INTRODUCTION

Small scale industry development has been one of the major planks of India’s economic development strategy since independence. The role played by small scale industry in the economic activity of advanced industrialized countries like Japan, Germany, Great Britain and the United States of America is significant. Many Nations, both developed and developing exteriorized that the small industry sector is a useful vehicle for growth, in the later for the creation of new employment opportunities on a wide scale in the shortest possible time. Employment creation is one of the most viable ways of reducing poverty levels in the country. Production is traditional and the technique is out-dated. The output is insufficient and the basic needs of the people remain unfulfilled.

Recently, small scale industry occupies a place of strategic importance in Indian economic structure due to its considerable contribution in terms of output, exports and employment. It had contributed positively to the India’s Gross Domestic Product (GDP); India’s GDP growth is better than other developing countries with the development of small industrial sector. It has framed various policies aimed at development of industries in the public and private sectors. Special emphasis has been laid on small scale industries. Small scale industries play a key role in our planned development with its advantages of low investment, high potential for employment generation, diversification of the industrial base and dispersal of industries to rural and semi-urban areas.
Special emphasis is always given to the development of Small Industrial Sector considering the strength of inherent merits as it has on low capital investment, short gestation period, high employment generating potential, capability to induce industrial base etc.

The small scale sector has played a very important role in the socio-economic development of India during the past 60 years. It has significantly contributed to the overall growth in terms of the GDP, employment generation and exports. The performance of the small scale sector has a direct impact on the growth of the overall economy. In India this sector constitutes 95 percent of the industrial units and contributes 40 percent to the total industrial output of the country and 35 percent of the direct export. There are about 3.6 million small scale industrial units in India and these have employed approximately 19.3 million people, which is second highest next to agriculture (Economic Survey 2013).

The estimation of 4th All-India Census of SSIs for the year 2006-07, the number of enterprises is estimated to be about 26 million and these provide employment to an estimated 60 million persons of SSIs, only 1.5 million (6 percent) are in the registered segment while the remaining 24.5 million (94 percent) are unregistered units. But it is important to note that 6 percent of the total number of units in the unregistered sector contributes to as high as 83 percent of the total employment. The gender distribution of employment indicates dominance of men accounting for nearly 83 percent of the total employment while only about 7 percent of the units are owned by women. In terms of their
area of operation, while the manufacturing enterprises dominate the registered units (67 percent), the service sector units dominate the unregistered sector (74 percent). The SSI sector as a whole contributes 8 percent of the country's GDP, 45 percent of the manufactured output and 40 percent of the exports.

**Review of Literature**

Various studies have been conducted from time to time in different states of India on different aspects of small-scale industries. Most of the studies are related to financial aspect, growth of small scale industries, entrepreneurship in SSIs, World Trade Organisation (WTO) regime and small scale industries and also related to small industry and globalization. Some of the imported studies are presented below:

Ramakrishna K.T (2001), in his study entitled, “Finance for Small Scale Industries in India” has described the nature of problems of finance with regard to small scale industries in India and the role played by the government, State Financial Corporations and Banks in financing the small scale units. His study highlighted the methods of financing followed by several countries in North and South America, Asia and Europe.

Pon Murgan R (2002), in his study entitled, “Industrial Estates in Tirunelveli Region – An empirical study of their impact on the growth of small scale industrial units,” analyzed the impact of industrial estates on small scale industrial units located in Kanyakumari district.
Parekh, H.S (2004), in his thesis, review the role of financial institutions and state agencies in extending credit to small scale units and pin points their attitude of indifference in catering to the needs of the tiny units. He was of the view that financial distributions have to attain their lending policies in consonance with the need of the small sector in general and the smaller among the small scale units in particular.

Jain, M.L (2006), examines the role of state financial corporation in industrial finance in India with particular reference to the Uttar Pradesh financial corporations. He opined that State Financial Corporation should pay greater attention towards the financing of tiny units and also in the modernization and rehabilitation of small units.

Mohammed Sayeed, (2007), in a study focusing on the financial problems of small scale and cottage industries in Uttar Pradesh recommends the introduction of participation loan scheme by the state Government and setting up of small business investment companies.

Mathew, M.C. (2004), highlighted the reason for panic in all India census report on small scale industries. The study observed that the vibrancy and dynamism of the sector anticipated under an era of deregulation and de-reservation remaining largely unrealized.

Subrahmanyabala, M.H. (2004), highlighted the impact of globalization and domestic reforms on small-scale industries sector. The study stated that small industry had suffered in terms of growth of units, employment, output and exports. The author suggested that 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.

