MARKETING PROBLEMS OF SMALL SCALE INDUSTRIES IN NORTH EAST INDIA

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INTRODUCTION

North Eastern region of India comprising the eight states of Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura is endowed with vast natural resources and has enormous potential of development. The economic structure of north-east India is similar to the general economic structure of India as a whole. But because of its topography as well as social and political conditions it has a relatively backward economy.

The strategic importance of the region along with its sensitive geo political location extremely diverse nature of its population with different cultural, linguistic, religious and historical background make this region characteristically different from the rest of the country. In fact region is still backward as compared to other parts of the country and could not develop much industrially despite of having vast natural resources. The following table gives the idea for industrially backwardness for Northeast region.

ECONOMIC INDICATORS

SL.NO.	PARTICULARS	UNIT	NER	ALL INDIA
1	CREDIT DEPOSIT RATIO	%	16.8-38.3	58.7
2	PER CAPITA POWER CONSUMPTION	KWH	97	355
3	INDUSTRIAL PRODUCTION	% OF GDP	2.16	27
4	UNEMPLOYMENT	%	12	7.7
5	RAIL LENTH	KM	2578(4%)	63140

6	ROAD LENTH	LAKH KM	1.74 (7%)	25

SOURCE: - Annual Report 2006-07, Ministry of Development of N.E.Region

Small industries have acquired a prominent place in the socio-economy development of the country. It faces many serious problems, most of which are associated with the smallness of their operations. The measures of promote them too are, in general, of different variety from those needed for the development of large industries. These industries, sometimes grouped under the general heading of village and small industries, cover a wide variety of activities. The sector is split up into eight sub-sector namely, khadi, village industries, handlooms, sericulture, handicrafts, coir, small-scale industries, and power looms. Of these the first six sub sectors constitute traditional industries and the last two, the modern small-scale industries. Modern small scale industries and power looms use modern technologies and are mostly urban oriented. Traditional industries, on the other hand, are mostly rural and semi urban in character. The small sector is identified in terms of capital investment of not more than Rs. 60 lakhs are treated as small-scale units. For ancillary units (i.e., those supplying components etc., to large scale industries and the export oriented units), the limit of capital investment is higher at Rs. 75 lakhs. There is also the “Tiny Sector”. Capital investment covers only investment in plant and machinery. Land and factory buildings are excluded largely because of the wide variations in the prices of land at different places. As per this classification all industries with capital investment higher than specified for small-scale units are large-scale industries. Northeast region are rich in forest, forest products, horticulture and mineral resources. In spite of its rich resources, the region is still industrially backward. It has been observed that per unit investment in NE region is only Rs. 0.88 lakhs as against Rs.0.95 lakhs in the country. Per unit investment within the region itself varies considerably.

The role of SSI's is significant in overall growth and development of economy of our country. It provides vast scope for increasing employment. SSI's are labour intensive and require less capital to start. It helps production of goods and meets the requirement of consumer. The following table shows the total employment and estimated output of NER and all India.

SSI UNITS IN NORTH EASTERN REGION

	TOTAL EMPLOYMENT	% EMPLOYMENT	ESTIMATED OUTPUR (IN RS. LAKH)	% GROSS OUTPUT
NER	775016	3.11	505440.56	1.78
ALL INDIA	24932763	100.00	282269980.00	100.00

SOURCE:- Draft report of the task force on development initiatives for the NER, Sept. 2005.

The NER is landlocked and rich in natural resources. Lack of transport and communication facilities has been responsible for economic backwardness and social neglect of the region. Besides this shortcoming SSI unit in NER is growing at steady rate. The following table gives the brief idea of trend of SSI's growth in NER.

TREND OF SSI GROWTH IN NORTH EASTERN REGION

STATE	2000-01	2001-02	2002-03
Arunachal Pradesh	4750	4797	5022
	(1.19)	(1.00)	(4.7)
Assam	40419	42947	45193
	(5.52)	(6.52)	(5.23)
Manipur	5778	5868	5974
	(3.42)	(1.54)	(1.81)
Meghalaya	3778	4044	4213

	(7.79)	(7.04)	(4.18)
Mizoram	4610	4970	5293
	(2.67)	(7.94)	(6.49)
Nagaland	1600	1969	2513
	(25.39)	(23.06)	(27.63)
Sikkim	333	341	351
	(3.08)	(2.39)	(2.92)
Tripura	1967	2000	2020
	(1.86)	(1.67)	(1.00)

