CHAPTER 2

REVIEW OF LITERATURE

In order to gain background knowledge of problem and to identify appropriate methodology, research design, methods of measuring concepts and techniques of analysis or to analyse the problem precisely, it is appropriate to present a brief review of the available literature relating directly or indirectly to the field under study. What follows, makes no claim of being an exhaustive review of all investigations done on this problem, rather an attempt has been made to highlight the main issues related to the topic at various levels from available material. Range of books, published and unpublished Government documents, online sources, reports, and newsletters were reviewed for the study.

Hornsby and Kuratko (1990) in their study about Human Resource Management in Small Business: Critical Issues for the 1990s developed a long list of major problems. The list includes most of the significant factors like lack of planning, lack of management experience, general management problems, of growth management, training and development, recruitment and selection, inability to identify relevant training courses, lack of information on traineeship schemes, inability to attract skilled staff, employee performance problems, lack of advice on employment conditions, owner’s lack of management and business planning skills, inability to manage growth, lack of advice and referral to relevant Government or other agencies for assistance, lack of understanding of the importance of personnel management, lack of updated knowledge of job analysis, job descriptions, staffing, remuneration
and other benefits, training and development, performance evaluation, and availability of quality or skilled manpower. Vozikis and Glueck (1991) examined Small Business Problems and Stages of Development and divided them into three as Start-up, Early growth and Later growth stages. The study stressed on the existence of problems unique to each stage. Dodge and Robins (1992) divided the stages of development of SME into four namely formation, early growth, expansion and stability. Rudamurthy (1994), in his doctoral thesis, analyzed the institutional finance for the development of small-scale industries in Karnataka, and expressed how there has been a transition of capital and credit needs of SSIs over the years. This thesis also deals with the financial structure through which the credit needs of the SSIs are met and what are the procedures, terms and conditions, security to be provided, percentage of margin and rate of interest of the Financial Institutions while providing financial assistance to SSIs.

Anuradha (1995) in her study about ‘Cost Efficiency of Small Manufacturing Enterprises-Implications for Employment’ found that the small firms are relatively cost inefficient; prime costs are found to be more significant than the fixed costs. The relative cost efficiency of small firms depends in part on their ability to trade productivity differentials with wage differentials. The data reveal that the small firms were not even half as productive as large firms. Their technical inefficiency stems in large part from their technology of production and their inability to capture economies of scale. Small firms in the diesel and PVC pipe industries could not gain even 25 percent as capital incentive as to the large firms in the industry.

Mistra and Bist (1995) examined the Success and Failure in New Business Start-ups in Nainital district of Uttar Pradesh and found that availability of funds from the family members and friends was the most important motivational factor that influenced the entrepreneurship.
Srithi and Niru (1995) in their study Structural Adjustment and Small Producers - Reflection from Case Studies revealed that the main problem of small scale firms was that of non-availability of skilled labour. High technology firms require highly skilled personnel, which are not so easily available to the small firms, due to their low capacity to pay, and limited upward mobility offered by them to the workers. The relatively large firms in the small sector say those having fixed capital over Rs. 5 million upwards are able to attract skilled manpower while others find it difficult. Thus, with the proposed restructuring when ancillarisation takes full shape, the relatively large (within the small-scale category) would have better chance of survival on this count, compared to the relatively small ones. In a country with low literacy rate and overall low skills, the rent on high skills is too high for the small units to afford.

Taylor and Brooksbank (1995) examined the Marketing Practices among Small New Zealand Organizations. Findings revealed that the small business firm looks at the marketing practices differently from their larger counterparts. Small business owners use marketing practices according to their financial capacity and sometimes have to resort to word of mouth methods.

Baumol and William (1996) in their study on Entrepreneurship, Productive, Unproductive and Destructive, attempted to analyze the factors that determined the allocation of entrepreneurship in a society at different points of time. It can be achieved through relative rewards and modification of the goals. Ivy (1997) analyzed Small Business in Australia and grouped problems of SMEs into five, such as finance, Government, marketing, equipment and infrastructure, manpower, and at last identified that finance was the most vital problem. Malga (1997) in his study about the Problems of Small Industry in Andhra Pradesh identified the lack of infrastructure as a
common problem. The shortage of indigenous raw materials has been a serious blockage. Raw materials supplied under rationed system are insufficient to meet the demands of the enterprise, and also there is a delay in the disbursement of the loans.

Robin et al (1999) examined Small Scale Industries in West Bengal, 1971-97 and pointed out in their combined article that at the all India perspective the growth in the number of units as well as in employment has not been uniform. However, two points seem to stand out. Firstly, the growth in employment has been consistently lower than that in the number of units. Secondly, the last two years, seem to be bad. Looking at growth in output at constant prices, a considerable amount of jump is noticeable since 1993-94. So as far as exports are concerned, a remarkable feature is the lack of stability in the growth rate over time and the year to year growth rates do not fluctuate much overtime for any one district.

Monk (2000) found in his study Defining Small Business Failure that availability of working capital, market selection, and quickly changing external market environment are the major reasons for failures in SMEs (Small Medium Enterprises). Patil (2000) in his study about Workforce in the Small Scale Engineering Units in Kolhapur, observed that the twin problems of workforce were labour turnover and absenteeism due to wage differentials and lack of social welfare measure such as canteen and health facilities that were responsible in discouraging entrepreneurs.

Sheela (2000) in her study about development of Small Scale Industries pointed out that there is a need for innovative strategies to tackle the problems which SSI entrepreneurs are facing. These problems are: poor quality infrastructure, inadequate access to institutional credit, delayed payments by large industries, procedural delays in getting government clearance, harassment by inspecting officers, rigid labour laws, technological
obsolescence, non-availability of skilled manpower, lack of marketing facilities etc.. The need of the hour is a collaborative approach between the national and the state governments, local industry associations and the small scale units. Such a public-private partnership (PPP) will help to erase substantially present constraints faced by small-scale units in areas of manpower availability, infrastructure and access to credit.

