CHAPTER II

REVIEW OF RELATED LITERATURE

INTRODUCTION

This chapter presents the review of literature of the past research studies on the subject and the concept used in the present study. Based on literature available on the subject of small-scale industries, important studies have been reviewed here. Such a review would facilitate the researcher to have a comprehensive knowledge of the concepts used in the earlier studies and would enable the researcher to adopt, modify and formulate an improved conceptual framework for the use of the present study with a view to drawing meaningful and useful conclusions.

REVIEW OF LITERATURE

In this section, an attempt has been made to review the previous studies carried out in relation to the small scale industrial units.

Abid Hussain Committee (1997) in his study titled “Report of the Expert Committee on Small Enterprises” has examined and suggested institutional arrangements, policies and programmes for meeting long term and short term requirements of the small scale industries. The Committee found that the reservation policy of specific products for exclusive manufacture by small scale industries had not served much purpose as most industrialization had occurred in items not reserved for small scale industries. Moreover, it had resulted in low efficiency and productivity and restricted the expansion and export potential of important industries like light engineering, food processing, textiles and others. Credit to small scale industrial sector had become more and more expensive especially after interest rate deregulation. Institutions and regulatory policies responsible for technical assistance, human resources
development, industrial standardization etc. expected to play a provocative role in halting technological obsolescence particularly among tiny units did not proved so effective.  

Agarwal (1988) has emphasized that the importance of small scale and cottage industries is more in the absence of large and medium industries in the North-eastern region. He mentioned some of the specific exogenous factors leading to bad industrial health in the region. These are absence of effective industrial policy and ad-hocism in Government decision at the state level as well as industry wise decisions, prolongation of gestation period due to infrastructure deficiencies and weakness of supporting services, uncertainties and shortage of essential raw material and construction material supplies, defective sales tax regulations, high power tariffs and transportation costs etc, defective capital base and operational plans, shortage of working capital, non-availability of trained and experienced personnel and old techniques of production and lack of quality control.

Anilkumar (2002), in his article, “The Role of State Financial Corporations (SFCs) in Financing SSI in India during Post-Reform Period”, pointed out that SFCs should make efforts to provide loans sanctioned and disbursed to small-scale sector because the problems of small-scale sector were entirely different from the medium-scale sector. The SFCs should make efforts to sanction the loans in a balanced manner for different purposes. More emphasis should be given to small-sized category of loans because it would help in promoting entrepreneurship development in the country which was the need of the hour.

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Anil Kumar (2008) in his article titled, “Awareness of Supporting Agencies among Women Entrepreneurs in Small Businesses”, examines awareness, utilization, and the level of satisfaction of supporting agencies among women entrepreneurs in Northern India by taking a sample of 450 respondents from five states of Northern India i.e., Haryana, Punjab, Rajasthan, Himachal Pradesh, and Delhi. He concludes that the level of awareness about services provided by the supporting agencies is very low.  

S. Asokan (2007) in his study titled, “A Study on the performance of Small Scale Industrial Units in Madurai District – Tamilnadu” analyses the technical efficiency and economic viability of the selected small scale industrial units in terms of capital, labour productiveness, labour intensity, operational efficiency and profitability. He finds that the annual average unutilized capacity was around 50 to 75 per cent and the highest mean unutilized capacity was found among the chemical based followed by forest based industries. He also finds that the major problems faced by SSI units are marketing, finance, and raw materials. He also suggested that the existing price preference suggested by Government be implemented and the large scale units be discouraged from competing with small scale units.  

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K.V. Banujam (1998) in his study entitled, “Poverty Alleviation through Rural Industrialization” suggested that appropriate technology should be developed to promote the rural small industries.\(^6\)

S.K. Basu (2007) in study entitled, “Role and problems of small scale industries” discusses the role and problems of small scale industries. Emphasizing their importance in the economic programme of the nations, he deals at length with their financial problems and the functions of the state financial corporation helping them.\(^7\)

R.K. Bharti, (1978) in his study entitled “Industrial Estate in Developing Economies” found the promotion of small scale industries has been widely recognized as one of the most appropriate means of developing industry in developing countries, which are facing mounting pressure of population, an acute shortage in invest able capital funds, and lack of entrepreneurial and managerial abilities (Bharti, 1978).\(^8\)

J. Chandra, V. Narayana rao, and K. Visweswara rao, (1993). “Small Scale sector – Prospects and Problems” in their study, found that the importance of the Small – Scale sector could be positively emphasized in view of its potential for creating employment on the assumption of a low capital output ratio. The employment generating capacity of the Small – Scale and the Village industries was observed to be higher by eight times than that of the large –


has recommended the establishment of small scale and cottage industries in the North-eastern region of the country. He suggested that if labour intensive small scale industries are established, they will provide some alternative economic opportunities to the people in the hill areas of the

N. Durairaj and M. Soundara Nageswaran (1988) in their study “Entrepreneurship in Small – Scale industries in Paramakudi Taluk,” attempted to examine the role of the entrepreneurs in the Small – Scale industries. Though it was a micro level study it threw much light on the social profile of the entrepreneurs in the Small – Scale industries units and disclosed the problems faced by them.  

