1.1. INTRODUCTION

The role played by the small scale industry in the economic activity of advanced industrialised countries like Japan, Germany, Great Britain and the United States of America is significant. Many Nations, both developed and developing exteriorized that the small industry sector is a useful vehicle for growth, in the later for the creation of new employment opportunities on a wide scale in the shortest possible time.

Small and Medium enterprises account for approximately 80 percent of the private sector industrial workers and hence occupy an important position in the industrial structure of Japan. The employment creating capacity of the small and medium enterprises in Japan has been seen to be larger than that in Germany or United States.¹

Small and Medium enterprises play in extraordinarily important role as muscles for regional economic development. In the development of sparsely populated areas such as Hokkaido Island in the North they have been a valuable tool for development. In the first half of the sixties the small and medium enterprises accounted for more than 50 percent of Japanese exports. Such business was mostly labour intensive and not dependent on imports or raw materials and hence, its net contribution to foreign exchange was very high.²

Indian economy is an under developed economy. Its vast resources are either unutilized or under utilized. A major section of man power is lying idle. The per capita income is low. Capital is shy and scarce
and investment is lean. Production is traditional and the technique is outdated. The output is insufficient and the basic needs of the people remain unfulfilled.  

Industrialization is the only answer to this present state of disrupted economy. The problem is of the approach which should be direct, utilitarian and pragmatic. Such industries do not require huge capital and hence suitable for a country like India. The small scale industries have a talent of ‘dispersal.’ They can be accessible to the remote rural areas of the country and do not lead to regional imbalances and concentration of industries at one place, which is responsible for many economic resources such as entrepreneurship and capital.  

The planners and the economists in India took recourse to small scale industry because most of these industries existed in the traditional form, which symbolize our heritage and past glory. These still serve as the back bone of our economy, which is mostly rural.  

It is with this view that an assessment of growth, development and working of small scale industries in the specific region is attempted in this research study. However, before entering into an analytical study of this project, it is necessary to examine the concept of Small scale industry as it has come to be, today, in India.  

The concept of small scale industries, as it has developed in years, is one of the confusion and lacks clarity. Neither the Government, nor the planners could provide a clear and graphic definition. Obviously
Small scale industries were not given such importance during the British rule as is given today. We now have a pragmatic approach to the concept in view of the prevailing economic conditions, gradual industrial development and the difficulties that arise in the implementation of planned programmes.\(^5\)

Hence, the concept has undergone changes from time to time. Before Independence, the present small scale industry was meant to denote the village and the urban cottage industry. This group included a variety of industries ranging from manufacturing of Iron safes, locks, carpets, marble jigs, baskets, hand-loom cloth and the like. In fact, at that time the term 'cottage and Small scale industries' was used in juxtaposition to large scale industries, which were established under the British patronage. Small scale industries were indigenous with a historical background of ages. They received encouragement and support during the freedom movement. The nationalists considered it to be their patriotic duty to develop them. The cottage and small scale industries found a prominent place in the economic programme envisaged by the Indian National Congress.

Prof. K.T. Sash was the first Indian economist, who realizing the importance of Small scale industries in India, tried to give a workable definition of these industries. He defined “A small scale or cottage industry may be defined as an enterprise or series of operations carried on by a workman skilled in the craft on his responsibility, the finished product of which, he markets himself”\(^6\). He works in his home with his own tools and
materials and provides his own labour or at most the labour of such members of his family, as are able to assist. These workers work mostly by hand labour and personal skill, with little or no aid from modern power driven machinery, and in accordance with traditional technique. Such supplementary energy as is provided by animal power may add to the economy and efficiency of the industry. He works, finally, for a market in the immediate neighborhood that is to say in response to known demand with reference to quality as well as quantity.

In contrast Jawaharlal Nehru seemed to be clearer in his mind when he maintained separate entities of cottage and small scale industries. He was of the view that a small industry was the middle sector and it would overlap both the cottage and the large industries.

The basic policy support of SSI sector had its roots in the Industrial Policy Resolution 1977, laid emphasis on reservation of items. The reservation economically viable and technologically feasible products to be exclusively manufactured by small scale industry began with a list of 47 items which was gradually extended to too many products. At Present 812 items are in the reserved list.7

The other policy support which could be listed are excise exemption, credit under priority sector lending from banks and financial institutions, marketing support through reservation of items for products from small scale industry sector for government purchases, providing infrastructure facilities like sheds, plots in industrial estates, technological
support, new management techniques, training and entrepreneurship development programmes. There were about 20 lakhs small scale industry units in 1990 - 91 providing goods. Worth Rs. 1,55, 340 crores exports order of Rs. 9,661 crores and providing employment to about 125 lakhs persons. The achievement of SSI sector in 1999 – 2000 were 32.25 lakhs SSI units providing production of Rs. 578299 crores, exports of Rs. 53995 crores and providing employment to 177.30 lakhs persons.\(^8\)

Though this sector has shown substantial progress, its major problems like inadequate credit flow from banks and financial institutions, inadequate infrastructure facilities, low quality standards of products, use of technology, plant and machinery and equipments and inefficient management techniques, are still inhibiting the sector. In addition to these, this sector has to face challenges of competition from the opening up of economy to globalization, need for increasing exports and to meet World Trade Organization commitments. The policy support provided so far has acted a catalyst in promoting this sector. However, the planning commission felt an urgent need to review the policy measures so as to make this sector more growth oriented and enable it to withstand the pressure from global competition.

