner a well known author, has advocated group based techniques for motivating employees. According to him, motivation is not wholly, not even primarily, an individual variable. Certainly its force and direction are functions of social situation in which it arises and be exercised, Hence, management should foster group consciousness among individual employee by laying down general norms and guidelines of work for group as a whole.
* Seth Anuradha –(1995)- in her article – ‘Cost Efficiency of Small Manufacturing implications for employment policy’ published in Economic and Political Weekly found that small firms to be relatively cost-inefficient in all three industries. Prime Costs were found to be more significant than fixed cost. Curiously the difference between small and large firms was not of much significance of the costs directly associated with production, material cost were quite a substantial element affecting the relative cost-efficiency of a firm.
* Kala Seetharam Sridhar (2003) in his paper- ‘ Firm location decisions and impact on local economies’ published in Economic and Political weekly- stated that the growth centers program was announcd by government in 1988 to promote industrialization of backward areas. The growth centers provide basic industrial infrastructure like power, water, telecom and banking to enable the States to attract industries. This paper attempts to assess qualitatively the performance of the growth centers on the basis of primary data collected from field visits to several centers, discussion with state Government’s and visits to several firms located in the growth centers.
* Lathwal Anu (2006) – in his article,’ Small and Medium Scale Industriesin Haryana :Problems and Prospects’ published in Southern Economist concluded that the Small and Medium sector does not prepare for the new challenges, so, a long-term planning and prospective for growth of and structural changes in the Small and Medium Industries are essential.

* Krishna S. Murali (2007), in his paper,’WTO and SME units : a review – published in Southern Economist concluded that the SME sector(SSS) happens to be crossroads at present junclure. The new economic conditions have thrown open new challenges in the form of competition and opportunities for scaling new highs. It is essential to remove the constraints which limit the competition strength of Indian Industry.
* Maruthamutha K. Krishnakumar K. and Vasan M (2007), in their article ‘Role of Enterprenuer Resource planning in changing Scenario” published in Southern Economist says that the ERP change dramatically to the way a company does business and that kind of change doesn’t come without pain.
* Jayabal G. and Prabhakaran G. (2007), in their paper ‘Performance and Challenges of EDPS: A micro study” Published in Southern Economist opinioned that the entrepreneurs can be developed through appropriately designed EDPs. Commitment and sincerity of the programme, motivation, training methodology for selection of the various supporting agencies support services after the training surveillance after the training, as well as training important to the existing entrepreneurs have significant impact on the success of EDP’s (Entrepreneurial Development Programme).
* Antony Valasamma (2007) in his research paper ‘Small and Medium Scale Sector at crossroads : an overview’ published in Southern Economist recommend that the share of advances to this most important contingent/sector of our economy should be raised.
* Balagopal K. (2007) in his article ‘Impact of grants to Industries’ published in Economic and Political weekly concluded that it is a characteristics of the land grant bonanza that has overtaken the country in the era of double digit growth that nobody is asking why industrial or house – building concerns need all that they are being granted. The phenomenon is virulent in Andhra Pradesh.
* Mishra Anup K. and Sen P.K. (2007), in their article ‘Small Scale Sector of State in the Backdrop of Economic Reforms’ published in Indian Economic Reforms and Response of States, says that in the backdrop of challenges of survival and sustainable competence of small and medium scale sector, this article aims at evaluation of response of state towards small scale industries as expected over the era of Economic Reforms in India.
* Patil r. M. (2009) in his article ‘performance and prospects of SME, A case study of Bijapur district, published in the Indian Journal of Commerce highlighted the performance and prospects of SME Bijapur district in the light of globalization and concluded that the emergence of WTO and the introduction of new industrial policies have made serious implications on the growth and development of SMEs in India.
* Korbu Praveen A. (2009) – in his article ‘Capacity utilization in SME sector ‘ published in ‘ The Indian Journal of Commerce’, studied capacity utilization level in selected manufacturing units of SME sector in Hubli-Dharwar area of Karnatak State. He concluded that SME not utilized their full capacity.
* Paramsivan C. (2010) – in his paper ‘Economics of Small and Medium Scale Textile Industries : a micro study published in Southern Economist stated that SME play a key role in economic development which provided more employment opportunities, mobilization of small amount of capital, utilization of local resources and reduce their regional imbalance of the country.
* S. Vijaylaxmi (2010) in her article , ‘Industrial sickness of SMEs in India : an overview’ published in Southern Economist attempt to point out that SME sectors in India is an important segment of Indian economy still the government policies do not cover all SME units due to the political interference and lack of awareness of the entrepreneurs. Thus, the government should revamp the existing policies to cover all SME units.
* Sheltar Ratna N. (2011) in her paper, ‘Perspective on the problems of sickness in SME sector’ published in Southern Economics attempted to point out that the SME sector is playing pivoted role in Indian economy in terms of employment. It has build up brands that are small reliable, trusted and local. These tiny brands have remained small in their volume and turnover but are really big in their equity in their markets they operate.
* Shetty A Shivakanth (2011) – in his article, ‘Innovation and Indian SME : emerging challenges and opportunities’ published in Southern Economist tried to put in perspective that today organization are knowledge based and their success and survival depend on creativity, innovation, discovery and inventiveness. SMEs have to learn and imbibe the process of innovation and in their day to day working to remain competitive.
* Mishra Sambit Kumar and Brahme Ravindra (2011) – in their paper ‘ Study of strategic financial management and growth in SMEs in Chhatisgarh’ published in The Indian Journal of Commerce assessed the role of strategic financial policies among formal and informal credit institutions in determining the access of SME to credit in Chhatisgarh.
* Swaminathan N. (2013) in his paper’ Innovation and Indian SMEs : emerging challenges and opportunities’ published in Southern Economist says that in order to create more job opportunities and increase their contribution to the India economy. SME should go on outsourcing their jobs thereby improve their customer relationships and ensure that the quality of products are high in order to sustain in the market for a long period of time and finally suggest that government can play an important catalyst role by extending finance without any bias and revise tax structure to increase in the growth of SMEs.
* Singh Nagendra, in his article entitled, “Type of Entrepreneurship” has focused the growth of indigenous entrepreneurship after independence in the country as a whole. The contribution of both public and private sectors, including large scale and small scale enterprises for economic development, is discussed and evaluated.

**CHAPTER NO 5**

**SMALL AND MEDIUM SCALE INDUSTRY IN INDIA’S AN OVERVIEW**

5.1 Economic significance and operational performance of SMEs in India

5.2 Small and Medium Scale units in India-An Overview

5.3 Growth of SME

 5.3.1 Number of units

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**Chapter 5**

**Economic significance and operational performance of SMEs in India**

 **Introduction-**

 This chapter attempts the analysis of achievements of Small and Medium Scale of Enterprises. The analysis is related to the growth, employment, investment, production and exports. For promoting small and medium enterprises sector, the role of government has been examined. The analysis is done with reference to MSME’s annual reports of 10 years i. e. 2000-2010.

 The chapter also attempts to show economic significance of small and medium scale enterprises and their performance in India.

**Economic significance and operational performance of SMEs in India**

Small and medium scale industries has raised as dynamic sector since last fifty years. Small and medium scale enterprises play important role in providing huge employment opportunities with lower capital.

 Small and medium scale enterprises help in industrialization of rural and backward areas. Small and medium scale enterprises reducing regional imbalances by equitable distribution of national income and wealth.

 The Micro, Small and Medium Enterprises Development (MSMED) Act came into force from 2006. This Act provide investment ceiling of this sector.

 This Act provide legal framework for concept ‘enterprise’. The concept enterprise includes manufacture and service sector.

 The Act defines medium enterprise for the first time. It integrates three tiers of enterprises, namely micro, small and medium.

 The Act provides a statutory consultative mechanism for national level. The primary responsibility of promotion and development of small and medium scale enterprises is of the state government.

The role of small and medium enterprises are to assist the states for encouraging entrepreneurship, employment and increase competitiveness in changing economic scenario.

 The following schemes and programmes are undertaken by government to assist SMEs.

1. Credit facilities from banks and financial institutions.
2. Facilities for modernization and technology upgradation
3. Infrastructural facilities.
4. Quality certification
5. Skill up gradation through training facilities
6. Access for domestic as well as export markets.
7. Measures to promote capacity building.

(Source;- MSME annual reports)

**5.2 SMALL SCALE AND MEDIUM SCALE UNITS IN INDIA–AN OVERVIEW**

Small and medium enterprises play a significant role in all economies. i. e. developed, developing or underdeveloped. It occupies a very significant position in underdeveloped and developing economies of the world.

Nowadays Small and medium scale enterprises form the backbone of developing country like India. Small and medium scale enterprises play an important role in the economic development of India.

The scope and coverage of the MSME sector were broadened under MSMED Act 2006. This Act recognized concept of ‘enterprise’ which include both manufacturing and service sector. The entire non-agriculture sector of the economy was brought under the coverage of MSME sector.

**DEFINITIONS:**

1. **Registered Sector: E**nterprises registered with District Industries Centers in the State/UTs., Khadi and Village Industries Commission/ Khadi and Village Industries Board, Coir Board as on 31.03.2007 and factories under the coverage of section 2m (i) and 2m (ii) of the Factories Act, 1948 used for Annual Survey of Industries having investment in plant & machinery up to Rs.10 crore, were considered to belong to registered sector.
2. **Unregistered Sector**: All MSMEs engaged in the activities of manufacturing or in providing/ rendering of services, not registered permanently or not filed Entrepreneurs Memorandum Part-II/ [EM-II] with State Directorates of Industries/District Industries Centers on or before 31-3-2007 are called unregistered MSMEs.

 Those enterprises that are temporarily registered on or before 31-¬3-2007 as also the units that are temporarily or permanently registered or filed EM-II after 31-3¬-2007 till the date of Sample Survey, Conducted as part of Fourth All India Census of MSMEs2006-07, were treated as unregistered MSMEs.

 All unregistered MSMEs, covering both manufacturing and services sectors, constituted unregistered sector.

1. Small Scale Industrial Unit (SSI): An industrial undertaking in which the investment in fixed assets in plant & machinery, whether held on ownership terms, or on lease, does not exceed Rs.100 lakh as on 31-03-2001 is to be treated as a Small scale industrial Unit.
2. Micro, Small and Medium Enterprises (MSME): MSME Sector consists of any enterprise, whether proprietorship, Hindu undivided family, association of persons, co-operative society, partnership or undertaking or any other legal entity, ,by whatever name called, engaged in production of goods pertaining to any industry specified in their schedule of Industry Development & Regulation Act, 1951 and other enterprises engaged in production and rendering services, subject to limiting factor of investment in plant and machinery and equipments respectively as noted below:
3. **For manufacturing sector, an enterprise is classified as:**
4. Micro enterprise, if investment in plant and machinery does not exceed twenty five lakh rupees;
5. Small enterprise, if investment in plant and machinery is more than twenty five lakh rupees but does not exceed five crore rupees; or
6. Medium enterprise, if investment in plant and machinery is more than five crore rupees but does not exceed ten crore rupees;
7. **In case, enterprise is engaged in providing or rendering of services, it is** **classified as:**

(a) Micro enterprise, if investment in equipment does not exceed ten lakh rupees;

(b) Small enterprise, if investment in equipment is more than ten lakh rupees but does not exceed two crore rupees;

(c) Medium enterprise, if investment in equipment is more than two crore rupees But does not exceed five crore rupees.

* 1. **GROWTH AND PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES (SMEs)**

 SME sector were broadened significantly under the MSMED Act, 2006, which recognized the concept of “enterprise” and to include both manufacturing and services sector, Thus, the entire non-agricultural sector of the economy was brought under the coverage of MSME sector subject to the revised criteria prescribed for defining Micro, Small and Medium Enterprises separately for manufacturing and services sectors. 2001-02.

 Micro, Small and Medium Enterprises (MSME): MSME Sector include any enterprise, whether proprietorship, Hindu undivided family, association of persons, cooperative society, partnership or undertaking or any other legal entity, by whatever name called, engaged in production of goods pertaining to any industry specified in the first schedule of Industry Development & Regulation Act, 1951 and other enterprises engaged in production and rendering services, subject to limiting factor of investment in plant and machinery and equipments respectively as noted below:

**A. For manufacturing sector, an enterprise is classified as:**

1. Micro enterprise, if investment in plant and machinery does not exceed twenty five Lakh rupees;
2. Small enterprise, if investment in plant and machinery is more than twenty five lakh rupees but does not exceed five crore rupees; or
3. Medium enterprise, if investment in plant and machinery is more than five crore rupees but does not exceed ten crore rupees;

**B. In case, enterprise is engaged in providing or rendering of services, it is classified as:**

1. Micro enterprise, if investment in equipment does not exceed ten lakh rupees;
2. Small enterprise, if investment in equipment is more than ten lakh rupees but does not exceed two crore rupees;
3. Medium enterprise, if investment in equipment is more than two crore rupees But does not exceed five crore rupees.

