Small scale industrial sector has performed exceedingly well and enabled our country to achieve a wide measure of industrial growth and diversification. SSI sector has made a significant contribution to employment generation and also to rural industrialization by its less capital, intensive and high labour absorption nature. This sector is ideally suited to build on the strengths of our traditional skills and knowledge by infusion of technologies, capital and innovative marketing practices. In the present liberalized and globalised economy the significance of productivity in the development of SSI sector needs to be recognized.

Small scale industry constitutes a very important segment in the Indian economy. The development of this sector came about primarily due to the vision of former Prime Minister Jawaharlal Nehru who sought to develop core industry and to have a supporting sector in the form of small sector enterprises. It is a well recognized fact that a vibrant small-scale sector holds the key to economic prosperity in an economy characterized by abundant labour supply, unemployment and underemployment, capital scarcity and growing modern large industrial sector, thus giving scope for ancillarisation and so on.

Today, the SSI sector produces more than 7,500 items varying from sample items with traditional technology to high-tech products, produced with sophisticated state-of-the-art technology. The number of small-scale units has increased from an estimated 8.74 lakh units in the year 1980-81 to
113.95 lakh units in the year 2003-2004. In fact, small sector accounts for about 35 per cent of an industrial production, about 40 per cent of exports and 60 per cent of employment opportunities in India. More than 13 years have been passed to the process of liberalization and globalization that has affected the fortunes of small-scale sector in India.¹

THE CONCEPT OF SMALL SCALE INDUSTRIES

Small-scale industry (SSI) comprises a variety of undertakings. The definition of small-scale industry varies from one country to another at the same time and from one time to another in the same country depending upon the pattern and stage of development, government policy and administrative set up of the particular country. As a result, there are at least 50 different definitions of SSIs found and used in 75 countries. All these definitions either relate to capital or employment or both or any other criteria. An attempt is made here to trace the evolution of the legal concept of small-scale industry in India.

The concept of small-scale industries has undergone periodic changes. The definition of small-scale industries has been modified from time to time since 1955. After independence, the Government of India has made serious attempts towards rapid industrialization. In order to boost the economic growth, small-scale industries were assigned an important and definite role to play.

Small-scale industrial units have been agitating since 1975 for an increase in the investment limit of Rs.10 lakhs. The units argued that investment of Rs.10 lakhs, would not be sufficient to buy even half of the plant and equipment. In view of this representation by small units, and in

¹ V.P. Michael, Globalisation, Liberalisation and Strategic Management, S. Chand Publications, New Delhi, 2000, pp.14-16.
order to boost their development growth, the limit of investment in small-scale units was raised to Rs.10 lakhs. The limit of investment in the ancillaries was increased to Rs.25 lakhs. After that the limit of capital investment for SSIs was raised from time to time. The limit of investment in small-scale units was raised from Rs.20 to 30 lakhs during the year 1985. The aim of raising capital investment limit of this unit was, that more and more small-scale units may come under the SSIs, assistance package programme of the Government of India.

The investment limit was raised by the Government of India on 2nd April 1991 and accordingly the definition of SSIs was further modified. The resolution says that, “the small scale industrial undertaking means, an undertaking having investment in fixed assets in plants and machinery whether held on ownership or lease or hire-purchase basis, not exceeding Rs.60 lakhs. Small-scale units which undertake the export of at least 30 per cent of the annual production by the third year of inception will be permitted to step up their investment in plant and machinery up to Rs.75 lakhs. The investment limit for ancillary units was also increased to Rs.75 lakhs.∗

The decision to enhance investment limit after a revision in 1991 was taken for five reasons:

- The erosion of the rupee value due to inflation.
- Devaluation of rupee.
- The effect of foreign exchange fluctuations.
- The increased international prices of capital goods, and
- The need to upgrade and modernize the technology base, to keep it competitive.

The changes in the investment limit in plant and machinery of small-scale industry are given in table 1.1.

---

Table 1.1
Changes in Investment limit in plant and machinery of SSI

<table>
<thead>
<tr>
<th>Year</th>
<th>Defining Authority</th>
<th>Investment limit in plant and machinery</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955</td>
<td>SSI Industries</td>
<td>Rs.5 lakhs</td>
<td>50 (if using power) 100 (without using power) per shift</td>
</tr>
<tr>
<td>1957</td>
<td>-Do-</td>
<td>-Do-</td>
<td>50 (if using power) 100 (without using power) Multiple shift</td>
</tr>
<tr>
<td>1960</td>
<td>-Do-</td>
<td>Rs.5 lakhs</td>
<td>Irrespective of number of persons employed</td>
</tr>
<tr>
<td>1966</td>
<td>Ministry of Industries, Govt. of India</td>
<td>Rs.7.5 lakhs</td>
<td>--</td>
</tr>
<tr>
<td>1974</td>
<td>SSI Board</td>
<td>Rs.10 lakhs</td>
<td>--</td>
</tr>
<tr>
<td>1980</td>
<td>Industrial Policy Resolution, Govt. of India</td>
<td>Rs.20 lakhs</td>
<td>--</td>
</tr>
<tr>
<td>1985</td>
<td>-Do-</td>
<td>Rs.35 lakhs</td>
<td>--</td>
</tr>
<tr>
<td>1991</td>
<td>-Do-</td>
<td>Rs.60 lakhs</td>
<td>--</td>
</tr>
<tr>
<td>1997</td>
<td>-Do-</td>
<td>Rs.3 Crores</td>
<td>--</td>
</tr>
<tr>
<td>1999</td>
<td>-Do-</td>
<td>Rs.10 millions</td>
<td>--</td>
</tr>
</tbody>
</table>


The reason given for raising investment limit is that it is necessary to give flexibility to small units to plan investment for upgradation of improved productivity and consumer requirement. By raising the limit, the SSIs could be modernized. Now the most obvious and pertinent question is why 95 per cent of the small-scale units have still remained below Rs.5 lakhs level, when they could avail of at least 12 times investment of Rs.60 lakhs to overcome the backlog of modernization to adopt improved and updated technology and methods in production. The reason is “inadequate finance.”

The Traditional Definitions of SSI

In 1955, a small-scale unit was defined as “A unit employing less than 50 persons, using its power and less than 100 persons without the use of power and with capital assets not exceeding Rs.5 lakhs.” And then, in 1960, the above definition was modified as “small-scale industries—will include all
industrial units with a capital investment of Rs.5 lakhs irrespective of the number of persons employed.”

According to the notification issued by the Government of India in pursuance of the industrial policy of 1990, announced on May 31, 1990, the investment limit of the small-scale industry has been further raised from Rs.35 lakhs to 60 lakhs. For those small-scale units which will export 30 per cent of their output by the third year of their starting production will have an incentive that their investment limit is further raised to Rs.75 lakhs, and for ancillary units, from Rs.2 to 5 lakhs (i.e. tiny units).

**Current definition of SSI**

The current definition of SSIs is compiled with an industrial undertaking to be graded as small-scale industrial undertaking with effect from 21.12.1999.

"An industrial undertaking in which the investment in fixed asset in plant and machinery whether held on ownership terms on lease or on hire purchase does not exceed Rs.10 millions." <www.sslcnic.in>.

**Definition of SSI in some other countries**

According to Ministry of Foreign Affairs, some foreign countries like China, Denmark, Egypt, Germany, Israel, Indonesia, Iran, Italy, Japan, Norway, Philippines, Sweden, Taiwan, Turkey, United Kingdom and The United States of America have stipulated different ceilings on the number of employees as one of the criteria for identifying a small-scale industry. In some neighbouring countries like Pakistan and Sri Lanka, however, no upper limit for employees has been fixed for small-scale industries.

The definitions of small-scale industries in some foreign countries are presented in table 1.2.

---


<table>
<thead>
<tr>
<th>Name of Country</th>
<th>Definition</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>Units employing less than 30 workers with power of less than 5 H.P. and fixed capital upto 5 million</td>
<td></td>
</tr>
<tr>
<td>Egypt, Israel and Turkey</td>
<td>Units employing less than 10 persons and using less than 10 H.P. of Electricity</td>
<td></td>
</tr>
<tr>
<td>ESCAP countries</td>
<td>Units employing less than 20 persons using power or 50 persons when not using power.</td>
<td>There is no official definition. Generally units employing 300 workers are considered as small units.</td>
</tr>
<tr>
<td>Germany, Sweden, Norway and Denmark</td>
<td>Manufacturing units employing less than 10 full time workers and not using mechanically driven tools and machinery.</td>
<td>This classification covers home and cottage industries too.</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Manufacturing units employing less than 300 persons or having capital investments of less than 10 million yen</td>
<td>Concept of small industries varies from (30 employees or less) wholesale trade (300 persons or less) in manufacturing units.</td>
</tr>
<tr>
<td>Iran</td>
<td>Ceiling of 50 lakh Riyals in fixed assets at the time of occupancy of factory and total employee less than 50 workers per shift.</td>
<td>This must be wholly under Iranian ownership and the product should not be artistic in nature.</td>
</tr>
<tr>
<td>Italy</td>
<td>Units having less than 1,500 million Loire capital investment and employing less than 500 persons.</td>
<td>--</td>
</tr>
<tr>
<td>Japan</td>
<td>Manufacturing units employing less than 300 persons or having capital investments of less than 10 million yen</td>
<td></td>
</tr>
<tr>
<td>Pakistan</td>
<td>Units having Rs.7.5 lakhs in fixed assets.</td>
<td>This ceiling is relaxed to Pak Rs.12 to 13 lakhs for capital intensive industries.</td>
</tr>
<tr>
<td>Philippines</td>
<td>Units employing less than 100 workers</td>
<td>--</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>Using power and having capital investment in land, building and machinery, not exceeding Rs.5 lakhs.</td>
<td>Manufacturing units are divided into (i) Cottage (ii) Handicrafts and (iii) Small Scale Industries</td>
</tr>
<tr>
<td>Sweden</td>
<td>Units employing less than 50 workers</td>
<td>There is no official definition.</td>
</tr>
<tr>
<td>Taiwan</td>
<td>Units employing less than 20 workers with power or less than 40 workers without power.</td>
<td>There is no official definition</td>
</tr>
<tr>
<td>U.K.</td>
<td>Units employing less than 500 workers</td>
<td></td>
</tr>
<tr>
<td>U.S.A.</td>
<td>Units having less than 500 employees otherwise certified as small by the Small Business Administration</td>
<td>Concept changes and stands at 250 employees if any assistance or facility is sought.</td>
</tr>
</tbody>
</table>

