CHAPTER 6

SECTORWISE ANALYSIS:
PERFORMANCE, STRATEGIES
AND PROBLEMS OF THE UNITS
SECTORWISE ANALYSIS: PERFORMANCE, STRATEGIES AND PROBLEMS OF THE UNITS

Having analysed the performance of the modern small enterprises in terms of various relevant variables, the pertinent question is whether the reasons identified for success or failure can be attributed to all sectors. To put it differently, what are the factors specific to each sector or product that account for its success or failure. This chapter makes an attempt to explore the specific factors applicable to each sector, if there is any difference. Each and every variable that has been identified in the previous chapters can be taken up for detailed analysis.

6.1 Form of organisation

Sectorwise analysis in terms of their form of organisation among the successful units are shown in diagram 6.1

Diagram 6.1  Form of organisation

Source: Survey data
Seventy per cent of the working engineering units are under sole proprietorship where as it is the lowest in chemical sector among the successful units. The engineering units are followed by food, rubber, etc., in respect of sole proprietorship. Among the sick units, also sole proprietorship is the highest in food and engineering sectors. It is again the lowest in chemical sector. Among the closed units surveyed, all units in the food and plastic sectors are sole proprietorships.

Analysing the partnership form, an almost equal representation is seen among all sectors except in engineering. However, it is more dominant in the chemical sector. In the sick enterprises, partnership is found to be the highest in chemical and rubber and it is the lowest in food and engineering. The private limited companies have a poor representation in all sectors. They are comparatively more in chemical, followed by rubber, plastic, food and engineering sectors. Five per cent of units each from food and engineering sectors are co-operatives.

Sectorwise analysis of the form of organisation reveals that, sole proprietorship is more in food and engineering sectors. Partnership is comparatively more in rubber sector. Private limited companies are more in the chemical, rubber and plastic sectors. It can be inferred that while private limited and partnerships are more successful in rubber, plastic and chemical sectors, sole proprietorship is successful in food and engineering sectors.

6.2. Age of the units

Sectorwise analysis regarding the age of the units is carried out to evaluate whether there is any marked sectoral difference in their ages and to see whether that in turn influences their performance.
Diagram 6.2 a Years of working of the Successful units

Source: Survey data

Diagram 6.2.b Years of working of sick units

Source: Survey data
Majority of successful units (59%) have more than 10 years of operating history. It is shown that chemical and rubber sectors are comparatively older than other sectors. The study identified that the average age of the successful units is 12.5 years for food, 13.4 years for plastic, 15.1 years for engineering, 15.5 years for rubber and 17.3 years for chemical sector. Among the sick units surveyed, the study found that the average working age is 4.5 years for food, 5 years for engineering, 5.5 years for plastic, 5.75 years for rubber and 6.75 years for chemical. As against this, the average age of the closed units surveyed is 3.75 years for food and engineering, 4.75 years for rubber, 5.5 years for plastic and 6.25 years for chemicals. It is found that rubber, chemical and plastic sectors have longer periods of operation among the closed units.

The sectorwise analysis regarding age of units indicates that chemical units
are comparatively older in the district, while food product units are younger. This may be due to the presence of a few large-scale chemical factories and an oil refinery in the region that supplied raw materials and work experience. Engineering units are younger than those of rubber and plastic sectors.

### 6.3 Location of the units

Sectorwise study regarding location of units tried to identify whether there is any significant variation among sectors regarding their location.

#### Diagram 6.3 a

**Location of the successful units**

![Graph showing the location of successful units across different sectors and regions.]

Source: Survey data

#### Diagram 6.3b

**Location of the sick units**

![Graph showing the location of sick units across different sectors and regions.]

Source: Survey data
It is identified that rubber and food sector units are comparatively more in rural areas and chemical sector and plastic sector units are highly concentrated in the Industrial Development areas (I D As). This is mainly due to their differences regarding availability of raw materials and environmental issues. Chemical units are in general highly polluting industrial units and the local resistance against such units force them to be concentrated in industrial development areas. Availability of raw material and the requirement of larger volume of water as well as availability of land are some of the reasons for rubber sector units to settle in rural areas. Availability of cheap labour and comparatively less environmental issues might be the reasons for food sector to settle in rural areas.

