CHAPTER – VI

PROBLEMS FACED BY THE SMALL-SCALE INDUSTRIAL UNITS IN KANYAKUMARI DISTRICT

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6.1 Introduction

Small enterprises are seriously handicapped all over India, in comparison with larger units. This trend is prevailing in Kanyakumari District also. This chapter presents an analytical account of the problems faced by small-scale industrial units in Kanyakumari District, the recent measures taken by the Government to ameliorate these problems and the attitude of respondents towards the problems faced by their small-scale industrial units.

6.2 Framework of Analysis

The theoretical framework presents the problems faced by small-scale industrial units. In order to measure the attitude of respondents towards the problems faced by their small-scale industrial units, four types of problems faced by small-scale industrial units in Kanyakumari District are identified. They are

- Financial problems
- Marketing problems
- Raw material problems
- Other problems

Under each problem component, five statements are framed. Each statement under a particular problem component conveys the small-scale industrial unit's problem coming under that problem component. The level of attitude towards these statements is measured through Likert's five point attitude scale. So, the respondent has to rate each statement on a five point scale.

The most felt problem component is found out on the basis of aggregate score for each problem component. Among the four types of problems, that problem component which has the highest score is ranked first and is most felt by the respondents. And, under each problem component, the most felt statement is found out on the basis of the score obtained by each statement. So, one can find out the most serious specific problem (in the
opinion of the respondents) under each category of problems. In this way, the most felt problem under each category problems is found out.

From individual attitude, the score of all 200 respondents mean score and standard deviation are found out. From mean score and standard deviation, three levels of attitude (i.e., high, medium and low levels) are estimated, and the number of respondents under these three levels are found out. The mean attitude score when compared with individual range of attitude score reveals how strongly or otherwise, the respondents felt the problems on an average.

While rating a statement on a five point scale, there may be variations among these five levels of opinion. In order to test whether there is any significant variation in rating the statements, Kolmogorov – Smirnov test (K-S test) is applied for each statement coming under problem component which has the highest aggregate score.

6.3 Problems faced by sample Small-Scale Industrial Units

The observations in the study area, the review of previous studies and the consultations with Government authorities of small-scale industrial units concerned reveal many problems faced by sample small-scale industrial units in Kanyakumari District. These problems can be classified into four categories.

- Financial problems
- Marketing problems
- Raw material problems
- Other problems

It is apt to mention here, the report of the Second All India Census of Small-Scale Industrial units (1992) which reveals the following reasons (listed below in the table) for the closure of small sector units in India during the period 1980 to 1988¹.
Table 6.1
Reasons for the Closure of Small Sector Units (period 1980 to 1988 combined)

<table>
<thead>
<tr>
<th>Reasons</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Problems</td>
<td>34.7</td>
</tr>
<tr>
<td>Marketing Problems</td>
<td>14.4</td>
</tr>
<tr>
<td>Raw material Problems</td>
<td>5.6</td>
</tr>
<tr>
<td>Disputes among owners</td>
<td>3.7</td>
</tr>
<tr>
<td>Natural calamity</td>
<td>3.4</td>
</tr>
<tr>
<td>Labour problems</td>
<td>2.2</td>
</tr>
<tr>
<td>More than one reasons (combined)</td>
<td>16.5</td>
</tr>
<tr>
<td>Other reasons</td>
<td>19.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

Source: Report of Second All India Census of Small-Scale Industrial Units (1992)

But in Kanyakumari District, financial, marketing, and raw material Problems are widely felt. Some small-scale industrial units face more than one problem stated above.

The primary data on 200 sample small-scale industrial units reveal that all the units are facing one or more major problems. The following table reveals the sample small-scale industrial units classified by the type of problems faced by them.
Table 6.2
Sample Small-Scale Industrial Units in Kanyakumari District classified as to the type of major problems faced

<table>
<thead>
<tr>
<th>Problems</th>
<th>No. of small-scale industrial units</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Problems</td>
<td>45</td>
<td>22.5</td>
</tr>
<tr>
<td>Marketing Problems</td>
<td>53</td>
<td>26.5</td>
</tr>
<tr>
<td>Raw material Problems</td>
<td>31</td>
<td>15.5</td>
</tr>
<tr>
<td>Any of the combination of the above problems</td>
<td>68</td>
<td>34.0</td>
</tr>
<tr>
<td>Other problems</td>
<td>3</td>
<td>1.5</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Primary data

The above table reveals that 22.5 per cent of the sample small-scale industrial units face financial problems, 26.5 per cent of the sample small-scale industrial units wrought by marketing problems, and 15.5 per cent of small-scale industrial units struggle with raw material problems. About 34 per cent of the small-scale industrial units face any of the combination of the above problems. Basically, there are three types of problems faced by the sample small-scale industrial units. They are financial, marketing and raw material problems. These problems are narrated below.

6.3.1 Financial Problems

The financial disability of sample small-scale industrial units in Kanyakumari District is beyond question. Their internal resources are so small that they have no surplus to live on during the period of business strain. This leads to instability of their profits.
which makes banks from giving unsecured loan. The small-scale industrial units in Kanyakumari District could not get sufficient bank credit due to low value of assets. This trend of low level of bank credit for small-scale industrial units prevails in all India also. Considering the vital role of small industries within the industrial economy, the total amount of loans granted to small industries forms a very small part of total loans to Indian Industry\(^2\).

The percentage of small-scale industrial advances to net bank credit, a declining trend was observed from 15.6 per cent in March 1998 to 12.5 per cent in March 2002\(^3\). Very often, banks doubt the credit worthiness of sample small-scale industrial units due to low value of assets irregularity in earning profit and low ROI.