Scope of Small-Scale Industries

In fact, the scope for small-scale industries is quite vast, covering a wide range of activities requiring less sophisticated technology. In consonance with its distinct characteristics, the activities which are found, can be successfully operated in small-scale that are too many to mention. Among them, some important activities are as follows:

- Infrastructure activities
- Manufacturing activities
- Financial activities
- Wholesale business activities
- Retailing activities
- Servicing / Repairing activities

The reservation policy was initiated in 1967 when only 47 items were reserved for exclusive manufacture in the small-scale sector. By 1983, the reserve list included 836 items for exclusive production in the small scale sector. The main objective of the reservation policy has been to insulate the small sector from unequal competition of large industrial establishments, so that the sector can grow through expansion of existing units and the entry of new firms. The important industries reserved for exclusive development in the small sector are

- Food and allied industries
- Textile products
- Leather and leather products, including foot wears
- Rubber products
- Plastic products
- Natural essential oils
- Organic chemicals and chemical products
- Glass and ceramics
- Mechanical engineering
- Transport equipment
- All types of metal cabinets
Objective of Small-Scale Industries*

- Successive industrial policy resolutions of the Government of India and various plan documents have enunciated the broad objective behind the development of SSI in India.
- Creation of employment (particularly emphasis self employment).
- Growth of output, ensuring regular supply of goods and services through the use of skills and resources at disposal.
- Diffusion of entrepreneurship through mobilization of hitherto untapped entrepreneurial talent.
- Growth and regional dispersal of industries to promote regional balance and to encounter the growth of monopoly and foster a techno-efficient balance in the growth of large and small-scale industries.

Importance of Small-Scale Industries

The industrial structure of the country has been divided into three parts: (i) Large scale industries, (ii) Medium scale industries and (iii) Small scale industries.

Among the three kinds of industries, Small Scale Industries (SSI) have played the most important role in the economic advancement in India. The small scale industries are divided into two sub-categories: (1) Small Scale Industries and (ii) Cottage Industries collectively known as village and small scale industries (VSI) sector. The Industrial Policy Resolution of 1950 stressed the importance of small scale industries in our economy on the basis of four arguments: employment, decentralization, equality and latent resource. The astronomical nature of the unemployment problem in India and the established fact that employment generating capacity of the small scale is eight times greater than that of the large scale sector do justify a case for the SSI in India. The International Planning Team of 1959 and the Village and Small Scale Industries (Karve) Committee Report of 1955 advocated the important role of SSI units in rapid industrialization in India. Small scale industries are the foundation of Indian economy. They help in reducing the pressure of population on land, solving the problem of unemployment, utilization of resources and decentralization of industries. Small scale sector helps in equal distribution of income and wealth. Befitting national genius and temperament and requiring less investment they have fulfilled the wants of the lower class people. Small scale sector has been the instrument in attaining national self-sufficiency by improving the quality of products and narrowing the gulf between demand and supply. This sector has helped in increasing the national income and has brought an end of industrial strife and helped to develop moral qualities and the solidarity of rural economy. The small scale industries sector in India is subdivided into (a) organized modern small scale industries and (b) unorganized traditional.
industries. It can be further sub-classified into Khadi village industries traditional industries, handlooms, sericulture, handicrafts and coir. They are mostly in rural and semi-urban in character and have been sustaining employment and income in the rural areas. They have also been preserving craftsmanship and artistic heritage of the country.

Role of Small-Scale Industries

The role of SSIs is significant in the overall growth of the economy of our country. The role and scope of SSIs are as follows

* SSIs provide vast scope in increasing employment.
* SSIs are labour-intensive and require little capital to start with.
* SSIs help in the production of consumer goods and therefore they can meet the demand for consumer products.
* SSIs help reduction in prices.
* SSIs accelerate the rate of industrial growth.
* SSIs help in equitable distribution of national wealth.

Small scale industries form an integral part in Indian economic structure. They constitute a continuing element in the scheme of National Planning. They are not to be viewed as a progressive and effective decentralized sector which is closely related to the agriculture on the one hand, and with the large scale industry on the other. The most revolutionary content of this sector is its inherent contradiction to monopoly and centralized economy. It transforms capitalistic economy towards socialistic objectives peacefully and imperceptibly. The initiation of economic reforms and liberalization of trade, industrial and investment policies in 1991. The Indian economy witnessed a number of changes in different spheres consequently. The sector now contributes over 40 per cent to the gross turnover in the manufacturing sector and 45 per cent of the maximum employment next to agriculture.

Opportunities in the Small-Scale Sectors

The opportunities in the small-scale sector are enormous due to the following factors

* Less capital intensive.
Development of Small-Scale Industries in India

Making the best of the natural resources by employing high order of skilled and artistic talents through traditional handicrafts, India had occupied a permanent place of pride in the world, before industrial revolution. However, the advent of modern, large scale mechanized industry, the imposition of restrictions on India trade by the British rulers and deteriorating socio-economic conditions lead to the decline of small scale industry. The provision of permanent place in the nation’s policy of economic development after the attainment of independence, has staged a grand recovery and is now well entrenched on the path of progress towards great expansion. A brief view of small-scale sector before and after independence can be discussed.

Development of SSI before Independence

Cottage and small scale industries had flourished in India in early times. They were the principal source of income and employment and their products were noted for their excellence and artistic skill. “The Muslins of Dacca were famous ages ago, throughout the civilized world. Textile fabrics of inimitable fineness, tapestry glittering with gold gems, rich embroideries and brocades, carpets, furniture most elaborately carved, swords of forms and excellent temper are among the objects that prove the perfection of art in
India." These desecrations signify the prominence and the glory of the products of the cottage and small-scale industries.

With the disappearance of the native courts in the Moghul period the cottage and small industries lost their patronage. The influx of many foreign influences resulted in the decline in the demand for home-made goods. The competition from machine-made goods of the British industry resulted in the fall in the demand for the Indian goods. Failure of the artisans to adapt to the changing conditions resulted in the high cost of production of their products and so they were not in a position to compete with the machine-made goods of the British industry.

In spite of many discouraging factors, some of the cottage and small industries have shown remarkable utility and have survived in the British rule in India due to the following reasons.

Indian agriculturists needed supplementary occupation to absorb their spare time and to augment their low earnings. The cottage and small industries provided supplementary occupation for the idle agriculturists in the off season. Therefore, a large number of repair services of different types have indeed carried on in small establishments in the vicinity of larger industries.

By nature, the Indian artisan is home loving and conservative. This nature of the workers, their illiteracy and poverty, the lack of alternative means of employment and the social and religious institutions have forced them to stick to their age-old ancestral profession.

After Independence

Since independence, the Government of India has initiated several positive measures for their development. The industrial policy

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pronouncements, the progressive allocations made in the Five-Year Plans, the creation of different promoting and supporting organizations and the nationalization of commercial banks reflect the spirit and effort of the government towards the creation of a favourable climate for the growth and work achieved by small-scale industry. They are the results of the various measures initiated by the government for their growth and effective working.

**SSI under plan period**

These industries are helpful in achieving socio-economic prosperity by diversifying their activities in rural and semi-urban areas. In various plans and policies, it has been given to small-scale sector which is termed as priority sector. The assistance package for priority sector includes the following features. Direct financial aid, Industrial credit, and introduction of improved technology, Supply of scarce raw materials, Expansion of training programme, Subsidy on power supply and organization of co-operatives <www.ssi.nic.in>.

In its successive industrial policies and five year plans, the Government of India has introduced several measures for the development of small-scale industries. These measures are as follows:

The first industrial policy of the Government of India was announced in 1948. In this policy, it was accepted that small-scale industries were most suitable for the balanced regional development in Indian economy. These industries are particularly suited for the utilization of local resources and for creation of employment opportunities. In accordance with this, emphasis was laid down in the industrial policy that these problems of small-scale industries should be solved by the Central Government of India with the cooperation of State Government.
First Five-Year Plan (1951-56)

After independence, the Government of India had set up the Planning Commission in 1950 with the Prime Minister as the Chairman. The purpose of the Commission was to assess carefully the human and material resources of the country and to prepare the plans for the effective utilization of resources.

The total outlay of the first plan launched in 1950-51 was Rs.2,069 crores. In this plan an outlay of about Rs.30 crores was allocated for the development of small-scale industries, which was not much significant, as compared to the total outlay of the first plan. During the first plan adequate importance could not be given to SSIs. By the end of 1954, Small-Scale Industries Board was constituted. The Board of SSIs was constituted major steps were taken by the end of the year 1954.

