CHAPTER III

CONCEPTUAL FRAMEWORK OF SMALL & MEDIUM SCALE ENTERPRISES

Industrialisation plays a significant role in the economic development of any country. But the type of industrialisation needed by each developing country is different. It is a common knowledge that the industrial structure of a country consists of large, medium and small scale industries. Of these three types of industries, the role of small and medium scale enterprises in the economic development of a country is of paramount importance as the contribution of this sector is 50 to 80% of the global economy. The idea to promote the development of small scale industries in order to rejuvenate India’s stagnant economy was first mooted by Mahatma Gandhi in 1937, when he propounded the theory of Trusteeship for economic progress¹. Thereafter, entrepreneurial spirit became the increasing trend in India and real entrepreneurship skills were essential for the promotion of MSME in India.

Entrepreneurship:

Entrepreneurship is one of the four mainstream economic factors- land, labour, capital and entrepreneurship. Entrepreneurship being an intangible factor is the moving force and development is the consequence. It has an important role in the context of a developing nation like India which is confronted with major socio-economic problems. India is being attacked by baffling problems of overpopulation, unemployment, under-employment and poverty. Entrepreneurship is consistently equated with the establishment and management of small and medium business enterprises and setting up these units is the solution of these problems².
**Definition of entrepreneurship:**

‘Entrepreneurship is neither a science nor an art, it is a practice. It has a knowledge base. Knowledge in entrepreneurship is a means to an end. Indeed what constitutes knowledge in practice is largely defined by the ends, that is by the practice’- Peter F. Drucker

‘Entrepreneurship is the purposeful activity of an individual or a group of associated individuals, undertaken to initiate, maintain or organise a profit-oriented business unit for the production or distribution of economic goods and services’- A.H.Cole.

‘Entrepreneurship connotes innovativeness, an urge to take risk in face of uncertainties and an intuition i.e., a capacity of seeing things in a way which afterwards proves to be true’. –V.R.Gaikwad

The emergence of entrepreneurship has promoted Micro, Small and Medium scale enterprises in India which has got its origin right from Independent India..

**EVOLUTION OF SMEs:**

After independence the government initiated the policy of accelerating industrialisation since Second five year plan.

**1948** - The policy resolution emphasized that cottage and small scale industries can ensure best utilization of local resources, achieve ‘local- self – sufficiency’ in production, increase employment generation through rehabilitation of displaced persons and ensure balanced economic growth.

**1977** - The industrial policy statement introduced the concept of District Industries Centres (DICs) for SSIs to ensure supply of raw materials and machinery, market survey of the district, generating new business ideas, arrangements of credit facility and maintenance of quality products.
1980- Took some path breaking measures like increase in investment limit for tiny, small and ancillary units, withdrawal of industrial location restriction, elimination of provisions regarding expansion, increase in private participation.

1991- The new industrial policy in 1991 emphasized on raising the investment ceiling for the purpose of definition of a small unit to 6 million (Rs.7.5 million if the unit concerned undertakes to export 30% of its output) allowing other investors (including large- scale enterprises as foreign investors).

2000- Comprehensive policy package for SSI and tiny sector increased the exemption for excise duty limit from 50 lakhs to Rs.1 crore to increase competitiveness, conducted the third census of small scale industries.

2006- as per the policy package for SME 2005-06 Small and medium enterprises were recognised in the services sector and treated at par with SSI s in the manufacturing sector and emphasized on cluster development model.\(^3\)

MSME in India has taken a different shape after 1991 i.e. Liberalisation, Privatisation and Globalisation, where in Liberalisation and privatisation has strengthened the SSI to compete and sustain in home country whereas Globalisation facilitated and strengthened the MSME to survive and compete globally.

**Globalisation**

Globalisation can be defined as the process of change, increasing interconnectedness and interdependence among countries and economies, bringing the world closer, enhancing better world-wide communication, transport and trade links. It refers to an advanced stage of development where capital, technology, labour, raw materials, information and transportation, distribution and marketing are integrated or interdependent on a globe scale.\(^4\)

**Impact of Globalisation:**

At the initial phase of opening up of the economy, SMEs were apprehensive of facing the challenges of global competition. However, these units
soon realised the potential opportunities available to them to cater to the requirements of giant global manufacturers who were looking for outsourcing their requirements from low-cost economies who were in a position to ensure quality products at prompt delivery. Globalisation has developed small and medium enterprises in overcoming their dependence on a few major customers in India; problems associated with demand fluctuations related to regional business cycles; and growth opportunities for unique and niche products for which either there are no local markets or where these have been saturated. Thus Globalisation has created both opportunities and challenges for Indian SMEs to grow further.

**Opportunities for SMEs:**

Globalisation presents many opportunities for SMEs. One of the key opportunities is that of disappearance of trade barriers. The opening up of national frontiers provides firms, which previously operated on a local/regional/national level with new foreign market opportunities, thus allowing them to survive and grow as this provides an important competitive stimulus. Other dominant opportunities identified in the literature for SMEs emanating from the forces of globalisation include: access to new or niche markets, possibilities for absorption of excess production capacity or output; exposure to international best practice (with respect to technology); possibilities to exploit economies of scale, scope and volume; means of diversifying risks; the minimisation and sharing of costs and the optimality of market segmentation.

**Threats/ Challenges for SMEs:**

Although free trade may be seen as something that favours SME activity, it could also be reasonably argued that the elimination of trade barriers may also result in increased competition, ‘increasing competition in international markets may have a negative impact on the survival rate of small business. Other threats and challenges for SMEs as a result of increased globalisation may include: the high costs that SMEs face in terms of establishing and maintain foreign distribution, marketing networks and the difficulties involve in coordinating complex business to business relationship and supply chains remotely; inadequate protection of
property rights; increased competition from imports; entry to new foreign investors into domestic market and loss of traditional markets to lower priced competition from overseas⁶.

Therefore globalisation implies that firms will compete in a worldwide market which will present both the opportunities and challenges. SMEs can survive and grow in a turbulent global economic environment if they are flexible, innovative, customer focused and both proactive and reactive in their business strategies. These opportunities and challenges are unique for every kind of MSME which is categorised and based on the investment in plant & machinery and fixed assets.

**Definition Aspect of Micro, Small and medium enterprises (MSMEs)**

The definition of small scale industries has undergone changes for many times. The main criterion for definition was mainly the investment level and number of employees. The table below shows the changing pattern of SSI definition.

**Table 3.1 Changing pattern of investment in SSIs**

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment Limit(RS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>Up to Rs.0.5 million in fixed assets</td>
</tr>
<tr>
<td>1966</td>
<td>Up to Rs. 0.75 million in plant &amp; machinery</td>
</tr>
<tr>
<td>1975</td>
<td>Up to Rs. 1 million in plant &amp; machinery</td>
</tr>
<tr>
<td>1980</td>
<td>Up to Rs. 1 million in plant &amp; machinery</td>
</tr>
<tr>
<td>1985</td>
<td>Up to Rs. 2 million in plant &amp; machinery</td>
</tr>
<tr>
<td>1985</td>
<td>Up to Rs. 3.5 million in plant &amp; machinery</td>
</tr>
<tr>
<td>1991</td>
<td>Up to Rs. 6 million in plant &amp; machinery</td>
</tr>
<tr>
<td>1997</td>
<td>Up to Rs. 10 million in plant &amp; machinery</td>
</tr>
<tr>
<td>1999</td>
<td>Up to Rs. 30 million in plant &amp; machinery</td>
</tr>
</tbody>
</table>

Source: Ministry of Small scale industries 2009

On 9th may 2007, Ministry of Agro and Rural Industries and Ministry of Small Scale Industries merged into a single Ministry, namely ‘Ministry of Micro, Small and Medium enterprises’ (MSME). The Government of India in its enactment of the Micro, Small and Medium Enterprises Development (MSMED) Act 2006 has
changed the nomenclature of SSI sector as Small and Medium Enterprises (SME) sector, Medium enterprises have been included along with small scale industries. The purpose of announcing a separate policy for the MSME sector is to make it co-exist with large industries as well accelerate industrial growth and generate large-scale job opportunities especially in the rural and backward areas.

The definitions of Micro, Small and Medium enterprises have changed over due to the formation of the new Ministry. In accordance with the provision of Micro, Small and Medium Enterprises Development Act, 2006, the Micro, Small and Medium Enterprises are classified in two classes. They are manufacturing enterprises and service enterprises.

**Micro, Small and Medium Scale Enterprises Development act 2006:**

The government of India passed an act regarding the micro, small and medium enterprises based on the efforts made by various associations and other industry forums to overcome the long pending issues for durable growth and development of small scale industries in June 2006. This act is to provide for facilitating the promotion and development and enhancing the competitiveness of micro, small and medium enterprises. The act was created to establish National Board for micro, small and medium enterprises as its head office at Delhi. The board shall consist of the representatives from government, industry, financial agencies and civil society interests.

A major change took place in 2006 with the enactment of MSME development act, 2006. In accordance with the provision of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified into two categories.

a) **Manufacturing Enterprises:** The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951. The Manufacturing Enterprise is defined in terms of investment level in plant & machinery.
In the case of the enterprises engaged in the manufacture of goods, then

1. A micro enterprise, where the investment in plant & machinery does not exceed Rs.25 lakh.

2. A small enterprise, where the investment in plant & machinery is more than Rs.25 lakh but does not exceed Rs.5 crore.

3. A medium enterprise, where the investment in plant & machinery is more than Rs.5 crore but does not exceed Rs.10 crore

b) Service Enterprises: The enterprises engaged in providing or rendering of services are known service enterprises. They are defined in terms of investment in equipment.

