CHAPTER – I
INTRODUCTION AND RESEARCH DESIGN

The role of industries in the economic development of a nation is a pivotal one. The overall economic growth and development of a country are based on various factors including that of gross domestic product and the role of Governments in providing conducive environment for industrial development. District Industries Centre is one such attempt by the government to promote overall development of industries in all areas of the country.

Importance of SSI Sector

The small scale industrial (SSI) sector is one of the most vital sectors in the economic growth of our country with sustained employment potential. The SSI sector has a major share in production and serves as a nursery for development of entrepreneurial talents. This sector, which accounts for 95% of the industrial units, accounts for 40% of manufacturing output and contributes 35% of the exports. As on 31.12.04, there were 4.85 lakh registered SSI units in Tamilnadu having an investment of Rs.13,515 Crores, providing employment to 35.11 lakh persons.

Industrial units having investment of not exceeding Rs.100 lakhs on plant and machinery are defined as small scale industry. Industrial units with an investment on plant and machinery not exceeding Rs.25 lakhs, as Tiny Industry. With the Liberalization Policy, the global competition is intensifying
and there is a danger of local markets being swamped by imports. It is imperative that the SSIs should have the ability to respond effectively to this changing trend. The thrust on the SSI Sector must therefore be on enhancing competitiveness through continued technology upgradation and at the same time retaining employment generation.

This has focused the Government policy towards the promotion of Agro-based and Food Processing Industry which has a three pronged advantage, namely, promotion of SSI in rural areas by utilising local resources, creation of rural employment and upliftment of rural economy by way of value addition to the area specific produces.

**Role of the Government of Tamilnadu**

The basic objective of the industrial policy pursued by the Tamilnadu Government is to achieve massive increase in employment by promoting small and rural Industries. The Government is of the firm belief that given the magnitude of unemployment and the number of persons living below the poverty line, the touchstone of all industrial schemes and investments ought to be their employment potential, especially in the short term. For this purpose, a thrust has been given to establish, promote and develop the rural industries, which are also called the cottage and village industries, or small industries including tiny and household sector, particularly in promoting self-employment opportunities in urban and rural areas by extending financial assistance through banking sector for the establishment and development of small industries.
The policies and programme of Government in the development of rural industrialization based on the utilization of local resources and raw materials and locally available manpower and skill are translated into action through the various agencies under the Industries Department which are primarily concerned with the promotion of small and rural industries. Provisions have been made to provide infrastructure facilities. Assistance is provided and growth centres have been promoted. Institutions like Tamilnadu Industrial Investment Corporation along with MSME Development Institute of the Government of India and Nationalized Banks assume the responsibility for providing necessary inputs to this sector. This will go a long way in reducing unemployment. Since agricultural sector has been fairly saturated, it is necessary to develop secondary sector to economic activity in order to improve the overall economy of the district, as well as to solve the mounting unemployment problem towards this objective.

**Importance of DICs**

The role of District Industries Centre in the industrial development cannot be easily brushed wide. The prime functions of District Industries Centre are integration of the promotional programmes in the sector with other area development programmes and adoption of a cluster approach particularly for the traditional industries and restructuring of the organisational base at the district level to make it more effective and result-oriented. It aims at the development of appropriate technologies and skills, their effective extension and transmission and increased availability of raw materials.
including creation of buffer stocks particularly of critical raw materials. DIC aims at the accelerated flow of institutional funds especially in favour of artisans, village industries, 'tiny' units, rationalisation of the interest rate structure, organisation of producer-oriented marketing both within and outside the country. DIC provides for selective reservation of items for exclusive production and purchase from the cottage and small industries, effective promotion of ancillaries, strengthening and extension of cooperative form of organisation particularly for the cottage and tiny units; and building up of a sound data base to facilitate proper policy formulation and evaluation.

The rural artisans are scattered. They find it difficult to obtain credit and raw materials. The size of the market is small and even at places where there are clusters of artisans engaged in specific industries, their operations are not viable. A strategy based on industry-cum-area development approach leading to vertical and horizontal integration of the programmes alone can sustain the industries in rural areas. This calls for integration of beneficiary-oriented schemes with the overall 'area' development plans to be drawn up after taking the resource endowments into account. Not all types of industries can be developed everywhere. There are certain areas where a host of artisans already exist. There may be certain other areas, which have potential for the development of a specific industry. For such groups of artisans and craftsmen, the approach would be to provide a package of assistance including setting up of functional industrial estates so that the clusters could turn into growth centres. In fact, the emphasis would be on
selected industries with maximum potential rather than on spreading the efforts thinly on promoting all types of industries in the same area.

**Genesis of District Industries Centre**

The Government of India introduced had established District Industries Centres in 1978, with a view to promote district-wise industrial development in the nation. The main objective of DIC was to survey the existing traditional as well as new industries, the availability of raw materials, human resources and making arrangements for training facilities in production / management of the small units of entrepreneurs. The prime objective of District Industries Centre is to support and strengthen the SSI / Tiny Sector all over the State by making every enterprise, efficient, competitive and employment oriented and thereby to bring about socio-economic upliftment of the people of India.¹

**Objectives of DICs**

1. To identify potential projects in rural areas, viz. Agro based, Food processing, Herbal Medicinal Products and Bio-tech products and to provide escort services to compete in the global market.
2. To rejuvenate and revitalize the slackened rural Industrial economy.
3. To tap the local resources for commercial exploitation and value addition.
4. To generate increased employment to women and weaker sections.
5. To give a boost to employment generating schemes and thereby bring more unemployed youth into the economic mainstream.
6. To promote women entrepreneurship through training programme.

7. To establish industrial parks with adequate infrastructure exclusively for women.

8. To provide simplified procedures to get SSI certificate online, through authorized browsing centres.

9. To establish export guidance cells for providing equal opportunities to SSIs for export promotion in the districts.

10. To facilitate and provide quality infrastructure facilities/services in industrial clusters for capacity building of entrepreneurs.