(Source – www.msme.govt.in)

**Performances of SMEs**

The Small and Medium Enterprises (SMEs) sector contributes to the manufacturing output, employment and exports of the country. It is estimated that, the sector accounts about 45 per cent of the manufacturing output and 40 per cent of the total exports of the country. The sector is estimated to employ about 59 percent persons throughout the country. This sector has registered a higher growth rate than the rest of the industrial sector. There are 6000 products ranging from traditional to high-tech items, which are being manufactured by the MSMEs in India. It is well known that the MSME sector provides the maximum opportunities for both self-employment and jobs after agriculture sector.

**Table No.5.3.1**

#### Number of units Registered

#### Year wise trend of units registered in Pune Region

####  (in Lakhs Nos.)

|  |  |  |  |
| --- | --- | --- | --- |
| Sr.no. | Year | No. of units registered | % increase/decrease |
| 1 | 2000-01 | 1466 | - |
| 2 | 2001-02 | 1115 | -37.58 |
| 3 | 2002-03 | 1390 | 19.78 |
| 4 | 2003-04 | 1406 | 1.14 |
| 5 | 2004-05 | 1917 | 26.66 |
| 6 | 2005-06 | 2364 | 18.91 |
| 7 | 2006-07 | 2381 | 0.71 |
| 8 | 2007-08 | 2273 | -4.75 |
| 9 | 2008-09 | 2654 | 14.35 |
| 10 | 2009-10 | 2291 | -15.84 |
|  |  | Average | 2.33 |

#### (Source- DIC-annual reports)

 From the table 5.1 and graph-5.1, it is observed that the number of SMEs on 31st March 2000-01 was 1466 lakhs, which has increased to 2291 lakhs on 31st March 2009-10.

 It is also clear that during the study period there has been an average growth of 2.33 percent per annum.

 The growth of SMEs has been one of the major support of India’s development strategy since independence.

 The growth of employment in SMEs units is shown in Table no 5.2 and graphically presented in Graph 5.2 below.

**Graph No. 5.3.1**

From the table 5.1 and graph 5.1, it is observed that the number of SMEs on 31st March 2000-01 was 1466 lakhs, which has increased to 2291 lakhs on 31st March 2009-10.

 It is also clear that during the study period there has been an average growth of 2.33 percent per annum.

During the study period, number of units registered were fluctuating. It was decreased in 2001-02, 2007-08 and 2009-10. Though the number of units registered fluctuating during study period, there has been an average growth of 2.33 percent per annum.

**Table No. 5.3.2**

#### Year wise trend of units providing employment in Pune Region

####  (No. of employment in lakhs)

|  |  |  |  |
| --- | --- | --- | --- |
| Sr. No. | Year | Employment | % increase/decrease |
| 1 | 2000-01 | 4405 | - |
| 2 | 2001-02 | 3348 | -1.70 |
| 3 | 2002-03 | 4192 | 20.13 |
| 4 | 2003-04 | 4228 | 0.85 |
| 5 | 2004-05 | 5761 | 26.60 |
| 6 | 2005-06 | 7108 | 18.95 |
| 7 | 2006-07 | 7162 | 0.75 |
| 8 | 2007-08 | 10162 | 29.52 |
| 9 | 2008-09 | 12035 | 15.56 |
| 10 | 2009-10 | 10433 | -15.35 |
|  |  | Average | 9.35 |

Source: Annual reports of DIC, Pune

 From the table 5.2 and graph 5.2, it is clear that the SMEs recorded a significant growth in terms of employment. The employment provided by SME sector in 2000-01 was 4405 lakhs, which increased to 10433 lakhs in 2009-10. It would be evident that during ten years period, there has been an average annual increase of 9.35 percent in employment.

Though the percentage fluctuating of units providing employment, there has been an average annual increase of 9.35 percent in employment.

**Graph no 5.3.2**

 From the table 5.2 and graph 5.2, it is clear that the SMEs recorded a significant growth in terms of employment. The employment provided by SME sector in 2001-02 was 3348 lakhs, which increased to 10433 lakhs in 2009-10. It would be evident that during ten years period, there has been an average annual increase of 9.35 percent in employment.

**Table No. 5.3.3**

#### Year wise trend of Investment in registered units in Pune Region

####  (Rs. In Crores)

|  |  |  |  |
| --- | --- | --- | --- |
| Sr. no. | Year | Investment | %increase/decrease |
| 1 | 2000-01 | 5131 | - |
| 2 | 2001-02 | 4460 | -15.04 |
| 3 | 2002-03 | 6950 | 21.44 |
| 4 | 2003-04 | 7030 | 15.36 |
| 5 | 2004-05 | 9585 | 26.65 |
| 6 | 2005-06 | 11820 | 18.91 |
| 7 | 2006-07 | 11905 | 0.71 |
| 8 | 2007-08 | 42553 | 72.02 |
| 9 | 2008-09 | 40128 | -3.55 |
| 10 | 2009-10 | 34648 | 15.82 |
|  |  | Average | 15.23 |

(Source: Annual report of DIC, Pune)

 It is clear from the above table and graph, that during the study period, the investment in SME sector has grown rapidly from Rs. 5131 crores in 2000-01 to Rs. 34648 crores in 2009-10. An average increase per annum has been recorded at 15.23 percent.

Though investment in registered unit in the region was fluctuating, an average increase per annum has been recorded at 15.23 percent.

**Graph No. 5.3.3**

 It is clear from the above table and graph, that during the study period, the investment in SME sector has grown rapidly from Rs. 5131 crores in 2000-01 to Rs. 34648 crores in 2009-10. An average increase per annum has been recorded at 15.23 percent.

 The investment in registered units increased rapidly after MSMED ACT 2006. The Act provides various facilities to SMEs

**Table No. 5.3.4**

#### Number of units Registered in India

####  Year wise trend of units registered in India (Rs. In crores)

|  |  |  |  |
| --- | --- | --- | --- |
| Sr.no. | Year | No. of units registered | %increase |
| 1 | 2000-01 | N.A. | - |
| 2 | 2001-02 | 105.21 | - |
| 3 | 2002-03 | 109.49 | 4.07 |
| 4 | 2003-04 | 113.95 | 3.16 |
| 5 | 2004-05 | 118.59 | 4.07 |
| 6 | 2005-06 | 123.42 | 4.07 |
| 7 | 2006-07 | 261.12 | 111.57 |
| 8 | 2007-08 | 272.79 | 4.47 |
| 9 | 2008-09 | 285.16 | 4.47 |
| 10 | 2009-10 | 298.08 | 4.53 |
|  |  | Average | 17.50 |

#### Source: <http://www.smallindustry.com/statistics/investment>.

#### It can be inferred generally, there is continuous increase in number of SME units registered in India.

**Graph No. 5.3.4**

####  It is revealed from the data analysis that the registered units of SME sector has grown rapidly from 2006-07 and onwards, the reason for that the MSMED Act 2006, which recognized the concept of ‘enterprise’ and to include both manufacturing and service sector.

####

####  The growth of SMEs has been one of the major source of India’s development strategy since independence. The growth of employment in SME units is shown in Table no. 5.5 and graphically presented in graph 5.5 below

####

#### Table No. 5.3.5

####  Year wise trend of units in India providing employment (lakh person)

|  |  |  |  |
| --- | --- | --- | --- |
| Sr.no. | Year | Employment | % increase |
| 1 | 2000-01 | N. A. | - |
| 2 | 2001-02 | 249.33 | - |
| 3 | 2002-03 | 260.21 | 4.44 |
| 4 | 2003-04 | 271.42 | 4.36 |
| 5 | 2004-05 | 282.57 | 4.31 |
| 6 | 2005-06 | 294.91 | 4.11 |
| 7 | 2006-07 | 595.66 | 4.37 |
| 8 | 2007-08 | 626.34 | 5.13 |
| 9 | 2008-09 | 659.35 | 5.15 |
| 10 | 2009-10 | 695.38 | 5.27 |
|  |  | Average | 5.30 |

(Source – Economic survey 2012-13 Govt. of India)

#### Graph no. 5.3.5

 From the table 5.5 and graph 5.5, it can be inferred that the SMEs recorded a significant growth in terms of employment. The employment provided by SME sector in 2001-02 was 249.33 lakhs which increased to 695.38 lakhs. It would be evident that during ten years period, there has been an average annual increase of 5.30 percent in employment.

 Unemployment is great issue in India. It is evident from table that SMEs have achieved success to provide employment at large context.

####  The SME has acquired a prominent place in the socio-economic development of the country. It has contributed to the overall growth of the gross domestic product, and played an important role in providing a large variety of consumer and capital goods. There has been a considerable expansion in gross production of SME. Growth in gross production of SME units is shown in Table no. 5.6. graph no.5.6 below

**Table no. 5.3.6**

####  Year wise trend of production of units in India (current prices)

|  |  |  |  |
| --- | --- | --- | --- |
| Sr.no. | Year | Production (Rs. Crore) | % increase |
| 1 | 2000-01 | N. A. | - |
| 2 | 2001-02 | 282270 | - |
| 3 | 2002-03 | 314850 | 8.03 |
| 4 | 2003-04 | 364547 | 11.54 |
| 5 | 2004-05 | 429796 | 11.78 |
| 6 | 2005-06 | 497842 | 17.90 |
| 7 | 2006-07 | 709398 | 15.83 |
| 8 | 2007-08 | 790759 | 42.49 |
| 9 | 2008-09 | 880805 | 11.47 |
| 10 | 2009-10 | 982919 | 11.39 |
|  |  | Average | 16.30 |

Source: <http://www.smallindustry.com/statistics/investment>

**Graph No. 5.3.6**

 From the table no. 5.6, it is observed that production of SME has grown rapidly over the year. The growth rates during this period have been impressive. It is also clear that during study period there has been an average growth of 16.30 percent per annum.

Production is gradually increasing over the period of time. It indicates that SME sector has made good progress as far as the number of SME units concerned.

SMEs play a major role in India’s export performance. It is clear from the following table and graph.

**Table no. 5.3.7**

#### Year wise trend of Export of units in India (current prices)

|  |  |  |  |
| --- | --- | --- | --- |
| Sr.no. | Year | Export(Rs. Crore) | % increase |
| 1 | 2000-01 | N. A. | - |
| 2 | 2001-02 | 71244 | - |
| 3 | 2002-03 | 86013 | 2.07 |
| 4 | 2003-04 | 97644 | 20.73 |
| 5 | 2004-05 | 124417 | 13.52 |
| 6 | 2005-06 | 150242 | 27.42 |
| 7 | 2006-07 | 182538 | 20.76 |
| 8 | 2007-08 | 202017 | 21.50 |
| 9 | 2008-09 | N. A. | - |
| 10 | 2009-10 | N. A. | - |
|  |  | Average | 17.67 |

Source: <http://www.smallindustry.com/statistics/investment>

 Table 5.7 and graph 5.7 make known that the value of export in the year 2001-02 was Rs. 71244 crores which increase to Rs. 202017 crores in 2007-08. The exports from SME sector in India have been fluctuating during study period. An average increase in per annum has been recorded 17.67 percent.

As we everyone aware that good export is very imperative for the growth of any nation, in this way SME is in right direction.

**Graph No. 5.3.7**

Table 5.7 and graph 5.7 make known that the value of export in the year 2001-02 was Rs. 71244 crores which increase to Rs. 202017 crores in 2007-08. The exports from SME sector in India have been fluctuating during study period. An average increase in per annum has been recorded 17.67 percent.

**SMEs: The Indian scenario**

With the emerge of planned economy from 1951, Government of India, both planners and Government assign a special role for Small and Medium Enterprises (SMEs). Protection was given to both sectors, i. e. manufacturing and service, and particularly for small and medium scale industries from 1951 to 1991, till the nation adopted a policy of liberalization and globalization. In 1991 certain products were reserved for small and medium scale units for a long time, this list of products is decreasing due to change in industrial policies and climate.

 SMEs always represented the model of socio-economic policies of Government of India which emphasized-

1. Judicious use of foreign exchange for import of capital goods and inputs.
2. Labour intensive mode of production.
3. Employment generation.
4. Non-concentration of diffusion of economic power in the hands of few (as in the case of big houses).
5. Discouraging monopolistic practices of production and marketing.
6. Effective contribution to foreign exchange earning of the nation with low import-intensive operations.

The Small and Medium scale industrial sector of the Indian economy entering in itself almost all of the products (including a large number of services) produced by the Indian industries within the economy.

 Most of the times the products produced by the small and medium enterprises include the intermediary products, produced by the large-scale industries. They also include semi processing units and processing units, which are an important link between exports and re-exports. Thus, SMEs act both as a backward and forward linkage to the overall industrial sector of the Indian economy. Interestingly, the segment plays a crucial role in spreading the benefits of economic growth among the masses by drawing surplus workforce from the farm. SMEs exist in almost all-major sectors in the Indian industry such as-

1. Food Processing
2. Agricultural Inputs
3. Chemicals and Pharmaceuticals
4. Electrical and Electronics
5. Medical and surgical equipment
6. Textiles and Garments
7. Gems and Jewellery
8. Leather and leather goods
9. Meat products
10. Bio-engineering
11. Sports goods
12. Plastics products
13. Computer Software etc.
	1. **INSTUITIONAL SUPPORT TO SMEs ENTREPRENEURS**

 **Institutional Framework for Small and Medium Enterprises**

Government has recognized the importance of the role of entrepreneurs in the industrial development of the country, SMEs are essential for Indian economy in terms of employment generation, foreign exchange earnings, and its share in industrial output, and contribution to national income.

