CHAPTER II

REVIEW OF LITERATURE
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Small scale industries have been given an important place in the economy of both developing and developed countries. The economic development achieved by many developed countries can be linked directly to the growth of this sector. The small-scale industrial sector has registered rapid growth in India. In view of the importance of small-scale industrial sector, the growth and development has attracted a good deal of academic attention.

Most of them highlighted the financial problems and marketing problems. These problems are in existence not only in India but also in other developing and developed countries. Many scholars have stressed the importance of quality and the use of modern technology in the production process in order to meet the competition. Apart from that, the role of Government also stressed in providing adequate and timely finance and required infrastructure facilities for starting and running the units. A large volume of literature thus available on the different aspects of small-scale industries has been studied at length. A brief review of such important studies is made here.

Studies in Other Countries

Jennifer Waterhouse, Kerry Brown and Professor Neal Ryan (2004) in their work explored the effect of globalization on local economics from a Geographic perspective and the impact of globalization. They considered the way in reacting to the broader structural shifts and greater competitive
influences by the small and medium-sized enterprises. Globalization is
direct effect on small and medium sized enterprises and the survival of
growth depends on internal and external strategies.

Enno Masurel (2004) in his work made an empirical study to find out
small and medium sized-enterprises with websites perform better than their
counterparts who have no websites. The paper examined the impact of
websites on productivity. He found that firms with websites grow at more or
less the same pace as those without. The larger firms have a greater
tendency to launch websites. The year introduction of the website dose has
an impact on performance on Small and Medium sized Enterprises. The
firms who introduced earlier performed well compared to late adopters as
well as those with no website at all.

Georgina Fogel (2004) in his work evaluated policies and socio-
economic conditions of private enterprises development in the transitional
Hungarian economy. On-sites surveys and personal interviews were
conducted to analyze perceptions of five selected factories of socio-
economic conditions with seven policy items crucial in supporting
entrepreneurial activities. The study found that the lack of preferences,
high taxation and the unavailability of low-cost long-turn financing hindered
private enterprises development in the country.

Dianne H.B. Welsh and Peter Raven (2004) in their work examined
the relationship between retail Small and medium Enterprises (SMEs)
management and employee perceptions of customer service on a number
of dimensions. The results suggest that managers and employees in the
Middle East behave in similar ways to those in Western Countries, but there are differences in relation to cultural characteristics. The management techniques that are widely used in business may not be applicable fully in Middle East when compared to other parts of the world. They found that training alone could influence the customer orientation of sales people in improving responsiveness, reliability, and empathy, among other services dimensions when coupled with good management techniques.

Char-Hung Tesng, Cher-min Fong and Kuo-Hsian su (2004) in their work tried to explore the determinants of a subsidiary’s initiative. The study is based on three groups of variables to study the issue Of Multi National Corporation (MNC) subsidiaries in developing countries. They found that each of there variables like ‘the headquarters-subsidiary relationship, the subsidiary resources and the network characteristics of the subsidiary’ Influences the subsidiary initiative.

Ogujiuba, K.K. Ohuche, F.K. and Adenuga (2004) in their work on analyzed the critical causes of the risk-averse behaviour of banks in funding small and medium enterprises in Nigeria. They found that mega bank alone could provided the much needed funding for SMEs by adopting relationship lending as a dominant bank rule in funding which can mitigate the problem of weak asset based and heavy collaterals.

Henny Romijn (2001) in his paper analyzed institutional technology support for small-scale manufacturing enterprises in developing countries since and early 1970. The main focus was on programmes and projects
with a direct technological content, such as development and commercialization of appropriate technological, provision of technical extension services and technical training. According to him early programmers suffered due to various weakness and the present day condition much changed due to success associated with the technology. In his concluding remarks he said that durable competitiveness of small manufactures must entail an internal capability to makes improvements in products, processes and organization on an ongoing basis.

Dalitso Kayanula and Peter Quartey (2000) in their work emphasized that small and medium sized enterprises are playing dynamic role in the developing countries. They tried to identify the achievements of the Small and Medium Enterprises (SME) sector, constraints to the development of the sector and to highlight the role of governments in promoting the sector in Ghana and Malawi. They found that in the early days both the countries experienced severe economic crisis. Small-scale industries in these two countries fall in two categories i.e., urban enterprises. Factor availability and cost are the most common constraints.

Emeric solymossy (2000) in his work took survey of 141 small and Medium Enterprises (SME) principles and studied whether or not knowledge networks provide any significant benefit to firms. He found that signification differences exit in the type of information exchanged, the type of networks maintained, and how networking activates contribute to the competitive position and performance of the firm.
Sonia Savelli and Mark Simon (2001) in their work noted that executives of small firms who are disappointed with their firm's current performance resort to launching new products to better the situation. The prospect theory suggests that the manager's dissatisfaction may lead them to introduce produced products with riskier characteristics, but at times results in larger gains.

Atillio A. Penna and Atilio Penna (2002) in their paper stressed that designing the organization of a small business and its structure encourages the development of energy human capacity. The concept of current applied capability, developed by the Requisite Organization Theory, determinates the paths to be followed using the Chief Executive Officer's abilities respecting the restrictions of flux, volume and level of complexity are applied to different task complexity situations and using human capacity.

John V. Mensah (2003) in his work examined that enterprise in the informal sector acting as a sponge to soak up surplus labour in marginal activities. He concluded that there are problematic aspects of employment in the small-scale sector including the lack of formal contracts, irregular pay, low remuneration non-existent social protection and only marginal employment growth.

Gunter Meyar (2003) in his working paper mentioned that the structural adjustment policy in Egypt has caused a dramatic decline in demand for many goods produced in the handicraft sector. A long-term study between 1986 and 1988, of 2415 workshops in six quarters of Cairo determined that the majority of the small enterprises were able to secure
their economic survival on account of flexibility and their informal employment strategies. In summing up the results of his long-term study, it has become clear that small scale manufacturing in Cairo is able to survival even in times of deteriorating economic conditions and growing competitions from expanding modern industry. The major advantage of these small enterprises lies in their flexibility. They are able to immediately adapt their production to the changing demand; their informal employment structure makes it possible for them to employ only low-paid woman and children or unpaid family members.