India’s vision of emerging as an economic power in the 21\(^{st}\) century can be realized through the promotion and development of the small and medium enterprises.
Liberalization and globalization are the order of the day. The market forces will determine the systems and manner of production. The allocation of resources within the sector must be governed by the criteria of efficiency, productivity and competitiveness. The Small Scale Industries will have to move from a regime of protective environment to a competitive environment. Small scale industrial units feel apprehensive about globalization and the impact of the agreements with World Trade Organization (WTO).

The growth experience of the Asian Tigers (Hongkong, Singapore, Korea and Tiwan) has to some extent, promoted India to go for export orientation. But more important influence is on the perception of the small enterprises and their employment role as an instruction for an easier management of the social system.

A high powered committee headed by Meera Seth, former member of Planning Commission describes how the hand looms fared during 10 years after implementation of the textile policy but the committee failed to provide a credible account or analysis for impact of policy.\(^9\)

Abid Hussain committee recommended raise in investment limit or small and tiny enterprises. The committee has also made a recommendation of scrapping of policy of reservation. The Abid Hussain committee report touches upon an array of concepts and debates in the area such as small profit centers, protection versus promotion, level playing
ground, cluster based strategy of development and lead role of small scale industry.¹⁰

Vijayaraghavan committee were appointed on 28 August 1995 to revise the reservation list and the committee deleted 91 items from the reservation list and 56 items included as addition in the list.

Asok Mitra, economist and former finance minister of West Bengal, committee came out with a diametrically opposite position on policies and strategies being followed by the Indian Government. This committee emphasized the important poverty eradication role of SSI in the country. According to the opinion of the committee, any substantial improvement in the state of SSIs will also mean a significant reduction in the level of poverty. The committee pointed out that not even 3.3 percent of the union budget is speared for SSI sector. While the government's negligence towards infringements of law relating to SSI has been highlighted by the committee, it also reported that the multinational companies and the Indian corporate sector have back-door into the SSI sector in a big way. The committee also pointed out that the SSI sector is not receiving adequate attention in the hands of the Government. The report pinpointed out the need for an active protectionist role by the Government.¹¹

Small scale industries are playing a stellar role in the economic development of the country but the problems in performing the financial functions are the major hurdles in their development. So there is a
great need to examine the financial practices of this sector, since it has its own limitation in adopting the modern financial concept.

1.2. STATEMENT OF THE PROBLEM

This study is relevant, particularly, when the Government is very keen on the promotion and development of this capital sparing and labour intensive sector. It has already been mentioned that a big role is played both by the Public and Private Agencies for the promotion and smooth functioning of the sector. Yet, this sector is not performing up to the expectations of many as it has been suffering from several problems. Therefore, the importance of the present study need not be over emphasized in the light of the fact that different problems are centered in this sector and that this study aims at resolving the varied problems of this sector.

The present study attempts to throw light on the varied problems of the small and tiny sectors. Further, the study may help the policy makers to formulate of certain policies in the light of changing conditions to resolve the problems of small and tiny sectors. The study may also lead to further research in the field of small and tiny sectors.

But these industries have to cross more hurdles. One of the major hurdles faced by small scale industry is fund management. The problems on account of impact of fund management can be presented as follows:
The Small-scale industries find themselves at a loose end in competition with large scale industries with their large organization and resources. Of the present difficulties, availability of raw material at competitive prices appears to be the greatest.

Small units suffer from inadequate work space, power, lighting and ventilation, absence of sanitary and safety measures etc. These shortcomings tend to endanger the health of workmen and have adversely affected the rate of production.

Marketing is one of the major stumbling blocks for small scale industries. i.e. lack of standardization, poor designing, lack of quality control, lack of precision, poor bargaining power, scale of production and the like affect them.

Small scale industries in our country have suffered from the lack of entrepreneurial ability to develop initiative and undertake risks in the unexplored industrial fields. The inefficiency in management comes first among managerial problems.

