Chapter VII

SUMMARY OF FINDINGS, CONCLUSION AND SUGGESTIONS

The research work entitled Problems and prospects of SSIs in Tamil Nadu with special reference to Thanjavur District is an analytical study conducted with specific objectives. Various problems which stand in the way of the growth the small scale industries are analysed.

FINDINGS

- Small-scale industry constitutes a very important segment in the Indian economy. In 2003-04 small sector accounts for about 35 per cent of industrial production, about 40 per cent of exports and 60 per cent of employment opportunities in India.

- Before independence small-scale industries had flourished in India. They were the principal source of income and employment and their excellence and artistic skill.

- After independence, there was an outlay of Rs.5.20 crores only for small scale sector in the First Five-Year plan (1951-1956) which rose to Rs.3,499 crores in the Tenth Five-Year plan (2002-2007) showing nearly 673 times increase in four decades which shows the sincerity and interest of the Government of India in the development of this sector.

- The third census of SSI units permanently registered up to 31, 2001 numbering 22, 62, 40 were surveyed of which 61 per cent units were found to be working and 39 units per cent were found to be closed. The fired investment (Pet unit) has gone up from Rs.1.60 to 6.68 lakhs and the employment (Pet unit) has gone down from 6.29 to 4.48 persons. This could so due to technological upgradation.
A global perspective of business is emerging fast not only in India, but also all over the world including the communist countries.

World Trade Organisation began on 1st January 1995. The WTO legal system benefits SSIs both the exporters and importers.

The provisions for the food processing industry in the WTO are discussed under the agreement of agriculture. These agreement measures have been accorded high priority with fiscal incentives to food processing and agro industries, textile products in the market of both developing and developed countries.

The post WTO era is bound to bring out the drastic changes in the leather sector in India. The removal of QRs will lead to the flooding of the market with cheap foreign goods.

Under the WTO Regime on SSIs in particular have resulted in an adverse impact on the SSI sector. The SSIs are already reeling under the acute scarcity since 1991, with about 2.21 lakhs of units becoming sick leading to loss of jobs for 7 lakhs of workers.

Tamil Nadu was witnessed a faster transformation from agriculture to industrial advancement in the recent years.

Tamil Nadu has rich and abundant natural resources and cheap and peaceful labour.

The state has adequate power supply. It has also recorded a steady growth in the number of large and medium industries. Small-scale sectors are assuming a greater role in the further industrialisation of the state.

In 1994-1995 themes were only 79.60 lakhs SSI units in India. By 2003-2004, the number of registered factories jumped to 113.95 lakhs units. It is noted that the total number of small-scale industries have been increased steadily at 4.07 per cent.

By the end of 2003-2004, the 2 total fixed investment in small scale industries went to Rs.1,70,726 crores from only Rs.1,23,790 crores in
1994-1995. The average investment growth rate is 3.26 per cent in the study period.

- The total employment of small-scale industry was 191.40 lakhs in 1994-1995 and it has been increased to 271.36 lakhs employment in 2003-2004. The average increased value is 3.97 per cent over the period.

- The large-scale sector has provided 14.3 per cent employment only for the total number of workers engaged in various segments in the country. But the small-scale sector has provided 60 per cent employment in India.

- At present there are 2046 items and 8000 varieties of products being manufactured by SSIs over the year. The small scale industries have been growing by leaps and bounds. The share of SSIs in gross value which output the entire manufacturing sector is estimated to be 41 per cent.

- In India, the production of small scale industries in current prices is more than 34 times of value increased over the period. By analyzing this progressive increase, the researcher has highlighted that the trend in the period 2003-04 will create a remarkable progress in this field.

- In the year 1994-1995 the value of 4 exports was Rs.29,068 crores and it has increased to Rs.86,013 crores in the year of 2002-2003. The average 12.81 per cent of exports value has increased year-by-year.

- The credit facilities to SSI sector from all public sector banks in India. In 31st March 2000, the credit to SSI was Rs.45,788 crores and it has been increase to Rs.58,277 crores in 31st March 2004.

