QUESTIONNAIRE
APPENDIX I
A STUDY ON ROLE OF FINANCIAL INSTITUTIONS IN THE
DEVELOPMENT OF SMALL SCALE INDUSTRIAL SECTOR IN
TIRUNELVELI DISTRICT
INTERVIEW SCHEDULE FOR BENEFICIARIES

Name (Optional)

1. Gender
   a) Male  b) Female

2. Income
   a) upto 5000  b) 5000 to 10000  c) 10000 to 15000  
   d) 15000 to 20000  e) above 20000

3. Education
   a) Primary School  b) Middle School  c) High School  
   d) Hr.Sec. School  e) Technical course  f) Degree Course

4. Marital status
   a) Married  b) Unmarried

5. Place of location
   a) Urban  b) Semi urban  c) Rural

6. Occupational background
   a) Businessman  b) Employee  c) Agriculture  
   d) Others

7. Type of business
   a) Sole trader  b) Partnership  c) Private Limited  
   d) Others

8. Years of experience
   a) Below one year  b) 1 to 2 years  c) 2 to 3 years  
   d) 3 to 4 years  e) above 4 years

9. Are you a member of Trade Association?
   a) Yes  b) No

10. If yes, how many years have you been a member?
    a) Below one year  b) 1 to 2 years  c) 2 to 3 years  
    d) 3 to 4 years  e) above 4 years
11. Are you an office bearer in any Trade Association?
   a) Yes  b) No

12. If yes, have you participated in any meeting representing the Association?
   a) Yes  b) No

13. Do you have any problem with Trade Association?
   a) Yes  b) No

14. If yes, whether it is solved?
   a) Yes  b) No

15. Is your industry labour oriented?
   a) Yes  b) No

16. If yes, what is the number of employees working?
   a) less than 10  b) 10 to 15  c) 16 to 20  d) above 20

17. Do you offer employment for women?
   a) Yes  b) No

18. If yes, how many women are working?
   a) less than 10  b) 10 to 15  c) 16 to 20  d) above 20

19. Do you have any labour problems?
   a) Yes  b) No

20. If yes, what is the nature of the problem?
   a) Lack of technical problem  b) Demanding higher wages
   c) Problems related to shift duty  d) unable to educate themselves
   e) Less speed in operation  f) Union background
   g) Conflict among workers

21. Was there any stoppage of work due to labour problem?
   a) Yes  b) No

22. Do you have any labour shortage in your organization?
   a) Yes  b) No

23. If yes, mention the steps taken to solve the labour shortages?
   a) Employing the people belonging to other states
   b) Asking the existing employees to bring some more employees to solve labour shortages.
   c) Other methods.
24. Have you registered your unit with DIC?
   a) Yes   b) No
25. If yes, what is the nature of registration?
   a) Provisional   b) Permanent
26. Have you received any subsidy?
   a) Yes   b) No
27. If yes, mention the nature of subsidy received?
   a) State Capital subsidy   b) Generator subsidy
   c) Low Tension power tariff
28. Whether the subsidy amount you received is sufficient?
   a) Yes   b) No
29. Was there any intermediary in the subsidy distribution?
   a) Yes   b) No
30. Was there any delay in getting the subsidy?
   a) Yes   b) No
31. If yes, mention the period of delay?
   a) Below one month   b) one to two months   c) two to three months
   d) three to four months   e) above 4 months.
32. What is your capital contribution?
   a) Below 50000   b) 50000 - 100000   c) 100000 to 150000
d) 150000 and above
33. Do you have any financial problem?
   a) Yes   b) No
34. If yes, have you gone for any financial assistance from any institutions?
   a) Yes   b) No
35. If yes, mention the name of Financial Institutions?
   a) Indian Bank   b) Indian Overseas Bank   c) Bank of Baroda
d) Canara Bank   e) Karur vysia Bank   f) Punjab National Bank
g) Corporation Bank   h) Central Bank of India   i) State Bank of India
j) Bank of India
36. Mention the amount of financial assistance?
   a) Less than one lakh   b) one to two lakhs   c) two to three lakhs
d) three to four lakhs   e) above four lakhs
37. What is the rate of Interest?
   a) Less than 12%
   b) 12% to 15%
   c) 15% to 18%
   d) Above 18%

38. What type of loan you are provided?
   a) Working capital loan
   b) Soft loan
   c) Hypothecation
   d) Mortgage
   e) Bank overdraft
   f) Seed loan
   g) Hire Purchase
   h) Other forms

39. Were you insisted any collateral security by the financial agency?
   a) Yes
   b) No

40. If yes, were you able to provide it?
   a) Yes
   b) No

41. If no, what are the reasons?
   a) Objection from the relatives (Husband/wife/parents)
   b) No property was in my name
   c) The properties are encumbered
   d) The value of the property is inadequate
   e) The property was not in Tirunelveli District
   f) Other reasons

42. Are you aware that loans may be given up to 1 crore without any collateral security?
   a) Yes
   b) No

43. If yes, have you ever expressed the availability of this concession to the lending agencies?
   a) Yes
   b) No

44. If yes, whether the bank accepted your right?
   a) Yes
   b) No

45. If No, What are the reasons given by the banker?
   a) No loan can be given without any security
   b) In case of unsecured loan repayment of loan amount is uncertain
   c) It is against the bank’s lending policy
   d) Money will be taken among few hands and recycling of fund becomes difficult

46. Have you received any concessive financial assistance?
   a) Yes
   b) No
47. If yes, mention the amount?
   a) upto 50,000   b) 1 lakh to 10 lakhs
   c) 10 lakhs to 15 lakhs   d) above 15 lakhs

48. Have you received any consultancy from the financial institutions?
   a) Yes   b) No

49. If yes, mention the number of consultancies you have gained?
   a) One   b) Two   c) Three
   d) Four   e) above four

