

Chapter - IX

FINDINGS AND CONCLUSIONS

Introduction

An analysis of the primary and secondary data in the last four chapters has thrown light on the performance of the Small Scale Units in the study area. The inter and intra district comparison provides further information on the comparative status of the units in this district. An attempt has been made to compare the status of small industries of the study area with that of the status of similar units at the state and national level. A study of the incentives and financial assistance received by the units, irrespective of the amount and number of beneficiaries is another objective of study. The findings on all these aspects are summarised, followed by policy implications are given in this chapter.

FINDINGS

(i) Food products, (ii) metal products and alloys, (iii) drugs and pharmaceuticals, (iv) electronic and electricals, (v) chemicals, (vi) textile manufacturers and (vii) other industries consisting of paper, tobacco, rubber wood, polishing of artificial diamonds are the 7 classified small scale units functioning in Thanjavur district.

A analysis of the number of registered SSI units shows change of growth index from 100 (1982-83) 228.41 (1991-92) from 1721 units in 1982-83 to 3931 in 1991-92.

A comparative analysis of classified industries indicates maximum growth in the case of metals and alloys units. Textile units take the last position.

Drugs, chemicals, electronics units exhibit declining trend due to sickness.

37% of 3931 SSI units have a long period of 16 years or above existence where as 19% have 5 years or less of existence.

3522 (89.60%) of 3931 units in the district taken for study are proprietary units while 393 (10%) and 17 (40%) are partnership and private limited companies respectively.

The district taken for study being an agrarian one, food industry has a major share of 37% in the total involvement made by all the SSI units of 3596.

An analysis of composition of investment shows that average investment in land and building by the SSI units in Thanjavur district is Rs 92 lakhs - lesser than the national average of Rs 1.6 lakhs and state land average of Rs 1.9 lakhs.

Average investment in plant and machinery by SSI units of the district is lesser than national and state averages.

Average fixed capital comprising investment in land and building and in plant and machinery is high in basic metal industries followed by food products, textiles, rubber and plastic industries.

Among the SSI units of the district, average fixed capital in plant and equipment is high in the case of basic metal units. But average fixed capital in land and building is high in the case of cotton textile units.

Average number of persons employed per SSI unit of the district is 13 whereas the national average employment per SSI unit is 6.29 and the state level average employment per SSI unit is 9 as per second census of 1992.

Among the 7 categories of SSI units of Thanjavur district, food industry performs better than other types of industries in the provision of employment.

The average value of production per unit of SSI units of the district taken for study is lesser than the state and national averages.

The value of production to an extent depends upon the amount of capital employed by the units.

Ratio Analysis shows that the average capital per labour employed is Rs 13 lakhs - higher than the national average of Rs 0.06 lakhs.

Net value added by manufacture per worker is lesser than the national average, but more than that of state level.

Irrespective of the form of organisation, mainline of activity of the 160 units taken as sample is manufacturing of finished goods. Nearly 64% of sample units produce finished products and 36% of the units produce ancillary products and carry on job works, repairing and assembling.

Seventy seven percent of the units taken as sample work on single shift while 19% and 4% of the units work on double and triple shift system respectively.

Majority of units prefer purchase of machineries either for cash or through bank assistance. Leasing is not popular among the sampled units.

54% of the units taken for study produce their products as per ISI Standard which reflect the quality consciousness of the units.

Private limited companies excell other forms of organisation in average value of products, through not in total value.

23% of the units taken for study have more than 80% capacity utilisation, 47% use 70-80% capacity and 30% use less than 70% of installed capacity.

Lack of finance is the dominant problem faced by the units taken for study followed by lack of material, demand and labour. More than 50% of the sample units face all the problems.

The sample units procure by and large within the state and especially within the district. Location is influenced by availability of raw material.

Among the sources of demand for the products of 160 units, traders are the major buyers followed by largescale producers and consumers. 32 units alone sell their products to the government department.

70% of sample units feel of too rigid formalities while 18% feel the formalities being normal. Single proprietorship firms complain too high formalities and too long period taken for sanction of loan.

During the period under study, in the bifurcated district of Thanjavur, Capital subsidy distributed to eligible applications has not crossed Rs 1 Crore.

Though industrial units in the state suffer from power shortage in general, generator subsidy has not been utilised by the units effectively. During the period taken for study, only two units are the beneficiaries. Generator subsidy to one unit though sanctioned was not distributed.

Low tension power tariff subsidy utilisation by the eligible units is found satisfactory - major beneficiary being chemical units. After bifurcation, of the district, in the newly formed Nagai-Quaid-E-Milleth district, the number of applications for capital subsidy is poor. Again amount sanctioned was not also distributed. LTPT subsidy, though sanctioned was not also distributed.

92 units of 160 taken for study face raw material problem. Non-availability of specified, quality yarn, fluctuations in the price of yarn in the case of textile units, poor quality of raw material in chemical units, containersation of imported raw material in general are some of the problems of raw material.