As compared to successful units, sick units are more in rural areas. As regards location of these sick units of different sectors, the study found similar trend as that noticed among successful units. In the case of closed units, it is identified that engineering, food and rubber sector units are mostly settled in rural areas whereas chemical and plastic units are concentrated in I.D.As.
In short, units located in the industrial development areas are performing better as compared to units located in the rural areas. From this it can be inferred that food and rubber sector units are at a less advantageous position in terms of their location as they are mostly concentrated in rural areas and chemical and plastic sector units have higher potential as they are concentrated in ID As.

6.4 Capital

6.4.1 Fixed capital

The study has already identified that firms with larger size of fixed capital are seen to perform better as compared to others. Sectorwise analysis shows that fixed capital is the highest in plastic followed by chemical and rubber. It is the lowest in the engineering sector.

Diagram 6.4.1 a Size of FC among successful units

Source: Survey data
Diagram 6.4.1.b Size of FC among sick units

Source: Survey data

Diagram 6.4.1.c Size of FC among the closed units

Source: Survey data
Majority of the units (71%) had less than Rs.1 crore FC. 80 per cent of food and engineering, 75 per cent of plastic, 65 per cent of chemical and 55 per cent of rubber units have less than Rs.1 crore of fixed capital. The average FC is 0.65 crore in the engineering, 0.8 crore in food, 0.95 crore in rubber, 1.2 crore in chemical and 1.25 crore in plastic.

Among the sick units surveyed, FC is the lowest in engineering sector and it is again the highest in plastic sector. 95 per cent of the sick units had less than 1 crore FC. There is no sick enterprise with FC of over Rs.1 crore in engineering sector. The average FC is 0.525 crore in the engineering sector, 0.568 crore in food, 0.629 crore in rubber, 0.63 crore in chemical and 0.635 crore in plastic sector. In the case of closed units surveyed, the average FC investment is 0.35 crore in engineering, 0.48 crore in food, 0.55 crore in chemical, 0.65 crore in plastic and 0.72 crore in rubber.

The analysis of FC investment among units of various sectors reveals that plastic, chemical and rubber sectors have comparatively larger size of fixed capital investments and engineering and food sector units have smaller size. This is mainly due to the presence of a large number of self-employment units in the engineering and food sector as compared to other sectors. These self-employed units are comparatively less capital intensive. However, there is no significant sectorwise difference in respect of fixed capital investment, though the performance of plastic, rubber and chemical sector units are influenced slightly by fixed capital investments.
Regarding the source of fixed capital investments of various units belonging to different sectors, the study could not identify any sectoral bias. The proportion of loan to total fixed capital investment is found to be an influential factor determining the performance of industrial units. Depending too much on loan is highly risky. Therefore, this sectorwise study tried to investigate whether there is any significant sectoral difference regarding the same.

**Diagram 6.4.2.a Fixed capital structure of successful units**

Source: Survey data
Diagram 6.4.2.b Fixed capital structure of sick units

Source: Survey data

Diagram 6.4.2.c Fixed capital structure of closed units

Source: Survey data
It is made clear that loan proportion to total fixed capital investment is the highest in the plastic sector and the lowest in the rubber sector. The average percentage of loan to the total fixed capital is 27.7 per cent in rubber, 28 per cent in the engineering sector, 28.6 per cent in food, 29.4 per cent in chemical and 30.9 per cent in plastic.

The proportion of loan amount is the highest in the sick engineering units and lowest in the sick plastic units. The average percentage of loan to the total FC is 51.27 per cent in food, 48.9 per cent in rubber, 43.7 per cent in plastic, 50.7 per cent in chemical and 61.6 per cent in the engineering sector.

