CHAPTER 6

Summary of Findings
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SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSIONS

This research study has concentrated mainly in identifying the extent of problems faced by small units both eng. and non-eng. category in the IEs of Tamil Nadu, and a number of useful and workable suggestions have been given by the researcher at the end of this Chapter. The researcher firmly believes that with the implementation of these recommendations by the authorities and agencies concerned and the powers that be, it is possible to really see the development and growth of SSI sector in IEs of Tamil Nadu.

FINDINGS OF THE STUDY

The findings of the present study based on the analysis of the features and problems of the sample units both in and outside the IEs of Tamil Nadu, are summarised under the following heads:

BASIC FEATURES OF SAMPLE UNITS

STATUS

A large majority of the Sample Units (SUs) of engineering category especially those outside the IEs of Tamil Nadu are started as private limited
companies. This indicates the fact that many of these units are mostly run by professional managers and their average project cost is greater. The study further reveals that only a few SUs are run as sole proprietorship concerns. This naturally reveals that starting small units as sole proprietorship concerns has not become feasible and beneficial to small units. This is because private limited company form of organisations offer several advantages like larger capital, greater flexibility in running the unit etc.

**INITIAL CAPITAL INVESTMENT**

The average initial capital invested in plant, equipment and machinery in the case of eng.units in IEs of Tamil Nadu is much greater than the non-eng. units in IEs and the eng. units outside IEs of Tamil Nadu. The test for mean reveals the fact that there is no significant difference between the SUs as regards the average initial capital employed by them. The study, however, shows that their combined average initial capital is very much greater than the overall figure for Tamil Nadu. This proves that the sample units have a strong capital base.

**NATURE OF ACTIVITY**

The nature of activities of SUs include procuring and executing job orders, working as an ancillary to large units and manufacturing products based on their forecast. A large majority of the SUs engage themselves in procuring and executing job orders. It has been found that more eng. units in IEs are engaged in the above
activity than their counterparts outside IEs of Tamil Nadu. This is because such activity is found to be more profitable to them.

FACTORS FOR THE LOCATION

All the SUs were attracted by the availability of ready factory sheds and infrastructure facilities and also ready financial support from commercial banks and Government, provision of marketing assistance, supply of raw materials and uninterrupted power supply, in locating their units in the IEs of Tamil Nadu. In sharp contrast to this, units outside IEs of Tamil Nadu, attribute their main attraction in setting up their units to the nearness of their factories to large units and the availability of land at less cost. The study also shows that certain SUs considered other factors such as availability of concessions and subsidies and proximity to large units for locating their units both in and outside IEs.

It is therefore clear that the programme of Industrial Estates introduced by the Government of Tamil Nadu has attracted many entrepreneurs in setting up their units. This has contributed to the growth and development of SSI sector in the state of Tamil Nadu.

INITIAL DIFFICULTIES FACED

A large majority of the SUs located both within and outside the IEs of Tamil Nadu faced the initial teething difficulty of inadequate finance. The problem was more pronounced for eng. units in IEs. This was because of lack of adequate financial support from Commercial Banks. This points to the fact that the much
promised financial support was not forthcoming from the commercial banks and the State Government.

Entrepreneurs are more attracted by the promise of financial support from commercial banks and the State Government. The financial assistance is, no doubt, forthcoming readily from commercial banks. But this was found to be inadequate. That is why, the SUs had to resort to other sources of finance like borrowing from money-lenders and depending on their own private savings which are meagre.

The SUs also complained of other initial difficulties such as power and technical. Obtaining licence was another problem faced by the sample eng. units outside IEs of Tamil Nadu.

PROBLEM OF ACCOMMODATION AND INFRASTRUCTURE

The average size of area occupied by the sample eng. units and non eng. units in IEs of Tamil Nadu is greater. Between the sample eng. units in and outside IEs, there is significant difference in the average size of area occupied. The greater size of area occupied by the SUs in the IEs shows that the State Government through the SIDCO, has planned the IEs and constructed industrial sheds of adequate size to meet the requirements of various units. SIDCO also provided for the future requirements for expansion. The relatively smaller size of area occupied by the eng. units outside IEs shows that they are unable to acquire additional land for expansion, which is, due to escalating cost of land.
Majority of the SUs acquired their industrial sheds/plots on outright and hire-purchase basis. The SUs also resorted to other modes of acquiring industrial sheds/plots on lease or rental basis. It was found in the course of the interview that the SIDCO comes out with four options viz, outright purchase, hire purchase, rental and lease basis. The industrial units, depending on their financial and other considerations acquire the industrial sheds on any of the above basis.