In 2001-02, there were 1.77 lakh sick small-scale industrial units with locked up bank credit to those sick units to the tune of Rs.4819 crores (Average loan per unit is Rs.2.72 lakhs). In 2005-06, it decreased to 138000 sick units but with an increased locked up bank credit of Rs. 5380 crores (average loan per unit is Rs.3.90 lakhs).\(^4\)

6.3.2 Marketing problems:

Following are the marketing problems faced by sample small-scale industrial units
i. The quality of product is not competitive due to traditional technology and lack of modern expertise.

ii. Price is not competitive due to high cost. The incidence of high cost is due to low level production followed by low demand.

iii. Cut throat competition with many large scale units due to Government’s economic policy of liberalization which permits entry of foreign companies in India.


v. Poor sales promotional efforts due to the fear of higher costs.
vi. Decline in demand for the product due to non-competitive price, non-competitive quality and poor sales promotional efforts.

These marketing problems exist in spite of marketing assistance provided by certain Government agencies (like National Small Industries Corporation – NSIC – which secures purchase orders for small-scale industries in India).

6.3.3 Raw material Problems

Sample small-scale industrial units in Kanyakumari District will have to pay a high cost for raw materials as they make small lots of purchase. In many cases these units were not able to be prompt in making payment to suppliers, which forces them to make cash purchase. But small-scale industrial units face ‘cash crunch’ due to delayed payment by the big firms for the goods supplied to such bigger units by small-scale industrial units.

The Government of India promulgated the Delayed Payment Act (1993) which provides for settlement of dues to small-scale industrial units within 45 days. But Ninth Five Year Plan (1997-2002) reviewing the working of the Act states that, “the Delayed Payment Act does not appear to have really helped the small-scale industries. It is highly derivable to review this Act and makes appropriate changes to ensure that it achieves its objectives for it has been enacted⁵”.

The allocation of raw materials, imported components and equipments to small-scale industrial units by Government is not satisfactory. The Seventh Five Year Plan (1985-1990) expressed its deep dissatisfaction in this regard in the following words, “While various measures have been taken for supply of raw materials to the small-scale units through Small Industries Development Corporation, import quota etc. in actual practice the sector gets more or less a residuary treatment in raw material distribution/allocation⁶".
6.3.4 Other Problems

These include the following

- Labour problems due to high labour turnover caused by low wages/irregularity in payment of wages.
- Problems from trade union due to low wages
- Disputes among the owners
- Natural calamity
- Locational problems

6.4 Sick Small-Scale Industries Units

Because of the above problems many small-scale industrial units become 'sick' and are on the level of their closure. In India, two criteria have been used to determine the industrial sickness. They are

- Erosion of net worth or delay in repayment of institutional loan or continuous decline in gross output.
- Erosion of net worth or delay in repayment of loans among units having outstanding institutional loan (criteria laid down by RBI)

According to the Report of the Third All India Census of Small-Scale industries (2001-2002), the number of sick units under the first criterion is 8.22 lakh units and under the second criterion only 0.85 lakh units are reckoned as sick units.

It appears that the first set of criteria is more comprehensive, since it includes continuous decline in gross output as the third criterion besides the other two i.e., erosion of net worth and delay in repayment of loan.
6.5 Recent measures by Government to ameliorate the problems of small-scale industrial units

Following are the recent measures:

6.5.1 Enactment of Delayed Payment Act (1993)

The Government of India promulgated delayed payment to small-scale industrial and Ancillary Industrial Undertaking Act (1993) to avoid excessive delay in settlement of dues to small-scale industrial unit. The Act provides for the charge of interest for the delayed settlement. The interest rate is 1.5 times the prime lending rate charged.

Although the law has been given more teeth, its implementation has remained very weak. It is therefore held by critics that Delayed Payment Act is a non-starter and a paper tiger.

6.5.2 Enactment of MSMED Act, 2006

The Government of India enacted ‘Micro, Small and medium Enterprises Development Act, 2006’ which aims at facilitating the promotion and development to enhance the competitiveness of micro, small and medium enterprises (MSMEs). The Act came into force on 2nd October 2006.

6.5.3 Setting up of NMCC and NCEUS

In order to enhance the competitiveness, the Government of India has set up ‘National Manufacturing Competitiveness Council (NMCC) and the National Commission of Enterprises in the unorganized sector (NCEUS)

6.5.4 Policy package for Flow of Credit

In order to enhance the credit flow, the Government of India announced a ‘Policy Package for stepping up credit to Small and medium Enterprises (SME)’ with the objective to double the credit flow to the sector within a period of five years.
6.5.5 Facilitating Organizations under Ministry of MSME

The Ministry of micro, small and medium Enterprises (MSME) performs its tasks of formulation of policies and implementation of programmes through two central organizations

- National Small Industries Corporation Ltd (NSIC)

In addition, the Ministry has three national level entrepreneurship development industries namely

- Indian Institute for Entrepreneurship (IIE), Guwahah
- National Institute for Entrepreneurship and Small Business Development (NIESBUD), Noida
- National Institute for Micro, Small and Medium Enterprises (NIMSME), Hyderabad

These institutes are involved in imparting training and development of small business entrepreneurs.

6.5.6 Facilities offered by Micro, Small and Medium Enterprises Development Organization (MSMEDO)

An apex body for sustained and organized growth Micro, Small and Medium Enterprises (MSMEs), provides a comprehensive range of facilities and services to the MSMEs through its network of

- 30 Small industry Service Institutes (SISIs)
- 28 branch SISIs
- 4 Regional Testing Centres (RTC s)
- 7 Field Testing Stations (FTSs)
6.5.7 The performance and Credit Rating Scheme – the new scheme of NSIC

National Small Industries Corporation (NSIC), working with the mission of promoting, aiding and fostering the growth of MSMEs, provides integrated support services under marketing, technology, finance and support services, all with a view to enhance the competitiveness of MSMEs.

NSIC, in consultation with Rating Agencies and Indian Banks Association has formulated a new scheme (to be implemented in XI plan period) called ‘Performance & Credit Rating Scheme for Small Industries’. The scheme is aimed to create awareness amongst small enterprises about the strength and weakens of their existing operation and to provide them an opportunity to enhance their organizational strengths and credit worthiness. The rating under the scheme serves as a trusted third party opinion on the capabilities and credit worthiness of the small enterprises. An independent rating by an accredited rating agency has a good acceptance from the banks/financial institutions, customers/buyers and vendors. Under this scheme, the ratings fee to be paid by the small enterprises is subsidized for the first year only and then it is subject to a maximum of 75 per cent of the fee or Rs.4000/- whichever is less.