John A. Day (2004) in his paper focused on technological performance of small and medium enterprises. According to him enterprise must bring together at each productive point people with the right technological knowledge, equipment with the right technological capabilities, and materials suitable for the purposes and the techniques to be applied. He also said that to achieve good technological performance the institutions responsible for providing technologically skilled managers and workers, technology embodying capital and intermediate goods and technology services must function well.

James L. Bore, Bozmen Montana, Keith K. Cox and James E. Stafford (2004) in their article mentioned that small business must build well-developed satisfied customers. They are also of the view that modern marketing programs are built around the marketing concept and performance, which directs managers to focus their efforts on identifying, satisfying and following up the customer’s requirements. The marketing
concepts rest on the importance of customers to a firm and it depends on the company’s policies and activates aiming to fulfill the needs of customers and having profitable sales volume rather than maximum sales volume. On the other hand, the marketing mix rests on products and services, promotion, distribution, and pricing.

From the above foregoing pages, it has been seen the studies made by many scholars in the various aspects of small-scale industries in India and abroad. Subodh Dave observed in his work that the Government has not laid much emphasis on the investment in small and medium enterprises. He also stressed that the Government should act fast in giving directions to banks to help capital-starved small-scale industries. Namisiviyam and Vijayakumar opined that small-scale industries must explore new markets for survival and product innovation should be given due consideration. Neelam Jain mentioned that small-scale industries must be problems with development attitude arising due to globalization.

Dhawal Metha and Paurav Shukla said equality and mutual trust have to be established despite the threats of a competitive economic environment, national and cultural borders. Enno Massural while talking about the impact of websites on productivity, the forms who introduced earlier performed will compared to late adopters as well as those with no website at all. Susan Coleman tries to explore attitudes towards risk in small business owning households and compares the personal balance sheets of small business owning households to those of non-small business owning households. The results indicate that small business owning households
had a great risk-taking propensity than non-small business owning households using self-report data. From the above noted views of various scholars it could be concluded that small-scale industries faces problems of finance and to meet to competition, product innovation and mutual trust is utmost important in the success of the industrial activates.

**Studies in India**

Vepa (1971) small scale industries in India are distinct from traditional and village industries. Small scale industries are generally modern small firms employing modern techniques to produce modern production. Mayur (1971) due to vast changes in political sphere and rapid industrial growth, there were the following three major efforts in the Indian scene. First one is a few entrepreneurs belonging to particular social strata dominating the industrial centres, (ii) industrial growth was restricted in a few industrial centres and finally only the industry which met the result of war grew fast and in the case of others, the growth rate was restricted.

Habib (1972) shows that only small scale sector through which economic prosperity may reach the remote sections of the society. He concluded that small scale industries play an important role in the economic development by providing numerous chances of income and improving the standard of living of the masses.

Balakrishnan (1972) shows that during the second Five Year Plan, significance of the small scale sector was emphasized in order to ensure that consumer goods sector does not draw up on scant resources of the
society, which were needed for fast expansion of the heavy industry sectors.

Jha (1980) shows that country where capital is scarce and manpower is going to waste, the plea or relying much more on labour intensive techniques of production than one of those which necessitate heavy capital outlays is entirely sound. He, therefore, advised proper appreciation of the role of technology for improving the productivity of labour, which he considered to be as important as the provision of new jobs.

Roa (1980) found that large scale firms are about 4 times more capital intensive than the small scale units. He found that the choice of appropriate technology offers only managerial opportunities for increasing employment and the main choice variable are the product mix and the scale of operation.

Tulsi (1980) revels that the scheme with its defective feature of providing benefit to all small scale industrial units unequally which shows it has improper method of providing incentives. The reason for this is that different small scale industries were subject to different incidence of excise duty, those which bear high rate of excise duty would enjoy the larger benefits and those which carry the excise duty at quite a small rate should receive smaller benefits.

Sandesara (1980) attempted to assess the impact of one of the incentives to small industries. The incentive selected for the purpose was
long-term financial assistance to small industrial units. The following three criteria were recommended for selecting for this incentive. (i) The incentive should be capable for producing and enduring impact on the units; (ii) the number of units which have availed of the incentives, the region should be sufficiently large and (iii) the list of such units should be available or compliable from the relevant record without excessive efforts.

Thanulingam Nadar N. (1982) in his research work identified the degrees of enter-relationship of small-scale engineering units with large-scale engineering units and to find out they factors influencing the degree of inter-relationships. He has found that nearness to large-scale unit and technical qualification of small enterprises influences the degree of interrelationship. He also concluded that Apprenticeship Act should be extended to small-scale unites and the large-scale industries should accept people trained by small-scale unites.

Abdul Razak P. (1982) in his work examined the impact of various schemes announced by the Central Government and Tamil Nadu Government on the part of small-scale industries. He concluded in his study that lack of publicity about the various incentive schemes and that the entrepreneurs came to know about it through the personal context with the entrepreneurs only.

Ramaswami K.S. (1982) in his work identified the distinguishing characteristics of entrepreneurs who were early to modernize their units and also to the role of institutional assistance to entrepreneurs for modernizing their units. He concluded that Muslim community mostly
dominates tanneries in Tamil Nadu. He pointed out that larger firms modernize faster than the smaller firms by the use of sophisticated techniques. Moreover, innovation of the entrepreneur seems to be strongly associated with their social marginality.

Kaveri (1990) shows that small industrial sector has acquired greater importance in Indian economy. In terms of employment generation, this sector is next only to agriculture and accounts for about one fourth of the total exports of the country. The importance of small industry in the Indian economy was recognized at the beginning of the plan period itself. Various policy measures were taken over the years to promote employment and investment in this sector. The various agencies set up by the government and the financial institution have rendered consultancy services mainly technical consultancy to the small scale industry.

