

Problems & Challenges of Ssis in Automobile Sector with Special Reference to Aurangabad District

Author 1: Prof. Medha H. Kulkarni

Designation: Assistant Professor

Institute Address: MSP Mandal's Deogiri Institute of Engineering & Management Studies,
Railway Station Road, Aurangabad 431005

Author 2: Prof. Rushina H. Khan

Designation: Assistant Professor

Institute Address: MSP Mandal's Deogiri Institute of Engineering & Management Studies,
Railway Station Road, Aurangabad 431005

Abstract

As India is amongst the fastest growing economies in the world, the role of automobile sector (MSMEs) have been very important in terms of value generation in last 20 years.

With its agility and dynamism the sector has shown admirable innovativeness and adaptability. In spite of considerable potential for growth in the sector, it faces major problems & challenges like inadequate infrastructure, use of technology, problems relating to raw material, credit assistance etc. The sector also faces various challenges of competition and marketing due to opening up of different world economies.

Further an attempt has been made to interpret every problem from different dimensions. The finding reveals that most auto SSIs in Aurangabad district are facing huge competition from small & large scale units and problem of infrastructure.

The paper concludes that in order to overcome the above mentioned problems & challenges there is a need to focus on areas like proper guidance & training to employees on marketing, quality

issues & technical skills. It is also suggested that government should encourage use of fully automated machines for export promotion.

Keywords: automobile, infrastructure, technology, credit assistance, SSIs (small scale industries)

Introduction

Today, India is among the fastest growing economies in the world. Besides the large enterprises, a significant section of Indian MSMEs have acquired global competitiveness, especially in sectors like Auto components, leather goods, engineering items, gems & jewellery etc. though this sector has shown substantial progress, its major problems like inadequate infrastructure facilities, low quality standards of products, use of technology, age old management practices are still inhibiting the sector. Due to opening up of different world economies, this sector faces various challenges of competition.

SSI sector in India creates largest employment opportunities for Indian populace, next to agriculture. They also play a key role in the development of economies with their effective, efficient, flexible and innovative entrepreneurial spirit. The socio-economic policies adopted by India since the Industries (Development and Regulation) Act, 1951 have laid stress on MSMEs as a means to improve the country's economic conditions.

In India, the MSMEs play a pivotal role in the overall industrial economy of the country. In recent years the MSME sector has consistently registered higher growth rate compared to the overall industrial sector. With its agility and dynamism, the sector has shown admirable innovativeness and adaptability to survive the recent economic downturn and recession. As per available statistics (4th Census of MSME Sector), this sector employs an estimated 59.7 million persons spread over 26.1 million enterprises. It is estimated that in terms of value, MSME sector accounts for about 45% of the manufacturing output and around 40% of the total export of the country.

Following India's growing openness, the arrival of new and existing models, easy availability of finance at relatively low rate of interest and price discounts offered by the dealers and manufacturers all have stirred the demand for vehicles and a strong growth of the Indian automobile industry.

Overview of SSI units

The overall Indian Automobile sector recorded a growth of 14.25 per cent (16.9 million units in 2010) in 2011. The society of Indian Automobile Manufacturers (SIAM) anticipates 11-13 per cent growth in car sales during 2012-13. Maharashtra accounts for approximately 33 per cent of the country's output of automobile by value.

Total FDI in Automobile sector in Maharashtra from August 1991- September 2010 was INR 895 crores and the major automobile clusters are concentrated in Pune, Aurangabad, Nasik and Nagpur. Major OEMs and auto ancillary units such as Tata Motors, Bajaj Auto, Skoda Auto, Daimler Chrysler, Perkins Engine Auto etc. have their presence in the state.

Of late, Aurangabad district is also an upcoming major automobile cluster in the state.

Type Indicator	Indicator	Aurangabad	Maharashtra
MSME	No.	3405	151495
	Employment	36871	1188181

Need for the Study

The study aims at analyzing the problems faced by entrepreneurs of small scale industries in automobile sector & would be helpful to make preventive measures. Identification of production & marketing related problems helps the SSIs to provide valuable suggestions. This study analyses the problem of machinery & equipment, manpower, credit assistance, raw material, marketing and relative degree of intensity among the business.