An important landmark in the history of the development of small-scale industry in India was the visit of the International Perspective Team in 1953-54 which was jointly sponsored by the Government of India and the Ford Foundation. The team in its report recommended the setting up of Regional Extension Institutes to provide services in areas of technical, marketing and financial matters. In pursuance of the recommendations made by the team, four regional extension institutes were set up at Bombay, Calcutta, Delhi and Madras, to provide technical assistance to small industrialists. Two organizations constituted by the government to extend further help and guidance were Small Industries Development Organisation (SIDO), in 1954 and National Small Industries Corporation (NSIC), in 1955. Thus, the ground work was laid for the growth of small-scale industry in India.
Second Five-Year Plan (1956-61)

This plan covered the period from 1956-57 to 1960-61 which was bigger and more ambitious than the First Five Year Plan. The main emphasis in the second five year plan was given on industry which accounted for 18.5 per cent of the total outlay as against 7.6 per cent in the First Plan. Assistance to small-scale industries was in different forms such as credit, training facilities, technical advice, supply of machines on hire purchase system, etc., besides extending reservation of certain items exclusively for production by small-scale industries.

The Second Five-Year Plan (1956-61) gave prominence to heavy and basic industries but it did not neglect the small industries or the small producer. In fact, the basic philosophy of the plan was not only to encourage small industries, but also to establish an economic order with the small producer at the centre.

Third Five-Year Plan (1961-66)

Here, the main objectives were to improve productivity of the worker in small industries, to enlarge the availability of institutional finance, promotion of industries in small towns and rural areas, and the promotion of small industries as ancillaries to large industries. The total outlay for the plan was Rs.7,500 crores but the actual expenditure reached a sum of Rs.8,557 crores, out of which the village and small industries got Rs.241 crores (2.8%). During this period, the total number of registered units had increased about eight times. Gross investment in the industry increased fourfold. This plan (1961-66) aimed at a greater diversification of the production in the small sector and a closer integration between the large and small sectors in specified items. In this plan, another scheme was to reserve certain items exclusively in the development of small-scale sector.
Fourth Five-Year Plan (1969-74)

Based on the objectives and the strategy of the Fourth Plan, the planners made a total outlay of Rs.24,882 crores of which an outlay of Rs.15,902 crores was earmarked for the public sector and Rs.8,980 crores was another for the private sector. The actual expenditure came to Rs.15,779 crores out of which Rs.243 crores was earmarked for the village and small industries (which formed only 1.5%).

The objectives of small industries programmes in the Fourth Plan were: (i) to improve the production techniques which enable them to produce quality goods and to bring them to a viable level. (ii) To promote decentralization and dispersal of industries and (iii) to promote agro based industries.

In addition to the above, allocation of Rs.560 crores was expected to be further invested by financial and banking institutions in this sector. Thus, a total outlay of Rs.803 crores was considered for promoting small-scale sector during the Fourth Plan. At the end of the Fourth Plan the number of small-scale units, was about 5 lakhs and they generated employment opportunity to about 40 lakhs.

Fourth Five-Year Plan (1963-74) accepted the policy to decentralise the growth of industries. In July 1969, 14 major commercial banks of the country were nationalized and this has helped to accelerate the flow of funds from the banks to the small sector. The main programmes during the plan were credit facilities under the State aid to Industries Act, training and common service facilities, quality, marketing and consolidation of the industrial estates programme to be administered by the States.
Fifth Five-Year Plan (1974-79)

The draft of Fifth Five-Year Plan proposed a total outlay of Rs.37,250 crores for the public sector. In the final draft, this was raised to Rs.39,303 crores. In the fourth year working of the plan, the actual amount spent was Rs.28,653 crores. The outlay for village and small industries formed only Rs.375 crores as against the target of Rs.510 crores.

The strategy of the programme for the development of small-scale industries in the fifth plan was: (i) to generate maximum employment opportunities particularly on self-employment; (ii) to facilitate fuller utilization of the skills of the person engaged in these industries; (iii) Progressively improve production techniques and make these industries viable; and (iv) to promote these industries in semi-urban and rural areas including backward areas.

Sixth Five-Year Plan (1980-1985)

Under the Sixth Five-Year Plan actual expenditure was Rs.1,09,291 crores as against the total plan outlay of Rs.97,500 crores. The outlay for small industries accounted for Rs.1,780 crores, but the actual estimated outlay worked out to be Rs.1,952 crores for 1980-85. Thus this sector received only two per cent of the total outlay which is very meagre. A review of the progress of the Sixth Plan reveals that the production in this sector increased from Rs.33,538 crores (1979-80) to Rs.65,730 crores (1984-85) and export from Rs.2,281 crores (1979-80 to Rs.4,558 crores (1984-85) at current price. With regard to employment, it increased from 234 lakh persons (1979-80) to 315 lakhs (1984-85).

During the Sixth Five-Year Plan (1980-85), the programme for the village and small industries sector would be so designed as to sub-serve the following objectives: (i) improvement in the levels of production earning
through measures like upgradation of skills and technologies and producer oriented marketing etc., (ii) Creation of additional employment opportunities on a dispersed and decentralized basis; (iii) Significant contribution to growth in the manufacturing sector through inter alia; (iv) Establishment of a wide external base through appropriate training and package of incentives; (v) Creation of a viable structure in village and small sector so as to progressively reduce the role of subsidies and (vi) expansion efforts in export promotion.

**Seventh Five-Year Plan (1985-90)**

The objectives of the Seventh Five-Year Plan were the upgradation of technology, promoting the dispersal of industries in less developed areas, and to provide facilities for product design development and testing.

The total outlay of Rs.1,80,000 crores was considered in the Seventh Plan out of which Rs.2,752.7 crores was allocated to village and small-scale industries which constituted 1.5 per cent of the total plan outlay. The Seventh Plan envisaged a production target valued at Rs.1,00,010 crores from Rs.65,730 crores. The employment potential was contemplated to increase from 315 lakh persons in 1984-85 to 400 lakh persons in 1989-90. The value of export was expected to increase from Rs.4,557.56 crores in 1984-85 to Rs.7,443.90 crores in 1989-90.

**Eighth Five-Year Plan (1992-97)**

The Eighth Plan was launched in April, 1992 to work till March 31, 1997. This plan has become historic in a different scenario also. The role of the Planning Commission changed totally. The target and achievement in employment, production and exports are given in table 1.3.
Table 1.3
Performance of vibrant SSI sectors during the period of the Eighth Five-Year Plan (1992-97)

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Year</th>
<th>Assignment</th>
<th>Employment (in lakhs)</th>
<th>(Rs. in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Production</td>
</tr>
<tr>
<td>1.</td>
<td>1992-93</td>
<td>Target</td>
<td>128.90</td>
<td>1,68,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Achievement</td>
<td>134.06</td>
<td>2,09,300</td>
</tr>
<tr>
<td>2.</td>
<td>1993-94</td>
<td>Target</td>
<td>133.00</td>
<td>1,79,760</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Achievement</td>
<td>139.38</td>
<td>2,41,648</td>
</tr>
<tr>
<td>3.</td>
<td>1994-95</td>
<td>Target</td>
<td>138.60</td>
<td>1,96,118</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Achievement</td>
<td>145.56</td>
<td>2,93,990</td>
</tr>
<tr>
<td>4.</td>
<td>1995-96</td>
<td>Target</td>
<td>144.40</td>
<td>2,13,965</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Achievement</td>
<td>152.61</td>
<td>3,16,421</td>
</tr>
<tr>
<td>5.</td>
<td>1996-97</td>
<td>Target</td>
<td>150.50</td>
<td>2,33,436</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Achievement</td>
<td>158.91</td>
<td>3,40,564</td>
</tr>
</tbody>
</table>


From the point of view of generating employment and poverty alleviation, the scope of the village and small industries is much greater than that of the organized private sector, the fond child of the new economic policy. It may be noted that the total employment available in organized private sector is of the order of 75 lakh persons in all establishments employing 10 or more persons. The village and small industries sector in the Seventh Plan alone is expected to provide additional employment to 110 lakh persons. This being the magnitude of expectation from SSI sector, it stands to reason that this sector deserves better treatment and greater confessional aid and support in the form of fiscal, industrial trade, and other policies.

Ninth Five-Year Plan (1997-2002)

During the Ninth Five-Year Plan there is a fall in GDP to growth due to decline in the growth of agriculture and manufacturing sector, yet the allocation pattern of small-scale industry, no segregated data has been provided. But a scanning of the chapter on industry, reveals that central plan allocation to SSI Ministry has been enhanced from Rs.2,855 crores during the Ninth Plan.
**Tenth Five-Year Plan (2002-2007)**

The Tenth Five-Year Plan has been launched with Rs.3,499 crores. But in relative terms, it has meant a reduction in allocation from 0.30 per cent in ninth plan to 0.22 per cent in the tenth plan, whereas tenth plan recognizes agriculture (including irrigation) and small industry as the two employment generating sector. The table 1.4 shows the outlay allocated to small-scale sector during the plan period.