The shortage of finance affects the ability of the small units severely. Every kind of problem, whether of raw material, power, transport or marketing faced by an entrepreneur in its ultimate analysis turns out to be a problem of finance. The small industry gets elbowed out by the large and medium scale industries in the procurement of bank finance and institutional credit.
A serious problem which is hampering small scale sector is its sickness. Many small units have fallen sick due to one problem or the other. Some aggregate economic behaviours of the country such as growth in Gross National Product, availability of credit, volume of money supply, capital market activity or level of investment and price level fluctuations, may have important bearing on industrial sickness in the country.

The crux of the problem is very often that of finance. Small Scale Industries are very poor and have little to offer as security for raising finance. In the background of these developments, a study on the Financial Performance of Small Scale Industry has become desirable. Accordingly, the present study is an attempt to investigate into the Fund Management of small scale Industries in Thiruvananthapuram District of Kerala.

1.3. REVIEW OF PREVIOUS STUDY

This study is an experimental study based on the data collected from small scale industries situated in Thiruvananthapuram District. Some studies have been undertaken on various programmes and incentives to small scale industries, promotional activities undertaken by District Industries Centers, problems associated with the implementation of the promotion of institutions and problems faced by the entrepreneurs.

Government of India, Planning Commission, and the committee on the Village and Small Scale Industries in its report has
stressed that the setting up of small scale industries will provide employment to the people in the rural areas.\textsuperscript{12}

Dr. Wu. Jageh, in his study entitled, “Capital Intensity and Economic Growth under developed countries” pointed out that both the capital out put ratio and wage capital ratio show an inverse relationship with capital intensity. He recommends the setting up of SSI in countries having large unemployment.\textsuperscript{13}

UNIDO’S study, entitled as, “SSI in Latin America”, indicates that the small enterprises with low-level of investment per worker tend to achieve a higher productivity of capital.\textsuperscript{14}

Dr. Neelamegham, in his study says that the main reasons for non-proliferation of modern marketing concept in India is excessive dependence on agriculture and excessive demand in relation to the supply of products.\textsuperscript{15}

Small Industries Extension Training, in its study entitled, “National Small Industries Corporation on Hire purchase scheme” has observed that the growth in the number of units and the expansion of capital intensity alone may not create the necessary impetus to the growth unless considerable productivity changes have also been effected through further capacity utilization. Most of the units utilizing full capacity have been either big export oriented industries or local need based activities.
The reason for this underutilization is mostly insufficient demand and inadequate financial resources for working capital.\textsuperscript{16}

Malga Weker, in his study entitled, “Problems of small Industry in Andhra Pradesh” has found the lack of infrastructure as a general problem. The industrial estate alone cannot overcome the vocational disadvantages. The infrastructure facilities are either very weak or non-existent in rural areas. In urban areas with necessary industrial climate and infrastructure facilities, the growth of industries is relatively faster. The scarcity of indigenous raw materials has been a serious bottleneck. Scarce raw materials supplied through quotas are not sufficient to meet the demands of the units. There is a delay in the disbursement of the loans due to the existence of procedural delays and instances of tangible securities.\textsuperscript{17}

The development of small industry also depends on the size of the market which in turn depends partly on the efficiency of the distribution of machinery. It is observed that there is a time lag between sales and realization of sale proceeds and this affected production of the enterprise. This study also finds that the incentives provided by the state and the centre are not within the reach of all the entrepreneurs in rural areas.

Bhagavathi committee in its “Report of Unemployment” opposes fast introduction of mechanization designed to replace human labour but at the same time recommends introduction of sophisticated
technology in certain selected areas. The committee recommends reduction to the maximum extent possible in the installed capacity in various industries in order to generate employment in the industrial field. The committee virtually favours creation of employment at any cost without going into economics of the scheme.¹⁸

Ramani quotes in State Bank of India Report which identified that financial management, lack of planned and organized approach are the major cause of failure. However in his study of 20 units, he finds management failure as the single largest contributing factor. He also found problems with governmental procedures and consequent delays contributing to the malaise. However these and other studies also refer to the problem and importance of marketing function on the need for planning and organizing for marketing.¹⁹

Bepin Behari, in his study entitled, “Rural industrialization in India” examined the problems, possibilities and perspectives of rural industrialization and discussed the crises in Indian villages and the need for the new strategy of rural industrialization and the provision of fuller employment in rural and small scale industries and technologies. He traced out agricultural development encouragement to village and small scale industries and general awareness for incorporating appropriate technologies as principal sources of impetus to the programme of technological transformation in rural India. Further he reviewed various measures undertaken by the Government towards rural industrialization,
local industrial growth, and agro-based industries, and mini-rural cement plants, utilization of annual waste and harnessing of natural power.  