The average percentage of loan amount to the total fixed capital of the closed units is the highest in the food sector and lowest in the rubber sector. Only 25 per cent units each from rubber and plastic sectors had less than 40 per cent loan in their total fixed capital investment. 75 per cent of units in the food sector, 50 per cent units each in the plastic, chemical and engineering sectors and 25 per cent of units in the rubber sector had more than 60 per cent of their total fixed capital as loan.

In short, among the successful units the proportion of loan to total fixed capital is the lowest in rubber and food sector units and it is comparatively higher in plastic and chemical sector units. In the case of sick units, food sector is having the lowest and engineering sector is having the highest proportion of loan to total fixed capital investment. However, in the case of closed units, food sector is having the highest proportion of loan to total fixed capital.
With regard to growth trend of their fixed capital investments, out of the total units showing stagnation in FC, the largest number is in food sector (40%) and engineering sector (33.33%). Of the total units showing an upward trend in FC investment, 24.6 per cent each came under rubber and plastic, 26.15 per cent are in chemical sector. Upward trend in FC of the sick units is the highest in plastic and chemical units. Downward trend is more in the food and engineering sectors.

**Diagram 6.4.3.a Growth trend of the FC among successful units**

Source: Survey data
Diagram 6.4.3.b Growth trend in FC among the sick units

Source: Survey data

Diagram 6.4.3c Growth trend in the FC among the closed units

Source: Survey data
The upward trend in FC investment is seen only in the chemical and plastic sectors. The rest of the closed units clearly depicted either stagnation or downward trend in their total fixed capital. Among the working, sick and closed units it is found that growth trend in fixed capital investment shows upward trend in chemical and plastic units whereas stagnation and declining trend is mostly noticed among engineering and food sector units. This may be due to several reasons. Unhealthy competition is comparatively more in the food and engineering sectors as compared to others. Similarly, change in technology is faster in chemical and plastic sectors as compared to other sectors which necessitate additional investments in plants and machinery. However, it can be rightly inferred that the better performance of chemical, plastic and rubber sector units is attributed to the growth trend of F. C. It is further showed that chemical sector is suffering more from deficiency of fixed capital, especially due to lack of space to store finished products and raw materials.

6.5. Working capital

It is made clear that there is a slight interrelationship between working capital size and their performance. The sectorwise study shows that 52 per cent of successful units had less than 0.5 crore rupees as working capital. Working capital is the highest in rubber sector and it is the lowest in food sector. The average working capital of the successful units is 0.28 crore rupees in food, 0.42 crore rupees in engineering, 0.52 crore rupees in chemical, 0.55 crore rupees in plastic and 0.605 crore rupees in the rubber sector.
Diagram 6.5.1.a Size of working capital among the successful units

Source: Survey data

Diagram 6.5.1.b Size of WC of the sick units

Source: Survey data
A great number of sick units surveyed (91.25 per cent) had less than Rs.0.5 crore working capital. Working capital is the highest in rubber sector and the lowest in food sector. The average working capital is Rs.0.26 crore in food, Rs.0.33 crore in engineering, Rs.0.37 crore in chemical, Rs.0.39 crore in plastic and Rs.0.41 crore in rubber. Among the closed units also working capital is the highest in rubber and it is the lowest in food sector. The average WC investment in food products units is Rs.0.21 crore. It is Rs.0.45 crore in rubber, Rs.0.37 crore in plastic, Rs.0.32 crore in chemical and Rs. 0.31 crore in the engineering sector. All the closed units in food and engineering had less than Rs.0.25 crore investments in working capital. Variation in working capital does not indicate differences in their performance. Difference in working capital is mainly due to price variations of their raw materials. Recent hike in latex price and plastic granules necessitated the units in rubber and plastic sectors to raise their working capital.
There is no clear difference between sectors regarding the source of WC. However, out of the total units depended on own fund alone, 31.25 per cent came under plastic sector, 25 per cent came under rubber, 12.5 per cent each under food and engineering sector and 18.75 per cent under chemical sector. The average percentage of loan to the total working capital is 22.7 per cent in food, 28.9 per cent in rubber, 31.4 per cent in plastic, 29.7 per cent in chemical and 21.2 per cent in the engineering sector.