S.Ganesan (2007) in his thesis titled, “Effectiveness of Bank Finance to Small Scale Industries in Madurai District – A study with Reference to Canara Bank” analyses the effectiveness of the Canara bank finance on the growth of small scale industries. He finds that the assistance given by Canara bank was inadequate and delayed. He suggests that the banks should give up the traditional approach of assessing the credit needs of small scale industries.

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Ghanshyam Panda (2008) in his study “Management of Working Capital in Small Scale Industries”, covers the problem of raising working capital. The utilization of bank credit by small industries and their industries in backward areas and priority sectors, forms a special

Gholam Ali (1999), in his study entitled, “Help makes small scale industries viable” revealed that big and small industries have their share in the development of a nation and the prosperity of its masses. A balance must be struck in the development of these industries. The thrust on the development of SSI through successive Five year plans and Government Policies

The study of B. Guruva Reddi (1999) on, “The Role of District Industries Centre in the Promotion of Small Scale Industries – A Study with Special Reference to Virudhunagar District” reveals that DIC, has reduced area imbalances, particularly in terms of the blocks taken for study. He also suggests that there should be better coordination among different

Hamid S. A. (1989), in his study, “Management and Development in Small Scale Industries” found that the state of Jammu and Kashmir is not ideally suited for developing large scale industries and as such the only remedy lies in the establishment of small scale and cottage industries, which are most suited to the socio-economic condition of the state. He identified the causes of industrial backwardness in Jammu and Kashmir includes- peculiar geographical

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GHOLAM ALI, “Help makes small scale Industries viable”, Yojana Oct. 15, Vol. 31, No. 12, 1999 pp. 12-17,

location, limited explorable resources, shortage of imported raw materials, inadequate and irregular power supply, insufficient central investment, poor technical know how, absence of entrepreneurial spirit among the local people, non participation of potential investors and entrepreneurs from outside the state and passive role of financial institutions. It is interesting to note that all characteristic also prevail in Mizoram as responsible for slow industrial growth in Jammu and Kashmir.  

Dr S. Hasan Banu, and P. Sangeetha (2008) in their research article titled, “Role of Nationalised banks in SME Credit: A study in Theni District” have analyzed the performance of banks in providing credit to the SMEs sectors from the point of view of the SME entrepreneurs. They have found that most of the sample SME entrepreneurs are not satisfied with the loan amount disbursed by the banks. They have opined that the amount is not sufficient to run the business.

D. Himachalam (2000), in his study entitled, “Entrepreneurship Development in Small Scale Sector” revealed that entrepreneurship development and small scale industrial development are the obverse and reverse of the same coin. The government and financial institutions have done a lot in this area through Entrepreneurship Development Programmes (EDP). But they have still failed to attract the class of people for whom these programmes are meant. Therefore he puts forth a few suggestions: (i) the entrepreneurs should be provided with more and more information on various aspects of EDP. (ii) there should be suitable organizational arrangements for disseminating information about appropriate technology to the proposed entrepreneurs (iii) Entrepreneurs should be provided with full assistance not only in preparing project reports but also in meeting financial requirements (iv) preparation of directory of industrial technical and management experts and (v) intensive efforts should be made to impart more technical training to the entrepreneur trainees.


M. Inbalakshmi (2001), in her research titled, “An Empirical Study of the Growth of Small Scale Industrial Units in Dindigul” analyses the factors influencing the growth of small scale units in Dindigul over a period of time. He identifies problems encountered by small scale industries which are grouped into six categories such as finance, raw materials, marketing, labour, technology, Government policy, and information technology. He also suggests various remedial measures which can be undertaken to overcome such problems.19

Khanka (1998), in his study titled “Development of Small Scale Industries in Assam”, observed that the development of Small scale industries in Assam is at low level because of inadequate infrastructural facilities, problems of finance, marketing and insurgency. Therefore, for industrial development, Government should create infrastructural facilities like transport, communication, power, energy etc. Moreover, state level technoeconomic survey should be carried out to explore possibilities for developing specific industries successfully. Local people should be motivated to promote entrepreneurial spirit in the region. Government should take strong initiatives to curb insurgency in the region to make congenial climate for industrialization.20

A.V. Khan and Zaquallah Shaikh (2001), in their article, “Financing of Small –Scale Industries in Maharashtra”, stated that the financial and management base of SFCs and SIDCs might be suitably strengthened to enable them to provide better services to SSI sector. Banks or financial institutions could concentrate upon the cluster approach and set up specialised branches


in such clusters of SSI concentrations.  