11. To facilitate and create common amenities such as raw material bank, product display centres, common testing centre and common effluent treatment plants for the SSI units.

12. To establish tea auction centres for bringing in transparency in tea auction for fetching fair price to the small tea growers.

13. To promote the small scale industries through industrial co-operatives.

14. To provide credit support to industrial cooperatives through TAICO Bank.

15. To ensure competitive price to the tapioca farmers by encouraging the sale of sago and starch through SAGOSERVE.

16. To provide special packages for the existing industries to take up technology up-gradation, modernization and to enhance the competitiveness of the products.
Table 1.1

INCENTIVE SCHEMES TO SMALL SCALE INDUSTRIES IN TAMIL NADU

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Scheme</th>
<th>Location</th>
<th>Quantum of subsidy/Incentives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Capital subsidy under New Anna Marumalarchi Thittam</td>
<td>All the 385 blocks in Tamilnadu</td>
<td>15% on cost of plant and machinery subject to a ceiling of Rs.15 lakhs.</td>
</tr>
<tr>
<td>2.</td>
<td>Additional capital subsidy for industries which employ more than 50% women under New Anna Marumalarchi Thittam</td>
<td>All the 385 blocks in Tamilnadu</td>
<td>5% additional capital subsidy subject to a ceiling of Rs.5 lakhs.</td>
</tr>
<tr>
<td>3.</td>
<td>Generator subsidy under New Anna Marumalarchi Thittam</td>
<td>All the 385 blocks in Tamilnadu</td>
<td>15% on cost of Generator Set subject to a ceiling of Rs.5 lakhs.</td>
</tr>
</tbody>
</table>
| 4.    | LTPT Subsidy Under New Anna Marumalarchi Thittam                     | All the 385 blocks in Tamilnadu               | I Year 30%  
II Year 20%  
III Year 10% from the date of commencement of production or from the date of Power connection whichever is later. |
| 5.    | Ended back interest subsidy for the term loan obtained for Technology Up-gradation and modernization | All the areas in Tamilnadu                    | Ended back subsidy, to the extent of interest charged over and above the prime lending rate. |
| 6.    | Ended back interest subsidy for the term loan obtained under National Equity Fund Scheme of SIDBI | All the areas in Tamilnadu                    | Subsidy, to the extent of interest charged over and above the prime lending rate.           |
| 7.    | Ended back interest subsidy to tiny /SSI units for the loan availed from financial Institutions | All the areas in Tamilnadu                    | Subsidy, to the extent of interest charged over and above the prime lending rate.           |
| 8.    | Ended back interest subsidy for the term loan obtained for ISO Certification and for the term loan for taking up R & D resulting in Patent Registration and protection of Intellectual Property Rights Registration. | All the areas in Tamilnadu                    | Subsidy, to the extent of interest charged over and above the prime lending rate.           |
District Industries Centres are functioning in all the 30 districts of Tamilnadu. The District Industries Centres are headed by General Managers who are supported by Functional Managers and Technical Officers. The General Managers are helping the entrepreneurs with necessary escort services for the new business and guidance for the existing units to grow. All the schemes of the Department, specially MSMED Act 2006, Single Window, Subsidies etc. are implemented through the DICs.

**Administrative Setup**

DICs are headed by General Managers and supported by Functional Managers and Technical Field Officers.

**ORGANISATIONAL STRUCTURE of DICs**

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http://www.indcom.tn.gov.in/dist_industry_centers.htm
**General functions of District Industries Centre**

2. Information on sources of machinery and Equipment.
4. Promotion of new industrial estates/ growth centres.
6. Approval of project reports of special types.
7. Promotion of Electronic Industries.
8. Govt. Margin money loan under additional Employment Programme.
10. Assistance under State incentives scheme.
12. Financial assistance under self employment schemes.
13. Financial assistance through Bank/ SFC/NSIC.
14. Assistance under Equipment Leasing Scheme through NSIC.
15. Marketing linkage with Central Govt./ State Govt. organisations.
16. Marketing assistance through SFC.
17. Ancillary Industry tie-up with Govt. undertakings.
18. Marketing information.
19. Marketing assistance through participation in Exhibitions/ Trade Fairs/ Buyers-Sellers Meet etc.
20. Marketing assistance to Handicrafts Artisans through participation in handicrafts exhibition inside/ outside of the state.
21. Linkage with organisations like State Handicrafts Co-operative Society Ltd./Development Commissioners (Handicrafts).

22. Attending problems related to SSI Registration/ Bank loan/ Marketing of products etc.

23. Linkage with Research Institutes like CMERI/CGCRI/NML/CFTRI etc. for technology upgradation and innovation.

24. Financial assistance for modernisation of S&S Unit.

25. Skill development training through own workshop/organisation like SISI/Coir Board.

26. Managerial capability improvement through training, workshops and seminars.

27. Export assistance.

28. In plant study for SSI Units.

29. Standardisation of products.

30. Sick unit revitalisation.

31. National level awards for innovative products/outstanding growth/exports etc.

32. Promotion of products under Non-conventional Energy Sources.

33. Assistance under Coir development Schemes.

34. Registration of industrial co-operatives and financial assistance to them.

35. Pollution control.

36. Assistance under scheme promoted by Minority Development Finance Corporation/KVI Commission/Board and such other organisations.

37. Single window assistance through SIDA and District Industries Centres.
38. BSAI Loan for Cottage Industries.
40. Awards to handicrafts Artisans.
41. Development of lac Industries.
42. Setting up of bio-gas plants.

