

Chapter. VII

FINDINGS AND CONCLUSION

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The growth of entrepreneurship in Small Scale Industrial units Tiruchirappalli District was taken for the study from 1995 – 1996 to 1999 – 2000. The study covered only the units in Tiruchirappalli District which have been registered with the DIC in Tiruchirappalli. The focus was on manufacturing units which were classified into five dominant groups such as Food Products, Engineering, Chemical, Timber and other manufacturing units. The main objective of the study was to measure the growth of entrepreneurship in the SSI sector in Tiruchirappalli district and identify the factors that have contributed to entrepreneurial growth and also problems hindering the growth of entrepreneurship in small scale industries in the study area. The growth of entrepreneurship in SSI units was also examined against the background of the industrial support provided to all SSI sector. The assistance rendered by the financial, technical and service institutions with regard to term loans, working capital assistance, marketing, raw-material assistance was also studied. The importance with regard to the subsidies and incentives and other services offered by the DIC, and other institutions was also taken up for the study.

In order to measure the growth of the SSI entrepreneurship in the study area, the researcher has identified 10 components of growth such as :

- (i) Investment in fixed capital,
- (ii) Investment in working capital,
- (iii) Consumption of raw-materials,
- (iv) Production capacity utilization,
- (v) Value of production
- (vi) Value of sales
- (vii) Profits earned,
- (viii) Subsidies and incentives enjoyed,
- (ix) Employment generation, and
- (x) Diversification of products and product line

An analysis of the contribution of the above factors to the growth of entrepreneurship in Small Scale Industries in the study area was undertaken. The rate of growth among the sample units in relation to all these 10 factors was computed and the figure arrived at were converted into scores using a 'growth scale' technique. The sample units were classified into low, medium and high level growth units based on their scores. The units with a score of 0 to 30 were classified as low growth units, those with 30 to 60 scores as 'medium growth' units and those with a score of above 60 were classified as 'high-growth' units. It was found that there were only 29 (9.60%) high growth units 60 (20%) medium growth units and 211 (70.40%) low growth units in the sample. The variation in growth were also analysed by using statistical tools like mean, standard, deviation and co-efficient of variation. It was found that the high growth units showed a greater consistency and stability in growth than the medium and low growth units.

The product-wise distribution of SSI units are concentrated in Food products (consumer based units) followed by Engineering goods, chemicals, timber and other manufacturing units.

The Taluk-wise distribution of SSI units showed a concentration of more units in Tiruchirappalli (768) followed by Manapparai (758) in Thuraiyur (353) and in Lalgudi (351) units.

In block wise, Tiruverumbur claims the lion's share of 768 units, out of 2867 units started during the study period. The Pullambadi Block has the poorest share of 84 units.

The District also has 28 industrial co-operative societies and 1807 handicraft units.

The DIC Tiruchirappalli has launched various forms of assistance under state and central Government subsidies and incentives for the growth of SSI units in the district.

After measuring the growth of entrepreneurship in the SSI sector in the study area, the researcher identified 15 factors of measurable importance and studied their impact on entrepreneurial growth by using chi-square test. These factors were classified as personal, environmental, and organizational factors.

It was found that the following have significant association with entrepreneurial growth :

- (i) Educational level of the entrepreneurs,
- (ii) Previous industrial/managerial experience of the entrepreneurs,
- (iii) Membership in Trade association,
- (iv) Level of production capacity utilization,
- (v) Marketing of the products and responding to competition, and
- (vi) Developmental plans of industry.

The remaining nine factors were found to have no association with entrepreneurial growth in SSI units are :

- (i) Social/community group of entrepreneurs,
- (ii) Age group of the entrepreneurs,
- (iii) Effectiveness of subsidies and incentives,
- (iv) Locational factors,
- (v) Type of the organizational structure,
- (vi) Sources of getting ideas for establishing the units,
- (vii) Period of the operational existence of the units,
- (viii) Price fixation policy of the product, and
- (ix) Availability of skilled labour.