Objectives of the Study

- To analyze the problems relating to functional areas of automobile SSIs
- To study the problems of raw material & to give appropriate suggestions to overcome it
- To identify the reasons behind industrial sickness
- To determine the kind of production and maintenance carried by automobile SSIs in Aurangabad

Scope of the Study

The main purpose of the study is to identify problems faced by entrepreneurs of automobile small scale units in Aurangabad. For a layman, it will be useful for understanding the reasons behind industrial sickness in Aurangabad industrial area. Last but not the least the study will also help industrial authorities to control and monitor the automobile SSIs effectively and offer valuable suggestions in the form of new resolutions.

Research methodology

The present study is based on primary and secondary data. Primary data has been collected by means of administering a questionnaire to entrepreneurs of automobile small scale units. Secondary data had been collected from various publications, periodicals, journals, etc.

For purpose of the study, the data has been collected from different places of Aurangabad industrial area between January to March 2013. One hundred and fifty organizations were randomly selected for the study. In this method, the sampling units are chosen primarily in

accordance with the investigator's convenience. Respondents were given a questionnaire with multiple choices to rank them as per their preference. 90 questionnaires were satisfactory to use for further analysis. The group of 90 respondents consisted of proprietors, partners, joint family businessmen, which vary in terms of age of a respondent as well as age of a company.

Data tabulation had been done question wise. Further statistical tools used for the study are percentage analysis & simple ranking method. As the data was presented in large numbers, it was not easy to interpret. To make interpretation easy, percentage analysis was used.

Data analysis & interpretation

Table 1: Form of Organization

Form of organization	No. of respondents	%
Proprietorship	75	83
Joint Family Business	0	0
Partnership	8	9
Private Ltd. Company	7	8
total	90	100

It could be interpreted that out of 90 respondents 83% respondents are proprietors, 9% are partners & 8% have private ltd firm. Whereas, there are no family owned businessmen among the respondents.

Table 2: Age of the Company

Age of the company	No. of respondents	%
Upto 5 years	38	42
5-10 years	30	33
Above 10 years	22	25
Total	90	100

Out of 90 SSIs 42% have established before 5 years, 33% have crossed 5 years of experience but less than 10 years & 25% companies have established before 10 years.

Table 3: Type of using Machine

Type of Using Machines	No. of Respondents	%
Self-Owned Machines	83	92
Rented Machines	7	8
Outsourced Machines	0	0
Total	90	100

It is evident from the above table that out of 90 companies surveyed majority (92%) of the SSIs are using self-owned machines for the production, only 8% units are using rented machines & there is no outsourcing of machines for the production.

Table 4: Mode of Supply

Supply	No. of Respondents	%
National Level	7	8
State Level	31	34
Regional Level	30	33
District Level	22	25
Total	90	100

It could be interpreted that only 8% units supply the products at National level, 34% supply at State level & 33% at Regional level, and remaining 25% supply at District level

Table 5: Type of Production

Type of Production	No. of Respondents	%
Fully Automatic	0	0
Semi-Automatic	52	58
Conventional	15	17
Manual	23	25
Total	90	100

It is observed from the above table that there is no complete automation in production type of small scale units. Majorities (58%) of units have semi automatic production, 25% units produce manually & only 17% produce conventionally.

Table 6: Type of Maintenance

Type of maintenance	No. of Respondents	%
Breakdown	47	52
Preventive	43	48
Total	90	100

Among 90 units only 48% companies are using preventive maintenance for the machines, & 52% companies using Breakdown maintenance to eliminate the problems in production.

Table 7: Ranking of Problems

Particulars	Total score	Mean score	Rank
Problem of skilled manpower	226	2.51	VII
Inadequate credit assistance	405	4.5	II
Irregular supply of raw material	404	4.48	III
Absence of organized marketing	339	3.76	VI
Lack of machinery & equipment	366	4.06	V
Absence of adequate infrastructure	368	4.08	IV
Competition from large & small scale units	444	4.93	I

It is stated from the above table that competition from large & small units is the most crucial problem faced by majority of the SSIs. Credit assistance & irregular supply of raw material secured II & III rank among the respondents, whereas infrastructure & machinery problems secured IV & V problem. Marketing problem secured VI rank & problem of skilled manpower occupied the last position among all the problems.