A large majority of the SUs in the IEs avail the various common service facilities that are made available in the IEs of Tamil Nadu. It is a greatest attraction for small entrepreneurs to locate their units in IEs. For certain SUs, common service facilities are not needed at all. This is because of their nature of activity. Only certain units have these facilities established in their premises. Some of the common service facilities identified to be available in the IEs are heat-treatment, quality control laboratory, maintenance and repair workshop, technical advisory and guiding bureau, Central Workshop etc. It is pertinent to note in this connection that all these facilities are made available in the respective IEs by the SIDCO.

As regards the adequacy of such facilities, it has been found that though SIDCO makes available all these facilities, many of the sample eng. units have complained that the facilities are not adequate.

The problem of inadequacy arises chiefly because, eng. units required more of such facility, and that they carry out relatively complex nature of operations. The
units which complain of inadequate facility either establish such facility in their own units or get the work done from units outside the IEs of Tamil Nadu.

Many SUs in the IEs avail various concessions and facilities extended by the Government. These include subsidy, machines on hire-purchase, technical advice, loan at cheaper rate of interest, training facility, preference in purchase of finished products by the Government, quota and permit for raw materials and warehousing. This proves the fact that the Government has been more pragmatic in extending support and succour to SSI units, especially those located in the IEs. It is interesting to note that none of the SUs outside the IEs ever availed the subsidy extended by the Government.

The Study makes an interesting revelation that the SUs in IEs of Tamil Nadu face the problem of lack of proper maintenance of storm-water drains and non-availability of basic facilities like water etc. This shows that the SIDCO, the agency responsible for the creation and maintenance of IEs in the state of Tamil Nadu, is not exercising proper care in the due maintenance of IEs. The researcher had personal discussions with the authorities of SIDCO to find out their viewpoints on this and to corroborate with the views expressed by the SUs. These discussions revealed that SIDCO is mainly responsible only for planning and creating the IEs and hence it could hardly take up the job of maintaining the IEs.

Only a smaller number of SUs in the IEs face the problem of inadequate space. This, as has been stated previously, is because SIDCO, while planning and creating IEs, pays due attention to the future requirements of the units. It was
however noted by the researcher that the SUs outside IEs face the inevitable problem of inadequate factory accommodation due to escalating cost of land.

**PROBLEM OF POWER**

The average power consumed per annum in the case of eng. units outside IEs is higher than their counterparts within the IEs of Tamil Nadu. This phenomenon is attributed to relatively uninterrupted supply of power and more job orders obtained by them which make them work continuously.

To a question whether the SUs consider power-cut as a major hindrance to normal functioning, a large majority of the SUs in the IEs of Tamil Nadu replied in affirmative. The problem is more acute in the case of eng. units in IEs. It is interesting to note, however, that only a smaller percentage of sample eng. units outside IEs consider power-cut as a major obstacle to the normal functioning.

Power-cut is considered to be a major problem by eng. units in IEs of Tamil Nadu because they depend solely on the T.N.E.B., which, according to them, does not ensure proper supply of power. This makes such units keep their plant idle during power-cut periods, instead of using a generator. This is because, the SUs in IEs felt that maintaining generators will be costlier which will have an unfavourable impact on the cost of production. In contrast to this, most of the sample eng. units outside IEs use generators to overcome the problem of power-cut which help them keep their plant in operation.
The study brings in to sharp focus the stark reality that the TNEB, the agency responsible for the generation and distribution of power in Tamil Nadu is not able to supply adequate power, especially to eng. units in IEs spread all over the State.

The pattern of expenditure on power by the SUs reveals that most of them depend upon the TNEB for the supply of power. In the event of power cut, therefore, the units outside IEs overcome the power problem by maintaining generators, whereas the eng. units in IEs keep their plant idle and suffer production losses, as they are not able to maintain generators.

The major type of problem faced by the SUs both eng. and non-eng. category in IEs on the power-front is the irregular power supply and frequent voltage drop or fluctuation. The other problems of power are faced only by insignificant number of SSI units in IEs. Nearly half of the sample eng. units outside IEs face the problem of inadequate power supply and the difficulty in getting power connections.

Between eng. units in and outside IEs, the study reveals that, the power problem viz., irregular power supply and frequent voltage fluctuation, is more pronounced in the case of eng. units in IEs. This is chiefly attributable to the fact that such units do not obtain regular power supply from TNEB. The researcher had personal discussions with the authorities of the TNEB to find out the reasons for the irregular power supply and frequent voltage fluctuations. It was given to understand that though the authorities are taking, several steps to keep the power
plants in the State, running, unpredictable mechanical snags affect the power
generation very often, which results in shutdown of thermal power plants. This
ultimately leads to irregular power supply and frequent voltage fluctuation. In fact,
the TNEB has its own tale of woes like obsolete technology used in power
generation, irregular supply of raw materials like coal to run thermal power plants
etc. The authorities also complain of the inefficiency and militancy of the staff
unions, which according to them, contribute in a large measure to the deterioration
in the functioning of the TNEB.

