Chapter 6

SUMMARY OF FINDINGS
AND
CONCLUSIONS
6.0. INTRODUCTION

In the present study, some aspects relating to growth and performance of Micro, Small and Medium Enterprises like capital structure, employment pattern, average cost of production, and profitability are covered and suggestions emanating from the conclusions are offered for ensuring a better performance in selected Micro, Small and Medium Enterprises. The data used for the study over a period of three financial years, 2008-09, 2009-10 and 2010-11, were collected from the different categories of Micro, Small and Medium Enterprises in Chittoor District. While analyzing the performance of Micro, Small and Medium Enterprises, statistical techniques like ANOVA, 't' test, f-test, Compound Growth Rate (CGR) etc., were used.

PART-A: FINDINGS

6.1 GROWTH AND PERFORMANCE OF MICRO, SMALL AND MEDIUM ENTERPRISES IN INDIA

Small scale industries are a vital constituent of India’s industrial sector. It contributes significantly to India’s Gross Domestic Product and export earnings besides meeting the social objectives including that of providing employment opportunity to millions of people across the country. The development of small and medium scale industries includes an increase in the supply of manufactured goods, promotion of capital formation, the development of indigenous entrepreneurial talents and skills and the creation of employment opportunities. Small scale industries encompass vast scope covering activities like manufacturing, servicing, financing, construction, infrastructure etc. In view of Government of India ever increasing importance given to the small scale industries they need to be set up in the years to come. By contributing its increasing share to the national production, employment and exports, small scale industries also contribute to the economic development of the country. SMEs are major employment provider and donor to GDP; they are burdened with the responsibility of providing employment while at the same time experiencing slow moving growth because of dividing agriculture sector and globalization. Small industry in India has been confronted with an increasingly competitive environment due to: (1) liberalization of the investment regime in the 1990s; favoring Foreign Direct Investment (FDI); (2) The formation of the World Trade Organization (WTO) in 1995, forcing its member countries including in
India to drastically scale down quantitative and non-quantitative restrictions on imports, and (3) Domestic economic reforms.

Small scale industries have the advantages of generating gainful employment with low investment, diversifying the industrial base, reducing regional disparities through dispersal of industries into rural, semi-urban and backward areas. The Government established the Ministry of Small Scale Industries and Agro and Rural Industries (SSI & ARI) in October, 1999 as the nodal ministry for formulation of policies and programmes/schemes, their implementation and related coordination, to supplement the efforts of the states for promotion and development of this category of industries in India. The Ministry of SSI and ARI (Agro and Rural Industries) was bifurcated into two separate ministries, namely, Ministry of Small Scale Industries and Ministry of Agro and Rural Industries, in September 2001.

The role of the Ministry of Small Scale Industries is mainly to assist the states in their efforts to promote growth and development of the SSIs to enhance their competitiveness and to generate additional employment opportunities.

In addition, the Ministry attempts to address issues of country-wide common concerns and also undertakes advocacy on behalf of the SSI. Indian small scale industries play an imperative role in the economic expansion of the country and have vast approaching for employment generation. Increasing small scale sector also results in decentralized industrial development, better distribution of wealth and investment and entrepreneurial talent. The Government has initiated several policies for the growth and development of small scale industries. The MSMEs in India are acting as power and spirit of economic growth in the 21st century. The Ministry of Agro and Land Rural Industries and Ministry of SSI have been merged into a single, Ministry namely, Ministry of Micro, Small and Medium Enterprises. The small scale sector has played a greater role in the socio-economic development of the country during the past fifty years. It has significantly contributed to the overall growth in terms of Gross Domestic Product (GDP), employment generation and exports.

The Government of India enacted the “Micro, Small and Medium Enterprises Development (MSMEs) Act, 2006” on June 16, 2006 which was notified on October 2, 2006. With the ratification of MSMED Act 2006, the paradigm shift has included the
services sector in the definition of Micro, Small and Medium Enterprises, apart from extending the scope to medium enterprises. The MSMEs Act, 2006 has modified the definition of micro, small and medium enterprises engaged in manufacturing or production and providing or rendering of services.