Note: - Figures in brackets are the %tage increase over the previous year figure. Source: - Basic Statistics of NER 2006

Marketing occupies an important place in the management of a small-scale industry. It is a key factor in determining the success of an industrial concern. Traditionally, marketing has consisted of " those efforts, which effect transfers in ownership of goods and care for their physical distributions". In economic terms, marketing covers those activities that relate to the creation of time, place and possession of activities. Marketing id defined as the process of exchange between seller and buyer. The American Marketing Association defines market as " the performance of business activities that direct the flow of goods ands services from producer to consumer or user". The first and foremost fact of marketing of small-scale industries products is the assessment of the present and potential consumers and estimation of demand for the product. If we lack on this aspect, the goods would face a lot o difficulties. We should adopt a market-oriented approach. As we have observed that even the best product eminently suited to the needs of consumer turns out to be miserable failure if the channels of distribution are not available for making the product available at points where consumers would buy it. Thus success in marketing would depend on the systematic collection and flow of information about different markets, consumer's preference and tastes, impact of substitute and the extent of competition and package design, etc.

Some of the factor which contribute to marketing problem of the small scale industry could be identified as under-

(i) Increasing competition from within the small-scale sector as well as from large industries with established brand names and marketing set up.

(ii) Consumers' awareness, even in rural and semi urban areas, for quality goods.

(iii) The need to set up distribution networks for reaching out widely dispersed market.

(iv) Inability of the SSI units to exploit the export markets.

Considerable difficulty is being experienced by small-scale industrial units in marketing their products due to their size, limited scale of operations and inability to set up an adequate network of retail outlets.

MARKETING PROBLEMS OF SMALL SCALE INDUSTRIES IN NORTH EAST INDIA

1. **Problems of purchase and sale of products**- in northeast India as a whole about 90 percent of the people live in rural areas compared to around 76 percent for all India. In spite, rapid urbanisation through development of trade, commerce, industries, transport, etc., a vast majority of the people in the state live in rural areas. The majority of the population of this region is engage in agriculture. Most of the agricultural products are sold in villages only and a very small proportion is brought to the mandis for sale. Because of poverty and indebtedness, unsatisfactory nature of means of communications and the farmer's inability to wait for payment, the produce is sold soon after the harvest when there is a gut in the market and hence the price offered is very low. In this region, the small-scale industries, most industries do not manufacture all the component parts of their profit; they purchase many small parts form other manufactures and finally assemble the product in their own plant. Many a time these small parts are not available or are available at unreasonable high prices or are of inferior quality. These difficulties in the procurement of component parts either delay the assembly of the final, finished product or increase its cost.

2. **Poor Infrastructure facilities-** Poor infrastructure facilities have inhibited the progress of small-scale sector. One of the major reasons for marketing problem of small-scale industry of the region is the absence of any effective transport network due to the geographically disadvantageous location of the region and hilly terrain. The coverage and capacity of the existing network of railway lines and good roads is insufficient to meet the needs of the region and the transportation links with the rest of the country are tenors. Power shortage heavily affects the production in the firms. In many areas the power facilities are simple absent.

3. **Problem of collection**- other important problems of marketing of small scale industries in north east India is the problem of collection and storage of
products till they are sold to the consumer. Storage facilities are inadequate in both rural and urban areas.

4. **Problem of raw material/ Lack of adequate raw material-** this is one of the major problem of marketing of this region. The quality, quantity and regularity of the supply of raw materials are also all highly unsatisfactory. According to an estimate, about 40 percent of such units have become sick owing to the non-availability of raw materials regularly. The genuine small-scale units do not get adequate raw material because bogus unit secures the sizable quota of raw material. It is time to break the stronghold of such vested interests and promote genuine entrepreneurship.

5. **Introduction of goods in foreign market and lack of technological up gradation-** the goods produce and sale are restricted to only local market and within the country. Only teas of Assam are exported to other countries. It is found that the levels of productivity and technology used by this region are not globally competitive. Without technological up gradation these units may nho0t survive in a globally integrated economy.

6. **Lack of credit facilities**- the small industrialists are generally poor and there are no facilities of cheap credit either. They fall into the clutches of the

moneylender who charges very high rate of interest, or else they borrow from the dealers of their goods who badly exploit them by compelling them to sell their products at very low prices. The position has somewhat improved since the nationalization of commercial bank, but it if far form satisfactory yet.