The percentage of loan to the total working capital among sick units is the highest in food sector and the lowest in plastic. The average percentage of loan amount to total WC among the sick units are 53 per cent in food, 41 per cent in rubber, 39 per cent in plastic, 47 per cent in chemical and 48 per cent in engineering units. Among the closed units, the percentage of loan amount to total working capital is the highest in rubber and the lowest in engineering units. The average percentage of loan amount to total working capital of the closed units surveyed are 58 per cent in food, 63 per cent in rubber, 56 per cent in plastic, 55 per cent in chemical and 54 per cent in engineering sector.

The sectorwise analysis of working capital structure reveals that engineering sector is having the highest proportion of loan to their working capital and food sector is having the lowest. In the case of sick units, plastic sector is having the lowest and food sector is having the highest as regards working capital structure. This again changes in the case of closed units where rubber sector is having the highest and engineering the lowest. It has been pointed out that the structure of working capital is dependent more on the financial and managerial capabilities of entrepreneurs and it
cannot be linked to sectorwise differences. The sectorwise study of growth trends in working capital does not indicate any significant sectoral bias.

6.6 The ratio of WC to FC

Diagram 6.6 Fixed capital-working capital ratio

Source: Survey data

The fixed capital - working capital ratio is the highest among the engineering sector and it is the lowest in the food products producing sector. The average of working capital to fixed capital ratio is 2.56 in food and rubber sectors, 2.74 in chemical, 2.75 in plastic and 30.16 in engineering sector.

6.7 Cost

6.7.1 Raw materials

There are certain significant sectoral variations regarding their sources of raw materials. Among the successful units, rubber sector mainly depends on local, state and south India for the purchase of their raw materials. Food sector is heavily depending on south Indian markets for their raw materials. Plastic, chemical and engineering units depend on national market.
Diagram 6.7.1.a Source of raw materials of successful units

Source: Survey data

Diagram 6.7.1.b Source of raw materials of sick units

Source: Survey data
Diagram 6.7.1.c Source of raw materials of closed units

Source: Survey data

The sick and closed units also followed a similar trend as that of working units in the case of source of raw material purchase.

In the case of mode of payment, it is made clear that in the plastic sector 100% units had to make ready payment for the raw materials. 35% of the units in engineering sector had to make ready payments for raw materials. It is in the food and rubber sector that the units got maximum credit for raw materials. In the case of sick units also, similar trend is seen and credit is available in the food and rubber sector for the purchase of raw materials. In the case of closed units also, it is in the food and rubber sector maximum credit facilities are available for the purchase of raw materials. In the case of raw materials of plastic, chemical and engineering units the suppliers are few in number and they are either monopoly or oligopoly. These suppliers need not sell their products on credit, as there is no competition. But in the case of rubber and food sector units they have larger number of raw material
suppliers and competition among them enables the units in these sectors to get their raw materials on credit. From this, it can be inferred that rubber and food sector units have a comparative advantage in purchasing raw materials.

6.7.2 Employment and wages

The study has already identified that firms with larger size in terms of employment are performing better than those with smaller size of employment. The present task is to identify whether there is any significant sectorwise variation regarding the size of their employment among the working, sick and closed units.

Diagram 6.7.2a Size of employment in successful units

Source: Survey data
Diagram 6.7.2. b Size of employment in sick units

Source: Survey data

Diagram 6.7.2. c Size of employment in closed units

Source: Survey data
Among the successful units surveyed, majority of the units (82%) have employment below 30 persons. Employment size is the highest in the chemical sector and it is the lowest in the engineering sector. 85 per cent each in food and rubber, 95 per cent in plastic, 90 per cent in engineering and 55 per cent in chemical sector employed less than 30 persons. The study identified that the average size of employment is 19.75 persons in the engineering, 21.5 persons in the plastic, 21.75 persons in food, 22.5 persons in rubber and 25.5 persons in the chemical sectors. Engineering sector is employing a lesser number and chemical units are found to employ larger number of employees.