The limit for investment in plant & machinery/ equipment for manufacturing/ service enterprises, as notified are mentioned below.

In the case of the enterprises engaged in the services, then

1. A micro enterprise, where the investment in plant & machinery does not exceed Rs.10 lakh.

2. A small enterprise, where the investment in plant & machinery is more than Rs.10 lakh but does not exceed Rs.2 crore.

3. A medium enterprise, where the investment in plant & machinery is more than Rs.2 crore but does not exceed Rs.5 crore

Impact of MSME Development Act 2006:

The proposed procurement preference policy determined how much supplies should be purchased by government agencies from the MSMEs. The act has expanded the investment range and has clubbed small and medium enterprises. MSME sector falls into the privacy sector where the banks and many financial institutions have to extend at least 40% of their portfolio, as the investment level have been increased and many large firms fall into MSME category. The banks preferred
these large firms effectively, which in turn affects the small units from getting financial assistance from banks. One possible solution found was to create priority package for the different sectors to negate the effect of crowding off the large firms.

**Micro, Small and Medium Scale Enterprises-A battle against Un Employment**

MSMEs are considered as engines of economic growth in both developed and developing countries. The major advantage of the sector is its employment potential at low capital cost. The labour intensity of the MSME sector is much higher than that of large enterprises. They further help to achieve fair and equitable distribution of wealth by regional dispersion of economic activities. MSMEs assist in fostering a self-help and entrepreneurial culture by bringing together skills and capital through various lending and skill enhancement schemes. These enterprises impart the resilience to withstand economic upheavals and maintain a reasonable growth rate as being indigenous is the key to sustainability and self-sufficiency.

The MSME sector is the backbone of the economy particularly in developing countries. The Organisation for Economic Co-operation and Development (OECD) reports that, more than 95% of enterprises in the OECD area are MSMEs. These enterprises account for almost 60% of private sector employment, make a large contribution to innovation, and support regional development and social cohesion. In developing countries, the MSME sector makes a vital contribution to GDP and employment. Higher growth rate of MSMEs has a direct effect on GDP growth due to increased output, value addition and profits. MSME growth also impacts GDP indirectly, through increased innovation and macro-economic resilience of the overall economy.

**Micro, Small and Medium Scale Enterprises in India:**

The Indian Small and medium enterprise sector is diverse, not only in terms of the size of the enterprises, but also in terms of the variety of products and the levels of technology. This sector is an integral part of the Indian economy with its vast network of around 47 million units which employ about 106 million people (as on 2013-14) and manufacture more than 8000 products, ranging from traditional
to high-tech items. Based on their nature of activity, SMEs are categorised into either manufacturing or services with 31.8% belonging to the manufacturing sector while a larger 68.2% are engaged in services. The latest government estimates peg the share of the MSME sector in the country’s GDP during 2012-13 at 37.54% out of which the contribution of manufacturing MSME stands at 7.04% and that of services MSMEs at 30.50%. The sector contributes greatly to the country’s exports as well. As per the latest estimates, the share of MSME in India’s total exports stood at 42.4% in 2013-14\textsuperscript{11}.

Today with greater focus on the Make in India agenda, the importance of the SME sector has increased considerably. MSMEs are endowed with unique advantages such as high labour to capital ratio, shorter gestation period, lower investment requirements and higher potential for innovation. Along with this, higher economic activity in the MSME sector ensures a more equitable distribution of national income while at the same time facilitating effective mobilization of resources of capital and skills which might otherwise remain unutilised. It has widely felt that the sector still has a lot of potential for further growth. This is because, unlike large enterprises, SMEs have the inherent capability to use resources efficiently and satisfy local needs. Their size gives them agility, innovation-orientation and an ability to adapt to changes. These advantages have helped many units to rise above the constraints posed by a difficult external and operational environment. Over the years many such companies have emerged out of the shadows to become big names in corporate India. Examples include Hero, Bharti and Infosys among other\textsuperscript{12}.

The present study is based on both the primary and secondary data. The secondary data are collected from the websites of the ministry of MSME, the government of India annual reports and final report, fourth all India census of MSME 2006-07. The study is based on fourth census MSME sector and highlights the role of MSME sector in India.
From the above pie-diagram it is understood that majority (67.1%) of the entrepreneurs of MSMEs in India involve in manufacturing sector whereas 32.9% of the enterprises in the MSME sector were engaged in services.

The manufacturing sector is an important segment and considered to be a key growth driver of the Indian economy like in several developing countries. Government of India has made several efforts to enhance the competitiveness of the Indian manufacturing industry. National Manufacturing Competitiveness Council (NMCC) was set up to undertake initiatives to enhance competitiveness of the sector. According to a report by NMCC and NASSCOM (2010), the Indian manufacturing sector has over 53 lakh manufacturing units with 99 per cent of the units employing less than 10 workers. Food & beverages, textiles, non-metallic mineral products, chemical products and machinery & equipment are the top 5 verticals in terms of number of units and they account for nearly 75 per cent of the total number of units in the manufacturing sector. Small scale sector is the backbone of Indian manufacturing sector with 90 per cent of the total industrial units. However, according to the report by NMCC and NASSCOM (2010), the contribution of Indian manufacturing to the national GDP has stagnated over the last
few years by about 15 per cent in spite of the growth in the manufacturing sector. The Small scale sector is an important component of the foundation layer of manufacturing sector and entrepreneurial activities in India. As the productivity and performance of large manufacturing firms would be influenced by the competitiveness of their suppliers, i.e., mainly MSMEs, it is important to improve productivity levels of MSME to improve the manufacturing sector as a whole.

From the above bar diagram, it is inferred that 94.41% of the enterprises in the MSME sector were proprietary enterprises. About 1.18% of the enterprises were run by partnerships and 0.14% of the enterprises were run by private companies. The rest were owned by co-operatives/ trusts or others.

As majority of MSMEs in India is Sole proprietorship type of organisation which is a boon and as well as bane for its growth. It helps a person to start a business individually so more number of entrepreneurs are created every
year, whereas the same sole proprietorship form of business hinders their growth in the form of limited capital and limited managerial skills.

The above bar diagram portrays the percentage distribution of entrepreneurs of MSME based on social group category. The percentage contribution of entrepreneurs of schedule tribe community was found to be 5.76. The percentage contributions of schedule caste entrepreneurs was found to be 7.83. In order to uplift these communities more awareness programs must be conducted among them to induce entrepreneurship. The percentage contribution of other backward community entrepreneurs was found to be 41.94% and 43.56% of other social class communities.

Some of the key advantages that SMEs provide for fuelling the growth of economy are as follows:

- Provide increased employment opportunities per unit of investment
- Contribute substantially to the promotion of export.
- Facilitate innovation and technological development, which contributes in making the economy flexible.
• Gestation period to achieve break even sales is short.
• Easy to spread in rural and semi-urban areas, which results in balanced regional development.
• Contribute to promotion of entrepreneurship culture at local levels.
• Cater to local consumer needs in a more cost-effective manner.
• Help in improving the well-being and standard of living of local people.
• Dependence on limited market size providing inbuilt stability.
• Small size providing scope for specialisation to develop upon niche markets.

At the same time one has to understand the limitations of SMEs, which are:

• Low capital base
• Concentration of functions in one or two persons
• Inadequate exposure to international environment
• Inability to face impact WTO regime
• Inadequate contribution towards R & D
• Lack of professionalism

In spite of these limitations, the SMEs have made significant contribution towards technological development and exports. SMEs have been established in almost all major sectors in the Indian industry such as:

• Food processing
• Agricultural inputs
• Chemicals and Pharmaceuticals
• Engineering, Electricals, Electronics
• Electro-medical equipment
• Textiles and Garments
• Leather and leather goods
• Meat products
• Bio-engineering
• Sports goods
• Plastic products
• Computer software, etc

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The Performance and growth of MSME at India and Tamil Nadu level is analysed in terms of Employment, Number of enterprises, Investment and Gross output.