The Act has also defined medium enterprises for the first time. The enterprises are further classified into Micro, Small and Medium categories. The investment limits of these enterprises are as follows:

Manufacturing Enterprises:

i) A micro enterprise is an enterprise where investment in plant and machinery does not exceed Rs.25 lakh;

ii) A small enterprise is an enterprise where investment in plant and machinery is more than Rs.25 lakh but does not exceed Rs.5 crore

iii) A medium enterprise is an enterprise where the investment in plant and machinery is more than Rs.5 crore but does not exceed Rs.10 crore.

Service Enterprises:

i) A micro enterprise is an enterprise where the investment in equipment does not exceed Rs.10 lakh;

ii) A small enterprise is an enterprise where the investment in equipment is more than Rs.10 lakh but does not exceed Rs.2 crore;

iii) A medium enterprise is an enterprise where the investment in equipment is more than Rs.2 crore but does not exceed Rs.5 crore.

Worldwide, the Micro Small and Medium Enterprises (MSMEs) have been accepted as the engine of economic growth and for promoting equitable development. The major advantage of the sector is its employment potential at low capital cost. The labour intensity of the MSME sector is much higher than that of the large enterprises. In India too, the MSMEs play a pivotal role in the overall industrial economy of the country. In recent years the MSME sector has consistently registered higher growth rate compared to the overall industrial sector.
The number of MSMEs increased from 67.87 lakh units in 1990-91 to 311.52 lakh units in 2010-11. There has been a steady growth in investments, production, employment, and exports during 2010-11 over 1990-91. The investment and production increased from Rs. 93,555 crore and 78,802 crore in 1990-91 to Rs. 7, 73,487 crore and Rs. 10, 95,758 crore in 2010-2011 respectively at current prices. There has been a steady increase of employment and exports of MSMEs.

The employment in MSMEs increased from 158.34 lakh in 1990-91 to 732.17 lakhs during 2010-2011. The production increased consistently from Rs. 2, 61,297 crore to Rs. 1,09,5758. The employment also registered on from 238.73 lakh persons in 2000-01 to 732.17 lakh persons in 2010-11. The exports increased considerably.

A small scale unit is considered sick when it has accumulated losses equal to or exceeds 50% of its peak net worth in the immediately preceding five accounting years. The signs of sickness are discernable quite early in the form of decline in capacity utilization, shortage of liquidity, irregularity in maintaining bank accounts, delay in meeting statutory dues, etc. The persistence of these signals takes the form of symptoms like continuous shortage of liquid, funds worsening financial position, continuous tumble in share prices, frequent request to financial institutions for loans, etc. The various causes of industrial sickness are classified into external and internal causes. While small scale units fall prey to external factors like lack of infrastructure, lack of finance, problems of marketing, etc., large and medium scale units fall sick mainly due to internal factors like mismanagement. Whatever may be the causes of sickness, the main consequences of sickness in an economy have been locking up the country’s financial resources, wastage of scarce capital assets, loss of production and increase in unemployment. Industrial sickness is, thus, the bane of an economy. Hence, it needs to be detected and cured. With the bulk of the modern small scale industry in India is a post-independence phenomenon the problems it faces are also peculiar to the rapidly changing economic scenario of the planning years. Most of the MSMEs established in India are confronted with the delay in supply of raw material, delay by bankers in sanctioning working capital and poor selection of entrepreneurs.
The MSMEs the world over have been undergoing crucial changes in response to the manifold imperatives of globalization. In India, the historical role of MSMEs in creating sufficient opportunities or employment for the teeming millions has come to occupy secondary status in the face of original strategies to ensure external orientation. Achieving manufacturing competitiveness and emerge notable global player. MSMEs have performed extremely well and enabled our country to attain wide-ranging events of industrial amplification and diversification. By its less capital concentrated and high labor combination nature, MSMEs has made important contribution to employment generation and also to rural industrialization.

The business can contend on cost, quality and products at household and international level only if ideal investment in equipment production process, Research and Development and marketing are made. Communication bottlenecks are not completely solved. The promotional behavior for MSMEs in India needs to contemplate on improved credit flows, human resource development, suitable technology and resources for transformation. So, this is the appropriate time to set up projects in the MSMEs sector. The Government is committed to promote the growth of MSMEs and to enhance their competitiveness.

