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An Overview of the Crisis faced by SSIs

*(With special references to toys industries in
Varanasi)*

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INTRODUCTION

Small Scale Industrial (SSI) sector has been a dynamic and vibrant sector of Indian economy in general and industrial sector in particular. The SSI sector has acted not only as cradle to the cherish grass root of entrepreneurial talent but also to provide employment opportunities at the local level. Its impulse on country's economic growth is envisaged by the fact that SSI's production accounted for 22.85% of India's GDP (2001-02). The target of doubling India's per capita income by the end of the current millennium (*i.e.* by the year 2010) along with the current thrust of greater participation of private sector in development process, provide due opportunities and responsibilities for the SSI sector to contribute towards achievement of this target. In this context, the era of India's Ninth Plan was particularly imprinted economy's transition from more or less restricted domestic economy to a market driven global economy. The era was thus of increasing competition through growing internationalisation, the challenge before the SSIs were not only of survival but also of competence.

The small scale industries in India covers a wide spectrum of industries categories under small, tiny and cottage segment ranging from small artisans/handicraft units to modern production units with significant investment. It may be noted that the specific role of SSI was also recognised in the Industrial policy resolution of 1948, which was categorically mentioned that 'the Cottage and Small Scale Industries are better suited for utilization of local resources and for achievement of local self-sufficiency in certain types of essential goods. The approach paper to the Tenth Five Year Plan also remarks, 'SSI has vital role to play in the process

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of industrialization by providing a vehicle for achieving a broader spread of industry.

This sector provides employment to an estimated 63.81 lakh artisans of which 47.42% are female, 24.73% belongs to Scheduled caste and 12.38 to Schedules tribes. Indian craft tradition has no parallel in the world, in diversity as well as in technique and use of material.

If we see state-wise employment distribution, UP ranked 3rd with 9.5% and Tamil Nadu made the maximum contribution with 14.5, which is followed by Maharashtra with 9.7%, U.P. is well known for its wood-work and there is a large variety of wood used including sheesham, dudhi, etc. Saharanpur, here, is known for its carving in hard sheesham and particularly for its famous vine leaf patterns. The range of design include floral, geometric and figurative decoration in addition to the traditional Anguri and Takai carving, jail, fretted ornamentation, brass copper and ivory inlay work. Mainpuri, too, is famous for its wood work inlaid with brass wire or ivory or black sheesham and Varanasi is also known for its fine lacquered wooden toys and miniature utensils for children to play.

ACHIEVEMENT

1. *Increment in SSIs Units*

The SSIs in India showed a moderate to commendable growth in terms of employment, number of units, output and export. India is a country of villages and the villages are the motherland of small scale and cottage industries. With gradual awareness about the benefits of these industries people with varying backgrounds are attracted towards these. As a result, the number of small scale industries in the country has been increasing with varying pace for a long time. Table 1.1 give an account of the number of SSI units in India between 1991-92 to 2006-07.

Table 1.1: Trends in the Number of Small Scale Industries in India

Year	No. of units (in lakh)	Percentage Increase (+)/Decrease (-) Over Previous years
1991-92	70.63	4.1
1992-93	73.51	4.1
1993-94	76.49	4.1
1994-95	79.60	4.1
1995-96	82.84	4.1
1996-97	86.21	4.1
1997-98	89.71	4.1
1998-99	93.36	4.1
1999-00	97.15	4.1
2000-01	101.1	4.1
2001-02	105.21	4.1
2002-03	109.49	4.1
2003-04	113.95	4.1
2004-05	118.59	4.1
2005-06	123.42	4.1
2006-07	128.44	4.1

Source: DCSSI and Economics Survey, Various Issues

In the year 1991-92, there were about 70.63 take units in the country which increased by 4.1% in the year 1992-93 to 73.51 lakh units. By the subsequent years, it kept on increasing with a continuous growth rate of 4.1% to 101.1 lakh units in the year 2000-01. In the year 2006-07, the number of total unit is recorded more than 128 lakh in the country.

2. Employment Trends

The small scale sector in India creates the largest employment opportunities for the people in the county, next only to agriculture. It is estimated that one lakh rupees investment in fixed assets in small scale sector generate employment for four persons.

i. State wise employment distribution

State wise employment distribution reveals that Tamil Nadu makes maximum contribution to employment (14.5%) followed by Maharashtra (9.7%), Uttar Pradesh (9.5%), West Bengal (8.5%), Gujarat (7.6%), Andhra Pradesh (7.5%), Karnataka (6.7%), and Punjab (5.6%). Per unit employment was highest in

Nagaland (17%) followed by Sikkim (16%) and Dadra & Nagar Haveli (14%) and lowest in MP (2%). In all other cases, it was around the average of 6% (acc. to 2007)

ii. Location wise employment distribution

Rural: Non metallic products contributed 22.7% to employment generate in rural areas. Food products accounted to 21.1%, wood products and chemical and chemical products shared between 17.5%.