Balu (2001) examined the existing policies and programmes concerned with the development of small enterprises in his study Smart Strategies for Small Enterprises. He observed that SSI sector has to be made highly competitive to face the challenges of liberalization and globalization and also there should be no restriction on SSIs to grow. Today, there is an imperative need for technological upgradation, modernization and adoption of cluster approach for quick and effective delivery of inputs to SSI sector. To study tariff/non-tariff barriers under WTO, review of labour laws to make them SSI friendly and enhancing capacity-utilization of SSI units is the need of the hour.

Neela (2001) pointed out three main policy objectives for SMEs in her study about World Trade Organization and Small and Medium Enterprises for a developing Country’s perspective: A Study of Indian Small Scale Industries. They are creating space for SMEs to co-exist and providing enabling environment for a level playing field, providing them with a reasonable period of time and pace for adjustment, and providing adequate safeguards against unfair trade direct assistance to SME’s. Rather some of the financial and tax measures undertaken by the government to assist SMEs are provision of subsidies for R&D costs, guarantee of loans when extended by the Credit Guarantee Association, provision of venture capital funds, tax reductions for capital investment, and credits for machinery leasing. Vasudeva (2001) revealed that the removal of the remaining QRs(quantity
restrictions) would lead to an anomalous situation in the case of the products reserved for the SSI sector as the items could be imported freely. It would not make sense therefore to continue with reservation of product lines alongside free imports. This lack of understanding is due the Government’s continuous reluctance to do away with the reservation of items from the SSI sector even when the items in the reserved list will face open competition from imports.

David (2002) stated in his article “Local Context and Advanced Technology use by Small, Independent Manufacturers”, that plants in manufacturing industries are dependent on product innovation and tend to cluster-around specialized urban public and private research facilities. For rural manufacturers, process innovation involving advanced technologies is a key to survival and growth. The evidence presented in his paper suggests that small, independent plants that have adopted advanced technologies tend to be located where workforce and education level are relatively high and manufacturing sector is relatively diverse, given the size of its employment base. This diversity, in turn, associated with country characteristics, makes the area of residence attractive, including natural amenities, proximity to a metropolitan area and the presence of colleges.

Kulkarni (2002) in his article "Rehabilitation of Sick Small Scale Industry Units" concluded that there is a need to provide financial assistance to SSI units at this stage because in the present liberalization and WTO environment there is a possibility that more and more SSI units may be affected and may become potential sick units. In view of this situation "definition of SSI Sick units" must include potential sick units for providing rehabilitation. The Development Commissioner (SSI), Government of India, in consultation with State government should formulate a common rehabilitation package for such SSI units. The banks should be empowered to give the benefit of such package to sick SSI units on behalf of the State
governments. For effective implementation, banks and financial institutions should delegate sufficient powers to various levels of functionaries. This will help to provide timely credit to the unit. If the Indian SSI sector has to become globally competitive, the main issues which need immediate attention are: setting up of technology information exchange, regular display of latest technologies, simpler procedure for technology transfer, availability of soft funding for upgradation and modernization, competitive research and development facilities. This will also help to prevent sickness of SSI units in the country.

Mambula (2002) in his study about Perceptions of SME Growth Constraints in Nigeria analyzed major constraints faced by SMEs in Nigeria. Analysis of data revealed that majority of SMEs face the problem of finance and infrastructure while managing their businesses. The author recommended that small business entrepreneurs should collaborate with each other to sort out the various problems faced by them. There is a need to form alliance of Government, Research Institutions, and Financial Institutions to create appropriate training for prospective small businesses. All these measures will go a long way to strengthen the growth of Small Scale Sector.

Matlay (2002) examined industrial relations in the SME sector of the British economy. Study has revealed that small business owners were using informal management styles in their organizations. Industrial relations were managed informally and this process improved the communication between labour and management. Micro and small businesses were not having trade unions. On the other hand, unionism affected the industrial relations of medium size businesses.

Rasul (2002) revealed in his article Food Processing Industry-An Overview that the large corporations have not only to increase production and marketing viability but also to concentrate on international marketing of
products. Large corporations may develop horizontal network through ancillarisation. Small units may be brought under sub-contract. The small and medium units may concentrate on production only without any worry about marketing of their products. Wherever feasible, large international companies may function as assembling units and small medium enterprises may produce intermediate products or ancillaries to the principal units. There can be technology fit up between the principal units and ancillary units. This joint venture production will take care of the equity problem of small-scale units.

Soundrapandian (2002) observed that the liberalization in small scale industries provides an opportunity to achieve a national goal of growth with equity and efficiency. Regional development could be desirable for attaining balanced development and for raising the standard of living and investment habits of rural masses.

Chandra and Sahu (2003) examined Small Scale Agro-Industry in India and revealed that the agro-industry occupies an important place in India’s manufacturing sector. The share of agro-based manufacturing enterprises in the number of industrial units becomes increased sizably between 1994-95 and 2000-01. Also, the rate of growth of the number of agro-based production units, as also the number of workers employed by them, is remarkably higher during the post-reform period as compared to pre-reform decade. In fact, it is a switchover from varying levels of negative growth rates to positive. Lakshmi (2003) conducted a study to know the motivational factors of entrepreneurship. The author found that ambition alone may not make an entrepreneur. At times, the encouragement of family members, friends, EDPs etc., also facilitates the exercise of entrepreneurship.

Mahalingam (2003) in his study about Need for Modernization of Small Scale Industries revealed that many areas of the service sector are fast emerging as providers of employment and contributors to export development.
which necessitates reconsiderations of the view that the policies for small scale enterprises (SSEs) development should concentrate on the manufacturing sector. It is thus necessary to address the need for reforms in the existing policies and design new policies for small medium enterprises (SMEs) development which will facilitate the growth of viable, value adding and efficient enterprises that can adjust the technological charge and remain internationally active. In this, context he fully endorsed the view of Abid Hussian, Chairman, Expert Committee on Small Enterprises, as efficient industrial system should be so organized in India that the industrial linkage between the small, medium and large sectors becomes mutually reinforcing and not competitively erosive.