The micro, small and medium scale business remains the most vibrant force and agent of economic enlargement and growth of nation. MSMEs encompass vast scope covering activities like manufacturing, servicing, retailing, financing, construction, and infrastructure. Experience shows that nations that support their courageous entrepreneurs have grown and prospered over the last 50 years, while nations that have placed barriers to the growth of their small business enterprises have been rated low on the performance graph. Even among countries that previously discouraged or prohibited such activity in favour of the Government as the driving for economic growth, there is now growing reorganization of the importance of fostering entrepreneurial activity. The working capital management is an integral part of overall management of small-scale industries. There is a need for greater Co-ordination between small-scale industries and financial institutions. Planning and control of working capital center round sound cash planning which includes setting of cash policies and procedures and the control over cash and credit. The problems of small industries should, therefore, be treated in this spirit. This of course, does not mean that the Government, the local bodies, financial institutions and banks should create unnecessary obstacles in the path of industrialists should function in isolation.
Chapter 6  
Summary of Findings and Conclusion

6.2 AN OVERVIEW OF LITERATURE

A complete review of literature has become a significant ingredient in any investigation as it not only gives a design about the work done in the past and also assists in interpretation of the data. A brief review of literature pertaining to the objectives of the present study has been done to plan it on a systematic line. Several studies have been undertaken to evaluate the growth and performance of micro, small and medium enterprises in Chittoor District of Andhra Pradesh by the Individual researches and Government. The fundamental objective of this empirical, fact finding investigation is to explain the main trends in the performance of selected micro and small Industrial units like Agro and allied based units, Chemical based units, Animal husbandry, Engineering based units, Non-Metallic and Mineral based units, Paper and Printing based units, Repairs and Service based units, Textile based units, Forest based units and Miscellaneous are chosen for the field Investigation. This approach is basically inductive and statistical, exploring, measuring and explaining an objective field of observation relating to the growth and performance of micro, small and medium enterprises.

6.3 PROFILE OF CHITTOOR DISTRICT

Chittoor District was constituted on 1st April, 1911 with the admixture of the Culture and Traditions of three borders states of Andhra Pradesh, Tamil Nadu and Karnataka. It then comprised the Taluks of Chittoor, Palamaner and Chandragiri transferred from Old North Arcot District of Tamil Nadu, Madanapalle and Voyalpadu Taluks of Kadapa District and Ex-Zamindari areas of Punganur, Srikalahasthi, Puttur and old Karvetinagar estate. Later, Kangundi Taluk of North Arcot District excluding 22 villages was transferred to Palamaner Taluk on 1st December, 1928. This Taluk also gained eight villages which were the enclaves of Mysore (Karnataka) State under the Provinces and States (Absorption of enclaves) Order, 1950. The next major change in the jurisdiction of the district took place on 1st April, 1960 as a result of Pataskar Award consequent on the re-organization of the state on linguistic basis, a major portion of Tiruthani Taluk was transferred to Chengalpattu district of Tamil Nadu. Instead one Taluk known as Sathyavedu comprising 76 villages of Tiruvallur Taluk, 72 villages of Ponneri Taluk both of Chengalpattu District of Tamil Nadu and 17 villages of Puttur Taluk, 19 villages of Tiruttani Taluk were added to Chittoor District.
Also from the same date, the Sub-Taluks of Kuppam and Bangarupalem were constituted transferring 220 villages from Palamaner Taluk and three villages from Krishnagiri Taluk of Salem District of Tamil Nadu to form Kuppam Sub-Taluk and 145 villages from Chittoor Taluk to form Bangarupalem Sub-Taluk. Subsequently, Kuppam and Bangarupalem were made fully fledged Taluks. Again the taluks of the District were re-organised into 66 Revenue Mandals in 1985.

There are eight medium irrigation projects in the District. They are Swamamukhi Anicut, Araniyar, Mallimadugu, Kalangi, Bahuda, Siddalagandi Project, Krishnapuram Reservoir and Peddedur Project. The total registered ayacut under eight projects is 15,310 Hectares. There are 7,512 minor irrigation tanks with a total ayacut of 54,336.14 Hectares. The district occupies a pride place in the number of irrigation wells totaling to 1,16,239.