### Table 3.2 Performance of MSME in India

<table>
<thead>
<tr>
<th>Year</th>
<th>No of working enterprises (in lakhs)</th>
<th>Employment (in lakhs)</th>
<th>Investment (Rs in crores)</th>
<th>Production (Rs in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>118.59</td>
<td>282.57</td>
<td>178699.00</td>
<td>429796.00</td>
</tr>
<tr>
<td>2005-06</td>
<td>123.42 (4.07%)</td>
<td>294.91 (4.36%)</td>
<td>188113.00 (5.27%)</td>
<td>497842.00 (15.83%)</td>
</tr>
<tr>
<td>2006-07</td>
<td>361.76 (19.3%)</td>
<td>805.23 (17.3%)</td>
<td>868543.79 (361.7%)</td>
<td>1351383.45 (171.44%)</td>
</tr>
<tr>
<td>2007-08</td>
<td>377.37 (4.32%)</td>
<td>842.23 (4.60%)</td>
<td>917437.46 (5.63%)</td>
<td>1435179.26 (6.2%)</td>
</tr>
<tr>
<td>2008-09</td>
<td>393.70 (4.32%)</td>
<td>881.14 (4.61%)</td>
<td>971407.49 (5.88%)</td>
<td>1524234.83 (6.2%)</td>
</tr>
<tr>
<td>2009-10</td>
<td>410.82 (4.35%)</td>
<td>922.19 (4.65%)</td>
<td>1029331.46 (5.96%)</td>
<td>1619355.53 (6.24%)</td>
</tr>
<tr>
<td>2010-11</td>
<td>428.77 (4.37%)</td>
<td>965.69 (4.71%)</td>
<td>1094893.42 (6.37%)</td>
<td>1721553.42 (6.31%)</td>
</tr>
<tr>
<td>2011-12</td>
<td>447.73 (4.42%)</td>
<td>1012.59 (2.80%)</td>
<td>1176939.36 (7.49%)</td>
<td>1834332.05 (6.5%)</td>
</tr>
<tr>
<td>2012-13</td>
<td>467.56 (4.24%)</td>
<td>1061.52 (4.83%)</td>
<td>1269338.02 (7.85%)</td>
<td>1918993.33 (6.8%)</td>
</tr>
<tr>
<td>2013-14</td>
<td>488.46 (4.47%)</td>
<td>1114.29 (4.97%)</td>
<td>1363700.54 (7.43%)</td>
<td>2088316.1 (7.4%)</td>
</tr>
</tbody>
</table>

Source: Annual report of MSME 2014-15

The above table displays that no. of working enterprises in India had a steady percentage growth of 4.07% from 2001 to 2005. After the introduction of MSME act 2006 there is a percentage increase of 19.3 in 2006-07 which is found to be highest during the period of the study. The percentage increase in number of enterprises was found to be 4.24 with the moderate. The performance of employment was found to be highest with the percentage increase of 17.3 during 2006-07. The employment opportunities were moderate with the percentage increase of 4.61 during 2008-09. The employment position during 2011-12 faced a percentage increase of 2.8. The investment performance was found to be the maximum(361.7%) after the introduction of MSME act 2006. The investment performance of 2007-08 had a gradual growth of 5.63% which in turn was found to be least during 2003-04 (4.86%). The above table revealed that percentage increase in production performance was maximum(171.44) during 2006-07. The gross output

Table : 3.3 Performance of MSME State Wise

<table>
<thead>
<tr>
<th>State / UT</th>
<th>Number of Enterprises (Lakh)</th>
<th>Employment (Lakh)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Registered Sector</td>
<td>Unregistered Sector</td>
</tr>
<tr>
<td></td>
<td>Sample</td>
<td></td>
</tr>
<tr>
<td>Jammu &amp; Kashmir</td>
<td>0.15</td>
<td>1.18</td>
</tr>
<tr>
<td>Himachal Pradesh</td>
<td>0.12</td>
<td>1.60</td>
</tr>
<tr>
<td>Punjab</td>
<td>0.48</td>
<td>9.66</td>
</tr>
<tr>
<td>Chandigarh</td>
<td>0.01</td>
<td>0.28</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>0.24</td>
<td>2.00</td>
</tr>
<tr>
<td>Haryana</td>
<td>0.33</td>
<td>4.87</td>
</tr>
<tr>
<td>Delhi</td>
<td>0.04</td>
<td>1.75</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>0.55</td>
<td>9.14</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>1.88</td>
<td>22.34</td>
</tr>
<tr>
<td>Bihar</td>
<td>0.50</td>
<td>7.48</td>
</tr>
<tr>
<td>Sikkim</td>
<td>0.00</td>
<td>0.06</td>
</tr>
<tr>
<td>Arunachal Pradesh</td>
<td>0.00</td>
<td>0.25</td>
</tr>
<tr>
<td>Nagaland</td>
<td>0.01</td>
<td>0.16</td>
</tr>
<tr>
<td>Manipur</td>
<td>0.04</td>
<td>0.44</td>
</tr>
<tr>
<td>Mizoram</td>
<td>0.04</td>
<td>0.10</td>
</tr>
<tr>
<td>Tripura</td>
<td>0.01</td>
<td>0.26</td>
</tr>
<tr>
<td>Meghalaya</td>
<td>0.03</td>
<td>0.47</td>
</tr>
<tr>
<td>Assam</td>
<td>0.20</td>
<td>2.14</td>
</tr>
<tr>
<td>West Bengal</td>
<td>0.43</td>
<td>20.80</td>
</tr>
<tr>
<td>Jharkhand</td>
<td>0.18</td>
<td>4.25</td>
</tr>
<tr>
<td>Odisha</td>
<td>0.20</td>
<td>9.77</td>
</tr>
<tr>
<td>Chhattisgarh</td>
<td>0.23</td>
<td>2.78</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>1.07</td>
<td>11.50</td>
</tr>
<tr>
<td>Gujarat</td>
<td>2.30</td>
<td>13.03</td>
</tr>
<tr>
<td>Daman &amp; Diu</td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td>Dadra &amp; Nagar</td>
<td>0.02</td>
<td>0.04</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>0.87</td>
<td>14.45</td>
</tr>
<tr>
<td>Andhra Pradesh</td>
<td>0.46</td>
<td>14.90</td>
</tr>
<tr>
<td>Karnataka</td>
<td>1.36</td>
<td>11.12</td>
</tr>
<tr>
<td>Goa</td>
<td>0.03</td>
<td>0.56</td>
</tr>
<tr>
<td>Lakshadweep</td>
<td>0.00</td>
<td>0.01</td>
</tr>
<tr>
<td>State / UT</td>
<td>Registered Sector</td>
<td>Unregistered Sector</td>
</tr>
<tr>
<td>-----------</td>
<td>-------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>Kerala</td>
<td>1.50</td>
<td>12.94</td>
</tr>
<tr>
<td>TamilNadu</td>
<td>2.34</td>
<td>18.21</td>
</tr>
<tr>
<td>Puducherry</td>
<td>0.01</td>
<td>0.13</td>
</tr>
<tr>
<td>Andaman</td>
<td>0.01</td>
<td>0.07</td>
</tr>
<tr>
<td>All India</td>
<td>15.64</td>
<td>198.74</td>
</tr>
</tbody>
</table>

Source: MSME Annual Report 2014-15

From the above table it is understood that the top ten leading States, in terms of enterprises, are Uttar Pradesh (44.03 lakh), West Bengal (36.64 lakh), Tamil Nadu (33.13 lakh), Maharashtra (30.63 lakh), Andhra Pradesh (25.96 lakh), Kerala (22.13 lakh), Gujarat (21.78 lakh), Karnataka (20.19 lakh), Madhya Pradesh (19.33 lakh) and Rajasthan (16.64 lakh). The ten leading States, in terms of employment, are Uttar Pradesh (92.36 lakh), West Bengal (85.78 lakh), Tamil Nadu (80.98 lakh), Andhra Pradesh (70.69 lakh), Maharashtra (70.04 lakh), Kerala (49.62 lakh), Gujarat (47.73 lakh), Karnataka (46.72 lakh), Madhya Pradesh (33.66 lakh) and Odisha (33.24 lakh).

![Leading Industries: MSME Sector](image-url)

**Figure 3.4 Leading industries of MSME sector**
The above chart depicts the percentage contribution of leading industries in MSME. Retail trade except motor vehicles and motor cycles, repair of personal and household goods was contributing 39.85%. Manufacturing of wearing apparel dressing dyeing of fur showed 8.75%. All other industries were contributing 19.4%. Manufacture of textiles, manufacture of fabricated metal products except machinery and equipment were contributing 2.33%.

The ten leading industries, in terms of employment, (as per National Industrial Classification 2004 at two digit level) are Retail Trade except of Motor Vehicles and Motorcycles; Repair of Personal and Household Goods (245.48 lakh), Manufacture of Food Products and Beverages (62.99 lakh), Manufacture of Wearing Apparel; Dressing and Dyeing (60.06 lakh), Other Service Activities (37.65 lakh), Manufacture of Textiles (35.91 lakh), Hotels and Restaurants (33.92 lakh), Sale, Maintenance & Repair of Motor Vehicles and Motorcycles; Retail Sale of Automotive Fuel (30.03 lakh), Manufacture of Furniture & Manufacturing not elsewhere classified (28.19 lakh), Other Business Activities (27.67 lakh), Education (27.26 lakh)\(^{16}\)

**Micro, Small and Medium scale Enterprise in Tamil Nadu**

MSME in Tamil Nadu provides the largest number of employment in the country (15.23%). Recognising the importance and pivotal role played by the MSME sector as a tool to catapult the state in the economic and social horizon, Government of Tamil Nadu announced the first ever exclusive policy for Micro, Small and Medium Enterprises (2008) in the country. The MSME sector has a major contribution to the economy of Tamil Nadu. Tamil Nadu has 9.68 lakh registered MSMEs as on 31.3.14. This sector provides employment to about 63.18 lakh persons and accounting for a total investment of Rs.67,130 crore. There has been a phenomenal growth in the number of MSMEs in Tamil Nadu from 3,87,597 in 2000 to 9,67,636 registered MSMEs as on 31.3.14. \(^{17}\) The MSME sector contributes 10 per cent of Tamil Nadu's gross state domestic product (GSDP). The number of micro, small and medium enterprises (MSMEs) in Tamil Nadu has more than trebled since 2003-04 from 25,794 units representing an investment of only Rs
722.16 crore, to 83,348 enterprises as of February 28 this year, with investment soaring to Rs 8,751.54 crore\textsuperscript{18}.