K. Kala (2007), in her thesis titled “Role of District Industries Centre in the promotion of SSI units – A study with reference to Pudukottai District” examine the relationship between the levels of attitude of the beneficiaries and the service rendered by DIC. She finds that the majority of the entrepreneurs start their entrepreneurship career, when they are in the age group of 40 - 50. Hence the government and non government organizations should target this group for giving entrepreneurial training. She also finds that age has no influence but educational status and family income influence them to become entrepreneurs.  

Kalchetty Eresi (2008), in his article, “Management of Finance in Small Scale Industry”, throws light on the various source of long term and short term finance and the problems faced by the units is raising such funds. He also enquires into policies procedures and practices of small units in managing their finance.  

K. Kamalakannan (1999), in his thesis titled, “Financing of Small Scale Industries in Kamarajar District” points out that since TIIC has branches only in district head quarters, it should open branches in Taluk head quarters also. So that entrepreneurs should see that their members get sufficient fixed capital and working capital finance from banks and also should put pressure on them regarding proper utilization and prompt payment of funds.  


P.Kannapiran (2005), in his thesis titled, “A Study on the Performance of District Small Scale Industries Association of Tamilnadu” analyses the opinions of the respondents on the services rendered by DSSIA. He finds that the performance of CODISSIA occupied the first place followed by MADITSSIA, CDISSIA, TIDITSSIA, NELSTIA AND VIDITSSIA.25

Kopardekar (1974), in his article “Small Scale Industries, Pune”, attributed the unutilized excess capacity in small firms to lack of finance. The lack of finance, especially, the shortage in the working capital led to the inefficient utilization of the installed capacity. Inadequate funds usually led to inconsistent operations among the small scale units. Many units were not in a position to apportion funds to provide sufficient amounts for the fixed and working capital.26

Malga Weker (1997), in his study entitled, “Problems of small Industry in Andhra Pradesh” has found the lack of infrastructure as a general problem. The industrial estate alone cannot overcome the vocational disadvantages. The infrastructure facilities are either very weak or non existent in rural areas. In urban areas with necessary industrial climate and infrastructure facilities, the growth of industries is relatively faster. The scarcity of indigenous raw materials has been a serious bottleneck. Scarce raw materials supplied through quotas are not sufficient to meet the demands of the units. There is a delay in the disbursement of the loans due to the existence of procedural delays and instances of tangible securities.27

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Mali (1998), in his study, “Development of Micro, Small and Medium Enterprises of India”, has observed that small and medium enterprises (SMEs) and micro enterprises have to face increasing competition in the present scenario of globalization, they have to specifically improve themselves in the fields of management, marketing, product diversification, infrastructural development, technological upgradation. Moreover, new small and medium enterprises may have to move from slow growth area to the high growth area and they have to form strategic alliance with entrepreneurs of neighbouring countries. Data bank on industries to guide the prospective entrepreneurs including investors from abroad is also needed.\(^\text{28}\)

S. Manickavel (1988) in his thesis titled, “Marketing of the Products of Small Scale Industries in Tamilnadu” points out that there is a marked variation between the amount of investment made in the small scale industrial units and their adoption of marketing management practices. He also finds that the marketing problems are influenced by the independent variable ‘size of investment made’ in the unit. He also suggests that all the measures to be taken by the governments in the area of marketing assistance, promotional, regulatory and direct marketing assistance must have a direct impact on the tiny units so as to improve their existing marketing practices and thereby improving their problems in marketing.\(^\text{29}\)


Manjappa D. Hosamane and Younos Vakil Alroia (2008) in their research paper titled, ‘‘Entrepreneurship and Development of Small Scale Industries in Iran: Strategic Management Tools and Business Performance Assessment’’ examines the relationship between the development of Iranian small scale industries and entrepreneurial performance in terms of strategic management tools. They find that the influence of entrepreneurial performance on development of SSIs was noticeable and reflected the high quality of products, lower cost, skills management, production planning, and material control in the development of Iranian SSIs. SSIs have to adopt strategic management tools to capture export market and to increase efficiency for the domestic customers.  