The researcher analysed the possible causes for the association or absence of association of these factors with the entrepreneurial growth in the SSI sector in the study area.

Findings

Among the 10 factors that were identified to measure entrepreneurial growth in the SSI sector, it is found that there was a steady growth in average fixed capital investment in the sample units during the study period. The maximum growth of average investment in fixed assets is found in the Engineering Units (9.80%), and it is followed by food products (8.94%). The overall annual growth rate for all groups of industries was 7.08% . This is because of the financing agencies have maintained a steady flow of funds to the SSI units.

The overall average working capital annual growth rate of Engineering, Chemical, food, other manufacturing units and timber are marked by 9.40%, 6.27%, 6.75%, 3.54% and 3.40% respectively.

The average value of raw materials consumed also presents a similar picture with the Engineering units recorded a growth rate of 7.96% and food products units at 6.06%. The overall annual growth rate was 5.40%.

The overall annual growth rate in production capacity utilization was at 11.34%. It is significant that the engineering units have greater progress in this regard at 12.44%. Problems in marketing and inadequacy of working capital are some of the reasons given by respondents to account for the unutilisation of production capacity in the sample units.

In the average value of production, the Engineering industries are in the forefront with a growth rate of 11.14% followed by the Food products units with 7.60%.

The overall annual growth rate of Average value of Turnover in all the units in sample units stood at 6.59%. The very same trend is reflected with minor variations in average profits earned. The overall annual growth rate for all the sample units was 2.23%, due to marketing problems arising out of a multiplicity of identical units in the study area. In the average amount of subsidies and incentives availed, the engineering industries recorded a growth rate of 4.22% followed by food products at 2.11%. The overall growth rate registered was 1.30%. This shows that the financial agencies like TIIC and DIC have been giving preference with the subsidies and incentives to the Engineering sector. In employment generation, the engineering units are in the forefront with a growth rate of 11.45% followed by food products units of 10.18%. The overall annual growth rate among the sample

units is 9.23%. In the diversification of products too, the engineering units stand first with a growth rate of 11.53%. Out of the sample 90 units in Engineering, only 17 had made attempts at diversification during the study period. This shows that very little attempts were made for diversification. This viewed in the light of the low profit ability, and value of sales shows a lack of reciliences on the part of the local entrepreneurs in the engineering field.

The codification and analysis of the data by using 'Growth scale' technique are also ratified the findings recorded above.

Among the 10 components of growth, the maximum overall annual growth among the sample units was registered in the average value of production capacity utilization at 11.34% employment generation at 9.23%, Diversification of units at 8.62% and value of production at 8.03%.

The least increase was recorded in average value of subsidies and incentives availed at 1.3%. The overall average annual growth rate of increase in terms of all the ten components for all the sample units in the study area was 6.58%.

The average annual growth rate of 6.58% along with the individual rate of growth for the ten components showed that though the percentage-wise growth rate does not showed a rapid growth trend, there is a steady increase in the growth rate.

Then a study of component-wise growth in terms of 'input' and 'output' was made.

The input components are :

- (i) Average investment in fixed capital (7.08%),
- (ii) Average investment in working capital (6.01%),
- (iii) Average production capacity utilization (11.34%),
- (iv) Average value of consumption of raw materials (5.40%), and
- (v) Average value of subsidies and incentives utilized by the units (1.30%).

The output components are :

- (vi) Average value of production (8.03%),
- (vii) Average diversification of products (8.62%),
- (viii) Average value of profit earned (2.23%),
- (ix) Average employment generation (9.23%), and
- (x) Average value of sales (8.59%).

The overall annual growth rate increase in terms of 'input' components was 6.23%. The overall annual growth rate increase in terms of 'output' component was 6.94%.

Comparing the input and output data, it was found that the percentage of increase with regard to input components was 0.71%. It indicates a positive growth rate but it can not be treated as a significant growth rate, since the growth rate in relation of output to input is only marginal.

