Chapter – VII
Findings, Conclusion and Suggestions

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7.1 Introduction

Industrialization has become an integral part of the development endeavour of developing countries. Such countries, which, in general are agrarian, capital scarce and labour abundant, can ill-afford the establishment of large scale industries in their struggle for attaining economic progress. This being so, small-scale industries occupy a significant position in the economic programs of such countries. In a developing economy like India the small-scale industries occupy a prominent position, since they are capital surplus and labour intensive sectors. They are considered as harbingers of economic progress because they have stemmed growth of India's own skill, resources, enterprise and culture and thus, occupy a proud place in the industrial economy of India. The small-scale industries play a vital role in the overall economic development of the country where millions of people are unemployed or underemployed. Despite the global and domestic race, Small-Scale Industries registered a higher growth rate than the overall industrial sector in terms of number of units, production, employment and exports.

In spite of the significant growth rate registered by small-scale sector, it has confronted with several problems like lack of proper planning, lack of adequate and timely credit especially for working capital requirements, lack of adequate and the timely supply of raw materials, managerial, marketing, sickness, competition and technological obsolescence. Among all these problems, marketing is the prominent one since many of the problems of small-scale industries are associated with and are due to the marketing problems faced by them. Hence, this study is an attempt to analyze the various problems both financial and non financial encountered by the small-scale industrial units of Kanyakumari District. For the purpose of the study, 200 sample units are selected and on the basis of the information gathered, the results are summarized as below to draw valid conclusion and to provide suitable suggestions.
7.2 Contribution of Small-Scale Industries in the Export market

The total exports at the India level is getting on increasing year after year and has reached its highest in the year 2005-06 recorded a growth rate of 43.9 per cent. Whereas the share of exports from small-scale industrial units gradually fluctuating and has recorded a declining rate of 19 per cent which needs concern and action.

7.3 The Role of Small-Scale Industries in the Economy

Likewise, the production of small-scale industrial is also getting on increasing year by year and has reached its peak in the year 2005-06 to the extent of 28.5 per cent. Whereas they are able to export only a portion of their products and that too have undergone fluctuations over the study period and finally get declined to the extent of 11 per cent. Hence, promotional measures can be undertaken with regard to the export of goods. The production has an exponential growth rate of 11.5 per cent with the coefficient of determination of .99 showing a highly positive trend whereas the exponential growth rate on the export trend is negative to the extent of nearly 5 per cent with a coefficient of determination of 0.13, which is comparatively very low.

It is known from the study that the various categories of small-scale industries that the garments units outnumbered other units, which is followed by spare parts i.e. repair services, wood products, food products, metal products and the like.

There are about 9778 cottage industries are available in the district. Here, too, the garments industries are more concentrated than others. Palmyra leaf articles, fibre articles, brick industries are some of the notable cottage industries which are functioning in the district.

As per the registration particulars on number of units, investment, production and investment of small-scale industrial units in Kanyakumari District, it is highly fluctuating over the years under study. However, the performance is slightly improving during the
current periods. The stagnation during 2004-05 may be due to natural calamities like Tsunami.

7.4 Performance of Small-Scale Industries

As far as the performance of small-scale industries at the Tamilnadu level is concerned, one can witness the growing and positive trend over the period under study in all respects of number of units, production, investment, and employment.

With regard to the performance of small-scale industries at the India level, it has recorded a growth rate of 13 per cent in production, 8.6 per cent in prices, 14.1 per cent in Export performance, an average of 4 per cent in the registration and employment.

7.4.1 Production as Performance Variable

The study shows that the production through small-scale industrial units is getting decreased in the district and at the state level whereas the same is increasing at all India level. However, the performance of small-scale industrial units in Kanyakumari District is analyzed through the consistency approach.

The co-efficient of variance is more in Kanyakumari district which shows that the production by small-scale industrial units in Kanyakumari district is more consistent and less stable when compared with that of Tamilnadu State and all over India.

