

## Chapter - VI

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## Development Dimensions of SSIs in Thanjavur District - A Survey of Primary Data

This section traces the awareness on the part of SSI units regarding the sources of finance, the problems faced as well as the facilities available. The report is based on primary data collected by administering a specific structured schedule on different aspects of SSIs. A sample of 300 units were selected for interview on the basis of stratified random sampling spread out in all the taluks of the composite district. Among these 45 units were not functioning and 20 units declined to deliver the required data. Another 75 schedules were incomplete and defective. Hence, 160 schedules with complete information were processed, tabulated and the results are detailed below.

The SSI unit have been classified under three categories namely Sole Proprietorship, Partnership and Private Limited Companies - hereafter denoted as Pvt. Ltd. Co in the tables.

**Table 6.1 Nature of Activities of units**

Activities / Organisation	Manufacturing	Repairing	Job Works	Assembling	Total
1. Sole					
Proprietor	72	8	10	8	98
2. Partnership	48	0	8	-	56
3. Pvt.Ltd.Co.	06	0	-	-	6
Total	126 (78.75)	8 (5)	18 (11.25)	8 (5)	160 (100)

Source : Primary Data

The nature of work may differ with the organisation pattern of the industry. Hence the organisation wise activities is taken for consideration and displayed in the Table 6.1. It is found from the table that out of 160 respondents, 98 are sole proprietorship, 56 are partnership and rest of the 6 are Pvt. Ltd. Companies. Further, it is observed that majority of them are doing manufacturing activities and very meagre (5%) are doing repairing and assembling works. Among the 160 respondents, 126 units are engaged in manufacturing, 18 are job workers and rest of the 16 are doing repairing and assembling works. It can be seen that the Pvt. Ltd. Companies do not undertake repairing or job works or assembling.

**Table 6.2 Classification of units based on Nature of Products**

<b>Products / Organisation</b>	<b>Finished</b>	<b>Ancillary</b>	<b>Total</b>
1. Sole Prop.	67	31	98
2. Partnership	41	15	56
3. Pvt. Ltd. Co.	4	2	6
<b>Total</b>	112 (63.7)	48 (36.3)	160 (100)

Source : Primary Data

Generally, the small scale industries are producing ancillary and allied products for the large scale industries. Hence, an attempt is made to find out the

number of units that are engaged in manufacture of finished goods or ancillary products. The nature of production depend upon the ownership pattern of the industry. From the Table 6.2, it is found that 112 out of 160 units are engaged in the production of finished goods and the remaining 58 units in the production of ancillary products. It also indicates that 75% of the units do independent marketing of their products and 25% are dependent on other industries to market their products.

The working of shift system may dependent upon the form of organisation, pattern of production, the demand potential etc.

**Table 6.3 Shift System in the units**

<b>Shift System / Organisation</b>	<b>Single</b>	<b>Double</b>	<b>Triple</b>	<b>Total</b>
1. Sole Prop.	78	20	-	98
2. Partnership	39	11	6	56
3. Pvt.Ltd. Co.	6	-	-	6
<b>Total</b>	123 (76.87)	31 (19.37)	6 (3.76)	160

Source : Primary Data

From the table 6.3, it is observed that 76.87% of units taken for study follow single shift system, 19.37% double shift and 3.76% triple shift systems. This affects capacity utilisation, discussed later.

The majority investment of SSI units are on capital goods in the form of plant and machinery. The investment in the machinery decides the classification of industries as small scale, medium scale and large scale. An attempt has been made to know the extent of investment on machineries. There are three categories namely cash purchase, hire purchase and leased.

**Table 6.4 Machineries Ownership Pattern of the units**

Sources / Organisation	Purchased			Total
	Cash	Hire	Leased	
1. Sole Prop.	80	18	-	98
2. Partnership	34	14	8	56
3. Pvt. Ltd. Co.	6	-	-	6
Total	120 (75)	32 (20)	8 (5)	160

Source : Primary Data

It is observed from the table 6.4 that 75% of the respondents have own machines. Whereas 20% of the respondents have erected their machines on hire purchase basis, the remaining 5% have erected their machines on lease basis. Further, it is found that no Pvt. Ltd. Co., nor sole proprietors have erected machines on lease basis, because leasing is not popular in this area taken for study.

