

AN EMPIRICAL STUDY ON THE CLOSED MANUFACTURING UNITS IN SADATPUR AREA OF HOWRAH DISTRICT

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Abstract

Micro, Small and Medium Enterprises (MSMEs) are considered as the foundation of the Indian economy as they provide large scale employment opportunities to distant rural regions. MSMEs include the units like manufacturing, assembling, repairing, service units, etc. Manufacturing units play the most effective role as they deal with the transformation of raw materials into finished goods through value addition with the help of labour, machines, etc. Around 37.33% of the total manufacturing output is from the MSMEs' manufacturing units.

The present study highlights on the closed manufacturing units in Sadatpur area of Howrah district. The causes of closures, capital fund required for reopening such units and the number of employment generation from such units have also been discussed. This study is developed based on both primary and secondary data. From the study it is revealed that a lucid managerial and financial support can revive such closed units.

Keywords: Micro, Small and Medium Enterprises, closed units, manufacturing output, employment opportunities.

Introduction:

Micro, Small and Medium Enterprises (MSMEs) play an effective role in the Indian economy. There are around 46 million MSMEs across various industries, providing employment to nearly 106 million people. The development of this sector is extremely crucial for boosting up the financial inclusion move and creating employment opportunities across rural and sub-urban areas across the economy. Further, it can also support the development of new entrepreneurs who have the potential to increase competitiveness in the global dimension. As per Report of *ASSOCHAM INDIA, SMERA Ratings Limited 2015*, MSMEs account for around 80% of the industrial enterprises and employ around 460 million people, producing over 6,000 products. They contribute 45% and 40% of manufacturing output and exports respectively.

The MSMEs sector comprises of different units like manufacturing, repairs & maintenance, service, assembly units, etc. Among all such units, manufacturing has emerged as one of the high growth sectors

in India. India, ranking among the world's ten largest manufacturing countries, has improved itself by three places to sixth position in 2015. There is a huge potential for the manufacturing sector to account for 25-30% of the GDP of the economy that creates up to 90 million domestic jobs by 2025.

Over 50% of the MSMEs is based in the rural and sub-urban areas and they face several obstacles like low labour turnover due to frequent strikes, financial inadequacy, etc. Such scenario is not so different in West Bengal also, where around 26,079 registered MSMEs in the current year, with 3,049 such units in Howrah district, of which 1,501 units have already closed down. Those MSMEs that are closed are so due to several reasons such as managerial inefficiency, financial insufficiency, inadequacy of raw materials, labour problems, etc.

Methods & Materials:

The main objective of this study is to identify the closed MSMEs who are unwilling to reopen. The specific objectives of the study may be defined as follows:

- To provide a brief overview of the closed manufacturing units of the Howrah district with special reference to Sadatpur and adjacent areas.
- To find out the causes of closures of such manufacturing units and to identify the units who are unwilling to reopen within the Sadatpur area and its allied areas.
- To analyze the amount involved for reopening the closed manufacturing units.
- To study the number of employment opportunities from such unwilling closed units.

To fulfill the above mentioned objectives following methodology has been adopted.

✓ **Selection of sample**

Howrah district is mostly known as the industrial district. From various studies and also from the report of the Directorate of MSMEs, it is found that the maximum number of MSMEs operates in Howrah district as compared to other districts. Within the Howrah district, most industrial sectors are situated in the area like Sadatpur and adjacent areas. One of the most important special characters in this area is that the maximum number of manufacturing units operates here. This area has been selected for the study.

✓ **Data Collection**

Both secondary and primary data have been used for the study. The secondary data has been collected mainly from the internet using several reputed journals, publications, press releases of Economic Times and Business Standards, annual reports of Ministry of MSME, Government of India, etc. For primary data, the entire closed manufacturing MSMEs of Sadatpur and allied areas have been considered for the study.

✓ **Statistical tools used**

Mean averages and percentage of the information so collected have been used and shown in the tabular form. Various charts and diagrams like bar charts, line diagrams, pie charts, etc. have been used to represent the data.

Literatures available from various sources have been consulted for this study.

Gupta (2005) elaborates the status of various socio-economic indicators that point out the revival of the state. He also critically evaluates the areas where West Bengal is lagging behind in comparison to the other major states of India, which will help policy makers and planners to direct developmental efforts towards these deficiencies.