While compound growth rate of production of all over India is positive, the small-scale industrial units in Tamilnadu and Kanyakumari District reported negative compound growth rate of production. It shows that the compound growth rates in Tamilnadu State and Kanyakumari district level is not in constant. The compound growth rate at all India bases that the negative compound growth rate is highest in Kanyakumari district. It shows that the small-scale industrial units in Kanyakumari district do not follow the pattern in
Tamilnadu. With regard to the production of small-scale industrial units in Kanyakumari district the situation is grim and worst.

The per unit production is highest in Tamilnadu with 22.16 lakhs followed by Kanyakumari district with 7.64 lakhs and all over India with 2.39 lakhs. Even though the small-scale industrial units in Kanyakumari district reports more consistency in production when compared with the performance at the state and national level and they show the worst picture with highest negative compound growth rate. This trend is due to a steep decline in production in a few years out of the 10 years period taken for the analysis.

The Z value at 5 per cent level of significance is 1.96. As the calculated value of Z is much greater than the table value, the hypothesis is rejected and so it can be concluded that there is significant difference in the production per unit of Kanyakumari district and Tamilnadu. As the calculated value of Z is higher than table value, null hypotheses is rejected. Therefore, it is concluded that there is significant difference in the mean per unit production of small-scale industrial units in Kanyakumari District and India.

7.4.2 Employment as Performance Variable

The employment opportunities provided by the small-scale industrial units revealed the fact that the same is getting lowered both at district level and State level. At all India level it is gaining more by increasing the number. As far as the employment in small-scale industrial is concerned, it is more consistent in India level when compared with Tamilnadu and Kanyakumari District. The variability is more in Kanyakumari District.

Comparatively, Tamilnadu recorded positive growth when compared to Kanyakumari District and India. The district has to improve in extending employment opportunities through small-scale industries.
The Z value at 5 per cent level of significance is 1.96. As the calculated value of Z is much greater than the table value, the hypothesis is rejected and so it can be concluded that there is significant difference in the mean employment per unit of Kanyakumari district and Tamilnadu. As the calculated value of Z is higher than table value, the null hypotheses is rejected. Therefore it is concluded that there is significant difference in the mean per unit of employment of small-scale industrial units in Kanyakumari District and India.

7.4.3 Number of units as Performance Variable

It refers only to the registered units at the district, State and national level. From the records, it is seen that the registration is comparatively low in the district and the state in the years 2004-05, while at the India level it is constantly improving. The performance of small-scale industrial units in with regards to its progress in numbers has been analyzed through the Consistency approach.

As far as the progress of small-scale industries in number is concerned, it is more consistent at the India level when compared with Tamilnadu and Kanyakumari District. The variability is more in Kanyakumari District.

Comparatively, the country as a whole has recorded a positive growth when compared to Kanyakumari District and Tamilnadu. The district has to improve in progressing small-scale industries.

7.4.4 Investment as a Variable

The investment pattern of small-scale industrial units in district is somewhat fluctuating and the same is steadily increasing in Tamilnadu. As far as the progress of small-scale industrial in its investment is concerned, it is more consistent in Tamilnadu than Kanyakumari District. The variability is also more in Kanyakumari District.
Comparatively, both the Kanyakumari District and Tamilnadu have a negative growth rate as far as the investment is concerned. Hence, investing more on the small-scale industrial sector will help the sector to grow and yield more.

The Z value at 5 per cent level of significance is 1.96. As the calculated value of Z is more than the table value, the hypothesis is rejected and so it can be concluded that there is significant difference in the mean investment per unit of Kanyakumari district and Tamilnadu.

When compared to the four variables production, employment, number of units and investment, there is wide variability in between Kanyakumari district when compared with Tamilnadu and India. With regards to the Compound growth rate, the growth is good at India level when compared with Tamilnadu and Kanyakumari district. And the Z test analysis shows there are significant difference at all the three variables in district, state and Nation level.

7.5 Problems of small-scale industrial units in Kanyakumari District

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.

The most felt statement under marketing problems faced by small-scale industrial units in Kanyakumari District is 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.
The most widely felt raw material problems of small-scale industrial unit in Kanyakumari District are high cost of raw materials.

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.