6.5.8 Marketing Assistance Scheme of NSIC

NSIC acts as a facilitator to promote marketing efforts and enhance the competency of small enterprises for capturing new markets by way of
organizing/participating in various domestic/international exhibitions, trade fairs, buyers/sellers meet, intensive campaigns, seminars and consortia formation.

6.5.9 Integrated Infrastructure Development Scheme (IID Scheme)

For the setting up of industrial estates and to develop infrastructure facilities like power distribution network, water, telecommunication, drainage and pollution control facilities, roads, banks, raw materials, storage and marketing outlets, common service facilities and technological back up services etc., MSMEs, the Integrated infrastructure Development Scheme (IID) Scheme was launched in 1994. The schemes covers districts, which are not covered under the growth Centres Scheme. The scheme covers rural as well as urban areas with a provision of 50 per cent reservation for rural areas and 50 per cent industrial plots are to be reserved for the tiny units. The Scheme also provides for upgradation/strengthening of the infrastructural facilities in the existing old industrial estates. The estimated cost to set up an IID centre is Rs.5 crore (excluding cost of land). Central Government provides 40 per cent (Up to a maximum of 2 crore) in case of general States and up to 80 per cent (Up to a maximum of 4 Crores) for North East Region, J&K, H.P and Uttrakhand, as grant and remaining amount could be loan from SIDBI/Banks/Financial Institutions or the State Funds. For the promotion and Development of MSEs in the country, cluster approach is one of the thrust areas of the Ministry in the 11th Plan. The IID Scheme has been subsumed under the Micro, and Small Enterprises Cluster Development Programme (MSECDP). All the features of the IID Scheme have been retained and will be covered as “New Clusters” under MSECDP.

6.5.10 Technology Upgradation in MSE Sector

The opening up of the economy has exposed the MSE sector to global and domestic competition. With a view to enhancing the competitiveness of this sector, the government has taken various measures, which includes
• Assistance to industry Associations for setting up of testing centres and to State Governments and their autonomous bodies for modernization/expansion of their Quality Marking Centres;

• Regional Testing Centres and Field Testing Stations to provide testing services and services for quality upgradation;

• Implementation of Micro and Small Enterprise Cluster Development Programme (MSECDP), under which 91 clusters have been taken up, including national Programme for the Development of toy, stone, machine tools and hand tool industry in collaboration with UNIDO;

• A Scheme of promoting ISO 9000/14001 Certification under which small-scale industrial units are given financial support by way of reimbursing 75 per cent of their expenditure to obtain certification subject to a maximum of Rs.75000 per unit and

• Setting up of Biotechnology Cell in SIDO

Further, a scheme on Credit Linked Capital Subsidy was launched in the year 2000 to facilitate technology upgradation of Small Enterprises. Under the scheme, capital subsidy of 12 per cent was provided on institutional finance availed by the small-scale industrial units for induction of well established and improved technology in select sub-sectors/products up to a maximum ceiling of Rs.40 lakh. The scheme has been revised with effect from 29th September 2005. under the revised scheme, the rate of upfront capital subsidy has been enhanced to 15 per cent and ceiling on loan has been raised to Rs. 1 crore, the admissible capital subsidy is calculated with reference to purchase price of plant and machinery, instead of the term loan disbursed to the beneficiary unit.
6.5.11 Measures for Export Promotion

Export Promotion from the MSE sector has been accorded a high priority. Following schemes have been formulated to help MSEs in exporting their products:

- Products of MSE exporters are displayed in international exhibitions and the expenditure incurred is reimbursed by the Government;
- To acquaint MSE exporters with latest packaging standards, techniques etc., training programmes on packaging for exporters are organized on various parts of the country in association with the Indian Institute of packaging;
- Under the MSE Marketing Development Assistance (MDA) Scheme, assistance is provided to individuals for participation in overseas fairs/exhibitions, overseas study tours, or tours of individuals as member of trade delegation going abroad.

The scheme also offers assistance for

- Sector specific market study by MSE Associations/Export Promotion Councils/Federation of Indian Export Organization;
- Initiating/contesting anti-dumping cases by MSE Associations and
- Reimbursement of 75 per cent of the one time registration fee and annual fee charged by GSI India (formerly EAN India) for adoption of Bar Coding.

6.5.12 Entrepreneurship and Skill Development

The Ministry conducts Entrepreneurship Development Programmes (EDPs) to cultivate the skill in unemployed youths for setting up micro and small enterprises. Further, under the Management Development Programmes (MDPs), existing MSE entrepreneurs are provided training on various areas to develop skills in management to improve their decision-making capabilities resulting in higher productivity and profitability. To encourage more entrepreneurs from SC/ST, women and physically Challenged groups, the ministry of MSME provides a stipend of Rs.500 per capita per
month to the SC/ST, women and physically Challenged persons for the duration of the training.

6.5.13 Setting up of specialized Bank Branches for Small-Scale Industries

In the recommendations Nayak Committee (set up by RBI in 1991 under the chairmanship of P.R. Nayak, to overcome difficulties experienced in credit availability, specialized bank branches for small-scale industries were opened by the banks to facilitate operation of large number of small-scale industries loan/credit account.

However, the Mid-term Appraisal of the Tenth plan (2005) has lamented: The commercial banks demand collateral security for both term loans and working capital. Only 175 of the country’s 590 districts have specialized small-scale industries branches. Bank personnel at the branch level are not fully aware the various schemes and facilities available for the SMEs and branch managers need to be trained in techno economic appraisal of projects of small enterprises.