- The implementation of policies and various programmes / project / schemes for providing infrastructure and support service to small enterprises is undertaken through various national level organisations such as, SIDO, NSIC, NCIUS, NISIET, NIESBUD, IIE, SSIB, NIED, NSIC, SIETI, NPC, RTC, SIDBI, KVIC, SISI and NEDB.

- The state is industrialised with about 0.13 lakhs large and medium scale industries and 4.74 lakhs small scale industries in 2003-2004.
The infrastructure facilities are not only adequate for the existing industrial units but also sufficient to the units to be set up in the near future.

There are a good number of industry-promoting agencies functioning in the state. They have made a mark in the development of the state industry and their services are appreciable in this regard.

TANSIDCO was established in October 1970 with the specific objective to promote and develop the small scale industries in Tamil Nadu. It has developed 39 industrial estates and also managed 35 government industrial estates on agency terms. The distribution of raw materials by TANSIDCO is 8351.389 MTs in 2002-2003 and 9939.452 MTs in 2003-2004.

The financial performance of the TANSIDCO is the evidence of the successful work of this corporation. In 2002-2003 the net worth was Rs.910.50 lakhs. This net worth has increased to Rs.911.93 lakhs in 2003-2004.

Tamil Nadu Small Industries Corporation Limited (TANSI) is a conglomeration of small industries units which started during initial plan periods spread all over the state.

TANSI has been supplying goods and services of small industries to the state and central government departments, public sector undertakings as well as the general public. The achievement during 2002-2003 is Rs.4249.86 lakhs of production and Rs.4282.79 lakhs of sales. It has increased to Rs.5040.19 of production and Rs.5050.52 of sales in the year 2003-2004.

The SIPCOT was set up in 1971 as a public limited company fully owned by the Government of Tamil Nadu with the specific objectives of playing a catalytic role in the promotion and development of major industries in the private sector and to hasten the industrial dispersal in backward and under developed areas of the state.
As on 31st March 2004, a total of 1,127 units was allotted in SIPCOT complexes with 722 projects. It has performed 80,021 employment potential with Rs.15,542.45 crores of total capital value. The international technology park at Siruseri has promoted 4,972 new technical employments with 25 projects. This is an example for the growth of SIPCOT.

TIIC is sponsored by the Government of Tamil Nadu. It was incorporated in March 1949 and it commenced its operation on September 1949 with 15 branch offices spread over the State of Tamil Nadu. TIIC endeavours for the industrial development of the state by providing long-term loans.

TIIC was sanctioned Rs.200.30 crores on 1630 proposals of various units in 2003-2004. The rehabilitation of sick units has increased ranging between from 0.76 to 24.06 per cent in 2003-2004.

The Tamil Nadu Industrial Co-operative Bank Limited was established in 1961. Presently, there are 327 Industrial Cooperative Societies with a total membership of 63,150 registrations as a sales turnover of as 260.39 crores during 2002-2003.

The total registered small industries in Tamil Nadu in the year 1994-1995, 2,62,642 SSIs were functioning in the state and it has increased to 4,74,699 units in 2003-2004.

The value of investment of small scale industries in Tamil Nadu is being increased from Rs.5,12,609 lakhs in 1994-1995 to Rs.13,29,150 lakhs in 2003-2004.

Small industries are by nature inherent of labour intensives, providing employment at an increased rate which is evident from the observed data. The number of persons employed in the year 1994-1995 is 15,73,226 which increased upto 34,64,600 in the year 2003-2004.
The production made by SSIs in Tamil Nadu shows an increasing trend every year and it was Rs.39,92,160 lakhs in 1994-1995 and Rs.94,93,980 lakhs in 2003-2004.

In 1994-95 the percentage of increase in the trend of SSIs in India is 4.06 and the percentage of Tamil Nadu in SSIs all over India is 8.98. In 2003-2004 the percentile value of SSIs in India is 4.07. Compared to Tamil Nadu, it is 5.74 per cent in all over India.

The share of Tamil Nadu investment in the total investment from India has gradually increased. The share contribution by Tamil Nadu in the total value of investment for India has risen from 4.14 to 7.78 per cent 1994-1995 and 2003-2004 respectively.

