Chapter III

The Setting

Theoretical Background

Entrepreneurship and SMEs have emerged as the engine of economic and social development throughout the world. The role of entrepreneurship has changed dramatically and fundamentally, so that it is now seen as a requisite ingredient generating employment, economic growth and international competitiveness in the global economy (Carree and Thurik, 2003).

The purpose of this chapter is first to explain the theoretical background and why the role of SMEs is crucial for international competitiveness and a strong economic performance in developed and developing countries, and then to document the role that SMEs play in India. Entrepreneurship and SMEs are related but certainly not identical concepts. Entrepreneurs, for example, are the main drivers of the firm creation process where young and small firms play a role. On the other hand, the entrepreneurial energy of a country, region or industry is often described using phenomena such as firm creation and turbulence (Carree and Thurik, 2003).

The new view of entrepreneurship that is based on its role as an agent of change in a knowledge-based economy implies that a positive business
performance should be linked to entrepreneurial activity. This hypothesis has raised two challenges to researchers: (1) what is meant by business performance and how can it be measured and operationalised? and (2) Over which units of analysis should such a positive relationship between entrepreneurship and business performance be manifest? In fact, these two issues are not independent from each other. The answer to the second question, the appropriate unit of analysis, has influenced the first question, the performance criteria and measure. The most prevalent measures of performance have been growth, income, wages, survival, innovation, and productivity. Other performance measures that have been used include profitability, and satisfaction (of the owners and employees). At the unit of observation of the individual, the most typical performance measure has been individual earnings. Typically this involves income generated from a self-owned enterprise. Measures of growth make little sense at the level of the individual. There are several studies, which have focused on survival (typically in self employment or as a small-business owner) as a performance measure. However, since entrepreneurial performance at the level of the individual has been the subject of this research, how this leads to business performance, is discussed as follows.

At the level of the enterprise and establishment, the most prevalent performance measure has been growth, typically employment growth. A second common measure of performance at the level of the enterprise has been survival. Other performance measures used at the enterprise/establishment level include
profitability, exports, foreign direct investment, and levels of employee compensation, innovation, and productivity. While it may seem surprising that profitability has not been used more often there are several explanations. First, measurement is more difficult and it is certainly not common for researchers to obtain access to measures of enterprise profitability. Second, profitability as a performance measure is fraught with accounting difficulties. When comparisons are made across countries, the limitations of profitability as a performance measure become even more glaring. Using these different performance measures across the different units of analysis, a mountain of empirical evidence has been accumulated in the last two decades providing compelling links between entrepreneurship and business performance. This evidence points to a positive and robust relationship between measures of entrepreneurship and business performance. The positive relationship between entrepreneurship and performance has been found to hold not just for a single measure of performance, but rather across a broad spectrum of performance measures, such as employment creation, growth, enterprise survival, innovation and technological change, productivity increases, and exports. This link has proven to be robust across multiple units of observation, ranging from individuals, to establishments, enterprises, industries, geographic clusters, regions and even countries. Just as importantly, the positive relationships between entrepreneurship and the various measures of business performance have been found to hold not just in the context of one country, but consistently for different countries across the globe (Carree and Thurik, 2003).
The contribution of the small and medium enterprise sector to overall economic development is dependent on the performance of the individual firms that comprise the sector. Performance of individual firms is in turn determined by the strategies adopted by their owner-managers (McMohan 2001). Rue and Ibrahim (1998) found positive associations between strategy and firm performance. The entrepreneur or the SME manager is the main strategist and decision maker who develops the vision and mission and strategies for the enterprise, implements the vision, mission and strategies (McKenna, 1996; Berry 1998). In small and medium sized firms, the choice of strategies implemented reflects the owner-manager's personal goals and desires which are grounded in their personal values (Kotey and Meredith, 1997; Olson and Currie, 1992). Tambunan (1994) found that SMEs’ owner-managers having entrepreneurial values such as creativity, integrity, achievement, among others, were more likely to have superior performance in managing organizations than owner-managers without these values. Research has also shown that personal values, business strategy and enterprise performance are influenced by the demographic characteristics of the owner-managers, such as age, education, parents’ education, and parents’ occupation (Carter et al., 1997; Tambunan, 1994; Verheul et al., 2002). In the light of above findings from the literature, it could be drawn that, link between strategy and performances of the businesses, link between values and performances of the businesses, link between demographic characteristics and performances of the businesses, and link between demographic characteristics and
values are shown by the previous studies. The literature has shown evidently only the independent link between strategy and performances of the businesses, between values and performances of the businesses, between demographic characteristics and performances of the businesses, and between demographic characteristics and values. But the literature does not show any evidence that the link exists between all these four together. Therefore finding the link among all these four, characteristics, values, strategies and business performance, if there is any, is the main problem of this study.