S. Mathivannan and M. Selvakumar (2008), in their research paper entitled, ‘‘A Study on Socio Economic Background and Status of Women Entrepreneurs in Small Scale Industries’’ has analysed the role of women entrepreneurs in small scale industries in Virudhunagar District of Tamilnadu. They suggest that separate cell could be created in support agencies exclusively for women entrepreneurs like NRI or foreign investor’s cell.


Mecrory (1999), in his study entitled, “Case Study in Latent Industrial Potential Laghu”, suggested policies for improving the utilization of resources in the small industrial sector.  

C. Minocha (1997), in his study entitled, “Industrial development in Madhya Pradesh Regional Structure and Strategy for employment Oriented Industrialization” has suggested that the strategy of employment oriented industrialization should aim at the development of SSI in rural areas.

Mohammed Sayeed (2007), in a study focusing on the “Financial Problems of Small Scale and Cottage Industries in Uttar Pradesh”, recommends the introduction of participation loan scheme by the state Government and setting up of small business investment companies.

Moorthy .G.K. (1980) focused his attention on the financing of the “Small-Scale industries in the Rayalaseema Region” of Andhra Pradesh. His emphasis was on the role of the Govt Agencies, financial institutions and commercial banks in augmenting adequate finance for the Small – Scale sector.


D.D. Mukherjee and S.K. Bose (2008), in their article entitled, “An empirical study of Quasi equity of SMES: Evidence from the auto ancillary manufacturing units of Jharkhand” analyses the factors that prompt the SMEs towards mobilization of such Quasi Equity. The study finds that the incidence of Quasi Equity is more in enterprises with a comparatively lower sales turnover. Further the entrepreneurial behavior in mobilizing Quasi Equity does not depend on the constitution of the enterprise. Most importantly, there exists a firm negative correlation of the ratio of Quasi Equity / Total funds employed of an enterprise with increasing sales.\textsuperscript{36}

P. Murugesan (1997), in his research titled, “A Study of Small Scale Industries in Madurai District – Tamilnadu” reveals that the major problem encountered by small scale industries were found in marketing their products because of the competition from large units and small scale units. He also finds that raw material scarcity is the least among the major problems encountered by small scale units.\textsuperscript{37}

Nag (1978) in his study, reviewed the function, “Growth of the Small-Scale Sector: an assessment”, and brought to light the growing mortality of the small-scale industries. He urged the public sector to rescue the small-scale sector in the large interests of the many skilled and unskilled people employed in these various small enterprises. A great responsibility for the public sector in the form of direct participation in entrepreneurial activities was found to be very essential for ensuring the balance growth of the industry in the future.\textsuperscript{38}


R.M. Nagammai (2001), in her research titled, *Institutional Finance to Small Scale Industries in Madurai District* analyses the nature and quantum of financial assistance provided to the small scale industries in the study area by various financial institutions. He points out that the major stream of institutional finance flows through commercial banks followed by TIIC. The contribution of co-operative banks is quite insignificant. He suggests that since more that 75 percent of the small scale units have investment of less than Rs.25 lakhs, it is suggested that Government should establish a separate bank for tiny sector or allocate a certain percentage of advance to the tiny sector.\(^{39}\)

M.R. Narayana (2006), in his article entitled, *Awareness of Policies and Programmes among Small Scale Industries in India – Evidence and Implications of a Case Study* analyses the nature and extent of awareness of select policies and programmes under the new policy regimes in India, based on a case study (or sample survey in 2001-02) of 373 manufacturing SSIs in Karnataka State (India). The results and implications of this case study are of relevance for design and implementation of current and future awareness policies for the SSIs at the national and sub-national levels in India as well as in other developing countries.\(^ {49}\)

R. Natarajan (2004), in his study *Institutional Finance for Small Industries*, examines the trends in institutional financing to SSI units in Andhra Pradesh for a period of one decade commencing from 1970.\(^ {41}\)


“The National Committee on Science and Technology report on Khadi and Village Industries” (1975), gave a gloomy picture of these industries as a source of employment in industrialization. The report shows that the “compounded rates of growth of employment in these industries, as compared to growth of output, are very meager”.

NAYAK COMMITTEE (1992), set up by the Reserve Bank of India to examine the adequacy of institutional credit to the Small Scale Industrial sector and the related aspects. The Committee found that banks has insufficiently serviced the working capital needs of the sector particularly that of cottage and tiny enterprises. Moreover, there is a need for the setting up of specialized bank branches for small scale industries, the absence of which has led to serious bottlenecks. Further, the system of providing term loan and working capital by two kinds of institutions, viz. Banks and State Financial Corporations (SFCs) has given rise to a host of problems of co-ordination among them.

R. Neelamegam(1980), in his study, “Institutional Financing of Small-Scale Industries”, studied the various types of assistance offered by the financial institutions to small-scale industries. He pointed out that TIIC played a vital role in the growth and expansion of small – scale industries in the state of Tamil Nadu.