Vaidehi (2003) analyzed WTO and Small Scale Industries and revealed that Government has given crucial importance to the SSI sector in the economy with 40 percent share in the total industrial output, 35 percent in exports and over 80 percent in industrial employment. The SSI sector deserves all the policy support the Government can offer. What the small entrepreneurs need is not production but institutional support to fund modernization and technology upgradation, infrastructural support and adequate working capital finance from the banking sector. There is also a need for small entrepreneurs to keep pace with the structural and technological changes taking place in large industries.

Balasubrahmany (2004) in his article “Small Scale Industry and Globalization” pointed out that the small scale industry has found itself in intensely competitive environment since 1991, due to globalization, domestic economic liberalization and dilution of sector specific competitive measures. As a result, its growth in terms of units, employment, output and exports has come down. This has resulted in a less impressive growth in its contribution to national income and exports, though not in terms of employment, in the
Lack of reliable and stable economic infrastructure, reduced the growth of credit inflow and lead to technological obsolescence, which together would have led to inferior quality and low productivity are the major bane of small industry in India. But at the same time, international and national policy changes have thrown open new opportunities and markets for the Indian small industries, and hence a concerted effort is needed from the government and small industry to imbibe technological dynamism. Technological upgradation and in-house technological innovations and promotion of inter-firm linkages needed to be encouraged, consciously and consistently.

Dinesh (2004) in his analysis Labour Process and Production in Micro and Small Enterprises: the Indian Experience, suggests that consolidation of the restructuring process wherein shifting from a micro to relatively large size class within the SSIs, from rural to urban locations and from non-cluster to cluster units associated with better productivity and growth is necessary. It is likely that these core activities tend to gravitate towards product and/or spatial clusters.

Hrudanand (2004) analyzed the “Labour Productivity and Incomes in the Micro and Small Enterprises in the Indian Economy”. The micro and small enterprises employ as much as 93 percent of the Indian labour force. Their productivity and income are low because of poor working conditions and outdated technology used by them. The poor working conditions and other problems faced by the workers need to be changed for the better through suitable institutional supports and cooperation among employers, workers, Government organizations and civil society organizations. In this connection it would be more beneficial to learn from the positive experience with respect to labour and productivity from Germany, Italy, etc.
Narayana (2004) in his study on “Determinants of Competitiveness of Small-Scale Industries in India, Small-Scale Industries in India”, expressed that low quality and high cost transport services, power, water, lack of market knowledge, inadequate credit, and lack of technology advancement have effects on the competitiveness of SSIs in Bangalore. In addition, extent of delay varied between regions in getting credit sanctioned from banks, getting tax and duty-drawbacks, getting temporary and permanent registration, export clearances, permission for expanding the business and diversification, power and water links, and pollution control clearances and so on. Pat et al (2004) in their study provided a synthesis of the findings from the Jobs, Gender and Small Enterprises in Africa and Identified ways for the Governments, the ILO (International Labour Organization), donors, NGOs (Non-Governmental Organization) and the private sector to enhance the prospects for women entrepreneurship and contribution of women entrepreneurs to the creation of meaningful and sustainable employment opportunities and eliminating poverty.

Rajendra Prasad (2004) observed in his study Performance of Small Scale Industries in Karnataka State that Bangalore has achieved a remarkable success in establishing large number of SSI units as it is equipped with required infrastructure and assistance which attracts the entrepreneurs to establish the small scale units.

Rajshri and Peter (2004) in their study about Small Scale Industry, Environmental Regulation and Poverty: the Case of Brazil, pointed out that the Small Scale Enterprises has generated a surge of interest among policymakers and development agencies in recent years. The World Bank and the International Finance Corporation (IFC) have been particularly active in promoting the small-scale enterprises, setting up a separate department for them in 2000 and allotted $1.5 billion towards their development in 2000.
This emphasis is not unwarranted since small-scale enterprises are dominant employers in much of the developing world. Despite forming the economic bedrock of the most low-income countries, small-scale enterprises operate in difficult business environments and weak institutional settings and with little access to physical and human capital. Improving the investment climate faced by the small-scale enterprises is therefore increasingly viewed as pivotal to promoting economic growth in low-income countries.

Rana (2004) in his study about “Employment Generation in Small Scale Units: A Case Study” found that the rural units employ more workers than urban units could employ. A rural based unit investing fixed capital within the range of `1 lakh to `2 lakhs generates employment for 48 persons on an average, while for employing 43 persons, an urban based industrial unit requires fixed capital investment of above `5 lakhs. Operating at more than 50 percent of the installed capacity, 13 percent of the rural units employ 23.2 percent of the workers employed by the sample rural units, while 40.6 percent of the urban units operating at the same level employ 45.3 percent of the sample urban workers. Only 7.2 percent of the skilled workers employed in the rural units get monthly wages above the `1,140 the maximum fixed for a skilled worker as against 18.9 percent in case of the urban units.

The result of Sambit’s (2004) study on Productivity in Small Textile Business Sector in Orrisa show that female ownership and a sole proprietorship have negative effects on enterprise productivity. Rural-based irregularly operated enterprises are less productive than that of urban-based enterprises which are regularly operated and productivity generally increases with the age of the enterprise and educational attainment of entrepreneurs.

Sreeramulu (2004) in his study about Growth and Overall Performance of Indian Small Scale Enterprises pointed out that the Industrial
Policy Resolution (IPR) 1948 accepted the importance of small scale industries in Industrial Development. These industries are particularly suited for the utilization of local resources and for creation of employment opportunities.

Basil (2005) in his study on Small and Medium Enterprises (SMEs) in Nigeria: Problems and Prospects Examined the Performance of Small and Medium Enterprises Sub-sector of the Nigerian Economy, its challenges and prospects and suggested measures to make the sub-sector vibrant in order to play the vital role it is anticipated to play. This study concluded that the managerial problems represented the greatest problem facing SMEs in Nigeria while non-availability of raw materials locally was the least of the problems. Danish (2005) in his study on “Post MFA: Making the Textile and Garment Industry Competitive” suggests that India needs to focus on cost reduction if it has to compete with Asian textile giants like China, Indonesia and neighbours such as Sri Lanka, Pakistan and Bangladesh. It argues that while China remains the undisputed leader with cost advantages in all factors of production. India is fast losing its traditional advantages in home-grown cotton and low labour cost. The study noted that in cotton textile, besides technology, costs of raw materials, energy, dyes and chemicals, and wages are crucial for India to stay cost competitive.