DIC and New Anna Marumalarchi Thittam

The Government of Tamilnadu is implementing New Anna Marumalarchi Thittam for the promotion of agro based / food processing and other related industries in rural areas to generate rural employment and thereby improve the rural economy through District Industries Centre. As on 28.2.2005, 213 projects with a total project cost of Rs.138.43 crores had commenced production giving employment opportunity to 8335 persons of which 5638 were women. In addition, 165 projects were under various stages of implementation with own funds and financial assistance from Banks / TIIC etc.

In order to encourages the potential investors in the District to take up industrial venture in agro based and food processing sector in rural areas, the Government has ordered a Special Entrepreneurship Development Programme through reputed training institutions like Central Food Training and Research Institute, Mysore, Tamil Nadu Agriculture University, Coimbatore, National Institute of Small Industries Extension Training, Hyderabad etc. The Government has also sanctioned 25 per cent of the training cost, not exceeding Rs.2500/- per each participant for imparting training to the potential investors.
DIC and On-Line registration

The issue of online provisional SSI Registration Certificate is the first milestone of this department towards e-governance. The scheme was introduced on 12.9.2002. This scheme has become a boon to the entrepreneurs to have a hassle free registration of provisional certificate through approved browsing centres on payment of a nominal service charge of Rs.50/- on all days. These provisional registration certificates enable the entrepreneurs to avail bank finance, statutory clearance and power supply on a priority basis. From the date of inauguration upto 28.2.2005, 65,596 Provisional SSI Registration Certificates had been issued through 266 browsing centres.

DIC and Issue of Permanent Registration Certificate

13,067 units were issued with permanent SSI certificates upto 28.2.2005. These units, with an investment of nearly Rs.223.26 crores provide additional employment to 45,606 persons.

DIC and Export Guidance Cell

The globalization has accelerated the process of opening up of the economy and competition in the market. Difficulties in marketing of SSI products have always been a major problem for small scale manufacturers. The SSIs should have access to the export potential for expanding the marketing network. Towards this initiative, the government has formed the Export Guidance Cells in all the District Industries Centres. Export Guidance
Cell provides information on existing export activities to the entrepreneurs and necessary assistance on procedural matters for export. In order to render service effectively, the Export Guidance Cells have been strengthened by providing computers with internet and portal connectivity. Towards broadening the knowledge base of the officials working in the District Industries Centres on the import and export procedures and other peripheral areas relating to exports, 90 officers of the Department of Industries and Commerce were given training on Export Promotion and Guidance at the National Institute of Small Industry Extension and Training, Hyderabad at a cost of Rs.9.00 lakhs.

**DIC and Entrepreneurship Development Programme**

Development of Entrepreneurship Culture and Quality Business Development Services are the major requirements for the industrial growth. The State Government is implementing entrepreneurship development through the Directorate of Industries and Commerce and through Entrepreneurship Development Institute. Apart from imparting training to the PMRY (*Prime Minister Rozgarh Yojana*) beneficiaries, a massive Entrepreneurship Development Programme for women towards self-employment is implemented by this department.

Every year, nearly 25000 women are trained under the Entrepreneurship Development Programme, which include training for the technically qualified women also. The training programmes are conducted through the Entrepreneurship Development Institute, Chennai, Centre for Entrepreneurship Development, Madurai and other approved NGOs. During
the year 2001-02 to 2003-04, the Department had trained 75535 women against the target of 75000. Upto 28.2.2005, totally 20487 women were trained to set up Micro Enterprises, comprising of 10154 women from self-help groups, 6311 women from technically qualified sector and 4022 women through PMRY.

In addition to the above programmes, entrepreneurs who have set up SSI units under NAMT, are also given entrepreneurship development training so that they are fully geared up to take up entrepreneurship. Out of the training cost of Rs.5000/- per participant, Rs.1500/- is borne by the State Government, Rs.1500/- by the participating bank and the remaining Rs.2000/- by the individuals. In addition to the above, during 2004-05, the Entrepreneurship Development Institute (EDI) provided entrepreneurship training to 60 women beneficiaries sponsored by the Tamil Nadu Industrial Investment Corporation Limited.

Entrepreneurship Development Institute has recently started a three month skill development programme focusing on the unemployed and under employed diploma holders to set up micro enterprises on servicing modern white goods, floated by the multi-national companies, especially split A/C, washing machines, cell-phones, mixies, colour TV etc. This is aimed at elevating the employability status of the diploma holders, who are at present poorly paid. They could also bridge the gap in demand for service engineers required for the multinational companies. Entrepreneurship Development Institute is also organizing entrepreneurship development programmes for tribals located at Nilgiris and Yercaud.
E-Governance Initiatives

The Information Technology has created notable awareness among the employees to adopt the new technology to benefit the common public and facilitates the Industrial growth in urban as well as rural areas. The Information Technology Task Force Committee has been formed under the Chairmanship of Secretary to Government, Small Industries Department, to implement and monitor the Government schemes through e-Governance.

The setting up of Electronic Auction Centre (“TEA SERVE” at Coonoor) and issue of On-line Provisional SSI Registration Certificate and market access through internet in the export guidance cells are notable e-Governance initiatives of the Department. The staff of the department are trained on e-Governance in a phased manner to enable them to monitor schemes like New Anna Marumalarchi Thittam, Prime Minister’s Rozgar Yojana, etc.,

DIC and Prime Minister’s Rozgar Yojana Scheme

The PMRY Scheme, which is providing self employment to the educated unemployed youth, is successfully implemented in the state through banks. Upto 28.2.2005, loans to the tune of Rs. 7523.22 lakh were sanctioned to 18127 cases.

DIC and Single Window Clearance

The Single Window Clearance Committee constituted in each district under the Chairmanship of District Collector provides necessary escort
service to the small scale entrepreneurs for getting speedy clearances from various statutory authorities like Tamilnadu Pollution Control Board, Town and Country Planning, Fire Service, Public Health, Electricity Board etc. A common application for getting clearances from various statutory authorities are filed with the General Manager of the District Industries Centre who in turn obtains the reports of the concerned departments. The Single Window Committee meets once a month and takes follow up action on the applications filed by the small scale entrepreneurs.