Dr. R. Neelamegam. (1989 – 90), In his post doctoral study made in the U.S.A. (Under Indo U.S Fellowship) on “A comparative study of Equity Financing of Small units in India and USA” analyzed in detail the strength of owned funds in Small firms of India & USA. He found that the owned funds of USA in Small firms is strong due to venture capital financing. He strongly suggested for the promotion of such Venture capital financing for the small firms in India. 47

Nikhil Bhusan Dey (2004), in his study “Small Scale Industries in Cachar District in Andhra Pradesh”, deals with the role of Government and various institutions in developing and financing small scale industries in Cacber district in particular and the state of Assam in general 48.

Nirankar Srivastav and Ricky A.J. Syngkon (2007), in their research paper titled, “Marketing Mangement and Entrepreneurship Development in a Tribal Dominated Economy: A Case Study of Small Scale Industries in East Khasi Hills District of Meghalaya” analyze the various emerging aspects of small scale industries in the East khasi Hills district of Meghalaya, a state located in the North eastern region of India. The study reveals that most of the SSI are adopting direct selling marketing strategy rather than indirect selling strategy and produce the product mainly to cater the local market demand. 49


Pallavi Upadhyaya and P.Mohan (2009), in their article entitled, “Electronic Market place adoption: A case study of manufacturing SMEs” studies the factors influencing the adoption of e-market place by collecting data from 34 SME owners in Udupi, a district in Southern India. The owner’s knowledge of computer and the internet, organization’s familiarity with internet based applications and size of the firm are found to be the factors that contribute to the e-market place adoption. They also discuss the managerial implications of the findings for the small and medium business owners, e-market place in developing countries and Governments.\(^\text{50}\)

Pande (1983), in his study titled “Field report on Socio-Economic achievements and Emerging Issues and Hill Development”, explained few causes that attributed to the slow growth of small scale industries in hill areas. The small scale industrial units in the village area and suburban localities suffer from a considerable degree of technological obsolescence, inadequacy of raw materials, dearth of marketing channels, unawareness of market situation in urban centers, poor credit facilities and the shortage of skilled labour and power supplies\(^\text{51}\).

H.S. Parekh (2004), in his thesis, “Financing of Small Scale Industries in a Developing Economic”, review the role of financial institutions and state agencies in extending credit to small scale units and pin points their attitude of indifference in catering to the needs of the tiny units. He was of the view that financial distributions have to attain their lending policies in consonance with the need of the small sector in general and the smaller among the small scale units in particular.\(^\text{52}\)


M.D Poornachari (2004), in his research titled, “A Study of Training in Entrepreneurial Performance with Reference to Small Scale Industrial Units in Madurai District” finds that the level of learning attitude among the employees during the period of training is found to be satisfactory and it depends upon the favourable circumstances prevailing in the industry.  

R. Pon Murgan (2002), in his study entitled, “Industrial Estates in Tirunelveli Region – An empirical study of their impact on the growth of small scale industrial units,” analyzed the impact of industrial estates on small scale industrial units located in Kanyakumari district. The study identified the various factors which influences the growth of small scale industrial units in industrial estates in Kanyakumari District. They are scientific sales management, budgeted production, availability of institutional finance, availability of working capital, availability of water at confessional rate, undisturbed working environment, ploughing back of profits and availability of investment subsidy, nearness to raw materials and utilization of installed capacity.

L. Prasad (1983), in his study “Industrialization – Concept and Issues”, found that the small scale industrial sector is an integral part of not only the industrial sector, but also of the country’s economic structure as a whole. If small scale industries are properly developed, they can provide a large volume of employment, can raise income and standard of living of the people in lower income group and can bring about more prosperity and balanced economic development.


Small scale industrial sector has vast potential in terms of creating employment and output, promotion of export, expansion of base for indigenous entrepreneurship and dispersal of industries and entrepreneurship skills in both rural as well as backward areas.\textsuperscript{55}

Rajendran (1999), made a study “Institutional Assistance for Small Scale Industries”, to examine the various kinds of assistance given to small scale industries with the prime objective of identifying institutional assistance for the development of small scale industries and the problems faced by these industries in Tiruchirapalli district of Kerala. He concluded that the greatest problem faced by the small entrepreneurs was non availability of adequate financial assistance. Moreover, the small enterprises also face problems relating to the acquisition of raw material, marketing of products and technological and administrative problems. There were complicated procedures in availing loans from financial institutions and there is no coordination between the promotional institutions and government agencies.\textsuperscript{56}