Sivayya and Das, (1990) says that after independence, the Government of India realized the importance of the SSIs as the chief means of livelihood for a large number of people. Accordingly, a conference was convened by the Government of India in 1947. At that conference the importance of cottage and SSIs was recognized. The report of the Fiscal Commission 1949-50 makes a reference to SSIs. It defines a cottage industry as “one which is operated mainly or primarily with the help of the members of the family either as a whole time or a part time occupation”. It further defines a small scale industry as one “which is operated mainly with hired labour normally numbering 10 to 50 hands”.
Balu V. (1992) in his research work studied the various problems faced by small new and established entrepreneurs like getting necessary clearances for building, pollution control clearance and factory licenses from the local and other authorities concerned. He found that not only entrepreneurs were assisted by way of financial and promotional institutions but also provided a congenial environment to entrepreneurship development. Majority of the units worked with less capacity on account of sanction of less amount as well as delay in sanctioning of working capital by commercial banks. Most of the units do not receive payment from big companies in time for the supplies made which in turn they have delay the payment to suppliers of inputs. He said authorities concerned should take steps and act in the interest of small-scale industries.

Nayak (1992) observed that the SSI sector as whole, received working capital finance which was only 8.1 percent of its output, and the village industries and the smaller tiny industries among them could get working capital finance to the extent of only about 2.7 percent of their output. The committee therefore suggested that small units with credit limits of not more than one lakh rupees should have the first claim on the priority sector credit to SSI. The Reserve Bank, on the basis of the committee’s recommendation, introduced, in its monetary policy for the first half of 1992-93, a special package of SSI sector.

Kochhar (1993) the import (of capital goods, of which machinery and transport equipment are a major segment) serves a twin purpose while it serves immediate need of augmenting the indigenous capital to produce
consumer goods which may otherwise face a shortfall. It also leads to technological upgradation in the long run.

Gharpurs (1993) pointed out that though the new industrial policy promised brings prospects for the entrepreneurs, the government needed to implement it with real spirit. He welcomed the decontrol of molasses and said that the alcohol related industry has not grown in the country because of series of control.

Sarngadharan (1994) emphasized that the reasons for underutilization of production capacity indicated that competition from large scale firms and similar type of small scale units in the local area ranks the most important reasons for underutilization of capacity of small scale industries of Trivandrum District. Lack of demand for the product and shortage of finance can also be considered as crucial problems faced by the small scale industries in the district.

Das Gupta (1994) shows that management of the resources available within an organization is the best and the cheapest way of arranging resources. In this regard, SSI units should pursue the suppliers for extending flexible terms of payment. Such arrangement should be made ahead of time prior to the need of the additional credit. Similarly, customers can often be persuaded to finance large orders, ensure part payment with the order and also through progressive payment as the job proceeds. A better inventory management ultimately leading to ‘Just-in-time’ system of management of inventory would release substantial amount of funds to the SSI units for utilization in higher yielding avenues.
Srinivas Subba Rao P. (1999) in his Doctoral Research tried to examine the performance of sample units in three districts, problems faced by the sample units and to investigate into the reasons for sickness in small-scale units. He found that the growth was different in different categories of units in all the districts. The borrowed capital plays an important role in the development of small-scale unites and considerable amount of installed capacity was idle due to shortage of finance, lack of demand, labour problems, shortage of raw materials and power supply. The sickness was also in alarming condition. He also suggested that the Government should give wide publicity of all information relating to small-scale industries.

Sundaram S.S. (1999) in his work analyzed the plan outlays, financial assistance, progress and problems of small-scale industries in Tamil Nadu. Apart from that he also examined the development of industrial estates in Tamil Nadu as well as the origin and development and the progress of industrial estates in Dharmapuri District. He stated that there was a sharp decrease in the share of unregistered units while there was a continuous increase in the registered units during the last 20 years. Moreover, food products had accounted for the highest percentage share of units value added, employment and fixed capital.

Vugasulu (2000) shows small scale and cottage industries have an important role in India’s industrial development. It has been estimated that they contribute about 50.0 percent of the gross value of output originating in the manufacturing sector. These industries are established, inter alia to
create immediate and permanent employment on a large scale at relatively small costs to ensure equitable distribution of the national income to effect decentralization of the industries by creating industrial estate and to raise the standard of the people.

Grish sethi (2000) in his case study said that small and medium enterprises in India are generally less efficient in material and energy use compared to larger enterprises and enterprises of similar scale in the developed countries. The poor energy and environmental performance is directly related to the lack of technical capacity in these enterprises to identify, access, and adopt better technologies and operating practices.

Dubey A.K. (2000) in his work said that the growth of small-scale sector in terms of size, diversification and use of technology resulted on account of various steps initiated by the Government. But states of health and safety in this units is in tardy condition. It is because the units are mostly one-man management, lack of recourses and lack of knowledge regarding safety aspects. The unsatisfactory working condition is due to lack of finance, space and manpower. He concluded that various measures like training and experimental projects should be conducted so that a safer place and congenial atmosphere created for running the units usefully.

Henny Romijn (2001) in his paper analyzed institutional technology support for small-scale manufacturing enterprises in developing countries since and early 1970. The main focus was on programmes and projects with a direct technological content, such as development and commercialization of appropriate technological, provision of technical
extension services and technical training. According to him early programmers suffered due to various weakness and the present day condition much changed due to success associated with the technology. In his concluding remarks he said that durable competitiveness of small manufacturers must entail an internal capability to makes improvements in products, processes and organization on an ongoing basis.

Rao (2001) found that the development of modern small scale industry is an instrument for industrialization, employment creation, widening the entrepreneurial base and dispersal in rural and backward area. Focus on multiple objectives is to some extent inevitable in the type of socio-economic dualistic structure of our country. Small scale industries programme was initiated by the Government of India following the recommendation of an industrial planning team assembled with the aid of the Ford Foundation in 1953. It is necessitates for the reassessment of the small industries policy in its entirety.

The Italian Government and the World Intellectual property Organization (WIPO) (2001) addressed the issue of enhancing the competitiveness of small and medium sized enterprises through optimal use of the intellectual property system. The forum discussed that it can scientifically enhance their competitiveness, export opportunities, market share and their overall market value thought adequate and effective management and commercialization of intellectual property. It can avoid duplication of research and development efforts use information for the
development of new products, process and services by using the wealth of technological information available in patent database.

Narayanan M.R. (2002) in his paper made an attempt to assess the performance of small-scale industries under the World Trade Organization (WTO) Regime in a state-specific context with the objectives to capture the impact of WTO agreements of small-scale industries and demonstrate the applicability of the framework by implementing the design. He concluded that awareness and knowledge on WTO agreements are limited.