The Environmental Engineer of the, Tamilnadu Pollution Control Board, the Deputy Director, Town & Country Planning and Superintending Engineer of the Tamilnadu Electricity Board are the members of the District Level Committees. A time frame of 7 days for clearance from Tamilnadu Pollution Control board and 21 days for issue of clearance for reclassification of land use by the Director of Town and Country Planning has been prescribed. The units coming under the New Anna Marumalarchi Thittam are given priority for providing power supply.

The District Industries Centre, Sivagangai has been pursuing these basic objectives by assisting for optimum utilization in existing industries, faster promotion of new MSME and village industries with a rural base and by increasing the employment opportunities in industries sector. The small entrepreneurs require various types of assistance right from the selection of an item for manufacture, inputs like credit, raw materials, power, land and building etc.
Motivation Campaigns

This team identifies the entrepreneur and renders him all assistance by coordinated effort to commission the MSME units chosen by them. The motivation conducted yields the result of desire by changing the students population to entrepreneurs. There are many agencies providing avenue for development of entrepreneurship including the Government. The District Industries Centres conducts motivation campaigns in all the blocks with the assistance of local body and also for the final-year students of colleges of engineering and arts, polytechnics and industrial training institutes. Likewise, seminars on specific areas viz. Information technology, silk weaving, etc. are being arranged in co-ordination with the voluntary organizations. The motivation and seminars have at grass root level creates a desire among the student population to choose self-employment opportunity instead of waiting for wage employment.

Technical Library

The District Industries Centre, Sivagangai is equipped with a Technical Information Library. The Library contains more than 1000 technical books of various industrial projects with a worth ranging from Rs.50,000 to Rs.60 Lakhs. Journals and periodicals are also provided for the benefit of the entrepreneurs to have fair knowledge on the latest technology and market potential prevalent in the Country. This Library encourages the entrepreneurs
to choose industrial ventures and to equip them with sufficient knowledge to face the competition in the market.

**SINGLE WINDOW COMMITTEE**

All clearances Under One Roof Single Window Scheme

1. Common Application form to be filled with District Industries.
2. Forwarding of applications by District Industries Centre.
3. Clearing of application by different agencies.
4. Local body clearance sent back to District Industries Centre.
5. Forwarding of clearance to entrepreneurs by District Industries Centre.
6. Un cleared applications brought to single window committee.

To remove the hurdles of the entrepreneur in their chosen ventures, Government under the Chairmanship of the District Collector constitutes a Committee called ‘SINGLE WINDOW COMMITTEE’. The General Manager,
District Industries Centres is a Member – Secretary and other departmental heads of the District are members in the Committee. The Committee meets once in a month and clears the pendency where statutory provisions are to be fulfilled. On account of this, considerable delay in getting clearance is reduced.

**Small and medium enterprises – Current Scenario**

The existing institutional arrangements for review of credit to SSI sector like the Standing Advisory Committee, cells at the bank head office level and at important regional centres may continue. However, they may review flow of credit to SME sector. At the Regional offices of the Reserve Bank, empowered committees may be constituted with the Regional Director of the Reserve Bank as the Chairman and the SLBC Convenor, senior level officers from two banks having predominant share in SME financing in the state, representative of SIDBI Regional Office, the Director of Industries of the State Government, one or two senior level representatives from the SME/SSI Associations in the state, and a senior level officer from SFC/SIDC as members. The Committee should meet periodically and review the progress in SME financing. It should also coordinate with other banks/financial institutions and the state government in removing bottlenecks, to ensure smooth flow of credit to the sector.

The banks may open specialized SME branches in identified clusters/centres with preponderance of SME units to enable the entrepreneurs to have easy access to the bank credit and to equip bank personnel to develop the requisite expertise. The existing specialized SSI branches may, if
need be, redesignated as SME branches. Though their core competence will be utilized for extending credit and other services to SME sector, they will have operational flexibility to extend finance/render other services to other sectors/borrowers.

The Boards of banks may review the progress in achieving the self-set targets as also rehabilitation and restructuring of SME accounts on a quarterly basis to ensure that the required emphasis at the highest forum of the banks is given to this sector. Accordingly, the banks may collect statistics relating to SME financing on a quarterly basis. At the branch level, the name of the nodal officer to help the SME entrepreneurs in complying with the bank's formalities may prominently be displayed. For wider dissemination and easy accessibility, the policy guidelines formulated by Boards of banks as well as instructions/guidelines issued by Reserve Bank may be displayed on a centralized web site.

The government should involve the private sector in the development of infrastructure, to enable efficient monitoring and good facilities to the small scale industries. There is a need to create a fund at the government level for disbursement as margin money through district industries centers to small scale industries units to encourage them to undertake technological innovations. A technologically vibrant, internationally competitive small scale industries sector should be encouraged to emerge, to make a sustainable contribution to national income, employment and exports. Similarly all developing countries concentrate on small scale industries to a maximum extent.
Small-scale and cottage industries play a very vital role in the country’s economy despite the phenomenal growth in the large-scale sector. In fact, the small-scale sector is playing a significant role in the growth of national economies the world over and is considered to be the engine of growth in most countries. The small-scale industries are labour-intensive and provide employment to nearly 1.86 crores persons in the country.

The emphasis on village and small-scale Industries (SSIs) has always been an integral part of the Indian industrial strategy, more so after the Second Five Year Plan. It was envisaged that village and small-scale Industries would play an important role as producer of consumer goods and absorber of surplus labour thereby addressing to the problems of poverty and unemployment. Other advantages of small scale industries are that they ensure a more equitable distribution nursery for entrepreneurship and facilitate mobilization of local resources and skills which might otherwise remain unutilized. Consequently, the Government of India had been encouraging and supporting the promotion of small-scale industries through deliberate policies such as protection from large-scale industries, capital subsidies, differential tax treatment, reservation etc.