**Table 1.4**

<table>
<thead>
<tr>
<th>Plan</th>
<th>Period</th>
<th>Outlays (Rs. in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Plan</td>
<td>1951-56</td>
<td>5.20</td>
</tr>
<tr>
<td>Second Plan</td>
<td>1956-61</td>
<td>56.00</td>
</tr>
<tr>
<td>Third Plan</td>
<td>1961-66</td>
<td>113.08</td>
</tr>
<tr>
<td>Annual Plan</td>
<td>1966-69</td>
<td>53.48</td>
</tr>
<tr>
<td>Fourth Plan</td>
<td>1969-74</td>
<td>96.19</td>
</tr>
<tr>
<td>Fifth Plan</td>
<td>1974-79</td>
<td>221.74</td>
</tr>
<tr>
<td>Annual Plan</td>
<td>1979-80</td>
<td>104.81</td>
</tr>
<tr>
<td>Sixth Plan</td>
<td>1980-85</td>
<td>616.10</td>
</tr>
<tr>
<td>Seventh Plan</td>
<td>1985-90</td>
<td>1120.51</td>
</tr>
<tr>
<td>Annual Plan</td>
<td>1990-92</td>
<td>NA</td>
</tr>
<tr>
<td>Eighth Plan</td>
<td>1992-97</td>
<td>6334.00</td>
</tr>
<tr>
<td>Ninth Plan</td>
<td>1997-02</td>
<td>2855.00</td>
</tr>
<tr>
<td>Tenth Plan</td>
<td>2002-07</td>
<td>3499.00</td>
</tr>
</tbody>
</table>


It is inferred from the table 1.4 that the plan allocation for SSI sector has been increasing plan after plan. Allocations from the First Five-Year Plan to the Tenth Five-Year Plan, as shown in table 1.4, have steadily increased for the purpose of developing small-scale industry. There was an outlay of Rs.5.20 crores only for small-scale sector in the First Five-Year Plan which rose to 3499 crores in the Tenth Five-Year Plan showing nearly 673 times increase for the four decades which shows the sincerity and interest of the Government of India in the development of this sector.
Although the small-scale sector has been recognized as an important element in the industrial economy of our country, there has so far been no statutory recognition of this fact. There have been repeated demands from the association of small-scale industries that a more comprehensive legislation should be passed on the statute book with a view to removing some of the difficulties which are faced in the implementation of the development programmes.

Based on the Commission’s recommendations, the Government of India constituted a committee under the chairmanship of A.R. Bhat to identify the specific areas where legislation was considered necessary for the promotion of the small industries. The committee in its report proposed the legislation on the following aspects; policy statement, definition, reservation, collection of statistics, delayed payments, allocation of Raw Materials and Limited Partnership Act. Although the government has broadly accepted the recommendations made in the report, no legislation has been framed so far. It is, however, considered that a comprehensive legislation on the line of similarly enactment in Japan and USA would go a long way for placing the small industry development programme on a sounded basis.

Problems of Small-Scale Industry

Certain problems of small-scale industries arise out of difficulties, which are inherent in small units. Some of the major handicaps are briefly given as follows.

Problem in the field of production

Small units suffer from inadequate work space, power, lighting and ventilation, absence of sanitary and safety measures, etc. These shortcomings have tended to endanger the health of workers and have
adversely affected in the rate of production. Many units are following primitive methods of production. Adaption of modern techniques is either disliked by the entrepreneurs or is not feasible. Units are suffering from expanding business. Wage rates and service conditions of small industries are not so attractive to the skilled labours.

**Problem in getting raw material**

The small-scale industries find themselves at a loose end in competition with large scale industries with their larger organization and resources. Of all the present difficulties, getting raw materials at competitive prices appear to be the greatest one. Financial weakness stands in the way of securing raw materials in bulk in the competitive market. The entrepreneur does not get enough of what he wants, and what he gets is of poor quality and has to be bought at higher prices.

**Marketing problem**

The SSIs find some problem in marketing like lack of standardization, absence of trade name, absence of proper costing procedure, lack of contact with wider market and knowledge of techniques of the small-scale industrial units. Often-small entrepreneurs are dependent on middlemen who have monopoly over the markets. They do not have the resources to advertise and their direct contacts with the customers are limited.

**Financial problem**

The shortage of finance affects the ability of the small units severely. The large and medium scale industries in the procurement of bank, finance and institutional credit elbow the small industry out. Commercial banks suspect the stability of amounts which the industries require. This problem of finance is managerial competence and marketing. Non-availability of timely finance has been the root cause of the above problems. Among the many problems faced by an entrepreneur, the problem in finance is inevitable.
Managerial problem

Small-scale industries in our country have suffered for the lack of entrepreneurial policy to develop initiative and undertake risks in the unexplored industrial fields. The inefficiency in management comes first among the managerial leads. As the capital invested is very low, there is no scope for specialization in any discipline.

Sickness

A serious problem which is hampering small-scale sector has been sickness. Research has shown that sickness is broadly caused by two sets of factors – internal and external factors.

From among the various internal and external causes of sickness the important ones are – bad management, social, political and technological environments, delays and cost escalations, etc. Besides these factors, some aggregate economic behaviours of the country, such as growth in gross capital market activity or level of investment and price level fluctuation may have important bearing on industrial sickness in the country.

Third Census of small-scale industries

The unregistered SSI sector was surveyed for the first time in the third census. This sector was surveyed using a two-stage stratified sampling design. Out of 9,94,357 villages and urban blocks 19,579 villages and urban blocks were surveyed to identify. The units of unregistered SSI sector is estimated to be 91,46,216. This comprised 38.75 per cent SSIs and 61.25 per cent SSSBEs.
Highlights of third census of SSI sector*

The main highlights of the third census of small-scale industries are as follows

♦ All the SSI units permanently registered upto March 31, 2001 numbering 22,62,401 were surveyed on complete enumeration basis, of which 13,74,974 units (61%) were found to be working and 8,87,427 units (39%) were found to be closed.

♦ Of the 13,74,974 working units 9,01,291 were SSIs and 4,73,683 were SSBEs. Thus, the proportion of SSIs was 65.55 per cent about 5.08 per cent of the SSI units were ancillary units. The proportion of the units operating in rural area was 44.33 per cent.

♦ In terms of number of working units, six states viz., Tamil Nadu (13.09%), Uttar Pradesh (11.85%), Kerala (10.69%), Gujarat (10.08%), Karnataka (08.04%) and Madhya Pradesh (07.41%) had the share of 61.16 per cent.

Compared to second census, the third census brought out some structural changes in the registered SSI sector. While the proportion of working units remained the same by and large, the domination of SSIs among the working units has been reduced considerably from 96 to 66 per cent. This is mainly due to the increase in the number of units engaged in services. The employment (per unit) has gone down from 6.29 to 4.48 and the fixed investment (per unit) has gone up from Rs.1.60 to 6.68 lakhs. This could be due to technological upgradation.

REVIEW OF LITERATURE

In general, lots of studies have been made on small scale industries. Both the central and state governments have taken a number of researches on small-scale industries through people from the academic and non-academic side since they provide employment potentialities to millions of workers besides bringing enhanced national income in terms of domestic, income and foreign exchange.

There are numerous works dealing with various problems of SSI units. This field of study is so voluminous and flexible views of various kinds are in existence regarding financial, production, marketing and personnel management of SSI units. Every aspect of small-scale units and its problems is studied and some concrete results are arrived out of it. This passage attempts to review the literature related to small-scale units.

One among the researchers, V. Balu, in his study observed that most of the consumer’s day-to-day useable products are from the small-scale sector and this sector attracts small savings and diverts them towards productive channels in the rural and semi-urban areas. He also observed that sickness has been spreading faster with SSI sector than in the large and medium scale sector. He suggested that SSI units must be assured of prompt supply of raw material, innovation and entrepreneurship should go together in order to retain success in the marketing front.

Employees of small business are typically very satisfied with their jobs. Public opinion data show that small business employees are more satisfied in 7 out of 10 aspects. Flexibility, openness and work place morale are key advantages of small business work places.³

T.A. Bhavani, analyses that the possibilities for substitution of labour for other factors namely capital and materials in the modern small-scale sector. The capital and labour are complementary to each other and it implies that any small increase in the cost of capital would affect at the demand for labour adversely thereby reducing its share in total output and vice versa.  

S.N. Chattopadhyaya, analysed the performance of five industrial estates of West Bengal. Easy availability of funds, efficiency of operation, provisions for working capital requirements are some of the facilities which are not available with the banks.

James Manalel in his study observed the role and relevance of the SS sector in a developing country like India. He believes that the SSI units will continue to predominate in developing countries at both ends of the spectrum. Business owners tend to work for more hours than paid employees. Twenty-six per cent of business owners usually work more than 55 hours per week, compared to only three per cent of paid employees.

Most new job creations in coming years can be expected to occur in SSI units. In the United States, according to a recent analysis of census data, the smallest firm created virtually all the new jobs in the country between 1989 and 1991. In eight other member countries of the OECD for which figures are available, the net growth of employment was much more rapid in small establishment than in large ones between 1983 and 1992. The same is true in a number of developing countries and territories also. Among growing companies small firms spend more on training than their medium sized counter parts. Their training efforts tend to be more focused and intensive. Unlike R and D expenditures, however, high-growth firms tend to

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spend less on training than lower growth firms. Training expenditure, therefore, appears to be a poor proxy measure of business potential.\(^6\)

Michel Foromont in his article, “Small enterprises create most new job” states that small enterprises are a force to be reckoned with around the world. From the most advanced industrial economics in transition to developing countries, SSI units are preponderant in terms of both total number of enterprises and total workers employed.\(^7\)

R. Mohan Kumar\(^8\) in his study observed that success of SSI sector during the era of industrial development is determined by the positive trend of human resources. He suggested that small scale industries should take effective steps to reduce over-emphasis on certain work related extensive values. Steps should also be taken to eradicate the disappointment arising out of poor attitudes towards work values.

In 1996, 30 per cent of the work forces of firms in their first year of business were youths under the age of 25. In older firms operating for more than 11 years this percentage falls into 15 per cent. Small business are slightly less likely than larger firms to employ minimum wages earners. Only 17 per cent of very small business employ workers at the minimum wages, compared to 23 per cent for larger firms.