Subbi Reddy T. and Narayana Reddy P. (2002) in their work made an attempt to study the significance of improving productivity in small industry and tried to trace the practical problems involved in it. Through proper management of land and labour, raw materials and machinery productivity can be increased in small-scale industries. They mentioned the problems of mismanagement; poor wages to workers, absence of incentive scheme in industries, non-implementation of production techniques and non-availability of raw materials in time, poor technology and low productivity machinery causes low productivity in small-scale industries. He strongly advocated the use of operation research to solve day-to-day problems of productivity and in decision-making areas.

Uravshi Makkar, Satish Kumar and Minakshi Gupta (2002) in their article mentioned the role played by small-scale industries in terms of employment, export and various opportunities available in this sector. The role of National Small Industries Corporation with various schemes like
financial, marketing, export, technical services and training, software technology parks and international programmes are outlined. In addition to this, they also suggested that up graduation of skills of the technical persons should be undertaken by the Government.

Shridharan L.(2002) in his work conducted a case study of four industries like rice milling, biscuits industry, ice-cream industry and the corrugated paper and paper board industry around were undertaken. He examined the conditions under which the small-scale units have an inherent edge over the large-scale unites. He concluded that small entrepreneurs have preferred to remain small to get the benefits of various incentives and concession provided by the Government.

Bhavani T.A. (2002) in her work focused on the on-going Changes in the business environment and the possible ways of improving the competitive strength and commercial viability of Indian small-scale unites in the changing scenario. To meet the competition the apt way is in increasing productivity and quality as well as reducing cost and maintaining higher performance of products and services. Small-scale industries should keep track of the on-going changes in technologies. She also stressed that protective measurement should be eliminated and strict enforcement of time bound promotional concessions are required. Apart from these steps should be taken to provide effective information and finance to small-scale unites.

Dhawal Mehta and Paurav Shukla (2002) in their paper said that the small scale industrial unites faces problems due to physical existence
arising from the product impact, the price impact, the competition impact and information impact. Knowledge, as a factor for competitive advantage has replaced traditional factors like labour and capital, will help in surviving in the ongoing process of globalization and international competition. Cluster helps to stay for longer period in their field. It has provided helpful in building local capabilities, competence building, public private partnership, skill up-gradation and technological development helps for the growth of a cluster. They also stressed that Key institutions should be created in creation regions that produce a growth-generation environment. Equality and mutual trust have to be established despite the threats of a competitive economic environment, national and cultural borders.

Yerram Raju (2002) in his work opined that majority of the small scale promoters felt that the main building block in their success till date has been the government and bureaucratic set up built over in developing a congenial atmosphere for the small-scale sector. He mentioned that the Western world is looking India as a market for their products. It is not a sum and substance of quality manpower but a statistics of consumers for them. He also stressed the need in solving the lack of access to timely and adequate credit, which plays a hurdle in the development of a small scale Industries (SSI) sector in the country. Increased market access under World Trade Organization (WTO) requirements will also mean that small-scale industries must equip with themselves with the available latest technology to cope up with the international competition. To improve that
SSI in India the future policy should focus on the development of industrial clusters.

Shri Kamal Ghosh Ray and Sandhiya Prakash (2003) in their paper addresses that issues related to responsibilities and governance of small and Medium Enterprises (SMES) towards value creation and value delivery for all the stakeholders, instead of just the owner. SMEs in western world are looking for long-term growth whereas in India falling back on protection and reservation from the Government. The traditional sources of strength of domestic markets have become their primary sources of weakness. For meeting all challengers today and equip to them attain sustainable competitive advantages, Governance is, perhaps the only key to the success for the SMEs in India.

Abha Agwaral (2003) in her research paper made an attempt to diagnosis the symptoms of sickness in the small-scale units of the Industrial Estate of Patal Devi. She said that the soundness of health of a unit was based on working capital ratio. She concluded that small entrepreneurs are facing major problems such as costly transportation, erratic and inadequate power supply, competitions from large units, inadequate finance, corruption and harassment from the authorities.

Abha Agrawal (2004) examined why the small-scale units established in these estates are getting sick despite all facilities provided by the Government. She has explored from her work that entrepreneurs are facing problems of lack of demand, high cost of transportation and raw material, shortage of funds and lack of modernization.
Namasivayam N. and Vijayakumar S. (2004) in their study described that small-scale industries must explore new market for survival and product Innovation should given due consideration. Moreover, they argued that they could go after Merger and Combination to reduce competition.

Nandhagopal R. and Chinnaiyan P. (2004) in their paper made and attempt to study the growth of small-scale industries involved in food processing in Coimbatore district, Tamil Nadu. They concluded that the compound growth rate of small-scale food processing industries was higher than to total small-scale industries registered in the Coimbatore. They emphasized that up gradation of existing technology by providing adequate financial support with reasonable rate of interest is the only way to protect the sector from the challenges created by the Globalization.

Neelam Jain (2004) observed in her work that small-scale industries are facing a number of problems due to globalization and has said that we have to accept in and face it with developmental attitude. Sickness may be avoided by taking timely decision of restructuring method with technological innovation like that of Japanese Model. Developing SSI sector with much needed to support on the part of the Government the order of the day.

Ajeya K. Gupta and Sadhu Handu (2004) in their work concluded that the Government must initiate action in creating a conductive business environment, developing of clusters and enhancing credit flows to Small and Medium Enterprises.
Syed Nakagawa (2004) said that small and medium enterprises are the key to the revival of the economy. Taking into the account its importance in the nation building activates, he stressed for giving support in the form of developing and motivating capable small and medium enterprises in there key areas like financial measure, support for the revitalization and measure for entering in the new fields of business.

Abhishek Kapoor (2008) has studied the Regional bias seeps into small scale industries and employment at Gandhinagar in Gujarat. The regional bias that has got ingrained in the industrial development of the state, as brought out by an internal document of the Industries department, is also seeping down to the small scale sector. As a result of the study, 46 per cent of the total investments expended on three districts of Ahmedabad, Vadodara and Surat because of the infrastructural facilities which account for half of the additional small scale units registered in the state till date. The total investments lined up would generate over seven lakh jobs in the Golden Corridor - between Ahmedabad and Vapi - north Gujarat.