It may be concluded that 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 uncompetitive 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 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 incompetent. 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.

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

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’.
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.

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.’

There is significant variation in rating of the statement “small-scale industrial units incur more bad debts”, 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.

It could be seen from the analysis 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 indicated that most of the respondents have strongly felt these 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.
7.6 Non Financial factors

As the observed value of $\chi^2$ is less than the critical value, the null hypothesis is accepted. Therefore, it can be concluded that there is no significant association between type of industry and level of ROI. In other words, the level of ROI (i.e., level of overall operational efficiency) of small-scale industrial units in Kanyakuamri District does not depend upon type of industry. In a nutshell, the type of industry does not significantly influence the level of ROI (level of overall operational efficiency) of small-scale industrial units in Kanyakuamri District.

As the observed value is greater than the critical value the null hypothesis is rejected. So, it may be concluded that the level of capacity utilized significantly influence the level of ROI. In other words, the overall operational efficiency of small-scale industrial units in Kanyakuamri District depends upon the level of utilization of capacity. So, the level of capacity utilization is a significant factor affecting ROI of small-scale industrial units in Kanyakuamri District.

As the observed value is less than the critical value the null hypothesis is accepted. So it may be concluded that the age of the owner does not significantly influence the level of ROI of the small-scale industrial units in Kanyakuamri District.

As the observed value is greater than the critical value the null hypothesis is rejected. So it is concluded that the level of ROI of the small-scale industrial units in Kanyakuamri District depends upon the level of education. In other words level of education of the owners of small-scale industrial unit is a significant factor affecting the overall operational efficiency of small-scale industrial units in Kanyakuamri District.

As the observed value is greater than the critical value the null hypothesis is rejected. So it is concluded that the level of ROI of the small-scale industrial units in Kanyakuamri District depends upon the previous experience of entrepreneurs of small-
scale industrial units. Therefore, it may be inferred that previous experience is a significant factor affecting the level of ROI of the small-scale industrial units in Kanyakumri District.

7.7 Financial Position of small-scale industrial units in Kanyakumri District

The study shows that the material cost/purchase forms the highest percentage on sales (51.18). The operating profit is just 11.79 per cent on sales and the net profit barely 8.72 per cent on sales. These rates of percentage of sales are less than the ones earned by similar concerns. Another notable feature is that small-scale industrial units in Kanyakumari District spend lesser amount on selling and distribution which is just 1.33 per cent on sales. They should spend more for selling and distribution expenses so that the sales can increase.

It is pertinent to note that the interest on borrowed funds is 2.64 per cent on sales. But an in-depth analysis reveals that nearly 22.43 per cent of operating profit goes for interest payment. But before 10 years (prior to 2006-07) the operating profit 5 was 28 per cent on sales and the net profit per cent was 25 per cent.

It is found that the average sales per small-scale industrial unit during 2006-07 is 19.97 lakhs, whereas the average sales per unit during the 10 year period from 1991-92 to 2000-01 was 19.36 lakhs. It indicates that the average sales per unit are more or less remaining, stagnant since 1991-92. But in real terms, after taking into account the inflationary effect during this period, the average sales per small-scale industrial unit has considerably decreased.

Higher interest cost, the higher rate of interest from indigenous money lenders due to the absence of awareness of benefits to small-scale industrial units from Government.
7.7.1 Analysis of financing pattern

The analysis of financing pattern of sample small-scale industrial units in Kanyakumari District from the above statement reveals that the internal sources of funds (owned funds 47.28 per cent + provisions 0.85 per cent) constitute 48.13 per cent of total sources (liabilities) whereas the remaining 51.87 per cent consist of external sources which include long term borrowed funds (26.33 per cent).

7.7.2 Analysis of Funds Utilization

The analysis from the position statement of funds utilization of sample small-scale industrial units reveal that 52.85 per cent of total funds raised is utilized (invested) in fixed assets, 40.26 per cent in current assets and the remaining (6.89 per cent) lost during the course of operation. Out of the total current assets (40.26 per cent) more than half (23.37 per cent) consists of unsold stock which is not a good symptom.