People TS., in his study entitled, “A Spatial Diversification of Manufacturing Industries in Uttar Pradesh” furnished evidence of continued spatial concentration has noted a decline in the share of factory employment in five most industrial districts from 57 percent in 1975 and also in 10 industrially least developed areas from 1.10 percent to 56 percent. He has concluded that there is a need for a small degree dispersal of manufacturing actually in favour of backward areas with some degree of industrialisation.

People T.S. has also shown that though the companies are attaining marketing expertise in short time yet marketing planning techniques are still not sophisticated. Small Scale Industry are also playing stellar role in the economic development of the country but the problems in performing the marketing functions are the major hurdles in their development. So there is a greater need to examine the marketing practices of this sector, since it has its own limitations in adopting the modern marketing concept.

Andhra Pradesh Industrial Technical consultancy organization and Kerala Industrial Technical consultancy organization conducted a study of the various problems faced by the industries in three states viz. Kerala, Karnataka and Andhra Pradesh. This study revealed that the serious problem faced by the units was the inadequate working capital. 69 percent
of units in Kerala, 44 Percent of units in Karnataka and 52 percent of units in Andhra Pradesh are facing the working capital problem. The next serious problem is marketing as 30 percent of the units in Kerala felt it. Another setback, non availability of raw materials has affected the productivity of several units in all the states, especially in industry groups such as metal- products in Kerala, chemicals, rubber and plastics and metal products in Andhra Pradesh. It is observed that the delay in getting timely finance also hampered the productivity of the units and this leads to high cost of production.  

Mathur Gautam, in his study entitled, “True employment and non employment” opined that the appropriate techniques in the consumption. Goods sector will be of a low degree of mechanization creating incidentally a lot of employment per unit of investment of scarce capital.

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

K.M. Rostagi, in his study entitled, “Employment Generation through Small Scale Village and Cottage Industries – A case study in Madhya Pradesh” has also reported that unique case of growing unemployment and poverty amidst plenty. He is in favour of only small and village industries which make optimum use of indigenous resources and
techniques. According to him, there are hundreds of items which can be produced in rural and in small scale industrial units more economically than in a large sector.26

Siddharthan.G., in his study entitled, “Entrepreneurship of small scale Industries – A study in Kanyakumari District” revealed that community and economic back ground alone will determine the growth of entrepreneurship in Kanyakumari District.27

Sarma, R.K., in his study entitled, “Industrial development of Andhra Pradesh – A Regional Study” has observed that the backward districts of the state improved their relative positions in terms of units of employment and capital. Majority of the small units are confronted with the problems of raw materials and finance.28

Paul Half Man, in “Economic Time” stated that the key to industrialization of the country does not lie in building factories but in building markets.29

Sekhar A., in his World Bank Staff Working Paper No: 620, entitled, as “Uday Industrial Location Policy- Indian Experience”, have observed that the location policies were successful in narrowing the disparities of industrial location in different states. The value added and employment are more equally distributed among the states during 1960 and 1975. He also examined intra-regional distribution of industry by comparing the degree of concentration of industrial employment in 1961
and 1971 by grouping cities by size and arrive at the conclusion that, for India as a whole, the degree of concentrations of employment in household industry has declined substantially between 1961 and 1971. However the non household industry maintained its level of concentration during the period.\textsuperscript{30}

Rajula Devi, in her study entitled, “Industrialization Holds Key to Rural Development” found following serious deficiencies.

(i) Some part of the assistance was provided to relatively larger amongst small scale industries.

(ii) Assistance was delivered to towns which were excluded from the preview of the scheme and

(iii) Rural artisans did not receive adequate credit.\textsuperscript{31}

Banujam K.V., in his study entitled, “Poverty Alleviation through Rural Industrialization” suggested that appropriate technology should be developed to promote the rural small industries.\textsuperscript{32}

Rethnam N.V., in his study entitled, “Rural Industrialization and IRDP” opined that infrastructure development for industrialization in the rural areas and investment in basic services designed to realize the full potential of human resources in the rural areas should receive a high priority.\textsuperscript{33}
Gholam Ali, in his study entitled, “Help makes small scale industries viable” revealed that big and small industries have their share in the development of a nation and the prosperity of its masses. A balance must be struck in the development of these industries. The thrust on the development of SSI through successive Five year plans and Government Policies had helped this sector.34

Mecrory, in his study entitled, “Latent Industrial Potential”, suggested policies for improving the utilization of resources in the small industrial sector.35

Indian Institute of Management, in its study entitles, “Evaluation of DIC Programmers in Andhra Pradesh” observed that the General Manager. DIC, as secretary to the single window committee is expected to hasten up the processing of entrepreneurial cases and thus help the intimation of delay. Single window committee just recommends and request for speedier action and the DIC have no powers to hasten up and clean up such delayed cases. Several entrepreneurs in every DIC have been annoyed to find their cases pending with developmental agencies and local bodies due to indifferent attitude and lack of empathetic understanding of entrepreneurial problems. With regard to the activities like term loan assistance, working capital assistance, capital subsidy, land and factory shed, many entrepreneurs seemed to have received the requisite help from District Industries Centre (DIC). In these activities, DIC’s have mostly recommended powers, raw materials and other
information. This study has tried to indicate certain deficiencies of various schemes provided by DIC’s but they have not evaluated the performance of DIC at regional level.  