P.D. Malgavkar\(^9\) in his study analysed the reservation, segmentation, sick units and the changed structure of small industry and its needs, and emphasized that these industries have to be encouraged. On the whole, the

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small industry development should fit into the overall industrial development policy which also needs to be looked into afresh as the industrial development needs a fresh look to revitalize it.

Mukesh Gulati\textsuperscript{10} observed that though the small industry remained high on the policy agenda, it faces several challenges, due to technology, obsolescence, product quality, information deficiency and inadequate management systems in several substracts of the industry. Most of these enterprises compete only on the basis of low cost of labour and not through improvement on their products, technologies and skills. He suggests that the need to achieve competitiveness at global level has become a matter of primary concern.

K. Muraliselvam,\textsuperscript{11} in his article “Challenges and opportunities of small scale industries”, pointed out that a dynamic SSI sector would lead to a vibrant growth in industry. An intelligent policy that would encourage entrepreneurs to set up their own business, which would help them graduate from SSI to medium and thereon to large scale is essential.

India is the leading producing and exporting country accounting for 57 per cent of the total world card. Omen production about 32 per cent of the total world export, Cardomen Industry in India is predominated by small growth about 48 per cent of the growers are small. This statement made by B. Murugesan,\textsuperscript{12} for his study. Nagendra, P. Singh\textsuperscript{13} explains the importance

\textsuperscript{11} K. Muraliselam, “Challenges and opportunities of small scale industries”, \textit{Readers Shelf}, Vol.21, No.6, Sep. 2005, p.8
of SSI units’ development in India and also several myths which stood in the way of their development. He stresses the need to develop this technique to the interest of India.

D. Nagaiya observed that, competitive advantage of the SSI sector in the national and international context needs to be strengthened and sustainable. The development needs to be pursued without any reversal of policies. In the prevailing environment, SSI sector is exposed to new challenges, risks and opportunities that have been alien to them in the past. He also suggested that the funding and resource pattern of SSI industry will undergo sea change with the existing public sector financial institution and banks.\(^\text{14}\)

C.S. Prasad, discusses in detail the development strategy pursued in the country to promote SSIs since independence. He has also discussed the policy initiative taken since the adoption of liberalisation policy in 1991, to ensure that SSIs are not subjected to serious competitive disadvantages in the process of opening up our economy of MNCs and globalisation. He also covers the latest package of economic reforms for SSIs recommended by Abid-Hussain Committee and the follow up action thereon. Use of the internet by SMEs varies province to province. Firms in the Yukon and NWT are the country’s most enthusiastic internet users, with more than 40 per cent plugged in. Firms in British Columbia and Nova Scotia, with usage above 30 per cent, are also ahead of the national average.\(^\text{15}\)

E.A. Parameshwara Gupta in his study stressed that this sector needs particular attention as it can play a positive role in the development of entrepreneurs and managers. He has also stated that the problem of SSI

\(^{13}\) Nagendra, P. Singh, Emerging Trends in Entrepreneurship Development, Theories and Practice, Himalaya Publications, New Delhi, 1985


include: long gestation period, accounting problem, restriction on the use of new technology, opposition from trade unions, weak infrastructure facilities, lack of industrial experience, and long periods or realisation.  

K.R. Pillai, Executive Director of SIDBI analyses the role of SSI sector in the evolving economic setting, and the challenges it may face to sustain its place as an important contributor in the development process. After the detailed status of SSI sector, he profiles its problems.

- Credit needs to the sector are inadequately served.
- Sound management principles are often not followed.
- SSI management rarely make efforts at market penetration to improve their market share.
- Products of the sector are often not competitive in terms of quality and price.
- Operational efficiency of units impinges on a slender profit margin.
- Research and development efforts in this sector are less than adequate.

K. Renganathan, “Sick Industrial Units – A study with particular reference to SSI units financed by The KVB LTD.,” the highlight of the study is that the failures of industries affect the on-line society. This documentation of success and also failures in business provide real education to the young entrepreneurs. Renganathan focused his attention towards the growth trends of SSI units. He points out that the rate in the growth of industries has been different between states and territories. Besides, progress has not been upto the expectations in realizing certain objectives like rapid

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development of ancillary industries. In spite of number of measures already undertaken to prevent the incidence of sickness, it is still defies meaningful solution. More concerted efforts are required to prevent the sickness at the incipient stage itself as well as rehabilitation of potentially viable sick units.18

J.C. Sandesare in his study analysed the new small enterprise policy. The primary objective of the NSEP is to import, more vitality and growth impetus. The definition of SSI is changed and a separate package for promotion of SSI sector is introduced. The third major change relates to equity participation and the introduction of a new legal form of organisation in business.19

"Modern Small Industry 1972 and 1987-88 analyses the aspects of growth and structural change" by J.C. Sandesare, these censuses of small scale units in 1987-88 and 1972. This paper highlights the aspects of growth and structural change in SSI sector over the period of 15 years. Special focus is on closures and impact of the reservation policy on the performance of these units. The data for “Closed units by reasons of closure” indicate that 35 per cent of the closures were due to financial problems and 14 per cent due to marketing problems.20

“Entrepreneurial development in small scale industrial writes in Pasumpon Muthuramalingam Thevar District” studied by D. Sivaprakasam. The results of the analysis, if surveyed, reveal that the

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18 K. Renganathan, “Sick Industrial Units – A study with particular reference to SSI units financed by the KVB Ltd.”, unpublished M.Phil. dissertation, Alagappa University, Karaikkudi, Tamil Nadu, India, 1999.
data in regard to the growth of the sample SSI units has increased from Rs.87,400 to Rs.4.107 lakhs only between 1980 and 1993. The commercial bonus top the list of leaders by providing loans to 65.4 per cent of the sample entrepreneurs who have borrowed funds from various external sources. The Tamil Nadu Industrial Investment Corporation was the second main lender satisfying the financial needs of 10.2 per cent of the sample entrepreneurs.

Among the growing small and medium sized businesses, forms with sales under $1 million proportionally spend 2 to 3 times more on research and development than their larger counterparts. Research and development is one of the most significant determinants of small business success.\(^{21}\)

Sundaram (1990) has made a study on "Grass-Root level development of registered small scale industrial units in Pasumpon Muthuramalingam Thevar District". The study focused on the SSI sources provides more employment with less capital and can be developed in rural and semi-urban areas. As per the estimation made in March 1988, there are about 15.92 lakhs SSI units in India and they produce goods worth amount Rs.85,700 crores. Further the study impressed upon the government, the need for establishment of new SSI units in various districts situated in various States / Union Territories.\(^{22}\)

TANSTIA, as the apex organisation of small scale industries in Tamil Nadu highlighted that with the present liberalised policy there has been mixed feeling of threat and opportunities for the SSI sector and the past few years performance of SSI sector shows that they were constantly growing

\(^{21}\) D. Sivaprakasam, "Entrepreneurial development in small scale industrial writes in Pasumpon Muthuramalingam Thevar District", unpublished M.Phil. dissertation, Alagappa University, Karaikkudi, Tamil Nadu, India, June 1993.

\(^{22}\) Sundaram, Gross-root level development of registered small scale industrial units in Pasumpon Muthuramalingam Thevar District", unpublished Ph.D. Thesis, Alagappa University, Karaikkudi, Tamil Nadu, India, July 1990.
and if this trend has to continue the banks which play a very vital role in
development of the small scale sector, will have to run themselves to the
changing scenarios.\(^2^3\)

A special report published by the TANSTIA spells out that the SSI
sector plays an important role in the national economy. But the investments
required per unit of labour in this sector are much less than in large and
medium sectors. Though banks have been extending credit facilities to SSI
sector, the assistance received is not adequate. Easy availability of funds,
efficiency of operation, provision for working capital requirements are some
of the facilities which are not available to the units.\(^2^4\)

There have been two studies conducted by UNESCO, about
Entrepreneurs of Bombay, Howrah, Okhla Estate, Ludhiana, Rajkot and
Hyderabad which revealed that the small scale units were successful but they
were reluctant to expand the business further due to the problem of
inefficient managerial ability of the entrepreneurs.\(^2^5\)

Vijay Shukla in his article on “A study on development of small scale
industries in India”, has stated that small scale industries are very important
for the Indian economy. But they can play their rightful role if they are run
on sound lines. Most of the small scale industries are faced with many
difficulties and inadequacies which undermine their efficiency and stand in
the way of their development and expansion. Old methods and inferior
techniques of production have resulted in low productivity and poor quality
of goods. These industries face other difficulties such as inadequate

\(^2^4\) Role of NBFC in the development of SSI, *TANSTIA* Monthly Journal, Vol.8, No.6,
Nov.1995, pp.16-17.
No.6, pp.19-20.
transport, shortage of efficient management, lack of research and development facilities, not enough motive power etc.\textsuperscript{26}

Gopal Ratnam observed in his study that “One of the biggest forces behind the success of small business in the US” is the franchising concept. A successful business recipe is transplanted across the country through this route by thousands of small business owners. The risk is spread out and individual initiative is put to the test.\textsuperscript{27}

N. Mahalingam is in his study showed that many small-scale industrialists and associations connected with small-scale industry are of the view that growing competition especially after the implementation of liberalisation and globalisation policies. This is the main underlying reason for the increasing closure of the SSI units.\textsuperscript{28}

V.P. Michael, has made a study on “Globalisation, Liberalisation and Strategic Management.” It shows that a global perspective of business in fast emerging not only in India, but also all over the world including the communist countries. Every nation is now poised to integrate the economy with the world economy so as to remain a part of the global economy and every business or industry is now supposed to act as part of the global business. Even a small-scale unit which is not able to cope with the emerging trends of global sophistication would face a possibility to wind up in course of time.\textsuperscript{29}