7.7.3 Inferences about pyramid ratios

- Low ROI due to low profit margin and inefficient utilization of assets, especially fixed assets.
- Low profit margin is due to high material cost/purchase
- Ineffective utilization of assets due to low volume of sales which among other factors is due to low selling and distribution cost

7.7.4 Impact of profit margin and capital turnover on ROI

The regression co-efficient of $\beta_1$ indicates that holding capital turnover ratio constant, 1 per cent change in the profit margin will cause 1.233 per cent change in ROI in the same direction. In other words, if the capital turnover ratio remains constant, a profit margin will cause a 1.233 per cent increase in ROI and vice versa. As the t value of profit margin is significant at 5 per cent level of significance, the profit margin is a significant
variable affecting the ROI. In other words, profit margin significantly influences the level of ROI.

The regression co-efficient $\beta_2$ reveals that when the profit margin does not change, a one unit change in capital turnover ratio will cause 16.74 per cent change in ROI in the same direction. In other words, keeping the profit margin constant, if the capital turnover ratio increases by one unit (i.e., one time), the ROI will increase by 16.74 per cent and vice versa. As the 't' value is significant at 5 per cent level of significance, it can be concluded that capital turnover ratio is a significant variable affecting ROI.

$R^2$ value (i.e, coefficient of multiple determinations) points out that, 77.5 per cent of variations in ROI are explained by both profit margin and capital turnover ratio. This indicate a high degree of positive multiple correlation between dependent variable (ROI) and independent variables (profit margin and capital turnover ratio) as the $\sqrt{R^2}$ (which is the multiple correlation coefficient) is 0.88 ($\sqrt{.775}$).

As the F value is found to be significant at 5 per cent level of significance, the regression model as a whole is significant.

The regression model reveals a startling fact that point of the two significant variables (profit margin and capital turnover ratio), the capital turnover ratio seem to be the most critical variable because if capital turnover ratio increases by one unit (one time), the ROI increases substantially by 16.74 per cent. So, the small-scale industries units must effectively utilize the assets to improve substantially the ROI. Effective utilization of assets warrants for increase in volume of sales and at present assets are not fully utilized due to low volume of sales.
7.7.5 Impact of Sales and Capital employed on Capital turnover Ratio

The result reveals that holding capital employed constant, a change of sales by one unit (ie. Rs. 1 lakh) causes a change of 1.202 times in capital turn over ratio in the same direction. In other words, keeping capital employed constant, every increase in sales of Rs. 1 lakh causes an increase of 1.202 in capital turn over ratio and every decease of Rs.1 lakh in sales causes a decrease by 1.202 in capital turn over ratio. It may be concluded that every increase of 1 lakh in sales, increases capital turn over ratio by 1.202 times. In turn, every one unit increase in capital turn over ratio increases ROI by 16.74 per cent. So, sales should be increased for effective utilization of Assets and thereby increasing ROI of small-scale industrial units ultimately.

It is also inferred from the result that holding the sales constant, every one unit (i.e one lakh) change in capital employed will result in a change in capital turn over ratio by 3.69 times in the opposite direction. In other words, keeping sales constant of capital employed increases by Rs. one lakh, then the capital turn over ratio will decrease by 3.69 times and vice versa. So, it can be concluded that, a further investment in Assets of small-scale industrial unit will not result in return. It is the sales volume that should be increased, but not the investments in assets because the existing facilities (assets) are not fully utilized due to low volume of sales. Hence is the result of the low ROI.

As the ‘t’ values of the sales and capital employed are significant at 5 per cent level, the two variables significantly influence capital turn over ratio. The $R^2$ value (0.742) indicates that 74 per cent of variations in capital turn over ratio is explained by the variables sales and capital employed. As the ‘F’ value is significant at 5 per cent level, the regression model as a whole is significant.
7.8 Financial Position of Small-Scale Industrial units in Kanyakumari District

7.8.1 Fixed Asset Ratio

It means that out of every one rupee of long term funds Re.0.7179 is invested in fixed assets, the remaining amount is kept as permanent working capital. To carry on business, a certain minimum level of working capital is necessary on a continuous and uninterrupted basis. For all practical purposes, this requirement has to be met permanent as with other fixed assets. So, the prudent financial practice is that the investment in fixed assets should be made only out of long term funds (not out of short term funds), and a smaller portion of long term funds should be kept as permanent working capital. This financial principle of financial management is very well followed by small-scale industrial units in Kanyakumari District on an average.