Khomraj (2005) examined the Current Status, Opportunities and Challenges of Cottage and Small Scale Industries. The study revealed that in the context of Nepal, cottage and small scale industrial sector deserves priority as an instrument of industrialization because Nepal is facing the problem of high population growth rate, unemployment, income inequalities, etc. Although large and medium scale industries also generate more employment opportunities they require comparatively heavier amount of capital, which is generally scarce in Nepal. It is necessary to make our
industrialization process dynamic and consolidated by developing and expanding cottage and small-scale industries in keeping with our limited markets, level of technical know-how, position of transportation, and the geographical structure of the country.

Tagoe (2005) examined the financial challenges faced by urban SMEs under financial sector liberalization in Ghana. Main challenges faced by urban SMEs are access to affordable credit over a reasonable time. To manage this challenge SMEs should manage record keeping in an efficient manner. Moreover, availability of guarantee improves SME’s access to formal credit. Tulus (2005) study has three main contributions. First, the study has found that, according to their level of development, there are three types of clusters in Indonesia. Next the study has verified that SME development policies with a clustering approach serve as a public policy viewpoint. Further, the study has found that cluster development policies in Indonesia have not been flourishing. In essence, most failures can be attributed to neglecting cluster linkage to markets, neglecting or even eroding SMEs’ self-organization potential, and restricted support from local Government and private organizations.

Anand and Murugaiah (2006) in their study attempted to analyze the Small Scale Industries In India: An Evaluation of Performance in the Post-Liberalized Scenario. The study revealed that SSIs have been existing in the country for a long time in various sectors and contributed significantly in bringing down regional imbalance; generating employment opportunities, output, exports, and fostering entrepreneurship in accelerating economic development. It occupies a position of prominence in India and contributes over 50% of the industrial production in terms of value-addition. This sector plays a key role in the industrialization process and accounts for one-third of exports, and employs the largest manpower next to agriculture. The process of
liberalization, privatization and globalization (LPG) has opened up new opportunities and challenges for this sector. This paper examines the role and importance of small scale industries in India, problems they encounter and performance in terms of their contribution to the overall growth of the country’s economy. Bhavani (2006) stated that the phenomena of liberalization, globalization, and rapid technological developments are changing business environment world over for the past twenty years. The changeover took place from policy regulation to market orientation across the world through liberalization of the state controls on economic transactions. These two phenomena are together posing significant challenges to individual enterprises, technological developments, and on the other side, providing chances to the industrial units to enhance their competitiveness so as to deal with these challenges.

Ismail (2006) examined motivation in business start up among Malay entrepreneurs and problem faced by these entrepreneurs. The study concluded that there are a large number of motivational factors but chief among them are personnel development and financial security. Insufficient finance and tough competition from others are the main problems faced by entrepreneurs. Kashif and Abdullah (2006) pointed out in their article “Financing the Small and Medium Enterprises in Faisalabad (Pakistan)”, that the financing of SMEs is increasing day-by-day. It is mainly due to a rising trend in their economy. Banks are like a key that start the engine of the economy, which are performing their duties by providing different types of loans to SMEs. Their interaction with the banks has transpired that one basic reason for reduced access to finance by SME borrowers has been inadequate financing request from prospective borrowers under existing regulations, which are basically driven by their requirements for lending to corporate sector. Results of their research have showed that because of increasing trend in financing SMEs sector, positively, SMEs will grow in future.
Kuruba (2006) examined issues in the promotion of Small Business Enterprises in Botswana. The author observed that Botswana economy has congenial atmosphere for growth of small business enterprises. There is a need to provide training, and financial and institutional support for these enterprises.

Ramachandra (2006) in his article “Commercial Bank Lending to Small Scale Industries”, pointed out that the share of SSI sector in total bank credit and in credit to the industry increased during the period from 1991-92 to 2001-02, which decreased thereafter in 2003-04. Viewing banks according to their size by total assets, the growth rates in credit to the SSI sector recorded low or negative rates during 2001 to 2003, as against high growth rates in the earlier period for small sized banks. However, the share of the SSI sector in total industry decreased from medium and large banks and fluctuated in a narrow range of 13.5% to 16% for small banks. Looking at specific performance indicators, the ROA (Returns on Advances) fluctuated during the period of the study in respect of all bank groups. On the other hand, it registered a decline in respect of the SBIA (State Bank of India and its Associates) group, foreign banks and OSCBs (Other Scheduled Commercial Banks), while for nationalized banks, it fluctuated from 2.1 to 3%, except for 1993. Similar pattern of fluctuating ROA and decline in spread have been observed when banks are grouped according to their size. Based on ROA for the banks, the share of credit to the SSI sector in total industry and non-food credit has been examined. The share of SSI sector in industry became significantly decreased in respect of banks having a poor (“ 0.3%) or good (0.3 to 0.8%) ROA. While for very good performing banks (ROA >0.8%), the share got increased during the period of study. Similar is the case with the SSI share in total non-food credit.
Shahadat and Mohammed (2006) studied the problems in financing and managing small-scale enterprises in rural areas of Bangladesh. This study analyzing their business, found that majority are sole proprietorship and family business and financed by families, friends, relatives and from own source. In studying the potentials of their business, it is found that improvements of their socio-economic status and living conditions establish them as economically independent. Demand for their products in the local market, availability of raw materials, cheap and available human resources are main influential factors. Inadequate amount of loan, excessive formalities in loan processing system, high interest rate and loan processing cost, unfavorable repayment policy and absence of financial institutions in rural areas are main problems in financing. The operating problems are inadequate infrastructure, inefficient marketing facilities and market information, lack of proper training and skilled workers, lack of proper R&D facilities, outdated technology and technical know-how, etc.

Vidya and Shashidhar (2006) analyzed Competitiveness of Small-Scale Industries of India and highlighted the importance of Small Industries and their role in the economy and the impact of economic reforms on growth pattern and productivity performance of small-scale industries.