Urban: As far, urban areas, food products and metal products almost equally shared 22.8% of employment. Machinery parts except electrical, non-metallic, mineral product and chemical and chemical products between them accounted for 26.2% of employment.

Table 1.2: Trends in Employment in Small Scale Industries in India

Year	Employment (in lakh)	Percentage Increase (+) / Decrease (-) Over Previous years
1991-92	165.99	4.8
1992-93	174.84	5.3
1993-94	182.64	4.7
1994-95	191.40	4.8
1995-96	197.93	3.4
1996-97	205.86	4.0
1997-98	213.16	3.5
1998-99	220.55	3.5
1999-2000	229.10	3.9
2000-01	239.09	4.4
2001-02	249.09	4.2
2002-03	263.68	5.9
2003-04	275.30	4.4
2004-05	287.55	4.5
2005-06	299.85	4.3
2006-07	312.52	4.2

Source: DCSSI and Economics Survey, Various Issues

3. Export Trends

Nearly 35% of the total export from this SSI sector in direct; and besides these direct exports, it is estimated that small scale industry contributes around 15% to export indirectly. This takes through merchant exporters, trading houses and export houses. It is important to note that non-traditional products account for more than 95% of the SSI sector.

Table 1.3: Trends in Export of Small Scale Industries in India

Year	SSI Export (In crore)	Percentage Growth
1991-92	13,883	43.7
1992-93	17,784	28.1
1993-94	25,307	42.3
1994-95	29,068	15.0
1995-96	36,470	26.0
1996-97	39,248	7.6
1997-98	44,442	13.2
1998-99	48,979	10.2
1999-2000	54,200	10.7
2000-01	69,797	28.8
2001-02	71,244	2.1
2002-03	86,013	20.7
2003-04	97,644	13.5
2004-05	1,24,417	27.4
2005-06	1,50,242	20.8
2006-07	N.A.	N.A.

Source: DCSSI and Economic Survey, Various Issues

THE TOY INDUSTRIES

The very word toy makes us remember the joys of our childhood. Toys are of different types. Presently, plastic toys command nearly 80% of the toys command nearby 80% of the toy-market and it is claimed that they earn a profit of approx. 10-20% every year. Other types of toys available in the market are fabric toys, paper toys, wooden toys, and metal toys.

A new phenomenon in toy industry has emerged. It has expanded to include items that are playthings for adults like sports

goods and other accessories of different games. Indian market is vastly different from that of overseas, where toys are bought as a child's development aid, i.e. they are considered to be equivalent to books. But in India the scene is different. Content and quality are the major drawbacks here. Unlike other developed economies amount of toys spent per child in India is very low. The metros and 'A' category cities account for most of the branded purchase and sell even at higher prices. Largely the rest of the market is highly price sensitive and items above Rs.200 results in planned purchase and not impulse buying. In C & D category cities, unbranded and lower quality toys are sold at an average price below Rs. 100.00

Varanasi has always been the center of attraction/art from ancient time in which toys industry is one them. It is one of the most traditional industry of Varanasi. It's origin in Varanasi lies probably during the Mughal times, when the artisans made toys and artistic articles for the Mughal nobility. It is said that toy industry is more than 400 years old, which has been coming from generation to generation.

Although, this industry is enjoying fame over the world, the artisans are facing certain problems.

PROBLEMS OF SMALL SCALE INDUSTRIES

The small scale and cottage industrial sector has registered a robust growth in India in post independence period. It is believed to be the most vibrant sector of the Indian economy. Despite its robust growth and performance in the economy the sector reflects a gap between potential and reality. These industries are plagued by a number of problems which often force these units to close down. The potential of the sector in India speaks for a much faster growth covering a still greater area, provided certain problem and obstacles in their growth path are removed. The disturbing problems and obstacles, which retard the growth of the sector can be manipulated as follows:

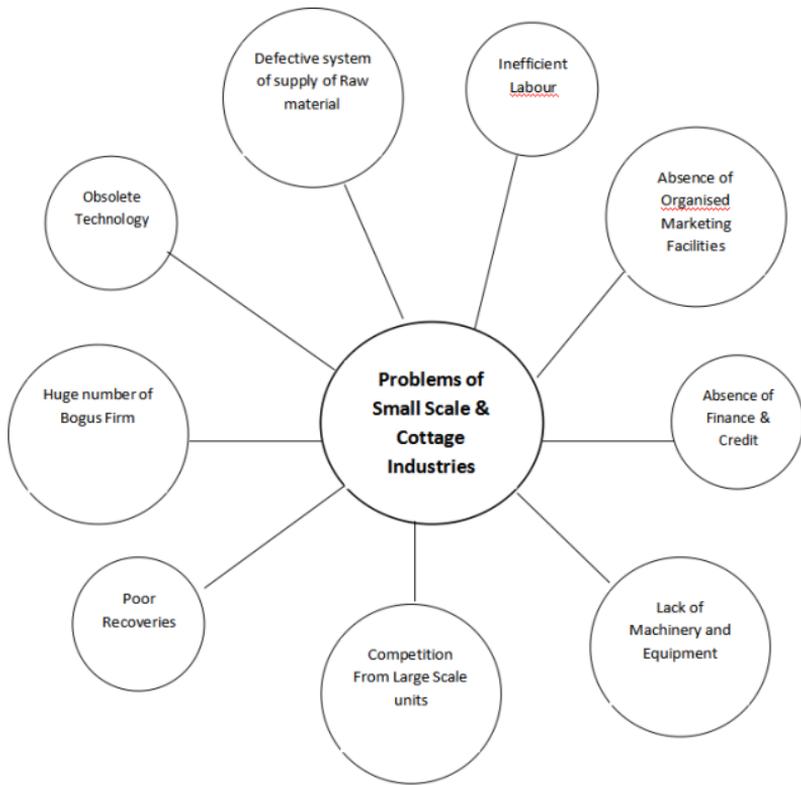


Fig. 1 Problems of SSIs

Besides the above lacunae or problems faced by the SSIs presented in figure 1, our study especially emphasis on the problems faced by the toys industry of Varanasi city. The basic problems related to the growth of SSI in Varanasi through toys industries are Production problems, financial problems, marketing and Personal problems.

A. Production problems

Handicraft units are often faced with the problems associated with production. The production is affected due to various factors. The predominant factors that hampers the production process is the non-availability of suitable machinery supplies, lack of sound production planning and control system, technological obsolescence, inability to upgrade the technology, scarcity of raw materials, in adequate quantity in time, improper

layout, cost of inputs, Govt. policies, power failure and shortage, under- utilization of capacity, and lack of research and development.

An analysis conducted on the basis of opinion survey in Varanasi city, it has been found that power failure and shortage, lack of modern factory system of production, low productivity, lack of R&D facility, high costs of inputs, scarcity of raw materials or in adequate quantity at right time and lack of sound production planning and control are the glaring problems faced by the sample units.

Procurement problems of Raw Materials

In the same survey, the artisans of toys industries faced certain problems regarding the procurement of the raw materials. As per sample units, 23% artisans responded that very lack quality raw materials whereas 20.8% responded for the price hike of the raw materials and for the bulk purchase, and 19.5% responded due to lack of finance.

B. Financial problems

The scarcity of credit and finance is the major obstacles in the development of these units. The non-availability of credit and finance from the banks and financial institutions creates a situation of financial crisis in the toys industry sector and forces the artisans to rely on other sources like money lenders, who charges an exorbitant rate of interest. Besides there is wide gap between the loans demanded and sanctioned and also between the loans sanctioned and disbursed by the commercial banks to the handicraft sector.

As per the survey by the researchers, it has been found that the major problems relating to finance in Varanasi city are lack of sound and insufficient financial planning, insufficient capital, lack of effective co-operation from financial institutions and lack of professionalism in maintaining books of accounts.

C. Personal Problems

The human resource is the most important constituent of any production and marketing system. Without efficient human resource, it is impossible even in this age of mechanization automation to carry on any economic activity profitably and

efficiency. The opinion survey analysis reveals that the toys industry have several problems with regard to personnel management such as lack of skilled labour, lack of awareness of labour laws of the country, lack of training facilities at unit level, etc. Around 3.3% respondents faced the problem of skilled labour. Similarly, more than 15% do not have any training facilities at the unit level and 12.3% lack the awareness of the labour laws.