Skinner (2007) stated that *“a manufacturing strategy is a set of manufacturing policies designed to maximize performance among trade-offs among success criteria to meet the manufacturing task determined by a corporate strategy”*.

Chryssolouris et al. (2008) mentioned that one of the major challenges of manufacturing is to produce more products with less material, less energy and less labour involvement.

Miltenburg (2008) recommended that a low volume manufacturing company should consider lean production and innovativeness along with flexible manufacturing as the most important manufacturing outputs.

Bhatendra Kumar Gupta (2008) explained that the MSME sector in India is the second largest employer after agriculture. With the growth in the Indian Economy it is in need for the MSME to raise capital is becoming increasingly critical. He says that there is a need for the dedicated STOCK Exchange for the MSME sector to cater to their needs better which are different from the large industries.

Dodourova and Bevis (2014) stated that MSMEs benefit greatly from dynamic, knowledge-based labour-intensive industries, but they have limited options in mature capital-intensive asset-based industries.

Results and Discussion:

Closed Manufacturing units in Sadatpur and allied areas of Howrah district

Howrah district is well known as a district covered by micro and small enterprises. Within this district, a village, namely Sadatpur and its adjacent area are popularly known as industrial belt. This village comprises of maximum number of manufacturing units situated nearby the area of Howrah city. There are 3,049 registered MSMEs in Howrah district with 1,501 closed MSMEs. The Sadatpur and allied areas comprise of a total of 1,525 MSMEs out of which 842 such units have closed down due to several reasons. Out of 168 closed units, 120 are manufacturing units. Those units mainly deal with manufacturing of different types of surgical instruments. Some units manufacture machinery spare parts of brass and iron and some such units manufacture different rubber items like silicon rubber, viton rubber and neoprene rubber items required as spare parts in huge machines, railways, etc.

Present scenario of closed manufacturing units in Sadatpur and allied areas of Howrah district

As stated above, there are 1,501 registered closed units in Howrah district with 842 closed manufacturing units in Sadatpur and allied areas. In this part, types of registered closed units, causes of closures of such manufacturing units and identifying the units which are unwilling to reopen, the capital fund required for reopening the unwilling closed manufacturing units and the number of employment generations from such unwilling closed units within the Sadatpur area and its allied areas have been discussed.

Among 842 closed units, most of the units are unable to be traced while a few of them can be traced, as mentioned in the following table:

Table 1: Division of Noticeable and Non-noticeable Closed Units in Sadatpur and Allied Areas

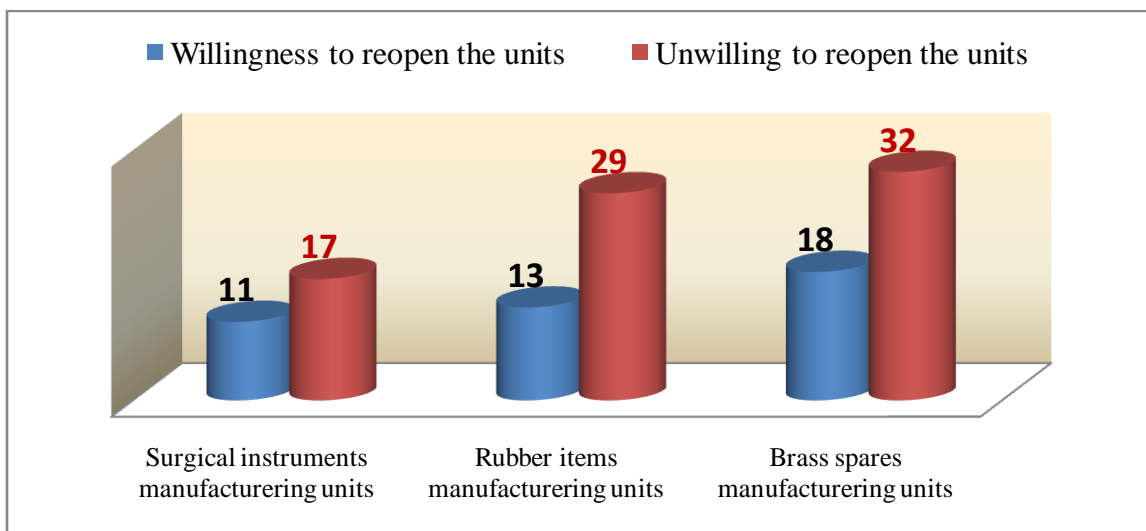
Nature of Units	Numbers	
	Noticeable	Non-noticeable
Manufacturing units	120	319
Repair and maintenance units	22	206
Assembly units	26	149
Total Closed units	168	674
TOTAL	842	

(Source: Primary Data, 2016)

Table 1 show that 120 of the manufacturing units can be traced while only 22 repair and maintenance units and 26 assembly units are able to be traced. Further, most of the manufacturing units are unable to traced (319) while 206 repair and maintenance units and 149 assembly units are non-traceable.