6.6 Measurement of Attitude towards Problems faced by Small-Scale Industrial units

In order to measure the respondents’ attitude towards the problems of their small-scale industrial units (i.e., 200 sample small-scale industries units in Kanyakumari District), four problem components were chosen, as there are four categories of problems of small-scale industries. The four problem components are:

- Financial problems
- Marketing problems
- Raw material problems
- Other problems
For each problem component, the statements under each problem component reflect the respective category of problems. And each statement is rated on a five point scale starting from ‘strongly agreed’, ‘agreed’, ‘no opinion’, ‘disagreed’, and ‘strongly disagreed’. For every statement scores are allotted – 5 for ‘strongly agreed’, 4 for ‘Agreed’, 3 for ‘no opinion’, 2 for ‘Disagreed’, and 1 for ‘strongly disagreed’. Altogether there are twenty statements. (i.e. 4 problem components multiplied by 5 statements).

The following calculations emerge, based on the above construction of components, statements and award of scores.

Table 6.3
Framework of Analysis

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Maximum score</th>
<th>Minimum score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Score a respondent can award to each statement</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>2. Aggregate score awarded by all 200 respondents to each statement (i.e. aggregate score of each statement)</td>
<td>$5 \times 200 = 1000$</td>
<td>$1 \times 200 = 200$</td>
</tr>
<tr>
<td>3. Score a respondent can give to each component</td>
<td>Maximum 5 points $\times 5$ statements in a component $= 25$</td>
<td>Minimum 1 point $\times 5$ statements in a component $= 5$</td>
</tr>
<tr>
<td>4. Aggregate score awarded by all 200 respondents to each component (i.e. aggregate score of each component)</td>
<td>$25 \times 200 = 5000$</td>
<td>$5 \times 200 = 1000$</td>
</tr>
</tbody>
</table>

6.6.1 The Problem Components and Statements

The four problem components and five statements under each component are given below:

A. **Problem Component 1: Financial Problem**

1. Bank credit is insufficient
2. Working Capital is insufficient
3. small-scale industrial unit is not able to provide sufficient security as demanded by the bank
4. small-scale industrial unit is unable to pay the dues to the bank
5. Loans were availed from indigenous money lenders at a very higher rate of interest.

B. Problem Component 2: Marketing Problems

1. Quality of product is not competitive
2. Price is not competitive
3. Sales are very low due to very low demand and poor sales promotional measures
4. Small-scale industrial units incur more bad debts.
5. Amount on goods sold to larger concerns received very late

C. Problem Component 3: Raw material Problems

1. The supply of raw materials, imported components, equipments by State Small industries Corporation is not satisfactory
2. Small-scale industrial unit has to pay higher price for raw materials
4. Small-scale industrial unit is unable to procure credit from suppliers of raw materials
5. Small-scale industrial unit is unable to pay the dues to the suppliers of raw materials due to poor working capital position.

D. Problem Component 4: Other Problems

1. Small-scale industrial unit faces labour problems
2. Small-scale industrial unit faces the problem of disputes among the owners
3. Small-scale industrial unit uses traditional technology for production
4. Managerial ability of small-scale industrial unit is not upto the mark.
5. The work force lack the level of technical skill required.

6.6.2 Attitude Score for the component 1: Financial Problem

The attitude score of respondents calculated on the basis of rating of statements coming under the component ‘Financial problems’ is given below.

Table 6.4

Attitude score of respondents for the component financial problems

<table>
<thead>
<tr>
<th>No</th>
<th>Statements</th>
<th>Totals Score</th>
<th>Mean score</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Bank credit is insufficient</td>
<td>874</td>
<td>4.37</td>
<td>I</td>
</tr>
<tr>
<td>2.</td>
<td>Working Capital is insufficient</td>
<td>640</td>
<td>3.20</td>
<td>V</td>
</tr>
<tr>
<td>3.</td>
<td>Small-scale industrial unit is not able to provide sufficient security as demanded by the bank</td>
<td>802</td>
<td>4.01</td>
<td>II</td>
</tr>
<tr>
<td>4.</td>
<td>Small-scale industrial unit is unable to pay the dues to the bank</td>
<td>654</td>
<td>3.27</td>
<td>IV</td>
</tr>
<tr>
<td>5.</td>
<td>Loans were availed from indigenous money lenders at a very higher rate of interest.</td>
<td>772</td>
<td>3.86</td>
<td>III</td>
</tr>
<tr>
<td></td>
<td>Aggregate score for the component</td>
<td>3742</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Primary data

The primary data reveals that with regard to first statement (i.e. bank credit is insufficient), 103 respondents strongly agreed with statement, 82 respondents agreed the statement, four respondents expressed no opinion about the statement, eight respondents disagreed and three respondents strongly disagreed with the statement. The aggregate score for the first statement is arrived at as below.
Table 6.5

Attitude scale

<table>
<thead>
<tr>
<th>Attitude scale</th>
<th>Score assigned</th>
<th>No of respondents</th>
<th>Total score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agreed</td>
<td>5</td>
<td>103</td>
<td>515</td>
</tr>
<tr>
<td>Agreed</td>
<td>4</td>
<td>82</td>
<td>328</td>
</tr>
<tr>
<td>No opinion</td>
<td>3</td>
<td>4</td>
<td>12</td>
</tr>
<tr>
<td>Disagreed</td>
<td>2</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>Strongly disagreed</td>
<td>1</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Aggregate score for the first statement</td>
<td></td>
<td></td>
<td>874</td>
</tr>
</tbody>
</table>

Source: Primary data

Similarly aggregate score for other statements were estimated based on the primary data. The mean score for each statement is arrived at by dividing the aggregate score by 200 (respondents). The mean score is highest (4.37) for the first statement followed by the third statement whose mean score is 4.01. Each statement is given ranking on the basis of mean score. So the first statement and third statement are given I and II rank respectively. So it may be concluded that under financial problems faced by small-scale industrial unit in Kanyakumari District, the most felt statement is ‘bank credit is insufficient’ followed by the statement ‘small-scale industrial unit is unable to provide sufficient security as demanded by the bank. In other words, the most widely felt financial problem of small-scale industrial units in Kanyakumari District is insufficient bank credit.

