

and developing countries, and (v) improve our inherent competitive strength through imparting greater relative price stability of Indian economy. One of the most important features of Government's measures has been to provide a stable base, uncertainties are removed and exporters are encouraged to take a long-term view about international marketing. Another noteworthy aspect of these measures has been to make exports promotion truly a national effort by involving various agencies of Central Government, public sector organisation, State Governments, financial institutions and other agencies engaged in different types of economic activities.

The important export promotion measures undertaken by the Government from time to time are (i) Deemed exports, (ii) Export Promotion of capital goods scheme, (iii) Duty exemption scheme, (iv) Advance licence, (v) Pass book scheme, (vi) Advance intermediate licence, (vii) Social imprest licence, (viii) Advance release orders, (ix) Export houses, Trading houses and Star trading houses, (x) Export-Import policy aligned on ITC (HS) Classification, (xi) Trade finance, (xii) Infrastructure, (xiii) Air transport, (xiv) Air cargo complexes, (xv) Cargo projections/Evacuation, (xvi) Electronics data interchange, (xvii) Multimodal transport, (xviii) Inland container depots/ container freight stations, (xix) Export facilitation, (xx) Board of trade, (xxi) States cell, (xxii) Appellate Committee, (xxiii) Export Processing zones, (xxiv) Export Promotion industrial park scheme, (xxv) Market development assistance, (xxvi) Grants-in-Aid to export promotion, (xxvii) Export Credit development, and (xxviii) 100% Export-oriented units.

Quality Control

Closely allied to the programme of modernisation is the question of maintaining the quality of the product. Overseas buyers do not differentiate between goods manufactured by a small-scale unit and a large-scale unit. All they care about is the quality of the product. The quality of the products delivered to customers should conform to the sample design originally shown to them. The products, moreover, should be fit for use at the time specified therein. Recognising that individual entrepreneurs are not in a position to establish laboratories to test their products, the Small Industries Development Organisation has set up four Regional Testing Centres at New Delhi, Calcutta, Mumbai and Chennai to provide general as well as product-oriented testing facilities for mechanical, metallurgical, chemical and electrical products. In the course of time, these Regional Testing Centres plan to open sub-centres in other parts of the country to cover small units in the remotest parts.

Marketing

Attempts have been made to obtain raw materials for small entrepreneurs, help them to update their products and ensure their quality. But not enough has been done to provide marketing facilities for them, particularly for the export of their products. The problems which small entrepreneurs face when they market their products within the country become acute, varied and complex when they enter international markets. These problems range from lack of export consciousness to the absence of infrastructural facilities in marketing abroad. Here, steps have to be taken, on an urgent basis, to assist the small entrepreneurs.

Export Consortia

One way of overcoming the problems of marketing is through increasing participation of small entrepreneurs. They can adopt a group approach by forming themselves into export houses or export groups to maximise the opportunities available in the marketing of their products. Their combined efforts may lead to, among other things, better packaging methods and overseas publicity campaigns. It is essentially with a view to encouraging small-scale industrialists to join together for this purpose that the Union Government has announced liberal concession for small-scale export consortia.

Infrastructural Set-up

The government has established adequate and appropriate institutions, mainly to assist export promotion in particular. They are:

1. 20 Export Promotion Councils, for the promotion of specific commodities or groups;
2. Commodity Boards for coffee, tea, cardamom, rubber, coir, silk, handicrafts and handloom;
3. The Board of Trade; Advisory Council of Trade; Zonal Advisory Committees;
4. Chambers of Commerce and Industry and Associations of Trade and Industry;
5. The Indian Institute of Packaging;
6. The Federation of Indian Export Organisations (FIEO);
7. Export Processing Zone;
8. Indian Institute of Foreign Trade;
9. Export Inspection Council;
10. Indian Council of Arbitration;
11. State Trading Corporation of India;
12. MMTC Limited;
13. Export Houses and Trading Houses;
14. Free Trade Zones;
15. 100% Export-oriented Units; and
16. The India Trade Promotion Organisation;
17. Marine Products Export Development Authority, Cochin;
18. Agricultural and Processed Food Products Export Development Authority, New Delhi.
19. Export Credit Guarantee Corporation of India Limited;
20. Projects and Equipment Corporation of India Ltd.;
21. Spices Trading Corporation of India Ltd.;
22. Tea Trading Corporation of India Ltd.;
23. Export-Import Bank of India.