The Government continues to provide protection to the small scale sector, inter-alia, through the policy of reserving items for exclusive manufacture in that sector. Those other than the small-scale industrial undertakings engaged in the manufacture of items reserved for exclusive
manufacture in the small-scale sector are required to obtain an industrial license and undertake an export obligation of 50 per cent of the annual production. However, the condition of licensing is not applicable to such industrial undertakings operating under 100 per cent Export Oriented Undertakings Scheme, the Export Processing Zone and the Special Economic Zone Schemes.

**Statement of the problem**

Small-scale industries suffer from various types of problems. The problems start from pre registration stage and do not end at all. The problems are perennial and have no end. District Industries centre tries to minimize the problems and the reduction in problems is to be understood from the point of view of entrepreneurs.

The problem of obtaining steady supply of raw materials of desirable quality at reasonable prices is an issue cited by the small units. In order to obtain these inputs, SMEs have to compete with export markets, as well as with larger firms. Moreover, tariffs imposed on high quality imported inputs, as well as lengthy import procedures place the Indian small units in a less competitive position.

The problem of raw material availability has been among the important factors responsible for under-utilization of the capacities in the small industries sector. In recent times, the prices of various inputs like steel, cooking coal, oil are on the increase and unless price stabilization mechanism is conceived, the small units may not be able to cope up with the volatile prices of critical inputs. In order to overcome the difficulties with respect to availability of
various raw materials, earlier the Industrial Policy Statement had envisaged introduction of a scheme for building up of a buffer stock of essential and scarce raw materials. It was envisaged that the existing set-up of National Small Industries Corporation at the Centre and the Small Industries Development Corporations at the State level would be utilized to facilitate raw materials supply. These Corporations would have to make a precise assessment of the present and future needs of raw materials of small-scale units.

Majority of the small units continue to use traditional methods of production and old technology. Given their poor access to equipment, the Indian small units lack quality control and product standardization. This leads to a situation, where the small sector products are less competitive in the national and international markets. The task of technology upgradation of small sector has been entrusted to National Small Industries Corporation (NSIC), Small Industries Development Organization (SIDO), Small Industries Service Institutes (SISIs), Regional Testing Centres (RTCs) and various Process & Product Development Centres (PPDCs).

The development of suitable tools and proto-types is being undertaken by Prototype Development Centres. The sericulture research institutes and attempt improvement in practices in mulbery cultivation and silkworm rearing. Besides, a host of other organizations likes the Council for Scientific and Industrial Research, Indian Council of Agricultural Research, Institutes of Handloom Technology, etc., are also involved in small sector research activities. However, effective translation of these research and development
efforts is still to be achieved and consequently, the impact remain insignificant. Efforts would, therefore, need to be made to identify a focal point to coordinate the research and development activities of various research organizations and boards engaged in the field of small industries.

The marketing problems of small scale industries in India flow from their scale of operation, lack of standardization, inadequate market intelligence, competition from large-scale units and insufficient holding capacity. A large number of small units continue to depend substantially on middlemen for marketing of their products. Most small units are confined to markets that are within their immediate proximity.

Bulk of the small units’ production is done on order basis with a small proportion done on a continuous basis. Small scale units suffer from the absence of a competitive network of wholesalers and trading companies that could introduce their products into domestic and foreign market, and provide them with pertinent market information. The available marketing and distribution channels are Government owned.

The National Small Industries Corporation, the Small Industries Development Organization, the Small Industries Service Institutes and SIDCs provide market intelligence and assistance to small entrepreneurs to some extent. It is necessary to evolve a well-coordinated approach in the direction of demand forecasting, collection and collation of market intelligence to strengthen and expand internal marketing infrastructure with a view to making the small sector producer-oriented. In the field of government purchases,
there is need for identifying more items for exclusive purchase from the small-scale sector and developing a system for close monitoring at different levels.

The policy of price preferences to the products of small-scale units would need be continued. While firm-level strategies are fundamental to development of exports by small units, there is a need to have a centralized co-coordinating body that would provide a range of services including establishment of international subcontract exchanges, conducting studies on export potential, market intelligence, exchanging of trade delegations, participating in international trade fairs, etc.

Without adequate finance, small units cannot acquire or absorb new technologies nor can they expand to compete in global markets or even strike business linkages with larger firms. However, the small-scale sector faces significant barriers in getting institutional and financial resources to meet their fixed and working capital needs.

Viability norms are decided based on time taken to repay the structured debt and ability to function without the help of concessions after that period. A unit may be regarded as potentially viable if it would be in a position, after implementing a relief package spread over a period not exceeding five years from the commencement of the package from banks and financial institutions,

Government (Central / State) and other concerned agencies, as may be necessary should to continue to service its repayment obligations as agreed upon including those forming part of the package, without the help of the concessions after the aforesaid period. The repayment period for restructured (past) debts should not exceed seven years from the date of
implementation of the package. In the case of tiny/decentralized sector units, the period of reliefs/concessions and repayment period of restructured debts should not exceed five and seven years respectively.

Viability of a unit identified as sick, should be decided quickly and made known to the unit and others concerned at the earliest. The rehabilitation package should be fully implemented within six months from the date the unit is declared as 'potentially viable' / 'viable'. While identifying and implementing the rehabilitation package, banks/financial institutions are advised to do 'holding operation' for a period of six months. This will allow small-scale units to draw funds from the cash credit account at least to the extent of their deposit of sale proceeds during the period of such 'holding operation'. All the accounts of sick units may be restructured on the lines of proposed debt restructuring mechanism for SME sector; Extant guidelines on definition of a sick SSI unit will continue.