6.6.3 Attitude Score for the component II: Marketing Problems

Following table shows the attitude score for the component Marketing Problems
Table 6.6

Attitude score of respondents for the component Marketing Problems

<table>
<thead>
<tr>
<th>No</th>
<th>Statements</th>
<th>Totals Score</th>
<th>Mean score</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Quality of product is not competitive</td>
<td>854</td>
<td>4.27</td>
<td>II</td>
</tr>
<tr>
<td>2.</td>
<td>Price is not competitive</td>
<td>880</td>
<td>4.40</td>
<td>I</td>
</tr>
<tr>
<td>3.</td>
<td>Sales are very low due to very low demand and poor sales promotional measures</td>
<td>718</td>
<td>3.59</td>
<td>III</td>
</tr>
<tr>
<td>4.</td>
<td>Small-scale industrial units incur more bad debts</td>
<td>618</td>
<td>3.09</td>
<td>V</td>
</tr>
<tr>
<td>5.</td>
<td>Amount on goods sold to larger concerns received very late</td>
<td>710</td>
<td>3.55</td>
<td>IV</td>
</tr>
<tr>
<td></td>
<td>Aggregate score for the component</td>
<td>3780</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Primary data

In the above table, the second statement ranks first with the mean score 4.40 followed by the first statement whose mean score is 4.27. So, it can be concluded that the most felt statement under marketing problems faced by SDI units in Kanyakumari District, the price is not competitive followed by the statement quality of the product is not competitive. In other words, the widely felt marketing problems of small-scale industrial units in Kanyakumari District is that its price is not competitive, and the next widely felt marketing problem is that the quality of the product is not competitive.

6.6.4 Attitude Score for the component III: Raw material Problems

Following table reveals the attitude score for the component III Raw material Problems
Table 6.7
Attitude score of respondents for the component Raw material Problems.

<table>
<thead>
<tr>
<th>No</th>
<th>Statements</th>
<th>Totals Score</th>
<th>Mean score</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>The supply of raw materials, imported components, equipments by State Small industries Corporation is not satisfactory</td>
<td>764</td>
<td>3.82</td>
<td>II</td>
</tr>
<tr>
<td>2.</td>
<td>Small-scale industrial unit has to pay higher price for raw materials</td>
<td>868</td>
<td>4.34</td>
<td>I</td>
</tr>
<tr>
<td>3</td>
<td>A small-scale industrial unit faces irregularity in supply of raw materials of raw Materials of required quantity.</td>
<td>660</td>
<td>3.30</td>
<td>IV</td>
</tr>
<tr>
<td>4</td>
<td>Small-scale industrial unit is unable to procure credit from suppliers of raw materials</td>
<td>756</td>
<td>3.78</td>
<td>III</td>
</tr>
<tr>
<td>5</td>
<td>Small-scale industrial unit is unable to pay the dues to the suppliers of raw materials due to poor working capital position.</td>
<td>642</td>
<td>3.21</td>
<td>V</td>
</tr>
<tr>
<td></td>
<td>Aggregate score for the component</td>
<td>3690</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Primary data

It is evident from the above table that the second statement ranks first with a mean score of 4.34 followed by the first statement. So, it may be concluded that the most felt statement under raw material problems is ‘small-scale industries has to pay higher price for the raw materials’, followed by the statement ‘the supply of raw materials, imported components, equipments by State Small Industries Corporation is not satisfactory’. In other words, the most widely felt raw material problems of small-scale industrial unit in Kanyakumari District are high cost of raw materials.

6.6.5 Attitude Score for the component IV: Other Problems

Following table reveals the attitude score awarded by the respondents for the component ‘Other Problems’
### Table 6.8

**Attitude score of respondents for the component Other Problems**

<table>
<thead>
<tr>
<th>No</th>
<th>Statements</th>
<th>Totals Score</th>
<th>Mean score</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Small-scale industrial unit faces labour problems</td>
<td>680</td>
<td>3.40</td>
<td>III</td>
</tr>
<tr>
<td>2</td>
<td>Small-scale industrial unit faces the problem of disputes among the owners</td>
<td>604</td>
<td>3.02</td>
<td>IV</td>
</tr>
<tr>
<td>3</td>
<td>Small-scale industrial unit uses traditional technology for production</td>
<td>706</td>
<td>3.53</td>
<td>I</td>
</tr>
<tr>
<td>4</td>
<td>Managerial ability of small-scale industrial unit is not upto the mark</td>
<td>520</td>
<td>2.60</td>
<td>V</td>
</tr>
<tr>
<td>5</td>
<td>The work force lack the level of technical skill required.</td>
<td>688</td>
<td>3.44</td>
<td>II</td>
</tr>
<tr>
<td></td>
<td>Aggregate score for the component</td>
<td>3198</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Primary data

It may be concluded from the above table that among other problems faced by small-scale industrial unit in Kanyakumari District, the most felt problem is that the small-scale industrial units make use of traditional technology.

### 6.6.6 Consolidated summary of components

The following table reveals the consolidated summary of score for each component.
Table 6.9

Consolidated summary of attitude score of 'Problem Components'.

<table>
<thead>
<tr>
<th>No</th>
<th>Problem Components</th>
<th>Totals Score</th>
<th>Mean score</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Financial Problems</td>
<td>3742</td>
<td>18.71</td>
<td>II</td>
</tr>
<tr>
<td>2.</td>
<td>Marketing Problems</td>
<td>3780</td>
<td>18.90</td>
<td>I</td>
</tr>
<tr>
<td>3</td>
<td>Raw material Problems</td>
<td>3690</td>
<td>18.45</td>
<td>III</td>
</tr>
<tr>
<td>4</td>
<td>Other Problems</td>
<td>3198</td>
<td>15.99</td>
<td>IV</td>
</tr>
</tbody>
</table>

Source: Primary data

It could be seen from the above table that marketing problems rank first with the mean score of 18.90, followed by financial problems with the mean score of 18.71. Again, the mean score of raw material problems 18.45, which is ranked third, is also very close to the mean score of financial and marketing problems. It should be noted here that the range of mean score of a component (i.e minimum and maximum score given by a respondent to a component) is 5 – 25. The mean score of the three components (financial, marketing and raw material problem) is centering around 18 which is somewhat closer to upper value of the range.