In the case of sick units also employment is the highest in the chemical sector and it is the lowest in the engineering sector. Majority of the sick units (81.25%) employed less than 20 persons. The average employment is found to be 12.75 persons in the engineering, 13.75 persons in plastic, 14.25 persons in food, 14.75 persons in rubber and 18.75 persons in chemical sector. In respect of closed units also, employment is the highest in the chemical sector and it is the lowest in engineering units. Majority of the closed units (70%) employed less than 20 persons. The average size of employment is 12.25 persons in the engineering, 13.25 persons in plastic, 13.5 persons in food, 14.25 persons in rubber and 15 persons in chemical sector.

The above analysis makes it clear that chemical sector in the district employed comparatively more persons. Rubber sector is the second largest in the size of their employment. Engineering sector employed comparatively less number of
workers. Using the earlier finding that firms with larger number of employees are performing better as compared to units that employed lesser number, it can be inferred that success rate would be more in chemical and rubber as compared to other sectors.

It is also inferred in the previous chapter that wages are higher in units that perform better as compared to others. This sectorwise study of working, sick and closed units regarding wages, it is seen that wage is the highest in the chemical sector and the lowest in food sector. The average highest wages are Rs.8500/- in food, Rs.9000/- in engineering sectors, Rs.11700/- in rubber, Rs.13800/- in plastic and Rs.14200/- in chemical.

Among sick units also, chemical sector offered comparatively higher wages to their employees and food sector comparatively the lowest. The average highest wages are Rs.7500/- in food, Rs.8000/- in engineering, Rs.9700/- in rubber, Rs.11800/- in plastic and Rs.11900/- in chemical sector.

In case of closed units also, chemical sector offered comparatively higher wages to their employees and food sector comparatively the lowest. Chemical, plastic and rubber sectors required certain crucial and experienced labourers for the production of quality products and hence these sectors offered comparatively higher wages to their employees. From the earlier finding which states that better performing firms offer higher wages it can be inferred that rubber, chemical and plastic sectors are performing better since they are offering higher wages as compared to those of food and engineering units.
It is already proved that the source of labour is not an influential factor determining the performance of any industrial unit. However, the study tried to investigate whether there is any significant sectoral variation in this regard. It is found that engineering units are heavily depending on state labour. Food products producing units had larger number of Tamil labourers. Majority of chemical units had north Indian labourers. Similar trend is noticed among the sick units and closed units also.

6.8 Interest Cost

The study did not identify any sectoral difference regarding the cost towards payment of interest. All the units irrespective of the product they were producing were paying the same rate of interest for the loan they availed of. The cost of interest payment ranged between 6 and 8 per cent of the total cost of production.

6.9 Advertisement cost

Only 61 per cent of successful units spend on advertisement and the cost incurred for it is less than 3 per cent of the total cost of production and marketing. Advertisement expenditure is comparatively higher in food and plastic sectors as compared to other sectors.
### 6.10 Sales Turnover and Trend

**Table 6.1a Annual Sales Turnover of Successful units**

<table>
<thead>
<tr>
<th>Annual sales turnover (in Rs. crore)</th>
<th>Food</th>
<th>Rubber</th>
<th>Plastic</th>
<th>Chemical</th>
<th>Engineering</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 2</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>2 - 4</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>4 - 6</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>6 - 8</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>8 - 10</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>10 - 12</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>12 - 14</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>14 - 16</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>16 - 18</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>18 - 20</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>20 - 22</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>22 - 24</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Above 24</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>Average</td>
<td>7.2</td>
<td>12.1</td>
<td>11.2</td>
<td>10.1</td>
<td>6.5</td>
<td>9.44</td>
</tr>
<tr>
<td>Total number of units</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Survey data
Table 6.1b Annual Sales Turnover of Sick units

