Chapter I
1.1. Small Entrepreneurship Development in India

In our country, the SSI units have made considerable contribution in the socio-economic development of almost all the countries including India, although in our country, the increasing pressure of population and unemployment has made this contribution a little insignificant. **In India, ever since the days of Gandhiji, the small industry movement has been largely regarded as a vehicle for uplifting the weaker sections of the population** whether it is handloom weavers, handicraft workers, rural women spinning at home, the rural artisans or the urban craftsmen—all of them look to specific support in being able to compete with the modern industrial sector. After Independence, when the problem of regional imbalances began to appear, small industry was considered as the natural vehicle for redressing such imbalances. More recently, when the problem of unemployment has began to take an acute form, the ability of small industry to provide jobs at a comparatively lower cost has made it an attractive pattern of economic developing for the planner and the administrators. **In fact, for a developing and a big country like India, the SSI sector is most suited, because it provides high employment opportunities at lower capital investment, harnesses locally available resources and entrepreneurship; provides balanced economic and regional development, help in reducing unrest and social tension amongst youth by providing gainful employment to them and is more innovative in nature.**
Entrepreneurial Development in 21st Century

Since 1991, lot of changes have been taking place in the Indian economic structural reforms for making a transition from inward oriented and highly regulated policy regime to export oriented and internationally competitive Indian industry. The future entrepreneur of 21st century will have to face considerable challenges and severe competition not only from domestic industries but also from enterprises of global nature. With liberalisation, the Indian entrepreneur is facing severe competition from the global players even in such areas like consumer products which till recently had some protection.

However, the SSI entrepreneur need not worry about liberalisation, privatisation and globalisation of our economy. In fact globalisation of the business existed as far back as 3000 BC as trade between the ancient civilisations of Egypt, Mesopotamia, Indus Valley and Phoenicia flourished with gold jewellery, spices and silk being the earliest commodities traded. There was a decline in trade in early stage of the advent of the Church which did not encourage mercantilism. The industrial revolution in the 18th and 19th centuries gave a further impetus to the marketing of international products. The twentieth century has seen a rapid development of international business in both trade and industry as a result of advancement in communication technology. Presently, the world is shrinking into a global village due to economic interdependence and revolution in communication technology. Globalisation’ has become a password. Today, technological changes are taking place at a greater pace and the world is passing through an exciting state of technological progress on several fronts. Technology is perhaps the most important resource for any nation. Invention, innovation, adoption are the major processes in wealth creation and making the country technologically superior, which in turn lead to economic supremacy. India has a large reservoir of qualified science and technology manpower and the necessary infrastructure
for indigenous R&D and industrial development. India cannot lag behind in this regard and should be prepared to be a global player in its own right in the coming 21st century.

According to Lord Todd

“During this century we have seen changes in the maternal aspects of our civilisation greater than in any previous period of mankind’s history and the rate of change shows little signs of slackening. These changes have their origin in science and especially in its application to practical problem, i.e., technology. Spearheading the advance are the so-called ‘science-based’ industries among which the chemical and allied industries are industries are predominant and on them the well-being of industrial nation depends”.¹

And, hence, the manufacturing technology and management of technology will, be two generic topics which will need utmost attention in the next century. It is in this context, that technical institutions in our country should rise to the occasion, by launching a continuing education programme for the retraining of practising engineers in industries to be imparted to them. Advanced countries these days are talking of the necessity of lifelong training of their engineering/ technological workforce in view of the least that we in India could possibly do, would be to institutionalise the retraining of our entrepreneurs to absorb newer technological skills. Otherwise, industries in India may decline in the 21st century. It is in this context that technical institutions have a pivotal role to play.

Due to the policy of liberalisation, a new industrial scenario is emerging, in which small scale industries also have to play a key role. The process is on for integrating the economies through the process of globalisation.

The industries will have to see induction of high technology in the country and the entry of multi-nationals. It would also, at the same time, result in the numerical growth of small industries manufacturing products utilising medium and appropriate levels of technology. A predictable scenario would include distinctly reduced availability of finance and energy. In fact, energy is going to be a critical component in project assessment necessitating development of new processes and materials. Advancement in frontier areas of technology such as microprocessors and biotechnology would also make an impact on the industrial scenario including small scale industries.

However, the technology revolution in micro-electronics and biotechnology is likely to affect all sectors of industry. Advances in information technology are already making it possible for small firms and even individuals to gain access to global information, computer and communication technology have helped the small enterprises to develop linkages at global level with variety of organisations for mutual benefit. Technology transfer is another dimension which will influence the small scale sector. Innovation and modernisation will continue to influence the entire sector. Added to that, quality assurance, total quality management and new managerial styles will also assume importance as years pass and need to be popularised in the small enterprise sector. The winds of change have also opened new vistas for the larger and prospective small scale units. They have the flexibility and adaptability to switch over to low volume specialised markets and diversify into differential products with appropriate manufacturing processes. Micro and tiny enterprises operating in the decentralised sector could gain through linkages with large enterprises or export
houses. Given the intrinsic strength of the sector and social support measures, the sector can look forward to a level of sustained development in the coming years.