50. Whether any meeting was organized by the Financial Institutions?
   a) Yes   b) No

51. If yes, have you attended any of such meetings?
   a) Yes   b) No

52. If yes, how many times have you attended the meeting?
   a) Less than two   b) Three   c) Four
   d) Five

53. Have you expressed any grievances in the meeting?
   a) Yes   b) No

54. If yes, whether the grievances are settled immediately?
   a) Yes   b) No

55. Are you provided with any interest free holidays?
   a) Yes   b) No

56. Are you provided with any concession for gestation period during start up stages?
   a) Yes   b) No

57. If yes, mention the gestation period?
   a) Less than 3 months   b) 3 to 6 months   c) 6 to 9 months
   d) above 9 months

58. How many times have you visited the office of the financial institutions to get the loan sanctioned?
   a) Less than two   b) Three   c) Four
   d) above four

59. Was there any delay in processing the application?
   a) Yes   b) No
60. If yes, mention the period of delay?
   a) Less than 3 months   b) 3 to 6 months   c) 6 to 9 months
   d) above 9 months

61. Have you paid any charges for processing the loan application?
   a) Yes   b) No

62. If yes, on what basis the charges were levied?
   a) Lump sum   b) percentage of the project   c) Arbitrator

63. Have you received any concession in the fee for processing the application on
    communal basis?
   a) Yes   b) No

64. Have you repaid the loan in time?
   a) Yes   b) No

65. If yes, what is the source of repayment?
   a) From the profit of the business   b) From own capital
   c) From the borrowings   d) From other source of income
   e) Others

66. If no, what is the reason for the delay in repayment of loan?
   a) No profit   b) Huge installment amount
   c) Seasonal variation   d) family expenses
   e) Poor turnover   f) Others

67. Mention the period of repayment?
   a) Less than Two   b) Two to Four   c) above 4

68. Have you submitted any project report at the time of claiming Financial
    Assistance?
   a) Yes   b) No

69. If yes, who prepared the report?
   a) Myself   b) Auditors
   c) readymade downloaded project   d) Project report available with DIC
   e) Existing beneficiaries   f) Well wishers and friends
   g) Bankers

70. Was there any hard step taken by the financial institutions in case of delayed
    repayment of loan?
   a) Yes   b) No
71. If yes, what is the nature of action?
   a) Repeated warning (Oral)
   b) Repeated Memos
   c) Investigation in person by the officers of the Financial Institutions
   d) Action through trade association
   e) Legal Notice
   f) Stop the business operation
   g) Action according to Debt Recovery Act
   h) Any other.

72. Have you made any complaint against the hard step taken by the Financial Institution to the higher officials?
   a) Yes  b) No

73. Whether your grievances were looked into?
   a) Yes  b) No

**Opinion Statement (Positive)**
1. Subsidy is helpful.
2. The attitude of the officers of financial institutions towards the borrowers is courteous.
3. The officials have clarified the doubt.
4. Consultancy work is effective.
5. Existing beneficiaries are the major source of information about the financial institutions.
6. Rate of interest is normal.
7. Follow up actions of the officials of financial institutions are quite sufficient.
8. The media of publicity is sufficient.
9. For expansion programmes adequate financial assistance are provided.
10. Repayment holiday is reasonable
11. Extension of time to repay the debt is the step to help Medium and Small Industries.
12. Some concessions are provided when repayment was proper.

**Opinion statement (Negative)**
1. There is delay in the subsidy disbursement.
2. The subsidy is not adequate.
3. Intermediaries play a major role.
4. Cumbersome terms and conditions.
5. Face lot of difficulties while preparing the project reports.
6. Margin amount is too high, hence not affordable to the MSME’s.
7. First generation entrepreneurs are not encouraged.
8. Security terms and conditions are not affordable.
9. The organizations which have loan dues to financial institutions are not encouraged when they approach the financial institutions for another loan.
APPENDIX II
A STUDY ON ROLE OF FINANCIAL INSTITUTIONS IN THE DEVELOPMENT OF SMALL SCALE INDUSTRIAL SECTOR IN TIRUNELVELI DISTRICT
INTERVIEW SCHEDULE FOR FINANCIAL INSTITUTIONS

1. Are you concentrating on helping with financial assistance to Small Scale Industries?
   a) Yes      b) No

2. Do you follow the practice of making a survey assessment of the loan applicants?
   a) Yes      b) No

3. If yes, what are the factors will you consider?
   a) Repaying capacity    b) Profitability of the business
   c) Integrity and character  d) income status
   e) status in the society  f) His existing loan commitment
   g) others

4. Do you arrange for any advertisement over the schemes available with you?
   a) Yes      b) No

5. If yes what type of advertisement you arrange?
   a) Web invitation      b) Popular news papers
   c) sevai cheithigal in all India radio    d) FM radio
   e) Television           f) other methods.

6. Do you arrange for motivational meetings to encourage entrepreneur to start their venture?
   a) Yes      b) No

7. If yes, what is your periodicity of motivational meetings?
   a) Once in a month    b) Occasionally
   c) rarely            d) after we receive a instruction from the central office
   e) after receiving the directions from the DIC’s manager

8. If yes, for how many years have you been giving financial assistance?
   a) less than 2      b) 2 to 4      c) 4 to 6      d) above 6

9. What are the numbers of schemes available in your institution to help Small Scale Industries?
   a) 1 to 2        b) 2 to 4        c) 4 to 6    d) above 6
10. Have you got schemes for both genders?
   a) Yes           b) No

11. If yes, how many schemes are meant exclusively for men?
    a) one  b) two  c) three  d) above three

12. If yes, how many schemes are meant exclusively for women?
    a) one  b) two  c) three  d) above three

13. What are the reasons for providing financial assistance?
    a) Proper repayment
    b) able to deal with them easily
    c) able to provide security
    d) Properties are in their names
    e) for them marketing is not a problem

14. To what type of schemes do you give importance?
    a) Central Government schemes
    b) State Government schemes
    c) Both Central and State Government schemes