The government of India and state governments provides a number of special facilities and incentives to small and medium enterprises. The incentives motivate entrepreneurs to set up industries in the small scale sector and strengthen the entrepreneurial base in the economy.

 The new entrepreneurs are facing a number of problems like inadequate infrastructure facilities and inadequate financial assistance.

The government offers a various services through its specialized institutions. These services motivate entrepreneurs to establish enterprises. These package includes assistance for obtaining finance, help in marketing, technical guidance, training, and technology upgrade etc.

 It is hoped that various institutional incentives would play an important role in the promotion of small and medium scale enterprises.

**5.4.1 All India Institutions (National Level Institution)**

The central and state governments have created institutional framework in the country in order to facilitate the growth of small and medium enterprises. The institutions providing assistance to small scale industries are classified as

1. “All India Institutions”
2. “State Level Institutions”
3. “Fund-Based Institutions”.
4. **Small and Medium Enterprises Board**

SME Board is the apex and non-statutory advisory body, which constituted by the Government of India. The board renders advice on all issues relating to the SME. It provides a forum to its members for interaction. The board facilitate co-operation and inter institutional linkages. The board renders advice to the Government on various policy matters, for the development of the sector. The Board was first constituted in 1954. Its term is for two years only.

**ii. Ministry of Small and Medium Enterprises**

Liberalization and market reforms have created various opportunities for the development of small and medium scale enterprises. Changing world scenario has created new challenges for this sector. Ministry of small and medium scale enterprises helping this sector with the following institutions.

* Small Industries Development Organization (SIDO),
* Khadi and Village Industries Commission (KVIC) & Coir Board,
* National Small Industries Corporation (NSIC)
* National Institute of Small Industry Extension Training (NISIET), Hyderabad,
* Indian Institute for Entrepreneurship (IIE),
* National Institute for Entrepreneurship and Small Business Development (NIESBUD).

1. **Small Industry Development Organization (SIDO)**

 It is an apex body, established in 1954. The objectives of this organisation are assisting the Ministry in formulating, coordinating, implementing and monitoring policies and programmes for the promotion and development of small and medium scale industries. It has over 60 offices and 21 autonomous bodies under its management. Following are some of the institutions run by SIDO.

1. Small Industries Service Institutes (SISIs)- This is one of the important institution and operational one in each state. This institutes provide technical support and consultancy services, conduct entrepreneurship development programmes, and export promotion and liaison activities. Another important objectives of this institute are implementation of programmes on modernization, energy conservation, quality control and upgrade and pollution control for the benefit of entrepreneurs.
2. Regional Testing Center (RTC)- This center provides Testing facilities for assessing the product quality and improvement on behalf of SIDO.
3. Tool Rooms and Tool Design Institutes (TRs/TDI) – This institute assist SMEs in technical upgrade, and provide good quality tooling by designing and producing tools, moulds, jigs & fixtures, components, etc.
4. Product-cum-Process Development Centers (PPDCs)- This center look into their specific problems and render technical services to small and medium scale enterprises.
5. Central Footwear Training Institutes (CFTIs) – This institute develop footwear designing by small and medium scale enterprises to promote exports.
6. Sub-Contract Exchanges for Ancillary Development (SCXs) register and create database of the spare manufacturing / service capacity of SME;

Thus, the main services rendered by DC SME office are:

* + Advising the Government in policy formulation for the promotion and development of small and medium scale industries.
	+ Providing techno-economic and managerial consultancy, common facilities to small scale units.
	+ Providing facilities for technology upgrade, modernization, quality improvement and infrastructure.
	+ Developing Human Resources through training and skill upgrade.
	+ Providing economic information services.
	+ Maintaining a close liaison with the Central Ministries, Planning Commission, State Governments, Financial Institutions and other Organizations concerned with development of Small and Medium Scale Industries.
	+ Evolving and coordinating policies and programmes for development of Small and Medium Scale Industries as ancillaries to large and medium scale industries.
	+ Monitoring of Prime Minister Rozgar Yojna (PMRY) Scheme.

1. **National Small Industries Corporation (NSIC)**

The National Small Industries Corporation Ltd. was set up in 1955. The objective of this corporation is to promoting, aiding and fostering the growth of small and medium enterprises in the country. NSIC continues to implement its various programmes and projects throughout the country to assist the SME units. The Corporation has been assisting the sector through the following schemes and activities:

a) Composite Term Loan Scheme

b) Hire Purchase Scheme

c) Equipment leasing

d) Working Capital Finance

e) Raw Material Assistance

f) Marketing Support Programme

g) Tender Marketing

h) Integrated Marketing Support

i) Government Stores Purchase Programme

j) Technology Upgrade

k) Software Technology Parks

l) Exports

**v) The Khadi and Village Industries Commission (KVIC)**

The Khadi and Village Industries Commission (KVIC) is a statutory body created by an Act of Parliament in April 1957. The KVIC is supposed to do the planning, promotion, organisation and implementation of programmes for the development of Khadi and other village industries in the rural areas.

**vi) Coir Board**

Coir Board is a statutory body established by the Government of India under a legislation enacted by the Parliament namely Coir Industry Act 1953 for the promotion and development of Coir Industry in India as a whole.

**vii) Training Institutes**

There are three National Level Training Institutes. These are:

1. National Institute of Small Industry Extension Training (NISIET), Hyderabad, which undertakes operations ranging from training, consultancy, research and education, to extension and information services.
2. National Institute for TEntrepreneurship and Small Business Development (NIESBUD), New Delhi, which conducts national and international level training programmes in different fields and disciplines.
3. Indian Institute of Entrepreneurship (IIE), Guwahati was established to act as a channel for entrepreneurship development with its focus on the North East.

**5.4.2 State Level Institutions**

State Level Institutions execute different promotional and developmental projects and schemes and provide a number of supporting incentives for development and promotion of small and medium scale sector in their respective States. These are executed through State Directorate of Industries, which has District Industries Centres (DICs) under them to implement Central/State Level schemes. The State Industrial Development Corporations also look after the needs of the small & Medium-scale sector.

1. **State Industrial Development Corporations (SIDCS**)

This corporation is incorporated under the companies Act 1956. SIDC’s were set up in different states as wholly owned companies for promoting industrial development in their respective states.

The main functions of SIDC’s are as follows:

1. Providing term finance to all small, medium and large industrial enterprises set up in state.
2. Underwriting and directly subscribing to shares, and debentures of industrial enterprises being set up in the state.
3. Preparing feasibility studies, conducting market surveys and motivating private entrepreneurs to set up their industrial ventures in the state.
4. Collaborating with private entrepreneurs to set up industrial ventures in joint and assisted sector.
5. Implementing scheme of ‘Industrial Development Bank of India’ of seed capital in the state.

1. **State Directorate of Industries (SDIS)**

 It acts under the overall guidance of SIDO and concerned Central institutions. It performs both regulatory and developmental functions. It functions through a network of District Industries offices, and extension offices at district sub-division and block level respectively.

The main functions of Directorate of Industries are as follows:

1. Registration of small and medium scale units
2. Providing financial assistance
3. Distributing scarce and indigenous raw materials to industrial units
4. Granting essential certificates for import of raw material
5. Establishing industrial estates and industrial co-operatives
6. Developing industrial infrastructure
7. Undertaking industrial surveys and collecting information
8. Arranging concessions and incentives for industries.
9. Overall administration of village and small scale industries.
10. Maintaining liaison with other agencies for industrial development.

**iii) Maharashtra centre for entrepreneurship development (MCED)**

 MCED was emerged the need to provide professional and practical training on entrepreneurship in Maharashtra. It is a State Government Promoted Organization sponsored by SICOM, MSSIDC. MIDC, MSFC, MELTRON & MITCON. The Headquarters of MCED is at Aurangabad and Regional offices are at Mumbai, Pune, Nagpur, Nashik, Amravati, Aurangabad, Kolhapur and Osmanabad and a Trainer in each district.

* + 1. **District Industries Centers (DICS)**

The District Industries Centers programme was launched in 1978 for effective promotion of cottage and small scale industries widely dispersed in rural areas and small towns. These centers are the focal points providing all the services and support required by small scale and village entrepreneur’s less than one roof. These serves as an integrated administrative framework at the district level for industrial development.

The main functions of DIC’s are as follows:

1. It conducts surveys to know industrial potential of a district keeping in view the availability of raw material, human skills, infrastructure, demand, etc.
2. It prepares an action plan for industrial development.
3. It appraises various investment proposals received from entrepreneurs.
4. It guides and assists entrepreneurs in buying appropriate machinery and equipment and raw material.
5. It suggests appropriate marketing strategies to entrepreneurs.
6. It maintains links with research and development institutions for upgrade of technology, quality improvement, industrial training etc.
7. It conducts artisans training programmes.
8. It has been assigned operation responsibility for special schemes to provide self-employment to educated unemployed youths.

**5.4.4 Fund-Based Institutions ( Non government agencies)**

SMEs need credit support for running the enterprise & operational requirements for diversification, modernization and upgrade of facilities, capacity expansion etc. With reference to SMEs, the problem of credit becomes more critical whenever any event occurs such as a large order, rejection of consignment, inordinate delay in payment etc.

 In general, SMEs operate on tight budgets, often financed through owner's own contribution, loans from friends and relatives and some bank credit. Government of India recognized the need for a focused credit policy for SMEs in the early days of promotion of SMEs.

**Small Industries Development Bank of India (SIDBI)**

The SIDBI was established in 1990 as the apex refinance bank. The SIDBI is operating different programmes and schemes through 5 Regional Offices and 33 Branch Offices. The financial assistance of SIDBI to the small and medium scale sector is channelized through the two routes – direct and indirect.

1. **Indirect assistance**
	1. SIDBI’s financial assistance to small and medium sector is primarily channelized through the existing credit delivery system, which consists of state level institutions, rural and commercial banks.
	2. SIDBI provides refinance to and discounts bills of Primarily Lending Institutions (PLI).
	3. The assistance is available for
		1. Marketing of SME product
		2. Setting up of new ventures
		3. Availability for working capital
		4. Expansion
		5. Modernization
		6. Human resource development
		7. Diversification of existing units for all activities
2. **Direct assistance**
	1. The loans are available for new ventures, diversification technology upgrade, modernization and expansion of well-run small and medium scale enterprises. Assistance is also available for private sector.
	2. Small and Medium scale sector is eligible for maximum debt-equity ratio of 3:1
	3. Foreign currency loan for import of equipment are also available to export oriented small and medium scale enterprises.
	4. SIDBI also provides venture capital assistance to the entrepreneurs for their innovative ventures if they have a sound management team, long term competitive advantage and a potential for above average profitability leading to attractive return on investment.
3. **Commercial Banks**

Credit requirement of SMEs is basically of two types – long term loans and working capital. Commercial banks with their extensive network of branches operating nationwide are primary channel for working capital requirement.. With the liberalization of the Indian economy, greater emphasis was placed on meeting the credit needs of SMEs. This was manifest through the following initiatives taken by RBI, to provide financial assistance to small and medium scale enterprises.

1. **State Financial Corporation (SFCS)**

State Financial Corporation Act 1951 was brought into force to enable all the state governments (except Jammu and Kashmir) to set up State Financial Corporations as regional development banks. Presently following assistance is provided to small scale and medium scale entrepreneurs or units:

1. Providing long term finance to industrial enterprises having sole proprietary, partnership, company and co-operative society form of business organization.
2. Subscribing equity and debentures of industrial enterprises.
3. Providing financial assistance to small and medium enterprises engaged in service sector.
4. Making provisions for working capital loans and meeting various short-term needs of their clients.

**5.4.5 Institutional support for MSMES (central govt.)**

**A) National small industries corporation (NSIC)**

 The NSIC is involved in Hire Purchase and Leasing Schemes and offers assistance to interested parties. These schemes help entrepreneurs to set up enterprises with minimum investment. NSIC assist small enterprises to improve the quality of the end products through creation of testing facilities. NSIC has set up Technology Dissemination Centers to provide latest information in connection with the technology upgradation amongst the other Small and Large Scale enterprises spread all over India and abroad. Keeping in view the potential in the areas of software exports and to create facility for the promotion of small and medium scale unit and also provide place to negotiate with the units from abroad, NSIC has set up a NSIC, STP Complex under Software Technology Parks of India (STPI).

**B) Small industries development bank of India (SIDBI)**

 SIDBI was established in April, 1990 to serve as the Principal Financial Institution for promotion, financing and development of industry’ in the small scale sector and co-coordinating the function of other institutions engaged in similar activities. SIDBI provides assistance to the small scale sector through indirect assistance, direct assistance and development and support services.

**C) Khadi and village industries commission (KVIC)**

 The Khadi and Village Industries Commission (KVIC) is a statutory body established by an Act of Parliament. In April 1957, it took over the work of former All India Khadi and Village Industries Board.