Capital is required for construction of building, purchase of machineries and towards working capital. The fixed capital is available from banks and financial institutions. However, the working capital requirements have to be met by the units themselves. Very few units avail cash credit assistance and overdraft assistance from the banks. An attempt has been made to know the distribution of capital in the units taken for study.

**Table 6.5 Distribution of Capital in the units (Amount Rs. in Lakhs)**

<b>Sources / Organisation</b>	<b>Fixed Capital</b>	<b>Working Capital</b>	<b>Total</b>
1. Sole Prop.	1,83,000 (68.28)	85,000 (31.72)	2,68,000 (100)
2. Partnership	1,95,000 (66.78)	97,000 (33.22)	2,92,000 (100)
3. Pvt. Ltd. Co.	2,40,000 (67.60)	1,15,000 (32.40)	3,55,000 (100)
<b>Total</b>	<b>6,18,000</b> <b>(67.54)</b>	<b>2,97,000</b> <b>(32.46)</b>	<b>9,15,000</b> <b>(100)</b>

Source : Primary Data

Note : The figures in the parenthesis denote percentage.

A total investment of Rs. 9,15,000 has been made by the units. Of this, 67.34% are towards fixed capital and 32.46% are towards working capital.

Among the organisations, investment by limited companies dominates the other two - both in terms of fixed capital and working capital.

**Table 6.6 Sources of Borrowings by the units**

Source / Organisation	Commercial Banks	Financial institutions	Friends & Relatives	Total
1.Sole Prop.	25 (42.38)	20 (71.43)	3 (42.85)	48
2.Partnership	28 (47.45)	8 (28.57)	4 (51.15)	40
3.Pvt. Ltd.Co.,	6 (10.17)	-	-	6
Total	59 (100)	28 (100)	7 (100)	94

Source : Primary Data

Note : The figures in the parenthesis denote the percentage.

Among the 160 SSI units taken for study, 94 units have borrowed from three sources namely commercial banks, financial institutions, friends and relatives. 37% of the total units have borrowed from commercial banks and 18% from financial institutions and 5% from friends and relatives. 40% of the units have not borrowed from any institutions on the sources of debt capital, commercial banks lead the other sources. SSI units coming under priority

sector lending is a reason for the dominance of commercial banks among the sources of finance.

**Table 6.7 Total and Average Amount of Assistance Received by the units.  
(in Rs.)**

Sources / Organisation	Sole Proprietor	Partnership	Pvt.Ltd.Co.	Total
1. Commercial Banks	16,25,000 (65,000)	21,84,000 (78,000)	18,60,000 (3,10,000)	6,69,000 (96,085)
2. State Level Financial Institutions	14,25,000 (95,000)	7,20,000 (1,20,000)	-	21,45,000 (1,02,143)
3. National Level Financial Ins.	2,75,000 (55,000)	2,20,000 (1,10,000)	-	4,95,000 (70,714)
4. Friends & Relatives	1,20,000 (40,000)	1,25,000 (31,250)	-	2,45,000 (99,554)
Total	34,45,000 (71,771)	32,49,000 (81,225)	18,60,000 (3,10,000)	85,54,000 (99,554)

Source : Primary Data

Note : The figures in the brackets denote average amount of assistance.

It is inferred from an analysis of the source-wise amount of assistance for the respondents that the state level financial institution provided more amount than that of others. Because the average amount provided by State Level Financial Institutions is Rs. 1,02,143 whereas it is only Rs. 96,085, Rs. 70714 and Rs. 35,000 by Commercial banks, National Financial Institutions and friends &



relatives respectively. Further, it is found that the Pvt. Ltd. Co., are getting more amount than that of others. Because the average amount received by Pvt. Ltd. Co., is Rs. 3,10,000 and it is Rs. 81,225 and Rs. 71,771 for sole proprietors and partnerships respectively.

### Employment of Labour

The distribution of labour employed in the respondents SSI units can be analysed with the help of the following table.

**Table 6.8 Average Employment of Labour by the units**

Types of Labour / Organisation	Sole Proprietor	Partnership	Pvt. Ltd. Co.
1. Unskilled	12 (38.7)	15 (40.55)	18 (36)
2. Semiskilled	9 (29.05)	8 (21.62)	14 (28)
3. Skilled	6 (19.35)	8 (21.62)	14 (28)
4. Supervisory	2 (6.45)	4 (10.81)	4 (8)
5. Family members / owners	2 (6.45)	2 (5.40)	-
<b>Total</b>	<b>31 (100)</b>	<b>37 (100)</b>	<b>50 (100)</b>

Source : Primary Data

Note : The figures in the parenthesis denote percentage of average numbers of different types of labours.