As Industries promote employment opportunities next to agriculture sector the Government of TamilNadu is focusing on the growth of MSMEs in the Five year plan. The following table enlists the information for seven five year plans from V Five year Plan to XI Five year plan in terms of No. of MSME units, Investment, Production and Employment opportunities.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Registered units</th>
<th>Investment (Rs. In crore)</th>
<th>Production (Rs in crore)</th>
<th>Employment (in numbers)</th>
</tr>
</thead>
<tbody>
<tr>
<td>End of V five year plan</td>
<td>7544</td>
<td>325.74</td>
<td>13191.24</td>
<td>22164</td>
</tr>
<tr>
<td>(1974-79)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>End of VI five year plan</td>
<td>45891</td>
<td>829.84</td>
<td>3949.53</td>
<td>448163</td>
</tr>
<tr>
<td>(1980-85)</td>
<td>(508.31%)</td>
<td>(154.75%)</td>
<td>(-70.05%)</td>
<td>(1922.11%)</td>
</tr>
<tr>
<td>End of VII five year plan</td>
<td>99290</td>
<td>2198.92</td>
<td>7322.69</td>
<td>928464</td>
</tr>
<tr>
<td>(1985-90)</td>
<td>(116.36%)</td>
<td>(164.98%)</td>
<td>(85.4%)</td>
<td>(107.17%)</td>
</tr>
<tr>
<td>End of VIII five year plan</td>
<td>255694</td>
<td>6547.73</td>
<td>17055.42</td>
<td>2257055</td>
</tr>
<tr>
<td>(1992-97)</td>
<td>(157.52%)</td>
<td>(197.77%)</td>
<td>(132.9%)</td>
<td>(143.09%)</td>
</tr>
<tr>
<td>End of IX five year plan</td>
<td>419524</td>
<td>12166.19</td>
<td>83904.8</td>
<td>3104477</td>
</tr>
<tr>
<td>(1997-02)</td>
<td>(64.07%)</td>
<td>(85.8%)</td>
<td>(391.95%)</td>
<td>(37.55%)</td>
</tr>
<tr>
<td>End of X five year plan</td>
<td>530552</td>
<td>16819.82</td>
<td>105979.51</td>
<td>3703408</td>
</tr>
<tr>
<td>(2002-07)</td>
<td>(26.46%)</td>
<td>(38.25%)</td>
<td>(26.3%)</td>
<td>(19.29%)</td>
</tr>
<tr>
<td>End of XI five year plan</td>
<td>760269</td>
<td>39438.13</td>
<td>166951.19</td>
<td>5299875</td>
</tr>
<tr>
<td>(2007-12)</td>
<td>(43.28%)</td>
<td>(134.47%)</td>
<td>(57.53%)</td>
<td>(43.12%)</td>
</tr>
</tbody>
</table>

Source: MSME policy note , Government of Tamil Nadu 2013

From the above table it is quite clear that the Government has taken drastic steps by increasing the investment during VI five year plan. They have increased the number of registered SSI units after realising the importance of growth in industrialisation in VI Five year plan. The percentage increase during this VI Five year plan is maximum and recorded as 508.31. This phenomenal increase has created more employment opportunities. The percentage increase in number of registered SSI units is moderate during IX Five Year plan as 64.07%. There is a gradual percentage increase of 26.46% as minimal during X Five Year Plan.
During VIII Five Year plan the percentage increase in investment is maximum as 197.7%. The percentage increase in investment is moderate during 134.47% at the end of XI Five Year Plan. There is a considerable reduction during X five year plan the percentage increase of which is 38.25%. During IX Five Year plan there is a considerable percentage increase as 391.95% in Production of SSI units. There is a drastic change as 57.53% increase at the end of XI Five Year Plan. There is a lowest percentage increase at the end of VI Five Year Plan as -70.05%. The change in Employment opportunity is drastic during VI Five Year Plan the percentage increase of which is computed as 1922.11%. There is a moderate percentage increase recorded as 43.12% at the end of XI Five Year Plan. There is a minimum a percentage increase in employment opportunity as 19.29% at the end of X Five Year Plan. The table given below indicates the trend in growth of micro, small and medium enterprises during the last ten years and the level of investment, employment, etc, it has created:-

Table 3.5 Performance of MSMEs in Tamil Nadu

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of units</th>
<th>Investment (Rs. In crore)</th>
<th>Production (Rs in crore)</th>
<th>Employment (in numbers)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>16253</td>
<td>1105.81</td>
<td>4556.97</td>
<td>60280</td>
</tr>
<tr>
<td>2005-06</td>
<td>20399 (25.5%)</td>
<td>1705.20 (54.2%)</td>
<td>4414.87 (-3.1%)</td>
<td>67800 (12.47%)</td>
</tr>
<tr>
<td>2006-07</td>
<td>19201 (5.8%)</td>
<td>714.41 (-58.1%)</td>
<td>2067.87 (-53.16%)</td>
<td>110026 (62.28%)</td>
</tr>
<tr>
<td>2007-08</td>
<td>27209 (41.7%)</td>
<td>2547.41 (256.6%)</td>
<td>8739.95 (322.65%)</td>
<td>242855 (120.75%)</td>
</tr>
<tr>
<td>2008-09</td>
<td>32049 (17.7%)</td>
<td>3557.89 (39.67)</td>
<td>13354.86 (52.8%)</td>
<td>294255 (21.16%)</td>
</tr>
<tr>
<td>2009-10</td>
<td>41799 (30.42%)</td>
<td>3214.22 (-9.66%)</td>
<td>10880.01 (-18.5%)</td>
<td>151743 (-48.43%)</td>
</tr>
<tr>
<td>2010-11</td>
<td>57902 (38.5%)</td>
<td>5872.37 (82.69%)</td>
<td>12500.86 (14.89%)</td>
<td>405233 (167.05%)</td>
</tr>
<tr>
<td>2011-12</td>
<td>70758 (22.2%)</td>
<td>7429.59 (26.51%)</td>
<td>15496.00 (23.95%)</td>
<td>502381 (23.97%)</td>
</tr>
<tr>
<td>2012-13</td>
<td>83348 (17.79%)</td>
<td>8751.54 (17.79%)</td>
<td>17503.08 (12.9%)</td>
<td>583436 (16.13%)</td>
</tr>
<tr>
<td>2013-14</td>
<td>116393 (39.64%)</td>
<td>18939.87 (116.41%)</td>
<td>16832.25 (-3.83%)</td>
<td>474990 (-18.58%)</td>
</tr>
</tbody>
</table>

Source: Policy note, 2014-15 of Tamil Nadu Government
The performance of MSME units in Tamil Nadu revealed that there was a percentage increase in number of units which was maximum as 41.7 during 2007-08 after implementing MSMED ACT 2006. There was a moderate percentage increase in number of units as 30.42 during 2009-10. There was a percentage rise of number of units as 5.8 which was the minimum during 2006-07.

The above table highlights that there was a phenomenal percentage increase in investment which was highest as 256.6 during 2007-08. The same was found to be moderate growth as 54.2 during 2005-06. There was a forceful decrease of -58.1% of investment as minimum during 2006-07.

The percentage increase in production was maximum as 322.69 during 2007-08 whereas the same was tabulated as moderate percentage increase as 14.89 during 2010-11. There was an extreme decrease as -53.16% in production during 2006-07. It was further revealed that employment opportunities were maximum percentage as 167.05 during 2010-11. The employment opportunities were facing moderate percentage increase as 23.97 during 2011-12 and there was recession in employment opportunities as -48.43% during 2009-10. In 2006-07, the manufacturing sector at constant prices contributed 20.20% to Tamil Nadu state Government State Domestic Product, while service sector contributed 59% of TNGSDP government with a view to stimulate further industrial development, attract investment, facilitate new manufacturing capabilities and enable global manufacturing competence and competitiveness of local industry and announced the ‘New Industrial Policy 2007’ on 5th Nov 2007.

The development of MSME has become a greater challenge for Tamil Nadu to compete with national and international level standards and registration of SME would provide a better platform for MSME to grow.

**Registration of MSME:-**

The registration process is optional for micro and small enterprises of both manufacturing and service sectors. The registration certificate is called
‘Entrepreneur Memorandum’ (EM). However, it is compulsory for medium manufacturing units but optional for medium service enterprises. The MSMEs have a distinct privilege of low investment with high potential to generate employment. It also helps in eradicating regional imbalances by dispersal of industries in rural areas.

Figure 3.5 Shows the Status of Registration of MSME in India
Source: Annual report of MSME 2014-15

From the above bar diagram, it is revealed that majority (54.77%) of Micro, small and medium scale enterprises in urban area are registered. Whereas only 45.23% of MSMEs in rural areas are registered and 55.79% of them are unregistered. Hence the Government of India and NGOs should take further steps in creating awareness among rural people about the role of MSME in eradicating poverty and importance of registration in availing various incentives, subsidies and loans from government, financial and non-financial institutions.