In 2003-2004, the total number of persons employed in the sector was only 34.64 lakhs persons. The share contribution of employment by Tamil Nadu in total number of employment for India has risen from 8.21 to 12.76 per cent 1994-1995 and 2003-2004 respectively.

With a view to provide assistance to small scale industries under one root, DIC has been purchasing the basic objectives by assisting optimum utilisation in the existing industries.

6,586 persons were benefited from 6 schemes, a total amount of Rs.1153.89 lakhs were sanctioned by the financial institutions in the year 2000-01 and 2003-04 under the recommendation of the District Industries Centre, Thanjavur. The total amount of Rs.243.50 lakhs was distributed in the way of different types of subsidiaries to the small entrepreneurs for the area under study.

Prime Minister’s Rozgar Yojana (PMRY) was launched at 2nd October 1993 to assist the educated unemployed youth to set up self-employment ventures. In 2002-2003, a maximum (90%) of projects were recommended to get the bone assistance for initial capital.

On 28th June 2002, the Government of Tamil Nadu has announced a scheme called ‘New Anna Marumalarchi Thittam’. It has been
promoting Industrial Investment in rural areas under small-scale sector particularly on agro based industries in order to improve the employment generation in the rural areas. In 2003-2004 only 50 applications were received. But 38 per cent of the applications were approved by the District Committee. Finally 16 applications were selected by the State Board.

❖ Thanjavur district has been functioning as a branch of TIIC, and it has sanctioned the loan amount of Rs.21.60 lakhs in 2003-2004.

❖ SIDCO (Thanjavur region) has so far established five industrial estates with 81 sheds and it has constructed of the size of the locations ranging between 200 and 600 sq.ft to benefit small entrepreneurs.

❖ NABARD has sanctioned a project worth of Rs.14.50 crores financial assistance order the Rural Infrastructure Development fund, for strengthening of one 110/33 K.V. Sub station and Seven 33/11 K.V. Stations to reduce power transmission losses.

❖ The performance of all banks including co-operative is good in the past with the available infrastructure facilities the same trend may continue in the future.

❖ In 2003-2004, 15,277 units were registered, and 4791 units are registered from 1994-95 to 2003-2004. The average percentage of growth of SSI is 4.46 during the study period in Thanjavur District.

❖ The investment in small industry has been growing considerably. By the end of 2003-2004 the total investment in SSIs went up to Rs.23,22,104 lakhs from only Rs.15,41,442 lakhs in 1994-1995. The average percentage of investment is 4.92 in Thanjavur district.

❖ In this year 1994-1995, the total employment of SSIs was 27,264 persons and it has been increased to 35,132 persons in the year 2003-2004. The average of employment in Thanjavur district is 4.00 per cent.

❖ The production made by SSIs in Thanjavur district shows an increasing trend every year; it was Rs.3,39,47 in 1994-1995 and Rs.5,57,305 in
2003-2004. The percentage of average growth in production is 6.40 per cent.

Entrepreneurship development is being caused not only for employment opportunities but also for developing the locality where the industry is located by observation. This concept is his highlighted and ascertained the social development in the locality.

The following major problem areas are identified with the small scale industries in Thanjavur district such as, Production, Labour, Marketing and Finance.

The 48 (42.48%) units out of 113 total SSIs units suffer from shortage of raw-materials. Industry wise 8 units from agro and forest based, 14 units from textile and polymer based and miscellaneous units each. 8 units from engineering and allied based and two units each from building and mineral based and chemical based industries have expressed the problems of raw material shortages.

Engineering and allied based industry expressed that the Steel Authority of India does not supplying the required quantity of raw material regularly in time. As for the quota they have set one-fourth or one-sixth of their requirement. Therefore, they are forced to purchase the rest of their requirements from the market at a very high price.

Miscellaneous category suffer from shortage of materials as they get only limited quota from the government agencies which is not enough to ensure their regular working.

From the analysis, 38 units (33.63%) have faced the problems of power shortage. Four units from agro and forest and two units from textile and polymer based totaling 6 units (10.62%) have faced the problems from machinery utilisation.

