

Small units to face heavy odds in the new millennium

The small rubber manufacturing units in the country are likely to have a tough time in the new millennium because of the uneven competition they will face in the wake of liberalisation and possible withdrawal of preferential treatment

The small and tiny units are presently contributing substantially to the rubber manufacturing industry. Only about less than one per cent of the non-tyre sector are large companies with more than 1,000 tonne consumption of rubber per year while 92 per cent are firms with less than 100 tonnes of annual consumption. Only about 7.4 per cent of the units are of medium size.

Though the mainstay of Indian

rubber industry is the tyre sector, its share of rubber consumption fell to 44 per cent and that of the non-tyre sector rose to 56 per cent in 1997-'98. The declining trend in tyre sector's rubber consumption was due to structural changes taking place in the economy. For instance, at the end of 1999 as many as 5,458 units were registered in the non-tyre sector.

However, in the new millennium, these small units are expected to face some new challenges and crises as a result of the World Trade Organisation (WTO) regulations, e-commerce, globalisation etc. The possibility of withdrawal of preferential treatment to small scale units from 2000 onwards is likely to make life hard for these small units.

Being small is in itself a disadvantage. It is more so when the tiny and small units are left on a level-playing field where the medium-sized and big units have a clear edge. Most of the small units manufacture traditional items like rubber chappals and other footwear, conventional tread, moulded block items, latex foam, rubber band and various low-cost items.

But a host of these small and tiny units turn sick every year and some even reach the verge of closure. Yet this segment is deluged with new units every year. It is because many young and inexperienced entrepreneurs obtain loans and start business without understanding the nitty-gritty of trade practices and market mechanism. The result is excess capacity in most of the traditional product group segments which dampen the prospects of existing players.

The major constraints of small and tiny units are operating at lower economies of scale, resources crunch, lower capacity utilisation, technological obsolescence, information deficiency and poor product quality. On the other hand, the large companies and multinational corporations are enjoying greater access to capital markets, superior business services and latest technology.

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Table I Performance of rubber units

Sl. No	Sector	1990-91				1997-98			
	(On the basis of consumption group)	No. of units	%	Total consumption	%	No. of units	%	Total consumption	%
1	Tiny units (10 tonnes & below)	2686	53.42	15,847	3.04	2,406	43.00	19,119	2.38
2	Small units (10 to 100 tonnes)	1974	39.26	83,589	16.03	2,720	48.61	127,726	15.91
3	Medium units (100 to 1000 tonnes)	325	6.46	111,163	21.31	421	7.52	167,806	20.90
4	Larger units (above 1,000 tonnes)	43	0.86	310,946	59.02	48	0.86	488,169	60.81
Total		5,028	100.00	521,545	100.00	5,595	100.00	802,820	100.00