15. What type of loans and advances you offer?
    a) Secured
    b) Unsecured
    c) both secured and unsecured

16. If secured, do you insist collaterals?
    a) Yes           b) No

17. Are you aware of the fact that collaterals should not be insisted?
    a) Yes           b) No

18. Was there any resistance from the beneficiaries?
    a) Yes           b) No

19. Give the reasons for insisting collateral
    a) To make the entrepreneurs to commit
    b) To get proper repayment of loans with interest
    c) Collaterals are safety loans
    d) If the security is not insisted there will be lethargic attitude among the entrepreneurs
    e) Others

20. Do you give any Preference for first generation entrepreneur?
    a) Yes           b) No

21. Who will select the beneficiaries?
    a) Yourself
    b) Single window committee
    c) Central Government
    d) State Government
22. What are the common criteria you will follow while selecting the beneficiaries?
   a) Belonging to local area
   b) The applicant is from middle/High income group
   c) Non controversial business/projects
   d) Financial soundness of the applicant
   e) Recommendation by DIC
   f) Status of registration
   g) Recommendations of the Association
   h) Status of the applicant in the society
   i) Nature of project and its profitability

23. Who is the authority to sanction the loan?
   a) Branch Manager
   b) Circle officer
   c) regional officer
   d) Registering office

24. What is the period of loan normally given?
   a) up to 3 years
   b) 3 to 6 years
   c) above 6 years

25. What category of loans you offer?
   a) Short term loan
   b) Medium term loan
   c) Long term loan

26. Do you sanction the same amount of loan as requested by the member?
   a) Yes
   b) No

27. If No, what are the reasons for reducing the amount?
   a) Poor repayment capacity of the beneficiary
   b) The security offered is not adequate
   c) The market value of the security is low
   d) Adequate and necessary documents are not provided by the beneficiary
   e) The business he is doing is not so profitable
   f) There is a suspicion in the mind of the banker over the integrity of the borrower
   g) The loans are applied by the guardian
   h) The beneficiary is not in the serviceable area
   i) any other reasons

28. Do you face any conflict among the financial agency who helps the Small Scale Industries?
   a) Yes
   b) No
29. If yes, who used to solve the problem?
   a) The lead Banks       b) DIC       c) Collector of the district
   d) by having a meeting to discuss the issue

30. Do you have any cases of default?
   a) Yes       b) No

31. If yes, do you think that strong and stringent actions are essential?
   a) Strongly agree       b) Agree       c) No opinion
   d) Strongly disagree       e) disagree

32. In case of default, what type of actions do you take?
   a) Oral warning       b) written memos       c) reminders
   d) Legal action with the help of police
   e) Giving a notice in the leading dailies with their photo
   f) Other ways

33. Do you charge any penalty for the defaulters?
   a) Yes       b) No

34. Do you think that the defaulter’s mind-set to repay the loan is changed totally after they have received the loan?
   a) true       b) always true       c) no opinion
   d) untrue       e) always untrue

35. Have you ever received application from the beneficiaries to reduce Interest or waive loan amount as per Debt relief Act?
   a) Yes       b) No

36. If yes, who will make the decisions?
   a) Branch manager       b) Regional manager       c) Circle Office Manager
   d) Registered Office       e) Decided as per Government circulars
Institutional Assistance to Entrepreneurs (SSIs) – An Evaluation

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1. Introduction

Among the critical factors limiting economic growth in developing regions, abilities to save and invest have often been considered two foremost constraints. In the process of industrial development, these scarcities mean insufficient funds to set up ventures (Financial constraints on entrepreneurs). They have been compounded by a lack of entrepreneurship to perceive opportunities, organize resources to set up, and successfully run industrial units. In order to alleviate the scarcities of resources and accelerate the process of indigenous industrial enterprise formation, imaginative credit policies and development programmes are required backed up by sound institutional support.

In the State of Tamil Nadu, the different financial institutions have been playing a significant role in terms of providing long and medium term finance to SSIs. They also provide some amount of direct or indirect financial assistance to them. As usual the Commercial Banks act as the major catalyst for working capital dissemination to the small entrepreneurs.

The main objectives of the establishment of specialized financial institutions were to enlarge the entrepreneurial base by attracting a new group of entrepreneurs to the industrial activity. For quite a long period of time, these institutions continued to finance and support the enterprises of traditional entrepreneurs and adopted a conservative approach in financing enterprises of new entrepreneurs. Subsequently, a number of changes were affected in the beginning of the seventies in the policies and programmes of the institutions as well as the Government. Because of all these changes, the flow of assistance from these institutions has gone up. But how far these assistance have been able to reduce the financial burden of the entrepreneurs needs a thorough analysis. This is especially relevant, because time and again it is complained that entrepreneurs from the small scale sector and more specifically those having a non-traditional background are not getting adequate financial assistance from the institutional agencies.

2. Objectives

An attempt has been made to evaluate the extent of dependence of the various classes of entrepreneurs on the financial assistance provided by the institutional agencies, and indicate how far specialized financial and developmental institutions have acted as ‘gap – fillers’. I would particularly examine:

➢ The various incentives availed by the sample entrepreneurs.
➢ The nature and size of enterprises promoted by sample entrepreneurs.

➢ The parental occupation and type of industry by the sample entrepreneurs.

➢ The relationship between entrepreneurs’ level of education and their occupational background.

➢ The type of institutional assistance provided to entrepreneurs coming from different backgrounds.

3. Incentives availed by the Entrepreneurs

In order to attract prospective entrepreneurs, particularly new generation entrepreneurs, a number of incentives have been introduced and operated by the institutional agencies in the state for a quite long period of time. It would therefore be relevant to examine here the nature and extent of incentives, availed by the sample entrepreneurs. It is postulated that such examination would reflect the preferences of the entrepreneurs to any particular incentive, or group of incentives offered by institutional agencies.