\textsuperscript{28} N. Mahalingam, “Large scale decline of small-scale industry”, \textit{Kisan World}, Vol.29, No.9, Sep.2002, pp.8-10.
Parampal Singh and Pankaj Munshi in their study observed that services given by banks, government guidelines, currency risks, increased competition and transportation are the major problems faced by the exporters of the region irrespective of their industry. Enhancing the company’s image by improving the product through technological updating is the main motivational force entailing small exporters to explore international markets.\(^{30}\)

Sumangala, B. Naik has made a discussion on WTO and SSI sector. It is now necessary for the government to frame such policies which encourage the growth of small units through time bound promotional concessions. By providing basic infrastructure and market for such products and the required finance at a marginal rate of interest and educate the small units about the changes in the business environment and the necessity of going in for technological upgradation. It is the need of the hour to give some importance as earlier. The study also said that the government policies on small-scale units have been driven in supply and paternalistic in nature leading to dependency. It is the need of the hour to give same importance as earlier to the small-scale sector which continues to be the back bone of the Indian economy in the era of globalisation too.\(^{31}\)

N. Anadasekaran, made a study of small-scale industry economy in Tamil Nadu. The study was undertaken with a view to analyse the marketing management of the SSI sector in Tamil Nadu. It is hoped that a study of this nature would provide an acute insight into the problems of marketing in the


SSI sector. It may also be helpful in formulating a specific strategy for the improvement in the marketing management of this sector.32

Ajay Lakhanpal, has described financial facilities, various schemes of assistances, the role of commercial and regional rural banks, various boards constituted by the government in the development of industries. He insisted on the need for training the entrepreneurs for the promotion of SSI units. However, he did not touch upon the managerial skill of the entrepreneurs of efficient promotion in SSI units as well as he did not point out the marketing problems in small-scale industry.33

Jayaprakash Reddy’s,34 important findings of the study on the growth of small-scale industries in Andhra Pradesh has been significant in the recent past. There are a good number of industries promoting agencies functioning in the state. From the analysis of data obtained from units, it is found that the growth was different in different types of industries in Prakasam district in the State of Andhra Pradesh.

C.E. Karunakaran35 in his paper delivered that the units registered with DIC are increasing tremendously and a countless number of units are not registered with them, which also exist. There is also the certainty that a good part of the registered units do not exist for one reason or the other. If all of them do exist, they would probably employ 7 lakh persons in one year.


Credit delivery through banks and the revenue administration have not worked well.

It is an observance of the “Study on Project Financing by TIIC Ltd.,” and its contribution to industrial development in Tamil Nadu by P. Natarajan. Most of the SSI units assisted by TIIC, have been registered with DIC.

M. Rahumathnisa Begam, in her analysis found that the formation of the district head-quarters gave a fillip to the growth of entrepreneurship in the district, with “State Industries Promotion Corporation of Tamil Nadu Ltd. (SIPCOT) and the “Tamil Nadu Industries Development Corporation Ltd., providing plot, shed and infrastructure facilities with the lead bank. The industrial development and other sectors are given the proper atmosphere for the growth of entrepreneurship in small-scale industries in the district created.

Ramakrishnan brought out the difficulties in obtaining municipal licenses and government assistance. He suggested that more attention might be given in these matters like streamlining and co-ordination of procedures for sanction of government assistance.

V.A.B. Thajudeen has observed the main findings of his study, in case of subsidy, highest amount of subsidy goes to mineral based units.

P. Natarajan, “A study on project financing by TIIC Ltd.,” unpublished M.Phil. dissertation, Alagappa University, Karaikkudi, Tamil Nadu, India, June 1998.
M. Rahumathnisa Begam, “A study on entrepreneurship development in SSI units in Sivagangai district”, unpublished M.Phil dissertation, Alagappa University, Karaikkudi, Tamil Nadu, India, July 2001
(Rs.20,363 thousands) and lowest amount goes to building materials (Rs.883 thousands).

J.C. Verma and Gurpal Singh,\textsuperscript{40} have described the functions of various industrial development banks and other related institutions which create self employment and opportunities in local areas. For this purpose, there is stress on training of entrepreneurs through institutions established by the government and voluntary organisations.

A. Jose,\textsuperscript{41} observes from the analysis, we can consider the food processing sector as a panacea for India’s unemployment and lower per capita income, lower standard of living and for the problems of the farmers. The labour intensity of the small-scale units will serve as an immediate solution to all these problems.

Anantharaman\textsuperscript{42}, has studied into the working of SSI units in Tiruchirapalli district, along with the nature, extent and causes of sickness among them. 25 sample sick SSI units were subjected to the analysis in order to arrive at the general condition of sick units in this area. It was observed that “the reasons for the unsatisfactory working results were poor sales and heavy interest dues though these units had a gross profit margin of 20 to 30 per cent on an average. The implementation of rehabilitation measures and assessment of their efficiency were beyond the scope of this study.


\textsuperscript{42} Anantharaman, “Industrial sickness amongst SSI units in Tiruchirapalli district”, unpublished M.Phil. dissertation, Bharathidasan University, Tiruchirapalli, Tamil Nadu, India, Sep.200.
Y.K. Bhushan\textsuperscript{43} discusses "the management of small-scale industries" showed that the problems of small-scale industries in a backward region and the problems of small-scale industries in a developed region are different. Similarly, C.M. Choudhary\textsuperscript{44} in his study observed the problems of cottage and small-scale sectors. He states that the production in this sector is adversely affected due to lack of research and managerial efficiency.

The major problems faced by the entrepreneurs of the SSI sector relates to inadequacy of working capital assistance, recording the problem of inadequacy of working capital assistance, the commercial banks could relax the terms and conditions especially those insisting on the security. This conclusion is given by Re. Ganesan\textsuperscript{45} on his study.

James, J. Berner\textsuperscript{46} in his study on "Industrial entrepreneurship in Madras State" has analysed the reasons for the problem of SSI units and has observed the problems in raw materials; working capital and labour disputes.

Though he has analysed the various aspects of the SSI units, he did not study the financial and marketing problems of SSI units, since it was beyond the scope of his research work.

Porus, P. Munshi\textsuperscript{47} observed the recurring reasons for failure in SSI units as poor interpersonal skills, fear of failure, fear of success, poor management efficiency including poor product on services, lack of planning

\textsuperscript{44} C.M. Choudhary, "Cottage and small industries: Problems and prospects", \textit{Rural India}, Vol.21, No.6, Sep. 1992, p.224.
\textsuperscript{45} Re. Ganesan, "Growth of entrepreneurship in small-scale industries – A study with reference to Pudukkottai district", unpublished M.Phil. dissertation, Alagappa University, Kariakkudi, Tamil Nadu, India, 1992.
\textsuperscript{46} James, J. Berner, \textit{Industrial Entrepreneurship in Madras State}, Asia Publishing House, Bombay, 1960, p.10.
and foresight, unrealistic assessment of the market, inadequate capitalisation, leadership or managerial inexperience.

S. Palanichamy’s study reveals the particular reference to Aruppukottai regions, the small-scale industries becoming sick day-by-day due to various problems. In this study, problems of small-scale industries are classified into seven major heads viz. raw-materials, marketing, finance, labour, power, water and transport.

C.S. Prasad observed that the SSI sector is facing numerous constraints which are typical because of the small size of the enterprise. He suggested that, there is a need to bridge the gap which exists in the form of inputs like credit, raw material, marketing, skilled labour and infrastructure followed by the needs of technology, information network and environment to develop a new relationship between the large and small-scale industries.

W.R. Parthasarathy, Vice-President of Ambattur Industrial Estate Manufacturers’ Association who has expressed that India has heavy paperwork, poor flow of credit to small-scale industries and high interest rates on borrowings, antiquated labour policies, poor infrastructure including power supply, innumerable taxes and that these factors are the burden to small-scale industry to turn around and perform more efficiently. J.N. Pat Nayak and R.K. Agarwal in their study expressed the attention on the technological

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upgradation programme for improvement in the productivity of the SSI sector.

S. Ramachandran,\(^{52}\) has concluded his study that for easy availability of finance, the activities of central and state government agencies must be co-ordinated in a fruitful manner by establishing a ‘District Level Agency’ which should have a direct contact with the SSI units and the governmental agencies at large.

Sahdeo Pande\(^{53}\) observed that the SSI units suffer from innumerable problems which scuttle their growth. Unhealthy competition with large scale industries coupled with poor financial support further aggravate their problem. To ensure quick development of these industries, their problems are to be sorted out urgently. The new industrial policy will go a long way in salvaging these industries from decay. In addition, SSI face a number of other problems like non-availability of cheap-power, unchanging and irresponsible production parties, burden of local taxes and interference by local politicians. He suggests that SSI need a comprehensive change in the policy of government to make them more efficient and productive.

Satish, B. Mathus\(^{54}\) conducted a study on “Sickness in small-scale sector (causes and cures)” with special reference to the role of commercial banks. Various steps and strategies, as suggested on the basis of the findings of the study, should be effectively implemented by the banks and others, in close-co-ordination with the other financial institutions and the entrepreneurs.

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D. Sampath Kumar\textsuperscript{55} in his study observed that SSI units suffer from economics of scale not just in terms of manufacturing capability but also in terms of institutional infrastructure. The infrastructure is needed to support compliance with regulatory requirements. It is also required to sustain increasing access to bank and institutional finance. Only an innovative approach would lead the SSI units taking their rightful place in the task of economic growth. But today the reality is that even the mere act of keeping the production infrastructure in readiness saps the entrepreneurs, leaving little time and energy for managing the core business activities of the enterprise.