**SMEs in Developed and Developing countries**

Small and medium-sized enterprises (SMEs) are a very heterogeneous group of businesses usually operating in the service, trade, agri-business, and manufacturing sectors. They include a wide variety of firms such as village handicraft makers, small machine shops, and computer software firms that possess a wide range of sophistication and skills. Some are dynamic, innovative, and growth-oriented while others are satisfied to remain small and perhaps family owned. SMEs usually operate in the formal sector of the economy and employ mainly wage-earning workers. SMEs are often classified by the number of employees and/or by the value of their assets. The size classification varies within regions and across countries relative to the size of the economy and its
endowments. It is important to note that there is a minimum as well as a maximum size for SMEs.

**From SMEs to giant companies – some samples**

Taking a look at any big company, now, it is looked back through time and track down when the company actually began. Not too many were born the size of the National Federal Bank or Procter&Gamble. Almost every company we know of began as an SME. The all-powerful Microsoft began as a couple of guys in a small garage in North-America; Vodafone as we know it today was once a little spin-off from Racal; Hewlett-Packard started in a little wood shack; Google was begun by a couple of young kids who thought they had a good idea; even Volkswagen at one point was just a little car maker in Germany (as opposed to being a giant small car maker globally (U.S. Department of Commerce, Exporter Database, 2005 ).