Lozi and Basem Mohammed (2008) have studied the Small-scale industries in Jordan in the globalization era performance and prospects. This study has revealed that the Small scale industrial sector was a major contributor to the industrial economy of Jordan. It accounts for 50 percent of the total manufacturing sector, has 20 percent share in exports and provides 80 percent of employment in industrial sectors. Despite, the global and domestic recession, small scale industries registered a higher growth
rate when the overall industrial sector in terms of number of units. The overall performance and contribution of small scale industries to Jordanian economy is generally described in terms of its absolute growth in units, employment, production and exports.

Vetrivel and Iyyampillai (2009) have observed that the development of Small Scale Sector occupies a powerful position in Tamil Nadu state. The study found out that there would be a rapid growth of SSI units, employment generation and value of output during the period 1991-2008, due to the support of government policies and financial assistant.

Vanmathy and Nikhil (2009) have identified the important quality of work life variables among the sales personnel’s. They are employee satisfaction and continuance, perceived job motivators, job awareness and commitment, conducive work environment and perceived organizational culture.

Mariammal and Darling Selvi (2010) stated that India’s spice sector is zooming at great pace. During the period of April – June 2008, the export of various spices and spice products has shown a remarkable increase of 23 per cent both in terms of their quantity and value. India is producing more than four million tonnes of spice and is exporting around 180 spice products in over 150 nations.

Manoharan and Selvamoorhty (2010) have ascertained that the number of SSI units, quantity of production, employment opportunities and exports of goods have increased in India, from 1990 - 1991 to 2007 - 2008.
This is due to the fact that the various policy measures have been taken by the Government and incentives given in the form of concessions, assistance, facilities and subsidies. As a result, Small Scale units have registered tremendous growth.

Joseph et. al., (2010) argued that innovation and technological development matters in growth, if growth has to be inclusive, the technological system that facilitates growth also needs to be inclusive. Hence the policies which are available for SSI to build up their technological capability should make certain that all the small units can approach the state, which is the primary institution aims to develop SSI, and get benefit out of those policies.

Employment Argument

United Nations Report (1951) shows the small industries have characteristics of low capital intensity; high employment potential and use of indigenous technology have feasibility particularly in the rural areas where there are limited infrastructure facilities. It also emphasized on the use of labour intensive technology in the developing countries. The report noted, labour saving technology is not of great value to an economy which is over populated.

The Karve Committee (1961) shows the importance of small industry in the industrial dispersal and employment generation. Its report on the strategy for the Second Five Year Plan stated that principle of self employment is at least as important for successful democracy as that of self government. The small enterprises serve as a nursery and training
ground for the prospective entrepreneurs who start their own enterprises after obtaining necessary skill and experience. The growth and expansion of small units absorb additional labour and also create employment opportunities in the related sectors such as transport, business and commerce.

Donde (2001) reported that the small industry plays key role in the generation of employment. The histories of medium and large sized firm’s shows their expansion has brought about a sizeable growth in employment. This strengthens the argument that the growth of small industry would both improve the earning opportunities for both the industrial workers as well as entrepreneurs and also promote regional development. These arguments have largely been accepted in most of the developing countries and the respective governments have initiated special programmes to support the SSIs.

**Mobilization of Resources**

In the vast territory of India, there are certain areas, particularly the rural areas, which possess enormous untapped resources in the form of hoarded capital and underutilized human skills. Moreover, the rural areas possess considerable potential for market channels of raw material as well as finished products. The establishment of small enterprises in the rural areas and small towns by the first generation entrepreneurs through their own resources mobilization is an achievement of the promotional policies. As such, the development of small units builds a stronger middle class and taps capital investment from family saving. This was examined in a study
conducted by Hashim and other in Vododra and Kheda districts of Gujarat. It is observed that from the total number of units covered under the sample survey; nearly 83 percent units in Baroda and 68 percent units in Kheda were started by their present owner.

Tuteja (2002) studied the origin and growth of firms in the developing countries concluded that the firms always started their activities at small-scale with low amount of capital drawn from the saving of the entrepreneurs and their friends or relatives as neither the credit system nor the government programmes appeared to play any significant role.

**Distribution of Economic Power**

Small enterprises are important in diffusing the concentration of economic power of large firms and the resultant benefits are shared by the large number of entrepreneurs. As the SSI is less capital intensive, they encourage first generation entrepreneurs having limited resources.

In 1965, the monopolies inquiry commission had stated that small business concerns are good training ground for business talent and managerial skill. As the small enterprises are either partnership or proprietary concerns where the owners or their relatives also work along with other labour forces, the relation between the employer and employee are more harmonious in the smaller enterprises compared to the large firms.

In the developing as well as underdeveloped countries the employment opportunities are limited and therefore, the opportunity costs
are generally low. In the competitive labour market, the choice for less skilled worker is between low paid job in the smaller enterprises or to start some independent activity. Functional autonomy and higher earnings than the opportunity cost by the small entrepreneurs is an important step towards the equitable distribution of economic power.

In the study of small and medium scale industries in Colombo it is observed, ‘success or efficiency is a relative term as most of the entrepreneurs judged the improvement in their standards of living, since they left their previous occupation to be the main sign of success. The study noted that many entrepreneurs whose earnings were low compared to those of entrepreneurs as a group might nevertheless carry on because of their limited opportunity costs and expectations which in turn usually stem from their comparative lack of education and relatively humble social origin. The major assets of the owner of a small enterprise are his managerial ability, technical knowledge of equipments. Their managerial abilities are not recognized by large firms, which prefer to hire college graduates. Hence, we assume that the opportunity costs of these entrepreneurs are not much higher than the wages of skilled workers.

**Decentralization of Industry**

The small enterprises play a key role in the regional dispersal of industries. While larger firms have the tendency to concentrate on the metropolitan cities or bigger towns, the small enterprises can be easily encouraged in the rural areas and small towns having adequate infrastructural facilities. Staley and Morse had recommended the
implementation of dispersal programmes in a phased manner which involves, selection of intermediate size cities and town and develop into industrial growth points, integrated development of small, medium and large scale industries at these growth points and promoting linkages from these growth points downward to the villages by sub-contracting while the upward linkages with the major cities would be in the form of supply of larger amounts and new variety of farm products to the growing urban areas. They suggested that the growth of industry would increase the demand for agricultural and manufactured products and hence diversify the commercial activities in the region.