The general impact of globalisation, deregulation and technology transfer as well as increasing and shifting demands of customers etc., are changing the style of small scale industries. In the days to come, there will be a considerable shift in the way entrepreneurs can perceive business opportunities. However, the following opportunities that are likely to emerge in the new environment.\(^1\)

1. Possibility of tie-ups for ‘joint ventures’ within and outside the sector.

2. Chance of growth in demand for ‘differentiated products’.

3. Accessibility to ‘new technology and process of manufacture’ base on a flexible manufacturing system to serve the demand for differentiated products.

4. Accessibility to ‘markets which are non-homogenous’ and rapidly changing.

5. Possibility of expansion of ‘Service sector’.

The service sector with increasing share in GDP and government policy of re-organising services on par with industry have also opened up new vistas for service industry. The special thrust given to development of software exports through incentives given to units in this sector would help the growth of SSI in diversified areas through a tie-up with small and medium enterprises (SMEs) of developed countries.

It is a fact that the presence of SMEs from other countries is minimal in India. It is due to various factors including the small financial base of SMEs and their limited linkages with the rest of the world. This situation is gradually changing. Now, many of the SMEs from USA, Japan, South Korea and the European Union are scouting all over the world to identify investment opportunities.¹

In the near future, only quality products will attract the buyers. What our SSIs need today is, to have a rethinking about their role, responsibility and commitment towards quality of their products and services in order to make them internationally competitive. Emphasis in the Indian Industry, in the coming years will move from external environment to internal environment. So, instead of relying upon benefits which the Indian industry earlier used to receive, we have to improve our own areas.

1.2. Definition of Small Scale Industry and its Characteristics

The definition of small-scale industry (SSI) varies from one country to another and from one time to another in the same country depending upon the pattern and stage of development, Government policy and administrative set up of the particular country. As a result are at least 50 different definitions of SSIs found and used in 75 countries. All these definitions either relate to capital or employment or both or any other criteria. We trace here the evolution of the legal concept of small-scale industry in India.

As per the Abid Hussain committee’s recommendations on small-scale industries, the

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Government of India has, in March 1997, further raised investment ceiling to Rs. 3 crores for small-scale industries and to Rs. 50 lakhs for tiny units.

The New Policy Initiatives in 1999-2000 for the small scale sector has reduced the investment limit for small scale and ancillary undertakings from existing Rs. 3 crores to Rs. 1 crore.

An ancillary unit is one which sells not less than 50% of its manufacturers to one or more industrial units.

For small-scale industries, the Planning Commission of India uses terms 'village and small-scale industries'. These include modern small-scale industry and the traditional cottage and household industries. This is depicted in the following chart:
Types of Small-Scale Industries

The following are the five major types of small-scale industries in India.

1. Manufacturing industries, i.e., industries producing complete articles for direct consumption and also processing industries;

2. Feeder industries specialising in certain types of products and services, e.g. casting electro-plating, welding, etc.

3. Serving industries covering light, repair, shops necessary to maintain mechanical equipment;

4. Ancillary to large industries, producing part and components and rendering services; and

5. Mining or quarrying.

“Small scale industry is beautiful” because of its following important characteristics:

1. Generally, a small scale unit is a one-man show. Even the small units which run by a partnership firm or company, the activities are mainly carried out by one of the partners or directors. In practice, the other partners are simply as sleeping partners or directors who mainly assist in providing funds.

2. Generally, in small-scale units, the owner himself/ herself is a manager also. Thus, these units are managed in a personalized fashion. The owner has first hand knowledge of what is actually matters of business decision taking.

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3. Compared to large units, a small-scale industrial units has a lesser gestation period, i.e. the period after which the return on investment starts.

4. The scope of operation of small industrial undertaking is generally localised catering to the local and regional demands.

5. Small units use indigenous resources and, therefore, can be located anywhere subject to the availability of these resources like raw materials, labour etc.

6. Small units are fairly labour intensive with comparatively smaller capital investment than the larger units. Let the facts speak. According to P.C. Mahalanobis\(^1\), small scale units require very little capital. About six or seven hundred rupees would get an artisan family started. With any given investment, employment possibilities would be ten or fifteen or even twenty times greater in comparison with corresponding factory system.

7. Using local resources, small units are decentralised and dispersed to rural areas. Thus, the development of small-scale industries in rural areas promotes more balanced regional development, on the hand, and prevents the influx of job seekers from rural areas to cities and urbanizing centres, on the other.

8. Last but not the least, compared to large scale units, small-scale units are more change susceptible and highly reactive and receptive to socio-economic conditions. They are

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more flexible to adapt changes like introduction of new products, new method of production, new materials and new markets, new forms of organisation etc.

Although, there is no such thing as the typical small industries, they do share many unique characteristics. Small is a relative term.¹

(1) Capital investment is small.

(2) Most of the units have fewer than 10 workers.

(3) Generally engaged in the production of light consumer goods, processing etc.

(4) Located in rural and semi-urban areas.

(5) There is a plethora of one-person firms.