The objectives of KVIC are:

i) The social objective of providing employment.

ii) The economic objective of producing saleable articles.

iii)The wider objective of creating self-reliance amongst the poor.

iv) Building up of a strong rural community spirit.

**Functions :**

Some of the major functions of KVIC are:

1. The main function of KVIC is the planning, promotion, organization and implementation of programs for the development of Khadi and other village industries in the rural areas in coordination with other agencies engaged in rural development wherever necessary.
2. Its functions also comprise building up of a reserve of raw materials and implements for supply to producers, creation of common service facilities for processing of raw materials as semi-finished goods and provisions of facilities for marketing of KVI products apart from organisation of training of artisans engaged in these industries and encouragement of co-operative efforts amongst them.
3. To promote the sale and marketing of Khadi products. .
4. To encouraging and promoting research in the production techniques and equipment employed in the Khadi and Village Industries sectors.
5. To provide facilities for the study of the problems relating to the use of non-conventional energy and electric power for increasing productivity, marketing and promoting.
6. To provid financial assistance to institutions and individuals for development and operation of Khadi and village industries.
7. To guide them through supply of designs, prototypes and other technical information.
8. To ensure genuineness of the products and to set standards of quality.
9. To undertake directly or through other agencies problems of Khadi and/or village industries.

**5.5 Profile of Maharashtra**

**1. Brief Demographic, Economic and Infrastructure Overview of the State**

 **Demographic Overview:**

Maharashtra is the second largest state of India both in terms of geographical area and population. It has 35 districts divided into six divisions. Maharashtra is a highly urbanized state with 45.2 percent of the population residing in urban areas.

**Infrastructure Overview:**

1. **Roads**: Total road length in the state, as on March 2012, was approx. 2.45 lakh km. More than 99 percent of the villages are connected by all weather roads and fair weather roads.
2. **Railways**: Total length of the rail network in the state, as on March 2012, was 5,984 km.
3. **Water Transport**: The state has a 720 km long coast line having two major ports i.e. Mumbai Port Trust and Jawaharlal Nehru Port Trust.
4. **Airports**: There are four international airports in the state in Mumbai, Nagpur, Pune and Aurangabad and five domestic airports.
5. **Power:** State has highest installed capacity and generation of electricity in the country. The installed capacity as on March 2012 was 20,370 MW, with thermal power contributing to more than 50% of the total capacity.

**Taxation Policy- State Govt.**

 VAT: The levy and collection of VAT is governed by the Maharashtra VAT Act, 2002. Subject to the provisions of this Act, for most of the products, VAT is levied @ 0% to 5% on the basis of type of products.

 Octroi Tax: This tax is levied by 21 municipal corporations in the state at the time of entry of goods in the city. Rates range from 0.1 percent to 7 percent. The state government is in process of replacing the Octroi tax with Local Body Tax (LBT).

* 1. **Policy Framework Governing the Sector**
* The Industrial Policy 2013: The state government has recently come up with the new Industrial Policy 2013. Main objective of the policy is to maintain its leadership position, sustained growth and create employment opportunities.
* Package Scheme of Incentives, 2013: The state government has announced a Package Scheme of Incentives for the industrial sector. The scheme covers cold storages and mechanized food/agro processing industries (Dairy, fruit & vegetable processing; grain processing; fish processing; consumer foods including packed foods; non alcoholic beverages from fruits & vegetables) in addition to other industries. It offers Financial Incentives linked to fixed capital, Industrial Promotion Subsidy (IPS), exemption from electricity duty, waiver of stamp duty, power tariff subsidy, capital subsidy to MSME for technology up gradation; quality certification; cleaner production etc. Quantum of these incentives varies with turnover and location of the industry.
* Draft Agro Industrial Policy 2010 (Yet to be finalized): Policy emphasizes on adopting a cluster-based approach for developing agro processing sector in the state. Integrated projects would be promoted including micro-clusters, MSMEs and large scale multi-lateral funded projects. The policy also proposes to promote market led extension services, market linkages, development of marketing and post harvest infrastructure, formation and strengthening of farmers groups etc. Other focus areas- food quality and safety, R&D, capacity building and agri-tourism. Grape Processing Policy, 2001: The policy provides concession in excise and VAT with other facilities such as single window clearance, simplification of licensing etc.

 **CHAPTER 6**

**FINDINGS AND ANALYSIS**

**Introduction**

6.1 Number of sample units in study area

6.2 Ownership pattern of SME units in study area

6.3 Gender of entrepreneurs of SME units in study area

6.4 Age composition of entrepreneurs of SME units in study area

6.5 Educational qualification of entrepreneurs of SME units in study area

6.6 Experience of entrepreneurs of SME units in study area

6.7 Nature of possession of premises of SME units in study area

6.9 Manpower planning of SME units in study area

6.10 Recruitment procedure of SME units in study area

6.11 Workers have to work overtime of SME units in study area

6.12 Reasons for overtime work of SME units in study area

6.13 Relationship with employee of entrepreneurs in SME units in study area

6.14 Training method adopted by SME units in study area

6.15 Basis of promotion of SME units in study area

6.16 Annual increments of SME units in study area

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6.19 Techniques of forecasting applied by SME units in study area

6.20 Incentives provided by SME units in study area

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6.22 Type of control existed in SME units in study area

6.23 Budget process applied by SME units in study area

6.24 Style of leadership existed in SME units in study area

6.25 Budget preparation of SME units in study area

6.26 Types of customers of SME units in study area

**Introduction**

In thischapter an attempt has been made by the researcher to tabulate the data calculated and analyzed the same with appropriate statistical tools as well as graphical representation. The field survey was carried out by the researcher with the help of scheduled questionnaire. The focus on the study of mainly administrative and managerial functions of SMEs Electronic Companies in the study area.

 Total 29 SMEs units are selected from Chakan, Baramati, Bhigwan, Bhor, Daund, Indapur, Jejuri, Saswad, Shirur, Walchandnagar, Shirwal taluka, out of 285 registered as SMEs. The selection was based on a stratified random sample of 10 percent from the study area. These units chosen for intensive study is shown in table

**Table No. 6.1**

 Number of sample SME units in study area

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Name of the place** | **Manufacturing unit** | **Service unit** | **Job work** | **Total** |
| Baramati | 01 | 02 | - | 03 |
| Bhigwan | - | 02 | - | 02 |
| Bhor | - | 01 | 01 | 02 |
| Chakan | 04 | 01 | - | 05 |
| Daund | - | 01 | - | 01 |
| Indapur | - | 02 | - | 02 |
| Jejuri | - | - | 01 | 01 |
| Saswad | - | - | 02 | 02 |
| Shirur (Ranjangoan) | 05 | - | - | 05 |
| Walchandnagar | - | 03 | - | 03 |
| Shirwal | 01 | 01 | 01 | 03 |
| Total (29) | 11 | 13 | 05 | 29 |

 Source: Field Survey Data

**Graph No. 6.1**

The table 6.1 shows that the manufacturing units are very less in numbers in study area. Service centers are more than manufacturing units in study area.

Manufacturing units are influenced by following factors :

* Availability of infrastructure facilities needed by Electronic units.
* Availability of required technology.

 Service centers are more than manufacturing units. People need services more for their electronic items in study area.

 In few places there are job work is done for manufacturing units. The scale of job work is also small in study area.

 There is no sub-contracting for electronic units in study area.

**6.2 Ownership pattern of the SME units in study area:**

 Ownership is one of the basic inputs for enterprises. The patterns of an ownership organization

**Table number 6.2**

**Ownership pattern of the SME units in study area**

|  |  |  |  |
| --- | --- | --- | --- |
| Sr. No. | **Owner**ship pattern | **No. of units** | **percentage** |
| 1. | Individual proprietorship | 03 | 10.34 |
| 2. | Joint Hindu Family | 05 | 17.24 |
| 3. | Partnership firm | 10 | 34.48 |
| 4. | Co-operative Society | - | - |
| 5. | Private Limited company | 11 | 37.94 |
|  | **Total** | **29** | **100.00** |

 Source: Field survey

**Graph No. 6.2**

**Ownership Pattern of SME units**

Private limited company is the dominant pattern of ownership in SME units covered under the study area. They are 37.94 percent. Partnership firms are also predominant i.e. 34.48 percent. Individual proprietorship was found 03 units constituting 10.34 percent. Joint Hindu Family pattern of ownership was found 05 units constituting 17.24 percent. Not a single unit was found organized as co-operative society.

**6.3 Gender of the Entrepreneurs of the SME units in study Area :**

 The Small and Medium Scale Industrial units in study area are predominantly managed by male entrepreneurs. The following table shows the details.

**Table 6.3**

Gender of the Entrepreneurs of the SME units in study Area

|  |  |  |  |
| --- | --- | --- | --- |
| Sr. No. | Gender/Sex | No. of Units | Percentage |
| 1. | Male | 28 | 96.55 |
| 2. | Female | 01 | 03.45 |
|  | Total | 29 | 100.00 |

 Source: Field Survey Data

**Graph No. 6.3**

Gender of the Entrepreneurs of the SME units in study Area

The table no. 8.3 shows that 28 units, constituting 96.55 percent of the entrepreneurs of the Small and Medium scale industrial units in the study area belonged to male gender, while only one unit accounting for 3.45 percent was female.

**6.4 Age composition of Entrepreneurs of the SME units in study area:**

The data regarding the age composition of entrepreneurs is presented in table 8.4 and Graph 8.4

**Table 6.4**

**Age composition of Entrepreneurs**

|  |  |  |  |
| --- | --- | --- | --- |
| Sr. No. | Age (yrs) | No. of units | Percentage |
| 1. | 26-35 | 4 | 13.79 |
| 2. | 36-45 | 13 | 44.83 |
| 3. | 46-55 | 7 | 24.14 |
| 4. | 56 and above | 5 | 17.24 |
|  | Total | 29 | 100.00 |

 Source: Field Survey Data

**Graph No. 6.4**

**Age composition of Entrepreneurs**

The above table and graph shows that maximum number of 13 entrepreneurs of the SME units in study area are belonged to 36-45 years age group, constituting 44.83 percent.

 7 entrepreneurs of SME units in study area in the age group of 46-55, accounting for 24.14 percent. 4 entrepreneurs were in the younger age group 26-35 years constituting 13.79 percent. There are 5 entrepreneurs were in the advanced age group of 56 years and above.

**6.5 Educational Qualification of the Entrepreneurs of the SME units in study area :**

The following table provides the details of educational qualifications of the entrepreneurs of the SME units in the study area.

**Table 6.5**

**Educational qualification of entrepreneurs**

|  |  |  |  |
| --- | --- | --- | --- |
| Sr. no. | Educational status | No. of Respondents | Percentage |
| 1. | Below 12th standard | 7 | 24.14 |
| 2. | ITI/Diploma | 8 | 27.58 |
| 3. | Graduate | 10 | 34.48 |
| 4. | Post-Graduate | 4 | 13.80 |
|  | Total | 29 | 100.00 |

 Source: Field Survey Data

* Diploma in various branches of engineering is considered here.
* Graduate includes B.A., B.Com. B.Sc.
* Post-graduate technical includes M.E., M.S., M.Com., M.B.A., and post-graduate diploma in the area of management.

Graph 6.5

**Educational qualification of entrepreneurs**

The details in the above table shows that maximum of 34.48 percent of respondents were graduate. 27.58 percent respondents are ITI and Diploma holders. 24.14 percent respondents are below 12th standard. 13.80 percent respondents are post graduate.

**6.6 Experience in the same field:**

 The following table throws focus on the experience in the same field of entrepreneur in the study area.

**Table no. 6.6**

**Experience in the same field**

|  |  |  |  |
| --- | --- | --- | --- |
| Sr. no. | Experience (Number of years) | No. of respondent | Percentage |
| 1. | Less than 5 years | 02 | 6.90 |
| 2. | 06-10 | 10 | 34.48 |
| 3. | 11-15 | 04 | 13.79 |
| 4 | 16-20 | 05 | 17.24 |
| 5. | 21 years and above | 08 | 27.59 |
|  | Total | 29 | 100.00 |

Source; field survey data

The above table shows that maximum of 10 respondents had 6 -10 year of experience in same field. 8 respondents had 21 years and above experience. 5 respondents had 16-20 years experience. 4 respondents had 11-15 years experience. Only 2 respondents had less than 5 years experience.

**6.7 Nature of possession of premises of SME units in study area**

 The following table provides the details of nature of possession of premises of SME units in study area.

**Table 6.7**

**Nature of possession of premises**

|  |  |  |  |
| --- | --- | --- | --- |
| Sr. No. | Ownership pattern | No. of units | percentage |
| 1. | Owned | 05 | 17.24 |
| 2. | MIDC | 11 | 37.94 |
| 3. | Rental Basis | 10 | 34.48 |
| 4. | Co-operative Industrial Estate | 03 | 10.34 |
| 5. | Lease | - | - |
|  | **Total** | **29** | **100.00** |

 Source : Field Survey Data

**Graph No. 6.7**

 The maximum number of units of SMEs in study area belonged to MIDC and Rental basis premises of their manufactures, services and Job work activity. The premises of other SME units belonged to co-operative industrial estate.