Singh Nagendra, in his article entitled, “Type of Entrepreneurship” has focused the growth of indigenous entrepreneurship after independence in the country as a whole. The contribution of both public and private sectors, including large scale and small scale enterprises for economic development, is discussed and evaluated.

Himachalam D., in his study entitled, “Entrepreneurship Development in Small Scale Sector” revealed that entrepreneurship development and small scale industrial development are the obverse and reverse of the same coin. The government and financial institutions have done a lot in this area through Entrepreneurship Development Programmes (EDP). But they have still failed to attract the class of people for whom these programmes are meant. Therefore he puts forth a few suggestions: (i) the entrepreneurs should be provided with more and more information on various aspects of EDP. (ii) there should be suitable organizational arrangements for disseminating information about appropriate technology to the proposed entrepreneurs (iii) Entrepreneurs should be provided with full assistance not only in preparing project reports but also in meeting financial requirements (iv) preparation of directory of industrial technical and management experts and (v) intensive efforts should be made to impart more technical training to the entrepreneur trainees.
He also mentioned in his study that the growth rates have been considerably lower for the intermediate goods and consumer non-durables while the consumer goods sector, particularly electric and electronic appliances have forged a head reflecting the new high style consumption patterns getting entrenched in richer sections of the society. Such an uneven development would have been avoided, had the needs and wants of the large impoverished class cared for.\textsuperscript{39}

Berna, in his study entitled, “Entrepreneurship in Madras State” highlighted the main characteristics found in the entrepreneurs such as capital, experience of business, technical knowledge and family background. These factors alone promote the growth of entrepreneurship.\textsuperscript{40}

Ramakrishna K.T., in his study entitled, “Finance for Small Scale Industries in India” has described the nature of problems of finance with regard to small scale industries in India and the role played by the government, State Financial Corporations and Banks in financing the small scale units. His study highlighted the methods of financing followed by several countries in North and South America, Asia and Europe.\textsuperscript{41}

Retnakar Gedans, in his study entitled, “Economic reforms and industrial production” has described the problems faced by the industrial sector during economic reforms such as industrial unrest, political disturbances, elections in different states, downward revision of demand estimates and curtailment of plan outlays.\textsuperscript{42}
Malcolm S. Adiseshiah, in his study entitled, “Foreign Investment and Liberalization” emphasized that the country needs more investment both for domestic and foreign. While domestic investment responds to the needs of the economy, the foreign investment begins to increase, efforts should be made to encourages this trend.43

Resia Beegam S. and Sarnagadharam K., in their study entitled, “Female Entrepreneurship in Kerala” revealed that though the entry of women in the entrepreneurship field is a recent phenomenon, they have been attracting the attention of policy makers and Government departments by their excellent performance.44

Selwyn Thampiraj K., in his study entitled, “A study of Sickness among Industrial Cooperatives in Kanyakumari District” revealed that all industrial cooperatives in Kanyakumari District are considered to be sick according to the views of Reserve Bank of India, but some of the industrial cooperatives are making profit.45

Mahesh Prasad, in his study entitled, ‘Industrial Development’, has established that as a result of sound policies pursued over the years, tremendous development has taken place in Indian Industry, which stands today on a sound footing. However, there are certain infrastructure weaknesses which need to be tackled to ensure further growth.46
Pon Murgan R., in his study entitled, “Industrial Estates in Tirunelveli Region – An empirical study of their impact on the growth of small scale industrial units,” analyzed the impact of industrial estates on small scale industrial units located in Kanyakumari district. The study identified the various factors which influences the growth of small scale industrial units in industrial estates in Kanyakumari District. They are scientific sales management, budgeted production, availability of institutional finance, availability of working capital, availability of water at confessional rate, undisturbed working environment, ploughing back of profits and availability of investment subsidy, nearness to raw materials and utilization of installed capacity.\(^{47}\)

Varinder Kumar, in his study entitled, as “Marketing practices in Small Scale Industries – A Study of Engineering Industry of Punjab”, has studied the importance of product, pricing, promotion and distribution aspects of marketing. He emphasizes the effect of marketing environment on small scale industries with difficulty in performing their marketing functions even with the government Assistance.\(^{48}\)