The industry-wise overall annual growth rate are studied and analysed.

The maximum overall average annual growth of 8.74% was registered in the engineering units. This was followed by food products (7.23%), other manufacturing units (5.73%), Timber products (5.55%) and chemicals (5.22%).

The analysis of data shows that the engineering units showed a dominant growth for two reasons :

- (i) The financial assistance extended was more towards the engineering SSI units, and
- (ii) The engineering group products have a steady market because large and medium scale industries like B.H.E.L. Tiruchirappalli and TVS Pudukkottai provided marketing potential for engineering industry products for their own output.

A study of an industry-wise overall average annual growth rate in terms of all the ten components was made with the help of input and output components of growth. The results are presented below :

Industry Group	Input	Output	Increase/ decrease (%)	Rank
1. Other Manufacturing Units	5.09	6.39	+1.30	1
2. Timber	4.77	5.41	+0.64	2
3. Food	7.15	7.32	+0.17	3
4. Chemicals	5.18	5.32	+0.14	4
5. Engineering Products	8.76	8.72	-0.04	5

It was evident from the study that there was increase in terms of output and input in the case of other manufacturing units (1.30%), and timber units (0.64%).

In the case of food and chemicals, it was recorded at 0.17% and 0.14% respectively.

The Engineering industries recorded that there was a notable decrease in terms of input and output at 0.04%.

On the basis of all the ten components, the study revealed that the engineering industry registered an overall average annual growth rate of 8.74% but when the same industry group was studied in terms of output and input the study revealed that the engineering units recorded a decrease in growth by 0.04%. That is the ratio between input and output is such that the output is greater than the input. For a significant growth, there should be a significant increase in the output over the input (2.21%).

The aggregate score value of the ten components of growth for each of the sample SSI units led to classification of the sample units into low, medium and high growth units. It was revealed that out of the 300 sample units only 29 (9.67%) units had attained a high level of growth, 60 (20%) units had attained medium level growth while 211 (70.33%) units remained at a low level of growth. This shows that the supporting agencies for EDP have an uphill task ahead of them. The very large percentage of units with low level of growth is a matter for concern.

It was found that the maximum percentage of low level growth is among the food product units (32.23%). It is followed by Engineering (28.44%), other manufacturing units (19.91%), chemicals (10.43%), and Timber units (9.0%).

With regard to the medium level of growth, the Engineering units recorded the maximum of 35%. This is followed by food products (25%), other manufacturing units (16.67%), Timber (13.33%), and chemicals (10%).

With regard to the high level of growth, the Engineering units registered the maximum of 31.03%. This is followed by other manufacturing units (27.57%), food products (24.14%), timber units (10.34%) and chemicals (6.09%).

When the scores of high, medium and low-level growth units, were subjected to statistical analysis, it was found that the high growth units made a steady, uniform and consistent growth during the study period. This shows that the units that have registered high level growth are functioning with a definite plan and programme while others lack of sense of direction. Various factors ranging from financial instability to market fluctuations and labour problems are responsible for inconsistency, instability and low level of growth in the sample units. The co-efficient of variation of the low, medium, and high growth units were 691.62, 394.96 and 276.70.

Among the 15 factors that were identified as contributing to entrepreneurial growth, the social group to which the entrepreneurs belongs has no direct bearing on the growth of entrepreneurship in SSI units. A chi-square test revealed that the community factor had no influence on entrepreneurial development. The units owned by SC/ST entrepreneurs however, seem to be at a disadvantage. This shows that some special EDP's are called for atleast in the case of SC/ST entrepreneurs.

Similarly, it was found that the age group of the entrepreneurs too, has no association with entrepreneurial development.

The educational level of the entrepreneurs contribute greatly to entrepreneurial development in SSI sector.

Similarly the previous industrial experience of the entrepreneurs was also found to have definite influence on entrepreneurial growth. Out of 300 sample units selected for the study, 238 (79.3%) units were members of their respective trade associations and the remaining 62 (20.7%) units were not members of the trade association. The membership in trade association was also found to have direct effect on growth of entrepreneurship.