Table 1

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Type of incentives</th>
<th>No. of respondents</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Backward</td>
<td>Non-backward</td>
</tr>
<tr>
<td>1</td>
<td>Product subsidy</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2</td>
<td>Special subsidy</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3</td>
<td>Stamp duty exemption</td>
<td>-</td>
<td>4 (10.52)</td>
</tr>
<tr>
<td>4</td>
<td>Seed capital</td>
<td>-</td>
<td>4 (10.52)</td>
</tr>
<tr>
<td>5</td>
<td>Allotment of shed/land</td>
<td>10 (16.12)</td>
<td>-</td>
</tr>
<tr>
<td>6</td>
<td>Generator subsidy</td>
<td>15 (24.19)</td>
<td>-</td>
</tr>
<tr>
<td>7</td>
<td>State capital subsidy</td>
<td>35 (56.45)</td>
<td>-</td>
</tr>
<tr>
<td>8</td>
<td>Low tension power tariff</td>
<td>2 (3.22)</td>
<td>28 (73.68)</td>
</tr>
<tr>
<td>9</td>
<td>Sales tax concession</td>
<td>-</td>
<td>2 (5.26)</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td>62 (100.0)</td>
<td>38 (100.0)</td>
</tr>
</tbody>
</table>

Note: Figures in parentheses indicate percentage to total

Source: Field study

So far as region-wise analysis is concerned, it is observed that relatively a large number of entrepreneurs in the backward region have been allotted shed/land in industrial estate and availed State Capital subsidy, Generator subsidy in comparison to the non-backward region. In the non-backward region a greater percentage of entrepreneurs are found to have availed Low tension power tariff, Seed Capital, Stamp duty exemption and Sales tax concession in comparison to the backward region.

It may be concluded from the above analysis that the above mentioned incentives are some of the widely popular incentives availed by the entrepreneurs. Some differences are noticed as regards to the availability of incentives between the backward and non-backward region. The
difference may be attributed to the factors like differing needs of the entrepreneurs, nearness to the office of sanction and the attitude of the institutional agencies. Further it is revealed from the observation that except a few incentives mentioned above, most other incentives have not been availed by a number of entrepreneurs. While enquiring the reasons for such poor response towards many of the incentives, most of the entrepreneurs cited the reasons like cumbersome and time consuming procedures negligible benefits and lack of knowledge about selected incentives.

4. Nature and size of Enterprises

Table 2

Nature and size of enterprises promoted by entrepreneurs on the basis of project size

<table>
<thead>
<tr>
<th>Group</th>
<th>Nature of business</th>
<th>Amount of investment in lakhs</th>
<th>No. of respondents</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>A (1,00,000-2,00,000)</td>
<td>Rubber plastics and glass</td>
<td>2</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>B (2,00,001-4,00,000)</td>
<td>Food processing industries</td>
<td>4</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>C (4,00,001-9,00,000)</td>
<td>Paper products</td>
<td>5</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>D (9,00,001-14,00,000)</td>
<td>Electrical machinery and appliances</td>
<td>10</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>E (14,00,001-20,00,000)</td>
<td>Textile industries</td>
<td>15</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field study

The small scale industries, within its broad framework, includes industrial units of varying sizes, starting from very small units to relatively large size, capital intensive units with higher level of investment. The size of an industrial unit denotes either employment size or size of the investment in fixed assets, which is also otherwise known as project size. On the basis of project size the sample units have been classified into five broad investment groups such as: A (investment between Rs.1,00,000 to Rs.2,00,000) B (between Rs.2,00,001 to Rs.4,00,000) C (between Rs.4,00,001 to Rs.9,00,000) D (between Rs.9,00,001 to Rs.14,00,000) E (between Rs.14,00,001 to Rs.20,00,000).

It has been observed from the above table that 82 percent of sample units belong to the size group of A, B and C. Majority of the units have come under the project size group of ‘B’ (27 percent) followed by ‘C’ group (35 percent) and ‘A’ group (20 percent). The last two groups namely ‘D’ and ‘E’ have accounted for only 12 percent and 6 percent respectively.

It may however be stated here, that the cost of project which influences the initial fixed investment depends upon many variables like time period taken in the establishment of a project, technology adopted, production capacity of the plant, location of plant, etc. Therefore, no direct impact of nature of industry can be assessed on the cost of project. Moreover, since most of the traditional industries now-a-days are also going for new and developed technology, it is difficult
to relate the extent of investment only to the nature of the industry except in case of sophisticated industries.

5. Occupational background and type of industry

Table 3

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Type of industry</th>
<th>Occupational Background</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Agriculture</td>
<td>Business</td>
</tr>
<tr>
<td>1</td>
<td>Rubber plastics and glass</td>
<td>-</td>
<td>10 (20.0)</td>
</tr>
<tr>
<td>2</td>
<td>Food processing industries</td>
<td>5 (100.0)</td>
<td>9 (18.0)</td>
</tr>
<tr>
<td>3</td>
<td>Paper products</td>
<td>-</td>
<td>20 (40.0)</td>
</tr>
<tr>
<td>4</td>
<td>Electrical machinery and appliances</td>
<td>-</td>
<td>8 (16.0)</td>
</tr>
<tr>
<td>5</td>
<td>Textile industries</td>
<td>-</td>
<td>3 (6.0)</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td>5 (100.0)</td>
<td>50 (100.0)</td>
</tr>
</tbody>
</table>

Note: Figures in parenthesis indicate percentage to column total

Source: Field study.

It is evident from the observation that entrepreneurs with occupational background of business have the highest (50%) representation. The entrepreneurs with employment background have (20%) of representation and educated unemployed with (25%) of representation as that of entrepreneurs with business background but with (30%) and (25%) of difference in percentage of representation. The difference is more prominent in the size group of Agriculture ie (5%) of representation.