Districts Chosen for the Study:

Tamil Nadu is one of the well developed states in terms of industrial development. In the post-liberalization era, Tamil Nadu has emerged as one of the front-runners by attracting a large number of domestic and foreign investment proposals, specially during the recent times. The State of Tamil Nadu, with its significant coverage of both traditional and modern industries, stands No. 1 as India’s hub of Micro Small and Medium Enterprises\(^ {19} \). There are totally 32 districts
in Tamil Nadu, a hub of MSMEs. Of which top six districts were chosen for the study and they are Chennai, Coimbatore, Tiruppur, Kancheepuram, Erode and Thiruvallur based on the population of MSME.

The growth and performance of MSMEs in various districts are analysed using secondary data with the time frame of 2006-07 to 2013-14. The time period for the study is considered after implementation of MSMED Act 2006.

District profile:

1) Chennai:

Chennai is one of the important districts of Tamil Nadu. Chennai is the capital of the state, besides being an important district. Chennai hosts a number of Small and medium enterprises making the study realistic and meaningful. The district city is one of the metropolis of India and serves as the gateway to the culture of South India. The city consists of Micro, small and medium scale enterprises. In the recent times, there were major developments in infrastructural activities in the district in recent past, triggering the growth of the industrial sector along with heavy investment in large and medium scale industries. Two ways of transportation helps the SMEs export to all parts of the world in the city viz., Airways and sea port. Such infrastructure facilities help sustained development of Industry and service sector in the district.

**Sound industrial growth in following fields:**

Readymade Garments, Software, Electronic products, Automobiles and Auto components

**Vendorisation/ Ancillarisation of the Industry:**

The Large Scale/Medium Units are located around the sub-urban area of Chennai district viz. Hyundai, Nokia, L&T, Automobile units, Milk Foods etc. procuring the services of local Micro & Small Scale Units. The more investment in large sector shall provide more opportunities for vendorisation in SMEs..
1. Fabrication

2. Electronic components

Existing Service Sector:

The service industry of Chennai mainly includes repair & servicing of motor vehicles like four wheelers, two wheelers, Computer servicing, Spa for unisex, Event management, Videography, Photography, Tailoring / Fashion Designing, Embroidery work, Creche, Preschool care centres, etc.

Major export items:

Readymade garments, software, electronic products, automobiles and auto components, milk products, agriculture and leather products

<table>
<thead>
<tr>
<th>Year</th>
<th>No of MSME units</th>
<th>Employment</th>
<th>Investment(Rs in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>1534</td>
<td>10202</td>
<td>6188.69</td>
</tr>
<tr>
<td>2007-08</td>
<td>3579(133.3%)</td>
<td>31278(206.5%)</td>
<td>22120.30 (257.43%)</td>
</tr>
<tr>
<td>2008-09</td>
<td>6864 (91.7%)</td>
<td>31317(0.12%)</td>
<td>34493.30(44.9%)</td>
</tr>
<tr>
<td>2009-10</td>
<td>11406 (66.17%)</td>
<td>54330(73.48%)</td>
<td>32054.90(-7.07%)</td>
</tr>
<tr>
<td>2010-11</td>
<td>11097(-2.7%)</td>
<td>48434(-10.85%)</td>
<td>27228.21(84.9%)</td>
</tr>
<tr>
<td>2011-12</td>
<td>18106(63.16%)</td>
<td>53906(11.29%)</td>
<td>41567.35(52.66%)</td>
</tr>
<tr>
<td>2012-13</td>
<td>20420(12.69%)</td>
<td>58962(9.37%)</td>
<td>58498(40.73%)</td>
</tr>
<tr>
<td>2013-14</td>
<td>25460(24.68%)</td>
<td>74480(26.31%)</td>
<td>77890(33.15%)</td>
</tr>
</tbody>
</table>

Source: Profile of Chennai district.

From the above table, it is observed that there is a highest percentage increase as 133 in the number of units registered in 2007-08. There is a moderate percentage increase of 63.16 in 2011-12. There is a considerable decrease of -2.7% in 2010-11 which is found to be minimum during the period of study. The employment opportunities was found to be maximum as 206.5% during 2007-08. The same is found to be moderate as 9.37% in 2012-13. The employment opportunities is observed to be minimum as -10.85% in 2010-11. The percentage increase in investment is highest as 257.43 in 2007-08. The investment increase is
moderate as 40.73% during 2012-13. There is a considerable percentage decrease as 
-7.07 during 2009-10.

**Thiruvallur District:**

Thiruvallur district, a newly formed district bifurcated from the erstwhile Chengalpattu district (on 1st January 1997), is located in the North East part of Tamil Nadu. Thiruvallur district is one of the fastest developing districts in Tamil Nadu in terms of Industrial Development. The district has many leading industries like Madras Refineries, Madras Fertilizers, Manali Petro Chemicals, MRF, Ashok Leyland, TI Cycles, Britannia India Ltd, Parry India Ltd and Hindustan Motors. It also boasts of the Ennore Thermal Power Station and the Avadi Tank Factory. There are 178 Large and 21 Medium Scale Enterprises and there are 9319 Micro and Small Enterprises engaged in the manufacturing of various products like Leather/Textiles/Chemical/Engineering. Some of the economic activities undertaken by the rural artisans are manufacturing of jute, coconut shell products, palm leaf based products, paper cups, leather, Rexine works etc.

**Major Exportable items:** Auto components, engineering products, leather, garments, rubber products, electronic goods, marine products, cosmetics, textiles

---

**Table 3.7 Performance of MSME in Thiruvallur District**

<table>
<thead>
<tr>
<th>Year</th>
<th>No of MSME units</th>
<th>Employment</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>1285</td>
<td>3482</td>
<td>4690.25</td>
</tr>
<tr>
<td>2007-08</td>
<td>4835(276.26%)</td>
<td>23025(561.25%)</td>
<td>60889.66 (20.77%)</td>
</tr>
<tr>
<td>2008-09</td>
<td>4664(-3.53%)</td>
<td>24466(6.25%)</td>
<td>73538.05 (20.77%)</td>
</tr>
<tr>
<td>2009-10</td>
<td>4334(-7.07%)</td>
<td>28313(15.72%)</td>
<td>156546.72 (112.87%)</td>
</tr>
<tr>
<td>2010-11</td>
<td>5325(22.86%)</td>
<td>30399(7.36%)</td>
<td>118751.77 (-24.14%)</td>
</tr>
<tr>
<td>2011-12</td>
<td>6876(29.12%)</td>
<td>56193(84.85%)</td>
<td>118466.01 (.024%)</td>
</tr>
<tr>
<td>2012-13</td>
<td>7920(15.18%)</td>
<td>60820(8.23%)</td>
<td>118899.69(0.36%)</td>
</tr>
<tr>
<td>2013-14</td>
<td>9340(17.92%)</td>
<td>68840(13.18%)</td>
<td>126789.01(6.63%)</td>
</tr>
</tbody>
</table>

Source: Profile of Thiruvallur district.
It is observed from the above information that the percentage increase in no. of units is highest as 276.26 during 2007-08. The percentage increase of the same is moderate as 15.18 during 2012-13. There is gradual decrease in percentage of no. of units as -7.07. The displayed information reveals 561.25 of percentage increase in employment opportunities during 2007-08. There is a moderate percentage increase of 13.18 in 2013-14. The percentage increase in employment is least as 6.25 in 2008-09. The percentage increase in investment is maximum as 112.87% during 2009-10. The same is found to be moderate as 6.63% in 2013-14. There is a decrease in percentage investment which is least as -24.14% in 2010-11.

**Tiruppur District:**

Tiruppur district has been carved out of Coimbatore and Erode districts in the year 2008 by making it as the 32nd district of Tamil Nadu and one among the ten well industrialised and economically developed districts of Tamil Nadu. Tiruppur has gained universal recognition as the leading source of Hosiery, Knitted Garments, Casual Wear and Sportswear. Tiruppur is an important trade centre of India. Tiruppur is a major source of Foreign Exchange for the country because of its exports. The city accounts for 90% of India's cotton knitwear export, worth an estimated US$ 1 bn. Tiruppur is primarily a traditional centre for cotton gining.

**Major Exportable Item:**

Textile, knitted garments and readymade garments.

**Table 3.8 Performance of MSME in Tiruppur District**

<table>
<thead>
<tr>
<th>Year</th>
<th>No of MSME units</th>
<th>Employment</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-10</td>
<td>3698</td>
<td>71556</td>
<td>87544.29</td>
</tr>
<tr>
<td>2010-11</td>
<td>3370(8.86%)</td>
<td>59124(-17.37%)</td>
<td>74063.71(-15.39%)</td>
</tr>
<tr>
<td>2011-12</td>
<td>4240(25.81%)</td>
<td>62189(5.18%)</td>
<td>78923.81(6.56%)</td>
</tr>
<tr>
<td>2012-13</td>
<td>5400(27.35%)</td>
<td>68789(10.61%)</td>
<td>87920.12(11.39%)</td>
</tr>
<tr>
<td>2013-14</td>
<td>7250(24.25%)</td>
<td>85987(25%)</td>
<td>94720.15(7.73%)</td>
</tr>
</tbody>
</table>

Source: Profile of Tiruppur district
It is observed from the performance of MSME in Tiruppur District that there is a higher percentage increase of 27.35 in 2012-13. The same is displayed as moderate as 25.81% in 2011-12. There is a minimum percentage increase observed as 8.86% in 2010-11. The percentage increase in employment recruitment in MSMEs is maximum as 25 in 2013-14. This is moderate as 5.18% in 2011-12. The percentage increase is minimum as 5.18 in 2011-12. The investment percentage increase is highest as 11.39 during 2012-13. The same is moderate as 6.56% in 2011-12. There is percentage decrease of -15.39 recorded in 2010-11.