**SMEs in US**

The Commerce Department's Exporter Database (EDB) reveals that in 2005 the total number of U.S. firms exporting goods stood at 225,190—almost double the 112,854 firms that exported in 1992. The EDB captures companies exporting merchandise, but not firms that export only services. Small and medium-sized enterprises (companies with fewer than 500 workers) would be among the major beneficiaries of U.S. initiatives to reduce foreign barriers to U.S. exports. A total
of 218,382 SMEs exported from the United States in 2005, accounting for 97 percent of all U.S. exporters. This is a marginal increase from the 96 percent share registered in 1992. Very small companies—i.e., those with fewer than 20 employees—made up 69 percent (more than two-thirds) of all U.S. exporting firms in 2005. This is up significantly from 1992, when 59 percent of all exporters employed fewer than 20 people. This includes firms where the number of employees is unknown. SMEs accounted for over 98 percent of the 1992-2003 growth in the exporter population. The number of SMEs that export merchandise soared from 108,026 in 1992 to 218,382 in 2005. The SME share of U.S. merchandise exports has recently hovered around 30 percent. SMEs were responsible for 27.2 percent of goods exports in 2005, down slightly from 28.8 percent in 1999, 29.5 percent in 1992 and 30.8 percent in 1997. The known export revenue of SMEs rose from $102.8 billion in 1992 to $171.5 billion in 2005. This was an increase of 67 percent, while exports from all companies increased by 80 percent over the same period. Non-manufacturing companies dominate exporting by SMEs. In 2005, wholesalers and other non-manufacturing firms made up 68 percent of all SME exporters and generated 60 percent of total SME exports. In all major product categories, SME exporters outnumber large firms. For example, SMEs accounted for 94 percent of all exporters of machinery in 2005. Other export sectors dominated by SMEs were computer and electronic products (94 percent of all exporters were SMEs), miscellaneous products (93 percent), transportation equipment (92 percent), and fabricated metal products (92 percent).
SMEs account for a sizable share of exports in some product sectors. Examples include wood products (63 percent of 2003 exports were from SMEs), miscellaneous manufactures (47 percent), textiles and fabrics (43 percent), food & related products (41 percent), and apparel and accessories (40 percent). Many SMEs could sharply boost exports by entering new markets. In 2005, 61 percent of all SME exporters—nearly two-thirds—posted sales to only one foreign market. On the other hand, more than half—52 percent—of large firms that exported recorded sales to five or more foreign markets in 2005. All exporters—both large and small companies—benefit from efforts by the U.S. Government to lower foreign barriers to U.S. products. With the implementation of NAFTA, exports to Canada and Mexico by SMEs and large firms relative to the rest of the world rose significantly. The share of SME exports going to Canada and Mexico increased from 24 percent in 1992 to 28 percent in 2003. Similarly, the share of large firms' exports going to those two countries rose from 26 percent in 1992 to 36 percent in 2005. Compared with large firms, SMEs are especially dependent on U.S. Government initiatives to open foreign markets. This is because, unlike big companies, most SMEs do not possess offshore business affiliates that can be used to circumvent trade barriers and gain market access. Nearly 90 percent of all SME exporters do business from a single U.S. location, and only 16 percent of SME exports go to affiliates (related parties) abroad. In contrast, 11 percent of large firms that export are single-location companies and 42 percent of the exports from large firms go to foreign affiliates. Free Trade Agreement (FTA) partner countries
represent significant markets for SME exporters. In 2005, almost 95 percent of all companies that exported to our NAFTA partner Canada were SMEs. SMEs represented the majority of exporting companies to other Free Trade Agreement countries as well, including Mexico (91 percent), Australia (89 percent), Singapore (87 percent), Chile (82 percent), and Morocco (70 percent). SMEs also represented at least 75 percent of all U.S. exporters to the individual CAFTA-DR FTA partner countries (Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua) in 2005. Canada is by far the most popular export destination for SMEs. In 2005, some 87,596 SME exporting companies registered sales to Canada—an increase of 94 percent over 1992. Mexico ranked second, receiving merchandise exports from 33,408 U.S. SMEs. Other popular markets for SME exporters were the United Kingdom, Japan, and Germany. Together, the NAFTA countries accounted for 28 percent of U.S. merchandise exports from SMEs in 2003. Canada alone purchased $27 billion in merchandise exports from SMEs, followed by Mexico with $21 billion. Other top markets for SMEs in 2003 were Japan ($14 billion), China ($9 billion), the United Kingdom ($9 billion), South Korea ($7 billion), and Germany ($6 billion). Smaller major markets are among the fastest-growing customers for SMEs. From 1992 to 2003, SME exports to China surged by 416 percent, while exports to Malaysia increased 259 percent, sales to Ireland increased 227 percent, and sales to Brazil rose 152 percent. In a number of major markets, SMEs are responsible for a considerable share of U.S. exports. In 2005, 47 percent of known U.S. exports to Israel were
attributed to SMEs. SMEs were responsible for 46 percent of merchandise exports to Hong Kong, 44 percent of exports to Saudi Arabia, and 41 percent of exports to Spain (U.S. Department of Commerce, Exporter Database, 2005, retrieved on www.smestatisticaloverview 2005).

SMEs account for roughly two thirds (66%) of employment within the EU, with micro enterprises accounting for 34%, small enterprises accounting for 19% and medium-sized enterprises accounting for 13%; more than half (52%) of private sector turnover within the EU, average turnover being approximately 500,000 Euros (EUROSTAT 2003). There are 20.5 million enterprises in the European Economic Area (EEA) and Switzerland, providing employment for 122 million people. Some 93 % of these enterprises are micro (0-9 employees), 6 % are small (10-49), less than 1 % are medium-sized (50-249) and only 0.2 % are large enterprises (250+). Of all these enterprises nearly 20 million are established within the European Union. Two thirds of all jobs are in SMEs, so one third of all jobs is provided by large enterprises. Within SMEs, total employment is split up roughly equally between micro enterprises (employing less than 10 employees), and small and medium-sized enterprises (Department of commerce, EU, 2005).