Ibrahim and Umar (2008) in his doctoral thesis examined the various strategic factors affecting the performance of Small and Medium Industries in Borno State of Nigeria. He carried out the study to find out the factors, issues, troubles, obstacles, and challenges facing the small and medium industries (SMIs) in the State and the various macroeconomic policies and incentives provided for the development of small and medium industries in Nigeria.

Koti (2008) examined the Problems and Prospects of the Small-Scale Industries in India and revealed that a number of SSI units have fallen
sick during the process of industrialization due to lack of coordination, non-availability of credit, inadequate physical infrastructure, irregular supply of electricity, poor condition of road transportation, adoption of import liberalization, and tariff on materials and so on. Primary factors for the low performance of SSI are poor infrastructural facilities and competitive strength, slow technological upgradation, ignorance of WTO provisions, lack of international exposure and flow of costly credit. The support to the SSI sector needs to emphasize increasingly on promotional policies rather than protectionism. To meet the challenges from domestic markets as well as abroad, the SSIs should upgrade their technology and adopt modern marketing practices.

Mehendra (2008) in his article “Economics of Handloom Weaving: A Field Study in Andhra Pradesh” stated that the two major institutional structures in handloom weaving viz., cooperatives and masters weavers are closely interrelated, as is their growth performance. The economic condition of the weavers is the other point of crisis. While it is true that becoming an independent weaver would give better returns. The major threat of competition can be countered when the sector produces high quality products, and distinctive (brand value) products. Improving marketing through better designs and product diversification, accessing multiple marketing channels and accessing working capital from formal institutions would improve the performance of the cooperatives and benefit handloom weavers as a whole.

Shiavakanth (2008) in his study about Industry and Employment, During Post Liberalization period in Karnataka, pointed out that the growth process has brought about significant changes in the structure of the economy in Karnataka. By the introduction of the new economic policy, more employment opportunities are generated in large, medium and small scale industrial units in Karnataka, but it is not at the expected rate. The study
observes that the reasons for this failure of achievement is due to change in technical structure of small scale industrial units, rapid policies framed by the government, inefficiency to compete with multinational companies, qualitative competition at the global level and above all, the time required to restructure the industrial sector within the country and necessary preparation of efficiency inputs. It suggests that both the demand and supply sides should take actions in order to achieve higher levels of employment in Karnataka.

Umasankaran (2008), in his study analyzed “The Small-Scale Industries in the Era of Globalization: Role of Institutions in India”, showed that majority of the SSI are concentrated in traditional industries and there is no significant improvement in the technology development and noted that the vibrancy and dynamism anticipated under an era of de-regulation and de-reservation, remained largely unrealized. Hence, the present study explores the policy changes with the aim of improving the competitive strength of small firms and highlights the problems faced by SSI to approach these policies to get benefit out of it. Wu (2008) examined an empirical evidence of small business financing in China. The study has revealed that at the initial stage SMEs in China have used their own sources and finances from relatives and friends. But at the later stages, SMEs in China have used bank finance. The reason being, banks in China require various formalities to be fulfilled by SMEs like taxation submission reports, accounting and credit rating scores, documentations and so on.

Benzing (2009) examined the motivation, success factors and problems of entrepreneurs of SMEs in Turkey. Factor analytical technique was used to analyze the data. The study concluded that increase in income was one of the motivating factors of the entrepreneurs, followed by job security and independence. The success factors of entrepreneurs were reputation, honesty, and friendliness. The entrepreneurs in Turkey faced the
problem of cumbersome tax structure, unreliable employees, inability to maintain good record and weak economy. The author has suggested that Government should actively support the business education at vocational and higher level.

Chandrabose and Nalayini (2009) in their article "Small Scale Entrepreneurs in India, Performance and Problems " pointed out that the village and small scale industries are able to provide lot of employment to the people living in that area. All the efforts of the Government of India, State Governments and financial institutions have led to the growth of entrepreneurs in India. The findings of their study are that the majority of the entrepreneurs were males who have started the SSI units. Majority of the entrepreneurs were in the age group of below 30. It was also noticed that the most of the SSI units (81%) were located in rural areas. It was found that 67% of the SSI units were having more than 75% of production capacity. The gender and educational qualification of the entrepreneurs do not influence the growth of the entrepreneurs of SSI units. Dasanayaka (2009) found that the Small and Medium Scale Enterprises/Industries (SMEs) are functioning as a lifeline in informal sector in Sri Lanka and Pakistan due to their significant contribution to overall economy in terms of employment, exports, tax income, innovation, equitable income distribution, social stability, domestic resources usage and regional development. However in both countries lack of first hand information is the main obstacle to understand various issues related to the growth and development of SMEs. The main data sources for this study are the latest national level Industry Census in both the countries. The main objective of this paper was identification of issues related to the SMEs with special emphasis on definitional and future research direction aspects. The final outcome of this study was to show the issues emerging from the national level SME data bases in Pakistan and Sri Lanka to formulate coherent policies and strategies to develop SMEs to their full potentials so as to accelerate
economic growth and development in both the countries. The issues raised and research directions set by this paper can be used to any South Asian country to develop its informal sector SMEs to full potentials.

Galab and Revathi (2009) in their article “Understanding Power loom Weavers Suicides in Sircilla” stated that the present crisis in the power loom industry in Sircilla has multiple dimensions. The oligopolistic market at all phases fixes price from agent/trader to master weaver to job workers and to hired worker. As a result the whole production process in Sircilla leaves hired workers vulnerable in terms of employment, health hazards and social security, thus resulting in the aged and diseased being subjected to starvation and suicides. The absence of a complete value chain in power loom production has made the sector remain as a low quality intermediate sector in Sircilla. The bigger master weavers with the capacity to invest in the sizing and processing units to adopt to changing demand are not market saving and lack of enterprise to take the initiative, while the small masters who have emerged with the growth of the industry lack adequate capital.