 Table number 6.7 shows that 11 units accounting for 37.94 percent belonged to MIDC. A substantial number of 10 units accounts for 34.48 percent belonged to Rental basis. A very small number 03 units accounted for 10.34 percent belonged to Co-operative industrial estate. Not a single unit was found on Lease.

**6.8 Planning**

 The following table provides the details of planning period of the SME units in the study area.

**Table 6.8**

**Planning period of enterprises**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sr. No.** | **Planning period** | **No. of units** | **percentage** |
| 1. | Long term planning | - | - |
| 2. | Medium term planning | 10 | 34.48 |
| 3. | Short Term Planning | 19 | 65.52 |
| 4. | None of the above | - | - |
|  | **Total** | **29** | **100.00** |

Source: Field Survey Data

**Graph No. 6.8**

From the above table the response of SME units in study area indicate that majority of 19 SME units constituting 65.52 percent prepared their short term planning. 34.48 percent constituting 10 SME units in study area preparing medium term planning.

**The reasons for not preparing Long term planning :**

* Long term planning is time and resource consuming.
* Experts for preparing Long term planning are not available in rural area.
* According to them long term planning is not effective and useful for SME.
* For preparation of long term planning, it is essential to prepare short term planning.
* Short term planning is easy to make and flexible.

**6.9 Manpower planning**

 Following table shows Manpower planning of SMEs in study area.

**Table No. 6.9**

 **Manpower planning**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sr. No.** | **Planning period** | **No. of units** | **percentage** |
| 1. | Yes | 27 | 93.10 |
| 2. | No | 02 | 06.90 |
| 3. | Not respond | - | - |
|  | **Total** | **29** | **100.00** |

Source: Field Survey Data

**Graph No. 6.9**

Almost all SMEs in study area were prepared manpower planning. Only 02 SMEs i. e. 6.90 percent SMEs in study area were not prepared manpower planning.

 The reasons for not preparing manpower planning in SMEs in study area were

1. Manpower planning is time consuming process.
2. According to them manpower planning is not effective and useful for SMEs.
3. They can avail human resource whatever they need from market easily, whenever they need.

**6.10 Recruitment procedure**

 The following table provides the details of recruitment procedure of SME units in study area.

**Table Number 6.10**

**Recruitment procedure of SME units**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sr. No.** | **Ownership pattern** | **No. of units** | **percentage** |
| 1. | Advertisement | 16 | 55.17 |
| 2. | Past employee | 03 | 10.34 |
| 3. | Temporary employee | 07 | 24.14 |
| 4. | Placement consultant | 02 | 06.90 |
| 5. | College campus | 01 | 03.45 |
| 6. | Casual application | - | - |
|  | **Total** | **29** | **100.00** |

 Source: Field survey

**Graph No.6.10**

The above table number 8.6 shows that majority SMEs unit in study area used Advertisement for recruit their employees- i. e. 16 SMEs units (55.17 percent). **03 units** (10.34 percent) in study area using past employee to recruit their employees. **02** units i. e. 06.90 percent SMEs units in study area using placement consultancy for recruiting their employees. **Only 01** unit i.e. 3.45 percent SMEs in study area recruits their employee by college campus interview technique. **No si**ngle unit of SME in study area considers casual applications for recruiting their employees.

**6.11 Workers have to work overtime**

**Table 6.11**

|  |  |  |  |
| --- | --- | --- | --- |
| Sr. no. | overtime | No. of units | percentage |
| 1. | Often | 05 | 17.24 |
| 2. | Seldom | 20 | 68.96 |
| 3. | Sometimes | 04 | 13.80 |
| 4. | Never | 00 | 00.00 |
|  | Total | 29 | 100.00 |

Source; Field Survey Data

From the above table it is clear that maximum number of SMEs under study area i.e. 20 SMEs rarely call their workers for overtime. 5 SMEs under study area always call their workers for overtime. 4 SMEs under study area sometimes call their workers for overtime. All SMEs call their workers for overtime whenever they required.

**Graph No. 6.12**

**6.12 Reason for overtime work**

**Table 6.12**

|  |  |  |  |
| --- | --- | --- | --- |
| Sr. no. | Overtime reason | No. of units | percentage |
| 1. | Insufficient Labour | 10 | 34.48 |
| 2. | Acceptance of rush orders | 10 | 34.48 |
| 3. | Inadequate planning | 09 | 31.04 |
|  |  | 29 | 100.00 |

From the above table it is clear that SMEs under study area called their workers for overtime for various reasons. Same number of units i.e. 10 SMEs under study called their workers for overtime because of insufficient labour and for completion of rush orders. 09 SMEs under study area are called their workers because of inadequate planning.

**6.13 Relationships with employee**

 The following table explains the details of relationship with employee of SME units in study area.

**Table Number 6.13**

**Relationships with employee of SME units**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sr. No.** | **Nature** | **No. of units** | **percentage** |
| 1. | Formal | 24 | 82.76 |
| 2. | Informal | - | - |
| 3. | Strict | 04 | 13.79 |
| 4. | Free and Fair | 01 | 03.45 |
|  | **Total** | **29** | **100.00** |

 Source: Field survey

**Graph No. 6.13**

From the above table it is clear that almost SMEs in study area i.e. 24 (82.76 percent) maintain formal relationship with their employees. 04 units i.e. 13.79 percent SMEs in study area behave strictly with their employees. Only 01 unit i.e.3.45 percent SME in study area maintain free and fair relationship with their employee. Informal relations with employee are very essential to release the stress of the employee, but not a single unit maintains informal relation with their employee.

**6.14 Training method adopted by SMEs in study area**

 Following table explains the training method adopted by SMEs in study area.

**Table Number 6.14**

 **Training method adopted by SMEs in study area**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sr. No.** | **Method** | **No. of units** | **percentage** |
| 1. | On the job training | 20 | 68.96 |
| 2. | Lectures and Demonstration | 04 | 13.79 |
| 3. | Seminars and conference | 03 | 10.34 |
| 4. | Expert guidance | 02 | 6.91 |
|  | **Total** | **29** | **100.00** |

Source: Field survey

**Graph No. 6.14**

 The above table indicates that majority of SMEs i.e. 20 units (68.96 percent) from study area adopted on the job training method.

 04 units mean 13.79 percent SMEs from study area uses Lecture and Demonstration method of training for their employees. Seminars and Conference method of training conducted 03 units mean 10.34 percent SME in study area. Only 02 units of SME in study area use Expert guidance to train their employees. In Electronic industry ‘Expert guidance’ is very important to solve their technical problems in jobs, but very few industry are using it.

**6.15 Basis of promotion**

Following table shows basis of promotion for employees in SMEs in study area.

**Table No. 6.15**

 **Basis of promotion**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sr. No.** | **Basis** | **No. of units** | **percentage** |
| 1. | Job evaluation | 08 | 27.59 |
| 2. | Merit rating | 02 | 06.90 |
| 3. | Performance appraisal | 07 | 24.14 |
| 4. | Based on seniority | 12 | 41.37 |
| 5. | No comment | - | - |
|  | **Total** | **29** | **100.00** |

Source: Field survey

**Graph No.6.15**

From the above table number 6.15, it is clear that the most of the SME units in study area i.e. 12units, 41.37 percent uses seniority to give promotion to their employees. **08** units i.e. 27.59 percent SME units in study area uses job evaluation method to promotion their employees. 07 units i.e. 24.14 percent SME units in study area using performance appraisal method for promotion. Only 02 units i.e. 06.90 percent SMEs in study area uses merit rating method for giving promotion to their employees.

**6.16 Annual increments**

 Following table provides information about annual increments to their employees of SME units in study area.

**Table No. 6.16**

**Annual increments**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sr. No.** | **Percentage** | **No. of units** | **percentage** |
| 1. | 5-10 | 15 | 51.72 |
| 2. | 10-15 | 10 | 34.48 |
| 3. | 15-20 | 02 | 6.90 |
| 4. | No comment | 02 | 6.90 |
|  | **Total** | **29** | **100.00** |

Source: Field survey

**Graph No. 6.16**

From the table number 6.16 it is clear that 15 units i.e. 51.72 percent units in study area providing 5-10 percent annual increment to their employees. 10 units i.e. 34.48 percent SME units in study area provide 10-15 percent annual increment to their employees.

 02 units i.e. 6.90 percent SME units in study area provide 15-20 percent annual increment to their employees. Only 02 units i.e. 6.90 percent SME units were not ready to give answer about annual increment of their employees.

**6.17 Welfare facilities**

 Following table shows information about welfare facilities available to employees in SME units of study area.

**Table No. 6.17**

Welfare facilities

|  |  |  |  |
| --- | --- | --- | --- |
| **Sr. No.** | **facilities** | **No. of units** | **percentage** |
| 1. | Hospital | 05 | 17.24 |
| 2. | Canteen | 15 | 51.72 |
| 3. | School | - | - |
| 4. | Gym | - | - |
| 5. | No comment | 14 | 31.04 |
|  | **Total** | 29 | 100.00 |

Source: Field survey

**Graph No. 6.17**

From the above table number 6.17 it is clear that 05 units in SMEs in study area provide hospital facilities (in kind of mediclaim policies) to their employees.

 15 units i.e. 51.72 percent SME units in study area provide canteen facility to their employees. 14 units i.e. 48.28 percent units of SMEs in study area preferred to make no comments.

**6.18 Forecasting procedure**

 Following table provides information about forecasting procedure applied in SMEs in study area.

**Table No. 6.18**

 **Forecasting procedure**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sr. No.** | **particular** | **No. of units** | **percentage** |
| 1. | Yes | 10 | 34.48 |
| 2. | No | 08 | 27.59 |
| 3. | Sometimes | 04 | 13.79 |
| 4. | No comments | 07 | 24.14 |
|  |  | 29 | 100.00 |

Source: Field survey

**Graph No. 6.18**

Above table number 6.18 indicates that 10 units i.e. 34.48 percent SME units in study area applied forecasting procedure for their organization.

08 units i.e. 27.59 percent SME units in study area did not make forecasting for their organization.

04 units i.e. 13.79 percent SMEs in study area making forecasting sometimes.

07 units i.e. 24.14 percent SME units in study area prefer to keep mute themselves.

**6.19 Techniques used for forecasting**

 Following table provides information about Techniques used for forecasting in SME units in study area.

**Table No.6.19**

 **Techniques used for forecasting**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sr. No.** | **techniques** | **No. of units** | **percentage** |
| 1. | experience | 10 | 34.48 |
| 2. | Information | 02 | 6.90 |
| 3. | Experimentation | 01 | 3.45 |
| 4. | Research and Analysis | 01 | 3.45 |
| 5. | No forecasting | 15 | 51.72 |
|  | **Total** | **29** | **100.00** |

Source: Field survey

**Graph No. 6.19**

From the above table number 6.19 it is clear that most of the SME units in study area is not interested in forecasting.

10 units i.e. 34.48 percent SME units in study area using their personal experience as a technique of forecasting for their organization.

02 units of the SME from the study area used information as a technique of forecasting for their organization.

01 unit of SME in study area used experimentation as a technique of forecasting for their organization.

01 unit of SME in study area used research and analysis as a technique of forecasting for their organization.

**6.20 Incentives provided by organization**

 Following table provides information about incentives given by SME units in study area.

**Table No. 6.20**

**Incentives provided by organization**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sr. No.** | **Particular** | **No. of units** | **percentage** |
| 1. | Individual incentives | 10 | 68.96 |
| 2. | Group incentives | - | - |
| 3. | No comments | 19 | 31.04 |
|  | **Total** | **29** | **100.00** |

Source: Field survey

**Graph No. 6.20**

From the above table number 6.20 it is clear that only 10 units i.e. 68.96 percent of SMEs in study area are providing individual incentives to their employees.

 No single unit provides group incentives to their employees of SMEs in study area.

19 units i.e. 31.04 percent SMEs in study area not ready to give any comment on incentives.

**6.21 Non financial incentives**

 Following table shows the information about non financial incentives provided by the SMEs in study area.

**Table No. 6.21**

**Non financial incentives**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sr. No.** | **incentives** | **No. of units** | **percentage** |
| 1. | Status | 02 | 06.90 |
| 2. | Responsibility | 10 | 34.48 |
| 3. | Recognition of work | 03 | 10.34 |
| 4. | Job security | 10 | 34.48 |
| 5. | Competition | - | - |
| 6. | participation | - | - |
| 7. | No comment | 4 | 13.80 |
|  | **Total** | **29** | **100.00** |

Source: Field survey

**Graph No. 6.21**

 From the above table number 6.21 it is clear that 10 units of SMEs in study area giving various types of responsibility to handle the crises, challenges to their employees.

10 units of SMEs in study area give job security to their employees.

 02 units of SMEs in study area give status (by providing different facilities) to their employees.

 04 units of SMEs in study area not ready to react on non financial incentives which were provided to their employee.

 No single of SME units in study area is ready to provide competition and participation in management decision to their employee as non financial incentives. They think that it is wastage of time and money.