(6) Virtually all of these firms are privately owned and are organised as Sole proprietorships.

(7) Proprietor and family workers generally form the largest component of small-industry labour force.

(8) Hired workers are unorganised.

(9) The average person does not work full-time in one activity over the entire year.

(10) Fixed assets form the largest component of small units.

(11) Most of the funds come from the entrepreneur's savings.

(12) According to the available evidence, the small-scale industrial activity has been growing at a faster rate even than large-scale industries.

(13) The incidents of infant mortality is also highest.

(14) Very few of small-scale industries have grown up to medium and large industries.

(15) Small-scale industries activity is beehive of entrepreneurship.

(16) Most of the small-scale industries, especially chemical units have been polluting the environment.

(17) Exploitation of natural resources is another characteristics of Small-scale industries.

(18) Human resources is exploited (child and women in particular) instead of developing it.

(19) Various constraints like, corruption, cheating is a common feature.

(20) Small-scale industries are quality conscious.

(21) Most of them desire to make huge profit in a short time by hook or crook.

(22) Invariably organisation and management are very poor and negligible in many cases.

(23) Financial discipline is very weak and sometimes rules and regulations are not adhered to.

(24) Urban units are overcrowded, unclean and with poor layout.
(25) Among the small-scale industries, the slowest growing segment is the one-person firm.

1.3. SSI units - Significance

In countries like India, when the labour is abundant, capital is scarce, the scope for SSI units is much better than other countries. Most of the Small-scale industries have a low capital intensity and high potential for employment generation. Besides, they possess locational flexibility, which serves as an effective instrument for achieving a wide dispersal of industries. Further, small-scale units serve as a means of promoting indigenous entrepreneurship and savings lying dormant, particularly in semi-urban and rural areas.

The small-scale sector has a high potential for employment, dispersal of industries, promoting entrepreneurship and earning foreign exchange to the country. The following points further demonstrate the importance of Small-scale industries.

1. Small is Beautiful - E.F. Schumacher

According to him a man's current pursuit of profit and progress, which promotes giant organisations and increased specialisation, has in fact resulted in gross inefficiency, environmental pollution and inhuman working conditions. Schumacher emphasises on small working units, communal ownership and regional work places utilising local labour and resources. For him, emphasis should be on person and not on product.

2. Innovative and Productive

Small units are highly innovative though they do not maintain their own research and development wings. "... a disproportionate share of innovation success in business seems
to come from ‘skunk works’, tiny groups that tend to out-perform the much larger labs that often have a cast of hundreds.”

3. Individual Tastes, Fashions and Personalised Service

Small firms are quick in studying changes in tastes and fashions of consumers and in adjusting the production process and production accordingly.

Generally, small firms provide personalised service and pay individual attention and adapt quickly to changes in the business or technological environment. For instance, in the garments and electronic fields, the small units have ruled the roost, a chorus of garment and TV industry voices says that big companies delegate responsibility down the line and cannot swiftly change the trace when necessary. Says a garment exporter: “... the garment business is personalised, oriented to changing fashions and has to be tightly controlled. Professional managers do not have the motivation for all this. And most people in the electronic business agree that big firms have so far had limited success because of their lack of flexibility.”

4. Symbols of National Identity

Generally, small units are almost always locally owned and controlled, and they can strengthen rather than destroy the extended family and other social systems and cultural traditions that are perceived as valuable in their own right as well as symbols of national identity.

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1 Ibid, P. 4.
2 Ibid, P. 5.
5. Happier in Work

People who work in small enterprises are happier in their work than those who work in large ones in spite of lower wages and poor standards of safety, comfort and welfare facilities.

6. Always Winners of the Game

Small enterprises and new entrepreneurs were at the forefront of practically every business boom of the last decade, whether it was computers, television sets, consumer electronics, garments, diamond exports or advertising. And they frequently put the established large industrial houses in the shade with the quality of their performance, their ability to seize business opportunities and their aggressive feeding of burgeoning markets.