The authorities also admit that they want more functional autonomy in the
matter of running the agency and also in fixing the power tariff. This would help
in augmenting the revenues of the TNEB needed for modernisation of power plants
and the distribution network, so as to ensure uninterrupted power supply.

PROBLEM OF FINANCE

The main sources of finance for the SUs are the commercial banks, friends
and relatives, own-funds and financial institutions. For the eng. units and non-eng.
units in IEs of Tamil Nadu, the chief source of funds is the commercial banks. This
points to the fact that small entrepreneurs setup units in IEs, with financial
assistance guaranteed and extended by the commercial banks. It is, infact, one of
the main attractions for them to setup their units in the IEs.
In contrast, eng. units outside the IEs are least dependent on the commercial banks. Their main source of finance is from their own personal savings and occasional borrowing from private financiers.

The average quantum of working capital required per annum for the sample eng. units in the IEs of Tamil Nadu stands at Rs.92 lakhs. This is followed by Rs.87.5 lakhs for eng. units outside IEs and Rs.75 lakhs for Non-eng. units in IEs. Only marginal difference exist between eng. units in IEs and eng. units outside IEs as regards the average working capital required per annum. The marginal higher average working capital in the case of eng. units in IEs shows that their level of operations are relatively extensive.

Only a few SUs in the IEs and none outside IEs avail any of the subsidies and concessions. The nature of subsidies and concessions include sales tax subsidy and central excise exemption, export concessions, and capital and power subsidy. The reason why none of the sample eng. units outside IEs of Tamil Nadu availed subsidies is because most of the units selected for survey are located in and around Madras, a Metropolitan city which does not attract such concessions. Furthermore, most of the subsidies and concessions are extended to the small units set up in the rural and backward areas of the state.

It is also found that even the smaller number of SUs availing subsidies face certain inexplicable difficulties such as procrastination and cumbersome formalities and maladministration in Government agencies.
As regards the type of financial problems, the main complaint is about lack of adequate and timely finance especially from commercial banks, for both eng. units and non-eng. units in the IEs of Tamil Nadu. For eng. units outside IEs, the main complaint is the exorbitant rate of interest while borrowing from private sources. The fact that there is lack of adequate and timely from banks points to the inability of banks to fulfil their commitment to small units in IEs, viz., adequate and continuous financial support when small units are established in the IEs.

Enquiries with the SUs revealed the stark reality that many commercial banks are not in favour of advancing loans to SSI units in IEs of Tamil Nadu for the fear of non-repayment of loans and their inability to meet the bankers' security requirements. Respondents on their part spoke of the unhelpful tendency of the commercial banks and their apathy towards SSIs in IEs. For instance, one respondent said that his banker demanded a security of as high a value of Rs.5 lakhs for a loan of Rs.50,000 and yet delayed unreasonably the sanctioning of the loan. This is so inspite of the respondent providing security free from encumbrances. Though it may be true that commercial banks initially encouraged small entrepreneurs by extending loans, probably out of compulsion from Government, they do not show the same amount of interest while advancing money to them at later stages.

Other problems faced by the SUs in IEs are the delay in the settlement of bills by customers, exorbitant rate of interest while borrowing from private sources and difficulty in meeting the security requirements of lending institutions.
Regarding the complaint of delay in the settlement of bills by customers, it requires a lot of tact and marketing skills in choosing right customers and dealing with them. This problem accentuates the financial crunch of the SUs as it results in locking of their funds. The SUs in IEs which are denied timely and adequate financial assistance take recourse to private lending agencies which charge exorbitantly. Hence SSIs are caught between the unhelpful commercial banks on the one hand and the greedy private financiers on the other.

Since a large majority of the eng. units outside IEs depend on private financiers, their chief complaint is unreasonably higher rate of interest charged.

PROBLEM OF MARKETING

As far as the SUs in IEs are concerned, majority of them market their products locally. Between eng. units in and outside IEs, more eng. units in IEs have only local demand for their products. This reveals the fact that SSI units are set up in IEs mainly to tap the local market. Most of the sample eng. units outside IEs depend both on local and regional markets for selling their products. It is to be noted that relatively more number of eng. units outside IEs enjoy regional & national and international markets.

Local concentration of demand for goods of sample eng. units in IEs of Tamil Nadu is because these units manufacture products based on job orders from medium and large size units located around them.
As to the method followed by the SUs in selling their products, a large majority of the eng. units in and outside IEs go for direct marketing. Even among them, eng. units in IEs command greater amount of direct marketing. The reason for this phenomenon is that their market is mainly confined to local areas and that their nature of activity is manufacturing products based on job orders. Again, a large majority of the SUs in IEs resort to self-marketing in popularising their products. Even among the SUs in IEs, eng. units account for the maximum number. This is again chiefly because, their area of market is largely confined to locally. For sample eng.units outside IEs, the chief methods of popularising products are self-marketing and print media. Some of the SUs also indulge in other methods such as dealers, outdoor publicity and audio-visual methods in popularising their products.