All other instructions relating to viability and parameters for relief and concessions to be provided to sick SSI units, as prescribed by Reserve Bank may be withdrawn and banks may be given freedom to lay down their own guidelines with the approval of their Board of Directors. While formulating their guidelines, banks may consider the indicative guidelines suggested by the Working Group on Rehabilitation of Sick SSI Units. As per extant guidelines, a unit is considered as sick when any of the borrowal accounts of the unit remains sub-standard for more than six months. Every attempt may be made by banks to implement the rehabilitation package in respect of the accounts of sick units at the earliest. In any case, it may not exceed a period of 3 months.
from the date of bank deciding *suo moto* to reconstruct the accounts or date of receipt of request to that effect from the borrowing unit concerned. Since the empowered committees to be constituted with the Regional Director of Reserve Bank as the Chairman, will also look into coordination issues between different agencies and banks, and in view of the above recommendations relating to restructuring of the accounts of sick SSI/ME, the future role of SLIIC may be reviewed.

Establishment of a small unit in India continues to be based on an already existing family venture or a venture similar to the existing family unit, rather than experimenting with a novel business idea through innovation. The majority of SME owners in India manage the enterprises themselves, with few possessing the skills to draft medium to long-term business plans. The lack of managerial and technical expertise seriously inhibits innovative start-ups and business diversification. Conceiving new business ideas, making viability studies and market research, scanning the domestic and external markets are a part of the entrepreneurial development programmes.

In the changed economic environment with the customer seeking diverse and efficient products, various institutions cited in the previous paragraph, which foster entrepreneurship development in small-scale sector in India, need to redefine their roles in entrepreneurship development and provide a dynamic focus to their programmes. Strengthening National Entrepreneurship Development Board, devising comprehensive plan for promotion of rural entrepreneurship, fostering close linkages with premier
institutions engaged in management and entrepreneurial training and adoption of “turn-key concept” for entrepreneurship training may be considered on priority basis. Surveys conducted by Reserve Bank revealed that very few banks have a system of arranging entrepreneurship development programmes.

As per the census of SSI, only 4.55% of the units (4,78,404) had outstanding loans as on March 31, 2002 with institutional sources. Consequently, they were forced to rely on retained earnings and financial support from family and friends to launch or expand their business. Even when debt financing is available to small-scale sector, maturities of the loans are often too short to allow the small-scale sector to finance sizable investments. The surveys conducted by Reserve Bank revealed that majority of the bank branches are adhering to the period prescribed by Reserve Bank for disposal of loan proposals. They are also adopting simplified method of computation of working capital requirement of SSI units, based on minimum 20% of the projected annual turnover of the borrowing unit for limits up to Rs.5 crores except in a few cases where banks were adopting MPBF or actual turnover. The surveys further revealed that as per the perception of bankers, the branch managers have been delegated adequate powers, for sanctioning different types of credit facilities to SSI borrowers. From the perspective of banks and other financial intermediaries, the main barriers to small-scale sector lending are diverse; some of them are as follows:
(I) **High-risk perception** with small-scale sector stems from a number of factors such as weak financial strength, inability to provide adequate collateral and other factors. Inability to properly appraise the new projects, new firms and new activities by bankers often results in banks shunning a small borrower.

(II) **Asymmetry of information**: Asymmetric information about the business prospects of small-scale projects and financial standing of the small borrowers arises because small-scale borrowers generally do not have a well-documented credit history.

(III) **Insistence on collateral**: As a result of asymmetric information and high-risk perception, banks primarily prefer collateral-based lending rather than cash-flow analysis while working with small-scale sector borrowers. Although there is a threshold up to which bankers should not insist on collateral, they seldom assume the risk involved in non-collateralized lending. The surveys conducted by the Reserve Bank revealed that many bank branches were insisting on collaterals even for loans upto Rs.5 lakh.

(IV) **Moral hazard issues**: Moral hazard problems were associated with the possibility of small-scale sector diverting funds to alternative projects or develop the propensity to take excessive risks.

(V) **High transaction costs**: Due to the small amounts of each loan, the aggregate costs of information gathering, due diligence, loan processing and monitoring were much higher than for loans to large corporate borrowers.
(VI) **Interest rates:** The financial institutions charge relatively higher interest rates to small-scale sector than to larger companies in order to compensate for the higher costs of information collection, the smaller volume of external financing and perceived greater credit risk.

(VII) **Strengthening** the provisions of “Interest on Delayed Payment to SSI:

Though the “Interest on Delayed Payment to Small Scale and Ancillary Industrial Undertakings Act” was enacted in 1993 and further amended in 1998 to ensure prompt and timely receipt of payments by the small scale units from the large corporates, implementation of the provisions of the Act remains ineffective. Ministry of SSI, Government of India is proposing certain amendments in the provisions of the said Act. Under the proposed amendments, active role for State Governments in the implementation of the provisions of the Act and a proactive role for the Industry Facilitation Councils (IFCs) for settlement of disputes with the buyers in regard to delay in payment etc. have been envisaged.

(VIII) **Miscellaneous:** Other reasons stated by banks for the weak growth of SME credit are (i) the large number of unregistered enterprises, which require different lending and risk management techniques, processes, and skills; (ii) lack of a secured transactions law to regulate assignment and registry of movables; and (iii) the difficulty and high cost of registering property and enforcing contracts.
The entire network of the Indian banking sector extends credit to the smallscale sector. In addition, specialized financial institutions for industrial development have been established at the national and state levels with almost overlapping functions.