7. Dispersal over Wide Areas

It is only small-scale units which have a tendency to disperse over wider areas. According to the second All-India Census of small-scale units, 62.19 per cent of the units are located in backward areas.
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<tr>
<th></th>
<th>Advantages</th>
<th>Outcomes</th>
<th>Examples</th>
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<tbody>
<tr>
<td>1</td>
<td>(a) Ability to perceive opportunities</td>
<td>(a) Innovation and Technological Development</td>
<td>(a) Silicon Valley (California)</td>
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<td></td>
<td>(b) Action orientation</td>
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<td>(b) Route 128, (Boston)</td>
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<td>(c) Research Triangle Park (Raleigh N.C.)</td>
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<td>2</td>
<td>(a)Ability to mobilise local resources</td>
<td>(a) Development of venture capital fund</td>
<td>(a) Informal credit market in India</td>
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<td></td>
<td>(b) Risk Management</td>
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<td>3</td>
<td>(a) Ability to utilize resources efficiently</td>
<td>(a) Higher Profitability</td>
<td>(a) Bolton Report 1971 Wilson Committee 1979 (U.K.)</td>
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<td></td>
<td>(b) Increased resource specialization</td>
<td>(b) Lower factor costs, particularly labour costs</td>
<td>(b) A large percentage of new employment in US</td>
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<td></td>
<td>(c) Better managerial control</td>
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<td>(c) Salaries in Small-Scale Sector in Japan are almost half that in the large industries.</td>
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<td>4</td>
<td>Ability to react to rapidly changing environment</td>
<td>(a) Greater innovative capabilities</td>
<td>(a) A large number of high-tech industries have set up by entrepreneurs in small-scale sector.</td>
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<td></td>
<td></td>
<td>(b) Better equipped to compete in the growing service industry and in knowledge intensive industries.</td>
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Small-scale industries play a key role in the industrialisation of a developing country. This is because they provide immediate large-scale employment and have a comparatively higher labour-capital ratio; they need a shorter gestation period and relatively smaller markets to be economic; they need lower investments, offers a method of ensuring a more equitable distribution of national income and facilitate an ensuring a more equitable distribution of national income and facilitate an effective mobilisation of resources of capital and skill which might otherwise remain unutilised; and they stimulate the growth of industrial entrepreneurship and promote a more diffused pattern of ownership and location.

Advantages of Small-scale Industries

Small industries have distinct advantages both economic and social. Some of these are:

a) Some small-scale industries do not require a high level of technology.

b) Small-scale industries are generally labour-intensive and do not require a large amount of capital. The energy of unemployment and under-employment people may be used for productive proposes in an economy in which capital is scarce.

c) Small-scale industries projects can be undertaken in a short period and hence can increase production both in the short and the long run.

d) Most developing countries are rich in certain agricultural, forest and mineral resources; small-scale enterprises can be based on the processing of locally-produced raw material.

1 Ibid, P. 6.
e) It is possible both to save and to earn foreign exchange by producing and exporting goods process from local resources.

f) Small-scale industrial enterprises are the training ground for local entrepreneurs on decision-making. From small-scale industrial enterprises knowledge and skill can be transferred to other enterprises; small enterprises may grow into medium-sized enterprises.

g) By creating opportunities for the small business, small industrial enterprises can bring about a more equitable distribution of income which is socially necessary and desirable.

h) Small-scale enterprises in developing countries help to create economic stability in society by diffusing prosperity and by checking the expansion of monopolies.

i) The developing of small-scale enterprises will create jobs in the rural areas of the developing countries where unemployment and under-employment are high. This will help in reducing the exodus of workers from the rural to the urban areas in search of jobs.

j) Small-scale enterprises will make possible a transfer of manufacturing activities from the congested metropolitan to the non-metropolitan and rural areas. The dispersal of manufacturing away from the metropolitan areas is a policy of the government of many developing countries. This will also help in bringing about a geographical diffusion of skill and technology in a country.

k) Apart from the linkage between agricultural development and small-scale industrial enterprises, there is an essential linkage between large scale enterprises and
small-scale enterprises in the sense that the former create opportunities or facilities for the growth of the latter. For instance, the growth of the large motor industry creates opportunities for the setting up of small service and repair stations which are spread over the country. Certain large scale industries also sub-contract work to small producers.

l) Small-scale enterprises have their own place in a country’s economy. Imperfect competition protects the small firms’ markets and enables them to exist even where they are not efficient in terms of cost.

m) The development of small-scale enterprises can be a part of integrated rural development programmes on which a good deal of emphasis has been recently placed in the developing countries of Asia. Due attention needs to be given to the industrial and non-agricultural components or activities in the context of rural development programmes.

**Small enterprises provide the following social advantages**

a) They create immediate and permanent employment at a relatively small captial cost.

(b) They meet a substantial part of increased demand for consumer goods including mass consumption goods.

(c) They facilitate mobilisation of resources of capital and skills which often would remain inadequately utilized.

(d) They bring integration with rural economy on the one hand and large-scale enterprises on the other.

(e) They offer a method of ensuring equitable distribution of national income.
(e) They offer a method of ensuring equitable distribution of national income.

(f) They involve a short gestation period.

(g) They do not require as heavy and costly infrastructure as larger enterprises.

(h) They have a favourable capital output ratio.

(i) The products of these enterprises earn a substantial exchange.

(j) They assist in dispersal and avoid problems which unplanned urbanisation tends to create.

Due to all these advantages, the development of small enterprises has been assigned a crucial role in India's five year plans. With a view to protect, support and promote small enterprises to become self-supporting and to facilitate balanced growth of small and large sector, a number of policy and promotional measures have been taken by the Government. The policy measures include reservation of certain items for exclusive production in the small-scale sector, and exclusive purchase under the stores purchase policy and differential excise duty. Promotional measures have included development of entrepreneurship backed by a package of consultancy services, improvement in techniques, institutional support in respect of supply of credit and raw materials, factory accommodation in industrial estates, capital subsidy, and rebates on sales of certain products.
1.4. Performance of Small Scale Industrial Units in India