**6.22 Type of control**

 Following table provides the information regarding control existed in the SME units in study area.

**Table No. 6.22**

**Type of control**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sr. No.** | **Type of control** | **No. of units** | **percentage** |
| 1. | Feedback control | 05 | 17.24 |
| 2. | Concurrent control | - | -- |
| 3. | Feed forward control | - | - |
| 4. | No comment | 24 | 82.76 |
|  | **Total** | **29** | **100.00** |

 **Source**: Field survey

**Graph No. 6.22**

Control is very important part of management.

From the above table number 6.22 it is clear that 05 units i.e.17.24 percent SMEs in study area using feedback control method in their organization.

24 units i.e. 82.76 percent SMEs in study area were not ready to give any comment on control existed in their organization.

**6.23 Budget process in the organization**

 Following table provides information about Budget process adopted in the SME units in study area.

**Table No. 6.23**

 **Budget process in the organization**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sr. No.** | **Budget process** | **No. of units** | **percentage** |
| 1. | Yes | 29 | 100 |
| 2. | No | 0 | 0 |
| 3. | No comment | 0 | 0 |
|  | **Total** | **29** | **100.00** |

 **Source**: Field survey

**Graph No. 6.23**

From the above table it is clear that all the units i.e. 29 (100 Percent) SMEs from the study area implemented Budget process in their organization. All SMEs in study area give due importance to Budget process.

**6.24 Style of leadership**

 Following table provides information about Style of Leadership existed in the organization.

**Table No. 6.24**

 **Style of leadership**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sr. No.** | **Style** | **No. of units** | **percentage** |
| 1. | Autocratic style | 25 | 86.21 |
| 2. | Lassie fair style | - |  |
| 3. | Democratic style |  |  |
| 4. | No comment | 04 | 03.79 |
|  | **Total** | **29** | **100.00** |

**Source**: Field survey

**Graph No. 6.24**

 From the above table it is clear that 25 SME units from study area i.e. 86.21 percent adopted Autocratic style of leadership to complete their activities. 04 units of SME from study area not ready to give any comment on style of leadership. No single unit of SME from study area adopted Lassie fair style and Democratic style of leadership in their organization.

**6.25 Budget Preparation**

 Following table provides the information about various Budgets prepared by SME units from study area.

 **Table No. 6.25**

 **Budget Preparation by SME**

|  |  |  |
| --- | --- | --- |
| **Sr. No.** | **Type of budget** | **No. of units** |
| 1. | Sale budget | 16 |
| 2. | Purchase budget | 16 |
| 3. | Production budget | 16 |
| 4. | Cash budget | 29 |
| 5. | Master budget | 11 |

**Source**: Field survey

**Graph No. 6.25**

 From above table it is clear that 16 SME units from study area making Sales budget, Purchase budget, Production budget for their organization. All units i.e. 29 units of SME from study area making Cash budget for their organization. Only 11 units of SME from study area making Master budget for their organization.

**6.26 Types of customers**

 Following table provides the information about the Types of customers of SME units in study area.

**Table No. 6.26**

**Types of customers**

|  |  |  |
| --- | --- | --- |
| **Sr. No.** | **Type of customers** | **No. of units** |
| 1. | Individual | 13 |
| 2. | Industrial | 11 |
| 3. | Institutional | 18 |
| 4. | Government | 05 |
| 5. | All | 16 |

**Source**: Field survey

**Graph No. 6.26**

From the above table it is clear that there is variety of customers for SME units in study area. 13 units of SME from study area have individual customers. 11 units of SME from study area have industrial customers for their product. 18 units of SME from study area have institutional customer for their product. Only 05 units of SME from study area have government customer. 16 units of SME from study area have all types of customers for their products.

**CHAPTER 7**

 **TESTING OF HYPOTHESES CONCLUSION AND SUGGESTIONS**

 7.1 Introduction

 7.2 Observations

 7.3 Findings and Conclusions

 7.4 Testing of Hypotheses

 7.5 Suggestions and Recommendations

 7.6 Opportunities and Challenges of Indian SMEs

**CHAPTER 7**

**7.1 INTRODUCTION**

 SME being the highest employment generation sector is next to agriculture, this sector need special attention of the state government, policymakers and implementation. This is all the more necessary and a very powerful engine, realizing the twin objectives of ‘accelerated industrial growth’ and ‘creation of additional productive employment potential in rural area’.

 There are only 19257 SME units are registered under study area. Employment, finance and other activities of only these units are recorded with the government. There is an urgent need to understand the actual position of employment as on date and employment generation opportunities exist in this sector in future. This will enable policymakers to decide the course of action, such as creation of cluster, providing suitable infrastructure, market, product development, finance etc.

 The findings of this investigation have been summarized in this concluding chapter. A sample of 29 SME units in study area were selected and survey was conducted for assessment of these units relating to the areas with the various management and administrative functions like planning, organizing, recruitment, training, promotion, forecasting, control, budgeting etc.

 The conclusions being presented here below are drawn on the basis of secondary data as well as primary data collected from the sample 29 SMEs and which has analyzed in the preceding chapters.

**7.2 OBSERVATIONS**

1. Most of the SME units under study area mentioned that their estimates were based on economic outlook. Other SME units mentioned that they based on their sales to make the capital requirement estimates.
2. For promotion many SME units under study area not having a definite policy.
3. The short planning horizon of small firms is demonstrated by majority of firms which do not make sales forecast. Their negligence in making plans on a longer time horizon probably because the owner to engage more in day to day trouble shooting and it further reduces their time for planning.
4. The present survey indicates the SME entrepreneurs usually have short planning horizon which may lead to the result many decisions are made on adhoc basis. The most probable reason for this phenomenon is their deficiency in managerial know-how.
5. The source of assistance where the SME firms will look for indicates that the government and trade unions are playing a marginal role in assisting small firms. The most common source quoted is banks, family and friends.
6. Based on the above argument, it is important to find out the management weaknesses of SME manufacturers in different industry. The present study is limited to Electronic Industry only. However, there are several areas which are constantly mentioned by researcher as the weakness of SME manufacturing units. The managerial know-how is one of the most common ones.
7. The study further sought to establish the level of experience of the operators of enterprise prior to commencing the current business. Many of the respondents had no previous experience in business before embarking on their current business activity.
8. Most of the entrepreneurs’ survey were engaged in service related activities and were either a one man business or private limited company. The implication here is that a one-man privately run enterprise is more prone to failure for the following possible reasons
9. The operator lacked appropriate skills and expertise, as many of the sampled population had limited years of previous management experience and skill, more had no experience at all.
10. The one man type of enterprise encountered several problems, including lack of trained personnel and would not be able to compete in a free market economy.
11. Ministry of SME formulates the policy for promotion, development and protection of SME sector. It implements policies and programmes through SIDO, NSIC, NISIET, NIESBOD and KVIC etc.
12. Finance to SME is viewed as layered structure. At apex level is the SIDBI and at the next level are SFC’s, RRB’s, and Commercial Banks and Co-operative banks.
13. Institutions set up for promotion of SME at district, state, national level as well as non-government agencies.
14. Assistance is provided to SME in form of
15. Establishment of industrial estate throughout the country.
16. Reservation of number of products for exclusive production in SME sector.
17. Supply of machines on hire purchase basis to SME units on easy terms and conditions.
18. Technical counseling also provided for improving their efficiency.
19. Purchases of certain products by government departments and agencies exclusively from the SME sector.
20. Service units dominate the scene of Small and Medium Scale Industrial sector under the study are a due to the growth of commercial and industrial activities in Pune region.
21. Manufacturing units and job work of electronic items in Pune region have been due to local demand factor, availability of required resources and infrastructural facilities. The scale of job work is also small in study area.
22. There is no single unit found as subcontract in Pune region.
23. There is no single unit found with co-operative organization.
24. SME units in study area are predominantly managed by male entrepreneurs.
25. It is found that the proprietors/ managers are not having knowledge or education of administration and management, so they are not able to implement all administrative and managerial functions properly.
26. For recruitment SME uses only traditional channels, so they are not getting proper person to do the job.
27. SME in India have acquired a pre-dominant place in the social-economic development of the country.
28. 2000-01 the growth of registered (Table 3.1) SME units recorded 2.33 percent increase over the previous year. There is average increase of 14.45 percent p.a. in India (Table no. 3.4) .
29. Performance of SME units in creating employment (Table No. 3.2)

Opportunity is really a matter of great interest. In 2001-02 the growth of employment recorded -1.75 percent (decrease) over the previous year. It increases to 9.35 percent in study period.

An average increase of 13.94 percent in employment provides by SMEs in India (Table no. 3.5)

1. The investment in SME sector has grown rapidly from Rs. 5131crores in 2000-01 to Rs. 34648 crores in the 2009-10. There has been more than 100 percent increase in the value of investment between 2000-01 to 2009-10. An average increase per annum has been recorded at 15.23 percent (Table no. 3.6).

An average increase of 22.60 percent in investment in registered SME units in India (Table no. 3.6)

1. The growth rate of production during the period has been found impressive. When the performance of SME sector is viewed against in production as a whole. During the study period, there has been an average increase of 14.20 percent per annum (table no. 3.7).
2. The exports from SME sector in India have been excellent growth rate in this period. An average increase in export per annum has been recorded at 16.67 percent (Table no. 3.8).
3. Ministry of SME formulates the policy for promotion development and protection of SME sector. It implements policies and programme through SIDO, NSIC, NISIET, NIESBOD and KVIC etc.
4. Finance to SME is viewed as layered structure. At apex level is the SIDBI and at the next level are SFC’s, RRB’s, and Commercial Banks and Co-operative banks.
5. Institutions set up for promotion of SME at district, state, national level as well as non-government agencies.
6. Technical counseling also provided by the govenment for improving their efficiency.
7. Purchases of certain products by government departments and agencies exclusively from the SME sector.
8. Maharashtra state is in the leading position on industrial front in the country. The growth of SME in the state is quite impressive. The state government has taken various steps to initiate and encourage the development of SME by establishing institutions like MSFC, MIDC, MITCON, MSSIDC, SIICOM and MSKVIB etc.

The growth of SME units in Maharashtra during study period has been found impressive. However, its growth is found to be uneven and centralized more in Mumbai, Pune, Konkan and Nashik as compared to other regions of the state.

1. Pune district has been emerged as a pioneer in industry. The district has been considered home of knowledge and technology in the Maharashtra as well as in India. The district has rich historical and cultural heritage, an efficient public administration, rich legacy of enterprise, skilled manpower, availability of primary facilities like water, electricity, raw material, transport of communication facilities.
2. 15 units I.e. 51.72 percent units in study area providing 5-10 percent annual increment to their employees. 10 units i.e. 34.48 percent SME units in study area provide 10-15 percent annual increments to their employees. 02 units i.e. 6.90 percent SME units in study area provide 15-20 percent annual increments to their employees. Only 02 units i.e. 6.90 percent SME units were not ready to give answer about annual increment of their employees. All SME units in study area are giving annual increments to their employees.
3. 05 units in SME units in study area provide hospital facilities (in kind of mediclaim policies) to their employees. 15 units i.e. 51.72 percent SME units in study area provide canteen facility to their employees.

14 units i.e. 48.28 percent units of SME units in study area preferred to make no comments. It means these SME are not providing any welfare facilities to their employees.

1. Most of the SME units from study area are not interested in forecasting. 10 units i.e. 34.48 percent SME units in study area using their personal experience as a technique of forecasting for their organization. 08 units i.e. 27.59 percent SME units in study area did not make forecasting for their organization. 04 units i.e. 13.79 percent SME in study area making forecasting sometimes. 07 units i.e. 24.14 percent SME units in study area prefer to keep mute themselves.

Only 01 manufacturing unit of SME in study area used experimentation as a technique of forecasting for their organization.

Only 01 manufacturing unit of SME in study area used research and analysis as technique of forecasting for their organization.

1. Incentives are very important and these incentives motivate employees to do their job best. Only 10 units i.e. 68.96 percent of SMEs in study area are providing individual incentives to their employees.

No single unit provides group incentives to their employees of SMEs in study area. 19 units i.e. 31.04 percent SMEs in study area not ready to give any comment on incentives.

1. Non financial incentives are equally important as financial incentives. Non financial incentives boost morale of the employee.

10 units of SMEs in study area giving different responsibilities and authorities to solve the various problems and challenges to their employees.

10 units of SMEs in study area give job security to their employees. These units confirm their employees after specific period of time.

02 units SMEs in study area are not ready to react on non financial incentives which were provided to their employees.

No single unit of SME in study area is ready to provide competition and participation as non financial incentives. According to them it is time consuming and expensive method.

1. Control activity is very important in every sector, but only 05 units i.e. 17.24 percent SMEs in study area using feedback control method in their organization.

Most of the units i.e. 24 units (82.76 percent) SMEs in study area were not ready to give any comment on control existed in their organization.

1. To prepare budget is very important activity to run the business.

All SMEs units from study area implemented budget process in their organization.