The various kinds of subsidies and incentives offered by the Government did not appear to have much influence on entrepreneurial growth.

The level of production capacity, utilization was also found to have a direct influence on entrepreneurial growth through all the 26 units which had registered 100% capacity utilization and remained at a low growth level. However, the largest number of high growth units was among those units which had a capacity utilization from 50% to 99%.

There is a association between marketing of the product and the growth of entrepreneurship. The highest level of growth was attained by units that faced severe competition and responded to them.

The availability of skilled labour plays a considerable role in growth of entrepreneurship. But the analysis of data revealed that the availability of skilled labour alone could not contribute to entrepreneurial growth.

The location of units is considered to be a very important factor in entrepreneurial growth. It is found that locational factors too, did not contribute to entrepreneurial growth.

The type of organizational structure and pattern of ownership of the sample units were also found to have no association with the growth of entrepreneurship.

The same was the case with the sources getting of ideas for the setting of the units and the period of operational existence of the units. The period of operational existence of the units were also found to have no association with the growth of entrepreneurship.

The price fixation policy of the product does not have an effect on the growth of entrepreneurship in SSI units. The developmental plans of the units is considered as an important factor in a entrepreneurial growth.

Problems and Recommendations

- (i) The first and most important problem is that, many of them became entrepreneurs simply because of their forefathers are in industrial line or by accident without having any previous industrial experience in the relevant field.

It is suggested that proper, efficient and effective training should be given to the entrepreneurs at frequent intervals. Seminars and workshops should be conducted to them whenever there is a change in Government and financial institutions. It is better to give an idea about the potentiality of the market for their products. The entrepreneurs should be made an alert, industrious and ambitious. The Small Scale Industries Association at

District level may be recognised and should be given proper guidance, so as to motivate the entrepreneurs to interact with others about the various problems faced by them in establishing and running the units.

- (ii) Small Scale units are located in places far away from the District headquarters do not have the required infrastructure facilities and most of them are unaware of the various facilities and assistances provided by the promotional institutions. The growth of SSI units in rural areas in this district is found low than that of the units functioning in urban areas.

It is suggested that DIC should provide some suggestions and ideas to choose their location. Since, most of the entrepreneurs do not have an adequate knowledge in this regard. The registration charges and cost of bond paper should be waived completely, when a registered SSI entrepreneur buys a land for his unit. Government should see that the document registered is given to the entrepreneur as quickly as possible so as to avoid unnecessary delay and tension to the prospective entrepreneurs.

- (iii) The top officials of almost all promotional agencies do not have a liberal outlook towards the prospective entrepreneurs. Most of them are of the opinion that entrepreneurs are always born and that they cannot be created. This negative attitude of the officials is always found to discourage the new and potential entrepreneurs.

For getting assistance from the promotional/financial institutions, the entrepreneurs have to run pillar to post and they have to produce a lot of documents, certificates and comply with various formalities along with the application form which is difficult, cumbersome, costly and time consumed process. Sometimes the entrepreneurs are asked to identify the names of

the Bank to whom the application is to be forwarded with recommendation for payment of loan. Then, once again, the entrepreneurs have to convince the Bank in all aspects.

Both promotional and financial institutions attitude towards the entrepreneurs must be changed. A conducive atmosphere should be created between them. The promotional agencies should try to keep minimum procedures and formalities to sanction the loan. The insistence for security is to be liberalized. Third party collateral security should not be insisted for a loan upto Rs. 10 lakhs. Further the rules and regulations should be amended in such a way that the property can be re-mortgaged with other financial agencies provided, that the combined loan is not more than the total amount of loan borrowed.

- (iv) Lack of coordination between the promotional, financial and government agencies pose a big problem to the entrepreneurs. Eventhough, they are inter-dependant with each other in promoting SSI units and entrepreneurial development, they behave like a independent official machinery.