It is interesting to note that some of the sample eng. units in and outside IEs also export their products. However, the share of their exports to total turnover is rather meagre. The reason for a low profile of these units on the export front is due to their concentration on the local, regional and national markets.

Marketing the products is considered to be a problem by a large majority of the SUs both in and outside IEs. As between eng. units in and outside IEs, eng. units in the IEs of Tamil Nadu face more marketing problems. This is because of such reasons as local concentration of market, direct method of selling products and self-marketing adopted as a method of popularising products such as press media etc.
The main problem faced by the SUs on the marketing front is that of delayed payments from customers. It is interesting to note that this complaint has been cited by the SUs as the second most important reason for the problem of finance. The researcher found in the course of the interview that though the respondents choose their clientele rather carefully, things go awry later. Most of their clients are medium and large sized units. The researcher noted that there is severe competition among the SUs in getting job orders from such medium and large units. Moreover, SUs enter into long term contracts, which makes them unable to change their clientele. All these reasons leave the SUs at the mercy of medium and large sized units who delay unduly the settlement of bills.

But, it is pertinent to note in this connection that almost all the SUs find that this marketing problem could be easily overcome if only the commercial banks could provide adequate financial accommodation, atleast to meet their working capital requirements.

Many SUs in IEs felt that the establishment of a separate financial corporation exclusively to finance the SSI units in the IEs would also help in solving the problem. The SUs also face other problems of marketing such as inadequate orders, excessive Government regulations and competition among SUs.

**PROBLEM OF RAW MATERIALS**

A large number of SSI in IEs of Tamil Nadu obtained their supply of raw materials only from private parties. This disproves the claims that SIDO, through
its raw materials depot at various IEs, ensures adequate availability to the SSI units, especially those located in the IEs. Enquiries with the authorities of the SIDCO revealed that it supplies raw materials through the raw materials depot not only to SSI units in the IEs but also to those located outside IEs. The reason why a larger number of SUs opt for private supply is because SUs find their dealing with private suppliers competitively advantageous and flexible to some extent.

It is also found that more number of sample eng. units outside IEs depend on Government agencies for the supply of raw materials. This is because, Government is the sole distributor for some of the raw materials, especially those which are imported. The study also reveals that the dependence on the imported raw materials by eng. units in IEs is negligent, whereas for eng. units outside IEs, the dependence is relatively smaller. The reason for the less dependence of imported raw materials is that small units especially those located in the IEs are basically of the nature of using only the locally available raw materials.

Regarding the wastage of raw materials accruing to the SUs, the study pinpoints that the average wastage of raw materials per annum in the case of eng. units in the IEs of Tamil Nadu is greater than their counterparts outside the IEs. This is because of such reasons as basic process loss, inferior quality of raw materials utilized, frequent power breakdown and the application of outmoded technology. Even the eng. units outside the IEs consider that the above causes are responsible for the wastage of raw materials, but more on account of frequent power-cut. The reason for the frequent power-cuts is the inability of the TNEB to ensure uninterrupted power supply owing to obsolete technology used in power
plants and other reasons. The study reveals that most of the SUs consider the raw materials as an important problem. For the SUs outside IEs, the problem of raw materials is less significant. Though the small units are attracted to IEs on the assurance of continued and adequate supply of raw materials by the SIDCO, this does not happen actually. Many respondents felt that dealing with the SIDCO is not attractive and beneficial. This is the reason why many units depend on private parties for the supply of raw materials.

The study reveals that irregular supply of raw materials is the most important problem faced by eng. units in and outside the IEs. This explains the predicament in which the SUs are placed. on the one hand they find to their dismay that SIDCO does not provide an ideal source of supply of raw materials and on the other, supply of raw materials from private parties is not also regular, though proves cheaper and are of good quality. This, the respondents attribute to the competition, while buying, especially from large units.

Many SUs in IEs felt that the problem of irregular supply of raw materials could be overcome by SIDCO restricting the supply only to small units in the IEs and by modifying its terms so as to make it attractive to SSI units in the IEs.

PROBLEM OF PERSONNEL

The research study reveals that the SUs employ three categories of personnel, viz., skilled and technical, unskilled and administrative. Employment of skilled and technical personnel is greater in the case of sample eng. units in IEs of
Tamil Nadu than their counterparts outside IEs. This clearly explains the facts that the eng. units in IEs employ more labour and are less dependent on machines and hence are labour-intensive.