63% of 92 units procure their raw material locally while remaining units procure from outside.

While private limited companies with secretarial assistance and finance do not suffer from the problem of raw material, its incidence is high in the case of single proprietorship.

Road transport is the major system in this district. Rubber, chemical, plastic and metal units suffer from higher cost of and dependence on road transport.

Two third of 160 units reported shortage of power. Partnership firms are major sufferers followed by sole proprietorship concerns.

Poor productivity of labour is another problem in the study area due to larger employment of unskilled workers. Unskilled and semiskilled workers form 70% in the sample units. Absenteeism due to migration to agriculture in search of higher wages during harvest is another contributory factory to low production. Proprietary concerns reported this problem, while no private limited company faces this problem.

Largescale and small scale units, traders, government, consumers buy the products of sample units. But government demand for the products of these units is only 7% with 23% of demand from the consumers. As 70% of the output of these units reach smallscale and largescale manufacturers and traders, the price is unremunerative.

Sample units located in 3 industrial estates of this district face problems of lack of banking, postal, hospital and educational facilities. Thus, the inadequate infrastructure facilities of these industrial estates affect the working of the units housed in them.

93 out of 160 units use borrowed funds and face problems of varying nature. 73 units complain that undue delay is high in sanctioning loan, 65 units report rigid formalities stipulated while more than 2/3 express that the problem of period of repayment is high.

Cost of borrowed capital is reported to be high in sample units compared to the provision of institutional finance to large scale units. Again fiscal incentives can be claimed in the case of purchase of machinery and generator while no assistance is provided towards working capital.

Only 83 units have availed Sales Tax Deferred Scheme (Sales tax due to government used by the units as interest-free capital for first five years from inception with a odd provision for ten years). Applicability to registered and new units, delay in sanction, amount being proportionate to sales income and rate of tax and ignorance of the scheme are some of the reasons put forward by non-users.

It is observed from the survey that socially people of this district are risk avoiders with total absence of innovation and lack of motivation. Educated migrate to nearby urban and in search of jobs, whose entrepreneurship is also insignificant.

Policy implications for promotion of SSI

Role of DIC

The current industrial policy and its relevance to the promotion of SSI is not known to the budding as well as existing units in the district. Promotional measures are to be enlightened by the District industries centre. The General Manager DIC has to contact the District Small Industries Association and conduct periodical seminars, Expert lectures on current changes in the policy of the Government. A tamil translation of the policy may be

published in the monthly bulletins published by the Associations. The DIC can observe every Monday as SSI Grievance day and the officials are to be made available on these days in their offices to know problems and provide satisfactory solutions. Seminars are to be arranged for the benefit of SSI units with the help of College Professors, Bank officials, Electricity Department Engineers, Factory Inspectors and other experts periodically for dissemination of information, for proper education and for appropriate measures.

Pollution Control

Development and environment degradation go together irrespective of the sector. Use of fertilizers and pesticides are not only health hazards, but extensive use endangers even the crop. Extensive use of detergents by house hold, construction of multistoried buildings without drinking water and drainage facilities, use of Airconditioners, fridges etc are all affecting the eco system. However pollution control measures are enforced in letter and spirit only in the SSI sector. All SSI units are to strictly adhere to these regulations and violation may lead to and cancellation of licence. Locating SSI units in industrial estates will be a solution. In the case of tiny units exempting them from pollution control measures will be beneficial to the units.

Public sector and Ancillary units

Small industries are preferred for their provisions employment opportunities, indigeneous technology, low overhead cost, effective utilisation of raw material etc. Even in developed countries like America and Japan they

do exist and contribute to the nation in many ways. There they serve as ancillary industries meeting the demand for inputs by large scale industries. SSI units in India too are successful when they serve as ancillary units manufacturing automobile components. The success or failure of these units depend upon the success or failure of their dependent major industries. In the absence of any major industrial unit the opportunities for the growth of SSI units is also dismal. Trichy and Pudukottai are developed due to the existence of BHEL, Trichy. Similar Public sector large scale units in the study area will serve as a nuclei for the development of SSI units. The composite Thanjavur District has a long coastal belt, most suitable for chemical and fertilizer industry. In addition, the availability of salt at Vedaranyam provide immense scope for salt-based chemical industry. The availability of natural gas and crude has also heightened the scope for gas based industries. All these only point out the need for a large public sector unit which in turn will generate a number of ancillary small units.