The average number of persons employed is higher in Pvt. Ltd. Cos followed by partnership and sole proprietorship. Among the categories of employees unskilled are maximum in partnership, semiskilled in proprietorship, skilled in limited companies, supervisory in the partnership and family labour in the proprietorship units respectively.

Needless to say that the location of industries is one of the important factors for its effective functioning. Hence, the ownership wise the location of industries is taken for analysis.

**Table 6.9 Location of units**

Location / Organisation	Industrial Estate		Outside of Industrial Estate		Total	
	No.	%	No.	%	No.	%
1. Sole Proprietor	60	61.22	38	38.75	98	100
2. Partnership	38	67.85	18	32.15	56	100
3. Pvt. Ltd. Co.	2	33.33	4	66.67	6	100
Total	100	62.50	60	37.50	160	100

It is seen from the table 6.9 that out of 160 industries nearly two-third (62.50%) are located in the Industrial Estate area and rest are located outside the industrial estate area. Further it is observed that among the three

categories, most of sole proprietor units and partnership units are located in industrial estates whereas most of the private limited companies do not prefer the industrial estate area.

The survival of any firm mainly depend upon the quality of its products. The quality is standardised by various agencies. Here, the ownership-wise standard of its products is exhibited in Table 6.10.

**Table 6.10 Quality Status of the products of the units**

Quality Status / Organisation	I S I		Non ISI		Total	
	No.	%	No.	%	No.	%
1. Sole Proprietor	56	57.14	42	42.86	98	100
2. Partnership	28	50	28	50	56	100
3. Pvt. Ltd. Co.	2	33.33	4	66.67	6	100
Total	86	53.75	74	46.25	160	100

Source : Primary Data

It is found about 46.25% of the units' products do not conform to ISI. Further it is seen that among the three categories 57% of the sole proprietorships' products are standardised and only 33.33% of the Pvt. Ltd.

Co., produce standard products. But in the case of partnership firms, 50% of the units produce standard products as per ISI.

Pattern of organisation of the units decides the total and average value of production.

**Table 6.11 Total and Average value of production by the units**

<b>Value of Production / Organisations</b>	<b>Total Value of Products Rs. in Lakhs</b>	<b>Average Value of Products (in Rs.)</b>
1. Sole Proprietor	525.28	5,36,000
2. Partnership	283.08	5,05,500
3. Pvt. Ltd. Co.	34.38	5,73,000
<b>Total</b>	<b>842.74</b>	<b>5,26,713</b>

Source : Primary Data

The average value of production differs among respondent units. The average value of annual production is the lowest for partnership firms and highest for Pvt. Ltd. Co. It is calculated that the annual average production of sole proprietor firms is about Rs. 5,36,000 and it is Rs. 5,05,500 and Rs. 5,73,000 for partnership firms and Pvt. Ltd. Co., respectively. Since the number of units of sole proprietorship is maximum among units taken for study, the value of total

production is maximum. Similarly, 6 units of Pvt. Ltd. has produce though a lesser total value of products, a higher average value of products.

Needless to say that the capacity utilisation of a particular firm is very much important for its survival as it influences the production, employment, etc. Hence, the capacity utilisation is taken for analysis.

**Table 6.12 Distribution of units as per Capacity Utilisation**

Capacity Utilisation / Ownership	60 - 70 %		71 - 80 %		80 % & above		Total
	No.	%	No.	%	No.	%	
1. Sole Proprietor	28	28.60	45	45.90	25	25.50	98
2. Partnership	19	33.90	28	50	9	16.10	56
3. Pvt..Ltd. Co.	1	16.70	2	33.30	3	50	6
Total	48	30	75	46.88	37	23.12	160

Source : Primary Data

It is found from this study that only 37 industries utilise more than 80% of installed capacity. It is pathetic to observe that 48 units utilise less than 70% of installed capacity and 75 units utilise less than 80% .

The capacity utilisation of a firm is influenced by many factors viz., demand for the product, power supply, finance availability, labour, raw material availability etc.