Problems

The small-scale sector is beset with a number of problems. Basically, the three aspects that affect the SSI exports relate to:

- (a) Availability of raw materials;
- (b) Quality control; and
- (c) Marketing facilities.

A major difficulty facing the small-scale industry is the procurement of raw materials, both imported and indigenous. Big industries have resources to maintain special staff for liaison with the various Government agencies and are able to use their influence to expedite their applications and obtain raw materials on priority. In this respect, though small-scale industries get some Government help, the small-medium scale industries with no special staff to liaise with the Government agencies are left with inadequate supplies and often they have to resort to open market purchases at very high prices.

Another major problem facing the small-scale sector, at least 40 per cent of them connected with company organisation. Only few companies have detailed sales plans, and only 50 per cent of the units allocate and control department costs. Application of modern methods of management would enable small-scale industries to lower production costs, standardise and improve the quality of their products and achieve sustained growth, thus consequently making the products more competitive overseas.

The procedures for claiming export assistance have been considerably streamlined. However, the dynamism and sense of dedication should percolate to the working levels of the ITC office and a sustained dialogue maintained with the industry not excluding the smaller units — to evaluate and assess what has been done and what remains to be done.

Prospects

With the functioning of District Industries Centre and by reserving 827 items for production in the small-scale sector, there will be greater industrial production in the small-scale sector as a result of which there will be more avenues of employment. It is further necessary to find more outlets for this increased production as there are limitations to absorb all the production in India.

In harnessing the growing international market, the small-scale units should maintain the high quality of the goods and channelise their products through the Export Promotional Agencies. Exports of Small-Scale Industries are going to play a crucial role in the export performance during the Ninth Five Year Plan.

Export Management

In the seventies, the small-scale sector emerged as a principal contributor to the country's exports. The pattern and direction of trade have been diversified, and an increasing number of small-scale units have switched over to non-traditional exports and export-oriented industries to cater to the specific needs of the export market. These industries have played a very significant role in pushing up exports through large-scale undertakings. These developments have called for the organisations of exports on

sound lines. Export management in the small sector calls for professionalisation and sound organisation. The basic principles of export management are:

- (i) Planning;
- (ii) Organisation;
- (iii) Building a team;
- (iv) Executive action; and
- (v) Management control.

Planning

Planning for export, even though extremely difficult, is the most important function. It involves forecasting, programming, procedures and budgeting. While forecasting leads to objectives and potential, programming spells out the ways of accomplishing them. A properly prepared programme becomes an administrative tool of much significance. Procedures help in the performance of work in the uniform manner. Budgeting in export marketing is a vital element in planning.

Organisation

A sound export organisation determines the economy and effectiveness with which the export business is managed and operated. The three basic activities of an export organisation are:

- (a) Designing organisation components, that is, identifying the work that has to be performed to reach the objectives and grouping this work in well-balanced jobs, territories, divisions and other operational segments.
- (b) Defining and delegating responsibility and authority; and
- (c) Establishing relationships.

The organisation chart indicates all the important functions of an export activity. Since many a small unit may not be in a position to have a specialised organisation of this type, efforts should be made by a group of small-scale industries to form a consortium to promote their exports on a large-scale.