Saxena H.M., in his study entitled, “Behavioral Pattern of Market place participants-A regional analysis of Rajasthan”, underlines that the growth of marketing systems is a result of historic economic factor and it is very much related with the growth of civilization, more specifically with the growth economic development, growth of population and urbanization. He also emphasized that the behaviour of market participants in each
system of marketing has its own importance and suggested a strategy for the development of a more efficient marketing system.\textsuperscript{49}

Suresh Chandra Jain, in his work analyzed the details to problems of institutional finance for small scale industries on the state of Uttarpradesh. The enquiry is limited to a case study of Meerut.\textsuperscript{50}

M.L. Sarma, in his study examines industrial financing by national level financial institutions. The study also discussed the role of state financial institutions in financing industries of Bihar. Among other things, researcher suggested that financial institutions should also act as a guide, philosopher and promoter of industries and recommends the setting up of a Small Industries Bank.\textsuperscript{51}

H.S. Parekh, in his thesis, review the role of financial institutions and state agencies in extending credit to small scale units and pin points their attitude of indifference in catering to the needs of the tiny units. He was of the view that financial distributions have to attain their lending policies in consonance with the need of the small sector in general and the smaller among the small scale units in particular.\textsuperscript{52}

Nikhil Bhusan Dey, deals with the role of Government and various institutions in developing and financing small scale industries in Cacber district in particular and the state of Assam in general.\textsuperscript{53}
R. Natarajan, examines the trends in institutional financing to SSI units in Andhra Pradesh for a period of one decade commencing from 1970.\textsuperscript{54}

In a study based on small scale industries in Vishakapatnam district, K.C. Reddy conducted that bank finance in particular and institutional finance in general have contributed significantly in the promotion of small scale industries.\textsuperscript{55}

The following studies have sought to highlight the role of banks and state financial corporations to financing the small scale sector. A report of the proceedings of the seminar on financing of small scale industry organized by the Reserve Bank of India identifies some of the factors responsible for borrowers shying away from commercial banks instead approaching the money lenders. The main findings of the seminar is that besides providing finance, banks should also helps small scale industry in procuring raw materials and marketing their output.\textsuperscript{56}

K.T. Ramakrishna, in his study analysis the financial assistance provided by the State in the shape of direct credit order the state aid to Industries Act, non-technical assistance in the form of external aids and credit from State Financial Corporation, State Bank of India and other commercial banks.\textsuperscript{57}

In a study covering small artisans in Kashmir, Inherit Singh and N.S. Gupta try to find out the role played by commercial banks in
financing small industries, the responsiveness of their enterprises to bank finance in the state in particular and the county in general. They conclude that commercial banks have not been able to induce small artisans and small factories to benefit from bank finance.\textsuperscript{58}

S.S. Sikidar, analyses the contribution of Assam financial Corporations in the order of the region and also evaluate its performance, policies, procedure and practices.\textsuperscript{59}

Mohankumar C.S examines the role played by commercial banks in general and more particularly by state scale industries in Thiruvananthapuram district. He finds that State Bank of Travancore has failed to reach its budgets because of lack of co-operation between the different Government and financial agencies.\textsuperscript{60}

M.L. Jain, in his study, examines the role of state financial corporation in industrial finance in India with particular reference to the Uttar Pradesh financial corporations. He opined that State Financial Corporation should pay greater attention forwards the financing of tiny units and also in the modernization and rehabilitation of small units.\textsuperscript{61}

Basu S.K discusses the role and problems of small scale industries. Emphasizing their importance in the economic programme of the nations, he deals at length with their financial problems and the functions of the state financial corporation helping them.\textsuperscript{62}
G. Balakrishnan, in his work analyses the financial experience of public limited joint stock companies in India during 1950-52 in certain manufacturing industries in which small industries predominate.\textsuperscript{63}

Mohammed Sayeed, in a study focusing on the financial problems of small scale and cottage industries in Uttar Pradesh recommends the introduction of participation loan scheme by the state Government and setting up of small business investment companies.\textsuperscript{64}

A study by Shetty M.C, covering a selected sample of household manufacturing units in small towns and villages of Maharashtra reveals that lack of capital resources, mainly working capital, posses the biggest constraint on there efficiency.\textsuperscript{65}

B. Narayanan, in this study, discusses the financial problems faced by industries in general and recommends the settings up of an industrial developments and the state level for mitigating problems.\textsuperscript{66}

A study undertaken by Ghanshyam Panda covers the problem of raising working capital. The utilization of bank credit by small industries and their industries in backward areas and priority sectors, forms a special part of the study.\textsuperscript{67}

A study done by Kalchetty Eresi throws light on the various source of long term and short term finance and the problems faced by the
units is raising such funds. He also enquires into policies procedures and practices of small units in managing their finance.\textsuperscript{68}

1.4. SCOPE OF THE STUDY

The small scale industrial sectors have recorded significant growth and impressive performance. This study aims at identifying and analyzing the factors responsible for successful survival by providing required funds for their business, also helping the government in formulating small scale industrial policy to revive the sick units by promoting better performance.