After registration of SSI units with DIC, the registration certificate alongwith strong recommendation should be sent to the financial institutions without any delay by the DIC. So also clearances from the Electricity Board, Municipality, Panchayats, Pollution Board and Tax authorities should be given without delay. It should be monitered by the DIC.

- (v) The procedure for supply of raw materials adopted by the administrative machinery is another problem faced by the entrperenuers. Periodical statements required by the Governments and promotional agencies consumed

the valuable time of the entrepreneurs. Food products units have a better prospects in Tiruchirappalli District but entrepreneurs of this line find it very difficult to adopt merely 63 regulations prescribed by the Government.

Top priority should be given to clearance SSI papers in all Government and promotional agency offices where the paper is forwarded for any kind of approval, sanction and assistance. The rules and regulations to a particular type of industry should like food products be reduced. The officer-in-charge of SSI sector in Government and promotional agencies should take a personal attention and initiative and see that all papers are disposed off within a reasonable time.

- (vi) The rate of interest charged to the loan availed by the SSI entrepreneurs is high when compared to other countries. Most of the units suffered from inadequate funds, and in some cases, the non-availability of working capital leads the unit to become sick. This is further compounded by the delayed and uncertain payment of bills by the parent units to the ancillary units.

The Government should come forward to reduce the rate of interest for lending to SSI units and the repayment should commence only after a gestation period. The entrepreneurs are allowed to enjoy enough breathing time so as to give attention to various teething problems. The Government should implement the "Credit Guarantee Fund Scheme" for SSI sector more effectively.

- (vii) Problems relating to the parent ancillary units relationship have been largely responsible for the deteriorating performance of the ancillary units. Because of this, production is affected and it leads to insufficient work orders, under production capacity utilization, lower turn over, lower profit

and the scope for further expansion. In addition to the above, the attitude of the parent units coupled with Government policies throws the ancillary units into a very difficult corner.

Clear cut rules and regulations for cordial relationship between parent and ancillary units should be strictly enforced. The parent units can help the ancillary units in all the possible aspects. They should treat the ancillary units in a friendly manner. Unnecessary delay in payment should be avoided.

- (viii) Many entrepreneurs have not shown much interest in getting raw-material assistance from SIDCO, since they are able to get the raw materials at a lesser price from SAIL, which gives a considerable reduction in prices for bulk purchases. Hence, open market purchase price of raw-materials are lesser than the prices offered by SIDCO. The services rendered by SIDCO in marketing assistance is also not encouraging.

SIDCO work habits should be changed. DIC may be given powers to regulate the SIDCO and monitor the role and functions of SIDCO. The DIC should make a periodical assessment of raw materials required by the Units and ensure that such raw materials are made available to the units in time at reasonable price. The price of raw materials should be less than that of the prices from open market. Adequate qualitative and steady flow of raw materials in time to SSI units should be supplied. SIDCO should also provide adequate marketing information and assistance to SSI units.

- (ix) Entrepreneurs are not fully aware of the availability of various subsidies and incentives offered by the Government to SSI sector and they have very poor knowledge about the latest technical know-how and developments.

Well designed and systematic Entrepreneurial Development Programmes with participation of psychologist, economist, industrialists and financial institutions may assess the problems of entrepreneurship and may suggest various remedies to develop the entrepreneurs. The DIC and other promotional agencies should organize “entrepreneurs awareness meet” to discuss the various problems and assistances provided by Governments to SSI sector. Printed leaf-lets in regional language is one of the awareness methods. That can be distributed among them as and when necessary. Close monitoring and proper guidance are the prime need of the hour to SSI entrepreneurs.

- (x) The availability of skilled labour locally is a another problem. Even if they are available, they have the tendency to switch over to another industry for various reasons. Employees are more or less unorganized.