The upcoming Major Irrigation Projects are (1) Telugu Ganga with a projected ayacut of 37,983 acres (2) Handi Neeva Sujala Sravanthi with Projected ayacut of 1,80,450 acres (3) S.S. Canal with Projected ayacut of 48,840 acres and (4) Galeru Nagari Sujala Sravanthi with Projected ayacut of 1,03,500 acres. Total length of all types of roads in Chittoor District is 11,443 KMs. The Chennai- Bangalore highway passes through the district for a distance of 84 KMs. The district Mandal Head Quarters are as well connected by roads with the adjoining districts and states. The district has Railways with the total length of 360 KMs connecting to all important cities in the country. It is also connected by Air having Aerodrome at Renigunta, where from fights pass through from Hyderabad, Vijayawada, Chennai and Bangalore.

Important fruit crops grown in this District are Mango, Lemon, Banana, Grapes, Guava, Cashew nut, and vegetables like Tomato, Onion, Potatoes and Brinjal. Mango is grown in almost all the mandals, mainly in Thavanampalle, puttur, Bangarupalem, D Cheruvu, etc. It is grown in 50,000 Huckssters’ in the District with a production of 500,000 MT. The major varieties grown are Totapuri, Neelam and Banesha. Chittoor ranks second in the state in production and area under Mango. Banana is grown in over 1125 Ha. Kuppam, Chittoor, Satyavedu, Tirupati, Madanapalle, are having increasing area under floriculture. Main flowers cultivated are Jasmine, Crossandra, Rose, Marigold and Chrysanthemum.
Chapter 6

Summary of Findings and Conclusion

Chittoor is an agrarian economy. Area wise, paddy is a major crop grown, followed by Jowar and bajra. The District's soil and climate are most suitable for plantation crops. Hence horticulture produces such as Mango, Grape, Sapota, banana and vegetables are grown extensively, over large tracts of land. Sugarcane, Groundnut and Sunflower are major commercial crops. During 2005-06, paddy was grown over an area of 1.7 Lakh Ha, and the production was around 2 lakh MT. Other crops grown include pulses like red gram.

There are several financial and promotional institutions, which are also copiously contributing to the industrial development in the District. They play their own role in offering relentless yeoman service from finance to foreign collaboration from power to marketing and from technology to trouble-shooting. First to come on to the industrial scene is Andhra Pradesh State Financial Corporation (APSFC) which provides both long-term and short-term finance to industries. The APSFC is also committed to develop the backward regions in Andhra Pradesh. It has a vast network of branch offices and growth centers throughout the state.

Andhra Pradesh Industries Development Corporation (APIDC) has been in existence for about two decades. Since its inception it has brought the best of industrialization to Andhra Pradesh. Andhra Pradesh Small Scale Industries Development Corporation (APSSIDC) has been promoting small units in the state, utilizing local raw materials and skills. In Chittoor district under the control of the APSSIDC, raw materials like iron and steel are being supplied to small scale units. Andhra Pradesh Electronic Development Corporation (APEDC) was set up with the prime objective of bringing frontiers of technology into the state.

Andhra Pradesh Industrial and Technology Consultancy Organization (APITCO) helps from concept to concrete reality, an area that involves identification of a project, location, choice of technology funding and implementation etc. The APITCO jointly promoted by the Industrial Development Bank of India (IDBI) and the state level promotional agencies, bridges the technical consultancy gap in the state. The commissionerate of industries with its vast network of district industries centres is a vintage organization with field level set up for translating the industrial promotion policies of the Government into operational programmes.
All the above corporations individually and collectively meet in a club called Andhra Pradesh Centre for Entrepreneurs (APCE). Industrial estates are potential places for setting up of small industries. The Andhra Pradesh Industrial Infrastructure Corporation (APIIC) acquired suitable land and developed it with internal roads, drainage, electricity, street light, telephone, water supply system, and canteen facilities. Chittoor District has four industrial estates located at Chittoor, Tirupati, Madanapalle, and Srikalahasti, besides the vast industrial development area of Gajulamandayam near Tirupati. Major Industrial activities of the district cover Fruit Processing Industries, Sugar Factories, Confectionery units, Granite Cutting and Polishing units, Chemical Industries, Electrical and Electronic Industries, Engineering and Metallurgical Industries and Textile Industries. In the field of Dairy, the District stood first in the state. The District is famous also for Silk and Granite Industries.