As to the mode of recruitment followed by the SUs, the study reveals that a large majority of them both in and outside IEs recruit the personnel directly, and only a smaller number of SUs recruit through the employment exchanges. This shows that there is a full freedom in the matter of recruitment of personnel. They need hardly to follow the Government regulations on the matters concerning recruitment.

It has been found by the researcher that a large majority of the SUs in the IEs draw their personnel locally. However, only a smaller number of eng. units outside IEs draw the personnel required locally. The reason for this difference is that the small units are chiefly attracted to setup their factories in IEs because of easy availability of labour locally. In fact, this is an important factor for the location of the units in the IEs. The study makes an interesting revelation that most of the sample eng. units draw personnel from outside district. Enquiries with such units revealed that they could not obtain the skilled and technical personnel required for them in and around their factories. It is also revealed in the course of interview that none of the eng. units in the IEs draw personnel outside state, although some of the sample eng. units outside IEs draw personnel outside the State. The study points out the fact that the area of employment of personnel is wider for SUs outside IEs than their counterparts in IEs. Most of the SUs are not happy over the attitude of the personnel particularly the labour.
The main problem of labour faced by all the SUs in IEs of Tamil Nadu is the prevalence of high rate of absenteeism and turnover. As between the eng. units in and outside IEs, the study shows that the above problem is more pronounced in the case of eng. units in IEs than the eng. units outside IEs. The reason for the high rate of absenteeism and turnover in eng. units in IEs is that the payment of wages is relatively lower and that only limited opportunities are provided to labourers for further development. This phenomenon explains the lack of motivation of workers on the part of the management of SUs in the IEs.

For eng. units outside IEs, the main problem is existence of indiscipline among workers. The study finds that the indiscipline among workers is because they are much more organised as trade unions and have grown into militant associations into dictating terms to management. The sample eng. units in IEs have opined and admitted that the rate of wages paid to them is lower and that limited chances are given for their development, and agreed on the need to enhance the wages and arrange training programmes for them. This, according to them, would help in augmenting their knowledge which would inturn enhance their earnings, make them much more responsible to work in unison attitude with the management to improve the quality of work and productivity. This would inturn bring down the rate of absenteeism and turn over of labour.

The study points out that the SUs have also complained of other type of labour problems such as not getting adequate skilled labour, high labour cost, growing inefficiency, militancy and disloyalty among workers.
As regards the employment potential in the sample units, the eng. units in IEs have more employment potential as they employ more personnel per unit of capital employed than the non-eng. units in IEs. This explains the phenomenon that eng. units in IEs are more labour-intensive. The study further points out that the average employment potential as between the eng. units in and outside IEs remains the same.

PROBLEM OF PRODUCTION

The study reveals that there is no significant difference as regards the value of production per annum for both eng. units and non-eng. units in IEs of Tamil Nadu. But, as between the eng. units in and outside the IEs, the value of production for eng. units outside IEs is greater. This explains the fact that these units are placed relatively in a better position than their counterparts in IEs. This is because, the eng. units outside IEs face relatively less problems regarding power, finance, raw materials and personnel. This enables them to concentrate more on production resulting in higher value of output per annum.

It has been found that the extent of capacity utilised by the sample eng. units outside IEs is greater. This phenomenon, of course, explains as to why the value of production per annum for these units is higher.

It is also found that very few sample non-eng. units in IEs of Tamil Nadu work two shifts a day, whereas most of the eng. units in and outside IEs work two shift a day. This shows that eng. units have more job orders to carryout.
A large majority of the SUs in and outside IEs complain that they face production problem and they admit the fact that such a problem arises due to inadequate working capital, delayed payments from customers and irregular power supply.

Enquiries with the SUs in IEs of Tamil Nadu reveal that they need effective steps taken by the Government to make available such important facilities like adequate capital and regular power supply. This would, they feel, would go a long way in augmenting their volume of production. This will also result in giving employment to more number of people.

SUs also admit that production problem crops up due to high rate of absenteeism, lack of adequate supply of raw materials and continuance out-dated technology.

The above analysis demonstrates that the main problems faced by sample eng. units and non-eng. units in IEs of Tamil Nadu are inadequate finance, irregular supply of power and raw materials and delayed payments from customers.

**GENERAL PROBLEM**

In general, the study reveals that there is a feeling among the sample eng. units in IEs that they are not happy over the attitude of the Government. They feel that the Government is not helpful.
This runs sharply counter to the much proclaimed assertions by the Government that it has been formulating necessary policies and implementing them much to the benefit of the small units. It therefore requires that the Government agencies should be sympathetic towards SSIs, in extending various Govt. benefits. This is very important because, the SSI units, especially those located in IEs are left at the mercy of the Government and its agencies like SIDCO.