**SMEs in UK**

There are 3.7 million businesses in the UK, or one for every ten people of working age. Of those businesses, 99.8 per cent have fewer than 250 employees. Only 31,000 businesses have 50 or more employees. One in eight of the
workforce, or 2.3 million businesses, are self-employed. The United Kingdom has a large business population by international standards although it has fewer small employers (as opposed to sole traders) than Italy or Germany. 24,000 businesses were medium sized (50 to 249 employees) and almost 7,000 were large (over 250 employees). The latter group accounted for 45% of non-government employment. Women are now responsible for a third of all business start-ups, an increase of over 22% over the last 4 years. (Barcleys Bank Report December 2000.) SMEs are crucial to the UK’s economy. Businesses with under 250 employees account for 56% of the UK non-government jobs and 52% of turnover. This is a smaller share than any other European Union country, partly due to a greater proportion of employment in large corporations in the UK than elsewhere in the EU. Many smaller businesses in the UK make a vital contribution to innovation. They do so as originators of new ideas and technologies; as links in supply chains promoting technical advances; and as sources of knowledge and specialized goods and services for larger businesses. Small businesses accounted for a higher proportion of employment in some industries including agriculture, business activities and construction. Small businesses are recognised as the backbone of the British economy, accounting for more than half of the UK’s turnover. Businesses employing fewer than 50 people account for 37 per cent of UK turnover and 44 per cent of private sector employment. But failures are frequent and often are thought to be due to management and leadership weakness. In addition, smaller businesses have little time to navigate through the confusing variety of training
schemes available, and are often unable to cope easily with the way training is delivered. (Small and Medium Enterprise (SME) Statistics for the UK, 1999 URN 00/92) SMEs in the ten new EU member countries: Until 1st May 2004 these countries were the candidate countries. There are many theories as to what impact this may have on the other EU countries. New opportunities will arise for SMEs in all of the countries concerned via collaboration and import/export. A common concern is that there will be a ‘brain drain’ away from these countries into the existing member states and there is also a worry that vast unemployment (around 25% for the under 25s in Poland, which also has the largest population of the accession countries) will lead to an influx of people seeking work. In theory, this could mean increased competition for work in the UK, but on the other hand, it could open up more opportunities abroad as working restrictions are lifted. Although the Baltic states of Estonia, Latvia and Lithuania have high unemployment rates they also have the fastest rate of growth of GDP (Gross Domestic Product). In addition to the accession countries there are three applicant countries and a further 17 European countries. The latter include Belarus, Moldavia, and the Ukraine, where a high percentage of the population lives in poverty with high unemployment and underemployment, i.e. higher qualified workers carrying out lower skilled jobs. The OECD countries The Organization for Economic Co-operation and Development (OECD) has 30 member countries. The members include all of the 15 pre-accession EU states, four of the accession countries, one applicant country and three of the remaining European countries.
The other seven countries are Australia, Canada, Japan, Korea, Mexico, New-Zealand and the United States. Of this group, SMEs represent over 95% of enterprises in most countries and generate over half of private sector employment. In New-Zealand, for example, nine out of ten businesses IT is of particular importance, with the number of employees in this area in 2005 more than doubling that of 1997. Most OECD governments promote entrepreneurship and develop SMEs with a myriad of policies and programmes. As in the EU, this is to combat SME difficulties such as financing, technology and innovation, e-commerce, management and internationalization. For example, in Korean measures include tax breaks and reduced interest loans for starting new businesses in rural areas. In America, small business benefited from about US$2 billion in the financial year of 2005, approximately 20% of total authorizations. In value terms, almost 23% of the contracts reported were awarded to small businesses; about a third of these were to small disadvantaged businesses. Procurement policy also seeks to increase the participation of small businesses, veteran-owned small businesses, small disadvantaged business, and women-owned small businesses. The Small Business Act (P.L. 85-536), as amended, requires that each contract with an anticipated value greater than US$ 2,500 but less than US$ 100,000 be reserved exclusively for small business concerns unless the contracting officer is unable to obtain offers from two or more small businesses that are competitive with market prices and with the quality of the goods or services to be purchased( Department of commerce, EU,2005).
Latin-America

After focusing on large investments and wooing multinationals for years, Latin American politicians are beginning to realize that SMEs are the true job creators, as well as important players in technology supply chains. The vast majority (approximately 80-90%) of companies are micro enterprises and the governments have vastly reduced red tape to ensure SMEs needs are attended to swiftly. Among the major regional economies, only Argentina experienced a drop in the number of SMEs between 1998 and 2002, while these types of businesses flourished elsewhere in Latin-America, especially in Brazil and Mexico. While in Brazil the economy expanded by only 0.8% in 1999, SMEs grew by 6.5%. In Colombia, SMEs now account for 36% of all jobs and 63% of industrial jobs. Moreover, SME membership in Colombia’s chambers of commerce rose from an average of 20% in 2000 to 93% in 2005 (Department of commerce, EU,2005).