The utilisation of capacity declined during 2003-2004 in agro and forest, engineering and allied and miscellaneous categories of SSIs due to a scarcity of material and want of demand for the product.
In agro and forest based industry, the utilisation of capacity had declined from 82 per cent in 1999-2000 to 32 per cent in 2001-2002. Afterwards, it gradually received 41 per cent by the end of 2003-2004. This sharp decline is mainly due to reduction in the yield of paddy in the district.

It is found that the most important single factor responsible for the prevalence of huge idle capacity among the small industries is the lack of demand.

Out of 113 units operating with idle capacity, 46.02 per cent of the units have mentioned the lack of demand as the reason for idle capacity. Shortage of finance for raw materials difficulties (21.24%), miscellaneous (17.70%) labour troubles (15.04%), and shortage of space, fluctuation of power supply, non-availability of repairing facilities and delayed payment of bills, are the factors responsible for idle capacity.

The small units under survey indicated that have some labour problems like, shortage of skilled and unskilled labour, labour turnover, absenteeism and strikes. 60 units (53.10%) out of 113, having labour problems in the sample units.

Among the sample units, 38 units having experienced the problem of shortage of labour, 8 units having the problem of labour turnover, 8 units suffered from absenteeism and 6 units experienced the problem of strikes.

Small Industries in the country face many difficulties in marketing their products due to the growth of competition from their sister concerns, large industrial units in India, as well as multinational companies.

The demand appears to be the most important impediment in marketing the products the small industrial units of Thanjavur district from the deep study, lack of demand is studies under three heads, viz., competition, seasonal fluctuation and poor quality.
• 69 (61.06%) out of 113 small units are facing the problem of lack of sufficient demand for their products. This lack of demand arises due to the competition in 56 units (81.16%), seasonal fluctuation in 7 units (10.14%) and poor quality of products in 6 units (8.70%). There are only 40 units (35.40%) without problems.

• The agro based industries are severely affected by the problem of lack of demand for their products owing to competition from among them.

• Saw mill and in forest based industry too, do not have sufficient demand for their products. The units were established at the appropriate place and their have been producing similar type of products and trying to share the same local market.

• In the 14 textile based industries, 2 polymer and other 8 units have faced the problem of competition from among them. They also have the problem in products, owing to competition from large and multi corporation products.

• The total capital of sample units 82.39 per cent has been risen owned capital and the remaining 17.61 per cent is borrowed capital over the period.

• Out of the 113 units surveyed, only 15 units (13.27%) of the total units have not at all borrowed from any agencies and the remaining 98 units (86.73%) have borrowed from external sources. External sources for 14 units have borrowed fixed capital, 36 units have working capital requirements and 48 units have borrowed for both the working capital and fixed capital.

• Out of the 98 units, 36 units (36.73%) are assisted only by commercial banks. TIIC has assisted only 2 units (2.04%) of the total. SFC and commercial banks have jointly assisted only 2 units (2.04%) of the total units. Money-lenders, friends and relatives have assisted 24 units (24.50%) of the total, commercial banks, money-lenders, friends and relatives having assisted 34 units (34.69%) of the total.
Only 22 units benefited have been assisted under various schemes. Like Gromodaya (4), IRDP (4), PMRY (12) and IIDS (2) respectively.

Financial assistance has been rendered by the commercial banks to all the units, while the respective percentage of agro, chemical based, engineering and allied, and miscellaneous units are of 9.09, 9.09, 18.18, and 36.37 percent respectively.

The rate of interest charged by the commercial banks is very low i.e. 10.25 per cent for short-term loans and 12.50 per cent to long-term loans as against the higher rate of interest charged by money-lenders ranging from 24 and 36 per cent.

The total number of 113 out of sample units only 98 approached the financial agencies for financial assistance. All 44.90 per cent of them expressed the problem of inadequate financing, industry-wise, 8 units of agro units, 16 units of textile and polymer based, two units of building based, 4 units of engineering based, and 14 miscellaneous industries faced a major important problems. 14 units faced the problem of security (14.24%) of the units approached the financial agencies.