The performance of Small Scale Industrial Units is given in Table 1. A review of the table indicates that there has been a steady and significant growth in the number of SSI units, their production, investment, employment and exports over the years. The number of units has increased from 4.16 lakhs in 1973-74 to 34.42 lakh units in the year 2001-02. There has been a steady growth in investment and production also during the same period. The investment and production increased from Rs. 2296 crores and Rs. 7200 crores in 1973-74 to Rs. 84329 crores and Rs. 690316 crores in 2001-02 respectively at current prices. There has been a steady increase over the previous years ranging between 7 to 11 per cent in the number of units, 11 to 13 percent in investment and 13 to 21 percent in production. The employment also increased from 39.7 lakh persons to 192.23 lakh persons during the same period. The production per employee at current prices increased from Rs. 18 thousand to Rs. 359 thousand during the same period. But, the employment generation for Rs. 1 lakh of investment has come down from 4 persons to 2 persons and per unit employment from 6.3 persons to 5.6 persons. This may be due to the adoption of latest technology and labour saving devices in small scale industrial units.

The performance of small scale industries on the export front was also significant. The exports increased from Rs. 393 crores in 1973-74 to a marked level of Rs. 71244 crores in 2001-02. It is estimated that it will increase to Rs. 80919 crores in the year 2002-03. There has been a steady and significant progress over the previous years. On an average it has been worked out to 16.42 percent. The rate of increase over the previous years was highest (24.67

<table>
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<tr>
<th>Years</th>
<th>Units (Lakh nos.)</th>
<th>Investment (Rs, in crores at current prices)</th>
<th>Production (Rs, in crores at current prices)</th>
<th>Employment (Number in lakhs)</th>
<th>Production per employee Rs, in 000 at current prices</th>
<th>Exports (Rs, in crores)</th>
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<td>4.16</td>
<td>2296</td>
<td>7200</td>
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<td>22.46(7.88)</td>
<td>NA</td>
<td>209300(17.1)</td>
<td>134.0(3.3)</td>
<td>156</td>
<td>17781(28.1)</td>
</tr>
<tr>
<td>1993-94</td>
<td>23.88(6.32)</td>
<td>35376</td>
<td>241648(7.1)</td>
<td>139.38(4.0)</td>
<td>173</td>
<td>25307(42.3)</td>
</tr>
<tr>
<td>1994-95</td>
<td>25.71(7.6)</td>
<td>407991(15.3)</td>
<td>298886(23.7)</td>
<td>146.56(5.2)</td>
<td>204</td>
<td>29068(14.9)</td>
</tr>
<tr>
<td>1995-96</td>
<td>26.58(3.38)</td>
<td>49620(21.6)</td>
<td>362656(21.3)</td>
<td>152.61(4.1)</td>
<td>238</td>
<td>3670(25.5)</td>
</tr>
<tr>
<td>1996-97</td>
<td>28.03(5.46)</td>
<td>54698(10.2)</td>
<td>411858(13.6)</td>
<td>160.0(4.8)</td>
<td>257</td>
<td>39248(7.6)</td>
</tr>
<tr>
<td>1997-98</td>
<td>29.44(5.03)</td>
<td>60549(10.7)</td>
<td>462641(12.3)</td>
<td>167.2(4.5)</td>
<td>277</td>
<td>44442(13.2)</td>
</tr>
<tr>
<td>1998-99</td>
<td>30.80(4.62)</td>
<td>66100(9.2)</td>
<td>52050(12.5)</td>
<td>171.58(2.6)</td>
<td>303</td>
<td>48979(10.2)</td>
</tr>
<tr>
<td>1999-00</td>
<td>31.12(3.11)</td>
<td>72633(9.9)</td>
<td>572887(10.0)</td>
<td>178.5(4.0)</td>
<td>310</td>
<td>54200(10.7)</td>
</tr>
<tr>
<td>2000-01</td>
<td>33.12(3.11)</td>
<td>79003(9.7)</td>
<td>639024(11.5)</td>
<td>185.64(4.0)</td>
<td>344</td>
<td>69979(26.8)</td>
</tr>
<tr>
<td>2001-02</td>
<td>34.42(3.91)</td>
<td>84329(5.8)</td>
<td>690316(8.0)</td>
<td>192.23(3.6)</td>
<td>359</td>
<td>71244(2.1)</td>
</tr>
<tr>
<td>2002-03*</td>
<td>35.72(3.79)</td>
<td>90450(7.3)</td>
<td>742021(7.5)</td>
<td>199.65(3.9)</td>
<td>372</td>
<td>80919(13.8)</td>
</tr>
</tbody>
</table>

Note: Figures in bracket indicate percentage growth over the previous year.
Source: DC(SSI), Govt. of India, New Delhi. *Projections are worked out by taking average of last three years growth rates.
### Table 1.3 - Export Performance of Small Scale Industries during the Period 1973-74 to 2002-03