Asia

It has been recognized that some of the world’s best performing economies, notably Taiwan and Hong Kong, are very heavily based on small enterprises. 81% of all employment in Japan is in SMEs where the average enterprise employs nine staff as opposed to four in the EU (Report, Asian Development Bank, 2005).
South Africa

South Africa: as in Latin America, the share of employment located in the micro, small and medium sectors taken together is high – estimated recently at 60% while the sector generated about 40% of output. (Department of Commerce, Government of South Africa, 2005).

SMEs in India

In India, the SME produces a wide range of industrial and consumer products such as food products, beverage, tobacco and tobacco products, cotton textiles, wool, silk, synthetic products, jute, hemp & jute products, wood & wood products, furniture and fixtures, paper & paper products, printing publishing and allied industries, machinery, machines, apparatus, appliances and electrical machinery. SMEs also has a large number of service industries. The small and medium enterprises, in India, comprises of a diverse range of units from traditional crafts to high-tech industries. In India, the number of Small and medium enterprises (registered) totaled 11.4 million in 2003-04—80.5 per cent of which are proprietary concerns and 16.8 per cent are partnership firms and private limited companies (Ministry of Small Scale Industries, 2004, Govt. of India).

SME is one of the significant sectors of the Indian economy, contributing about 7 per cent to the Indian GDP and providing employment to over 28 million people. The Indian SME’s current production value is almost Rs 816,000 crore. It
contributes to around 40% the total of industrial production & exports. It manufactures more than 8,000 diverse products, ranging from low-tech items to technologically-advanced products. The SSI sector targets both domestic and global markets. SMEs sector is recognized as the engine of growth, accounting for about 70% of employment and contributes a significant amount for the growth of GDP. Globally, 99.7 per cent of all enterprises in the world are SME’s and the balance 0.3 per cent is large-scale enterprises. By contrast, the SME sector in India accounts for 95 per cent of all industrial units (Ministry of Small Scale Industries, 2004, Govt. of India).

According to the Ministry of Small Scale Industries, 2004, the number of registered SME units, the fixed investment and the SMEs production are given in table 3.1.
### Table 3.1

**SMEs growth in India.**

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of SME units (in millions)</th>
<th>Fixed Investment (Rs. in crores)</th>
<th>SMEs Production (Rs. in crores)</th>
<th>SMES Exports (Rs. in crores)</th>
<th>SMEs employment (in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002-03</td>
<td>11million</td>
<td>162,533</td>
<td>311,993</td>
<td>71,244</td>
<td>260.13</td>
</tr>
<tr>
<td>2003-04</td>
<td>11.4million</td>
<td>170,726</td>
<td>357,733</td>
<td>86,013</td>
<td>271.36</td>
</tr>
</tbody>
</table>

Source: Ministry of small scale industries, 2004, Govt. of India.

About 8,000 products are manufactured in the small-scale sector. The industry groups—with a large share in the total production of SMEs such as textile products, wood, furniture, paper, printing, and metal products—have recorded high growth rates. The industry groups with a large share in exports are hosiery and garments (29.0%), food products (21.4%) and, leather products (18%). The SME units continue to create employment. The number of employed in the SSI sector went up from 260.13 lakh in 2002-03 to 271.36 lakh in 2003-04. This sector is next only to agriculture in employment (Directorate of Small Scale Industries, 2004, Govt. of India).
India has many states in it. Each state has its own government, called state government. Each state government has got the prerogative to create laws and policies as permitted and within the purview of government of India. Tamilnadu, where the study area, Trichy, is located, is one of the states in India. The details about SMEs in Tamilnadu state are given below. These details are obtained from Directorate of Chennai (Capital City of Tamilnadu State), India.

**SMEs in Tamilnadu**

Tamilnadu is one of the well developed states in terms of industrial development. In the post-liberalization era, Tamilnadu has emerged as one of the front-runners by attracting a large number of investment proposals. In recent times, it has attracted more number of investment proposals. Today, Tamilnadu is the third largest economy in India and its current State Domestic Product is well over US $ 23 billion (Directorate of Industries and Commerce, Chennai, India).