7. **Scarcity of power and irregular availability of power**- another problem that is faced by these industries is the shortage of power. This problem has two aspects (i) power supply is not always available, it is limited to a few hours in day (ii) like large industries the small industries cannot afford to adopt alternatives such as thermal units or oil engines due to financial problem. Moreover manual labour is a very costly affair and these lead to increase in the cost of production.

8.**Increasing competition from within the small-scale sector as well as from large-scale industries**- the articles produced by small units have to face the competition with the imported goods and with large-scale units within the country. The goods produced by large units are often of a superior quality, attractive in design and have low price in comparison to small-scale units. This competition adds to the difficulties of small-scale industries as their counter partner have always upper hand in the market.

9. **Lack of awareness**- the majorities of SSI of the northeast region are not aware about various new schemes like loans at concessional rate, free tools, dyes and chemicals, work shed cum housing facilities, insurance coverage, intensive training, exclusive reservation etc.

10. **Research and development**- for improving the quality of products and introducing new designs, colors, size shape etc. Research and development

is a must. But many small entrepreneurs of this region are not aware about the new techniques, new design already developed by such organization.

11. **Selection of Item**- to enhance the competitiveness of SSI's products, a range of selective items has to be identified, developed and tested first. While identifying the products, it should be kept in mind that the items are unique one cannot be easily copied by other regions or other countries.

12. **Increasing marketing cost**- another problem small scale industries is facing is the increasing cost of marketing. Marketing research, promotional strategy, advertising expenses, packaging, selling expenses etc. are constantly rising. For proper development of marketing of SSI, these costs need be kept well within control failing which the over all cost of production will increase which will adversely affect our sales.

13.**Acute shortage of trained marketing personnel**- Unfortunately in northeast region there is an acute shortage of trained, experienced and efficient marketing personnel. This problem is likely to become more acute in the near future on account of continuous emphasis on rapid industrialization and modernization of industries in our country.

14.**insurgency problem**- the problem of insurgency is not new. It has taken a violent stage now because it was building up for many years. But things have been messed up so far and the political initiative has been lost, it is important now to work out a political solution so that insecurity between SSI's is removed. The people of these regions want peace. That must be understood. Now is the time to negotiate and to give them peace.

MEASURES FOR IMPROVEMENT-

In view of above marketing problem of small-scale industries in north east India, following steps are taken to improve the marketing problem of this region. They are as follows: -

1. Adequate infrastructure is necessary for the development of marketing in north-eastern region. Government should give top most priorities for the development of social overhead like- Roads, Railways, bank, communication etc.
2. The government to ensure adequate reward for produce and reasonable prices to ultimate consumers must involve suitable pricing policy.
3. Marketing co-operative societies and other govt. agencies must be strengthened and prepare to take change of various market function such as storage, transportation, grading etc.
4. Market intelligent system should be improved. Modern tools like-computer may be used for research and market investigation so that quality of goods may be improved.
5. Good raw materials, equipment and imported accessories may be ensured by suitable measures. The supply should be regular of good quality and at reasonable rates.

6. Co-operative societies are the best agency for the supply of capital on credit. For small scale industries in urban areas, state financial corporation, and commercial bank have played active part in the provision of finance to such industries.
7. Organize publicity for quality goods produced by small units.
8. Initiate measures for evolving brands and symbols of quality such as agmark and wool mark.
9. Collection of information such as demand for various products, consumer's tastes and fashions and disseminate this information amongst the small units and contortion of small units.
10. Organize exhibitions and trade fairs to display the products of small units.
11. To attract more and more buyers both within and outside the country due emphasis on wide publicity of various product should be given.

12. Sales depots may be opened in all-important towns. Exhibitions of cottage and small industry products may be organized from time to time. This is the only way to ensure acceptability of these goods in the internal and external markets.
13. It is suggested that efforts should be made to set up more institutions to impart training in the specialized field of marketing research, product planning & marketing management. It will lead to improvement in quality of their products and reduction in costs, which will enable them to face competition within the regions and with rest of the country.

Conclusion: -It must be noted that the present scenario of marketing structure in the region is unsatisfactory. This is because of several problems in the region that retard marketing development. The problem being social, economic or political in nature. The geographical location is also a hurdle for infrastructure. On the other hand, the region is rich in natural resources, ideal for the growth of large or small-scale industries. As a result, there is imperative need for basic infrastructure on a more liberal scale so as to ensure smooth and sustained industrial growth. The state must provide funds and roads in core areas. So that, basic facilities need for marketing of product should be developed in this region.