K.R.Rajeshwari (2008), in her article entitled, “A Study in Vendor Development Micro and Small Enterprises supplies to PSUs in Hyderabad and Vishakapatnam” analyses the problems faced by suppliers and the pattern of MSE supplies to PSUs. She finds that delay in payments by PSUs, not getting any price preference, difficulty in registration processes, lack of knowledge of requirements of PSUs etc., are the major problems faced by the vendors.\textsuperscript{57}

K.T. Ramakrishna (2001), in his study entitled, “Finance for Small Scale Industries in India” has described the nature of problems of finance with regard to small scale industries in India and the role played by the government, State Financial Corporations and Banks in financing the small scale units. His study highlighted the methods of financing followed by several countries in North and South America, Asia and Europe.  

V. Ramanujam (2006), in his study titled, “A Study of Entrepreneurship in Small Scale Industries in Theni District” measures the growth of the selected small scale units in terms of ten selected variables designated as the components of their growth and also examines the problems and difficulties confronted by the entrepreneurs in developing their industrial units. He finds that majority of the entrepreneurs face the problem of marketing finance and raw material. He suggests that as far as possible, the large units should be discouraged from competing with the units of the small scale units and their Products. 

T. Ramasamy (2003), in his thesis titled, “Small Scale industries in Virudhunagar District: An Empirical Study of their Growth and Diversification” studies the factors influencing the growth of the small scale industries and the diversification of these in Virudhunagar district. He finds that utilizing opportunity stability of income, use of the talents of the family members and family settlement are the factors influencing the diversification of small scale industrial units in Virudhunagar district. He also highlights the general as well as specific problems of small scale industrial units functioning in Virudhunagar district. 

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K. Ramesha (1999), in his study titled “Institutional Credit to SSI Sector”, examined the trends in credit supplied to small scale industries by Scheduled commercial Banks (SSBs) and the State Financial Corporations (SFCs) and their inter state disparities. The study found that commercial banks continue to play a dominant role in financing small scale industrial sector. However, the growth rate of bank credit has been low as compared to the growth rate of production in the SSI sector. Therefore, he concluded that the banking sector has failed to meet the increasing credit requirements of the SSI sector. The inter-state disparities in the distribution of credit have also been widened between 1989-90 and 1995-96. Moreover, the credit from SFCs term credit has shown relatively higher growth rate as compared to banks credit (short term) but still inter-state disparity in SFCs credit has also widened during the reference period. Further, there seems to be sort of complementary relationship between Banks and SFCs in financing small scale sector. Majority of the states that had low bank credit happened to be relatively strong in SFCs credit and vice-versa.  

K.M. Rastogi (1980), has made a case study “Employment Generation through Small Scale of Madhya Pradesh”, which he calls “a unique case of growing unemployment and poverty amidst plenty”. He is in favour of only small scale and village industries, which made optimum use of indigenous techniques and local resources. According to him, “there are hundreds of items which can be produced in cottage and small scale industries more economically than in large industrial sector”.


B. Ravichandran (2002), in his research entitled, “Personnel Management in Small Scale Industries in Virudhunagar District” reveals that the personnel management practices are followed systematically by very limited number of small scale industrial units especially in the high investment group and in units belonging to textile and chemical industry. He also concludes that the systematic personnel management practices certainly make small scale industrial units more viable and healthy.63

K.C. Reddy (2005), in his study titled “Financing of small scale industries in Vishakapatanam district”, conducted that bank finance in particular and institutional finance in general have contributed significantly in the promotion of small scale industries.64

Reserve Bank of India(2005), studies “Report of the Proceedings of the services on financing of small scale industries in India”, highlight the role of banks and state financial corporations to financing the small scale sector. A report of the proceedings of the seminar on financing of small scale industry organized by the Reserve Bank of India identifies some of the factors responsible for borrowers shying away from commercial banks instead approaching the money lenders. The main findings of the seminar is that besides providing finance, banks should also helps small scale industry in procuring raw materials and marketing their output. 65

A.G. Rohira (1999), in his article, “Small-Scale Financing – Problems Faced by Entrepreneurs”, stated that the lack of co-ordination among various agencies was one of the most important reasons for sickness in industry.