Habtamu (2009) studied the Challenges and Opportunities of Small and Medium Scale Enterprises (SMEs) in Addis Ababa (the Case of Arada Sub city) and identified the major factors for the success of the SMEs in view of all sectors. The findings stated that SMEs faced different problems. These were financial issues, marketing, management and human resource issues, environmental issues and the like. Inadequacy or expensive of credit availability had the most important issue of the SMEs in the sub city. More over scarcity of working capital, heavy competition, poor business development services, collateral requisite by financial institutions, disagreement with neighboring industries and lack of openness among SMEs office at the time of allocating the working place were the major problems identified in the study. Kashfia and Tanbir (2009) highlighted in their
combined article “Performance Evaluation of SMEs of Bangladesh” that the SME has been identified by the Ministry of Industries as a thrust sector. As the SME sector is labour intensive, it can create more employment opportunities. SME also fosters the development of entrepreneurial skills and innovation. Along with poverty alleviation, SME can reduce the urban migration and increase cash flow in rural areas. As a result it will enhance the standard of living in rural areas. In the study performance of SMEs in Bangladesh is found to be significantly below the level of international standard. Although Government of Bangladesh has taken initiative to ensure the growth of SME, but those steps are not enough.

Omobolanle (2009), in his thesis, examined and analyzed the Problems of Establishing a Small Business Enterprise in Nigeria, the western part of Africa. The first part of the research is the theoretical part where the topic is introduced and information that are neglected by many small business owners is given. It further explains the importance of small business enterprises and their contribution to the economy of different countries. Small and Medium sized enterprises have shown their vitality in the west. They are recognized by policy makers as an important reservoir for growth. Additionally, the thesis identifies what the Small Business Enterprises lack and what these businesses need from the Government, the financial institutions and the immediate environment for it to survive.

Pooja (2009) revealed in her study “Micro Small and Medium enterprises in the Indian Economy, A case study of District Kathua, J&K” that for achieving customer-orientation, manufacturing superior quality products carrying proper assurance, warranty, reasonable prices, descriptive labeling and packaging should be taken up and this can assist in the survival and growth of SSIs in competitive environment. Findings also support the importance of strengthening brand loyalty and customer welfare. Special
training in technology adoption and its dissemination among unemployed, post graduates are recommended to promote the spirit of entrepreneurship in Kathua district. Further it is concluded that funding institutions must provide easier access to credit by reorienting their existing policies and procedures through procedural simplifications, fixing interest rates based on repaying capacity of SSIs and allocating more funds for women entrepreneurs, OBCs and SCs. The study further reveals that an effective entrepreneur must focus on improved market-mix that offers a clear competitive advantage.

Sonia and Rajeev (2009) analyzed the Impact of Globalization on Indian Small Scale Industries. The main theme of the paper is to evaluate the performance of SSI, before and after liberalization and compare them with average annual growth rates, and to know the impact of globalization on the performance of SSI. Affo Alex et al (2010), studied to bring to light the challenges faced by SMEs in Ghana. These challenges appeared to change according to various macro and micro conditions. The findings of the study indicate that SMEs face the following challenges: lack of finance, tax burden, and adverse Government policies and in some cases the incapability of SMEs themselves. The research concluded that business challenges cannot be totally eliminated but can be brought under limited control.

Irwin and Scott (2010) analyzed the barriers faced by SMEs in raising bank finance in U.K. Three personal characteristics such as ethnicity, gender, and education have been taken. The study has observed that entrepreneurs having graduate level of education face the problem of raising finance in an easy manner. In the case of ethnicity of entrepreneurs, black owners encounter more problems in raising finance. The study has concluded that suitable policy measures may be formulated to provide finance to marginalized group on liberal terms and conditions. Jha and Agrawal (2010) in their Study of the Marketing Problems of Small Scale Industries revealed
that the progress has been hampered as the industry faces various problems relating to production, marketing, finance and personnel. The present study examines the marketing problems of small-scale industries working in the district of Varanasi. The study opines that the marketing problems have arisen mainly due to heavy competition from other industries, adoption of cost oriented pricing, lack of advertisement, non-branded products etc.

Marica et al (2010) evaluated Access to Finance Constraints for Micro, Small and Medium Enterprises in India. Their study reports that access to finance is the most severe concern for MSMEs in India. However there are some differences regarding how different types of firms consider access to finance as an obstacle. Thirty eight percent of micro-manufacturing firms report it as the most severe obstacle to operations, compared to only six percent of IT firms. Other obstacles identified as a major concern by MSMEs are poor delivery of electricity, corruption and high tax rates and onerous tax administration. Problems related to access to finance stems from two different sources. The first concerns involuntary exclusion, wherein banks discriminate against small borrowers because of higher transaction costs and information asymmetry. Secondly, MSMEs may not access finance because of voluntary exclusion. In this case, firms choose not to pursue formal financing for a variety of reasons, including the availability of informal lending sources or the lack of a desire to grow. Evidence for both involuntary and voluntary exclusion were found in the case of MSMEs in India. Based on the state-level analysis of access to finance, there is considerable variation across states in lending to small enterprises. However, these differences are not a result of differences in financial laws across states. In India, relevant banking laws are promulgated at the national level. Thus, the wide disparities between states result from factors such as their respective bureaucratic effectiveness, degree of legal protection, and progress with economic development initiatives.
Report of Prime Minister’s Task Force, (January 2010) on micro, small and medium enterprises, Government of India, provide detailed information about support available for the SSIs to face the different risk factors in the business. Sani et al (2010) made use of facts obtained from Business Expectations Survey (BES) conducted by the Central Bank of Nigeria to empirically evaluate the business condition in Nigeria and its implications for monetary policy. The paper finds that the outlook on business activity contains information about future growth and investment and provides a good measure of inflation expectations, exchange rate expectations, and borrowing rate expectations. The findings are that volume of business activity index, financial condition index, average capacity utilization index and access to credit index correlated strongly with the monetary policy rate. Coupled with the fact that monetary policy decisions must be taken before actual data on key macroeconomic variables available, the BES should provide a useful guide to the monetary authority in assessing the business conditions in the economy.