**Table 6.13 Problems faced by the units**

<b>Organisation / Reasons</b>	<b>Sole Prop.</b>	<b>Partnership</b>	<b>Pvt. Ltd. Co.</b>	<b>Total</b>
1. Lack of Demand	72 (63.16)	40 (35.08)	2 (1.76)	114 (71.25)
2. Power Shortage	40 (42.10)	52 (54.74)	3 (3.16)	95 (59.38)
3. Lack of Finance	82 (63.56)	43 (33.33)	4 (3.11)	129 (80.63)
4. Labour Problem	52 (53.32)	39 (41.49)	3 (3.19)	94 (58.75)
5. Lack of material	65 (55.55)	48 (41.02)	4 (3.43)	117 (73.13)
6. Others	41 (64.06)	22 (34.38)	1 (01.56)	64 (40.00)

Source : Primary Data

It is found from the study of the above mentioned factors, 129 of the industrial units are facing the problem of lack of finance followed by lack of raw material availability by 117 units, lack of demand by 114 units, power shortage by 95 units, labour supply by 94 units and others by 64 units. The table also

reveals that sole proprietorship firms face problems of lack of demand, finance, labour and material.

Procurement of raw materials may be from local markets or from the same district or from the same state or imported from other countries.

**Table 6.14 Sources of Raw Material Supply to the units**

Organisation / Sources	Sole Proprietor	Partnership	Pvt. Ltd. Co.	Total
1. Same Town	22 (22.45)	15 (26.78)	2 (33.33)	39 (24.38)
2. Same District	40 (40.83)	21 (37.50)	-	61 (38.12)
3. Same State	18 (18.36)	12 (21.43)	2 (33.33)	32 (20)
4. Outside the State	18 (18.36)	8 (14.29)	6 (33.33)	28 (17.50)
<b>Total</b>	<b>98</b>	<b>56</b>	<b>6</b>	<b>160</b>

Source : Primary Data

In the sample units, majority (61) of the units are purchasing their raw materials from the same district followed by same town (39), same state (32), and 28 industries are importing their raw materials from other countries. This variation may be because of the nature of the products of these industries. All the

Pvt. Ltd. Companies procure their raw material outside the state in addition to purchase from within the state.

**Table 6.15 Sources of Demand for the products of the units**

<b>Organisation / Sources</b>	<b>Sole Proprietor</b>	<b>Partnership</b>	<b>Pvt. Ltd. Co.</b>	<b>Total</b>
1. Large Scale Producer	28 (28.57)	6 (10.73)	2 (33.33)	36 (22.50)
2. Small Scale Producer	15 (15.31)	8 (14.28)	-	23 (14.37)
3. Traders	25 (25.51)	24 (42.85)	4 (66.67)	53 (33.13)
4. Direct Consumers	22 (22.44)	15 (26.78)	-	37 (23.13)
5. Government Dept.	8 (8.16)	3 (5.36)	-	11 (6.87)
<b>Total</b>	<b>98 (100)</b>	<b>56 (100)</b>	<b>6 (100)</b>	<b>160 (100)</b>

Source : Primary Data

Note : Figure in the parenthesis denote the percentage.

As the sources of raw material supply, there are various sources available based on the demand for the product. The demand of organisation wise sources of 160 sample units for the products is given in the Table 6.15. 53 units sell their products to traders, 37 to consumers, 36 to large scale



producers, 23 to small scale producers and 1 to government departments. Private Ltd. Cos taken for study sell their output to traders and large-scale producers. Nearly 43% of partnership firm sell their products to traders. About 29% of sole proprietorship units have large-scale producers as their customers.

The respondents' opinions towards the formalities to be fulfilled, time taken for sanctioning loan, repayment period are taken for analysis and provided in the Table 6.16.

**Table 6.16 Industrialists Opinions towards Finance**

Creeds / Organisation	Repayment Period			Time Taken for Sanction			Formalities		
	Low	Normal	High	Low	Normal	High	Low	Normal	High
1. Sole Proprietor	20	36	40	6	12	80	8	18	72
2. Partnership	18	22	18	6	8	42	6	12	38
3. Pvt.Ltd.Co.	-	6	-	2	-	4	4	-	2
<b>Total</b>	<b>38</b>	<b>64</b>	<b>58</b>	<b>14</b>	<b>20</b>	<b>26</b>	<b>18</b>	<b>30</b>	<b>112</b>

With regard to the repayment period 64 respondents are of opinion that it is normal while 38 feel that the repayment period is very low and remaining 58 are of opinion that it is very high. About 112 industrialists feel that there are too

much formalities in getting finance and only 18 feel that the formalities are very less. Further, in the case of the duration of sanction of loan, more than three-fourth (126) are of opinion that the duration is very high for sanctioning loan and only 14 hold the view that the duration is low.