It is clear from the above analysis that entrepreneurs with business, employed and educated unemployed have relatively more representation, because majority of them have technical experience and expertise. This may be largely attributed to the continuous attempt by the financial institutions to encourage the entry of more and more technical persons into the entrepreneurial ventures.
6. Entrepreneurs level of Education and occupation

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Education</th>
<th>Occupational background of entrepreneurs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Agriculture</td>
<td>Business</td>
</tr>
<tr>
<td>1</td>
<td>Matriculates</td>
<td>3 (27.27)</td>
<td>4 (36.36)</td>
</tr>
<tr>
<td>2</td>
<td>Under graduates</td>
<td>2 (6.66)</td>
<td>20 (66.66)</td>
</tr>
<tr>
<td>3</td>
<td>Post graduates</td>
<td>-</td>
<td>22 (48.88)</td>
</tr>
<tr>
<td>4</td>
<td>Technical</td>
<td>-</td>
<td>4 (28.57)</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>5 (100.0)</td>
<td>50 (100.0)</td>
</tr>
</tbody>
</table>

Note: Figures in parenthesis row-wise indicate percentage to row total and figures in parenthesis column-wise indicate percentage to column total.

Source: Field study.

The entry of new generation of entrepreneurs with higher level of education speaks of the large potential of entrepreneurship talent still existing among the educated persons of the society.

Hence it may be inferred from the above analysis that an overwhelming majority of new generation entrepreneurs with high educational background are risk takers and prefer new type of industries whereas greater percentage of traditional entrepreneur with low level of education have taken comparatively less risk in opting for traditional industries.

7. Entrepreneurs’ contribution and their source of Finance.

While financing a unit, financial institutions usually insist on certain proportion of the project cost to be met by the entrepreneurs, which is known as margin money. The main reason for such stipulation is to ensure that there is entrepreneurs’ stake in the implementation and running of the units. However, the proportion of such contribution varied from unit to unit depending upon the location of the unit, capacity of the entrepreneur, nature of the project, cost of the project and entrepreneurial background.

After examining the entrepreneurs’ contribution to secure financial assistance from financial institutions, it would be useful to verify how they financed their own contributions.

Financing of entrepreneurs’ contribution from other sources like money lenders etc. are found to be negligible.

Thus finance from self, parents and assistance from friends and relatives accounted for 78 percent of the total entrepreneurs’ contribution.
8. Conclusion

During the fifties and sixties the common belief was that “Entrepreneurs are born and not made”. The contention that “Entrepreneurs can also be developed” initially met with considerable resistance and skepticism from the financial institutions and established training houses, however during the seventies and eighties, the liberal financing policy of the state coupled with the various fiscal and financial incentive scheme of the government have been able to attract entrepreneurial talents from persons with wide spectrum of socio-economic background.

In view of the above bottle necks in the process of expediting the pace of industrial growth and generating a new breed of entrepreneurs in the state, a few suggestions need the merit of the policy makers, planners and financial and development institutions.

9. Suggestions

(i) Proper selection of entrepreneurs be given maximum importance.

(ii) Steps be taken to provide adequate and timely finance to the new entrepreneurs. The security norms should be relaxed.

(iii) Instead of waiting for the entrepreneurs to approach them for assistance, they should seek out industries which need special attention, identity and formulate projects and seek suitable entrepreneurs.

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   வு. கோ. சுழுசுவாமி

9. THE PERFORMANCE OF SMALL SCALE INDUSTRY AND ITS PRESENT SCENARIO IN INDIA
   J.Sahaya Mary
THE PERFORMANCE OF SMALL SCALE INDUSTRY AND ITS PRESENT 
SENARIO IN INDIA

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1. INTRODUCTION

The development of small scale sector has been important in India because the small scale unit requires less capital outlay and at the same time, it provides more employment than the large scale sector. A small scale unit does not require highly sophisticated technology. It can therefore, be useful in backward areas where the people have yet to be trained to meet the challenges of sophisticated technology. Soon after independence our national leaders recognized the role of small scale sector in the development of the economy of India and laid a solid foundation for its accelerated development through active policy support and creation of an institutional frame work. The industrial policy Resolution of the government of India, from 1948 to 1991 visualized integrated growth of the both the large and small scale sectors and recognized the social and economic contribution of small scale sector. The industrial Policy Resolution states that the government of India would stress the role of cottage and village and small scale industries in the development of national economy. The policy further envisaged that the decentralized sector should acquire sufficient vitality to be self supporting and its development be integrated with that of the large scale industry.

Small-scale industries have emerged as a vibrant and dynamic sector that contributes around 40 per cent of the total industrial production and over 34 per cent of the national exports to the Indian economy. At present, the small-scale industries sector is providing employment to over 40 million people.

2. DEFINITION OF MSMEs IN INDIA

Micro, small and medium enterprises as per MSMED Act, 2006 are defined based on their investment in plant and machinery (for manufacturing enterprise) and on equipment for enterprises providing or rendering services.

The defined limit on investment for enterprises to be classified as micro, small and medium enterprises is as follows:
Table 1

Category-wise Definition of SSI in India

<table>
<thead>
<tr>
<th>Classification</th>
<th>Manufacturing Enterprises</th>
<th>Service Enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>Rs. 2.5 million / Rs. 25 lakh</td>
<td>Rs. 1 million / Rs. 10 lakh</td>
</tr>
<tr>
<td>Small</td>
<td>Rs. 50 million / Rs. 5 crore</td>
<td>Rs. 20 million / Rs. 2 crore</td>
</tr>
<tr>
<td>Medium</td>
<td>Rs 100 million / Rs 10 crore</td>
<td>Rs. 50 million / Rs 5 crore</td>
</tr>
</tbody>
</table>

Source: Annual Reports, Commissioner, SSI Development Board (2007-2012)

SMALL SCALE INDUSTRIES IN INDIA

Small-scale sector has broadened from SSIs to small-scale enterprises that include all business enterprises in the services sector which provide service to industrial sector in addition to SSIs. Taking into account all these factors, at present, Reserve Bank of India uses an expanded definition of SSIs which includes:

1. Small-scale industrial undertaking which is engaged in the manufacturing, processing and preservation of goods in which the investment in plant and machinery does not exceed 50 million. These would include units engaged in mining or quarrying servicing and repairing of machinery.

2. Tiny enterprises whose investment in plant and machinery does not exceed 2.5 million.

3. Power looms.

4. Traditional industries which require high workmanship and techniques and also village and household industries producing common goods of consumption predominantly by using simple tools.