Organisation Chart for a Small-Scale Unit

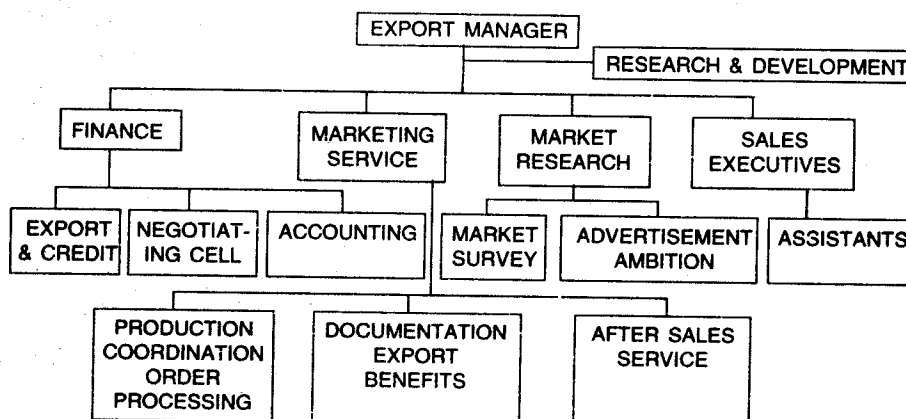


Fig. 46.3

Conclusion

The exports of small-scale sector have been continuously expanding. As such, the share of the small-scale sector in the total exports showed a perceptible increase over the years. However, the increase was generally in the larger among the small-scale industries. The share of exports of the smaller among the small-scale industries — with less than Rs. 2 lakh fixed capital — declined sharply. Those industries which showed improvement in exports had relatively lesser dependence on exports in their total output. Hence, the export performance of these industries was only a subsidiary function, while catering to the domestic market constituted their major activity. At the same time, the smaller among the small-scale industries had a high degree of dependence on export.

Small-scale units are flexible in product adaptation because of their small size. That is why the items which are frequently modified according to the customer's demand can be produced by them and should be undertaken for export production.

The export market is a highly competitive market. It would, therefore, not be worthwhile to try to export the products of all the SSI units. It is desirable to identify some and to select a few export-worthy SSI units. This should be done on a continuing basis. Once the products and units have been identified every effort should be made to develop the exports of the producers of these units.

The small-scale sector, which is rightly called the unorganised sector, requires organisational assistance, particularly in the marketing of its products abroad. Some of the State Export Corporations have rendered useful services in an organised way to market the products of the SSI units situated in their respective States. But most of the States either do not have any State Export Corporation or, when they have one, the desired services are not available. Merchant exporters and some of the export houses have no doubt played an important role in exporting the products of small-scale units; but this is insignificant in view of the large export potential of this sector. Small-scale units producing identical products should form a consortium of their own to market their products. But no satisfactory progress has so far been achieved in this system is developed in marketing the exportable products of the SSI units abroad in a bigger way, the small-scale units should organise and mount their own export marketing effort. For this purpose, arrangements should be made by public institutions to render package assistance in respect of:

- (i) Locating markets and buyers abroad;
- (ii) Getting price indications and samples;
- (iii) Arranging exhibitions of their products abroad; and
- (iv) Advising identified export-worthy SSI units on the trade practices and formalities obtaining in the buying countries.

The study also brings into focus that export performance of industries with high capital intensity was remarkable during the period, while the share of labour intensive industries in the total export showed a declining tendency throughout the period. The share of highly labour intensive industries in the total exports also showed a sharp fall. Though it may be admitted that the export performance of capital intensive industries

has enlarged the scope for employment generation both directly and indirectly through employment linkages, additional employment creation would have been much higher had the labour intensive industries showed better export performance.

The expansion of exports of semi-processed and manufactured goods during the period under study had benefited mostly the large-scale capital intensive industries and larger among the small-scale industries. It is true that small-scale and labour intensive industries could expand their exports to an extent and thereby contribute towards the avowed objective of reduction in inequality of wealth and economic power, but the inequality would have been reduced by a larger extent, had these industries strived to secure a larger share in the total exports of semi-processed and manufactured goods.

Small-scale industries are not in a position to achieve the necessary thrust in marketing their products in competitive international markets. Since the small units' resources are quite meagre, they cannot go in for an aggressive drive in marketing their products in competition with large-scale and/or multinational units. The small-scale units do not only require professional managerial support, they also need the active support of financial institutions. In particular, the commercial banks and the newly constituted Export-Import Bank of India can play a very crucial role in promoting exports of the small-scale units.

Small-scale industries are poised for a leap under the Ninth Five Year Plan (1997-2001). The SSI sector offers immense scope. It is, therefore, necessary for the small-scale units to increasingly exploit export demand for their products as a supplementary demand outlet. Given the inherent potential of India, Government's new thrust of export promotion, stability of policies, simplified procedures and the national commitment to rapid economic growth, the Government are confident that it shall be possible for India to overcome the present situation and to attain a sustained growth in exports to meet not only import requirements but also needs for development. In harnessing the growing international market, the small-scale units should maintain the high quality of the goods and channelise their products through the Export Promotional Agencies. Exports of Small-Scale Industries are going to play a crucial role in the export performance.