The SSI units set up near the centres of raw materials availability and developed markets often enjoy location advantages and therefore, save the transport cost considerably. Availability of Cheaper labour locally further brings down the cost of production and enables the SSI units to have distinctive advantage over the units located away from the hinterland. Many agro-industries and mining activities are of this type.

**Political Arguments**

The state is mainly concerned with the welfare of general public. Due to vested interest of gaining political power, the political parties support the promotion of industries in the rural and backward areas. Small enterprises are locally owned and controlled and they strengthen rather than destroy the extended family and other social systems and cultural tradition that are perceived as valuable in their own right as well as remain as a symbol of national identity.
Vijay Chandok (2005) aimed at proving that business needs a broad range of banking services are one of them. They have customized and bundled a range of banking services. Trade finance services bring convenience and speed for the modern globalised SME besides bringing them competitive lending products. Knowing a customer’s business is the first step in building relevant product offering. They have put in place a cluster specific focus to cater to SMEs across India and have classified them under various industry sectors like garments, auto, pharma etc. the cluster based focus enables us to understand their needs better and thus manage risk and offer customized products in SME space. In needs to pay taxes, comply with the laws of the land, hire and retain the best employees, they go one step ahead rather than just provided credit. They plan to strike alliance with HR, IT, legal, travel consultants that would help their SME clients grow to the next level.

Rana Bijoy (2004) shows that the developed nations the employment potential of small scale industrial sector has gained universal recognition. The bulk (66 percent) of new jobs created in the United States during the last two decades was in the small-scale enterprise (SSEs). The small scale sector in Great Britain creates more than 2.5 lakhs jobs every year. In Germany, Spain and the Netherlands, the SSE sector is equally important. The superiority of small scale industrial sector in generation of employment as compared is empirically proved by the Annual Survey of Industrial 1979-80 in India, which observed that employment of one worker
in large scale sector calls for more than thirteen times investment in fixed
capital as compared with that of small scale.

Kiran Varma (2004) shows the times when structural changes are
taking place at a rapid pace, the role of small scale industries (SSIs) have
become more and more vital in a country's development. To face the era of
change and challenge successfully, a need for change in strategy of SSIs
development by evolving a variety of linkages between economic cost and
social benefits should be build. This is essential to ensure the sustained
growth of this sector.

Raghurama and Hala Naik (2004) examines the marketing problem
is not an independent one. It is a related issue and it is a complex problem
of marketing finance, marketing infrastructure like forward and backward
linkages, product decision, pricing decision, promotional policy, selection of
distribution channel problems, etc. To tackle this, it requires collective
efforts on the part of the entrepreneurs of the units, Government, Policy-
makers and Promotional agencies who are involved in the promotion and
concluded that small scale industries must survive and grow for which
marketing is of vital importance. Small scale industries are faced with
marketing problems. It requires a well-devised future marketing strategy to
overcome this problem. The problem of marketing of small scale units in
future can be tackled if all engaged in this process, realize their
responsibility and put forth concerted efforts with commitment, dedication
and real will to solve the problem.
Rajendra Prasad (2004) studied the working of small scale industries in various divisions of Karnataka which respect to parameters like a number of units working, amount of investment and employment generation, the terms of their growth, the quantum of capital invested and employment generation and it analysed the industrial concentration in each division and concluded that small enterprises occupy a crucial position in the Indian economy not only because they contribute to Gross Domestic Product (GDP), income, exports and employment but they also imply group initiative, self-employment and small livelihoods and small business. It is important to create and ensure space and more opportunities for such a sector because in today’s world, creating and ensuring space for small enterprises is not that easy but needs to be done on a war footing given the vulnerability of small enterprises and economic pressures and uncertainties under which they are performing.

Balasubrahmanyam (2004) studies the impact of globalization and domestic economic reforms on small industry. Small industry has suffered in terms of the growth of units’ employment, output and export. But the policy changes have also thrown open new opportunities and markets for the sector. To avail of these, the focus must be turned to technology development and strengthening of financial infrastructure in order to make Indian small industry internationally competitive and contribute to national income and employment. It is stated that concerted effort is needed from the government and small industry to imbibe technological innovations and promotion of inter-firm linkages need to be encouraged consciously and
consistently. Financial infrastructure needs to be broadened and adequate inflow of credit to the sector be ensured taking into consideration the growing investment demand. A technologically vibrant, internationally competitive small industry should be encouraged to emerge, to make a sustainable contribution to National Income, employment and export. It is essential to take care of this sector to enable it to take care of the economy.

Balasubramanya (2003) shows the level of development of a region in terms of educational and technological infrastructure influences the internal and external factors contributing to technological innovations of enterprises. It is a comparative study probing the nature and dimension of technological innovations carried out by small engineering enterprises in North-East England and in the Bangalore urban district. The pattern of technological innovations in the two regions, the similarities and dissimilarities are analysed and concluded that this study is an attempt to understand the pattern of technological innovations carried out by small enterprises in the engineering industry in North-East England as compared to Bangalore. The pattern is developed based on the factors that influence technological innovations, the sources of technological innovation and the dimensions of technological innovations. Based on the pattern of technological innovations between the two regions, the similarities and dissimilarities are analysed. However, it also determines the background of individual entrepreneurs as well as the Research and Development intensity of enterprises in a particular sector, apart from the spread of old
inventions and technologies across the country. Thus, both micro and macro factors—at the enterprises as well as industry level and at the regional as well as national level are likely to be significant for successful technological innovations in small enterprises.

Valasamma Antony (2003) says that rehabilitation of a sick unit refers to taking suitable measures and steps to bring an ailing unit back to health. It relates to the process of implementation of tailor-made scheme and programmes in the unit and its close monitoring with the view to putting it back on its rails. It is essential to measure the gravity of sickness before designing the nursing scheme or even before selecting the unit for rehabilitation. In order to gauge the extent of sickness, a simple tool in the form of an index number may be computed based on the key elements of performance of a unit—capacity utilization, sales, gross profit and net profit.