65 RESERVE BANK OF INDIA, “Report of the proceeding of the seminar on financing of small scale industries in India” 2005.
It is important that multi agency lending to SSI should be stopped and SIDBI should become a very big venture capital organisation and SSI financing agency without any intermediaries.\(^{66}\)

K.M. Rostagi (1997), in his study entitled, “Employment Generation through Small Scale Village and Cottage Industries – A case study in Madhya Pradesh”, has also reported that unique case of growing unemployment and poverty amidst plenty. He is in favour of only small and village industries which make optimum use of indigenous resources and techniques. According to him, there are hundreds of items which can be produced in rural and in small scale industrial units more economically than in a large sector.\(^{67}\)

Ruddar Datt and Sundaram (1979), in his study titled “Indian Economy”, strongly advocated the small scale and household enterprises as an important component of an employment-oriented strategy of industrialization. They found that employment-output ratio is the lowest in the small scale sector while that employment generation capacity is eight times higher than that of large sectors.\(^{68}\)

Sapam Aruna Devi (1995) in her research titled “Development of Small Scale and Household Industries in Manipur – During Plan Period” stated Industrial development is a precondition for the economic development of an underdeveloped region. She is of the opinion that industrial development in general and development of small scale and cottage industries in particular is bound to play an active role in connection with the economic development of an underdeveloped state, like Manipur.\(^{69}\)


R.K. Sarma, (1998), in his study entitled, “Industrial development of Andhra Pradesh – A Regional Study” has observed that the backward districts of the state improved their relative positions in terms of units of employment and capital. Majority of the small units are confronted with the problems of raw materials and finance.70

B.Sellaraj (2007), in his research entitled, “A Study of District Industries Centre and Development of Small Scale Industries in Theni District”, studies the problems encountered by the selected small scale industries registered with DIC, Theni and also analyse the trend and growth of registered SSI units in Theni. He finds that during the study period, the growth in the number of units registered and employment generated both in respect of different blocks and in respect of various categories of industries in the developed and backward areas in Theni district had been remarkable. He also finds that marketing the product was found to be the major problem followed by problem of finance and availability of raw materials.71

Shambo Prasad (1981 – 83), in his study titled “Role of Small Scale Industries in a Developing Region”, undertook a macro level study related to particular regions. The regional studies focused their attention on the problems which were faced by the small – scale sector units of the concerned regions. An examination by the researcher revealed that the problems faced by the small industries located in the different regions were different because of certain basic differences in the different geographical regions. Moreover, the nature of the problem in the undeveloped regions differed from those of the developed regions.72


72 SHAMBOO PRASAD, “Role of Small Scale Industries in a Developing Region with special Reference to Bihar Magadh University, Bihar 1981 – 83.
B.K. Sharma (1985), in his study titled “Rural Industrialization in India”, suggested that the programme of rural industries would require constant support. The training and marketing infrastructures would therefore, have to be developed suitably for the sustenance and healthy growth of the rural industries programme.  

G. Siddharthan (1997), in his study entitled, “Entrepreneurship of small scale Industries – A study in Kanyakumari District” revealed that community and economic background alone will determine the growth of entrepreneurship in Kanyakumari District.

Small Industries Extension Training (SIET) (1972), in its study entitled, “National Small Industries Corporation on Hire purchase scheme”, has observed that the growth in the number of units and the expansion of capital intensity alone may not create the necessary impetus to the growth unless considerable productivity changes have also been effected through further capacity utilization. Most of the units utilizing full capacity have been either big export oriented industries or local need based activities. The reason for this under utilization is mostly insufficient demand and inadequate financial resources for working capital.

C. Sountharapandian (1989), in his thesis titled, “Growth of Entrepreneurship in Small Scale Industries – An Empirical Study of Madurai Region” analyses the factors responsible for the growth of entrepreneurship and identifies the problems affecting the growth of entrepreneurship in small scale industry in Madurai region.

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He finds that the income from other sources of entrepreneurs, availing institutional finance, level of capacity utilization, period of existence of the industry affects the growth of entrepreneurship. He also finds that problems pertaining to the growth of entrepreneurship in small scale industries in Madurai region, they are non availability of raw material, power problems, labour problems, marketing problems, export marketing, and environmental problems.76

M. Srinivasalu Bayineni (1996), in his article on the “Development of Small scale Industries”, said that the economic prosperity of a developing economy like India depended much upon the integration of its agricultural activities with those of the industries. The dynamic features of the development of the agro-based industries were of paramount importance in all rural reconstruction programmes. The strengthening of the agro industries would help the economy in its attempt to bring about Rural Industrialization.77

K. Sundar, R. Kumar Gandhi and G. Gangatharan (2002), in their article, “The Role of SIDBI in Financing SSIs,” stated that the role of SIDBI in providing financial assistance was generally commendable both in terms of number of schemes sanctioned and the quantum of loans disbursed over a period of eight years. The bank was mainly financing SSI through ‘Refinance’ and ‘Bills financing’ schemes. The SIDBI should widen its horizon of loan assistance to cater to diverse credit requirements of SSI units. It should intensify its lending activities into the areas of equity assistance, project-related finance and support to institutions engaged in promoting SSI.78