For the small-scale units, the 'Small Industries Development Bank of India' (SIDBI) was set up in 1991. In the recent past, it has instituted special schemes for direct financing through its regional level branch network. One of the schemes introduced by SIDBI that has been particularly helpful in case of ancillaries and subcontracting with large firms is the 'Bill Discounting Scheme'. In general, majority of the schemes of SIDBI relate to small-scale sector. 'State Finance Corporations' (SFCs) and 'State Industrial Development Corporations' (SIDCs) have been set up at state level to primarily cater to the long term credit needs of the small and medium scale units and to participate in the venture through equity stake. These units get refinancing from SIDBI for the approved schemes and also generate their own funds through the state government and from the market borrowings as well. These institutions are an important source of long-term credit, and of late SIDBI and SFCs have started providing funds for working capital as well. In line with the commercial banks, SFCs have remained a source of credit for small-scale sector in general.
Objectives of the study

The following are the prime objectives of the study:

a) To document the importance of small scale industries for economic development;
b) To study the role of District Industries Centre in assisting Small Scale Units;
c) To analyze the functioning of District Industries Centre, at Sivagangai;
d) To discuss the problems and prospects of SSI units in the study area;
e) To analyze the strengths and weaknesses of sample industrial units in the study area;
f) To identify the level of satisfaction of services extended by District Industries Centre and
g) To offer suggestions to improve the functioning of District Industries Centre based on analytical findings.

Hypotheses

The following hypotheses were framed and tested for this study:

a) Male and female entrepreneurs do not differ in relation to area in commencing industries.
b) Nature of family of entrepreneurs does not differ in number in relation to area in which business is carried out.
c) Educational qualifications of entrepreneurs do not differ in relation to the place of industry.
d) Problem relating to raw material cost does not differ in relation to urban and rural areas.

e) The problem of competition does not differ in relation to area.

f) Opinion on liberal loan provision by financial institutions does not differ in relation to urban and rural areas.

g) Opinion as to ‘Management as a Strength’ does not significantly differ among sample respondents.

h) Opinion as to ‘Finance as a Strength’ does not significantly differ according to the area.

i) Opinion as to ‘unskilled worker as a weakness’ does not differ in urban and rural areas.

j) The opinion as ‘adjustable management as an opportunity’ does not differ in relation to area.

k) The opinion as to ‘poor technology as a threat’ does not differ in relation to the sample entrepreneurs in urban and rural areas.

**Methodology**

The study was an analytical study on the role of District Industries Centre in the industrial development of the study area. The study required primary and secondary data. Secondary data were collected from the records of Department of Industries and Commerce, Chambers of Commerce, District Industries Centre and various industrial websites. Various journals, magazines and records of EDP organizations were used for the purpose of collecting secondary data.
Table 1.2
SAMPLE SIZE

<table>
<thead>
<tr>
<th>Area</th>
<th>Total functional Units</th>
<th>Sample taken (%)</th>
<th>Number of units</th>
<th>Actual respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban</td>
<td>946</td>
<td>5 %</td>
<td>47</td>
<td>40</td>
</tr>
<tr>
<td>Semi urban</td>
<td>1187</td>
<td>5 %</td>
<td>59</td>
<td>50</td>
</tr>
<tr>
<td>Rural</td>
<td>1315</td>
<td>5 %</td>
<td>66</td>
<td>60</td>
</tr>
<tr>
<td>Total</td>
<td>3448</td>
<td></td>
<td>172</td>
<td>150</td>
</tr>
</tbody>
</table>

As per the records of the Federation of Industries and Small-Scale Units, there were 3448 industrial units in the District of Sivagangai as on 31.3.2006. Among those units, 946 were in urban areas, 1187 were in semi urban areas and 1315 were in rural areas. A sample of 5 per cent was taken from each area. Stratified random sampling method was used to select the sample units. Thus 47 from urban, 59 from semi urban and 66 from rural area were considered. Respondents were selected on the basis of the geographical area under the jurisdiction of the District Industries Centre. However, data could be collected from 150 sample units only. Data collected from 7 urban, 9 semi urban and 6 rural units were incomplete and could not be used for analytical purposes.

Data Collection

Primary data were collected from the sample respondents as follows: Primary data were collected from the sample respondents using Interview schedule. Prior to that, a pilot study was conducted with the interview schedule and opinions of officials and industrialists were collected regarding
its accuracy. Omissions and commissions in the interview schedule were corrected and a well-structured interview schedule was utilized for collecting primary data from the sample respondents. The primary data were collected by contacting the respondents either in their industrial units or in their residential places. Views and opinions were also collected for substantiating the realities and the environmental conditions.

**Statistical Tools Used**

The study was analytical in nature. Secondary data were very limited in the study and simple tools such as percentages and ratios were used for analysis. The primary data were analyzed threadbare with the help of various statistical tools. Tools such as ratios, arithmetic mean, standard deviation, variation etc were used. Chi-Square test was used for analyzing non-parametric data. Likert's Five Point Scaling Technique was used to analyze the strengths, weaknesses, opportunities and threats of the industrial units. Discriminant function analysis was used to identify the relationship among different variables.

**Period of Study**

Secondary data were collected for the period up to 2007. Primary data were collected during the months of June 2007 to September 2008.

**Operational Definitions**

‘Urban’ area means the area coming under the jurisdiction of municipalities and town panchayats in the district of Sivagangai;
‘Semi-Urban’ area means the area coming under the jurisdiction of Panchayat Unions and Taluk headquarters;

‘Rural’ area means the area coming under the jurisdiction of Villages or Panchayats.

‘Functional units’ are those units which are actively functioning as on 31.3.2006 and have prepared the final accounts on that day.

Profile of Study Area:

**SIVAGANGA DISTRICT:** Sivaganga district, in the state of Tamilnadu, is selected for the purpose of this study. The samples are taken up in all the taluks of the districts by stratified random sampling technique. Hence a study of the profile is required.