6.4 GROWTH AND PERFORMANCE OF MICRO, SMALL AND MEDIUM ENTERPRISES IN CHITTOOR DISTRICT

The revenue division wise distribution of micro, small and medium enterprises in Chittoor District shows that the district has majority of agro and allied based units 40%, the next in order are non-metallic and mineral based units 35% and miscellaneous 33%. Chemical based units, paper printing based unit's repairs and service based units and forest based units stand at 5%, 5%, 6% and 7% respectively. Of the agro and allied based units in the district Madanapalli division has the largest number 165, followed by Tirupati 121 and Chittoor 114.

The study comprises a total sample of 192 units covering all industrial categories. Out of 192 sample units, 67 units are located in Madanapalli division, 55 units in Chittoor Division and 70 units in Tirupati division. Out of 192 sample units, the study covered 40 units of Agro and allied based units, 5 units of Chemical based units, 17 units of Animal husbandry, 24 units of Engineering based units, 35 units of Non-Metallic and Mineral based units, 5 units of Paper and Printing based units, 6 units of Repairs and Service based units, 20 units of Textile based units, 7 units of Forest based units and 33 units of Miscellaneous.
Location Wise Distribution of Micro, Small and Medium Enterprises

Of the total agro and allied based units, majority of them are located in the rural areas 57.5%, followed by 27.5% in urban areas and only 6% in semi urban areas of the total 347 non-metallic and mineral based units 34.29% are located in the rural areas, while 40% in urban areas, and only 27.5% in semi urban areas. However, of all the micro, small and medium enterprise 38.54% are located in the rural areas, 35.94% in urban areas and 25.5% in semi urban areas from this we understand test majority of enterprise are located in rural and semi urban areas.

Distribution of Sample of Micro, Small and Medium Enterprises by Method of Production

Method of production shows that of the total 192 units 29.29% constitute manufacturing, while 27.60% were related to work on the other 26.04 % belonged to repairing and servicing. Assembling constituted only 16.67%. Unit wise shows manufacturing seems to be the key method.

Distribution of Sample MSMES According to the Source of Finance

The Source of Finance out of 192 units, 41.67% drew finance from indigenous and APSFC, while 34.90% from commercial banks and others. About 23.43% units derived financial resources from the indigenous as well as commercial hand APSFC and others. Unit wise shows, agro and allied based units derived the maximum benefit.

Sources of Borrowed Finance for Fixed Capital

The total 192 units, 38.54% borrowed from APSFC, while 34.39% from commercial banks. Indigenous sources constituted only 16.23%. Only 8.33% were benefited from other sources. It may be concluded that those Government Institutions such as commercial bankers and APSFC remained to be the major sources for financing.

Sources of Borrowed Finance of Working Capital

The sources of working capital of the total 192 units show that 41.67% borrowed from commercial banks, while 39.58% from APSFC Only 11.98% followed from the indigenous sources, a small percentage, i.e., 6.77% borrowed from other sources, the data too shows that even for working capital, commercial banks and APSFC stood as major sources.
Chapter 6  
Summary of Findings and Conclusion

Distribution of Fixed Assets of Selected Micro, Small and Medium Enterprises

The data points out that agro allied based units topped. Non-metallic and mineral based units and miscellaneous constituted 35 and 33 respectively, 24 engineering based units and 20 textile based units had fixed capital. Five each were formed among chemical based units and paper and printing based units. Only 7 forest based units had fixed capital.

Score Value of the Selected MSMES for Fixed Assets

The score value shows that Non-metallic and mineral based and textile based units stood at 8.36 and 8.30 respectively, followed by in order includes agro based units (7.98), animal husbandry (7.79), repairs and service based units (7.5), forest based units (7.42) and engineering based units (6.04). The average score of paper and printing based units stood at only 5.20, while the miscellaneous constituted only 6.69.

Distribution of Borrowed Funds of Selected MSMEs

Around 50 units borrowed Rs. 20 lakhs and above, of them agro based units constituted 16. Whereas 54 units borrowed between Rs. 15-20 lakhs. Here again the agro based units topped. Between 10-15 lakhs, there were 46 units. Only 12 units seemed to have borrowed below Rs. 5 lakhs. The major beneficiaries include agro based units, non-metallic and mineral based units, and miscellaneous. They were followed by engineering based units and textile based units.