The Small and Medium Enterprises in Tamilnadu today comprise of automobile ancillaries, textiles and food processing. There is a growth in the automobile ancillaries industry because companies like Ford and Hyundai have come to Tamilnadu. The food processing sector again is growing as there is a demand for processed and packaged food. Entrepreneurs are setting up cold
storages and exporting frozen vegetables and fruits (Directorate of Industries and Commerce, Chennai, India).

The SME sector has a major contribution to the economy of Tamilnadu. The table 3.2 given below indicates the trend in growth of small scale industries during the last ten years and the level of investment, employment, etc, it has created:-Table 3.2
Table 3.2

Trend in Growth of Small Scale and Medium Industries in Tamilnadu

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Registered Units</th>
<th>Investment (Rs. in Crores)</th>
<th>Production (Rs. in Crores)</th>
<th>Employment (No.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994-1995</td>
<td>138404</td>
<td>3210.20</td>
<td>16747.00</td>
<td>1176700</td>
</tr>
<tr>
<td>1995-1996</td>
<td>157892</td>
<td>3757.20</td>
<td>20219.00</td>
<td>1313500</td>
</tr>
<tr>
<td>1996-1997</td>
<td>178114</td>
<td>4332.00</td>
<td>24048.00</td>
<td>1425300</td>
</tr>
<tr>
<td>1997-1998</td>
<td>207357</td>
<td>5184.00</td>
<td>29436.00</td>
<td>1638200</td>
</tr>
<tr>
<td>1998-1999</td>
<td>234409</td>
<td>5977.00</td>
<td>35161.00</td>
<td>1828600</td>
</tr>
<tr>
<td>1999-2000</td>
<td>263845</td>
<td>6912.00</td>
<td>41687.00</td>
<td>2033000</td>
</tr>
<tr>
<td>2000-2001</td>
<td>295004</td>
<td>7966.00</td>
<td>48675.00</td>
<td>2250900</td>
</tr>
<tr>
<td>2001-2002</td>
<td>324627</td>
<td>9350.00</td>
<td>58432.00</td>
<td>2451000</td>
</tr>
<tr>
<td>2002-2003</td>
<td>354939</td>
<td>10623.00</td>
<td>70987.00</td>
<td>2667200</td>
</tr>
<tr>
<td>2003-2004</td>
<td>387597</td>
<td>11567.22</td>
<td>78261.66</td>
<td>2902122</td>
</tr>
</tbody>
</table>

Source: Directorate of Industries, Chennai, India.
There has been a phenomenal growth in the number of small scale and medium industries in Tamilnadu. From SME units 138,404 in 1994-95, it has grown to 3, 87,597 SME units as in 2003-2004. A look at the group-wise classification of SME shows Hosiery and Readymade Garments units at the top of the list with 89,464 units accounting for a little over 22.2% of the total number of units. Other Manufacturing industries are far behind with 58,777 units which is around 15% of the total. Manufacturing sector is closely followed by Food Products with 37,152 units which are close to 10%. Share of all other groups are of single digit and the share of Jute, Hemp and Mesla Products and Beverages, Tobacco & Tobacco Products together falls below 1%.

**Profile of the study area.**

The geographical location chosen for the study is Tiruchirappalli, also spelled Tiruchirapalli, commonly known as Tiruchi or Trichy; formerly also pronounced as Trichinopoly (under British rule). It is the fourth largest city of the Indian state of Tamil Nadu (after Chennai, Coimbatore and Madurai). It is situated in the centre of Tamilnadu State. Trichy is a corporation and the administrative headquarters of Tiruchirappalli District. This place is having a lot of entrepreneurial activities because of the existence of quite a number of large scale industries and also more than the sufficient number of SMEs (Directorate of Industries, chennai.
India). The description about the study area with details about those larger and SMEs are given as follows

**Geography**

Trichy is situated in the centre of the Indian state of Tamil Nadu. The topology of Trichy is flat except for the river Cauvery running through the city. It lies at an altitude of 78 m above sea level. Trichy is traversed by the river Cauvery and the river Kollidam, the latter forms the northern boundary of the city. There are few hills located within the city, the prominent among them are Golden Rock, Rock Fort, and the one in Thiruverumbur. There are reserve forests along the river Cauvery, located to the west/north-west of the city. The southern/south-western part of the district is dotted by several hills which are thought to be an offset of the Western Ghat Mountain range and the soil here is considered to be very fertile. Because of the river Cauvery/Coleroon flowing through the city/district, the northern part of the district is rich in flora. There are also small pockets of forest cover located in the southern/south-western part of the district.