Franchise units

The success story of Thirupur hosiery units of South India, Velvet Shampoo of Pondicherry, Mysore lamps at Madras are a few examples of how in consumer product line, SSI units can prosper and grow. Today Brand image is a major marketing problem. Though India is a world leader in leather, yet in leather product exports, it is lagging behind. Similar is the case of Readymade garments of India. SSI units cannot compete in consumer products with multinational corporations because of their research and development activities as

well as their aggressive sales promotion techniques. Lever, P & G, Brooke Bond, Britannia, Colgate are the leader in market on this count. It is futile to compete with these leaders. However there is nothing wrong to serve as Franchisee, manufacturing on their behalf. The knowhow, machinery, capital goods, major inputs are supplied by the large units with a brand image. The SSI units have to process them, pack them and supply them in that brand, at the price fixed. The margin of profit may be low but this solves the technical problems, marketing problems and at the sametime provide opportunities for self-employment as well as equitable distribution of income.

Quality Control

Quality and precision are the utmost requirement in the space age and computer dominated society. India is slowly inching towards ISO from BSI and ISI. With liberalisation and globalisation the need for quality control, is being felt by every industrial unit. However there are no proper guidance and machinery to educate on this line, SSI units in this part of the state. The entrepreneurs are to be motivated, trained and provided facilities towards quality control. Compromise of quality to control cost will be suicidal on the part of SSI units. The small Industries service institute has to take a leading role in this line. The government can also encourage by offering incentives towards purchase of quality control equipments. Purchase of Government agencies from these quality products may offer higher prices based on quality and standard.

Incentives

The package of incentive schemes will have to be different depending upon whether small industry is in competition with, independent of or ancillary to large industry. Incentives need not be extended to units making use of outmoded technology. Incentives may be offered for quality improvement, research and development. Subsidy is only misappropriated and hence all types of subsidy scheme may be withdrawn. Tax concessions on improving production and productivity should not be limited.

Policy implications for survival of small industry

The present economic scenario of liberalisation and globalisation puts forth the question whether small industry can survive? In this connection one has to understand that small industry alone can meet the variety of choice required by the consumer at a competitive price. An egalitarian society is possible only when income is distributed through small industries. Balancing of development in all the areas depends on the development of small industry. Independent action, innovations are possible through small entrepreneurs. Entrepreneurship has to be developed among all castes and community so that national integration and social unity can be realised in a smooth manner.

The performance of small units are not encouraging and empirical evidence are in support of this. It is due to structural and operational factors, certain products are capital intensive (T.V.'s, software etc). Production is at a low level. Capacity utilisation is poor on account of market, infrastructure, finance

etc. Over crowding in one industry and demonstration effect in production are the other ills.

Assistance to small industry should be for improving the efficiency of the units and to make them healthy and viable. Assistance should not be delayed when there is real need. There is also waste of assistance by spurious entrepreneurs. They either sell the benefits or waste them. Reservation of items should be based on a scientific study and it should be made only after assessing the capability and viability at the small scale level.

Preferential treatment of the small industry by the Government has to continue till the handicaps to the SSI are rooted out. There arises the need for a study of the following :

1. Resources of the government
2. Productivity of resources in other public utilities like health and education ;
3. Demand for the products and its growth ;
4. Availability of complimentary resources, technical and marketing skills ;
5. Causes of sickness ;
6. Efficiency of SSI units in marketing the product ; and
7. Impact of assistance programmes by the Government.

Conclusion

Independent studies on development are unbiased and throws light on the performance of various sectors of the economy. Such studies provide the base for Micro level planning and District Planning. Success or failure of the various programmes instituted by the Government are brought to light. A study of small scale industry in composite Thanjavur District requires further in depth study after the trifurcation of the district. Marketing of products will be efficient only when the marketing strategy is surveyed and compared with that of large units as well as in the another parts of the country. A study of the technology observed in different industries and the comparative technologies in other areas will be helpful both within and outside the district. Thanjavur district being agriculture dominated, working of Agro industries and the terms of trade between agricultural inputs and outputs is another area yet to be studied. This study has not paid attention to the Labour welfare in the small units of Thanjavur district for others to pursue. When compared to other planets earth is beautiful because it is small. When compared to the resource availability and resource utilisation by the large units, with that of small units small is beautiful. Small is beautiful because it can be shaped with ease and maintained at ease. Small will ever remain beautiful as long as it is cared and taken care of.

Chapter - IX

S No	Paragraph	Line	As it is	As it should be
1	Third	I	a analysis	an analysis
2	Fifth	II	total involvement	total investment
2	Fifth	II	SSI units of 3591	SSI units of 3931
2	Sixth	II	Rs. 92 lakhs	0.92 lakhs
3	Eighth	II	trible	triple
4	Second	IV	was not also	was also not
4	Second	V	was not also	was also not
5	Second	IV	factory	factor
6	Fourth	III	indsutrial	industrial
7	Third	III	Urban and in	Urban area in
8	Third	I	Provisions	Provision of
8	Third	II	indigneous	indigenous
9	First	VIII	nits	units
0	First	II	leader	leaders
1	First	VI	" Tax concessions on improving Production and Productivity is worthwhile"	
3	First	VIII	another	other