Score Values of the Selected Micro, Small and Medium Enterprises for Borrowed Funds

The textile based units seemed to have, scored the maximum and it stands at 8.25, Chemical based units stood at 8.00. The least was shared by paper and printing based units. Miscellaneous constituted 6.85. Animal, engineering, repairs and service, and forest based units shared more than 7.
Chapter 6  

Summary of Findings and Conclusion

Distribution of Selected MSMES According to Working Capital

As for the distribution of units according to working capital is concerned, the data in table 4.18 shows that 52 units seemed to have borrowed above Rs. 30 lakhs, of them agro based units and engineering based units shared 10 each. The next in order includes 40 units borrowed between Rs. 25-30 lakhs and 28 units between Rs. 20-25 lakhs. There were only 16 units which borrowed below Rs. 10 lakhs, of them the agro based units, non-metallic mineral based units and engineering based units were the maximum beneficiaries.

Score Values of the Selected MSMES for Working Capital

The score values show that animal husbandry textile based units and forest based units have scored each (8.12), (8.25) and (8.29) respectively. The least was scored by chemical based with (5.25) miscellaneous (5.82) and paper used printing (5.33).

Structure of Manpower in the Sample Micro, Small and Medium Enterprises

The structure of manpower in MSMEs indicates that of the total 3241 employees 68.59% constituted males and only (31.4%) females. This shows that majority of the employees were males. Unit wise too shows that in agro and allied based units of the total 1214 employees, 682 were males and 532 females. In all other units, the male employees dominated as against the females. Forest based units had only 40 employees and of them 24 were males and 16 females.

Skill Composition of Manpower in Sample Micro, Small and Medium Enterprises

The data reveals that (51.03%) constituted skilled and (48.97%) unskilled. Unit wise shows agro based units had 812 unskilled as against 40 skilled employees. Similar feature could be seen in forest based units in which out of 40 employees, 24 were unskilled and the remaining 16 skilled. As many of these MSMs are located in rural and semi urban areas if is but natural to discover more unskilled employees.
Chapter 6

Summary of Findings and Conclusion

Cost - Output Ratio

The cost output ratio shows that paper and printing based units was highest with 0.37% in the case of raw material. The next in order was forest based (0.31%), textile based units (0.20%) and chemical based units (0.23%), as for the wages was concerned the high percentage belonged to repairs and service based units (0.25%). Power and energy to output ratio shows paper and printing based units and textile based units dominated with (0.03%) each.

Capital - Output Ratio

The fixed capital output ratio shows that textile based units had high percentage with 0.40, followed by repairs and service based units with (0.39%), paper and printing based units with (0.38%) and engineering based units with (0.37%). Working capital to output ratio shows (0.54%) belonged to paper and printing, (0.48%) each to repairs and service based units and textile based units, and (0.39%) to engineering based units.

Capital Employment Ratio

The average employment per unit was found in agro allied based unit (30). The next in order included textile based units with 19, animal husbandry and paper printing based units with 14 each. Forest based units had only the average of as against engineering and miscellaneous which stood at 13 each.

Ratio of Total Capital to Fixed Capital and Working Capital

The comparison shows that working capital to total capital ratio included (61.43%) while that of the fixed capital to total capital was (38.56%). Unit wise shows the working capital to total capital was highest with (73.57%) found in agro allied level units. The next in order included non-metallic mineral based units and paper printing based units with (58.75%) and (58.83%) respectively. Similarly in the case of fixed capital to total capital, engineering based units dominated with (48.52%) and animal husbandry at (48.17%).

Input - Output Ratio

The data point out that the input and output ratio is more for the non-metallic and mineral based units, followed by miscellaneous (1:3.52), animal husbandry (1:3.27), agro and allied based units (1:3.25) and engineering based units (1:3.23). Repairs and service based units have the lowest of all units with 1:1.61.
Net Profit per Unit

The data shows that the agro and allied based units topped with Rs. 40 lakhs, being the highest, followed by miscellaneous with Rs. 33 lakhs and non-metallic and mineral based units with Rs. 35 lakhs. Engineering based units had Rs. 24 lakhs and textile based units Rs. 20 lakhs per unit respectively. Animal husbandry based units had Rs. 17 lakhs. The least was recorded by paper and printing based units with Rs. 5 lakhs.