It is interesting to note that sample eng. units in IEs find that they are very much helped by their Association which represents their problems at the Government level and try to get more succour and support from the Government agencies. Sample units derive other benefits such as dissemination of information on latest technology, encouraging budding entrepreneurs and conducting fairs and exhibitions. But many of them expect their Association to play other important roles as helping the sick industrial units and also working for their general welfare.

As to the general problems faced, the SUs in IEs of Tamil Nadu have a complaint against the SIDCO which they say is not taking care of the maintenance of IEs by providing adequate drinking water facilities, proper maintenance of storm water drains and other important and basic facilities and amenities.

The sample eng. units outside IEs face such general problems as political mismanagement and unfavourable business conditions.
SUGGESTIONS AND CONCLUSIONS

The above findings of the study reveals that the SUs, more specifically the eng. units in IEs of Tamil Nadu face more problems. The comparison of problems of sample eng. units with their counterparts outside IEs highlights the problems of eng. units in IEs in a significant manner. The suggestions offered would not only help in solving the problems of eng. category but also the non-eng. units in IEs of Tamil Nadu. This is because the nature of problems faced by them is almost similar.

The preceding discussions after an indepth analysis of eng. units and non-eng. units in IEs, in three districts of Tamil Nadu viz. Chingleput, Madras and Trichy, provides a back-drop for considering policy options and recommendations. No doubt the programme of IEs has made possible tremendous contributions to development and growth of SSIs, many of them still face severe problems as already been pinpointed earlier.

An attempt is made to offer some recommendations on the basis of the analysis of data and study on the problems of selected eng. and non. eng. units in IEs of Tamil Nadu.

COMMON SERVICE AND INFRASTRUCTURE FACILITIES

Many SUs availing the common service facility in the IEs have complained of inadequate availability of such facilities. Moreover, some units get the facility from outside units and some are having their own establishments providing such
facilities. These activities will escalate the cost of the SSIs. This would make their products unattractive in the market. Hence, it is suggested that the small units which use similar facilities should join together and organise *Co-operative Establishments*. Such establishments shall be setup in each IE which would offer these facilities at cheaper rates.

The biggest problem faced by the SUs in the IEs is the lack of proper maintenance of storm water drains, lack of supply of adequate water etc. It is therefore suggested that their Association shall take up this matter with the concerned authorities or the SSI units themselves shall pool necessary resources to look after and provide the basic facilities like water and ensure proper maintenance of storm-water drains etc.

The above methods of organising co-operative establishments and a greater role for SSI Association have been suggested because of the fact that many units in IEs feel that SIDCO is not doing its assigned work effectively.

**POWER**

It has been made out by the study that the power cut is a major hindrance to the normal functioning of many SUs in the IEs of Tamil Nadu. Further, it has been observed that TNEB is faced with several problems in running the power plants in order to ensure uninterrupted power supply. Hence it is suggested that small units in the IEs shall establish a *Common Generator / Captive Power Plants*. An organisation shall be created to operate the common generator / captive power
plants. Facility of the common generator / captive power plants shall be made available to all those units who become members of the organisation. It shall have a power tariff economical and beneficial to small units.

It is also suggested that the Government of Tamil Nadu shall provide capital subsidy required for the purchase of the generator / captive power plants. The above step would wipe out from the IEs the problem of power-cut and consequent loss of production. Such a step would also remove the problem of inadequate power supply.

It is suggested that the Government of Tamil Nadu should revamp the administration of TNEB and should take steps to modernise the power plants. This will remove the problem of frequent power failure. Efforts should also be made to rationalise the tariff structure so as to make it commercially beneficial in running the power plants. The labour unions should also realise their responsibility and work in close unison with the management for efficient administration of TNEB so as to ensure adequate and uninterrupted supply of power. Government shall also consider giving more functional autonomy to TNEB. This will help the authorities to streamline the administration which will result in better benefits to industrial units especially those in the IEs of Tamil Nadu.

FINANCE

Many SUs in IEs depend on the Commercial banks. But unfortunately, there is a lukewarm support from commercial banks to the development of small
industries. Hence, to overcome the resultant deficiencies in the supply of capital to small units, the following two alternatives are suggested:

A. **ESTABLISHING A CO-OPERATIVE BANK**

The first alternative is the establishment of a *Co-operative Bank*. Each IEs shall have a separate co-operative bank. All the co-operative banks in IEs shall be federated to the apex bank functioning at the state level viz., Tamil Nadu State Co-operative Bank.

The bank shall consist of all the small units as members and shall mobilise capital from them. The Government can extend a helping hand by contributing adequate matching funds. The bank would advance loans to small entrepreneurs in IEs at lower rate of interest. To begin with, the management of such a bank shall be entrusted to efficient and experienced persons in the initial stages and later on may be transferred to small entrepreneurs themselves.