Sayyid Fayyaz Ahmed\textsuperscript{56} in his work examined, seen the production system of the industry is dominated by old concepts and techniques and lacks the customers-orientation in respect of products and the export potential of this industry has not been fully exploited due to a poor marketing strategy.

V. Suresh Kumar\textsuperscript{57} in his paper suggested and in its conclusion says that the rural industries capacity utilisation is below 62 per cent in comparison to highest capacities utilisation during proceeding five years in rural area in Tamil Nadu.

K. Sreenivasagam\textsuperscript{58} in his study explored, a general survey of the sick units in Tamil Nadu, and the agencies and schemes involved in rehabilitating the sick units. The enquiry was confined to 43 sample units consisting of 11

\begin{itemize}
  \item D. Sampath Kumar, “SSI units suffer from economics of scale”, \textit{Economic Times}, \textit{Special Issue}, Vol.31, No.12, May 2000, p.16.
  \item V. Suresh Kumar, “Causes for rural industrial sickness”, a paper presented at National Seminar on September 2004, p.16.
\end{itemize}
large scale units and 32 SSI units. 14 units belonged to public sector undertakings and seven units were public limited companies.

B. Varadharajan\(^{59}\) examined in his research work “Vanaspati Industry in India – A study of the raw material problems” that the respondent that ensuring adequate supply of the most suitable raw-material is the main problem of the Vanaspati industry.

Vasant Desai\(^{60}\) explored in his work, enumerating the various problems faced by small-scale units. The commendable contributions of this sector towards production, employment, exports, etc., are established with sufficient data. It includes the causes, and extent of sickness, the possible remedies to cure the sick units and the policy and the institutional frame work to alleviate sickness from this sector.

Vikram Chadha\(^{61}\) in article, stated that the problems encountered by the SSIs range from the shortage of credit and finances, under-utilisation of capacities, in competitiveness in the output and product markets, to the inadequacy of industrial facilities like power.

Hence, the current study on hand has been made a descriptive study by the financial, production and marketing aspects of the small industrial units of the different categories of Thanjavur district in Tamil Nadu. The study has also made an attempt to trace out the problems of SSI units in the study area of which the previous studies are lacking.


\(^{60}\) Vasant Desai, Problems and prospects of small-scale industries in India, Himalaya Publication, New Delhi, 1995, p.20.

STATEMENT OF THE PROBLEM

It can be evident from the descriptions of the previous phase that the small-scale sector has become the hub for many economic activities in developing countries by virtue of its special features of capital sparing and labour intensiveness. In fact the small-scale sectors have a major role to play in developing nations which suffer due to low capital formation and over population. Realising the role of the small-scale sector, Government of India took several measures for the promotion and smooth functioning of this sector. Besides these, Government of India carefully planned the development of small industrial sectors in the country. It has ear-marked millions of rupees for their development during the plan periods. But to the dissatisfaction of many, including government agencies, the sector has not been working well owing to different problems faced by them both at the promotional and operating stages.

An analysis of the industrial structure of the State of Tamil Nadu reveals some important aspects. The industrial sector is dominated by the traditional industries. Besides these, the small-scale industries are dominant in the number of industries in the state. The trends in total productivity of the small-scale sector have been showing a declining trend since 1970s. The developments of the small sector are essential to solve not only the problem of the industrial development but also unemployment, regional imbalances.

It is a purposeful activity engaged in initiating, promoting and manufacturing economic activities for the production and distribution of wealth. It is an integral part of the socio-economic transformation, the key to the economic growth of any countries. The economic development of any region is the outcome of the purposeful human activity. Man stands in the center of the whole process of the development.
Thanjavur district, though agriculture oriented, is one of the prominent and fast developing industrialised districts in Tamil Nadu. The profile of Thanjavur district which can be see in appendix – II. Because poor inflow and storage of water for irrigation causing problems in agriculture. Crop failure in subsequent years and poor harvest resulted in under-employment and low income.

Industrialisation having strong correlation between economic and rural development and a number of factors contribute to the industrial growth of an area. A favourable foundation for the rapid development of an area is based on a strong industrial capability. Although Thanjavur district is endowed with a lot of agricultural industrial sector since the formation of the district, the industrial performance compared to the national development by any conventional parameters has been on the low.

In the light of this backdrop the present study has been taken upto identity the problem areas of this sector and thereby to suggest appropriate measures in order to resolve the problems faced by them. To carry out the study on sound lines, it is hypothesised that the small-scale sectors are suffering from several problems such as production, marketing, labour and finance.

To test the validity of the hypothesis, small-scale sectors of Thanjavur district in Tamil Nadu are selected for study. To avoid any ambiguity in dealing with the hypothesis and to organise the survey on sound lines, the objectives of the study are clearly defined.

The proposed research work entitled, PROBLEMS AND PROSPECTS OF SSIs IN TAMIL NADU with special reference to Thanjavur district. It is an attempt to understand the growth and functional
problems of small-scale units in Thanjavur district. Due attention was to the
different types of problems solving solutions implemented by various
nursing agencies, such as DIC, SIDCO, TIIC, TANSI, ITCOT, SIPCOT,
Industrial Co-operative Bank, Lead Bank (Indian Overseas Bank) and
Commercial Banks. The study is to be undertaken with a view to analyse the
after effects of implementation of these revival measures, to gauge their
effectiveness and suggest more effective and viable measures, to rehabilitate
the SSI units.

OBJECTIVES OF THE STUDY

The main purpose of the study is to understand the growth and
identify the problems encountered by small-scale industries in Thanjavur
district, Tamil Nadu and thereby to suggest such measures that would resolve
the problems. The detailed objectives of the study are set as follows:

❖ To review the general accountability of small-scale industries in
India,
❖ To outline the role of WTO and its challenges of Indian small-scale
industries,
❖ To assess the growth and working of small scale sector of Tamil
Nadu and identify the industrial background of small scale industries
in Thanjavur district.
❖ To identify the socio-economic characteristics of the sample small
scale industries in Thanjavur district.
❖ To analyse and ascertain their problems, such as production, labour
and marketing.
❖ To focus the financial problems of sample small scale units of
Thanjavur district and implementation of special scheme of funding
agencies to SSIs and
Finally to suggest suitable measures based on the identified gaps in the problem areas to resolve the major problems of the small-scale industries.

**HYPOTHESES**

On the basis of the answers given by the respondents, the following statistical null hypotheses are tested in the appropriate places.

- The production problems of different categories of industries are equal.
- There is no relation between the capacity installed and utilised.
- The reasons for idle capacity in different categories of industries are equal.
- The labour problems of different categories of industries are equal.
- The marketing problems of different categories of industries are equal.
- There is no relation between the owned and borrowed capital.
- There is no association between the stratum and financially assisted sources.
- There is no association between the various categories of industry and the various schemes of governments.
- There is no association between the category and the financial requirements given by commercial banks.

**METHODOLOGY**

The present study pertaining to problems and prospects of small-scale industries in Tamil Nadu, with special reference to Thanjavur district is based on certain objectives as explained above. In the light of these objectives, the scope of the study has been demarcated and investigation techniques to be adopted, tools to be used and the pattern of analysis followed have been determined.
The study is analytical one and it is based on primary and secondary data. Besides the primary data, the researcher collected data from secondary sources from the university libraries went through the published material in the field of small-scale sector. Before finalizing the problem of the study the researcher looked into the unpublished dissertations submitted by many researchers about which a mention is made in the survey of literature presented in this chapter.

The study is based on data personally collected with the help of an interview scheduled which can be seen in Appendix-1. A scheduled has been pre-tested before commissioning it into the field for collection from relevant data.

A few industrial units have been approached for the purpose of pre-testing and finalisation. It has been done by alternation of some items and additions of some other provisions in the scheduled.

Selection of the sample

The most essential requirements for satisfactory sample enquiry is an accurate census of the universe. For the purpose of the study, a small-scale unit is defined as a unit in which investment made on machinery and equipment installed does not exceed rupees one million irrespective of the inputs on buildings, working capital and the number of workers employed in the unit. Systematic records of small industrial units of Thanjavur district do not exist. As the registration of units is only optional, many units are found to be operating without registration. No information could be obtained about the total number of such units and their locations; therefore the study has been restricted to those small industrial units, which are registered in District Industries Centre (DIC), Thanjavur and Thanjavur District Tiny and Small
Industrial Association (TDTSIA), Kumbakonam. The record maintained by DIC was used for preparing a list of SSI units operating in Thanjavur district by March 2004. It is found from the record that SSI units are highly heterogeneous in character as far as the capital investment, employment and nature of production are concerned.

It is essential that industrial units should be made homogeneous as far as possible before drawing samples for study. For the sake of convenience, SSI units are separately studied, SSI units of Thanjavur district covered under study as per DIC’s, small-scale industries register for permanent registration and also membership of Thanjavur District Tiny and Small Industrial Association (TDTSIA), Kumbakonam.

Therefore, the study has been extended to those small-scale industrial units, which found the place in DIC’s and TDTSIA’s records. Since cognizance could not be given to the entries of DIC, as majority of the units registered with DIC, which could not be traced out in the entries with TDTSIA, were availed for the effective survey of the currently functional units. At the time of enquiry, the small-scale industrial units were classified into 20 categories by the DIC and TDTSIA records on the basis of the items of productions (see appendix – III). It is decided to select equal percentage from total universe of all categories of industry. A two stage stratified random sampling techniques have been adopted. As the first stage, 20 categories of the industries have been grouped in ten on the basis of nature of the product such as agro, forest, textiles, polymer, building, mineral, engineering, engineering and allied, chemicals based and miscellaneous industries.