Sudan, F. K. (2005), described the challenges in Micro and Small Scale Enterprises Development and policy issues by arising different questions related to Micro and Small Enterprises. The study concluded that all the policies which were opted by Government of India (GOI) were the efforts to form a dynamic MSE sector and a diversified economy providing expanded employment opportunities to absorb all new labour force and offer exciting career opportunities.

Rathod, C. B. (2007), described the importance of small scale industrial sector and also the contribution of Indian small scale entrepreneurs in the world economy. The study has suggested that there is a need for simplified legal and regulatory framework, good governance, sufficient and accessible finance, suitable infrastructure and competitive environment.

**Small Scale Industry**

Economic development of a country is directly related to the level of industrial growth. The expansion of industrial sector leads to a greater utilization of natural resources, production of goods and services, creation of employment opportunities and improvement in the general standard of living. India has also been striving to develop the country's industrial base over since independence. The small-scale industries sector has been appropriately given a strategic position in our planned economy towards
the fulfilment of the socio economic objectives particularly in achieving equitable growth.

The definition of small scale industries has undergone changes over the years in terms of investment limits, at present, Reserve Bank of India uses an expanded definition of small scale industries which include: (i) Small scale industrial undertaking which are engaged in the manufacturing, processing and preservation of goods in which the investment in plant and machinery not to exceed Rs.5 crores. These would include units engaged in mining or quarrying servicing and repairing of machinery, (ii) Tiny enterprises whose investment in plant and machinery do not exceed Rs.25 lakhs, (iii) Power looms, (iv) Traditional industries which require high workmanship and techniques and also village and household industries producing common goods of consumption predominantly by using simple tools, (v) The decentralized and informal sector like handlooms and handicrafts, (vi) The industry related to services/ business enterprises, (vii) Food and agro-based industries, (viii) Software industry.

**Need and Importance of the Study**

Ever since the formation of the National Planning Committee on Rural and Village Industries in 1938, the SSIs have been conceived as the catalyst of industrial dispersal in the country. The industrial policies announced by the Central and State governments, have been providing various incentives for accelerating the growth of SSI sector. The performance of SSI was focused mainly at national level while issues like size, growth, structure and productivity were left to the States which paid
inadequate attention to these issues. The process of restructuring Indian economy through liberalization and decontrols has put the small enterprises at a critical juncture of intricacies concerning their future. In this background, for any change in policy concerning small industries, there is a need for elaborate studies on the growth and performance of SSIs.

**Chennai Metropolitan Development Authority (CMDA)**

Chennai Metropolitan Development Authority (CMDA) has developed an Industrial Park in an area of 600 acres at Maraimalai Nagar, located at 43 kms from Chennai on G.S.T. Road in Kancheepuram District in the year 1976. CMDA has spent about 20 crores for the development of the Industrial Park about 250 developed plots have been allotted to industrial units. Small Industries Development Corporation (SIDCO) established in 1970 has developed 74 industrial estates in Tamil Nadu. In CMDA, it has developed industrial estates at Ambattur, Guindy, Thirumudivakkam, Thirumazhisai, Thirumullaivoyal, etc. It has constructed 4244 sheds in Tamil Nadu with an employment potential of 41,450. Necessary infrastructural facilities such as school, bank, fire-station, hospital, shopping complex, community centre, and housing facilities have been created in it.

**Role of Government in Small Scale Industries**

The State and Central Government policies are indispensable for the growth of small-scale industries. These policies are framed in different contexts to shape the Indian economy. The Common Minimum Programme (CMP) announced by the United Progressive Alliance (UPA) Government
on 27th May 2004 has observed as under: In the past few years, the most employment intensive segment of the small scale industry has suffered extensively.

The rate of growth in the SSI sector has declined from 7 percent to 11 percent during 1991-94 thereafter. Similarly, the flow of credit to SSI as percentage of Net Bank Credit has also declined from 17 percent in 1997-98 to less than 11 percent in September 2003. The Third Census Report of small-scale industries (2001-02) has revealed that the employment intensity of the SSI units has declined from 6.3 percent per units in 1987-88 to 4.5 percent in 2001-02. Along with these developments, the globalization and emergence of WTO (World Trade Organisation) have also brought the SSI sector face to face with new challenges in the form of increased competition. These trends compel one to think whether the SSI sector can achieve the targets of 12 percent annual growth and creation of 4.4 million additional jobs during the 10th plan period.