B. **ESTABLISHMENT OF SEPARATE FINANCIAL CORPORATION**

The second alternative is establishing a separate finance corporation exclusively to extend credit facilities to SSI units located in IEs.

Since many units in IEs feel that commercial banks are unhelpful towards them and that they are not obtaining adequate and timely finance from banks, it is suggested that the Government shall set up a *Separate Finance Corporation* exclusively to cater to the credit requirements of SSI units in IEs. Such an
institution, with better knowledge of the conditions of working of SSI units in IEs, would go a long way in really achieving much cherished goal of industrial development through Industrial Estates. The said financial institution shall be designated as *Industrial Estates Finance Corporation of Tamil Nadu*.

This corporation will have its head-quarters at Madras and shall have its branches established in all the Industrial Estates of Tamil Nadu. Such a step will help overcome many ailments afflicting the SSIs in IEs like delayed payment from customers and borrowing from private financiers at unreasonably a higher rate of interest. This sort of an institution could even be started by other states in India.

**SUBSIDIES AND CONCESSIONS**

While the Govt. extends many subsidies and concessions to small units in IEs, it is strange that many units have expressed the fact that they are facing difficulties in obtaining such a facility. Since the SUs have mainly complained of cumbersome formalities and maladministration, it is suggested that the Govt shall simplify the formalities and streamline the administrative machinery and make it entrepreneur friendly. This step would enable the small units in availing such benefits without any difficulty. It is pertinent to point out here that even the *Single Window Scheme* of the state government does not offer the much needed relief to SSI units in IEs.

**MARKETING**

There are serious shortcomings in the marketing of products of small units like defective marketing system, inadequate market information, competition, lack
of adequate orders, excessive Govt. regulation, delayed payment from customers, indifference to product advertisement etc. All these result in poor marketing and unremunerative prices for their products. Moreover, marketing by SIDCO is also inadequate. This hampers the growth of small units in the IEs of Tamil Nadu. In order to overcome the above drawbacks, it is suggested that there shall be established a separate CENTRAL MARKETING AGENCY. The agency shall be run on co-operative lines. It shall procure products from small units and market on their behalf. With more resources at its command, the Agency would be able to obtain for its members the benefits of common advertisement, direct marketing etc. These steps would result in remunerative price for the products of small units. This would also eliminate unnecessary and unhealthy competition prevailing among small units.

The SSI units in IEs of Tamil Nadu should also evolve the ways and means of expanding their areas of markets from local to national and international markets, and make use of modern methods of popularising their products such as the use of audio-visual methods, outdoor publicity etc. This will also pave the way for the much publicized and discussed concept of Globalization. This would draw more foreign exchange and make their units highly viable. Moreover, this would attract more entrepreneurs to come forward and setup units in IEs which would in turn help accelerate the industrial development of the State of Tamil Nadu and of the Country.
SEPARATE LEGISLATION FOR EXPEDITING PAYMENTS

In order to avert the problem of delay in settlement of bills of SSI units in IEs, mostly by medium and large scale units, there shall be passed a Separate Legislation either by Government of Tamil Nadu or by the Union Government by means of which some pressure could be exerted on such units to hasten the settlement of bills within a stipulated period. This would provide the much needed revolving funds and extend support and succour to small units in IEs. This would also provide small units with adequate funds to buy raw materials at competitive rates, employ skilled workers by paying them a handsome remuneration and thereby avert the danger of high rate of absenteeism and turnover which plagues most of the units into sickness. The SUs shall take utmost care in evaluating and choosing the right type of clients, by using latest marketing strategies.

RAW MATERIALS

A large majority of the units depend on private parties for their supply of raw materials and that the dependence on the imported raw material is meagre. The arrangements made by SIDCO in the distribution of raw materials are not adequate. Even dependence on private parties does not reduce their raw material problems. To overcome these problems, the Central Marketing Agency suggested above shall take it for itself the task of procuring and distribution of raw materials at cheaper rates.
The study further notes that one of the greatest problems in the use of raw materials is the enormous wastage in the process of production. Though, many units attribute this phenomenon to the inherent causes, it has been found that frequent power failure, inferior quality of raw materials, inefficiency of labour and outmoded technology also contribute to this problem. The researcher is of the opinion that this wastage could be overcome by ensuring adequate power supply through the methods suggested already. It is also suggested that small units shall modernise their plants which may perhaps enhance the efficiency of labour and improve the quality of products and ultimately the productivity. Any additional funds required for the purpose shall readily be made available by the proposed Industrial Estate Finance Corporation of Tamil Nadu.

To overcome the problem of inadequate and irregular supply of raw materials, SIDCO should realise its role and take steps to acquire the raw materials in bulk at cheaper rate and supply them to SSI units. This would curb the activities of intermediaries who manipulate prices to the disadvantage of the small units. More number of raw materials depots should be opened to cater to growing demand from small units of all types of raw materials. This would help in minimising the enormous wastage reported by the SUs in IEs of Tamil Nadu.