Suresh Chandra Jain (2003), in his study titled “Institutional Finance for Small Scale Industries”, in his work analyzed the details to problems of institutional finance for small scale industries on the state of Uttar Pradesh. The enquiry is limited to a case study of Meerut. 79

S.K. Tuteja (2002), in his article, “Characteristics and Contribution of Small and Medium-Scale Enterprises”, stated that, in India many of the small manufacturing enterprises did not access bank finance and only about 16 per cent of total bank credit found its way to the sector. Despite being a priority sector for lending, small manufacturing enterprises got just about eight per cent of their annual turnover as working capital requirements, as against normative requisition of 20 per cent. 80

A study of UNIDO (1969), in his study titled “Small Scale Industry in Latin America”, based on evidence from a number of developing countries, indicates that “small enterprises with a lower level of investment per worker tend to achieve a higher productivity of capital than do the larger, more capital intensive enterprises”. 81

UNIDO (1970), study entitled as, “SSI in Latin America”, indicates that the small enterprises with low-level of investment per worker tend to achieve a higher productivity of capital. 82


Varinder Kumar (1970), in his study titled “marketing practices in small scale industries study of engineering industry of punjab” says that the main reasons for non-proliferation of modern marketing concept in India is excessive dependence on agriculture and excessive demand in relation to the supply of products.\(^{83}\)

Varinder Kumar (2002), in his study entitled, as “Marketing practices in Small Scale Industries – A Study of Engineering Industry of Punjab”, has studied the importance of product, pricing, promotion and distribution aspects of marketing. He emphasizes the effect of marketing environment on small scale industries with difficulty in performing their marketing functions even with the government Assistance.\(^{84}\)

Vasant Desai (1999), in his study, “Small Scale Enterprises-Credit Delivery System”, pointed out that SFCs were playing a significant role by giving term loans and other facilities to small-scale industries. In the long-run, SFCs should also extend their support to the promotion of medium and large scale industries in backward areas so that this would give a fillip to the growth of small-sale industries clustered around them, creating and upgrading industrial as well as social infrastructure in these areas.\(^{85}\)


Vasant Desai (1998), in his study, “Small – Scale Industries and Entrepreneurship”, stated that the State Financial Corporations accorded a high priority to development of small-scale industries and bulk of their sanctions had flown to this segment of priority sector. More than 79 per cent of the assistance extended by SFCs during 1994-95 went to SSI sector.86

Problems and Prospects of Small Scale Industries in India stated that rapid industrialization in India depends on the growth of small scale industries. Most of the small scale industries are operating under certain handicaps like shortage of raw materials, low levels of technical knowledge and counseling, poor infrastructure, inadequate capital and credit facilities, improper distribution system, lack of facilities for market analysis, research and development. They are also weak in marketing their products beyond their localities especially in international markets.87

The review of related researches made at national and international levels narrated above relates to the institutional finance to small scale industrial units, utilization of financial incentives, bank’s financing of SSI units, working capital management of SSI units, entrepreneurial development in SSI, overall strategy meant for small and medium enterprises to face global competition, comparative study of broad marketing strategies for private and public sector insurance companies and the like.

The studies pertaining to the specific area, namely, sales promotional strategies of SSI units in Virudhunagar District, are virtually absent. Use of adequate and appropriate communication tools of IMC shall help the small scale industrial units in Tamilnadu to approach and appeal to their customers in easy, economical and effective way.

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A comprehensive analysis of various sales promotional strategies adopted by small scale industrial enterprise shall offer practical ways of promoting their sales and enable them to contribute still more towards the growth of economy.

The present research entitled “PROMOTIONAL STRATEGIES OF SMALL INDUSTRIAL UNITS IN VIRUDHUNAGAR DISTRICT” is first of this kind to enquire, examine and elicit suitable sales promotional strategies for small scale industrial units in Virudhunagar District in particular.

RESEARCH GAP FILLED UP

Reviewed past researcher studies and literature available relating to the study have been presented in this chapter. The review facilitated the researcher to have a comprehensive knowledge of the subject taken for the study. Online journals in the field of Small Scale industries units were referred to enrich knowledge. Further, it is understood that in the previous studies, the researchers have not attempted to analyze the promotional strategies in terms of Advertisement, Personal selling, Publicity, Trade fairs of SSI units and the like. The earlier studies mostly pertain to the aspects of finance, entrepreneurship role and problems of small scale industries and the like; further, these studies were made with reference to other regions of the country/the state. The present study titled “Promotional Strategies of Small Scale Industries in Virudhunagar District, Tamil Nadu”, attempts to fill this gap.