Table 8: Problem of Raw Material

Category	No of respondents	%
No availability in time	9	10
Not available in required quantity	13	14
Lack of quality RM at reasonable rate	52	58
Concession & discounts	16	18
Total	90	100

It is observed from the above table that lack of quality raw material at reasonable rate is the major problem faced by SSIs (52%). Whereas 18% respondents face the problem of less discounts & concessions while getting the raw material. Very few (14% & 10%) respondents face the problem of non availability in required quantity & time.

Table 9: Problem of Marketing

Category	No of respondents	%
Transportation problems	0	0
Lack of trained marketing personnel	23	25
Inability to exploit export market	7	8
Huge competition from small & large units	60	67
Total	90	100

Among 90 respondents, 67% respondents are facing problem of huge completion from small & large units, 23% respondents have problem of trained marketing personnel, 7% can't exploit export market & there is no transportation problem for SSIs

Table 10: Problem of Credit Assistance

Category	No of respondents	%
Lack of credit worthiness	7	8
Payment terms of debtors & creditors	68	75
Problem of margin money	9	10
Lack of awareness for government subsidies	6	7
Total	90	100

It could be interpreted that payment terms of debtors & creditors is a major problem for 68% of the SSIs & only 6% are having less awareness for government subsidies. 9% respondents are having less margin money for the further credit assistance & 7% have lack of credit worthiness in the market

Table 11: Problem of Machinery & equipment

Category	No of respondents	%
Lack of modern technology	38	42
Lack of technical/operating skill	44	49
Frequent breakdowns	8	9
Total	90	100

Out of 90 respondents only 9% respondents have a problem of frequent breakdown of machines, 49% have less technical/operating skill, & 42% feel that they lack in terms of modern technology.

Table 12: Problem of Infrastructure

Category	No of respondents	%
No adequate power supply	8	9
Problem of water & drainage	29	32
Poor roads	53	59
Total	90	100

It is observed from the above table that most of the respondents feel that poor roads is the major problem of infrastructure & only 8% respondents have problem of power supply.

Table 13: Problem of Competition

Category	No of respondents	%
Monopolies of small & large	31	34
Existing competitive pricing	59	66
Total	90	100

It could be interpreted that majority (66%) of the respondents are facing a problem of existing competitive price structure in the industry & 31% of the respondents face the problem of monopolies of other firms.

Major findings

The automobile industry is one of the fastest growing industries in Maharashtra; it has immense potential to earn value as Maharashtra accounts for approximately 33% of the country's output. Aurangabad is one of the Auto clusters in Maharashtra; major auto ancillary units are also present in the state. In spite of all that auto industry faces some problems in producing goods at the time of production & marketing them at other places.

It is found by the study that most of the SSIs are proprietorship based & established before 5 years. Most of them are using self-owned machines for the production & majority of the units carry semi automatic production. There is less concern about machinery & equipment because majority of the SSIs are using breakdown maintenance & not the preventive one. Raw material problem, skilled manpower, machinery & equipment problems are less fundamental as compared to problem of stiff competition among small & large units & credit assistance. From this study it is very clear that automobile SSIs facing major problems such as huge competition & payment terms of debtors & creditors which ultimately results in working capital issues, financial crisis & industrial sickness.

Recommendation & Conclusion

The production process & marketing are the core components that should be effectively carried out by the SSIs. There is a need of improvement in the areas of production such as frequent preventive maintenance, providing proper guidance & adequate training to all types of employees to perk up their operating/technical skills & marketing skills. An improvement is also required in product quality with the more use of fully automatic machines. Government should also take necessary steps to overcome the problems of infrastructure & should promote & help the SSIs to exploit export market by giving them more credit assistance through subsidies.

Further Scope & Challenges

The study was conducted with 90 qualified samples, so the research cannot be generalized for the whole population. But it surely gives an insight to problems & challenges faced by automobile SSIs in Aurangabad region.

It is projected that in the year 2019-20 the district is expected to have total no. of 9000 MSME units which will create 95000 jobs. Further research can be done at a larger scope in the same as well as other sectors.

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