The Human Resources Development (HRD) manager can be appointed in SSI units where the total number of employees exceeds 25. The entrepreneurs should think that they are also part and parcel of the unit and should implement the various labour welfare measures such as Bonus, medical allowances, incentives, other Duty (OD) facilities, Provident fund, Gratuity, etc. Regular training and refreshment courses can be conducted to them. The P.F. Rule should be amended in such a way that even if there are 10 workers are employed in an industry and not 20 employees. Labour Laws, Industrial Acts, Labour Welfare Board Laws are amended in such a way so as to give maximum benefits to workers and the above mentioned departments should be brought under a common umbrella. Employees welfare measures should be implemented through GIC.

- (xi) Severe competition in marketing the products of SSI is another significant problem faced by the entrepreneurs. Due to mass and mechanized production, many products are available in the market at cheaper prices than the prices fixed by the SSI entrepreneurs.

“Government purchase programme” can be a major supportive aspect for the promotion of SSI sector. The Government should buy all the products produced by SSI units at a reasonable price and in turn the Government should take care in marketing the products either indigenously or abroad. Then only the unhealthy competition will vanish. Another method of marketing assistance by the Government is the large scale industries are allowed to make design, at par with international standards and requirements and the production technology can be transferred to SSI units for mass production. “Production modernization fund” with 12% subsidy introduced by the Government of India should be implemented effectively.

- (xii) Government agencies like Electricity Board and Tax authorities of both central and State Governments levied a high rate of tax on products of SSI sector which leads to increase in the cost of production. Because of frequent power cuts, the entrepreneurs are also affected. The high rate of sales tax, additional sales tax and excise duty etc, add fuel to fire.

The entrepreneurs should be provided adequate power supply by the Electricity Board. Low power tension connection limit of 150 HP should be increased to 250 HP. The financial institutions should give a liberal loan facility to entrepreneurs to buy power generators so as to render uninterrupted power supply to SSI units. A single tax system with a uniform tax policy in all states should be implemented. The power tariff

charged by the Electricity board to SSI units in India ranges from Rs. 3.50 to Rs. 6.00 per unit. The entrepreneurs will be happy, if the power tariff ranges between Rs. 1.50 to Rs. 2.00, as in the case foreign countries.

- (xiii) Another problem is the lack of infrastructure facilities available to the SSI units. The maintenance of roads, air travel and train facilities are not adequate. Industrial infrastructure facilities should be improved. The roads connecting the nearby towns like Tanjore, Pudukkottai, Dindigul and Chennai should be connected with a bye-pass road. The laying of roads should be periodical and should be maintained properly. The frequency of Air services to various countries and Train services to various places should be increased.
- (xiv) In the name of improving our economy, Government entered into World Trade Organisation (WTO) Agreement in 1995. The SSI sector in the country which claims to employ 3 crores people accounts for 40% of GDP and contributes 35% of total exports and Rs. 7 lakhs SSI units would face the death knell. The Union budget for 2001 – 2002 taken away nearly 814 items exclusively reserved for SSI sector. 1400 products reserved for SSI units have been reduced to 786 products form reserved list. These are all not an encouraging environment for SSI entrepreneurs. The Liberal economic policies of the Government like Globalisation, localization, privatization and liberalization also grips the neck of SSI units not only Tiruchirappalli District but also all over India.

It is suggested that it is not advisable on the part of the Government to enter into agreements with other countries which affecting the growth of SSI units. We should emphasize the WTO that the implementation of existing Agreement need to be addressed in a letter and spirit. There should not be any imbalances and

difficulties in implementation of any agreements between the developing countries. There should be always an urgent need to provide level playing ground for SSI sector.

It is further recommended that setting up of an Information Technology centre like “Tidal Park” at Chennai almost in all Districts in Tamil Nadu where there is a considerable number of SSI units are functioning for the growth and development of entrepreneurship in SSI Sector.

The overall study inferred that the growth and development of entrepreneurship in SSI sector is significant but only a marginal in Tiruchirappalli District. Therefore, the Government and the promotional agencies should take further steps to motivate and encourage the new and young potential entrepreneurs at grass-root level in the proper perspective.