1. 25 SME units from study area i.e. 86.21 percent adopted autocratic style of leadership to complete their activities. Remaining 04 units of SME units are not ready to give any comment on style of leadership.
2. All SME units from study area are making cash budget,

Sales budget, purchase budget and Production budget are also preparing by many SMEs (16 units) from study area.

1. There is a variety of customers for SME units in study area.

13 units of SMEs from study area have individual customers.

11 units of SME from study area have industrial customers for their product.

18 units of SME from study area have institutional customers for their product. Very few i.e. 05 units of SME from study area have government customers.

**GENEREAL ASPECTS**

Enquiries, surveys and responses in the scheduled questionnaire reveal the following observations.

* Service units dominate the scene of Small and Medium Scale Industrial sector under the study are due to the growth of commercial and industrial activities in Pune region.
* Manufacturing units and job work of electronic items in Pune region have been due to local demand factor, availability of required resources and infrastructural facilities. The scale of job work is also small in study area.
* There is no single unit found as subcontract in Pune region.
* Private limited company (37.94 percent) dominates the Small and Medium Scale units covered by the survey. All manufacturing units in study area have private limited company. Manufacturing of Electronic items needs large amount of investment. It is impossible to individual to invest this large investment individually.

 34.48 percent SME units in study area are partnership firm concerns. In majority of partnership, there was a market tendency to admit family members as partners for their financial trustworthiness and maintains harmonious relations. Most of these units are service units.

 17.24 percent units have Joint Hindu Family for service units and job work.

10.34 percent units have individual proprietorship.

Not a single unit is found with co-operative organization.

* Out of 29, 11 SME units (37.93 percent) have been found to be engaged in manufacturing activity.
* 38 percent SME units belonged to MIDC and 17.24 percent to wholly owned premises.
* 10 percent SME units operated from co-operative industrial estate.
* 10 SME units in study area (mostly job work and service units) are using Rental premises for their work.
* Not a single unit was found on lease.
* It is observed that majority of 2654 SME units from study area were established in the year 2008-09 (Table no. 3.1)
* SME units in study area are predominantly managed by male entrepreneurs.
* 50 percent of the entrepreneurs are in the age group of 36-45 years.
* The entrepreneurs of SME units are found to be qualified with some basic qualification. Majority of them have been found to be qualified either graduate or diploma holder
* Majority entrepreneurs had managerial and other experience of 6-10 years in the same field.
* 19 SME units out of 29 (65.52 percent) prepared short term planning. Short term planning is easier and flexible, so these units prefer short term planning. 10 SME units out of 29 (34.48 percent) preparing medium term planning. The short term planning horizon of small firms is demonstrated by the majority of firms which do not make sales forecast. Their negligence in making plans on a longer time horizon probably cause the owners to engage more in day to day trouble shooting, and it further reduces their time for planning.

 The present survey indicates the small entrepreneur usually have short planning horizon which may lead to the result that many daily decisions are made on ad-hoc basis. The most probable reason for this phenomenon is their deficiency in managerial know-how.

* 55.17 percent, i.e. 16 units out of 29 units from study area applying advertisement to recruit their employees. According to them advertisement is easy and cheap and effective source of recruitment for their organization. 07 units i.e. 24.14 percent SME units using temporary employees to recruit for permanent employees as these employees familiar with company’s organization culture and it is the easiest way for recruitment. It also saves training cost. 03 SME units from study area choosing past employee (who wishes to do job again in organization) for the recruitment. 02 SME units from study area using placement consultant for recruitment. According to them when they need urgent requirement this method is very useful though it is costly. Only 01 SME unit from study area applies college campus for recruitment. According to them original talent can be found from colleges only. No single unit can select their employees from casual application.
* 24 SME units out of 29 SME units (almost manufacturing units) from study area maintain formal relationship with their employees. According to them formal relationship built firm’s organization culture.

 04 SME units out of 29 SME units from study area behave strictly with their employees (particularly manufacturing units). Only 01 SME unit of study area (job work unit) maintains free and fair relationship with their employee.

* Most of the SME units from study area adopted ‘on the job training’ i.e. 20 out of 29 (68.96 percent). 04 units mean s 13.79 percent SMEs from study area uses lectures and demonstration method of training for their employees. Seminars and conference method of training conducted 03 units mean 10.34 percent SME in study area. Only 02 units of SME in study area use expert guidance to train their employees.

 On the job training method is very effective method to train the employee. This method mostly used in manufacturing and job work.

* 12 SME units from study area are using ‘seniority base’ for promotion. (i. e. 41.37 percent).

 08 SME units i.e. 27.59 percent SME units in study area uses job evaluation method to promote their employees.

 07 units i.e. 24.14 percent SME units in study area using Performance appraisal method for promotion. Very few only 02 units i.e. 6.90 percent SME units in study area uses merit ranking method for giving promotion to their employees. In job work, all employees are getting promotion as per seniority. In manufacturing units, job evaluation and performance appraisal method used for promotion.

**7.4 TESTING OF HYPOTHESIS**

 The following hypothesis was formulated for testing and results in brief highlighted below:-

**1) All small and medium scale enterprises have used the traditional administrative and managerial practices to run business**

This hypotheses has been proved positive on the following grounds-

1. Planning: 65.52 percent SME units under study area are preparing planning whether it is short term or medium term. (table no. 6.8)
2. 93.10 percent SMEs under study area are making manpower planning. (table no. 6.9)
3. SMEs under study area have proper manpower planning. 68.96 percent SMEs call their employees seldom for overtime to fulfill ‘rush orders’.(table no. 6.11)
4. Recruitment: - Proper recruitment policy followed by SME under study area. (table no. 6.10)
5. Relationship: - 82.76 percent SME units under study area maintained formal relationship with their employees. (table no. 6.13)
6. Training: - This managerial function is very important and 69 percent SME units under study area applying effective method to train their employees. (table no.6.14)
7. Promotion: - This managerial function is very important to motivate employees. Almost all SME units under study area are using proper method. (Which their organization suit) applied for promotion. (table no.6.15)
8. Increments: - All SME units in study area are giving annual increments to their employees. (table no.6 16)
9. 69 percent SME units under study area are providing welfare facilities to their employees.(table No.6.17)
10. Forecasting: - 75 percent SME units in study area are making forecasting. (table no. 6.18)
11. 50 percent SMEs under study area are using traditional techniques i. e. experience, information, experimentation and research and analysis for forecasting, (table no. 6.19)
12. Incentives: - Incentives are very important and these incentives motivate employees to do their job best. 69 percent SME under study area provided financial incentives to their employees. (table no.6.20)
13. 86 percent SMEs under study area provided non financial incentives to their employees, (table no. 6.21)
14. 83 percent SMEs are not ready to provide information regarding control existed in their organization. (table no. 6.22)
15. Budget:-Preparation of budget is very important activity for each and every organization. 100 percent SME units under study area implemented budget process in their organization. (table no.6.23)
16. Leadership:- 86 percent SME units under study adopted various leadership styles.(table no 6.24)

 Thus, the hypothesis no. 1 has been proved.

**Absence of proper implementation of administrative and managerial function causes failure to small and medium scale industry**

 All the SMEs under study area implemented administrative and managerial functions (Hypothesis 1 proved). There are many other reasons for failure of SMEs for e.g.

 One of the major hurdles faced by small and medium scale industry is fund management. The Small and medium scale industries find themselves at a loose end in competition with large scale industries with their large organization and resources. Of the present difficulties, availability of raw material at competitive prices appears to be the greatest.

 Small and medium scale units suffer from inadequate work space, power, lighting and ventilation, absence of sanitary and safety measures etc. These shortcomings tend to endanger the health of workmen and have adversely affected the rate of production.

 Marketing is one of the major stumbling blocks for small and medium scale industries. i.e. lack of standardization, poor designing, lack of quality control, lack of precision, poor bargaining power, scale of production and the like affect them.

 Small and medium scale industries in our country have suffered from the lack of entrepreneurial ability to develop initiative and undertake risks in the unexplored industrial fields. The inefficiency in management comes first among managerial problems.

 The shortage of finance affects the ability of the small units severely. Every kind of problem, whether of raw material, power, transport or marketing faced by an entrepreneur in its ultimate analysis turns out to be a problem of finance. The small and medium scale industry gets elbowed out by the large scale industries in the procurement of bank finance and institutional credit.

 A serious problem which is hampering small and medium scale sector is its sickness. Many small units have fallen sick due to one problem or the other. Some aggregate economic behaviors of the country such as growth in Gross National Product, availability of credit, volume of money supply, capital market activity or level of investment and price level fluctuations, may have important bearing on industrial sickness in the country.

 The crux of the problem is very often that of finance. Small and medium Scale Industries are very poor and have little to offer as security for raising finance.

**7.5 SUGGETIONS AND** **RECOMMENDATIONS:**

**GOOD ADMINISTRATIVE AND MANAGERIAL PRACTICES SHOULD BE FOLLOWED BY SMEs -**

 Taking into consideration the findings and conclusions highlighted earlier, the researcher has put forth the following suggestions for improvement of management of SME units relating administrative and managerial functions.

1. SME should take into consideration modern approach of government policy.

. Long term planning at micro level is needed by taking into consideration the current market trends, Govt. policies and plans.

1. In today’s environment, there is more concentration on assessment of employees on the basis of performance appraisal, therefore, besides the promotion, the performance appraisal may be used for self assessment of employees, ascertaining the employee’s difficulties on the job and identifying the training needs. SME should make a definite policy to give promotion to their employees. Promotion should be provided on the basis of ‘performance appraisal’. Group incentives also provided so that co-operation will increase and team work will improve. Increments should be based on ‘Inflation Rate’.
2. SME entrepreneurs, officials, and managers should make long term planning also. They should make sales forecast. Entrepreneurs should not engage in day to day activities. They should devote their valuable time for planning and implementing the plans. Unit owners should take the help of experts in planning for proper research and designing.
3. Entrepreneurs should get managerial know-how, managerial training, than only they will able to take decision for long term. The proprietors, managers of SME units need to have right and scientific knowledge about administrative and managerial functions.. Training facilities should be provided to enhance managerial know-how. Entrepreneurs should properly implement all administration and managerial functions in their industry.
4. They should increase their competency by getting training, knowledge, experience and skills. It is possible to accept services provided by experts, consultants so as to make all managerial and administrative functions more effective, meaningful and beneficial.
5. The SME sector is the backbone of the economy in high-income countries. India as a developing country, so has to undertake various measures or techniques to encourage and assist the new entrepreneurs and the enterprises by providing them the financial assistance through various financial institutions. SME require huge capital and it is impossible for one man to run business. Instead of that SME should run in partnership or private limited company. Government and banks should take lead role to provide financial assistance to SME. Though ministry of SME provides facilities to SME, it is inadequate, considering the scale of SME, ministry should provide more facilities through various banks, financial institutions, etc
6. SME entrepreneurs should acquire proper skill of that particular field and should get experience. While entering into business, entrepreneurs must get experience in that field.
7. In Pune region manufacturing units are very less due to infrastructural problems, so to increase manufacturing units some infrastructure (i. e. capital, technical know-how, market research, training etc,) should be provided by the government.
8. An attempt must be made by the SME units to adopt private limited companies, co-operatives, partnership firms as a form of organization. Co-operative movement is successful in many sectors. If S ME enter into co-operative sector, then it is possible to get success in co-operative areas also.
9. Government and society should encourage female entrepreneur to enter into SME sector, various facilities and motivations must be provided to female entrepreneurs to enter into SME sector.
10. Multi-skilling approach, wherever possible, can be used for balancing the work force with actual work load. Multi-skilling means acquiring more than one skill to perform different jobs. Therefore, for meeting future needs of organization in terms of knowledge and skill, well training in multi-skills should be provided.
11. As it is found that competition, new service to customers, laws of regulatory bodies and changes in technology affect SMEs forecasting, it could be suggested that having through knowledge of situation, doing the activities innovation, placing the right person for the right job and taking right decisions in the right time will reduce the severity of the factors to be affected on SME forecasting.

Forecasting should be based on scientific basis (research and analysis)

1. SME units should make use of national newspapers like Economic Times, Indian Express as well as trade/professional journals for getting right kind of candidate required for the jobs. Besides these, use of tele-advertising and internet may be done for getting highly skilled/trained personnel.
2. To avoid injustice, wherever possible, senior employees may be promoted on the basis of their seniority as they contributed more to the organization during their young period.
3. It is important that training contributes to employee stability. Employee becomes efficient after undergoing training. Efficient employees contribute to the growth of organization. Training makes the employees versatile in operating. By considering the importance of training and as it is not possible to all SME units to impart, it is suggested that the manufactures, associations, District Industries Centers and proprietors jointly have to arrange training programme for development of SMEs. By such efforts, it will be possible for SME units to make available the staff and to overcome the problem of finance and use of tools and equipments for training purpose.
4. To increase efficiency and to achieve organizational goals, it is inevitable to SME units to distribute part of profits (profit sharing) among human resources as monetary incentives. Job enrichment, job loading and job enlargement may be employed as additional purpose of carrying out activities of the business more efficiently and efficiently.
5. It is suggested that entrepreneurs must change their traditional attitude and should recognize the importance or status of employees in achieving organizational goals.
6. Proper attempts are necessary to be taken by the SME units for enlarging the network of business through collaboration and association ship with the concerned parent organization like Chambers of Commerce, Trade associations, Government organizations, big industrial units, etc.
7. The government should give proper attention to the growth, and development of SME units in general and in particular, for their special development in rural and industrially backward areas. Special attention is needed to minimize regional imbalances, inclusive and balance development of an industry is a prerequisite for sustainable, peaceful and overall progress of India.
8. A detailed SWOT analysis paves the foundation stone for taking strategic decisions. It helps to identify the areas where proper care should immediately be taken and at the same time, identifies the areas of competitive edge. The respective Strengths, Weaknesses, Opportunities and Threats are identified for Indian SMEs which will form guidelines for the policy makers.