Before the inception of Sivaganga district, it was a part of composite Ramanathapuram District. The old Ramanathapuram district played a dominant role in the history of South India. In the early centuries, Ramanathapuram district formed part of Pandian Kingdom till the end of the 15th century. Finally during 16th and 17th century Ramanathapuram district came under the tale of Nayak Kings. During the Nayak rules, the chieftains viz., Sethupathys ruled this part having thier head quarters at Ramanathapuram. After the fall of Nayaks, two of the Palayakarars viz., Sethupathy of Ramanathapuram and Raja of Sivaganga become prominent rulers of this part. Towards the middle of 18th century the Europe and French and the British entered into this part. The Sethupathy of Ramanathapuram lost his personal freedom and the British took control of the administration of
Ramanathapuram in 1795. It was converted into a Zamindari in 1803 and Mangaleswari Natchiar became the first Zamindar. During this period the Raja of Sivaganga also revolted against the British.

The famous Marudhu Brothers, Periya Marudhu and Chinna marudhu assisted the Raja of Sivaganga in the revolts against British.

After the death of Raja of Sivaganga (Marhuvaduganadhar), the queen passed on the sovereignty to Marudhu Brothers, who ruled Sivaganga peacefully and devotedly on payment of regular revenue to the East India Company. In 1901, the Marudhu brothers of Sivaganga revolted against the British in collaboration with Kattabomman of Panchalankurichi. However, the two brothers were captured by the British and were hanged in Kalayarkoil on 01-10-1801. The British installed Gowri Vallabh Periya Udayar Zamindar of Sivaganga. Finally in 1792, a British Collector was appointed to administer the territory of Ramanathapuram District by carrying certain portions from Madurai and Madurai as the Head Quarters of this District till 1985, when it was trifurcated, perhaps, the old Ramanathapuram district was biggest district in Tamilnadu.

Sivaganga District came into Existence on 15-03-1985, consequent on the trifurcation of the composite Ramanathapuram district. This district is a backward region from the point of view of agriculture, the feudalistic and rural background of the area. Several parts of this district are frequently affected by drought. However, there is a gradual improvement in this district in the sphere of Industry. The district comprises the following six taluks.
1. Sivaganga
2. Manamadurai
3. Ilayankudi
4. Devakottai
5. Karaikudi
6. Thiruppathur

This district is bounded on the north by Tiruchirappalli and Pudukottai district, on the east and south by Ramanathapuram district and on the west by Virudhunagar district. Later on the Government changed the name of the district as Sivaganga District.

**PHYSICAL FEATURES OF SIVAGANGA DISTRICT**

This district is covering an extent of 4086 sq.km. Found in most parts of the district which is not congenial for agricultural purposes. As this district is lacking, transport facilities etc. industrial growth is not appreciable. the head quarters of this district viz., Sivaganga and the adjacent Kalayarkoil village are noted for their historical importance, in as much as this area was ruled by the famous, Marudhupandiya kings, who were also the Mortar of independence in early 19th century. Places like Kalayarkoil, Pillaiyarpatti, Kollangudi, Thirukostiyur, Thirumayam, Kavichakkaravarthy Kambar Samati at Nattarasankottai are popular among religious devotees. The shrines in the places find place in the songs of Alwars and Nayanmaars. (Mara Nayanar Out of Nayamaars lived at Ilayangudi).
POPULATION AND DENSITY

According to the recent census report, the total population of this district is 11,50,753 comprising 5,65,594 males and 585,159 females. Female predominance over male population is prevailing in this district. The density of population is 274.7 persons per sq. km. Nearly 72 percent of the total populations live in rural areas as per the census of India records.

As per the District it statistical records for the year 2008, male workers are 3,18,036 in number and 75 in percentage. Female workers are 1,06,012 in number and 25 in percentages in the total population of 4,24,048. The working population in rural areas is 3,08,722 and in urban areas it is 1,15,326.

AGRICULTURE

The gross are under the cultivation during the year 2002 was 1,08,512 hectares. As against 1,17,198 hectares in the previous year, paddy was the main crop cultivated in the district. Millets groundnut, pulses and sugarcane were also cultivated during the year to a considerable extent.

INDUSTRIES

So far as industrial sphere is concerned, this district has recorded a gradual growth upto 2000-2001. There were about 215 registered factories providing employment to 10150 workers. Similarly the number of small scale
industrial units during the year was 605. There are about 26 spinning and weaving mills in the district. Tamilnadu chemical industrial units at Karaikudi, Sakthi Sugar Factory at Padamathur and Madras Motors at Singampunari are major industries in the district. Graphite is the only major mineral that is being excavated by Tamilnadu Mineral Limited (TAMIN). This district is also noted for handloom industry and manufacturing of stainless steel at Karaikudi and Manamadurai, Bricks, Brick tiles and pot making centres at Manamadurai and Thirupuvanam area and coir manufacturing industries (Handmade). These centres provide larger employment to the rural and urban women in the Singampunari and S. Pudur Block.

Limitations of the study

The study dealt with the small and ancillary units in the district of Sivagangai. Medium and major industries were not included in this study. The study was conducted among the industries, which were registered with the District Industries Centre at Sivagangai. The opinions expressed by the respondents may differ as the data were collected during the period of recession period. The findings and suggestions can be generalized only to similar districts and similar industries in the State of Tamil Nadu. Overall generalization cannot be done due to the peculiar nature of the study district.
Chapter Scheme

The study report is divided into five chapters:

The first Chapter deals with introduction, importance of the study, statement of the problem, objectives, hypotheses, methodology, sampling procedure, statistical tools used, operational definitions and limitations of the study.

The second chapter deals with the review of previous studies conducted in this area and also the significance of the present study and the difference between this study and the past ones.

The third chapter analyzes the socio economic aspects, functional and operational aspects of the sample respondents in the study area.

The fourth chapter deals with the 'Strength, Weaknesses, Opportunities and Threats analysis of the sample respondents.

Findings and suggestions based on analysis are presented in the fifth chapter.