5. The decentralized and informal sector like handlooms and handicrafts

3. Small-Scale Industries and Institutional Set-up

The Government has been ever aware of the vital role played by the small-scale sector in the economic development of the country and has, therefore, accorded high priority to this sector. In a concerted effort to promote uninhibited growth and development of the small-scale sector, the Government has established a number of departments, corporations and agencies to help in the setting up of small-scale industries. Small-scale industry is a subject allotted to the Department of Industrial Development, Ministry of Industries and Government of India. At the apex, level is the Development Commissioner of Small Scale Industries (DCSSI). The DCSSTI formulates the policies in co-ordination with the Planning Commission and is responsible for implementing and monitoring the policy through its network of Small Industrial Institutes in each of the states.
The other promotional agencies at the Central Government levels are National Small Industries Corporation (NSIC), National Institute for Small Industries Extension Training (NISIET), and Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India (IFCI), Industrial Credit and Investment Corporation of India (ICICI), Khadi and Village Industries Commission (K & VIC), Council of Scientific and Industrial Research (CSIR), and India Investment Centre (IIC) etc.

The role of the Small Scale Industrial Board is to promote modern small-scale industries whereas the rest are for promoting industries. Since then, planning for modern small-scale industrial growth has taken mainly two routes, the administrative mechanism covering institutions to deal with different aspects of small-scale industries such as technology, marketing raw materials, finance and entrepreneurship and policy instruments covering incentive schemes (fiscal, financial, general and backward area incentives) and reservation system.

The Department of Small-Scale Industries, Agro and Rural Industries within the Ministry of Industries are looking after the administrative mechanism of small-scale industries. There is a small industries development organization headed by a Development Commissioner of Small Industries, the Development Organization has 27 small industry service institutes, 31 branch institutes, 37 extension centers, 18 field-testing centers, 4 production centers and 2 footwear training centers.

To provide different services and support to village and small entrepreneurs under a single roof, 422 District Industrial Centers (DIC’s) have been set up to cover 431 districts out of the total 436 districts of the country. (The four excluded districts are the four metropolitan cities). Industrial estates have been set up in different parts of the country to encourage the growth of modern small-scale industries.

4. OBJECTIVE OF THE STUDY

1. To study the growth and performance of small scale industry in industrial context of India.

2. To study the significance of small scale industry in Indian economy.

3. The development of SSIs is being given due importance by the government in order to achieve the following objectives:
   - To provide additional employment opportunities.
   - To mobilize resources of capital and skill from various parts of the country.
   - To provide a more equitable distribution of national income.
   - To provide a helping hand to large industries and facilitate them in their work.

4. To arrive at tangible conclusions.

5. To make suggestions for framing better policies.
5. METHODOLOGY

The study has been based on secondary data gathered from journals, reports, economic reviews and websites.

6. IMPORTANCE AND ECONOMIC DEVELOPMENT OF SMALL SCALE INDUSTRIES IN INDIA

The development of small scale sector has been important in India because the small scale unit requires less capital outlay and at the same time it provides more employment than the large scale sector. Small scale unit does not require highly sophisticated technology. It can therefore, be useful in backward areas where the people have yet to meet the challenge of sophisticated technology.

a) Utilization of resources
Small scale industries facilitate the tapping which otherwise would remain unused. These resources include entrepreneurship, capital, labour and raw materials. They can mobilize rural savings which may otherwise remain idle or may be spent on luxuries or channeled into non-productive ventures.

b) Employment Generation
Since they are fairly labour-intensive small scale sector create employment opportunities at a relatively low-capital cost. In India, there is basic problem of absorbing the surplus manpower in non-agricultural jobs and providing additional employment opportunities for the growing population. The basic problem that the Indian economy is confronting is increasing pressure of population on the land and the need to create massive employment opportunities. This problem is solved to a large extent by SSIs because SSIs are labour-intensive in nature. They generate large number of employment opportunities. Employment generation by this sector has shown a phenomenal growth. It is a powerful tool of job creation.

c) Mobilization of resources and entrepreneurial skill.
Small scale industries serve as seedbeds of entrepreneurship. They serve the developing economy not only by their output of goods but also by functioning as a nursery of entrepreneurial and managerial talent. This role of small scale industries is of offensive importance in any economy where the industrial structure consist of a few large scale and medium sized ones, on the one hand, and of large numbers of traditional industries such as artisan units, handicrafts and cottage industries on the other. SSIs can mobilize a good amount of savings and entrepreneurial skill from rural and semi-urban areas which remain untouched from the clutches of large industries and put them into productive use by investing in small-scale units. Small entrepreneurs also improve social welfare of a country by harnessing dormant, previously overlooked talent. Thus, a huge amount of latent resources is being mobilized by the small-scale sector for the development of the economy.
d) Regional Development and Industrial Dispersal
The concentration of industrial and other activities has gives birth to the phenomenon of the so called pocket of development where economic and social change is achieved at much faster rate than in the outlaying rural district. The establishment of small scale industries would, therefore, make it possible to reverse the current areas.

e) Generation of Foreign Exchange
Small scale industries facilitate substantial foreign exchange savings and earnings. A wide range of consumer and simple produced goods, now being imported, can be economically produced domestically on a small scale basis as long as adequate facilities are provided. The contribution of small scale industries to the field of employments and productions is highly notable.

f) Equitable distribution of income
The SSIs ensure equitable distribution of income and wealth in the Indian society which is largely characterized by more concentration of income and wealth in the organized sector keeping unorganized sector undeveloped. This is mainly due to the fact that small industries are widespread as compared to large industries and have large employment potential.

g) Providing opportunities for development of technology
SSIs have tremendous capacity to generate or absorb innovations. They provide ample opportunities for the development of technology and technology in turn, creates an environment conducive to the development of small units. The entrepreneurs of small units play a strategic role in commercializing new inventions and products. They also facilitate the transfer of technology from one to the other. As a result, the economy reaps the benefit of improved technology.

