In the case of finance, the major sources of raising the initial capital were through borrowings from their wives, the sale proceeds of their agricultural land and their professional earnings. The major source of term loan was found to be the Tamil Nadu Industrial Investment Corporation (TIIC). It was observed that around 64.67 per cent of the units had obtained 75 to 90 per cent of their working capital from the commercial banks.

The Small-Scale industrial units had faced the problem of getting technical and managerial guidance because of the ‘inconvenience’ caused and also due to the fact that the guidance available was not up to their expectation.
7.1 INTRODUCTION

In India, the small-scale industrial sector plays a pivotal role in terms of providing employment and in enabling the growth of economy through District Industries Centre (DIC). This sector mainly uses locally available raw materials and local manpower to produce the goods and services, which are in demand, both at the national and at the international levels. The small-scale units also meet the export demand for certain products in reasonable quantities as disclosed by the current levels of exports. These are the main factors that the Government of India had stressed in its Industrial Policy Statement to promote the development of the small-scale industries in a widely disbursed pattern and in the rural areas and the smaller towns. In pursuance of this policy, a programme was evolved for the setting up of the District Industries Centres (DIC) as effective nodal agencies for the development of the small-scale industries in different districts.

Theni District is one of the industrially growing districts in the Tamil Nadu state, famous for its small-scale industries. In order to solve the problems of unemployment and to achieve an equitable growth, the small-scale industries were given preferential
treatment in the developed as well as in the backward areas. Many programmes have been launched in order to alleviate poverty and to promote self-employment through the District Industries Centre in this district. The present study has been undertaken to analyse the trend and growth of the small-scale industries, to measure their levels of growth, and to find out the factors influencing their growth, the capacity utilisation and to bring out the major problems faced by them.

7.2 SUMMARY OF FINDINGS

7.2.1. Review of Literature, Profile of the Study Area and Sample Units

Analysis of the characteristics of the sample respondents results that

(1) Majority of the sample entrepreneurs were in the 30-50 age group.

(2) 82.67 per cent of them are males, 73.33 per cent of them belong to Hindu religion, 67 per cent of them belong to Backward community and majority of the respondents are literates.

(3) Around 45 per cent of selected units were more than ten years old, 49 per cent were partnerships, 58 per cent of them were established by the present owners and around 51 per cent of the units were located in and around town areas.
7.2.2. Role of District Industries Centre in the Development of Small-scale Industries in Theni District

Analysis of a number of small-scale industrial units newly registered with DIC, Theni, every year indicates tremendous growth from 1997-98 to 2004-05. The average annual growth was 14.64 per cent in Theni district, as against the National average of 4.408 per cent.

Hosiery and garments manufacturing units dominate others in number followed by food processing industries in Theni district. The DIC established in Theni has been conducting motivation campaign consistently and successfully. All other activities for which DIC, Theni is entrusted with, are being undertaken satisfactorily. From the opinion survey conducted in respect of ascertaining the level of attitudes of the beneficiaries towards various services performed by DIC, Theni it could be inferred that 66 per cent of them had medium level attitude and 15 per cent high level attitude and remaining 19 per cent had low level attitude. Chi-square test applied highlights, with the exception of gender and community of the respondents, all other variables such as age of the respondents, their literacy level, religion, form of organisation and period of existence were significantly related to the attitude of respondents.
7.2.3 Trend and Growth of the Small-scale Industries in Theni District

The trend and growth rates of the registration of units in the developed and in the backward areas of Theni district classified according to different blocks were found to be statistically significant. Similarly a significant trend and growth rate was found in the units of forest-based industries, chemical-based industries, electrical and electronic-based industries, textile-based industries, engineering and allied industries, agro-based industries and the miscellaneous industries.

The total investments made on SSI units in the study area had increased from Rs.298.06 lakhs in 1997-98 to Rs.414.18 lakhs in 2004-05. The total production had also increased during that period. But the trend co-efficient of investments made and that of the total production were not found to be statistically significant during the period 1997-98 to 2004-05.

Turning to the generation of employment, SSI units were found to have generated remarkable employment opportunities and thereby, had fulfilled one of its major objectives of providing employment to the people of Theni district. The number of jobs created had increased from 1351 in 1997-98 to 1535 in 2004-05. The trend co-
efficient of the employment generated by the SSIs was found to be statistically significant and positive.