7.8.2 Current Ratio

The current assets are 1.5 times of current liabilities. As the current ratio is less than the standard ratio (2), the short term solvency position of small-scale industrial units in Kanyakumari District is not satisfactory as the safety margin available to creditors is just Re.52 of current assets for every one rupee of current liability.

7.8.3 Liquidity Ratio

As the liquid ratio is less than the standard ratio (1), the ability of small-scale industrial units in Kanyakumari District to meet quickly the short term obligations is not satisfactory. This is due to the fact that more than 50 per cent of current assets consist of closing stock. This indicates poor sales promotional efforts. So it is essential to increase sales promotional efforts to clear off unsaleable stock and to increase the sales.
7.8.4 Debt – Equity Ratio

The debt equity ratio of small-scale industrial units in Kanyakumari District reveals that the relative contribution of creditors and owners in the financing is 1:12 and 1 respectively. So, the owner does not have sufficient stake in the fortunes of the company. As the debts are more than owned funds, small-scale industries will find it difficult to settle debts especially when profit declines. And the small-scale industrial units will find it difficult to raise funds in future. So the long term solvency position is not satisfactory.

7.8.5 Proprietary Ratio

The ratio indicates 50 per cent of investment in total tangible assets is from the source of owned funds.

The short term and long term solvency position of the company, as revealed by financial ratios are not satisfactory. The liquidity position of the company is marred by the substantial amount of unsaleable stock. The average financial structure of small-scale industrial unit is marked by more debt contents than the owned funds. Is dangerous as the profit margin and ROI are low which may result in servicing the debts.

7.9 Conclusion

The small-scale industrial units in Kanyakumari District reports a very low ROI which is due to very poor capital turnover ratio is due to ineffective utilization available assets due to low volume of sales. The poor profit margin is due to high cost of materials/purchase. The Regression analysis indicates that decreasing the turnover ratio by even one time will boost the ROI by 16.74 per cent. So, sales volume should be increased by effective sales promotional efforts. Sales promotional efforts are at the lowest ebb now.
Out of five non-financial variables (type of industry, level of capacity utilization, age group of owner of small-scale industrial unit, educational level of the owner of the small-scale industrial unit, and the state of previous experience of the entrepreneur of small-scale industrial unit) identified to test their influence on level of ROI of small-scale industrial unit, three variables (level of capacity utilization, educational level of the owner of small-scale industrial unit and previous experience) were found to be significant factors affecting the level of ROI of small-scale industrial units in Kanyakumari District.

The short term and long term solvency position of the company, as revealed by financial ratios are not satisfactory. The liquidity position of the company is marred by the substantial amount of unsaleable stock. The average financial structure of small-scale industrial unit is marked by more debt contents than the owned funds. This is dangerous as the profit margin and ROI are low which may result in servicing the debts.

Small-scale industries must survive and grow for which marketing is of vital importance. But small-scale industries are faced with marketing problems. Marketing problem is not an independent one, it is a related issue and it is a complex problem of Marketing Finance, Marketing infrastructure like forward and backward linkages, product decision, pricing decision, promotion policy, selection of distribution channel problems and the like. Therefore, to tackle this, it requires collective efforts on the part of the entrepreneurs of the units, Government policy makers, promotional agencies involved in the promotion of small-scale units, customers and the financial institutions providing finance. It requires a well devised future marketing strategy to overcome this problem. The problem of marketing of small-scale units in future can be tackled if all engaged in the process realize their responsibility and put forth concerted efforts with commitment, dedication and real will to solve the problem.
7.10 Suggestions

The maxim 'prevention through caution is better than cure' cannot be ignored in the context of small-scale units. The marketing problems of small-scale units should be tackled effectively just as cancerous growth in the human body if it is not attended immediately it will develop itself into a big tumor and ultimately will destroy the body. In order to enable the small-scale units to devise an effective and suitable marketing strategy to solve their marketing problems and to ensure a competitive market for their products, a few suggestions can be put forth.