7. SMALL SCALE INDUSTRIES – RELEVANCE TO INDIAN ECONOMY

At the dawn of independence, India was beset with an appalling state of the economy, poor infrastructure, lack of funds, scarcity of food and social tensions arising out of the division of the country into India and Pakistan. The first government under the leadership of Pundit Jawaharlal Nehru inherited the Philosophy of Mahatma Gandhi and was for fostering cottage industries and the use of traditional skills as a means of attaining a self-reliant rural structure. Village and cottage industries have remained close to the hearts of our policy makers since then.

The philosophy of economic development in the post independence era provided a key thrust to large-scale public enterprises. While the Second Five Year Plan based on the Mahalanobis model set out to build an efficient infrastructure to meet the emerging needs of industry and consumers, small industries were accorded an important place in the framework of Indian economic planning. Village and Cottage industries has remained
the darling of politicians and bureaucrats alike for a variety of social economic, ideological and political reasons.

The following table presents the overall performance and growth of the SSI sector in India.

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of units in lakhs</th>
<th>Production (Rs. In crore)</th>
<th>Employment (lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-2008</td>
<td>272.79 (4.47)</td>
<td>7,09,398 (42.49)</td>
<td>626.34 (5.15)</td>
</tr>
<tr>
<td>2008-2009</td>
<td>285 (4.53)</td>
<td>880805 (11.39)</td>
<td>659.38 (5.27)</td>
</tr>
<tr>
<td>2009-2010</td>
<td>298.08 (4.53)</td>
<td>9,82,919 (11.59)</td>
<td>695.38 (5.46)</td>
</tr>
<tr>
<td>2010-2011</td>
<td>311.52 (4.51)</td>
<td>10,95,758 (11.48)</td>
<td>732.17 (5.29)</td>
</tr>
<tr>
<td>2011-2012(March)</td>
<td>332.12 (2.21)</td>
<td>11,27,352 (8.25)</td>
<td>763 (3.21)</td>
</tr>
<tr>
<td>Average growth rate</td>
<td>8.76</td>
<td>27.21</td>
<td>5.35</td>
</tr>
</tbody>
</table>

Source: Annual Reports, Commissioner, SSI Development Board (2007-2012). Note: Figures in parenthesis percent growth rate for previous year.

The above table reveals that the value of output produced by the SSI has steadily increased from Rs. 7,09,398 crore in the year 2007-2008 to 11,27,352 crore by the end of March 2011-2012. Similarly, there was tremendous increase in the level of employment. It is clear that overall performance of SSI is quite satisfactory after the introduction of the new economic policy in India. The growth of SSI is 272.79 lakhs in 2007-2008 and it consistently grew up to 332.12 lakhs in end of March 2011-2012.

8. CONTRIBUTION OF SSI SECTOR IN OVERALL INDUSTRIAL SECTOR

The small industries have enough scope to exploit available local resources such as saving raw material, skilled and un-skilled labour. Further they generate income for consumption of wages, goods and provide employment to unemployed persons. Small scale industry plays a vital role for the development of overall industrial sector.

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth Rate of SSI Sector (%)</th>
<th>Overall industrial Sector (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-2008</td>
<td>10.68</td>
<td>6.70</td>
</tr>
<tr>
<td>2008-2009</td>
<td>11.64</td>
<td>7.90</td>
</tr>
<tr>
<td>2009-2010</td>
<td>12.88</td>
<td>8.40</td>
</tr>
<tr>
<td>2010-2011</td>
<td>14.32</td>
<td>10.10</td>
</tr>
<tr>
<td>2011-2012</td>
<td>16.12</td>
<td>11.44</td>
</tr>
</tbody>
</table>

Source: economic Survey, (2011-12), MSME.
The small-scale sector has maintained a higher rate of growth vis-à-vis the overall industrial sector. The comparative growth rates of production for both the sectors during last five years gradually increased year after year.

The working number of units and growth rate of investment in small scale sector in India are shown below.

Table 4 shows the number of units in India. They were 1.011 million in the year 2000-2001 which have increased continuously up to the year 2011-2012 as 3.254 million. The investment in SSI in India has declined to 14,684.5 million in 2000-2001 and 22,915.36 million in the year 2011-2012. The growth rate of investment increased from 4.90 percent in 2000-2001 to 5.16 percent in 2002-2003, but the year 2007-2008 shows the negative growth of investment in India.

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Units (Rs. million)</th>
<th>Investment (Rs. million)</th>
<th>Growth rate of investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000–2001</td>
<td>1.011</td>
<td>14,684.5</td>
<td>4.90</td>
</tr>
<tr>
<td>2001–2002</td>
<td>1.052</td>
<td>15,434.9</td>
<td>5.11</td>
</tr>
<tr>
<td>2002–2003</td>
<td>1.095</td>
<td>16,231.7</td>
<td>5.16</td>
</tr>
<tr>
<td>2003–2004</td>
<td>1.140</td>
<td>17,021.9</td>
<td>4.87</td>
</tr>
<tr>
<td>2004–2005</td>
<td>1.186</td>
<td>17,868.9</td>
<td>4.98</td>
</tr>
<tr>
<td>2005–2006</td>
<td>1.234</td>
<td>18,811.3</td>
<td>5.27</td>
</tr>
<tr>
<td>2006–2007</td>
<td>2.610</td>
<td>20,730.7</td>
<td>10.20</td>
</tr>
<tr>
<td>2007–2008</td>
<td>2.728</td>
<td>19,704.6</td>
<td>-4.95</td>
</tr>
<tr>
<td>2008–2009</td>
<td>2.852</td>
<td>20,314.93</td>
<td>3.09</td>
</tr>
<tr>
<td>2009–2010</td>
<td>2.981</td>
<td>20,925.29</td>
<td>3.00</td>
</tr>
<tr>
<td>2010–2011</td>
<td>3.041</td>
<td>21,494.56</td>
<td>2.72</td>
</tr>
<tr>
<td>2011–2012</td>
<td>3.254</td>
<td>22,915.36</td>
<td>6.61</td>
</tr>
</tbody>
</table>

Source: RBI, Annual report from 2001 to 2012

Table 5 reveals that the SSI production in India was 1,844,010 million in the year 2000–2001 which has increased continuously up to the year 2011–2012 as 8,045,130 million. The employment in SSIs in India has been declined to 24.09 million in 2000–2001 and 40.96 million in the year 2011–2012. The value of exports of products of SSIs has increased from 6979.7 million in 2000–2001 to 28,384.7 million in 2011–2012. The growth rate of
production was increased from 8.23 percent in 2000 – 2001 to 11.22 in 2011 – 2012, except in the year 2001 – 2002 which shows the positive growth of production in India.