From figure 1, it can be stated that among the traceable manufacturing units, most of such units are unwilling to reopen. Most of the brass spares parts manufacturers (32) and rubber items manufacturers (29) are unwilling to reopen while 17 surgical instrument manufacturers are unwilling to reopen. Very few among the surgical instrument manufacturers are willing to reopen and that to only 39% among total such surgical instrument manufacturers.

Figure 1: Willingness and Unwillingness to Reopen the Closed Manufacturing Units



(Source: Primary Data, 2016)

Table 2: Land Possessed by Unwilling Manufacturing Units

Category	Own land (in acres)	Own land (in %)	Leased land (in acres)	Leased land (in %)	Market value (in ₹ .)
Surgical instrument manufacturing units	2,462	17	5	42	52,83,000
Rubber items manufacturing units	3,910	27	4	31	1,94,49,000
Brass spares manufacturing units	8,110	56	3	27	2,42,52,000
TOTAL	14,482	100	12	100	4,89,84,000

(Source: Primary Data, 2016)

From Table 2, it can be mentioned that the unwilling Brass spares manufacturing units have taken the maximum portion of owned land (8,110 acres) among all the groups. But, the surgical instruments manufacturing units have set up their units, mostly in a leased land (42%). Not even that, the Brass spares manufacturing units who are unwilling to reopen their closed units have the maximum market value (around 49.5% of total market value).

The manufacturing units those who are unwilling to reopen, closed down as they were unable to function properly due to several reasons like financial problems, market related problems, managerial problems and other such sort of reasons. Most of the traceable surgical manufacturing units who are unwilling to reopen, closed down due to financial problems (56%) rather than managerial problems (19%) and other problems (25%), as shown in Table 3.

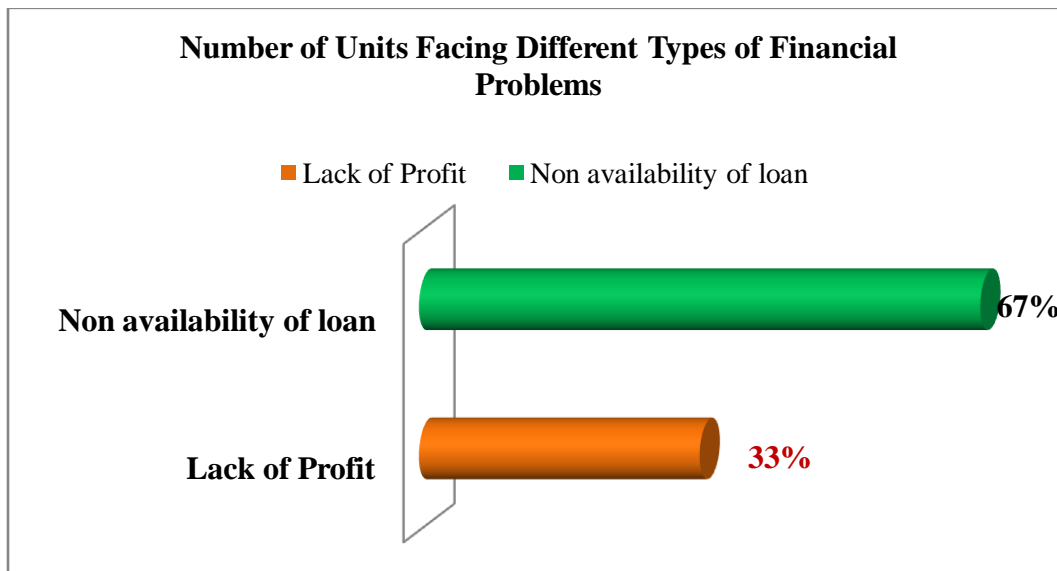
Table 3: Reasons of Closures

Nature of Units	Financial Problem	Market Problem	Managerial Problem	Other Problem
Surgical instrument manufacturing units	56%	0%	19%	25%
Rubber items manufacturing units	6%	17%	71%	6%
Brass spares manufacturing units	10%	81%	9%	0%

(Source: Primary Data, 2016)

Further, it can also be stated (from Table 3) that all the traceable rubber items manufacturing MSMEs who are unwilling to open, were closed earlier, mostly due to managerial problems (71%) rather than market problems (17%) and other problems. The unwilling brass spares manufacturers mostly closed down due to market related problems (81%).