# TESTING OF HYPOTHESES

The following hypotheses have been framed based on the existing literature and objectives of the present study.

## **Hypothesis 1 :**

Among the SSI units in the study region which is agrarian, Food industry is dominant.

With regard to find out among various types of industries, which industry is dominant, the above mentioned hypothesis is framed.

It is found that in the study area there are 3596 industries of 17 heads. Among these industries the number of food industries is the maximum which accounts to 942, about. Further, in the case of industry-wise investment, the share of food industry is registered as 42.32% to the total investment and it is also witnessed that about 30% of the total production is from the food industry.

From the above facts, it is clearly observed that among the various industries, the food industry has a commandable place. Hence, **the hypothesis is accepted.**

## **Hypothesis 2 :**

With the view to compare the industrial pattern of the district with the state, three main indicators have been taken and framed the following hypothesis. The

investment, employment and production pattern of the units in the study district is on the same pattern of the SSI units of the state of Tamilnadu.

The above hypothesis is tested with the help of simple correlation and the result found that there is a high positive correlation between the district and state in all the three parameters.

The r value of the Investment is 0.95

The r value of the Employment is 0.97

The r value of the Production is 0.98.

From the above facts, **the hypothesis is accepted and proved.**

### **Hypothesis 3 :**

In order to find out whether the SSI units in this district are economically viable or not ? and to compare with the state, the following hypothesis has been framed.

The economic viability of the SSI units in the study district is not deviant from the SSI units of the state of TamilNadu.

In order to test the above hypothesis, the main economic variables have been taken and ratio analysis is used. The economic viability is found through the following three ratios.

1. Capital-Output ratio
2. Labour-Output ratio and
3. Capital-Labour ratio.

$$\text{The Capital-Output ratio} = \frac{\text{Capital Investments}}{\text{Total Output}}$$

$$\text{The Capital-Labour ratio} = \frac{\text{Capital Investments}}{\text{Total number of Employees}}$$

$$\text{The Labour-Output ratio} = \frac{\text{Total No. of Employees}}{\text{Total Output}}$$

The results obtained from the above calculation are tabulated here.

S.No	Ratio	District	State
1	Capital-Output	0.37	0.48
2	Labour-Output	0.36	0.85
3	Capital-Labour	0.13	0.10

Chapter - VI

Page No	Paragraph	Line	As it is	As it should be
105	Table 6.1		Add year 1996	
107	Second	I	dependent	depend
119	Last	III	roducts	Products
120	Table 6.16		Source primary data	
121 (i)	Second	I	agranian	agrarian
	Fourth	III	942, about	delete about
	Fifth	II	the hypothesis is accepted	the hypothesis is supported by the data
121 (ii)	Third		the hypothesis is accepted and proved	the hypothesis is supported by data
	Fourth	II	viable or not ?	viable or not

### Testing of Hypothesis (121 i)

**Hypothesis II** - To test the r value, whether it is significant or not, the 't' test has been used. i.e.

$$t = \frac{r}{\sqrt{1-r^2}}$$

Here the r value for investment = 
$$\frac{0.95}{\sqrt{1-(0.95)^2}}$$

The r value for employment = 
$$\frac{0.97}{\sqrt{1-(0.97)^2}}$$

and

The r value for Production = 
$$\frac{0.98}{\sqrt{1-(0.98)^2}}$$

From the above analysis it is observed that there is a significant relationship registered at 1% level in all the three cases. Hence the Hypothesis is highly supported by the data.

### **(121 iii) Hypothesis III**

At the end of the table include -

From the above results it could be concluded that there is no significant difference between the State and District Small Industries in the cases of capital - output ratio and capital - labour ratio since the difference in the Capital - output ratio is only 0.11 and the capital - labour ratio is only 0.3. However, there is a fabulous difference registered in the case of labour - output ratio between the State and District SSI's since the difference is 0.49.