**Climate**

Trichy has a moderately pleasant climate with 'humidity' slightly above normal level as it is situated about 140 km away from the east coast of India. The city experiences pleasant winter and humid summer. The night-time temperature during winter ranges between 19 'C and 22 'C. The timing of the monsoon in this
part of the country has lately become unpredictable with the rainy season starting
during mid October / Early November that may extend till early or mid
January. Summer temperature 41.10°C (Maximum) 36.40°C (Minimum) Winter
temperature 21.31°C (Maximum) 18.60°C (Minimum).

Demographics

As of the 2004 Census, Trichy had a population of 12.11 lakhs. Males
constituted 49.97% of the population and females 50.03%. Trichy had an average
literacy rate of 91.45% (official figure). Male literacy was 94.17% and female
literacy is 88.73% with 9.59% (official figure) of the population under 6 years of
age. The city's population was predominantly Hindu, along with a sizable
Christian and Muslim populations. Sikhs were also present in smaller numbers.
Tamil is the official language (Census of India, 2004).

Culture

The city had a multi-cultural society with a sizeable presence of English,
Telugu, Hindi, and Malayalam speaking population. The city projects a calm
outlook and is considered to be friendly with tourists. Apart from Pongal - the
'Thamizhar Thirunaazh", Ugadi; Holi & Onam may also be seen to be celebrated
by the respective communities retaining their cultural roots (Census of India,
2004).
Industries

There are some major industrial houses in Trichy, few among them are BHEL (Bharat Heavy Electricals Limited) which is a prominent Navaratna company (a highly profitable PSU - Public Sector Undertaking) along with its ancillary industries contributes some 6000 crores to the industrial output of Trichy, Ordnance Factory (HAPP and Small Arms Project), Golden Rock Locomotive Workshop and Dalmia Cements. The plant of BHEL in Trichy, manufactures High Pressure Boilers.

There are several BHEL-groomed small and medium scale industries. Some of these small and medium scale industries are notable in the national and international market like Cethar Vessels, Veesons Energy Systems, Anand Engg, GB Engg, Pradev Software Solution & Mindchain Solution, Satron Technologies etc. Trichy also has exclusive Rotary Airpre heater manufacturer namely GE ECO. Being a commercial hub, Trichy stands first with 70% in India, in boiler & windmill manufacturing and fabrication. Number of small scale industries has also sprung up in Trichy, mostly around Thuvakudi and Mathur. Leather tanneries are located on the way to Pudukottai. Viralimalai, considered an industrial suburb on Madurai road has the factories of TVS India bus body building unit, MM Forgings. Also in the same area, Sanmar Group of Companies are located. A very Big Steel Foundry 10000 Ton per annum is in operation and one more foundry is coming up. Apart from this three more companies catering to Chemical and Process Industries find place here. One can also find agro-based industries around
Trichy. Manachanallur is famous for its numerous rice mills supplying polished rice all over Tamil Nadu and outside is located about 7 km from main city, Trichy.

The economy of the city is driven to a certain extent by IT(Information Technology)/ITES(Information Technology and Software Solutions) companies like HCL, CONTURA Technologies, SUTHERLAND, ALSEC, encouraged by the support from state government. A dedicated stretch of land has been identified and developed to increase the state's share in national IT/ITES exports. (Directorate of Industries, Chennai, India).

SMEs in Trichy

The size of the SMEs population is 1530 units in Trichy. All these units are registered with DIC, Trichy. DIC, Trichy, is a Government body wholly controlled by Government of Tamilnadu. The address of the units was obtained from DIC, Trichy for data collection. As per the source, the data obtained from DIC, Trichy belongs to the year, 2006.

The next chapter details the results of this research and describes in detail the analyses used and the methods employed.