1.5. OBJECTIVES OF THE STUDY

The main purpose of the study is to identify the problems encountered by small and tiny industries and thereby to suggest some measures that would resolve the problems. The detailed objectives of the study are as follows:-

(a) to examine the growth and working of small scale sector along with a description of the role played by the Central and State Governments in financial assistance.

(b) To analyze the financial structure of small scale industries

(c) To examine the impact of financial problems faced by sample units and the role played by financial agencies
(d) To investigate the reasons for sickness in the small and tiny sectors in order to suggest suitable measures for the revival of such units.

(e) To bring out the need for proper support from the Government and to make the functioning of small scale industries effective.

1.6. HYPOTHESES

The following null hypotheses have been formulated to find out the relationship between the attitude towards the impact of financial problems responsible for sickness of small scale industrial units and social factors.

1. There is no relationship between educational background of the entrepreneurs and their attitudes towards the impact of financial problems responsible for sickness.

2. There is no relationship between the experience of the entrepreneurs and their attitudes towards the impact of financial problems responsible for sickness.

3. There is no relationship between the nature of units of the entrepreneurs and their attitudes towards the impact of financial problems for sickness.

4. There is no relationship between the space availability of entrepreneur’s building and their attitude towards the impact of financial problems responsible for sickness.
5. There is no relationship between the scientific system adopted by the entrepreneurs and their attitudes towards the impact financial problems responsible for sickness.

6. There is no relationship between the registered trade mark of the entrepreneurs and their attitudes towards the impact of financial problems responsible for sickness.

7. There is no relationship between the satisfaction with present sales of the units and the attitudes of the entrepreneurs towards the impact of financial problems responsible for sickness.

8. There is no relationship between the product advertisement and the attitudes of the entrepreneurs towards the impact of financial problems responsible for sickness.

9. There is no relationship between the ISI product certification by the entrepreneurs and their attitudes towards the impact of financial problems responsible for sickness.

10. There is no relationship between the various awareness of financial assistance to small scale industries and the attitudes of the entrepreneurs towards the impact of financial problems responsible for sickness.

11. There is no relationship between initial capital contribution of small scale industries and the attitudes of the entrepreneurs towards the impact of financial problems responsible for sickness.
12. There is no relationship between sufficient capital in small scale industries and the attitudes of the entrepreneurs towards the impact of financial problems responsible for sickness.

13. There is no relationship between government assistance of small scale industries and the attitudes of the entrepreneurs towards the impact of financial problems responsible for sickness.

14. There is no relationship between the repayment of loan and the attitudes of the entrepreneurs towards the impact of financial problems responsible for sickness.

1.7. OPERATIONAL DEFINITION OF CONCEPTS

1.7.1. SSI

SSI means small scale industries, which is an industrial undertaking with the investment not exceeding Rs. 100 lakhs in plant and machinery. In cases of auxiliary industries the investment ceiling on plant and machinery is also Rs. 100 lakhs.
1.7.2. Tiny Industry

Tiny industry is an industrial undertaking with an investment limit in plant and machinery of Rs. 25 lakhs irrespective of the location of the unit.

1.7.3. Industry

An industry is a department or branch of craft, art and business or manufacturer of similar product or services. Normally industries convert raw materials into finished product.

1.7.4. Trade

Trade is buying and selling of goods and services. It occurs as and when people need and want things that are produced by others.

1.7.5. Business

Business includes activities of all commercial or trading of goods and services. These activities range small shops owned by one person to huge organizations owned by shareholders.

1.7.6. Capital

Capital is the sum contributed by its owner or funds raised from other sources. It is an inclusive term embracing plants, machineries, tools inventory and the financial resources for conducting business.
1.7.7. Working Capital

Working capital is the life blood and nerve centre of a business. No business can be run successfully without adequate amount of working capital. It is the interaction between current assets and current liabilities. It is the amount of capital necessary to run a business.

1.7.8. Socio Economic group

Socio Economic group refers to the community of the entrepreneurs such as schedule cast and schedule tribes most backward class, backward and other community.

1.7.9. Seed Capital

Seed capital refers to the fund contributed by the owner or financial institutions for the purchase of machineries and equipment for the initial period.

1.7.10. Occupational background

Occupational background implies the family background of the entrepreneurs as to agriculture, industry, business or trade, government or non government service.

1.7.11. Functional Age of SSIs

The functional age of SSIs refers to the number of year SSIs are functioning or working.
1.8. METHODOLOGY

This study is empirical in nature. The empirical data have been collected for analyzing financial performance of small scale industries by conducting a survey by using an interview schedule. The secondary data are used to analyze the growth, performance of exports and the like of small scale industries at all India level as well as at state level.