From the above analysis, it may be concluded the financial, marketing and raw material problems are strongly and almost equally felt by the respondents of small-scale industrial units in Kanyakumari district, and among these three problems, marketing problems are very much felt. Among the marketing problems, the incompetentive price of the product haunts the small-scale industrial units very much. Among the financial problems, insufficient bank credit is strongly felt, and among the raw material problems high cost of raw materials affects the small-scale industrial units very much. It is inferred that high cost of raw materials increases the price which make it incompetentive. Besides, low bank credit is a cause for raising finance from local money lenders at a very higher
rate of interest which in turn increases the cost of product and thereby the prices. The analysis of operating statements of small-scale industrial units also reveals that nearly 22.43 per cent of operating profit goes for interest payments.

6.7 Mean Attitude Score and level of attitude

The attitude score gives an idea about the extent to which the respondent perceive the problem faced by their small-scale industrial units. On the basis of the ratings of all 20 statements (4 problem components × 5 statements in each component), individual attitude score of all 200 respondents was calculated. The maximum attitude score a respondent can get is 100 (i.e., maximum 5 points for each statement × 20 statements). The minimum, attitude score for a respondent is 20. (i.e., minimum 1 point for each statement × 20 statements). The summary of attitude score of respondents is given below.
Table 6.10

Summary of attitude score of respondents

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sum of scores of all the respondents</td>
<td>14,410</td>
</tr>
<tr>
<td>Number of respondents</td>
<td>200</td>
</tr>
<tr>
<td>Mean score per respondent</td>
<td>72.05</td>
</tr>
<tr>
<td>Standard deviation of the score (σ)</td>
<td>1.02</td>
</tr>
<tr>
<td>Variance of the score</td>
<td>1.04</td>
</tr>
<tr>
<td>Score range for low level of attitude (Mean – σ)</td>
<td>Below 71.03</td>
</tr>
<tr>
<td>Score range for high level of attitude (Mean + σ)</td>
<td>Above 73.07</td>
</tr>
<tr>
<td>Score range for medium level of attitude (Mean ± σ)</td>
<td>71.03 – 73.07</td>
</tr>
</tbody>
</table>

Source: Computed form primary data

It could be seen from the above table that the mean score of the respondent is 72.05 is clustering around the upper value of the individual score range (i.e., 20-100). This indicates that most of the respondents have strongly felt that the statements conveying the problems faced by small-scale industrial units in Kanyakuamri district. In other words, most of the respondents have agreed with the identified problems of small-scale industrial units.

Based on the score values of mean and standard deviation, three levels of attitude are fixed. The number of respondents whose score is below 71.03 is grouped under low level, respondents whose score is above 71.03 are classified under higher level and those who secured the score in between these two values are clubbed under medium level. The number of respondents coming under these three levels is given in the following table.
Table 6.11

Classification of Respondents as to Levels of Attitude

<table>
<thead>
<tr>
<th>Levels of attitude</th>
<th>No. of respondents</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low level of attitude</td>
<td>11</td>
<td>5.5</td>
</tr>
<tr>
<td>Medium level of attitude</td>
<td>168</td>
<td>84.0</td>
</tr>
<tr>
<td>High level of attitude</td>
<td>21</td>
<td>10.5</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Computed from primary data

It is evident from the above table that 84 per cent of the respondents fall under the medium level of attitude towards the small-scale industrial problem, 10.5 per cent come under high level and the rest grouped under low level.

Chart 6.b
6.8. Testing for significant variation in rating of statements: Kolmogorov – Smirnov Test

From the above analysis the attitude of respondents towards the problems faced by their small-scale industrial units, marketing problems, among other problems are most strongly felt, as the respondents have given highest rating score for the component of marketing problems. So, it is relevant to make an analysis of rating pattern i.e., whether there is uniformity or variation in the rating of each statement coming under marketing problems. The respondents have to rate the statement on a five point level of opinion. There may be variations among these five levels of opinion. In order to test whether this rating variation is significant or not Kolmogrove – Smirnov Test (k-s test) has been applied. The k-s test has been applied to each of the five statements coming under the component ‘Marketing problems,

For this test a null hypothesis should be framed for each statement. Then k-s test statistic should be computed from the following formula

\[ D_n = \text{Max} \left| F_e - F_o \right| \]

Where

\( D_n = \text{K-S test statistic} \)

\( F_o = \text{Observed relative cumulative frequency (i.e., observed cumulative proportion)} \)

\( F_e = \text{Expected relative cumulative frequency (i.e., expected cumulative proportion)} \)

\( |F_e - F_o| = \text{Absolute deviation (difference between } F_e \text{ and } F_o \text{ ignoring sign)} \)

\( \text{Max} \left| F_e - F_o \right| = \text{maximum value of absolute deviation} \)
The calculated value of k-s statistic \((D_o)\) is compared with the table value at 5 per cent level of significance. For the sample size above 35, the table value of K-S statistics at 5 per cent level can be calculated by the formula \(\frac{1.36}{\sqrt{n}}\). Where \(n\) = sample size (200).

If the calculated value is greater than the table value the null hypothesis is rejected. If it is less than the table value the null hypothesis is accepted.

6.8.1 Testing for significant variation, in rating of first statement under marketing problem

The first statement under the component marketing problem is 'quality of product is not competitive'. For applying k-s test, the following table is prepared on the basis of data on attitude score for the above statement.