Coimbatore District:

Coimbatore is one among the industrially developed and commercially vibrant districts of Tamil Nadu. It has got high concentration of small scale industries and medium and large scale industries. It is known as the Manchester of South India because of its well developed textile industry and other industrial base.

The third largest city of the state, Coimbatore, is one of the most industrialized cities of Tamil Nadu known as the textile capital of South India or the Manchester of the South. The successful growth of cotton served as a foundation for the establishment of its famous textile industry. The first textile mills came as far back as 1888 but there are now over a hundred mills. The result has been a strong economy and a reputation as one of the greatest industrial cities in South India. There are more than 25,000 small, medium, large sale industries and textile mills. Coimbatore is also famous for the manufacture of motor pump sets and varied engineering goods. The development of Hydro electricity from the Pykara Falls in the 1930 led to a cotton boom in Coimbatore.

Major Exportable Items:

Textiles & Garments, Software products, Motors and Pumps, Granite, Gold Jewellery, Wet Grinders, Electronic Products

Growth Trend Sound industrial growth in the following fields:

Vendorisation / Ancillarisation of the Industry:


Potentials areas for service industry


Table 3.9 Performance of MSME in Coimbatore District

<table>
<thead>
<tr>
<th>Year</th>
<th>No of MSME units</th>
<th>Employment</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>2253</td>
<td>16254</td>
<td>8171.90</td>
</tr>
<tr>
<td>2007-08</td>
<td>2364 (4.93%)</td>
<td>22226(36.74%)</td>
<td>10331.75(26.43%)</td>
</tr>
<tr>
<td>2008-09</td>
<td>3700 (56.51%)</td>
<td>34786(56.9%)</td>
<td>182562.55(1667%)</td>
</tr>
<tr>
<td>2009-10</td>
<td>3399(-8.14%)</td>
<td>24075(-30.79%)</td>
<td>527508.85(188.94%)</td>
</tr>
<tr>
<td>2010-11</td>
<td>3511(3.29%)</td>
<td>23875(-0.83%)</td>
<td>129354.24(-75.47%)</td>
</tr>
<tr>
<td>2011-12</td>
<td>1415 (-59.69%)</td>
<td>18680(-27.81%)</td>
<td>60641.10(-53.12%)</td>
</tr>
<tr>
<td>2012-13</td>
<td>2596(83.46%)</td>
<td>19289(3.26%)</td>
<td>82980.67(36.83%)</td>
</tr>
<tr>
<td>2013-14</td>
<td>4892(88.44%)</td>
<td>24680(27.94%)</td>
<td>98899.12(19.18%)</td>
</tr>
</tbody>
</table>

Source: Profile of Coimbatore district

The above information about performance of MSMEs determined that there is a drastic percentage increase of no of MSME units as 88.44 in 2013-14. The same is found to be 4.93% in 2007-08. There is a slow decrease in percentage of no of units as -59.69% in 2011.12. The employment opportunities provided by MSME units faced a percentage increase of 56.94 during 2008-09. The same is found to be 27.94 % in 2013-14. There is considerable decrease of 30.79% in 2009-10. The percentage increase in investment is observed to be maximum as 1667 in 2008-09. The same is displayed as 19.18 in 2013-14. There is a considerable decrease in percentage of investment as -75.47 in 2010-11.
Kancheepuram District:

Kancheepuram district is one of the industrially fastest growing districts in the state of Tamil Nadu. Kancheepuram district was initially known as Chengalpattu District. It was bifurcated on 18-11-1997 into Kancheepuram and Thiruvallur districts. Kancheepuram town, known as city of thousand temples, is the headquarters of the District. It is situated at a distance of 76 kms from Chennai and well connected by road and rail. Kancheepuram was the historical capital of Pallavas, having magnificent temples and unique architectural beauty that bears testimony to its ancient glorious of Dravidian heritage. It is also known for its richest silk. Mamallapuram, Uthiramelur and Sriperumbudur are some of the other historical places in the district. The district is also known for numerous electronic and software units in the IT corridor, Giant car manufactures like ford, Hyundai, BMW and Nissan, Telecommunication multinationals like Nokia and Flextronics and the famous glass manufacturer Saint Gobain Glass.

Major Exportable Items:

Cars, Auto Components, Electronic Components, Software products, Readymade garments, Leather products, Silk Sarees, Jewellery, Glass, Granite.

Vendorisation/ Ancillarisation of the Industry

Auto components, Engineering / Fabrication, Embroidery Job work for Garment Industry

Service Enterprises

The growth in the auto manufacturing sector has assisted in the development of service enterprises for 4-wheeler and two-wheelers. The growth in population, migration of both skilled and unskilled manpower and flat culture provide scope for domestic service enterprises, security services, manpower agencies, hotel.
Table 3.10 Performance of MSME in Kancheepuram District

<table>
<thead>
<tr>
<th>Year</th>
<th>No of MSME units</th>
<th>Employment</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>1215</td>
<td>4132</td>
<td>6552</td>
</tr>
<tr>
<td>2007-08</td>
<td>1131 (-6.91%)</td>
<td>4260 (3%)</td>
<td>9620 (46.82%)</td>
</tr>
<tr>
<td>2008-09</td>
<td>1596 (41.11%)</td>
<td>24092 (465.53%)</td>
<td>9297 (-3.35%)</td>
</tr>
<tr>
<td>2009-10</td>
<td>2182 (36.71%)</td>
<td>32692 (35.69%)</td>
<td>43859 (371.75%)</td>
</tr>
<tr>
<td>2010-11</td>
<td>2959 (35.6%)</td>
<td>20236 (-38.1%)</td>
<td>44094 (0.53%)</td>
</tr>
<tr>
<td>2011-12</td>
<td>4457 (16.83%)</td>
<td>12852 (-36.48%)</td>
<td>19328 (-56.17%)</td>
</tr>
<tr>
<td>2012-13</td>
<td>4560 (2.3%)</td>
<td>14862 (15.64%)</td>
<td>46854 (142.41%)</td>
</tr>
<tr>
<td>2013-14</td>
<td>4750 (4.17%)</td>
<td>20645 (38.91%)</td>
<td>54320 (15.93%)</td>
</tr>
</tbody>
</table>

Source: Profile of Kancheepuram district.

The above information about performance of Kancheepuram district showed that there is a maximum percentage increase in no. of units as 53.51 in 2012-13. The same is found to be moderate as 35.6% during 2010-11. There is a minimum percentage decrease observed as -6.91 in 2007.08. The percentage increase in employment opportunity is 465.53 which is maximum. The employment opportunity is moderate as 15.64% in 2012-13. There is percentage decrease of -38.1 in 2010-11. The percentage increase in investment is found to be 371.75 as maximum increase in 2009-10. The same if recorded as moderate as 15.93% in 2013-14. There is a skidding decrease as -3.35% in 2008-09.

Erode District:

Erode district predominantly agriculture in nature is emerging gradually but steadily as an Industrially Promising District. Erode was previously a part of Coimbatore District and it has been bifurcated from Coimbatore District on 17th September 1979 as a new district. Erode is known for the biggest textile shandy for marketing the power loom and handloom products.

Potentials areas for service industry Reparing of Motor Vehicles units as a cluster can be developed at Perundurai. Computer software and services are having good scope for development at Erode.

Table 3.11 Performance of MSME in Erode District

<table>
<thead>
<tr>
<th>Year</th>
<th>No of MSME units</th>
<th>Employment</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>10239</td>
<td>62890</td>
<td>1976545</td>
</tr>
<tr>
<td>2007-08</td>
<td>15278 (49.21%)</td>
<td>71948 (14.41%)</td>
<td>2077742 (5.11%)</td>
</tr>
<tr>
<td>2008-09</td>
<td>1358 (-91.11%)</td>
<td>13631 (-81.05%)</td>
<td>39219.65 (98.11%)</td>
</tr>
<tr>
<td>2009-10</td>
<td>1758 (-29.45%)</td>
<td>14728 (8.05%)</td>
<td>211955.25 (440.43%)</td>
</tr>
<tr>
<td>2010-11</td>
<td>2809 (-59.78%)</td>
<td>22,868 (55.26%)</td>
<td>160453.46 (-24.29%)</td>
</tr>
<tr>
<td>2011-12</td>
<td>2967(5.62%)</td>
<td>32450(41.9%)</td>
<td>180648.34(12.58%)</td>
</tr>
<tr>
<td>2012-13</td>
<td>3268(10.15%)</td>
<td>38568(18.85%)</td>
<td>212382.68(17.56%)</td>
</tr>
<tr>
<td>2013-14</td>
<td>3895(19.18%)</td>
<td>40695(5.51%)</td>
<td>289674.98(36.39%)</td>
</tr>
</tbody>
</table>

Source: Profile of Erode district.