Primary data from these units were collected by using a pre-tested and pre-coded schedule by personal interview with the entrepreneurs by the researcher. Secondary data were collected from published and unpublished sources. They were collected from books, journals, reports and published documents of District Industries Centre, Kerala Industrial Investment Corporation, Indian Overseas Bank, State Bank of India, Department of Statistics, Government of Kerala, Ministry of Small Scale Industries and Agro Rural Industries, Government of India, New Delhi.

1.9. CONSTRUCTION OF TOOLS

This study is based on primary as well as secondary data. The primary data were used mainly for evaluating the financial problems of small scale industries in Thiruvananthapuram District.

The interview schedule has been structured by the researcher himself. For identifying the variables to be used in the interview schedule, the researcher conducted a trial interview with 10 small scale industrial
entrepreneurs. A rough draft of the interview schedule was prepared and was circulated among fellow researchers for critical evaluation. The draft was then revised in the light of their comments. The revised interview schedule thus prepared was given to 15 small scale industrial entrepreneurs for a pre test. Their suggestions were incorporated and the final draft is prepared.

1.10. SAMPLING DESIGN

The survey was conducted on the basis of sampling method. For developing sample design, the researcher collected the list of small scale industries registered with the District Industries Centre, Thiruvananthapuram. Of the total 2940 small scale industries registered with the District Industries Centers, 250 samples were selected by using lottery method of simple random sampling technique.

1.11. GEOGRAPHICAL COVERAGE

The present study covers all the four Taluks of Thiruvananathapuram District Viz, Chirayinkil, Nedumangad, Neyyattinkara and Thiruvananthapuram.

1.12. PERIOD OF STUDY

The period of study pertains to 10 years from 1996 to 2005.
1.13. FIELD WORKS AND COLLECTION OF DATA

The researcher himself carried out the field work for the study. The work was conducted during the period from June 2005 to March 2008. The researcher used interview schedule for the collection of data from Small scale industries. The filled up schedules were checked and edited. The omissions and commissions in the schedule were rectified on the spot.

1.14. DATA PROCESSING

After the completion of data collection filled up interview schedules were edited properly to make them ready for coding. The master table was prepared to incorporate all the information available in the interview schedule. The data were transmitted on transcription cards with the help of master table. The classification tables were prepared with the help of master table and the classification tables were prepared with the help of transcription cards for further analysis and interpretation the processing of data was done through computer technology.

1.15. FRAME WORK ANALYSIS

Appropriate mathematical and statistical tools were used for analyzing the data.

To measure the difference in the growth performance, compound Growth rate has been applied for each industry. To test the
consistency of growth performance, the Coefficient of Variation for each component for each industry has been used.

To analyze the factors influencing the impact of financial problems and the problem faced by the small scale entrepreneurs, the Factor Analysis method has been applied.

To rank the factors which have more influence on the impact of financial problems, the Garrett’s Ranking principle has been applied.

The Analysis of Variance (ANOVA) has been applied to study the relationship between the level of attitudes of entrepreneurs and their demographic factors responsible for the sickness of small scale industries.

1.16. LIMITATIONS OF THE STUDY

The present study is based on the reliability of the primary data. The sample units were selected from the population having multidimensional features of a large group. The small scale industries functioning for a period less than 5 years were not selected for the study. Since the industries involved in the production of cashew nut, handloom, metals, agricultural farming, coconut fiber, masala powder, shell products, plastics, plywood and fishnet are assumed to be surviving and facing financial problems. The samples are selected at random out of these selected industries.
1.17. SCHEME OF REPORT

The present study has been classified into seven chapters.

The first Chapter presents the introduction and design of the study. It includes statement of the problem, review of the previous studies, objectives of the study, hypothesis, operational definition of concepts, methodology, construction of tools, sample design, geographical coverage of the study, period of the study, field work and collection of data, data processing, framework of analysis, limitations of the study and scheme of the report.

The second chapter deals with the concept of small scale industry and economic settings of the study area in Thiruvananthapuram District of Kerala State.

The third chapter highlights the financial performance of small scale industries and financial weaknesses of small scale industries at national and state level.

The fourth chapter relates the financial effectiveness of small scale industries in the study area, Thiruvananthapuram District and also measures the impact of financial problems and causes for poor financial performance.

The fifth chapter is pertained to the factors responsible for the impact of financial problems and their problems. It also measures and ranks the factors responsible for the impact of poor financial performance.
The sixth chapter analyses the impact of financial problems of small scale industries and the causes for their sickness. It also focuses on the attitude of the entrepreneurs and the factors responsible for industrial sickness.

The last and final chapter presents the summary of findings and suggestions based on the study and it also includes conclusion of the study.
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