In order to protect the interest of SSI units and facilitate their development, the Government in pursuance of its policies, have initiated a number of support measures from time to time which include policy on reservation of items, revision of investment ceilings, modernization, technology upgradation, marketing assistance etc. the emerging economic scenario in the liberalized and competitive economic development has necessitated structural and fundamental changes in the policy framework out put them into the right place for the development of this vital sector of the economy.
The concepts of quantitative restrictions are safeguarding the SSIs from the exploitation of medium and large scale industries. The present policies of encouraging growth of small-scale industries are based on optimistic promotional measures. One of these measures are reservation of products for exclusive manufacture in the small scale sector in areas where there is techno economic justification for such an approach.

**Problems faced by Small Scale Industries**

Small-scale industries are facing so many problems in their stride of development. In certain cases, it is found that they are not able to compete with the large scale industries in almost all the financial areas of business. The globalization of the economy is also indirectly affecting the competency of small scale industries. It has been recorded in a span of five years after 1991, that SSI growth was blurred due to heavy competition in the global market. Besides these, both State and Central governments are employing collective efforts and strategies for the development of the SSI in order to balance unemployment problems.

As per the Special Group Report (SGR), the major problems faced by the SSI sector relate to credit, infrastructure, technology, skill development and marketing. The indicators of autonomous growth in recent times have been stifled due to the impact of WTO agreement affecting India, like removal of Quantitative Restrictions (QRs), dumping of certain goods/items, power related inadequacies and credit related insufficiencies, etc.
Statement of the Problem

The present study attempts to throw light on the role of SSIs in the promotion of economic growth and development and varied problems of the small and tiny sectors. Further, the study may help the policy makers to formulate certain policies in the light of changing conditions to resolve the problems of small and tiny sectors. The study may also lead to further research in the field of small and tiny sectors.

The crux of the problem is very often that of finance. Small Scale Industries are very poor and have little to offer as security for raising finance. Accordingly, the present study is an attempt to investigate into the growth, contribution and problem of small scale Industries in Chennai.

Scope and Coverage of the Study

The small scale industrial sectors have recorded significant growth and impressive performance. This study deals with the growth, contribution and problems connected with the SSIs in Tamil Nadu with special performance to Chennai City. An attempt is made to identify financial flow through various financial institutions and the problems and prospects connected with the loan assistance to the SSIs.

This study aims at identifying and analyzing the factors responsible for successful survival of SSIs by providing required funds for their business and also creating a base for the government in formulating small scale industrial policy to revive the sick units and promote their better performance with rapid development of industrial units.
Objectives of the Study

The main purpose of the study is to identify the problems encountered by small and tiny industries and thereby to suggest some measures that would resolve the problems. The detailed objectives of the study are as follows:

1. To study the growth of small-scale industries in Tamil Nadu and Chennai since 2000,
2. Identifying various financial institutions participating in the growth of SSIs and the type of financial flow,
3. To understand the pattern of growth, performance and problems of small-scale industries in Tamil Nadu with special reference to Chennai.

Hypothesis

1. Small scale industries are more suitable for developing countries like India.
2. Small scale industries have been highly impressive in the performance in Chennai City.

Database and Methodology

This study is based exclusively on secondary data. The secondary data are used to analyse the growth, performance of exports and the like of small scale industries at all India level as well as at state level. Secondary data were collected from published and unpublished sources such as
books, journals, magazines, reports and various documents of District Industries Centre, Tamil Nadu Industrial Investment Corporation, Department of Statistics, Government of Tamil Nadu, Ministry of Small Scale Industries and Agro Rural Industries, SSI Censes reports, Government of India, New Delhi.

The data collected from the sources are scrutinized, edited and tabulated. The data are analysed by using SPSS (Statistical Package for Social Sciences) computer packages. Correlations and regressions are applied to find out the major causes of different kinds of problems of the SSI units.

In the present study, an attempt is made to analyse the impact of globalization on the growth of small scale industries as they have the largest share in the Industrial development of the nation.

Limitations of the Study

The study covers the SSI units of all types in Chennai Districts. The SSI units registered with Manufacture’s Association are approached without discrimination regarding their company profile, income and product produced. The scope of the study has been limited to certain important aspects and problems of SSI. This study does not cover the complete and exhaustive views of State and Central Government about SSI. Since this study covers small scale industries in Tamil Nadu with special reference to Chennai, it cannot be generalized to the whole of India.
Organisation of Chapters

The first chapter presents a brief introduction about the importance, scope, government role, general problems, growth, objectives, methodology, limitations and chapterisation.

The second chapter sketches the brief review of literature relevant to the present study.

The third chapter deals with the role of SSIs and its contribution to the industrial development of India as well as in Tamil Nadu.

Chapter four estimates the role of financial institutions and the development of SSIs in Tamil Nadu.

The growth, contribution and problems of SSIs in Chennai City are analysed in fifth chapter.

The concluding chapter summarize of the findings besides giving some suggestions.

REFERENCES