1. Increase market coverage

Market coverage of a unit determines its revenue and in turn its success, survival and prosperity. Besides, they face stiff competition from both large units as well as small-scale units of similar nature. On account of these, the units are faced with the marketing problems and find it hard to capture the market. Therefore, it is the need of the hour that these units should expand their market by entering into markets that are not tapped so far, by adopting niche marketing strategy, by entering into sub-contracting exchange and also by establishing linkages with large units in order to take advantage of the use of common brand names.

2. Usage of locally available resources

While promoting small-scale units, the units that meet the local demand by using locally available raw materials and that suit to the local conditions must be encouraged. This will ensure the units uninterrupted supply of qualitative raw materials from the locality itself at a cheaper price and thereby to meet the local demand for the products at a reasonable price.
3. Licensing

While granting license for the units in a particular locality, sufficient care must be taken to assess the demand potential for the products of the unit and the existing units of similar nature in the region in order to avoid unhealthy competition.

4. Competition

The small-scale units can avoid the competitions that emerge from both large scales as well units of similar nature by way of improving the quality of the products, offering qualitative products at reasonable price and by paying equal attention to the present and potential demand for the product and finally through collective bargaining efforts by the units.

5. Marketing Co-operatives

The District Industries Centre can take a lead in establishing marketing co-operatives for different categories of small-scale units based on the nature of the products manufactured by them. These marketing Co-operatives should organize training and lecture programmes on marketing and arrange interaction between marketing specialists and entrepreneurs.

6. Marketing Finance

A large number of sample units are confronted with the problem of marketing finance. They have not been able to expand their market, appoint sufficient sales force and modernize their plant & machinery due to lack of adequate marketing finance. As there are many sources and possibilities are available financially to start new units, there is a need to strengthen the financial position by providing them sufficient working capital. Therefore, it is suggested that a portion of the debt provided by the financial institutions
must be in the form of working capital to enable the units to meet their requirement of working capital.

7. **Restructuring marketing Strategy**

Re-structuring of the marketing strategy is the most influential factor in meeting the challenges of the new millennium. The distinct nature of the product or service of the maker and its profitable nature should be made known to customers through re-structuring the marketing strategy. There is a need for change for strategy adopted so far for the survival and growth of small-scale sector. This change in strategy causes a shift from individual industry to cluster approach, linkages between large and small units, use of state-of-art-technology, efficient system of delivery of input and output with support and active involvement of financial institutions, associations and the Government. Therefore, in view of this, the small-scale units need to constitute marketing syndicate, appointment of modern sales representatives, common brand name with large companies, e-mail business, business-to-customer strategy, global market strategy, penetrating rural markets and diversification of thrust sector as the future marketing strategy for their business. Besides the sample units need to adopt E-commerce which has brought a revolution in the field of marketing strategy.

8. **Export Promotion**

Small and traditional industries have always contributed significantly to the exports of the nation. The problems encountered by the units in the export arena can be overcome through collective efforts. To put forward a combined and collective approach for maximization of export opportunities, the units should form themselves into groups and consortia. Such efforts facilitate better market information sharing, improved packaging, organization of trade fairs for export promotion, joint marketing efforts and
better bargaining. Special incentives like freight subsidy need to be given by the Government to promote the export of new items to hitherto untapped foreign markets. This helps to broad base the export market of the small units. Besides, for export promotion, Industrial parks may be established to provide necessary marketing support including financial assistance for publicity of logo and brand names through print or electronic media. Further, export procedures have to be simplified and they should be transparent to all small-scale industrial units.

9. Technology Adoption and upgradation

The level of technology being currently employed by the Small-Scale Industries and the lack of adequate market information, contributes significantly to the uncompetitiveness of such industries. Measures need to be taken to remove these bottlenecks. The District Industries Centre can assist the Small-Scale Entrepreneur in establishing new markets. These centres should also provide information on the latest available technologies. Through the adoption of technologies, the process of production will be qualitatively improved with the inculcation of superior managerial skills in the entrepreneurs' improvement of quality and diversification of products will be actively supported and encouraged.