<table>
<thead>
<tr>
<th>Years</th>
<th>Total Exports (Rs. in Crores)</th>
<th>Exports from SSI sector (Rs. in crores)</th>
<th>SSI Exports as a % of Production</th>
<th>SSI share in total export (Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973-74</td>
<td>2523.4</td>
<td>393.2</td>
<td>5.46</td>
<td>15.6</td>
</tr>
<tr>
<td>1974-75</td>
<td>3332.9</td>
<td>540.7</td>
<td>5.88</td>
<td>16.2</td>
</tr>
<tr>
<td>1975-76</td>
<td>4042.3</td>
<td>532.1</td>
<td>4.84</td>
<td>13.2</td>
</tr>
<tr>
<td>1976-77</td>
<td>5142.3</td>
<td>765.8</td>
<td>6.18</td>
<td>14.9</td>
</tr>
<tr>
<td>1977-78</td>
<td>5484.3</td>
<td>844.8</td>
<td>5.91</td>
<td>15.4</td>
</tr>
<tr>
<td>1978-79</td>
<td>5726.3</td>
<td>1069.2</td>
<td>6.77</td>
<td>18.7</td>
</tr>
<tr>
<td>1979-80</td>
<td>6458.8</td>
<td>1226.3</td>
<td>5.67</td>
<td>19.0</td>
</tr>
<tr>
<td>1980-81</td>
<td>6710.7</td>
<td>1643.2</td>
<td>5.86</td>
<td>24.5</td>
</tr>
<tr>
<td>1981-82</td>
<td>7805.9</td>
<td>2070.6</td>
<td>6.35</td>
<td>24.5</td>
</tr>
<tr>
<td>1982-83</td>
<td>8907.8</td>
<td>2045.0</td>
<td>5.84</td>
<td>26.5</td>
</tr>
<tr>
<td>1983-84</td>
<td>9872.1</td>
<td>2164.0</td>
<td>5.20</td>
<td>23.0</td>
</tr>
<tr>
<td>1984-85</td>
<td>11493.7</td>
<td>2540.8</td>
<td>5.03</td>
<td>21.9</td>
</tr>
<tr>
<td>1985-86</td>
<td>10894.6</td>
<td>2769.1</td>
<td>4.52</td>
<td>22.1</td>
</tr>
<tr>
<td>1986-87</td>
<td>12566.6</td>
<td>3643.7</td>
<td>5.04</td>
<td>25.4</td>
</tr>
<tr>
<td>1987-88</td>
<td>15741.2</td>
<td>4373.0</td>
<td>5.01</td>
<td>29.0</td>
</tr>
<tr>
<td>1988-89</td>
<td>20295.2</td>
<td>5489.6</td>
<td>5.16</td>
<td>27.8</td>
</tr>
<tr>
<td>1989-90</td>
<td>27681.5</td>
<td>7625.7</td>
<td>5.76</td>
<td>27.0</td>
</tr>
<tr>
<td>1990-91</td>
<td>32553.3</td>
<td>9664.1</td>
<td>6.22</td>
<td>27.5</td>
</tr>
<tr>
<td>1991-92</td>
<td>44041.8</td>
<td>13883.4</td>
<td>7.77</td>
<td>29.7</td>
</tr>
<tr>
<td>1992-93</td>
<td>53350.5</td>
<td>17784.8</td>
<td>8.50</td>
<td>31.5</td>
</tr>
<tr>
<td>1993-94</td>
<td>69547.0</td>
<td>25307.1</td>
<td>10.47</td>
<td>33.5</td>
</tr>
<tr>
<td>1994-95</td>
<td>82574.1</td>
<td>29068.2</td>
<td>9.89</td>
<td>36.4</td>
</tr>
<tr>
<td>1995-96</td>
<td>106464.9</td>
<td>36470.2</td>
<td>10.24</td>
<td>35.2</td>
</tr>
<tr>
<td>1996-97</td>
<td>117525.0</td>
<td>39248.5</td>
<td>9.55</td>
<td>33.4</td>
</tr>
<tr>
<td>1997-98</td>
<td>126286.0</td>
<td>44442.2</td>
<td>9.28</td>
<td>35.2</td>
</tr>
<tr>
<td>1998-99</td>
<td>141603.5</td>
<td>48979.2</td>
<td>9.55</td>
<td>33.4</td>
</tr>
<tr>
<td>1999-00</td>
<td>159561.0</td>
<td>54200.5</td>
<td>9.2</td>
<td>34.6</td>
</tr>
<tr>
<td>2000-01</td>
<td>202509.7</td>
<td>69796.5</td>
<td>10.9</td>
<td>34.0</td>
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<tr>
<td>2001-02</td>
<td>206504.4</td>
<td>71244.0</td>
<td>10.3</td>
<td>34.5</td>
</tr>
<tr>
<td>2002-03</td>
<td>235915.5</td>
<td>80919.0</td>
<td>10.9</td>
<td>34.3</td>
</tr>
</tbody>
</table>

Source: Development Commissioner (SSI), Govt. of India, New Delhi.
percent) during the period 1983-84 to 1992-93. The share of SSI sector in the total export has increased from 24.5 percent in 1980-81 to 34.47 percent in 2000-01. It was highest (36.4 percent) during the year 1993-94. Out of the total exports of Rs. 2523.4 crores in 1973-74, the share of SSI sector was Rs. 393.2 crores. This has been increased to Rs. 2,02,509.7 crores in 2000-01 of which Rs. 69796.5 crores were from SSI sector¹. The share of SSI sector’s contribution in the total export has increased from 15.6 percent to 34.5 percent during the same period. The contribution of SSI sector in the total export of the country and the details of important products of exports from small scale sector is given in Chapter 3.