Table 6.12

| No. | Opinion         | Observed frequency | Observed Cumulative frequency \((4 + 200)\) | Observed relative frequency \(F_o\) (5) | Expected relative frequency \(F_e\) (6) | Expected relative Cumulative frequency \(F_e\) (7) | \(D\) \(=|F_e - F_o|\) (8) |
|-----|-----------------|-------------------|------------------------------------------|--------------------------------------|--------------------------------------|-----------------------------------------------|------------------|
| 1   | Strongly agreed | 109               | 0.5450                                   | 0.20                                 | 0.20                                 | 0.345                                         |                  |
| 2   | Agreed          | 62                | 0.8550                                   | 0.20                                 | 0.40                                 | 0.455                                         |                  |
| 3   | No opinion      | 11                | 0.9100                                   | 0.20                                 | 0.60                                 | 0.310                                         |                  |
| 4   | Disagreed       | 10                | 0.9600                                   | 0.20                                 | 0.80                                 | 0.160                                         |                  |
| 5   | Strongly disagreed | 8              | 1.0000                                   | 0.20                                 | 1.00                                 | 0.000                                         |                  |

Source: Computed form primary data
The above table reveals that out of 200 respondents, 109 have strongly agreed the statement, and 62 respondents have rated their opinion as 'agreed'. There are five grading involved in this. So for each grading expected relative frequency No of gradings = $1/5 = 0.20$. The following null hypothesis is framed for the k-s test.

Null hypothesis ($H_0$): There is no significant variation in rating of the statement 'Quality if product is not competitive'.

In the last column (no.8) of the above table, which reveals the absolute deviation (i.e., difference between $F_e$ and $F_0$ ignoring sign), the highest value is 0.455.

The observed value of $D_n$ (K.S. Statistic) = $\text{Max} |F_e - F_0| = 0.455$

The table value (critical value) of $D_n$ at 5 per cent level of significance

$$\frac{1.36}{\sqrt{n}} = \frac{1.36}{\sqrt{200}} = 0.0962$$

As the observed value of $D_n$ is greater than the critical value the null hypothesis is rejected. So it can be concluded that there is significant variation in rating the statement 'quality of product of small-scale industrial units is not competitive'. In other words, there is significant rating variation among the five levels of opinion. Most of the respondents have rated the statement at the two levels 'strongly agreed' and 'agreed'.

6.8.2 Testing for significant variation in rating of second statement under marketing problems

The second statement under marketing problems is 'price is not competitive'. For applying k-s test the following table is prepared.
Table 6.13

Observed and Expected frequencies regarding the rating of second statement under marketing problem for k-s test

| No. | Opinion         | Observed frequency | Observed Cumulative frequency | Observed relative Cumulative frequency $F_o$ (5) | Expected relative frequency $F_e$ (6) | Expected relative Cumulative frequency $F_e$ (7) | $D = |F_e - F_o|$ |
|-----|-----------------|--------------------|-------------------------------|-----------------------------------------------|-------------------------------------|-----------------------------------------------|-----------------|
| 1   | Strongly agreed | 113                | 113                           | 0.5650                                        | 0.20                                | 0.20                                          | 0.365           |
| 2   | Agreed          | 67                 | 180                           | 0.9000                                        | 0.20                                | 0.40                                          | 0.500           |
| 3   | No opinion      | 10                 | 190                           | 0.9500                                        | 0.20                                | 0.60                                          | 0.350           |
| 4   | Disagreed       | 7                  | 197                           | 0.9850                                        | 0.20                                | 0.80                                          | 0.185           |
| 5   | Strongly disagreed | 3               | 200                           | 1.0000                                        | 0.20                                | 1.00                                          | 0.000           |

Source: Computed from primary data

Null hypothesis ($H_0$): There is no significant variation in the rating of the statement 'price is not competitive'.

The observed value of $D_n$ (K.S.Statistics) = 0.5000

The table value (critical value) of $D_n$ at 5 per cent level of significance = 0.0962

The observed value is greater than the critical value. So the null hypothesis is rejected. Therefore, it is concluded that there is significant variation in rating of the statement 'price is not competitive'. Most of the respondents have opted the levels 'strongly agreed' and 'agreed', which is also evident from the sample data depicted in the above table.

6.8.3 Testing for significant of variation in rating of third statement under marketing problems

The third statement under marketing problems is 'sales are very low due to very low demand and poor sales promotional measures'. For applying the k-s test the following table is prepared.
Table 6.14
Observed and Expected frequencies regarding the rating of third statement under marketing problem (for K-S test)

| No. | Opinion      | Observed frequency | Observed Cumulative frequency | Observed relative Cumulative frequency $F_o$ (5) | Expected relative frequency (6) | Expected Cumulative frequency $F_e$ (7) | $D = |F_e - F_o|$ |
|-----|--------------|-------------------|------------------------------|-----------------------------------------------|---------------------------------|----------------------------------------|----------------|
| 1   | Strongly agreed | 59                | 59                           | 0.2950                                        | 0.20                            | 0.20                                   | 0.095        |
| 2   | Agreed       | 61                | 120                          | 0.6000                                        | 0.20                            | 0.40                                   | 0.200        |
| 3   | No opinion   | 30                | 150                          | 0.7500                                        | 0.20                            | 0.60                                   | 0.150        |
| 4   | Disagreed    | 39                | 189                          | 0.9450                                        | 0.20                            | 0.80                                   | 0.145        |
| 5   | Strongly disagreed | 11              | 200                          | 1.0000                                        | 0.20                            | 1.00                                   | 0.000        |

Source: Computed from primary data

Null hypothesis ($H_0$): There is no significant variation in rating of the statement 'sales are very low due to very low demand and poor sales promotional measures'.

The observed value of $D_n$ (K.S. Statistics) = 0.2000

The table value (critical value) of $D_n$ at 5 per cent level of significance = 0.0962

As the observed value is greater than the critical value, null hypothesis is rejected.

So, it can be concluded that there is significant variation in rating of the statement 'sales are very low due to very low demand and poor sales promotional measures'. The sample data also reveals that majority of the respondents' preferred first two levels of opinion i.e., 'strongly agreed' and 'agreed.'