The trend and growth rates of employment classified according to different blocks were found to be significant and positive in all the blocks. In the case of generation of employment classified according to different types of industries, the trend and the growth rates were found to be significant in the units of the agro-based industries, electrical and electronic-based industries, the chemical-based industries, the forest-based industries, textile-based industries, the engineering and allied industries. In the case of miscellaneous industries the employment generation was on the increase but not statistically significant.

The trend and growth of production were found to be significant in the developed and in the backward areas of the district in the case of all the industries.

Thus, it could be inferred from the analysis that during the period of study, the growth in the number of the units registered and the employment generated both in respect of the different blocks and in respect of the various categories of industries in the developed and the backward areas in Theni district had been remarkable.

### 7.2.4 Factors Influencing the Growth of the Small-scale Industries in Theni District
The total sample small-scale industrial units selected for the study were 300 in number. Among the 300 units, 70 units were textiles, 41 units were in the miscellaneous group of industries, 40 units were in the electrical and electronic-based industries, 38 units were related to agro-based industries, 38 units were in the group of the engineering and the allied industries and 38 units were chemical-based industries and 35 units were forest-based industries.

To measure the growth of SSI units, ten important growth components were identified by the researcher. These are fixed asset, owned funds, borrowed funds, working capital, raw materials consumed, number of customers, employment generation, volume of production, sales turnover and net profit. Based on growth score values computed for the years 2000-01 and 2004-05 it is found that the miscellaneous types of industries recorded the highest growth in respect of all components except owned fund and raw materials consumed. The electrical and electronic-based industrial units recorded the highest growth in respect of owned funds and raw materials consumed. The analysis of overall growth score values clearly indicated that on an average 80.57 per cent of growth was achieved by the sample industrial units. Out of the total number of units selected for analysis 50.33 per cent of the units achieved a medium level growth, 30.34 per cent of the units achieved low level growth and 19.33 per cent of the units achieved high level growth indicating a satisfactory level of growth by majority of the units.
Coefficient of variation computed for the purpose of ascertaining the magnitude of variation clearly indicates that the industrial units classified under the medium category were more consistent in their growth than that of others.

The analysis of factors influencing the growth of the units with the help of multiple linear regression model indicates that four out of seven variables namely capacity utilisation, fixed investment, working capital and the sales turnover were positively related to the growth of industrial unit under the high level category. The regression coefficient of capacity utilisation, fixed investment, working capital and the volume of production indicate that these factors were jointly responsible for the overall growth of units classified under medium growth category. As far as the units under low level growth category is concerned working capital was primarily responsible for their growth followed by capacity utilisation and volume of production.

7.2.5 Problems of the Small-scale Industries in Theni District

It was found that the annual average unutilised capacity of the sample units was around 50 to 75 per cent and the mean unutilised capacity was found to be the highest among the textile-based industries, followed by that of the units of the miscellaneous types of industries. The major reasons for the unutilised capacity were, as reported by the entrepreneurs, ‘competition’ followed by ‘other reasons’ and the ‘scarcity of raw materials’.
As far as the problems faced by the sample small-scale industrial units were concerned, it could be observed that marketing the product was found to be the major problem, followed by the problems of finance and availability of raw materials.

The major reason for the problem of marketing was found to be the competition from other small units, followed by ‘other problems’ such as those of transport bottlenecks and the seasonal demand for the products. In the case of the problem of raw material, non-availability as the major reason was found, followed by high prices and other problems such as those of uncertain prices and the seasonal supply of the raw materials required.

Turning towards the issue of finance, the meagre assistance got from government agencies and the shortage of the working capital were found to be the major reasons leading to financial instability. The major sources of initial capital were financial support from the spouses, the sale proceeds of their agricultural land and their professional earnings. The major sources for the term loans were found to be the Tamil Nadu Industrial Investment Corporation (TIIC) and the commercial banks which have lent about 75 to 90 per cent of the required working capital of the sample units.

Apart from the major problems, the small-scale industrial units had also faced the problems related to labour, power supply and that of managerial and technical
guidance. It was found that want of skilled labour and trade unionism were the problems related to labour; and the high cost and the uncertainty of supply were the major problems related to power supply. The major reasons for not using the technical and managerial guidance were inconvenience, and the fact that they did not consider it as very useful in respect of the small-scale industrial units.