Rajendra Prasad, T and K.K. Seethamma (2003), says that small scale industry has made a significant contribution to the economy by increasing its share in exports, generation of the employment opportunities, dispersal of industrial activities, reducing concentration of the economic power and so on. The study concluded that the working of the small scale sector in Karnataka in progressively generating employment opportunities, and contributing positively towards economic growth. Government must safeguard this sector from sickness as well as from unfair competition from large-scale units.
According to N.I. Mulla and B.C Bannur (2002), it is apparent fact that industrial sickness is a nation–wide incidence and hence it was found essential to study the causes and consequences of this incidence. It concluded that the industrial economy of India ranking one of the top ten amongst the industrialized countries in the world is facing one of the severe problems of sickness in large and small scale industrial sector since the sixties. Loan financing has been the predominant method among the small scale industrial units against use of own funds. Hence, any shortage of credit facility is likely to upset the working of these small units whose resource is very much limited and activities are mostly dependent on credit facilities of the bank. Finally it is started that the industrial sickness among small scale industrial unit poses serious problem to the country as the sector contributes a great extent in the economic development. A major role is to be played by these units themselves. Government, banks and financial institution should provide essential support to the sick units in order to bring them to the forefront.

Kalayan J.Shah (2002) says that integration of the trade and environmental concerns in developing economics of the trade and environmental concerns in developing economics has emerged as one of the most crucial issues in moving towards an era of sustainable development. Integration the potentially conflicting issues requires specific mechanisms and concrete initiatives from the governments and global industrial organizations. Merely finding the technological solution does not ensure the removal of the existing contamination hazards totally, nor does
it eliminate the continuing environmental degradation. with this in mind, our government should devise proactive policies both at the national as well as at the state level for attaining a harmonious balance between trade liberalization on the one hand and environmental resource management policies on the other.

Janina Gomes (2001) focused on globalization and internationalization. As a major role clusters in the Indian scenario, the SSI can play through networking and sub-contracting with overseas SSI clusters. In order to do this, quality standard and technological upgrading are the utmost importance. By networking with clusters overseas, these clusters will not merely find ready markets abroad, but they will also become learner and better able to handle markets and competition. This is the route through which Italian clusters survived and prospered and it can well become the route through which Indian clusters can ensure their continuing viability.

Sridhar Krishna (2001) focussed all the units were aware that the World Trade Organisation (WTO) agreement would lead to the lifting of import licensing. The government's effort in bringing this awareness is successful. Changes in labour laws are needed in two respects. 1, a simplification of laws, such as hose concerning ESI, is called for to reduce the administrative hassles of the manufacturer. 2, a changes is levels of capacity utilization at least for the small-scale sector. If a change in labour laws results in an increase in overall employment levels, it should be viewed as desirable.
According to Shaikh Muzaffer and Ahamed Umar khan (2001) SSIs sickness goes beyond market factors and factors of production. The sickness is not only due to non availability of finance from banks but also delay payment by public sector industrial units contributes to the sickness of small units in the SSI and ancillaries.

Raju S.V. (2001) says that the small scale industries units are already weak in marketing function even in the domestic market and are incapable of withstanding the onslaught created by globalization. It is a distant dream that the SSI units will be able to expand their foreign markets as reciprocal opportunity to them. Enhancing the investment level can bring in many medium scale units within the purview of small scale sector. This may cause an unhealthy scramble for the limited facilities offered by the government including provision of raw material on concessional rates, allotment of sheds and market and technical support offered to SSI units. This may result in too many chasing too few facilities and concessions available and in the race some small units may fall by the way side and became sick.

Prasad C.S. (2002) extended by the government and the amount of effort put in by small scale industries and their association, India is going to experience the emergence of the small industry sector, which is qualitatively superior, technologically vibrant and internationally competitive, in the next 5-10 years because the ‘inefficient ones’ are likely to vanish gradually. The objective of he policy-makers as well as small industry associations should be to enable the sector to be vibrant and
competitive without a considerable reduction in its size and thereby enable it to make a sustainable contribution to national income, output and exports.

According to various studies, marketing of their products has always been a major problem for the small manufacturers. Government agencies have been failed to provide assistance since officials have little understanding of market intricacies. A network of testing and certificate facilities need to be put in place for the use of small scale industries especially for those who wish to enter the export market specialized facilities often require.

According to Sukanta Kumar Sahoo (2000), small scale industries have acquired pre-eminent position in the economic structure of the country helps the economic development and rural disparities. According to them, the SSI is the symbol of our economy and reflects production by the basses rather than masses production. As of today, this sector has 34 lakhs units which is 95 percents of industrial units in the country and producing over 7500 different items. This sector contributes about 40 percent of the value added in the manufacturing, 34 percent of the exporting, gainful employment to 177 lakh persons and 7 percent to the GDP. The average rate of growth of production is estimated at 7.7 percent and employment is about 3.7 percent per annum during the ninth plan and the target for the tenth plan has been kept at 12 percent and 8 percent of GDP. The sector blossoms into an epitome of excellence and a harbinger of a new egalitarian society. The SSI sector has proved its mettle even in the
changed liberalized economic environment of the country. The gradual and impending applications of WTO regulations and removal of Quantitative restriction [QRs] have added to its woes. With decline in agricultural employment and virtual stagnation in the organized manufacturing sector, employment in this sector has emerged as the only ray of hope.

Mathew P.M. (2000) says the laws that exist often ignore the social framework within which a small entrepreneur must operate delayed payment act as passed act was passed by the parliament after repeated representation by small entrepreneurs and their association. But the individual entrepreneurs are reluctant to make use of the provisions of the act due to the fear that customer pressed for the payment may not place fresh orders. Today, there are several laws applicable to SSIs. However the entrepreneurs do not know the laws and their provisions. The inspector, who is often motivated, assumes the role of the judiciary, interpreting the law in his own way.

Basheer’s, F.M. (2000) study on sickness in general cannot be studied in isolation, as it is the outcome of a number factor. Careful identification of causes would enable institution associated with rehabilitation of sick units to evolve medical measures and formulate revival strategies and nursing package. The entrepreneurs involved in SSI lack skill, foresight and master craftsmanship to create awareness before seeking to locate the real cause of failure. A wise entrepreneur will call the constant to analyse the situation and recommend a course of action that will bring the company on the road to recovery. The entrepreneur who is
the key input of economic growth should realize that the best teacher is his own experience to face the biter experience for the rescue and revival of sick units.