6.8.4 Testing for significant of variation in rating of fourth statement under marketing problems

The fourth statement under marketing problems is 'small-scale industrial units incur more bad debts.' For applying k-s test the following table is prepared.
**Table 6.15**

**Observed and Expected frequencies regarding the rating of fourth statement under Marketing Problems (for k-s test)**

<table>
<thead>
<tr>
<th>No.</th>
<th>Opinion</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
<th>(7)</th>
<th>(8)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Strongly agreed</td>
<td>47</td>
<td>47</td>
<td>0.2350</td>
<td>0.20</td>
<td>0.20</td>
<td>0.035</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Agreed</td>
<td>54</td>
<td>101</td>
<td>0.5050</td>
<td>0.20</td>
<td>0.40</td>
<td>0.105</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>No opinion</td>
<td>10</td>
<td>111</td>
<td>0.5550</td>
<td>0.20</td>
<td>0.60</td>
<td>0.045</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Disagreed</td>
<td>48</td>
<td>159</td>
<td>0.7950</td>
<td>0.20</td>
<td>0.80</td>
<td>0.005</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Strongly disagreed</td>
<td>41</td>
<td>200</td>
<td>1.0000</td>
<td>0.20</td>
<td>1.00</td>
<td>0.000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Computed from primary data

Null hypothesis (H$_0$): There is no significant variation in rating of the statement ‘small-scale industrial units incur more bad debts.’

The observed value of D$_n$ (K.S.Statistics) = 0.105

The table value (critical value) of D$_n$ at 5 per cent level of significance = 0.0962

As the observed value is greater than the critical value, the null hypothesis is rejected. So, it is concluded that there is significant variation in rating of the statement ‘small-scale industrial units incur more bad debts’

**6.8.5 Testing for significant of variation in rating of the fifth statement under Marketing Problems**

The fifth statement rated under the component Marketing Problems is ‘Amount on goods sold to larger concerns is received very late.’ For applying k-s test the following table is prepared.
Table 6.16
**Observed and Expected frequencies regarding the rating of fifth statement under Marketing Problem (for k-s test)**

| No. | Opinion                        | Observed frequency | Observed Cumulative frequency | Observed relative Cumulative frequency $F_o$ | Expected relative frequency | Expected Cumulative frequency $F_e$ | $D = | F_e - F_o |$ |
|-----|--------------------------------|--------------------|-------------------------------|--------------------------------------------|----------------------------|-----------------------------------|-----------------|
| 1   | Strongly agreed                | 70                 | 70                            | 0.350                                      | 0.20                       | 0.20                              | 0.150           |
| 2   | Agreed                         | 54                 | 124                           | 0.620                                      | 0.20                       | 0.40                              | 0.220           |
| 3   | No opinion                     | 17                 | 141                           | 0.705                                      | 0.20                       | 0.60                              | 0.105           |
| 4   | Disagreed                      | 34                 | 175                           | 0.875                                      | 0.20                       | 0.80                              | 0.075           |
| 5   | Strongly disagreed             | 25                 | 200                           | 1.000                                      | 0.20                       | 1.00                              | 0.000           |

Source: Computed from primary data

Null hypothesis ($H_0$): There is no significant variation in rating of the statement 'Amount on goods sold to larger concerns is received very late.'

The observed value of $D_n$ (K.S.Statistics) = 0.220

The table value (critical value) of $D_n$ at 5 per cent level of significance = 0.0962

As the observed value is greater than the critical value, null hypothesis is rejected.

So it is concluded that there is significant variation in rating of the statement 'Amount on goods sold to larger concerns is received very late.'

The k-s test reveals that there is significant variation in the rating of all the five statements under 'Marketing problems'. In other words, the rating variation among the five level of opinion is significant with regard to all statements under marketing problems.

It is also inferred from the sample data that majority of the respondents have opted the first two levels of opinion (i.e. strongly agreed and agreed) in rating all the statements coming under all problem components. This means all the problems (given in the form of statements) were strongly felt by the respondents.
a. Conclusion

All the sample small-scale industrial units face at least one major problem. The major problems faced by the sample small-scale industrial units can be attributed to four major areas, i.e., finance, marketing, raw materials and other problem areas. While 22.5 per cent of sample small-scale industrial units face financial problems, 26.5 per cent of units confront with marketing problems and 15 per cent of units struggle with raw material problems. It is estimated that 34 per cent of units meddle with any of the combination of problems on finance, marketing and raw materials. The sample small-scale industrial units facing other problems constitute only 1.5 per cent.

The problem exists in spite of various measures/schemes implemented by the Ministry of Micro, Small and medium Enterprises, implemented through two Central organizations i.e., Micro, small and Medium Enterprises Development Organization and national Small Industries Corporation Ltd (NSIC). The schemes include performance & credit rating scheme, Marketing Assistance Scheme, integrated Infrastructure Development (IID) scheme, Technology upgradation in MSE sector, measures for Export promotion, Entrepreneurship & Skill Development Scheme and setting up of specialized branches for small-scale industrial units.

The attitude of the respondents towards the problems faced by their small-scale industrial units was measured through a five point attitude scale. The attitude score revealed that financial, marketing and raw material problems are strongly and almost equally felt by the respondents (who are the entrepreneurs/owners of sample small-scale industrial units). Among these three problems, marketing problems are most felt. Among the marketing problems, the incompetitive price of products haunts the small-scale industrial units very much. Among the financial problems, ‘insufficient bank credit’ ranks first, and the high cost of raw material is the most serious matter under raw material
problems. It is inferred that low bank credit forces the small-scale industrial units to borrow from local money lenders at a higher rate of interest. This tendency coupled with high cost of materials increases the prices of the product which ultimately makes the product incompetitive in the price race.

The mean attitude score of a respondent (72.05), which clusters around the upper value of the individual score range (i.e., 20-100) indicates that most of the respondents strongly felt the statements conveying the problems faced by their small-scale industrial units. In other words, mostly the respondents agreed with the identified problems of small-scale industrial units. The number of respondents coming under the range of medium attitude score (i.e., between 71.03 and 73.07) constitute 84 per cent while 10.5 per cent of respondents have a very high attitude score (i.e., 73.07-100).

References

1. Report of the Second All India Census of Small-Scale industrial units (1992), Government of India, p.159

2. The Second Report of the International perspective planning Team, p.10


4. Ibid p.691

5. Ibid p.687


11. Ibid., p.833

12. Ibid., p.A-23