Anilkumar (2011) examined the challenges faced by entrepreneurs of small scale sector. Factor analytical model was reduced to 20 statements in five factors which acted as barriers for the entrepreneurs of small scale sector. These related to financial barriers, labour related issues, pricing of the product, infrastructural constraints and demand estimation. Results revealed that different types of strategies were followed while dealing with entrepreneurs having different profile in small scale sector. There is a need to follow modern human resource management practices by the entrepreneurs of small scale sector. Government should follow more liberalized policies for the growth of small scale sector. More emphasis is laid to further strengthen the infrastructure and promotional measures. Deepmala et al (2011) presented five case studies of innovation practices by MSME entrepreneurs in cosmetics industry in Mumbai (India). In an industry highly conscious of brand, five
enterprises selected for the study are shown to have successfully adopted the products, interfaced with the Government laboratories for product testing, marketed the products through Internet, and have operated successfully with informed users of these products such as beauty parlors and the like. The cases highlighted the problems and possibilities of innovative behaviour in MSMEs.

Obasan and Adediran (2011) attempted to express the relationship between small and medium scale enterprises and economic growth in Nigeria to know the degree of significance, even-though the country strives to achieve poverty alleviation, industrialization, Millennium Development Goals (MDGs), vision 2020 among other sustainable development programmes. The data set covered from 1980 to 2008. The authors analyzed the contribution of small and medium scale enterprises to economic growth and development in Nigeria. Appropriate policies were therefore recommended on how sustainable development can be achieved through small and medium scale enterprises in Nigeria. Pawankumar and Amitarani (2011)in their study about Problems and Prospects of Small Scale Agro Based Industries: an Analysis of Patiala District, found that agro based industry in Patiala district is in the crisis and facing various problems like lack of financial assistance, improper marketing channel, high degree of breakdown of finished products and non-availability of research laboratory for quality control.

Vetrivel and Iyyampillai (2011) in their study Small Scale Industrial Units: Past and Present Problems and Prospects, analyzed the growth and structural changes experienced and the problems faced by the small scale industries in India and Tamil Nadu. It is found that the overall policy and physical environment have been utilized by the entrepreneurs to maximize the benefits. It is noticed that due to different reasons, some units could prosper while others could not. The study confirmed that in spite of all
the external factors, the individual factors did play more important role in the expansion of the industrial activities.

Anita and Ajay (2012) in their study Role of Small Scale Industries in the Age of Liberalisation, identified the policy constraints, and highlighted the areas that need action. It is argued that a better understanding of the process of evolution of the modern small scale sector in the late industrialising economies can help India make appropriate policy choices. Arjunkumar (2012) in his study of Small Scale Industries: Marketing Strategies covered the socio-economic conditions and marketing strategies of SSIs and identified the marketing problems of SSIs. Effective marketing of Small Scale Industrial products would ensure higher margin, utilization, and employment which increase the standard of living.

Daniel et al (2012) examined financing small scale infrastructure investments in developing countries and reported that in most developing countries a shortage of long-term financing for small-scale infrastructure projects impedes local economic development. Inadequate fiscal transfers, little own source revenue and low creditworthiness make it difficult for local Governments to fully fund the projects on their own. This paper proposes the use of project finance as a means to attract financing from domestic banks and institutional investors. Donors can play a catalytic role by providing technical assistance to develop projects and credit enhancement to attract commercial financing. Ghoshal and Shilpi (2012) examined the Role of Foreign Direct Investment in Indian Small Scale Industries. The paper is concerned with one of the ways of contributing to strengthening the indigenous SME sector in a situation of resource scarcity. Specifically, the paper is concerned with the potential role of foreign direct investment (FDI) in relation to the long term competitive development and inter-nationalization of the SME sector in transitional and developing countries.
Magda and Masquita (2012) analyzed the Potential of Small-Scale Agro-Industry as a Sustainable Livelihood Strategy in a Caribbean Archipelago Province of Colombia. The study highlights that agro-industry, as it is currently practiced in the Archipelago, is not sustainable in the long-term. However, it has potential to become a sustainable livelihood strategy. This study calls for efforts to strengthen agriculture and protect local agro-industry production, aiming for a steady supply of raw materials for agro-industry and an assurance of local markets for the products. Further studies on adapting and coping strategies and the contributions that modern technology might offer to agro-industry are suggested.

Muritala et al (2012) investigated Small and Medium Enterprises as a veritable tool in Economic Growth and Development. The results of the study revealed that the most common constraints hindering small and medium scale business growth in Nigeria are lack of financial support, poor management, corruption, lack of training and experience, poor infrastructure, insufficient profits, and low demand for products and services. Hence, it recommended that Government should, as a matter of urgency, assist prospective entrepreneurs to have access to finance and necessary information relating to business opportunities, modern technology, raw materials, market, plant and machinery which would enable them to reduce their operating cost and be more efficient to meet the market competitions.

Osotimehin (2012), in his study on Evaluation of the Challenges and Prospects of Micro and Small Scale Enterprises Development in Nigeria, highlighted that the phenomenal growth of small and medium enterprise in Nigeria is mainly due to the people’s quest to be self-employed and not because it is easy to establish or manage. Financial constraints and lack of management skill hamper the efficient performance of micro and small scale enterprises in Nigeria. In view of this, it is recommended that government and
other non-governmental organization should regularly organize seminars for potential and actual small and medium enterprise operators on how to plan, organize, direct and control their businesses, and that micro, small and medium enterprises operators’ should devise effective marketing strategies and good management-customers relations at all times.

Ram et al (2012) in their study Small Scale Industry: An Engine of Growth, analyzed the performance of Small scale industry in India and focused on policy changes which have opened new opportunities for this sector. Technological advancement and improvement in financial infrastructure are needed to boost up SSI.Rau1 and Vijayaratna (2012) studied the status of pharmaceutical industry with more emphasis on the Small Scale Industry. In the study several issues relating to company administration, regulatory, facility, SWOT were analyzed. The study gives a clear indication that small scale industry is struggling for existence even though good quality products are manufactured. Necessity of small scale sector is felt in terms of inducing competition in the manufacture of good quality medicines and availability of medicines at a reasonable price for the end user. Small scale pharmaceutical sector is essential for economic growth, employment and for fulfilling the local requirements at a cheaper price.