The above performance information about MSME Units in Erode district recorded maximum percentage increase in No. of units as 49.21 in 2007-08. The same is found to moderate as 5.62% in 2011-12. There is a percentage decrease in No. of units as -91.11 in 2008-09. There is a maximum percentage increase of 55.26 in employment opportunity during 2010-11. There is a moderate percentage increase of 5.51 in 2013-14. There is a decline in employment in MSMEs as -81.05% during 2008-09. The percentage increase in investment is found to highest as 440.43 in 2009-10. The same is recorded as moderate as 12.58% during 2011-12. There is considerable percentage decrease of -24.29 in 2010-11.

Role of Government in Promotion of SMES:

Ever since independence, the government of India has been taking policy measures to protect, support and promote SMEs to encourage them to play a critical role in the growth of the economy. Broadly what it takes to promote these enterprises are providing a stable business environment, positive legal environment, with simple taxation laws and procedures; simple process to incorporate companies and take necessary regulatory approvals and conducive fiscal policies and
institutional support system. Some of the specific promotional measures taken by the government are as follows:

- Extension activities
- Credit facilities at concessional rates from banks and financial institutions
- Setting up of industrial estates that provide sheds along with infrastructural facilities.
- Training facilities in different aspects of setting up a business entity.
- Support for marketing products and services
- Incentives to set up units in backward areas.
- Technical consultancy services
- Export promotion programmes and measures such as participation in international exhibitions and fairs, training programmes on packaging of exports, marketing development assistance scheme and awards for quality products\textsuperscript{26}.

The Government has initiated several measures to facilitate easy access of funds to MSME sector. One such initiative is priority sector lending. For public and private sector banks, 40 per cent of the Net Bank Credit (NBC) is earmarked for the priority sector. Credit to MSMEs is through the priority sector lending policy of the bank. For the foreign banks, 35 per cent is for priority sector of which 10 per cent is reserved for MSMEs. Any shortfall in lending by foreign banks has to be deposited in Small Enterprise Development Fund (SEDF) setup by SIDBI. The Government has also announced policy package for stepping up credit to small and medium enterprises with the objective of doubling the credit flow to the sector in the next five years. In recent times, the sector has shown interest in alternative sources of funding such as primary/secondary securities market, venture capital and private equity, external commercial borrowings, factoring services etc. Efforts are being put for Limited Liability Partnership Act to provide thrust to MSMEs in their move towards corporatization. The Government has introduced a Credit Guarantee
Scheme which provides collateral free credit facility by eligible lending institutions to new and existing MSMEs for loans up to Rs.100 lakh per borrowing unit.

Performance and Credit Rating Scheme was launched in April 2005 with an objective of improving their performance and access bank credits if the rating is high. Under the scheme, 75 per cent of the fees charged by the rating agencies are reimbursed by the Government to a maximum of Rs. 40,000.

**Induced Infrastructure:**

The state government has been continuously striving to provide the basic infrastructure for industrial growth. Prior to 1970, the small industries department had established 35 industrial estates in the State over 3,750 acres. The industrial estates were handed over to Tamil Nadu small industries development corporation, a fully owned state government undertaking, in 1970. TAN- SIDCO from 1970 to till date established 63 new industrial estates on about 4,276 acres. Earlier, the government and SIDCO apart from providing essential infrastructural facilities such as roads, culverts, storm water drain, underground sewage, power supply and water supply for industrial purposes, also constructed sheds in many industrial estates. As the allottees preferred to put up superstructures suiting their requirements and tastes, SIDCO decided to establish industrial estates with fully developed plots and allotted them for putting up the superstructures and for installing suitable plant & machinery. Many allottees however have not put up their units in the allotted sites for various reasons.

**Vision Tamil Nadu 2023:**

The Vision Tamil Nadu 2023 released by Hon’ble Chief Minister has listed the following major issues as confronting the SME sector.

- Access to finance
- Conducive regulatory and policy environment
- Access to technology
- Market access
- Infrastructure availability
The Vision document has also suggested a strategy for effectively addressing the above issues through a combination of policy measures, skill development and infrastructure facilities. Measures such as cluster development will be adopted in implementing focused initiatives to make SMEs competitive.

Problems of SMEs:

In India, most of the SMEs are loss making and becoming sick. Majority of the sick units were closed and crores of investment were locked, thousands of employees lost their jobs which it is the unfavourable conditions to our economic development also. The main reason behind all these problems is lack of marketing by SME and this is due to insufficient finance. These units do not allocate funds separately for marketing like multinational corporations and others. Even though some entrepreneurs are successful, they face various problems at different levels and stages. The major problems are raw materials, marketing, finance, infrastructural facilities and formalities to be completed with various government departments. Despite their economic significance, SMEs face a number of bottlenecks that prevent them from achieving their full potential. Major obstacles for business development for SMEs relate to a wide range of issues:

a) Procurement of Raw materials:

Getting required raw material at reasonable rates is one of the problems faced by some of the industrial units. The very objective of encouraging small scale industries by the government is to utilise the available local resources. But when it comes to practice, many units face raw material problems. Almost all units complain that the government quota is insufficient. As a result they are forced to under utilize their installed capacity. The problem is more acute for those units who depend completely on Government quota. These units complain that the supply is not only inadequate but also irregular. However, they have to pay money in advance to get the raw material. Some industrial units get the required quantity of raw material from the open market. But they are forced to pay high rates which has direct impact on the cost of production as well as working problems.
b) Inadequate Labour Skills:

It is the general assumption that required skill labour is not available, although unemployment is very high in the country. The entrepreneurs are facing a variety of labour problems which are as follows:

- Lack of required skill labour
- High labour turnover at minimum stability
- High absenteeism
- Inefficient labour force
- Laziness is common, resulting in decline in production
- Demand for more wages
- Lack of sincerity on the part of labour.

c) Lack of marketing:

Marketing is one of the major hurdles for the entrepreneurs. Inspite of government intervention in providing market support to entrepreneurs, they face the following marketing problems:

- Limited local market
- Intensive competition
- Orders for products are less
- Un-remunerative prices
- Difficult to go to national markets because of limited resources
- Credit sales are inevitable
- Delayed payment and bad debts.
d) Infrastructural support:

Since small and medium scale industries are located in different corners of the nation, naturally they have to face certain limitation related to infrastructure. Lack of adequate transport, high cost of transport and rent payable for the business premises to name a few.

e) Lack of finance:

Problems of finance is another major hindrance in the growth of small and medium scale entrepreneurs. It has an inter-related effect on the other functional problems of the entrepreneurs like marketing, raw material, transport etc. The major financial problems faced by the entrepreneurs are as follows:

- Limited equity base
- Working capital is not adequate
- High rate of interest
- Lack of adequate security arrangements
- Banks sanction much below the requirement.
- Inordinate delay in sanctioning of loans
- More time consuming and unnecessary formalities.

f) Support of Government:

Although the Government is trying to play a positive role but sometimes it proves to be counter productive and goes against the interest of entrepreneurs. Some of the problems with the government are as follows:

- Cumbersome procedure and formalities
- Inordinate delay in taking decisions
- Red tapism in common
g) Technology:

Cutting-edge technology becomes difficult to access for SMEs due to the high initial costs leaving them behind in the race for competitiveness.

h) Taxes and Regulations:

A multiplicity of regulating agencies lead to harassment and inspections with greater impact on operations of SMEs than on larger units\(^3\)  

The entrepreneurs are compelled to follow sound and financial management practices along with exploring opportunities. A small attempt is made to understand how the efficient financial management practices may facilitate a better performance of Small and medium scale enterprises.

Regularisation & Mechanisms of SMEs:

Finance is regarded as the lifeblood of a business enterprise because finance is one of the basic foundations of all kinds of economic activities. It is that master key which provides access to all the sources for being employed in manufacturing and merchandising activities.

Problems faced by MSMEs in getting assistance from traditional Sources:

- Lack of collateral security
- Lack of creditworthiness
- Poor past track record
- Poor financial statement records
- Proper records as an entrepreneur
- Information asymmetry etc.

MSMEs depend upon Banks, self-sources, non-financial institutions. The first major hurdle is that the credit availability is low for this sector. It is estimated that the unorganized sector comprises 95% of the total industrial units, employing
more than 65 million people. Yet only 8% of the total bank credit finds its way into this sector. Though credit to MSMEs fall under the category of priority lending, but with the expansion of the priority sector lending to accommodate fast growing areas such as home loans, education loan, the percentage share of credit to MSMEs is falling. According to the Third All India SSI census, only 14.2% of the registered and 3.09% of the unregistered MSMEs availed finance from bank.

A survey conducted by All India Management Association has identified lack of finance as one of the most crucial hurdles in the growth of SSIs more so in the Eastern region. The survey revealed that 60% of the units fail due to lack of demand for products, 36% due to marketing failure and 46% due to lack of adequate finance. Significantly, as per the survey of ICSI more than 60% of the SMEs units are sick and being punished to closure due to non-availability of timely and adequate finance.

Banks and financial institutions have been traditional sources of finance for the SMEs sector and they still play a dominant role in this regard. However, now the SMEs sector for the purpose of lending is coming under priority sector lending and the banks are to lend 40% of their loanable funds to the priority sector, which is inclusive of the SMEs sector.