6.5 PROBLEMS FACED BY THE SELECTED MICRO, SMALL AND MEDIUM ENTERPRISE IN CHITTOOR DISTRICT

The various policy measures taken by the Government to foster the growth of MSMEs have resulted in enormous growth of MSMEs. However, many problems of production, distribution and finance still continue to afflict the MSMEs. Recognizing the imperative role of the MSMEs in the national economy, the Central and State Governments have taken active steps to promote and foster their growth. These measures have been particularly effective but many of the problems of production, distribution and finance still continue to affect the MSMEs. While some of them are more or less common to a wide range of small industries, others have particular relevance to a group of small industries and to industries situated in rural and backward areas. The problems of MSMEs are divided into two groups external and internal. As is obvious, external problems are those which result from factors beyond the control of the industrialist like the availability of power and other infrastructure facilities required for the smooth running of small-scale industries, while internal problems are those which are not influenced by external forces. The internal problems affecting the MSMEs relate to organization, structure, production channel, distribution channel, technical know-how, training, industrial relations and inadequacy of management etc.

Among the total sample, 125 MSMEs were facing the problem of marketing. 22 constitute agro and allied based units (11.46%), 4 chemical based units (2.08 %), 11 animal husbandry based units (5.73 %), 13 engineering based units (6.77 %), 29 non-metallic and mineral based units (15.10 %), 3 paper & printing based units (1.56 %), 4 repairs and service based units (2.08 %), 14 textile based units (7.29 %), 6 forest based units (3.13 %), and 19 miscellaneous units (9.90 %).
Chapter 6

Summary of Findings and Conclusion

Among the total sample of 125 MSMEs facing the problem of raw material, 18 are agro and allied based units (9.37 %), 3 chemical based units (1.56 %), 12 animal husbandry based units (6.25 %), 14 engineering based units (7.29 %), 22 non-metallic and mineral based units (11.46 %), 4 paper & printing based units (2.08 %), 4 repairs and service based units (2.08 %), 15 textile based units (7.82 %), 7 forest based units (3.65 %), and the remaining 26 miscellaneous units (13.54 %). Among the total sample 129 MSMEs facing the problem of labour 23 constitute agro and allied based units (11.98 %), 3 chemical based units (1.56 %), 11 animal husbandry based units (5.73 %), 19 engineering based units (9.90 %), 24 non-metallic and mineral based units (12.60 %), 3 paper and printing based units (1.56 %), 5 repairs and service based units (2.61 %), 16 textile based units (8.34 %), 4 forest husbandry based units (2.09 %), and 21 miscellaneous units (10.94 %).

In the problem of power faced by 115 MSMEs, 25 are agro and allied based units (13.02 %), 2 chemical based units (1.04 %), 8 animal husbandry based units (4.16 %), 14 engineering based units (7.29 %), 22 non-metallic and mineral based units (11.46 %), 2 paper and printing based units (1.04 %), 3 repairs and service based units (1.57 %), 14 textile based units (7.29 %), 5 forest based units (2.61 %), and 20 miscellaneous units (10.42 %).

Among the total sample 136 MSMEs facing the problem of technical & managerial guidance 31 include agro and allied based units (16.14 %), 4 chemical based units (2.08 %), 6 animal husbandry based units (3.12 %), 13 engineering based units (6.77 %), 28 non-metallic and mineral based units (14.58 %), 4 paper and printing based units (2.08 %), 4 repairs and service based units (2.08 %), 15 textile based units (7.82 %), 6 forest based units (3.13 %), and 25 miscellaneous units (13.00 %).

The measures recommended above, if implemented genuinely, can reduce the problems of micro, small and medium enterprises and assist their growth to a great extent. What is necessary most is a positive approach on the part of the Government and financial and other institutions toward the growth of micro, small and medium enterprises in Chittoor District of Andhra Pradesh.
The MSMEs are still in a weak position with the problems of finance, marketing and low quality taking into account the enormous potential of the MSMEs. The MSMEs in India face a tough situation due to extreme competition from large industries in respect of due to withdrawal of subsidiary, lack of infrastructure, anti-dumping policy, challenges on product standardization, total quality management.