Nine groups of primary nature and one of miscellaneous nature has been taken as sample for the study. In the second stage, all the industrial
units in stratum are serially arranged as per records of DIC, Thanjavur and TDTSIA, Kumbakonam. It is decided to select 20 per cent of the units from each stratum for the study, to have proper representation of the stratum.

As the two number of units in the forest based units are very small, they were included in the agro based units and as the polymer based units are similar in character, they were clubbed with textile based units, only two mineral based units in this sample, which were linked with building based units and engineering allied units are more related with engineering units are also linked with engineering units and miscellaneous categories were listed with more than six types of industries. The sample sizes of different groups from industries are given in table 1.5.

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Category</th>
<th>In universe as on 31.03.2004</th>
<th>In sample (20%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Units</td>
<td>% to Total</td>
</tr>
<tr>
<td>1.</td>
<td>Agro and forest based</td>
<td>90</td>
<td>15.96</td>
</tr>
<tr>
<td>2.</td>
<td>Textile and polymer based</td>
<td>205</td>
<td>36.35</td>
</tr>
<tr>
<td>3.</td>
<td>Building and mineral based</td>
<td>26</td>
<td>04.61</td>
</tr>
<tr>
<td>4.</td>
<td>Engineering and allied based</td>
<td>59</td>
<td>10.46</td>
</tr>
<tr>
<td>5.</td>
<td>Chemical based</td>
<td>09</td>
<td>01.60</td>
</tr>
<tr>
<td>6.</td>
<td>Miscellaneous</td>
<td>175</td>
<td>31.02</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>564</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: (1) Annual Record of District Industries Centre (DIC), Thanjavur as on 31.03.2004.
(2) Membership record of Thanjavur District Tiny and Small Industries Association, Kumbakonam as on 31.03.2004.

There are 564 small-scale industrial units which find a place in the records of DIC and TDTSIA in the whole of 10 taluks in Thanjavur district by March 2004. Among 564 units in the study area, only 20 per cent is taken as sample. Due to practical difficulties in the collection of data, the researcher used judgement-sampling method to choose the sample units of the study area. Following this procedure, 113 sample units have been selected from the entire stratum taken together. Thus 11 sample units were chosen for each Taluk and two sample units from SIDCO industrial estate in
Thanjavur and one-sample unit from SIDCO industrial estate at Pillaiyarpatti. Even the sample units were taken minimum five years of regular functioning in the study area.

The researcher visited the sample units of small-scale sectors and collected the data from the respondents. While collecting the data the researcher raised several doubts with the sample entrepreneurs. This really helped the researcher in eliciting the required data from the respondents. It also gave him an opportunity to observe the various problems faced by the entrepreneurs of different types of units. Whenever the researcher felt he had discussions with the entrepreneurs, and the managements of sample units. This, in fact, enhanced the quality of data obtained from the respondents.

All attempts have been made to extract the correct information through informal discussion with the entrepreneurs. Labourers have also been consulted while collecting data in the field. Some financial agencies have also been covered during the survey to confirm the data furnished by the owners or managers of the industrial units. Very often the General Manager of the District Industries Centre, Thanjavur has extended his cooperation by providing the information about the various services provided by DIC to the SSI.

**Agro and forest based**

For these units, the study has been made mostly as rural based areas in the District. There are 16 Agro based units and only two units from Forest based units which have been engaged in a diversified activities like Rice milling, Dal milling, Oil milling, Cotton ginning, Cashew kernels, Furniture works, Saw milling etc. The sample units are from Thanjavur, Saliyamangalam, Ammapettai, Vallam, Kumbakonam, Orathanadu, Thiruvonam, etc. It is observed that all 18-sample units are working well.
Textile and polymer based

The Textile units of these industries are mainly concentrated at Pattukkottai, Thanjavur, Kumbakonam, Orathanadu, Pasupathikovil and Ammanpettai etc. The small units of these categories are spread through out the district. There are 38 textile units under this category, which are engaged in readymade industries, tailoring and low count yarn milling and three polymer-based industries are surveyed from Pattukkottai. It has been found that a sample unit is sick.

Building and mineral based

The building based units in this group is mainly located at rural places like Pillaiyarpatti, Swamimalai and Papanasam. There are three units of building based industries of this type, which are engaged in brick making, slab polishing etc.

The other two sample units of mineral based industries are manufacturing slate at Mariamman Kovil in Thanjavur. Among five units of the sample units of this group, two units are found to be sick.

Engineering and allied based

The small engineering units are located mostly in and around Thanjavur and Kumbakonam towns. These units include all those who have engaged in the manufacturing of machinery for other small-scale units viz., rice mills, oil mills etc., and manufacturing of agricultural implements, steel furniture and utensils. The sample units are from Thanjavur and Kumbakonam towns. There are 59 units in this stratum and 12 were selected for the study.
Chemical based

This industry is mainly urban based. Most of the units are located in the industrial estate of Thanjavur. The universe of this stratum comprises nine units out of which only two units are selected for the study.

Miscellaneous

Units, which have been diversified over different lines of activities and do not fall under any one of the above-mentioned strata, are included under this head. These units are spread throughout the district. The chief activities of these units are printing, foot wear, agarbathies, wax candles, ice candy etc. All the 175 units under this group belong to small scale sector. Hence, 35 sample units were selected for the study.

The field were covered the proprietors or managers and workers of sample units. The fieldwork covered eight and half months (from 12th August 2004 to 27th May 2005). A number of cross-examinations had been conducted to establish the reliability of data. Some important management areas like, financial, production, personnel and marketing are identified for the study.

The researcher used the secondary data also for this study. The sources of the secondary data collected can be divided into two categories. The first source was the financial accounts of the selected sample units. The second source was the Government publication and guidelines of various financial institutions, which were offering financial assistance to these units, the other sources was the bulletin of Tamilnadu Small and Tiny Industries Association (TANSTIA) and the official bulletin of the Thanjavur District Small and Tiny Industries Association (TDTSIA). In addition to this, data were also collected from published and unpublished records, reports and
magazines from the State and District Assemblies and Promotional Industries.

**Data analysis**

The data collected from both primary and secondary sources were processed systematically, applying growth rates and percentages, to evaluate the working of small industry and analyse the problems in order to draw meaningful inferences and conclusions. Efforts have also been taken to establish statistical relationship about different variables for the purpose of analysis and also to make the interpretation more precise. Data from the survey were coded and processed using the SPSS computer package.

In most of the cases comparison has been made on the basis of observation. Comparison of tables with simple mathematical tools have been used to make the analysis more understandable one. On the basis of the answers given by the respondents a null hypothesis was framed which involves statistical tools for test hypothesis. Such as Fitness Test, ANOVA (One-Way) with DMRT, Paired students 't' test, 'F' test, 'z' test, Coefficient of Correlation, Factor analysis and Chi-square test have been applied and results were given in the appropriate places.

**PERIOD OF THE STUDY**

For period from 1994-95 to 2003-2004 must have been sufficient for the industrial services instituted to formulate small-scale industries at assistance and for their development. The above ten years as a gestation period for inception and growth. The investigation covers the period of five years from 1999-2000 to 2003-04. This five years period was taken as the period of assessment for the purpose of this study.
LIMITATIONS OF THE STUDY

- The study among the selected industries in the district only.
- This study is built-up with the help of both primary and secondary data relying on the information provided by these selected study units.
- The study has not covered the entire population both technical, personal owing to time at the researcher disposal and limitation of resources.
- During the survey, it has been observed that the respondents have shown indifferent and casual attitude in finishing the data and to that extent the analysis suffers from non-sampling error.
- Correctness and accuracy of data in respect of cost and production suffers since the owner-manager has not maintained records correctly in many cases.
- The performance exhibited by the different indicators relates only to period 1999-2000 to 2003-2004.
- Considering the time and finances, sampling technique was adapted but taking a few units in each group of small-scale industries. The heterogeneous nature of units affects the study to make inter-industry comparisons.
- Only those units that have registered themselves with DIC and TDTSIA were taken as samples for the study.
- This is a cross-section of study in some selected small-scale industrial units in a region. This result may not hold good for all regions and as such cannot be generalised. This study is mostly based on economic aspects only. The result of study may have some margin of error due to biased response. Eventhough the study has some limitations, they have been reduced to the maximum extent by cross checking the data.

CHAPTER SCHEME

The small-scale sector could perform well in realizing the expectations of people. The sectors’ performance would have been better than what is attained
already in the past, it has been problem free, in the light of this back draw-up, the present study is undertaken to highlight the problems and thereby to suggest some measures to resolve them. The study is organised in the manner described as follows:

The first chapter outlines the statement of the problem, the objectives, hypotheses, methodology and also explains the various limitations of the study. Besides it provides a brief survey of literature.

The second chapter deals with the role of WTO in SSIs and the challenges of small-scale industrial sectors.

The third chapter deals with growth and development of small-scale industry in the state of Tamil Nadu with industrial background of SSIs in Thanjavur district.

Chapter four presents the socio-economic characteristics in the sample small scale industries are discussed.

Chapter five analyses the problems of sample units such as production, labour and marketing.

The sixth chapter describes the financial problems of sample units and implementation of special scheme of funding agencies to SSIs.

Finally, the seventh chapter outlines the findings and conclusion. It also points out the suggestions made to the small entrepreneurs, financial institutions and various small industry promotional agencies in the light of the findings and conclusion made out the study.