7.3. SUGGESTIONS

The above analysis leads us to infer that though there was under utilisation of the capacity in SSI units, the growth of the SSI units in the area under study in terms of the number of units registered, investments made, employment generated and the total production achieved had been spectacular. The role of the District Industries Centre had also been significant in promoting the small-scale industrial units in this district. Self-employment schemes and measures for the rehabilitation of the sick units implemented through the District Industries Centre were found to be in progress. The units of the miscellaneous categories of industries were found to have progressed well, with a higher level of efficiency compared to the units of other categories. The main problem faced by the SSI units was found to be in respect of marketing their products and in getting adequate working capital on time. In order to phase out the above hurdles the following suggestions may be taken into consideration.
The projects prepared by the DIC officials were often found to be not suited to the local environment and local requirements. Therefore, the DIC should identify schemes that are most suited to the local requirements and offer them to the SSI units. The local SSI units should be made responsible for utilising the local potential resources in the area for the successful implementation of the various schemes.

Despite the steady growth of the units in the small-scale sector from 1997-98 to 2004-05 in the study area, there had been several obstacles faced by them such as the non-availability of manpower, insufficient infrastructure and inadequate capital which had hindered and hence a collaborative and integrated approach among the central government, the state government, the associations of the local industry and the small-scale units is very essential. Such a Public-Private sector Partnership (PPP) approach is essential for the integrated development of the SSI units in the study area. The private sector can play a very important role in areas such as research and development and technology upgradation, in information technology, in marketing and in the promotion of infrastructural facilities where government agencies have failed miserably so far.

As running even the small business becomes very complex. The small-scale industrialists should possess highly the result oriented managerial abilities. In
this regards DIC should take up the responsibility of upgrading the managerial skills of the small-scale industrialists.

- It is understood from the analysis that inadequate market demand is a major problem that was confronted by the sample SSI units. Marketing problem includes in itself inadequate market demand, fluctuations in demand and competition from small-scale and large scale industrial units. In order to solve this problem the existing price preference system provided by the government should be efficiently and effectively implemented. As far as possible, the large units should be discouraged from competing with the units of the SSI and their products. Reservation of a certain percentage of the products as is done in the textile sector as between handlooms and the mill sector could be thought of.

- To solve the working capital problem, the present industrial financing structures should be streamlined by implementing effectively the much publicised single window system to help the units of the small-scale industries to have access to sufficient funds from their very inception.

- The small-scale industries could face the competition of the large scale industries only with their upgradation of technologies. The government should create the Technology Upgradation Fund for modernising the small-scale industries. The assistances may be made out of this fund to small-scale industries through DICs.
As the competition from large scale industries and other MNCs is very stiff for small-scale industries, their survival becomes a question mark. The small-scale units doing similar business at the district level could join together by forming clusters among themselves. They can sell the goods under a common brand name. In this way they can, not only avoid competition among themselves, but also face the competition of similar branded products supplied by bigger companies. Such a trade policy can ensure proper patronage for their products.

7.4 CONCLUSION

“Small is beautiful” can never be an obsolete term in a capital starved labour abundant and agriculture oriented country like India. The present set back to Indian small sector due to the potential threat posed by large scale Indian and multinational companies can only be a temporary phenomenon as these industries can not guarantee, capital formation and fuller employment in real term at the gross root level. Acceleration in the development of small-scale industries is inevitable for the sustained growth of the economy evenly throughout the country. Of course, ‘protection’ can no longer be the watch ward for SSIs; but the quality enhancement is the need of the hour. The infrastructure facilities so far developed through various plans will help the entrepreneurs to locate correct path for onward march but the mind set of these entrepreneurs in producing quality products will alone help them reach the destination. Lessons from the experience of other countries could vanguard the present small-scale
entrepreneurs to the way for success. In this respect DICs, the organisation established for development of SSIs can play a crucial role.

The suggestion put forward in the present study will guide the policy makers and others who work for the industry to take appropriate measures for the betterment of Indian small-scale sector in the coming years.

7.5 **SCOPE FOR FURTHER RESEARCH**

Further research may be undertaken to expand the scope of the present study. The following research areas are suggested:

- Impact of clustering of small-scale industries in Theni District.
- Sickness in small-scale industries in Theni District.
- Institutional financing of small-scale industries in Theni District.
- Non-financial institutions in the development of small-scale industries in Theni district.