10. Research and Development

Technology upgradation, modernization and expansion or transformation of traditional small industrial units into modern competitive units is the need of the day and will gain momentum in the near future. Also a trend of setting up of their own Research and Development facilities will add to the increase in investment demand. Quality improvement, diversification, labor saving and environment related investments are the results of Research and Development Department.
11. Professionalism

Absence of professionalism may lead to sickness among the small-scale industries. Extensive skill development facilities and training opportunities for workers to meet shortage of professionals in the small-scale units must be arranged. Poor management has been identified as one of the principal causes of sickness in small-scale industries. It would, therefore, be necessary that small entrepreneurs are given proper training in the management of enterprises. Such training is essential since the entrepreneur himself has to perform several functions like organizing production, arranging finance, procuring orders to market products and along with it, to maintain public relations. The small entrepreneur, therefore, requires multi-faceted training so as to be able to perform the functions effectively. Arranging seminars and workshops for these small entrepreneurs by management experts is another option to introduce professionalism in this sector.

12. Management Education

The new environment has posed new challenges and it is essential for the small-scale entrepreneurs to upgrade their knowledge and learn new management techniques. Therefore, the business and management schools must come forward and offer their services in the form of well planned and thought after modular programmes to help these persons to acquire the necessary skills. Moreover, Industry-Institute interaction should be made apart from the curriculum to suit the requirements of small-scale units.


Campaigns must be launched to create awareness on using International Quality Assurance Standards like ISO 9000 and 14000 series as these focus on certifying the process by which goods are designed and produced whereas others certify only the final
product. These also help to create facilities for promoting registrations of International Quality Standards.


The Industrial Policy of 1991 emphasized liberalization, privatization and globalization of the economy. With the opening of the economy, the small sector which has been hither to protected and operating in a secured environment has started withering. They are faced with stiff competition from similar small-scale units, large scale units and multinationals manufacturing similar products. Unless they are competitive and financially vibrant, they will not be able to withstand competition and survive in the global environment. Hence, they are advised to chalk out ways and means to face the challenges of Globalization.

15. Amalgamation of small-scale industrial units

Sickness of small-scale sector is always a matter of great concern and debate. Large number of units is sick with little scope for improvement in the near future. Instead of following the approach of rehabilitation of sick units in isolation, restructuring of small-scale sector by way of amalgamation and reorganization of their activities is a viable activity for better future.

16. Pricing Policy

Price is the only element in the marketing mix that produces the much wanted revenue. In order to attract more customers and to gain the confidentiality of the potential customers, it is advised to follow penetration pricing by adopting low profit margin initially and then gradually increasing the margin as the sales pick up.
17. Production Policy

Production problems of small-scale industries may be technical or managerial, wrong selection of equipment, inadequate tooling and production aids, lack of up gradation of technology, improper lay out and lack of research and development set up. These problems can be solved through efficient and production planning and control system. Maintenance of production schedule according to demand so as to avoid unnecessary investment in unsold stock will also yield better results.

18. Finance

Financial problems arise on account of high cost escalation and eventual losses due to erratic project appraisal, high rate of interest payable to banks and financial institutions, unusual delay due to inadequate funds for acquisition of fixed assets at the project execution stage. These problems can be overcome through efficient financial planning and management.

In Nanguneri, a place situated near Kanyakumari district, the coming of a Hi-tech Park provides ample scope for the industrial growth of this district. So it is hightime to undertake a feasibility study to map the state of various industries in this district in order to boost the development. Firstly, the schemes of the Central and the State Governments should work towards enlightening the people about the need to be aware of promoting the various industries in the district. Secondly, it should concentrate its efforts locality-wise to sustain the developmental programmes. Finally, the Government need to implement and take forward all the development projects concerning the district with the involvement and commitment of non-Governmental organisations and other voluntary agencies.