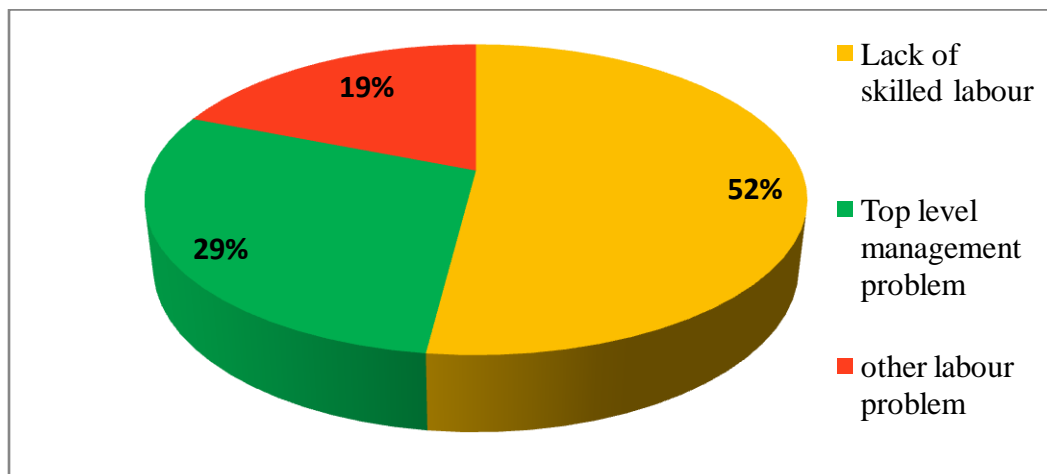
Figure 2: Types of Financial Problem



(Source: Primary Data, 2016)

Figure 2 states that most of the unwilling manufacturing units faced financial problems due to non-availability of loan (67%) while only 33% of such units face financial problems caused due to lack of profit.

Figure 3: Types of Managerial Problems



(Source: Primary Data, 2016)

Figure 3 mentions that most of the unwilling manufacturing units faced managerial problems related to lack of skilled labour (52%). Further, it can be said that 29% of the manufacturing units faced top level management problems while 19% of such units faced other labour related problems like frequent strikes.

Table 4A: Establishment Cost Involved in Reopening the Unwilling Manufacturing Units (in ₹ .)

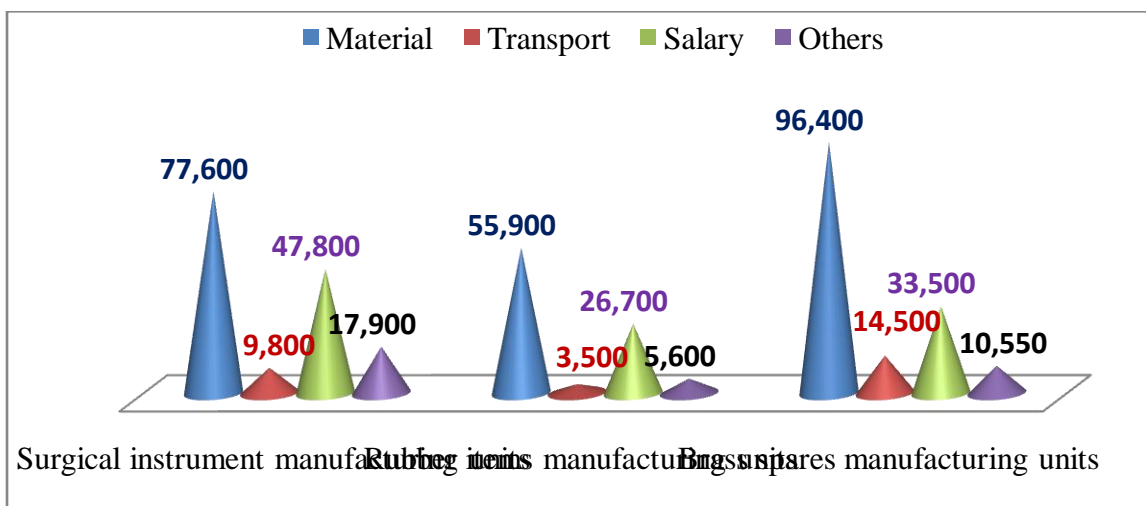
Category	Land	Labour	Capital	Others
Surgical instrument manufacturers	1,47,600 (49.05%)	90,800 (41.51%)	3,15,000 (44.49%)	59,150 (41.06%)
Rubber items manufacturers	55,900 (18.57%)	58,200 (26.61%)	1,15,000 (16.24%)	36,150 (25.09%)
Brass spares manufacturers	97,400 (32.36%)	69,700 (31.87%)	2,78,000 (39.26%)	48,750 (33.84%)
TOTAL	3,00,900 (100%)	2,18,700 (100%)	7,08,000 (100%)	1,44,050 (100%)