Jan Brouwer (1999) an approach to small enterprise in India and in South Asia generally, should take into account the culture dimension of entrepreneurship and industrial management. Small entrepreneurs in the jewellery sector of Karnataka, yield indigenous economic concepts, which should be incorporated in a new development model. For a new model, in the concept of money, the employees of small enterprise in Mysore in general do not link the salary with the small they carry out in factory, but view the salary as a payment to cove expenditure at home. But intra enterprises osmosis between the indigenous and modern concepts of loan may be worked out in conjunction with the prevailing concepts of money and gift. The concept of profit made during the manufacturing process needs to be studied in connection with an enterprise’s specific solid waste problems.

Dhar and Lydall, Hajra, Sandesara (1969) attributed to the economics of scale and better management in the relatively bigger units. Mehta’s conclusion is contrary to those of others. However, he used different criteria for size classification of the forms: he classified the firms into different size classes according to the value fixed assets. Earlier studies, on the other hand, use employment as the criterion for size classification. However it is difficult to fully understand the reason for contradictory conclusions arrived at by these studies. It is possible that
since the ratio of working capital to be fixed capital is high in small scale units, efficiency comparison based on fixed capital favour small scale units.

Bhavani’s studies (1980) is an improvement upon the previous studies in the sense that the basic data source for her study is the census of SSI units (CSSI), conducted by the Development Commissioner of Small Scale Industries (DCSSI) in 1973-74, which has a wider converge than CMI/ASI does. A comparison between the census sector and the ASI, the sample sector of the ASI and the CSSI revealed that the capital productivity of SSI units is lower than that of large scale units suggesting efficiency differences in line with the findings of Dhar Lydall–Sandesara.

Goldar (1985), in his study estimates a frontier production function (of Cobb-Douglas form) using firm level data from CSSI for the small scale washing soap industry to obtain measure of technical efficiency. Measures of partial and the total factor productivity and an analysis of technical efficiency reveal that tiny units are inefficient compared to relatively bigger units within the small scale washing soap industry. The positive relationship between unit size and efficiency and high capital intensity of relatively larger units suggest a trade-off between output gain and employment loss.

Little et al (1987) discover very little regularity in the patterns of partial and the total factor productivity and in their relationship with firm size in five SSIs when size is measured either by number of workers employed or by the value of fixed assets. An analysis of technical efficiency based on a three factor translog production function, reveals that there is a wide variation in total factor productivity. Within each of the five industries,
variation in technical inefficiency (measured by the difference between actual and predicted output) is substantial and there is no systematic relationship between employment size and technical efficiency. Only in Machine tools industry, technical efficiency is correlated with firm size. As for the source of variation in technical efficiency, there are four variables; the average experience of the labour force, the age of the capital stock, the experience of the entrepreneur and the level of capacity utilization are found to be significant in one or more industries.

Golder (1988) uses a total factor productivity index based on the Cobb-Douglas production function, to assess relatively efficiency industries of the NIC. The data for this study are drawn from the statistical reports of a sample survey of SSI units undertaken by the Reserve Bank of India (RBI) with 1976-77 as the reference year, Data on the large scale industries are drawn from census sector results of the ASI for 1967-77. It is observed that the in almost all industries labour productivity in small – scale units is less that in large scale units. On other hand, capital productivity in small units are higher in 22 industries when gross invested capital is used and in fifteen industries when net invested capital is used as a measure of capital input. The relative efficiency index which is weighted average of partial productivity indexes is less than 34 out of 37 industries suggesting that the SSI are relatively less than efficient than larger scale units. The study observed that the economics of the scale and better management are significant source of efficiency for larger units. Similarly, higher relative efficiency can also be attributed to mechanized technologies.
Ramaswamy (1990) estimates partial productivity of labour and of capital, and relative efficiency using unit level data for four industries: motor vehicle parts, agriculture machinery and parts, machine tools and plastic products. His analysis indicates that capital intensity and partial productivity are sensitive to alternative measures of firm size. There is little regularity in the behaviour of the capital – labour ratio and employment size. Partial factor productivity of labour and of capital also does not exhibit any significant relationship with firm when size is measured in terms of employment. However, a positive relationship is observed between capital-labour ratio and investment size of the unit. Ramaswamy's analysis suggest the existence of increasing returns to scale and thus rejects the assumption of constant return to scale.

Bhavani (1991) makes an attempt at measuring technical efficiency of four digit level metal products using a translog production frontier with three inputs viz. capital, labour and materials. It observed that for all the four metal products industries and five size groups within each one of them, the average level of efficiency is quite high and that efficiency measures increase with the increase in size unto a size class and then decreases.

The above discussion is a brief review of the relevant literature pertaining to the studies on the growth SSIs, production, investment, employment opportunities and various problems faced by SSI units. The review of research on the growth of SSI reveals that the export performance of India is playing a pivotal role in the growth of SSIs.
Research on employment presented that the development of SSIs are providing opportunities in rural, urban and semi-urban areas and also revealed that ever since the formation of the National Planning Committee on rural and village industries in 1938 the SSI are conceived as the catalyst of industrial dispersal in the country.

The studies on government role for the development of SSI depicted the industrial policies announced by the central and state governments and they have been providing various incentives for acceleration the growth of SSI sector. However the rational of state intervention in the promotion of SSI was questioned in some studies. Most of the studies were focused on the performance of SSI at national level while the issued related to size, growth, structure and productivity have received inadequate attention at the state level.

The research on impact on the Indian economy revealed that the process of restructuring Indian economy through liberalization and decontrols has put the small industries at a juncture of intricacies concerning their future.

An analysis of review of literature reveals that so far no study has been undertaken to find out the growth of SSI in all India level and Tamil Nadu level as well as problems faced by SSIs. An attempt is made in the study to find the various factors affecting the growth of SSIs and to ascertain the problems faced by the small scale industries microscopically. An elaborate account on the impact SSI sector on Indian economic development is presented in the next chapter.
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