Table 5

Production, Employment and Exports of SSIs in India

<table>
<thead>
<tr>
<th>Year</th>
<th>Production (Rs. million)</th>
<th>Employment (Rs. million)</th>
<th>Exports (Rs. million)</th>
<th>Growth rate of production</th>
<th>Growth rate of exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000 – 2001</td>
<td>1,844,010</td>
<td>24.09</td>
<td>6979.7</td>
<td>8.23</td>
<td>28.78</td>
</tr>
<tr>
<td>2001 – 2002</td>
<td>2,822,700</td>
<td>24.93</td>
<td>7124.4</td>
<td>2.07</td>
<td>2.07</td>
</tr>
<tr>
<td>2002 – 2003</td>
<td>3,067,710</td>
<td>26.02</td>
<td>8601.3</td>
<td>8.68</td>
<td>20.73</td>
</tr>
<tr>
<td>2003 – 2004</td>
<td>3,363,440</td>
<td>27.14</td>
<td>9764.4</td>
<td>9.64</td>
<td>13.52</td>
</tr>
<tr>
<td>2004 – 2005</td>
<td>3,729,380</td>
<td>28.26</td>
<td>12,441.7</td>
<td>10.38</td>
<td>27.42</td>
</tr>
<tr>
<td>2005 – 2006</td>
<td>4,188,840</td>
<td>29.49</td>
<td>15,024.2</td>
<td>12.32</td>
<td>20.75</td>
</tr>
<tr>
<td>2006 – 2007</td>
<td>4,716,630</td>
<td>31.26</td>
<td>18,253.8</td>
<td>12.59</td>
<td>21.49</td>
</tr>
<tr>
<td>2008 – 2009</td>
<td>5,942,950</td>
<td>33.44</td>
<td>21,438.7</td>
<td>11.50</td>
<td>6.12</td>
</tr>
<tr>
<td>2009 – 2010</td>
<td>6,556,110</td>
<td>35.24</td>
<td>23,875.2</td>
<td>10.32</td>
<td>11.36</td>
</tr>
<tr>
<td>2010 – 2011</td>
<td>7,233,190</td>
<td>37.85</td>
<td>25,683.4</td>
<td>10.33</td>
<td>7.57</td>
</tr>
<tr>
<td>2011 – 2012</td>
<td>8,045,130</td>
<td>40.96</td>
<td>28,384.7</td>
<td>11.22</td>
<td>10.52</td>
</tr>
</tbody>
</table>

Source: RBI, Annual report from 2001 to 2012

9. CONCLUSION

Small industry sector has performed exceedingly well and enabled our country to achieve a wide measure of industrial growth and diversification. By its less capital intensive and high labor absorption nature, SSI sector has made significant contributions to employment generation and also to rural industrialization. Under the changing economic scenario, SSI has both the challenges and opportunities before them. The business can compete on cost, quality and products at domestic and international level only if ideal investment in technology production process, R&D and marketing are made. Infrastructure bottlenecks are not completely solved. The promotional activities for SSI in India need to concentrate on improved credit flows, human resource development, appropriate technology and funds for modernization. So, this is the appropriate time to set up projects in the small-scale sector. It may be said that the stance is optimistic, indeed promising, given some protection. This expectation is based on an essential feature of the Indian industry and the demand structures. The variety in the demand structures will ensure long-term co-existence of many layers of demand for consumer products / technologies / processes. There will be flourishing and well grounded markets for the same
product/process, differentiated by quality, value added and sophistication. This characteristics of the Indian economy will allow complementary existence for various diverse types of units.

Small-scale industrial sector contributes to the increase of industrial productivity and rise of national exports, generating more employment opportunities. This sector also contributes very impressively to the GDP. In view of this, the government of India has rightly recognized SSIs as the engine of growth for the present millennium. For sustainable growth of the small-scale industrial sector, top priority should be given to financial support to SSIs. State and Central Governments should facilitate the growth of SSIs mainly by creating conducive environment for production and marketing of products and services of small-scale sectors. By their less capital-intensive and high-labour absorption nature, SSIs have made significant contributions to employment generation and also to rural industrialisation. This sector is ideally suited to build on the strength of our traditional skills and knowledge by infusion of technologies, capital and innovative marketing practices. Small-scale sector has emerged as a dynamic and vibrant sector of Indian economy due to the new reforms.

10. SUGGESTIONS

1. Small scale sector are core industrial sector in the process of industrialization due to that government must focus on upliftment of infrastructural facilities.

2. Government should concentrate on promotion of export oriented small scale industry by the help of stimulative and concessional packages.

3. Industrialization is key component of Indian economy, so central government should determine innovative and different industrial policy for small, medium and large scale industries

4. SSIs should concentrate more in internal and specific environment. This means giving attention for improving accounting procedures, technology up gradation, product improvement work culture etc.

5. Financial assistance and training programmes through the industrial promotional agencies must be improved in order to generate employment opportunity.

6. Credit rating agencies need to improve their credibility and promote this awareness amongst entrepreneurs.

7. An effective monitoring mechanism, creation of credit rating facilities, adoption of standards for quality and environmental management, promotion of SME brands and development of appropriate capital markets can improve the situation.

8. The banks must become more liberal to strengthen the SMEs and efforts are needed to achieve a high degree of success by focused programmes and policies.

9. Focus on cluster development and innovations must be encouraged. Today, the state of the MSME sector in India indicates the need for much more innovative and solid development strategies.
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