Only 12 out of 98 units in small sector got assistance to more than 75 per cent of their requirements. 6 units received assistance ranging between 50 and 75 per cent. It can further be noted that 68 units have got assistance between 25 and 50 per cent of their requirements and the rest of 12 units received assistance less than 25 per cent of their requirements.

The time taken by commercial banks to sanction advances from the date of application varied from one week to more than six months.

Out of the 98 units, 32 units reported that banks released funds immediately after sanctioning, whenever required 8 units felt the problem of delay in disbursement as about one month period is taken to get the sanctioned fund.
Out of the three sick units, they reported various reasons for sickness such as mismanagement, stiffness competition shortage of working capital, technological problems and labour problems.

CONCLUSION

Small industries have several merits. They offer a quick and convenient tool of carrying industrialisation concerned areas which are industrially less developed. They offer a means of mopping up rural developing by providing opportunities to investment. They provide employment without disturbing the main occupation namely agriculture; in additional opportunities to man with small means to set up their own business. Considering all these, they are accorded top priority in our state to ensure economic development with social justice to which the nation is seriously committed. The Government of Tamil Nadu initiated several positive measures for their development. They have attained a significant growth in terms of their number of units, employment, investment and production of Thanjavur district in Tamil Nadu.

But these industries suffer from various problems. In the light of this, the present study highlights the problems of small scale industries of Thanjavur district in Tamil Nadu, as it is learnt that they have been suffering from many problems on several fronts such as production, labour, marketing, finance, etc. In fact, the performance of these units would have been for better had they been free from these problems.

One of the main problems faced by the small scale units is lack of finance. Hence there is a need to take a comprehensive look at the problem of providing finance to SSI units. It is concluded that, for easy availability of finance, the activities of Central and State government agencies must be coordinated in a fruitful manner by establishing a District Level Agency which
should have a direct contact with the SSI units and the Government agencies at large. The co-ordinating agency should inform the schemes of assistance and incentives to the SSI units either directly or through their association.

Marketing has been identified as an important problem area affecting the growth of the small scale units. The competitive attributes are beyond the reach of the SSI unit. Hence it is concluded that a proper organisation is essential to overcome the difficulties in the field of marketing. For providing marketing supports data bank, libraries, internet services and expansion of such services by services providers may be relevant to overcome MLC products. They policy of reservation should be continued.

In the production side, the SSI industrialists suffer raw material problems. They get their raw material mostly from outside areas, with great difficulties. A centralised scheme of purchase of raw material, to a certain extent, can reduce the problem. The TDTSIA can contribute more in this regard.

In the area of personnel management, recruitment, training, absenteeism and labour turnover have been found to be the major issues faced by the selected small scale units. It should have judicious combination of the various sources to meet all its personnel requirements. The SSI association (TDTSIA) can collectively provide vestibule training to the work force of SSI units. Therefore, one must accept a broad-based economic policy in which small entrepreneurs have enough scope to provide work for themselves and others. Small scale industries adequately fulfill the job by virtue of their inherent features of labour intensive and capital sparing.
Finally, the growth of the SSI units can be assured by providing adequate and timely finance upgrading the technological based and also providing marketing support to the units in the study area.

SUGGESTIONS

The following suggestions have been made to resolve the various issues of small scale sectors.

- It is the high time to adopt the idea of limited partnership with a view to boost up the financial resources in small scale sectors and to encourage small entrepreneurs to bear the risk. This suggestion is given in view of the fact that capital bases of small sectors are very poor which cause severe financial crises.

- The Industry-Promoting Agencies should take care of the well being of small scale sectors and they should initiate such measures which would result in the further promotion and smooth functioning of small units.

- To overcome the difficulties in availing of loans and advances the following suggestions are made. The procedures and yardsticks followed, while sanctioning the financial assistance to the SSI units, should be made uniform for all banks.

- Banks should not be business-like and must stick to time-bound decisions.

- The banks can constitute ‘Technical Cell’ consisting of industrialists, consultant Chartered Accountants and Industrial Associations to reduce unnecessary delay in the sanctioning and disbursal of loans.

- Reserve Bank may have a cell to monitor once in six months the distribution of loans and also monitor the full utilisation of credit facility for the priority sector.
Timely disposal of credit proposals should be stressed upon save the small entrepreneurs from paying exorbitant rates of interest to the money-lenders and friends and relatives.