Various studies across all economies identified effective financial management practices is as one core fundamental of SME success, but is also noticed that small business houses usually ignore the formal accounting and financial management structure in the practices and as a result they suffer. Further, lack of adoption of financial management practices by SMEs may be justified in the below described areas:

- Absence of understanding, effective interpretation of financial management information and uses of financial statements.
- Driven by the owner’s financial management goal and which is not lead by financial management practices.
Lack of expertise to recognize the effective utilisation of financial management practices for attaining financial profitability.

Reliance on external expertise to capitalize the financial management practices to obtain effective financial resources.

Therefore, financial management practices are the biggest challenges for Small & Medium scale enterprises. SMEs failure or difficulties to face the less profitability comes as a result of irrational financial decision in various ways and simply it happens due to inaccurate maintenance of books of accounting which lead inefficient financial management information

According to the fourth all India census 2006-2007, conducted by Ministry of Micro, Small and Medium enterprises, Govt. of India, it was revealed that about 29.40 per cent of the total units were suffering from sickness and about 3.73 per cent of enterprises suffered from incipient sickness. Major problem for the sickness was found to be lack of demand, shortage of working capital and marketing problems.

Table 3.12 Reasons for sickness in small scale industries in India

<table>
<thead>
<tr>
<th>S.No</th>
<th>Reasons for sickness/incipient sickness</th>
<th>Proportion of sick/incipient sick units( in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Lack of demand</td>
<td>41.94</td>
</tr>
<tr>
<td>2</td>
<td>Shortage of working capital</td>
<td>20</td>
</tr>
<tr>
<td>3</td>
<td>Non-availability of raw materials</td>
<td>5.11</td>
</tr>
<tr>
<td>4</td>
<td>Power shortage</td>
<td>5.71</td>
</tr>
<tr>
<td>5</td>
<td>Labour problems</td>
<td>5.64</td>
</tr>
<tr>
<td>6</td>
<td>Marketing problems</td>
<td>11.48</td>
</tr>
<tr>
<td>7</td>
<td>Equipment problems</td>
<td>3.17</td>
</tr>
<tr>
<td>8</td>
<td>Management problems</td>
<td>6.46</td>
</tr>
</tbody>
</table>

Source: Ministry of Micro, Small and Medium Enterprises (2011a), Government of India, Fourth All-India census 2006-2007

According to Confederation of Indian Industry (CII), Indian MSMEs face several challenges for growth. Some of the problems are high cost of credit, limited access to equity capital, problems in supply to government departments and agencies, procurement of raw materials at a competitive cost, inadequate infrastructure facilities such as power, road, low technology levels and lack of
access to modern technology, lack of skilled manpower, problems of storage, designing, packaging and product display, absence of suitable mechanism to revive/close sick enterprises quickly and lack of resources for branding and marketing and lack of access to global markets. Infusing competitiveness, infrastructure development and bringing vast population of MSMEs in the unregistered sector to the mainstream is the main challenge before the GoI at present. (CII, 2010).

The above diagram represents the effectiveness of financial management practices followed by SMEs in TamilNadu were measured by KPMG during 2013-14 among various types of organisation such as foreign multinational, government establishment, public sector enterprise, educational institution, Indian multinational and SMEs and allotted score. It was found that Small and medium scale enterprises were ranked as 3.4 among these type of organisation in adoption of financial management practices. So, it is essential for all the supporting bodies especially the government to organise various seminars, workshops and create awareness among the SMEs in Tamil Nadu about the importance of financial management practices for their business sustainability.

The basic objective of any business venture is the earning of adequate profits through its survival and strong growth, though there can be other objectives like social and national too. Proper financial management will assist in fulfilment of
these objectives by analysing and forecasting needs, managing working capital, planning capital structure and the likewise. For the successful running of any enterprise, the appreciation of financial management is as important as other areas like production and marketing.

“Beware of little expenses. A small leak will sink a great ship-“

Benjamin Franklin

“Financial management is one of several functional area of management but it is central to the success of any small business. Financial management is the management of finances of a business inorder to achieve the financial objectives of the business.

The strong points of financial management practices in the SME sector have attracted the attention of researchers. Depending on different objectives, researchers emphasize different aspects of financial management practices. McMahon, Holmes, Hutchinson and Forsaith(1993) and McMahon (1993) summarize their review of financial management practices in Australia, UK and USA. In this review, the context of financial management practices includes financing decisions, investing decisions and working capital management. However, the previous researchers though looked into financial management, they did not include other key areas like financial planning, financial structure management, maintenance of books of accounting and capital budgeting decisions.

Financial planning, analysis and control

Planning entails setting goals for the enterprise, whereas control implies the attainment of these goals. According to Garrison et.al (2003) “Budgeting systems serve multiple purposes with planning and control being two of the more important functions”. The preparation of financial planning and control systems is one of the factors that influence the survival of small and medium business. Longenecher &Moore argue that small businesses that operate in uncertain and competitive environment need to plan in terms of preparation of financial budget, analysis of cost, sales and profit and control their operations by constant check on items that affect the liquidity position of firm, because this will help
owner/managers to run their business successfully and control risk management in the globalised economy. Preparation and implementation of financial planning, analysis and control may be costly and time consuming for SMEs comparatively but in order to operate in the dynamic global, uncertain and competitive environment, SMEs need to have computerised software accounting management system in place. Hence proper financial planning and sound management are two factors that are needed to ensure the survival of more Small and Medium enterprises.

Financial structure management:

SMEs in India find it difficult to access the loans from external sources such as banks, financial and non-financial institutions due to improper maintenance of books of accounting by SMEs and also red-tapism procedures levied by the banks and bureaucratic policies of various institutions. But the second generation entrepreneurs coming from the business families were able to get loans easily due to the goodwill and non fear of NPA by banks. Even the government funding schemes are not reachable to the SMEs in proper time and to the right person. So, it is suggested that entrepreneurs of SME should maintain banker friendly relationship and credit rated SMEs in Tamil Nadu were able to access the short term loan easily from commercial banks. The existence of finance gaps arises because demand from small firms is greater than the willingness of financial institutions to supply the finance at current market conditions. Growth seems to play a part in determining long term and short term debt in the business services industry and short term debt in the manufacturing, construction and distribution industries.

Maintenance of books of accounting:

Accounting is the language of business. Poor record keeping is also cited as a cause for business failure. The attitude of the entrepreneurs in SMEs think that there is no need to keep accounting records as it involves cost and time consuming process. Ita Salsalina lingaa argues that majority of SMEs in India are sole proprietor and most of the owners backgrounds are non accounting degree. So, due to lack of accounting skill, knowledge and improper maintenance of accounts they are not able to access loan easily. In India, SMEs find it difficult to implement the maintenance of books of accounting as John Kwaning Mbrough argues that Some
SMEs consider that proper accounting might over expose them to several dangers including imposition of licenses, high interest rates by banks, new competitors and majority of the owners of SMEs had no formal education, basic knowledge in business management and accounting which as a result a reasonable number of SME are presently unable to keep simple books of primary entry and ledgers.

**Capital budgeting decisions or fixed asset management:**

Efficient utilisation and control and management of acquired fixed assets are also equally important. Appropriate acquisition process, proper record keeping, periodically evaluating the efficiency of fixed assets, regular repair and maintenance and proper disposal of fixed assets will enhance the performance of firms and efficiency in fixed asset management practice has a positive effect on profitability. Due to difficulties in obtaining long-term loans, SMEs are willing to use short-term loans to finance non-current assets. These financial management practices might adversely affect the SME profitability. The decision on capital expenditures are very important for every firm, whether it is a small-scale industry or a larger firm because their impact is more or less permanent on the well being and economic health of the enterprise. As preparation of capital budgeting techniques requires expertised knowledge and skills whereas the owners of SMEs possess only basic informal education and they fail to adopt and take decisions based on intuitions and past experience and in few firms due to scarcity of funds did not prepare capital budgets.

**Working capital management:**

The working capital management is an integral part of overall management of SMEs. The careful management of working capital is more vital in small and medium enterprises than it is for large organisations particularly as they are not likely to have access the financial enterprises like the large enterprises. Cash management is one of the key areas of working capital management. Periodic review of cash position by SMEs is undertaken mostly either on daily or weekly basis which in turn will enhance the liquidity position of the SMEs. But the liquidity position of a concern to pay its short term obligations in time depends upon the quality of its trade debtors. Bad debts is a major problem to SMEs survival. So,
it is vital for all the enterprises to check the creditworthiness of the customers before granting credit. Careless working capital management practices -cash flow management, inventory control and bad debts or poor receivables management are the most internal problems of SMEs, as majority of the owners of SMEs depend on manual methods of maintaining inventory level, cash and debtors due to limited formal education which in turn affect the liquidity position of the firm.  

So it is quite clear that MSME in India and as well as in Tamil Nadu is playing a phenomenal significant role in terms of employment, production, investment and Gross domestic product. If India has to attain its unattainable GDP of 11 to 15% in near future, the only source is through facilitating MSME to compete with the global market. This could be achieved only if the government and other supporting bodies such as financial institutions, non-financial institutions and NGOs should take steps in creating awareness about the importance and adoption of financial management practices among Small and medium scale enterprises. As adoption of financial management practices such as financial planning, analysis and control, financial structure management, Maintenance of books of accounting, capital budgeting decisions and working capital management by SMEs will aid the ever challenging problem of FINANCE.
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