(Source: Primary Data, 2016)

Table 4A highlights that the unwilling surgical instrument manufacturing units requires maximum establishment costs (in respect of acquiring land, labour, capital and others) for the reopening. But the rubber items need few areas of land, little labour and capital and others as the unwilling such units also require few of such factors. Further, it can also be said that procurement of capital for reopening the unwilling closed units involves the maximum cost.

Figure 4B: Running Cost involved in Reopening the Unwilling Manufacturing Units

(in ₹ .)



(Source: Primary Data, 2016)

In respect of running costs involved, procurement of materials involves maximum cost and transport costs are the minimum costs required to be incurred for reopening the unwilling closed units. Among all the unwilling closed manufacturing units, the brass spares manufacturing units require the maximum amount of material and transportation facility and so its material and labour costs involved is the highest. But the costs involved for providing salaries to workers are highest for the surgical instrument manufacturing units.

Table 5: Job Opportunity of Closed Units Willing to Reopen

Types of Job	Numbers
Direct to the Job	81
Indirect to the job	122

(Source: Primary Data, 2016)

Table 5 states that more persons get indirect job opportunities (122) than that, those get direct job opportunities (81). This mentions that the reopening of the closed units creates lots of job opportunities, thereby eradicating poverty indirectly and thus promotes upliftment of the economy.

Conclusion:

MSMEs play an important role in the development of the economy irrespective of the area, either rural or urban. While studying, it is observed that most of the registered MSMEs which are closed due to some internal and external problems have an opportunity to reopen. The causes identified so far mainly connected with the managerial, financial and market related problems. The units which are closed for external problems, the majority of the owners are unwilling to reopen as the problem is beyond their reach. Financial problem sometimes affects a lot of the units which are traceable. If financial assistance is given, they are ready to reopen the units.

Although, the market problem is an important factor for the traceable units, but the raw material crisis and large amount of carrying cost of the material, scarcity of local market, standard of customers, duties regarding the export of the goods, etc. are the important factors for marketing. It is observed that most of the unwilling units are not satisfied with the transactions and behavior of the local government.

Sometimes, the closed MSMEs face the problem of commissions on supplying and purchasing goods. Rules and regulations attached with these MSMEs are not well aware of the owners of the units. As a result, they are unable to reach their target as determined before the start of functioning. The study also revealed that more opportunities are there for employment. Some additional units may be built up with the association of these MSMEs.

The present study suggests the following:

- Opening of information centre at block level:

Information centers should be opened at the block level so as to address the closed units and take immediate initiatives for their revival.

- Identifying the actual causes of closures and taking rapid actions:

The actual reasons for closures of the closed units should be recognized as early as possible so that proper actions can be taken for revival of such units.

There should be proper arrangement of quick remedial measures for strengthening the position of the reopened units and the central and state governments should also facilitate in providing technical education for the entrepreneurs.

- Non-interference of external factors:

There should be proper arrangement in the administrative units of the body so that no external

factors like political factors could be able to interfere and interrupt the functioning of the units.

➤ **Minimization of banking procedures:**

Many small scale and medium scale enterprises face several problems while taking loans that create an obstacle in the upgradation of the units. This requires that the stringent banking procedures should be nullified to the lowest extent possible. Further, the state government should also open special branches in backward districts for MSME sector to ensure the increased flow of credit.

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