

## PROBLEMS AND PROSPECTS IN ENGINEERING INDUSTRY

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**Abstract-** The engineering industry acts as a catalytic agent for overall economic development. Investment in any industry or in any other sectors requires a wide variety of capital requirements, which are supplied by engineering industry. A capacity large enough to sustain investment rate in the industries can be ensured only by an increased output of engineering industry. Even though the engineering industries possess an important place in the industrial set up of an economy, it is seen that the development of the industry in the state has not been adequate enough to meet the situation. Large share of the engineering goods that are needed in the industrial units of the state are met by imports from neighbouring states and foreign countries. The dependence on imports for sophisticated equipments and the importance of engineering industry for exports increase the necessity of the industry to upgrade the technology, modernize the existing units and promote entirely new units. The engineering industry with a weight of 23.80 and with a share of 31.30 percent in total investments [Statistical Year Book, (2000)] plays an important role and when sickness affects a significant part of this industry, the entire industrial sector tends to get affected. The paradoxical situation that is facing the industry, therefore calls for introspection into the factors that have caused it.

**Keywords:** -Economic development, Engineering, Exports, Imports, Industries, Investment.

### 1. INTRODUCTION

The engineering industry acts as a catalytic agent for overall economic development. Investment in any industry or in any other sectors requires a wide variety of capital requirements, which are supplied by engineering industry. A capacity large enough to sustain investment rate in the industries can be ensured only by an increased output of engineering industry. Even though the engineering industry possesses an important place in the industrial set

up of an economy, it is seen that the development of the industry in the state has not been adequate enough to meet the situation. Large share of the engineering goods that are needed in the industrial units of the state are met by imports from neighbouring states and foreign countries. The dependence on imports for sophisticated equipments and the importance of engineering industry for exports increase the necessity of the industry to upgrade the technology, modernize the existing units and promote entirely new units. The engineering industry with a weight of 23.80 and with a share of 31.30 percent in total investments [Statistical Year Book, (2000)] plays an important role and when sickness affects a significant part of this industry, the entire industrial sector tends to get affected. The paradoxical situation that is facing the industry, therefore calls for introspection into the factors that have caused it.

Hence an attempt is made in this chapter to examine the problems and constraints that the industries face in general and in particular in the various groups of engineering industry. It brings out the problems on the light of the survey evidences collected. It is observed that every unit is hit by some problem or the other, depending on its size and structure.

The following category of problems is identified with the engineering units in Rajasthan:

- (a) Financial problems
- (b) Production and Technical problems
- (c) Labour problems
- (d) Organizational problems
- (e) Infrastructural problems
- (f) Marketing problems

(g) Government policy

### FINANCIAL PROBLEMS

Financial constraints are faced by almost all the firms and the shortage of finance or capital is considered to be the most important factor responsible for a host of problems faced by them. Finance acts as a lubricant in the process of growth of an industry. The industrial development of a region is dependent on the availability of finance. The engineering units depend on two kinds of capital, viz, (a) own capital and (b) borrowed capital consisting of long term and short term borrowings from banks, sundry creditors etc. Initial capital is required for the purchase of fixed assets like land, building, plants and equipments and the balance for working capital. Long-term borrowings are needed for expansion and renovation of plants and modernization of machinery. Short-term borrowings are needed for working capital to buy raw materials and stores, to pay wages, to hold stocks of goods etc.

### PRODUCTION AND TECHNICAL PROBLEMS

Another major production problem faced by the engineering industry groups is the shortage of raw material. Almost 90 percent of the firms surveyed suffer from raw material problem. The ability of procuring raw material at the right place in right quantity and in right time is essential for the success of any enterprise. In spite of having better marketing opportunities at least for a few firms in the domestic as well as foreign markets, some units had unutilized capacity mainly for want of raw materials. The units could not produce goods at a reasonable cost of production due to the high charges that they have to pay for accruing raw materials.