The problem of illness in MSMEs is due to underutilization of capacity caused by shortage of working capital, lack of demand, non-availability of raw material, technological obsolescence, absence of organized market channels, including power, and deficient managerial technical skills. The study analyzes the problems faced by the MSMEs entrepreneurs of Chittoor District. The review of the problems expressed by the sample entrepreneurs reveals that non availability of adequate finance, heavy and unhealthily competition from other firms, non availability of skilled labour, poor marketing of the products, non – availability of water, lack of infrastructure and location of the units are the major problems faced by the micro and small units in the District.

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The review of the problems expressed by the sample entrepreneurs reveals that non-availability of adequate finance, heavy and unhealthy competition from other firms, non-availability of skilled labour, poor marketing of the products, non-availability of water, lack of infrastructure and location of the units are the major problems faced by the micro and small units in the District. The study highlights the sustainability and relevance of Micro, Small and Medium Enterprises in India’s economic development in the context of resources constraints, particularly capital resources.
PART B: SUGGESTIONS

Basing on the findings and conclusions of this study the following suggestions are made for promoting and developing micro, small and medium enterprises.

- The state and central governments through their bodies and institutes for the development of sector should insulate the supply of essential inputs like raw material, power, coal, oil, and other facilities like transport and marketing.
- The government should grant soft loans to the units at concessional rates of interest and reduce margins.
- The sick enterprises should be given priority in the supply of raw materials.
- It may be suggested that a special development bank may be set up exclusively in charge of catering the financial needs of small units. A high level of committee appointed by RBI has also recommended for the same so that the small units need not approach several financial institutions.
- Among the operational problems, non-availability of raw material and skilled labour and competition are the major problems faced by the Micro, Small and Medium enterprises in the present study. Efforts are needed from the government agencies to overcome this problem by providing necessary mechanism.
- Level of success of the units may be enquired by District Industries Centre periodically and deficiencies may be identified and training may be arranged for rectifying the defects and removing the deficiencies in the organization or management.
- The Government should set up a special institution or agency in order to eliminate middlemen and to ensure the supply of good quality of raw materials at reasonable prices. It has to procure and distribute both local and non-local raw materials as and when required.
- Most of the sample entrepreneurs felt that “infrastructure” and “technical assistance” are significant facilitating factors. Hence, due attention must be paid to these factors to help entrepreneurs.
Chapter 6  
Summary of Findings and Conclusion

- The entrepreneurs should have proper training in acquiring the necessary skills in running the units. The entrepreneurs training programmes should be organized periodically to acquire knowledge and also highlight the availability of Government incentives and supporting measures for MSMEs to the entrepreneurs.
- Quality control measures with Government initiatives must be undertaken to reduce the high cost and improve the quality of the machinery/equipment/raw material for the development of MSMEs.
- Power concessions should be extended for sick MSMEs.
- Government should give concessions to MSMEs for expansion.
- Chittoor District is a backward area; Programmes for development of Micro, Small and Medium Enterprises may be undertaken by the state Government and District Industrial Centre (DIC) to provide avenues for self-employment for unemployed educated youth. The measures suggested above, if implemented sincerely, can ease out the problems of Micro and Small Industrial units and help their development to a large extent.
- Unemployment, "leading an independent life", need for achievement and gain social status appeared to be important motivating factors. Therefore, it suggested that necessary incentives and encouragement must be given to talented educated youth to start new Micro, Small and Medium Enterprises.
- SCs and STs are socially demoralized and financially backward. So special care should be taken by the Government to equip them with enough aid and liberal finances. They shall be developed through education and training.
- Priority sector lending by the 'Financial Institutions' and credit from banks must be extended to MSMEs at lower interest rates.

The procedures recommended above, if implemented genuinely, can ease out the problems of Micro, Small and Medium Enterprises and help their expansion to a large extent. What is required most is a positive approach on the part of the Government and financial and other institutions towards the Growth and Performance of Micro, Small and Medium Enterprises in Chittoor of Andhra Pradesh.
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Chapter 6

Summary of Findings and Conclusion

Chapter 6

Summary of Findings and Conclusion

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221
Chapter 6

Summary of Findings and Conclusion


Chapter 6

Summary of Findings and Conclusion


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