**Table 1.4**

**Small Scale Sector during the Period 1973-74 to 2002-03 - Their growth rate**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Linear Trend</th>
<th>Exponential Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Growth Rate (%)</td>
<td>t-value</td>
</tr>
<tr>
<td>No. of units</td>
<td>26.16</td>
<td>42.01</td>
</tr>
<tr>
<td>Investment</td>
<td>132.40</td>
<td>2.77</td>
</tr>
<tr>
<td>Production</td>
<td>351.93</td>
<td>11.68</td>
</tr>
<tr>
<td>Employment</td>
<td>13.89</td>
<td>82.87</td>
</tr>
<tr>
<td>Exports</td>
<td>706.55</td>
<td>9.75</td>
</tr>
</tbody>
</table>

1.5. Small Scale Industrial Units in the Post Globalisation Era

All countries are inter-dependent for one reason or another, because no country in the world is self sufficient with its requirements. Therefore, the countries having surplus resources exporting and the needy country importing the goods and services. Each country in the world realises that it cannot depend on its internal trade. India is not an exception to these trends. It cannot remain in isolation, especially after signing the ‘World Trade Organisation Treaty’ (WTO). It has liberalised its economy from the year 1991.

In recent times, globalisation, no doubt, provides expanded opportunities in the different parts of the world apart from the domestic market. The process has exposed it to rigorous competition from other countries. If any country is to survive under globalisation, its economy should have the world class quality and competitive price for its products.

After 1991, due to economic reforms and the globalisation, SSI sector was somewhat over protected. With globalisation, they are now more exposed to severe competition both from large scale sector, domestic, foreign and from MNCs. Small scale industries use cheap, and indigenous technology. Today they account for at least 45 per cent of the country’s industrial production. In 1991, there were only 19 lakhs small scale units. In seven years their number increased to 31 lakhs\(^1\). It is no exaggeration to state that the success and failure

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of the economy is dependent on the state of health of industries in general and the small scale industries in particular.

### 1.6. The SSI sector in India

The SSI units are the second largest, which use human resources after the agricultural sector in our country. **The sector acts as a nursery for the development of entrepreneurial talent, in turn it contributes to the economic development of the country.**

Nearly, 7,500 products ranging from consumer goods to sophisticated machinery and computer peripherals are produced by SSI units. As per the Small Scale Industrial Development Organisation (SIDCO) estimates that, in 2000-01, a total of 3.37 million SSI units in India produced goods and services worth Rs. 6,455 billion and employed 18.56 million persons. The SSI sector accounts about 95 per cent of industrial units in the country and 40 per cent of value added in the manufacturing sector.

**A major concentration of SSI units has been in the States of Uttar Pradesh (12.51 percent) followed by Tamil Nadu (11.34 percent), Madhya Pradesh (9.71 percent), Bihar (9.34 percent), Maharashtra (7.83 percent), Karnataka (7.30 percent), Punjab (6.38 percent), Gujarat (5.76 percent) and Kerala (5.7 percent).**

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1 Ibid, P. 8.
Tamil Nadu accounted for the largest share of employment in the SSI sector (20.05 percent), followed by Maharashtra (10.28 percent), Uttar Pradesh (9.73 percent), Karnataka (7.39 percent), Delhi (7.38 percent), Gujarat (6.46 percent), Punjab (5.54 percent), Andhra Pradesh (5.53 percent) and Kerala (5.16 percent).

Maharashtra has accounted for the largest share of fixed investment in the SSI sector in the country with 33.31%. Tamil Nadu 12.03%, Gujarat 8.69%, Karnataka 6.65%, Uttar Pradesh 5.47%, Punjab 5.32% and Kerala 3.87%.

As per the RBI Report on Trend and Progress of Banking in India, the number of sick units in SSI sector in 1991 was 2,21,472, whereas by the end of 2000 it rose to 3,06,221 due to (i) inadequate and timely availability of finance, (ii) outdated technology, (iii) marketing problems, (iv) management deficiency and (v) heavy global competition.\(^1\)

1.7. Importance of the study

In Agricultural sector, there is a widespread disguised unemployment and to shift this to other sectors, where they can be productively employed, assumes greater importance. The proposal of transforming the surplus labour from agriculture to allied activities finds its relevance here. Industrial development becomes incomplete without the development of small scale industrial units, since this sector provides opportunity to utilize that abundant manpower and unexploited resources.

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For reducing the unemployment problem, various measures have been taken by the Government, as this problem has been one of the major problems of our country. Realising the importance of small scale industrial units in creating employment opportunities to solve the unemployment problems, all these industrial units are encouraged through various ways. Necessary support is given to set up these industrial units in Tamil Nadu.