### LABOUR PROBLEMS

Labour plays a key role in industrial development in spite of the application of machinery and equipment. The major labour problems are low productivity, over staffing, poor labour relations, inefficient handling of labour problems, high wages and lack of trained or skilled labour.

### ORGANIZATIONAL PROBLEMS

The small scale and the few large- medium scale private engineering firms that exist in Kerala are mostly of proprietorship type. The manager/proprietor in most of the sample units does the administrative work and also

acts as a labour in the firm. The firms have only one manager and he apart from supervising production, contacts the suppliers, arrange transportation, marketing, sales etc and hence effective supervision and coordination is difficult. Inefficient and unscientific management practices are reflected in the choice of technology, product mix, faulty and inadequate maintenance of plant, and delay in the supply of raw materials and high input prices and shutdowns. More than 40 percent of the engineering units had to stop production twice or thrice a year due to the delay in supply of raw material.

### INFRA STRUCTURE PROBLEMS

To facilitate the execution of economic transaction, services and facilities like energy (power, fossil fuels) telecommunication services, transport (roads, ports, civil aviation, air ports) urban environmental infrastructures (water, sanitation, efficient disposal) are essential. Infra structure scenario in the state shows that there is a lack of infrastructure support and availability, a crucial determinant in the success or failure of any industry. The investment in infrastructure has not been effectively streamlined to meet the goals of economic development and to sustain its benefits. Quality infrastructure increases productivity, brings down the production cost and gives a thrust to development. Investments of both Indian and foreign companies can also be attracted when infrastructure is sufficiently developed.

### MARKETING PROBLEMS

The specific bottlenecks identified in the marketing of engineering products are:

- Lack of demand because of poor quality, stiff competition, inability to meet specific requirement etc.
- High incidence of inland, rail and freight charges
- Lack of finance for proper marketing research and advertising
- Delays involved in getting payments
- High inventory cost.

### GOVERNMENT POLICY

It is well established that one of the factors responsible for the slow industrialization of the Kerala state is the lopsided industrial policy of the state governments. The engineering sector is also not free from this hypothesis. All

the unit holders commented that the tax rate prevailing in the sector (Excise duty 8.5 to 11 percent and 4 percent C.S.T) is much higher. The potential of engineering units remain in establishing effective linkages with the other sectors. Throughout our discussion the lack of linkages was evident and this led to a mismatch between the supply and demand factors. The very high rate of dormancy suggests the lack of care and nourishment from the part of the government. Even among the functioning units a good percentage of units experience sickness.

### PROSPECTS

The prospects of total industrial scenario of the state and the prospects of engineering industry are inter-woven. With its forward and backward linkages, the engineering industry acts as a catalytic agent for overall economic development. The prospects of engineering industry are influenced by the level and rate of investment activity in the economy. The analysis of the engineering industry in the preceding chapters has revealed that the fluctuations seen in the engineering sector are reflections of the general up or downturns for all industries. During periods of economic growth, the demand for consumer goods increase which in turn raises the demand for manufacturing equipments to produce more goods and vice versa during down turns. The revival of the engineering industry during the upturn of the economy will be slower than the other industries because when the demand for consumer goods raise the users first utilizes the idle capacity. Thus the demand for engineering goods will be slow to rise and quick to fall over the course of the economic cycle.

The demand for engineering products, and therefore, the volume of the output of engineering industry in any country depends on the level of the per capita income, population and the ratio of gross fixed capital formation to the gross domestic product. Majumdar's projection of demand using three variables inferred that engineering industry depends more on the gross fixed capital formation ratio than on the per capita income. It was also established that for every rise (or fall) of 100 percent in the per capita income, the per capita output of the engineering industry increases by 240.80 percent and for every rise (or fall) of one percentage point in the ratio of gross fixed capital formation to the gross domestic product, the per capita output of the engineering industry increased (or decreased) by 14.20 percent.

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