Rashid (2012) in his study on Small-scale Industries and Rural Development: Implications for Rural Industrialization in Pakistan revealed that the Government has never really had an overall policy or programme on rural industrialization and since data on rural industries are not available, attention has been focused on two major aspects of development programmes which seem to have had some impact on rural industries, directly or indirectly. These include the programme on industrialization in general and small industries in particular; and the programme on rural development. The first section of this paper presents a brief outline of the importance of small-
scale manufacturing industries (urban and rural) in the Pakistan economy, and the following sections deal respectively with the different policies and programmes of small-scale industry, and rural industrialization in Pakistan.

Reetu (2012) in her study on Problems and Prospects of Small Scale Industrial Units (A Case Study of Exporting and Non – Exporting Units in Haryana), expressed that problems faced by SSI units. Financial and marketing problems are largely faced by non-exporting units while exporting units have to face the problems like executive inefficiency, technological lag, problems relating to export etc. In addition to this, terms of payment are also a major problem which is equally faced by both exporting and non-exporting units. So for strong Small Scale sector, there is need for promotional measures rather than protective measure.

Shivani (2012) examined Small Scale Industries: Striving and Thriving in the Era of Globalization. The central discussion of this paper is to throw light on the role of MSME in the upliftment of social disadvantage group. It highlights the MSME status in the era of globalization and also emphasizes review of the same. Apart from Governmental role it is also the responsibility of MSME sector to be empowered about awareness, access and availing of Government policy and programme. This proactive approach helps MSME sector to sustain in liberalization era. Siva (2012) opined that entrepreneurs can be developed through the practical application of entrepreneurship skills. The author showcased the problems faced by entrepreneurs of Small Scale Industries.

Jadhav and Gaikwad, (2012-2013) in their study on Sickness in Small-Scale Industries: Causes and Remedies, A Case Study of Aurangabad reported that the importance of small scale industry has been increasingly recognized in Aurangabad as a solution for the problem of scarcity of capital and widespread unemployment and poverty. But it has not served its purposes,
started turning sick in increasing numbers. The causes of sickness differ from industry to industry is presently it is a major problem. The real or root causes have not been identified and corrective measures have not been taken on the basis of causes. Small scale sectors become tools of equitable wealth distribution throughout the state. If approached strategically, thousands of jobs could be created in the automobiles, agro-based, cotton, handlooms and handicrafts industries. The paper highlights the causes and remedies of industrial sickness of small scale industries in Aurangabad.

Citizen’s Chapter 2012, Tamil Nadu Small Industries Development Corporation Ltd (TANSIDCO), Performance Budget 2012-2013(TANSIDCO), Policy note 2012-2013(TANSIDCO): These documents provide detailed information about support available for the SSIs in Tamil Nadu to face the different risk factors in the business. Bilal and Bhat (2013) in their study on the Growth, performance and challenges of Small Scale Industries in Jammu and Kashmir, revealed that besides the growth potential of the sector and its critical role in employment generation of Jammu and Kashmir State, it also contributes to the Gross State Domestic Product (GSDP) that is, it contributes 12.55% to GSDP. The study is significant in the sense that the State of Jammu and Kashmir is relatively a backward region of the country both economically and educationally and thus the paper presents a good setting for investigation to know about what is the performance of SSIs in J & K and how SSIs generate some sort of self-employment and income and what are the challenges that these industries face.

Etebefia and Akinkumi (2013), this study examined the contribution of small scale industries to the national economy. This study covers the Nigerian economy and its findings were based on statistically analyzed data extracted from the Annual Abstract of Statistics (NBS publication). The growth of the National economy of Nigeria depends on how
best the Small Scale Industries are in technology and in their ability to overcome the Nigerian factors that may rise against. The more the number Small Scale Industries (SSIs), more employment will be created in the Nigerian economy system. In view of this, they recommend that government and other non-governmental organization should encourage Small Scale Industries and this will make more people to go into Small Scale Industry and through this more employment will be created and thereby make life better for Nigerians. The study recommends organizing seminars for potential and actual small scale industries operators on how important the contribution of the business is to the economic growth of Nigeria.

Kanagarathinam and Sukumar (2013), in their Study on Marketing Strategies in Small Scale Industries, highlighted that effective marketing of small scale industrial products would ensure higher levels of income, consumption, and employment which increase the standard of living of the people. Marketing is demanding greater attention not only from industrialists especially of the small scale sector but also from the planners and economists. This empirical study covers the socio-economic conditions and marketing strategies of SSIs and identifies the marketing problems of SSIs. The aim of this study is to generate awareness among the SSIs regarding the blind spots in marketing their products.

Sreenivasulu and Rathnakumari (2013) analyzed the Growth and Structure of Small Scale Industries in India. Small scale industries facilitate the tapping of resources including entrepreneurship, capital, labour and raw materials. They can mobilize rural savings which may otherwise remain idle or may be spent on luxuries or channeled into non productive ventures. The pursuit of economic liberalization and that of the industrial policy reforms envisages the technological capabilities and competitiveness. Institutional agencies have been setup for providing technical, infra-structural, financial
and other services, and promotional measures providing the fiscal and financial concessions, subsidies, reservation of the products and priority in credit allocation have been adopted to augment the development of the small scale industrial units.

The issues and concepts that emerged from Review of Literature are employment, productivity, performance, competitiveness, marketing problems and support, quality products, product innovation, entrepreneurial skills, financial challenges, relative cost efficiency, growth rate, managerial competency, product promotion, technological improvement and infrastructural facilities.

RESEARCH GAP

Areas not studied in the previous studies are namely prosperity and common challenges of Small Scale Enterprises in Tamil Nadu, factors influencing entrepreneurs to become successful Small Scale Entrepreneurs in Tamil Nadu, and Awareness on support available to Small Scale Entrepreneurs in Tamil Nadu to overcome the challenges they face and succeed in the business. These aspects have been taken for the present study titled “An Evaluation of the Problems and Prospects of Small Scale Entrepreneurship in an Emerging Economy: A Study of Selected Industries in Tamil Nadu Districts”.