D. Marketing Problems

The small scale industries operating in Varanasi possess a very little knowledge and understanding of the environmental forces within which they work. The lack of awareness about different situations prevailing in the market makes the marketing strategy/planning of the small scale industries, weak and less effective. The problems can be grouped as-lack of relevant information of potential market and demand of the product, lack of supply chain management, Poor transportation facility, Lack of sufficient entrepreneurial skill, Lack of appropriate data for measuring the efficacy of different market & eagerness and enthusiasm in searching new and high potential market, etc.

SWOT ANALYSIS OF TOYS INDUSTRY IN VARANASI

The SWOT analysis may provide a better understanding of its Strength, Weakness, Opportunities and Threat.

Strength

1. Less overheads
2. Availability of skilled artisans
3. Well established demand for toys
4. Capacity to compete under adverse scenario
5. Wide range of products to choose
6. Availability of a large pool of low cost labour
7. Innovation skills
8. Availability of basic raw materials

Weakness

1. Absence of strong and professionally managed co-operative/NGOs.

2. Reluctance to introduce new product design.
3. Comparatively higher cost of funds.
4. Low volume production
5. Absence of focus on export.
6. Lack of vision
 - (a) Technical capabilities
 - (b) Quality parameters
 - (c) Surface finish & other features
7. Higher production cost due to lack of scale of production.
8. Poor Image
9. Lack of range/poor presentation
10. Insufficient vendor support.
11. Poor process capability because of low technology and inferior tooling
12. Fragmented technical knowledge
13. Costly special purpose machines.
14. Lack of pride in craftsmanship, lack of innovation.
15. Lack of synergy and co-ordination amongst various toy makers-critical for component approach
16. Insensitivity to customer needs/poor channels of customer feed back and customer complaints redressed system.
17. Lack of expenditure on brand building advertising.
18. Lack of professional management

Opportunities

1. Well developed market-domestic as well as overseas.
2. Growing domestic market and buying capacity of users.
3. Liberalized economy, “Make or Buy” decisions easier.
4. Low cost manufacturing base enabling strategic alliances.
5. Better support from government.

Threats

1. Competitions form international players manufacturing in India.
2. China and other countries ready to corner major market share in the growing toy markets.
3. Technology obsolescence, including rapid changes in product design and consumers preferences.
4. Slow response to safety and quality requirements of international market.

5. Toy units diversifying to other sectors leading to poor component base.
6. Shift of trends to electronics toys in which India does not hold a good position.
7. Enhanced brand consciousness (of MNC products) amongst Indian consumers.

The SWOT analysis established some conditions for a toy unit to be successful in the present competitive scenario. The successful toy unit has to invest heavily in technology, marketing, design, brand building, etc. to achieve economy of scale for supplying safe and conforming toys to the Indian and overseas markets. There is a lot of untapped potential.

SUGGESTIONS

1. There should be availability of raw materials at reasonable price. Cartel should be immediately thrashed.
2. All major clusters of handicrafts sector should be well connected to the major cities through better roads. Road conditions should be drastically improved within all clusters.
3. The availability of power supply should be improved. If needed, private electricity distribution companies may be involved in handling the problem.
4. Few sub-sectors of handicrafts are using obsolete technology which would be phased out through facilitation of procurement of new machinery by extending technical and financial support.
5. There should be adult education programme for the artisans and work forces, and they must be informed about the need of improving their skill for facing competition and some training centers should be established in these clusters for making the workers aware of the new technology and designs.
6. Government should provide basic amenities such as good schools, reliable hospitals, etc. to artisans so that they do not migrate.
7. Export Promotion Council and Export Promotion Bureau should try to create awareness about the quality of handicrafts items in the domestic and international markets.

A good domestic market provides the necessary cushion to face the occasional jerks in international markets.

8. District Industry Centers (DICs) should be developed as the hub for the development of manufacturing and export form the respective districts. DICs should provide facility to access various data of export-import and should also provide latest data about types of products in demand in various countries and its trends etc.

Several steps have been suggested for revitalization of handicraft sector. To provide a major fillip to the development of this sector, the Government may follow a selective and concentrated approach. It may start initially with sub-sector where immediate intervention in needed.

CONCLUSION

Although, there are certain problems in this industry but there are enormous opportunities in this due to various factors like less capital intensive, higher labour absorption and smaller gestation period. By its less capital intensive and high labour absorption, this industry of Varanasi has made significant contribution to employment generation for the people of the city.

There is a need for Government support and guidance to this declining industry of Varanasi and the industry facing crisis may enjoy its fame again.

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