It is important in this connection that SIDCO should, as far as possible, give priority in the matter of distribution of raw materials to small units and that to units located in IEs.
PERSONNEL

There shall be set up a *SEPARATE TRAINING INSTITUTE* in the State, preferably in all the IEs, in order to provide the necessary training to workmen to make them skilful. This would also work towards motivating them for higher productivity through improved and wider knowledge. This would also have the effect of reducing absenteeism and turnover among workmen which would ultimately contribute towards better work culture and efficiency.

The small units in IEs shall also take steps to rationalise the wage rate structure of workers which also check indiscipline among workmen and may help bring about harmonious relationship between the management and workers, which would give the much needed boost to the healthy growth of small units in IEs.

PRODUCTION

The average capacity utilised by small units in IEs of Tamil Nadu is relatively lower. Their common problems pertaining to production are inadequate working capital, delayed payment from customers and irregular power supply. Adequate and necessary measures have been suggested in the preceding pages to overcome these problems.

To ensure uninterrupted production and to augment the volume of production, adequate facilities of finance, power and raw materials should be made available by the Government, since production depends upon the facilities of adequate finance, power, raw materials and marketing.
GENERAL

In general it has been found that SUs have not expressed themselves in favour of Government. Though the SSI Association in the IEs represents their interest at the Government level, the Association is expected to play a much greater role like organising small entrepreneurs for the common benefit and welfare of the IEs. The units complain of improper and inadequate maintenance by SIDCO. As has been ascertained from authorities of SIDCO that their job ends in planning, creating and allotting industrial sheds, it cannot look after the general maintenance of IEs, it is suggested that the SSI Association shall play a greater role in this matter also.

As is well-said that self-help is the best help, it is suggested that each category of small industrial units in IEs of Tamil Nadu shall form a SEPARATE SYNDICATE and provide for themselves the basic facility like drinking water, maintaining storm water drains etc. Such a step, instead of depending on the Government, would help better the conditions of small units in IEs. They could also work for the general welfare of the units.

It is also suggested that the following additional benefits may be provided by the authorities concerned, especially the SIDCO, for the benefit of all concerned:

i. A RECEPTION COUNTER in every IE which would provide necessary guidance and help to not only the local people but also for those who come from other states and abroad.
ii. A GUIDING MAP shall be provided at the entrance of every IE, which shall show the location of various industries and Govt. Offices in IE.

iii. BOARDING AND LODGING facility should also be provided in each IE for the benefit, especially, of outsiders.

iv. A SHUTTLE SERVICE within each IE may also be provided for the benefit of travel by both workmen and visitors.

The Associations of the SSI units in IEs, shall have an expanded role and work for the rehabilitation of sick units within IEs. This would save the large amount of capital invested in such units, save the labour from the brink of unemployment problem and ultimately by help the Economy.

Last but not the least, there shall be efficient administration of the country by the political masters, providing the people a clean and efficient management. This would largely contribute to the overall well-being and development of the Economy. Which will profusely contribute to the development of the SSI sector.

RESEARCH FACILITIES

Industrial development is closely related to scientific discoveries and innovations in the varied field of industry. SSIs are no exception in this regard. Hence, there is need for more and more research in the various aspects of SSIs. It would be worthwhile to set up Research Institutions at each district head-quarters.
with a Central Research Institute at State Level. It would conduct research towards the development of new techniques improving designs of machines and tools, furnaces and existing practices for manufacturing new and varied products in SSI units in IEs with a view to renewing their plant and improving the quality of products.

**IMPROVING MANAGERIAL EFFICIENCY**

Experimental development Programmes, technical and managerial training and consultancy programmes should be conducted for the benefit of SSIs in the IEs to improve their levels of managerial efficiency.

It can be said that the programme of Industrial Estates has come a long way helping the growth and development of the SSI sector in the State of Tamil Nadu. However, it is noted that there are many problems faced by the small units in IEs on various fronts like physical accommodation, power, finance, marketing, raw materials, personnel and production and crying for immediate attention by the authorities concerned.

To sum up the SSI units in IES especially of the eng. category are confronted with so many problems and if they are expected to play the role assigned to them effectively, a right type of climate and effective solution of their problems has to be provided. Problems of SSIs are multi dimensional. These can be solved by the co-ordinated efforts of entrepreneurs, the co-ordinated functioning of promotional agencies and Government assistance without bureaucratic delays. The
need based measures suggested above are to be taken up in the right earnest without delay by the Government whose initiative and positive action has always been the deciding factor in the development of SSIs.

Many respondents wanted that the Research Report is submitted to the Government for necessary action by the authorities concerned and also published.