Though this has been the prime concern of the policies of the Government, all these small scale units are suffering from finance which is one of the major problems of these units today. In extending credit facilities to these small scale units, both banks and financial institutions are having their procedures, policies and expected to fulfil the requirements of these units. Either not knowing of all these procedures or unable to fulfil the formalities, the existing as well as prospective small scale units are not able to get financial assistance from banks and financial institutions. It ultimately affects the growth of industrial units. In this context, to fill the gap, it has been attempted to study the SSI's and their performance in the post-globalisation era with the following objectives.

1.8. Objectives

The following are the main objectives of the study.

(i) To study the ‘Small entrepreneurship development’ in India and Tamil Nadu.

(ii) To examine the ‘Motivational factors of the Small scale enterpreneurs and to compare them with their performance’;
(iii) To study ‘the performance of SSI entrepreneurs and profitability of their units in the Post-globalisation era’;

(iv) To examine ‘their general and specific problems of Small scale units with reference to Globalisation’; and;

(v) To suggest ‘models for the development of SSI entrepreneurship’, in the post-globalisation era.

1.9. Hypotheses

(i) ‘There is a significant relationship between the entrepreneurial performance and the entrepreneurial qualities’ such as risk taking ability, innovativeness, organising skills and leadership qualities.

(ii) There is a significant relationship between the entrepreneurial performance and the expansion and development of the unit.

(iii) There is no association between the ‘Educational levels of the sample entrepreneurs and the amount of capital’, brought in by them.

(iv) There is ‘no association between the Occupational background and the amount of capital’ invested by them.

(v) ‘There is a significant relationship between the entrepreneurial performance and the Institutional support system’.

(vi) The demographic variables of the entrepreneurs such as ‘age, education, experience, location, status and nature of operation will not have any influence’ on their level of competency.
(vii) The entry of ‘Multinational Corporations have adversely affected the Small scale units’.

1.10. Methodology

The primary data is collected from 300 industrial units. These units were set up with the financial support of Development Financial Institutions of Tamil Nadu.

Most of the entrepreneurs were secretive about providing data on sales, production and profits. Data on production capacity utilised for the past three years, viz., 1999-2000, 2000-2001 and 2001-2002 were, nevertheless collected from the entrepreneurs and their employees. This data is more reliable than that of profits for measuring the performance of an enterprise. Here too, the data for a single year could be misleading on account of ups and downs in business. An average of continuous years is more representative.

1.11. Sample

The industrial estates at Guindy, Ambattur, Perungudi, Maraimalainagar, Gummipoondi are also covered in the study. The sample consists of 300 small scale entrepreneurs who are engaged in manufacturing, service jobwork and they are drawn from Chennai city and its suburbs.

1.12. Research Design

The study is primarily descriptive in nature. The researcher has tried to present a scientific description of a variety of facts pertaining to SSI entrepreneurs and their socio economic background, their performance and management of marketing of their ventures etc. The questionnaire was administered on 300 entrepreneurs.
1.13. Data Analysis

The pilot study was conducted to pre-test and revise the questionnaire and interview schedule. The required data collected on the performance of SSI entrepreneurs were summarized and presented in the form of tables. The following are the statistical tools used for the analysis of the study.

a) **Chi-square test** is used to study the relationship between attributes/character.

b) **t-test** is used to compare significant differences between the factors.

c) **ANOVA** is used to compare significant differences among the various options given by respondents.

d) **Correlation** is used to analyse the relationship between two or more variables.

e) **Multiple regression** is used to study the relationship between the dependent and independent variables.

f) **Frequency tables**, percentage techniques are used to analyse the factors influencing Marketing.

1.14. Scope and Limitations of the study

1. The study is based on 300 small scale units of industrial estates of Chennai city and its environs. Though it was aimed to collect data from 350 units, due to non response, only 300 questionnaires were received.
2. The study analyses the contribution of only institutional finance for the industrial development of Tamil Nadu. It also examines the various problems faced by the entrepreneurs of the sample from the time of establishment to the expansion of the unit.

3. The study assumes the information and data supplied by the units as authentic as the data could not be compared and verified with the original books. To maintain business secrecy, the units did not allow the data for comparison and verification.

4. This study does not cover the units which were not financed by either the financial institutions or Banks.

5. The findings of the study are restricted to selected small scale industrial units of industrial estates of Chennai and its surroundings.

6. The study mainly covers the financial assistance rendered by the Tamil Nadu Industrial Investment Corporation (TIIC) and the Commercial banks only.

1.15. Chapter Arrangement

Chapter 1: It provides an introduction to the subject matter, importance of SSI units, objectives of the study, methodology and limitations of the study.

Chapter 2: It provides a survey of earlier literature (studies) relating to the entrepreneurship in SSI sector.

Chapter 3: It discusses about the Small Entrepreneurship Development in India.

Chapter 4: It examines the various motivational factors of the SSI entrepreneurs.
Chapter 5: It analyses the performance of SSI entrepreneurs and profitability of their units in the post-globalisation era.

Chapter 6: The general and special problems of SSI entrepreneurs were examined in this chapter.

Chapter 7: Summary and conclusions are given in this chapter.