**MODERN MANAGEMENT TECHNIQUES**

 Every business enterprise attempts to survive and grow. But survival and growth are becoming difficult in a global economy, which is characterized by cut-throat competition. Increasing costs, growing customer expectations, expanding power of labour, fast-changing technology, etc. following are some of the modern management techniques –

1. **Benchmarking** – Benchmarking is the search for industry’s best practices of measuring and comparing key aspects of an organization with those in other organizations, to establish measures of relative performance and discover areas for improvement.

Benchmarking is a process of identifying, understanding and adopting outstanding practices from within the same organization or from other organizations to help improve performance.

Benchmarking is the continuous process of measuring products, services and practices against the toughest competitors or those companies recognized as industry leaders.

1. **Business Process Re-engineering (BPR)-** The fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service and speed.
2. **Total Quality Management (TQM)** – Total Quality Management is a strategic approach of providing the best to customers through continuous innovation and improvements in all products, services and processes with the involvement of everybody. It involves integrated efforts of all the groups and departments of an organization for full customer satisfaction.
3. **Just-in-Time Management (JIT)** – JIT is a philosophy of eliminating waste by purchasing and manufacturing just enough of the right items just in time. It has been called hand-to-mouth approach.

JIT is an operational control technique and its basic objective is to improve return on investment through cost reduction, quality improvement, waste reduction and inventory control.

1. **Six Sigma** – Six sigma is a disciplined, data-driven approach and methodology for eliminating defects in any process-from manufacturing to transactional and from product to service.

Six Sigma is business-driven, multi-faceted approach to process improvement, reduced costs, and increased profits. With a fundamental principle to improve customer satisfaction by reducing defects, its ultimate performance target is virtually defect-free processes and products.

1. **Lean Management** – This system employs fewer workers, lower inventories, fewer suppliers, less production space, less investment and shorter development time to produce more.
2. **Managing Workforce Diversity** – Workforce diversity is concerned with the similarities and differences in such characteristics as age, gender, ethnic origin, race, sexual-orientation and physical and mental abilities among the employees of an organization.

 Management of diversity means establishing a heterogeneous workforce to perform to its potential in an equitable work environment where no member or group has an advantage or a disadvantage.

1. **Kaizen** – It means continuous improvement with the involvement of everybody in the organization so as to generate value for stakeholders. It is based on the belief that there will be no progress if you keep on doing things exactly the same way all the time. The message of Kaizen is that not a day should go by without some kind of improvement being made somewhere in the organization.

(Source- Management Theory and Practices by C. B. Gupta)

**7.6 Opportunities and Challenges of SMEs in India**

 Major policy reforms aimed at substantially deregulating industrial sector and liberalizing foreign investment as well as technology imports, have been the most significant development in India since 1991. The post liberalization era in the Indian economy has enhanced opportunities and challenges for the SME sector. The following factors –strengths coupled with opportunities work in favour of Indian SMEs.

• High contribution to domestic production

• Significant export earnings

• Low investment requirements

• Operational flexibility

• Location- wise mobility

• Low intensive imports

• Capacities to develop appropriate indigenous technology

• Import substitution

• Contribution towards defense production

• Technology – oriented industries

• Competitiveness in domestic and export markets

 By the very nature of their operations, industrial units in the SME sector enjoy certain inherent advantages over their larger counter parts. Then free economy ushers in accessibility to bigger markets, greater linkages for SMEs with larger companies and marketing outfits, improved manufacturing techniques and processes. Various measures adopted by Government of India, Reserve Bank of India and SIDBI have attempted to alleviate the problems of SMEs.

 With increasing globalization and entry of multinationals, immense opportunities have been created for outsourcing, sub-contracting and ancillarisation of the products manufactured by corporate particularly sectors like automobiles, engineering and consumer electronics. A vibrant SME can derive maximum benefit of these developments. By its less capital intensive and high labour absorption nature, SME will make significant contributions to employment generation and also to rural industrialization.

 This sector is suited to build on the strengths of the traditional skills and knowledge, by infusion of technologies, capital and innovative marketing practices. This is the best time to set up projects in the SME sector.

 This expectation is based on an essential feature of the Indian industry and the demand structures. The diversity in production systems and demand structures will ensure long term co-existence of many layers of demand for consumer products / technologies / processes. There will be flourishing and well-grounded markets for the same product / process, differentiated by quality, the value added and sophistication. This characteristic of the Indian economy will allow complementary existence for various diverse types of units.

 However, the SME’s in India, which constitutes more than 90 per cent of the total number of industrial enterprises and form the backbone of industrial development continue to be in technological backwaters vis-à-vis advances in science and technology. These suffer from problems of sub-optimal scales of operations and technological obsolescence.

 It is these features of SME’s that make them an ideal target for technological upgrading through technological cooperation with larger enterprises, with R&D institutions, academic institutions and centre of technology development. As the countries merge into a global village, these SME’s will have to respond accordingly and thus deserve special attention. To enable SME’s to mitigate problems of technological backwardness and enhance their access to new technologies, it is imperative to give them a conducive environment, which in the present context of globalization, calls for redefining approaches with knowledge (Innovation, technology, Entrepreneurship, Advancements in ICT) playing a predominant role. While looking into new approaches to strengthen them effectively, one has to understand the limitations of SMEs also, which are:

• Low Capital base.

• Concentration of management functions in one / two persons.

• Inadequate exposure to international environment.

• Inability to face impact of WTO regime.

• Inadequate Research and Development.

• Lack of professionalism.

 Besides these, the most formidable problem gripping the SMEs has been in accessing technology and maintaining competitiveness. The reasons for the inability of SME’s to identify their technology needs appear to be

• Poor financial situations and low levels of R&D

• Poor adaptability to changing trade trends

• Desire to avoid risk

• Non-availability of technically trained human resources

• Emphasis on production and not on production costs

• Lack of management skills

• Lack of access to technological information and consultancy services

• Isolation from technology hubs

 In order to enable SMEs overcome the above problems and enhance their access to new technologies for increasing their competitiveness in the international market, it is imperative to give them a conducive environment, which includes:

(1) Formulation of appropriate national policies and programmes;

(2) Building up technological capacity;

 (3) Knowledge flows and technology databases;

(4) R&D and inter firm linkages.

**Constraints**

 As has been pointed out in many studies on SME firm performance in India, some of the most persisting constraints facing the sector include poor / non-availability of loan finance; low levels of technology; inadequate physical and economic infrastructure; and a truncated policy of product reservation.

 **Loan finance**

 For decades, the most dominant constraint facing the small and medium scale enterprise sector has remained the same access to loan finance, adequately and timely.

 This is despite clear instructions from the Reserve Bank of India (RBI) and the Ministry of Finance to encourage flow of funds (through what is called achieving ‘priority sector’ lending targets) from the commercial banks to small and medium scale enterprises.

**Infrastructure**

 Much of the potential of small and medium firms to grow and nurture innovativeness is shaped by the kind of infrastructure, both physical and economic, available and can be accessed at reasonable costs.

 . This crucial infrastructure includes improved roads, railways and port facilities. In addition to the generic infrastructure that boosts the local economy in general, there is need for enterprise specific infrastructure, viz., provision of common effluent treatment plants (CETPs), well-developed industrial estates / parks, common testing / quality check facilities, etc. Even provision of potable water to small enterprises was considered an important infrastructure that could add to productivity rise.

 **Problem of Skilled Manpower**

 The success of a SME revolves around the entrepreneur and its employees, provided the employees are skilled and efficient. Because

inefficient human factor and unskilled manpower create innumerable problems for the survival of small and medium scale industries. Non-availability of adequate skilled manpower in the rural sector poses problem to SME industries.

 **Inadequate Credit Assistance**

 Adequate and timely supply of credit facilities is an important problem faced by SME. This is partly due to scarcity of capital and partly due to weak creditworthiness of the SME units in the country.

**Irregular Supply of Raw Material**

 SME units face severe problems in procuring the raw materials whether they use locally available raw materials or imported raw materials. The problems arise due to faulty and irregular supply of raw materials. Non availability of sufficient quantity of raw materials, sometimes poor quality of raw materials, and increased cost of raw materials, foreign exchange crisis and above all, lack of knowledge of entrepreneurs regarding government policy are other few hindrances for SME sector

.

 **Absence of Organized Marketing**

 Another important problem faced by small-scale units is the absence of organised marketing system. In the absence of organised marketing, their products compare unfavorably with the quality of the product of large- scale units. They also fail to get adequate information about consumer's choice, taste and preferences of the type of product. The above problems do not allow them to stay in the market.

**Lack of machinery and equipment:**

 SME units are striving hard to employ modern machineries and equipment in their process of production in order to compete with large industries. Most of the SME units employ outdated and traditional technology and equipment. Lack of appropriate technology and equipment create a major stumbling block for the growth of SMEs.

**Absence of adequate infrastructure:**

 Indian economy is characterized by inadequate infrastructure which is a major problem for small and medium units to grow. Most of the SME units and industrial estates found in towns and cities are having one or more problems like lack of power supply, water and drainage problem, poor roads, inadequate supply of raw materials and marketing problem. Thus absence of adequate infrastructure adversely affects the quality, quantity and production schedule of the enterprises which ultimately results in under-utilization of capacity.

**Competition from Large-Scale Units and Imported Articles**

 Small and medium-scale units find it very difficult to compete with the products of large-scale units and imported articles which are comparatively very cheap and have better quality than small units’ product.

**Other Problems**

Besides the above problems, small and medium enterprises have been

constrained by a number of other problems also. They include poor project planning, managerial inadequacies, old and orthodox designs, high degree of obsolescence and huge number of bogus concerns. Due to all these problems the development of small and medium scale industries could not reach a prestigious stage.

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**Questionnaire**

General Information:

1. Name of the Unit –
2. Location & Address--
3. Name of the Entrepreneur –
4. Educational Qualification-
5. Address –
6. Mobile No.--
7. Date of Establishment –
8. Whether Registration obtained- Yes/No
9. Nature of business (Tick mark the relevant item)
	* Manufacturing
	* Services
	* Job work
	* Sub contracting
10. Personal Information

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Sr. No | Name of Proprietor | Sex | Age | Qualification | ExperienceIn same field | Managerialexperience | Total Experience |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |

1. Ownership Pattern
* Individual proprietorship
* Joint Hindu families
* Partnership
* Co-operative Society
* Private Limited Company
1. Nature of possession of premises-
* Owned
* MIDC
* Rental basis
* Co-operative industrial Estate
* Lease
1. Whether making
* Long term planning
* Medium term planning
* Short term planning
* None of the above
1. Manpower planning procedure
* Yes
* No
* No comment
1. Recruitment by
* Advertisement
* Past employee
* Temporary employee
* Placement consultant
* College campus
* Casual application
1. Number of Employees appointed

 In Your Business

1. Relationship with employee
* Formal
* Informal
* Strict
* Free and fair
1. Which training method adopted
* On the job training
* Lectures and demonstration
* Seminar and conference
* Expert guidance
1. How often does the worker have to work overtime
* Often
* Sometimes
* Seldom
* Never
1. What is the reason in contributing overtime work?
* Insufficient labour
* Acceptance of rush orders
* Inadequate planning
1. Record Keeping if yes
* Account receivable
* Inventory
* Account Payable
* Sales record
* Cash
1. Basis of promotion
* Job evaluation
* Merit rating
* Performance appraisal
* Based on seniority
* No comment
1. Annual increment to employees

 ( in percentage)

1. Is there any welfare facilities available to employee from organization
* Hospital
* Canteen
* School
* Gym
* No comments
1. Is forecasting procedure applied in the organization
* Yes
* No
1. Which techniques are using for forecasting
* Intuition
* Experience
* Information
* Experimentation
* Research and analysis
1. Which type of incentives are provided by organization
* Individual incentives
* Group incentive
1. Which type of non-financial incentives provided by organization
* Status
* Responsibility
* Recognition of work
* Job security
* Competition
* Participation
1. Which type of control existed in the organization
* Feedback control
* Concurrent control
* Feed forward control
1. Is there any budgeting process in the organization
* Yes
* No
1. According to your view, what style of leadership existed in the organization
* Autocratic style
* Laisse – faire style
* Democratic style
* No comment
1. Which budgets are prepared
* Sales budget
* Purchase budget
* Production budget
* Cash budget
* Master budget
1. Types of customers
* Individual
* Industrial
* Institutional
* Government