The licensing of local banks should be further liberalised so as to attract them into the cluster.

Special branches have to be re-located at-vantage points within the cluster and complete range of service should be provided by the branches.

Major discretionary powers should be given to the Branch Managers.

The Branch Managers should be allowed to use their powers fully.

Banks should also provide consultancy services and professional guidance at the time of setting up for considering the long term and short term financial requirements of small units for lending purposes. This suggestion is given in view of the fact that many units have faced shortages of working capital.

Severe penalties should be outlined for entrepreneurs found misusing the funds or otherwise seeking financial assistance by underhand means, preventive measures should be taken to provide a check on the malpractices of scale units.

In order to improve the performance of TIIC and SIDCO, it is essential to make these agencies independent of the government. This can be achieved by reducing the government equity to less than 50 per cent and at the same time increasing the share of public and trade association.

It is also wise to constitute a revolving collateral reserves for guarantee fund on the lines of Fund Schemes of Small Business Administration of the United States of America.

The small entrepreneurs should employ the latest techniques in production, skilled labour so as to improve the quality of the product and finally to avoid the problems of production and marketing. They
should always initiate such measures which would protect the well-being of the workers so as to avoid labour troubles.

- As regards Technical Training, it has to be stated that, no specialised Technical Training Centre is available in the study area. Hence it is suggested that training centres like SISI should be established in Thanjavur district.

- For technical consultancy there is no agency working in the district. Hence it is suggested that, such a consultancy organisation should be established.

- No testing facilities are available in Thanjavur district. Hence it is suggested that Testing Facility Centres should be established in the clustered area.

- Most of the units get raw material from outside sources, it is very much desirable that local market for raw material should be developed.

- The association of SSI units must come forward for collective purchase and supply of scarce raw materials to SSI units.

- Due to the existence of bogus units, real, needy industrialists are not able to get the required raw material on time. To overcome this it is suggested that, registration of industrial units for this purpose should be made only after completing the detailed inquiry regarding the real existence of the unit.

- Marketing research and information conducted and collected by the Central Government agencies should be made available to the SSI units for their follow-up action.

- It is suggested that there is a need to give better publicity to help the buyers to know about the manufacturing of certain items of products.

- For providing marketing support, facilities like data-bank, libraries and internet service should be provided to the SSI units.
To minimise competition among the similar units, the cluster approach should be followed. The association of industries must come forward and assist in this respect.

Out of 8,236 items of products produced by the SSI sector reservation covers only 10 per cent of the items produced. It is suggested that reservation should always form a component of industrial policies of the government and dereservation should not be resorted to.

The government must resist the pressure to open up areas, currently reserved for the SSI sector from intrusion by large and multi-national companies.

In order to ensure good quality of products in SSI units they have to introduce brand names for their products.

A State Level Governmental agency should be established for ensuring the quality of the SSI products and their rating.

As the competition is found to be a major problem in many units, the small entrepreneurs should try to divert to less competitive areas and before they venture, they should analyze the demand. They should make feasibility studies before they finalize their projects. In a nutshell, they should undertake only such projects which are technically competent, operationally feasible and economically viable.

The activities of all the agencies must be coordinated in such a way that we help the SSIs to a greater extent.

A package of following measures is suggested to reduce the incidence of sickness and rehabilitate the potentially viable sick units.

- Management of sick units should be revamped.
- A monitoring cell at the district level should be properly functionalised to monitor the performance of sick units.
- Units which have no chance of viable revival within a period of reasonable time should be allowed to die.
→ A working group at the district level should be set up to ensure better co-ordination among participating agencies in order to arrive at rehabilitation packages.

→ Employees should maximize their contribution by the way of high quality production and prepare themselves to face the critical situation.

Area for further research

The following areas in the field of SSI sectors are the suggested for the future research.

1. A study on the role of SSI sector for the economic development of Thanjavur district.
2. A study on the role of nodal agencies for the promotion of SSI sector in Tamil Nadu.
3. A study on SSI exports in India.
4. A comparative study on SSI products with different multinational products.