<table>
<thead>
<tr>
<th>Annual sales turn over (in Rs. crore)</th>
<th>Food</th>
<th>Rubber</th>
<th>Plastic</th>
<th>Chemical</th>
<th>Engineering</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 2</td>
<td>8</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>8</td>
<td>31</td>
</tr>
<tr>
<td>2 - 4</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>14</td>
</tr>
<tr>
<td>4 - 6</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>6 - 8</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>8 - 10</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>10 - 12</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>12 - 14</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>14 - 16</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>16 - 18</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>18 - 20</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>20 - 22</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>22 - 24</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Above 24</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Average</td>
<td>2.6</td>
<td>6.9</td>
<td>5.8</td>
<td>6.1</td>
<td>3.4</td>
<td>4.95</td>
</tr>
<tr>
<td>Total number of units</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>80</td>
</tr>
</tbody>
</table>

Source: Survey data
Table 6.1c Annual Sales Turnover of Closed units

<table>
<thead>
<tr>
<th>Annual sales turn over (in Rs. crore)</th>
<th>Food</th>
<th>Rubber</th>
<th>Plastic</th>
<th>Chemical</th>
<th>Engineering</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 2</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>2 - 4</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>4 - 6</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>6 - 8</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>8 - 10</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>10 - 12</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>12 - 14</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>14 - 16</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>16 - 18</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>18 - 20</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>20 - 22</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>22 - 24</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Above 24</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Average</td>
<td>1.2</td>
<td>3.8</td>
<td>3.7</td>
<td>2.9</td>
<td>1.3</td>
<td>2.58</td>
</tr>
<tr>
<td>Total number of units</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>20</td>
</tr>
</tbody>
</table>

Source: Survey data

As is evident from the above tables, the study noticed that the annual sales turn over is the highest among rubber sector units and it is the lowest in food sector. The average annual sales turn over of successful units is Rs.12.1 crore in rubber sector, Rs. 11.2 crore in plastic sector, Rs.10.1 crore in chemical sector units, Rs.7.2 crore in food sector and Rs. 6.5 crore in engineering sector. Among the sick units,
the average annual sales turn over is Rs. 6.9 crore in rubber sector, Rs. 6.1 crore in chemical, Rs. 5.8 crore in plastic, Rs. 3.4 crore in engineering and Rs. 2.6 crore in food sector. Among closed units also the annual sales turn over is higher in rubber, plastic and chemical units compared to other sectors.

**Diagram 6.8.1.a Sales trend of the successful units**

Source: Survey data

**Diagram 6.8.1.b Sales trend of the sick units**

Source: Survey data
Declining trend in sales is more among food and engineering sectors. Upward trend in sales are largely enjoyed by rubber and chemical sectors. Stagnation in sales trend is the highest in plastic sector. Increased sales trend is noticed among 55 per cent of units in the rubber and chemical sectors, 40 per cent of units in plastic sector and 30 per cent of units in the engineering sector. Similarly 60 per cent of units in food sector, 45 per cent of units in engineering sector, 25 per cent of units in rubber, 20 per cent of units in chemical and 10 per cent of units in plastic sectors faced downward trend in their sales. The sectorwise analysis of working, sick and closed units reveals that food and engineering sector units mostly faced declining trend in sales while rubber, chemical and plastic sectors faced comparatively increasing trend in sales of their products.
6.11 Net profit

Table 6.2 Annual profit of successful units

<table>
<thead>
<tr>
<th>No profit</th>
<th>Less than 1 lakh</th>
<th>1 to 3 lakh</th>
<th>3 to 5 lakh</th>
<th>5 to 7 lakh</th>
<th>7 to 9 lakh</th>
<th>9 to 10 lakh</th>
<th>above 10 lakh</th>
<th>Average Annual profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>0</td>
<td>3</td>
<td>6</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>6.4</td>
</tr>
<tr>
<td>Rubber</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>3</td>
<td>4</td>
<td>8.6</td>
</tr>
<tr>
<td>Plastic</td>
<td>0</td>
<td>1</td>
<td>5</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>4</td>
<td>7.7</td>
</tr>
<tr>
<td>Chemical</td>
<td>0</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>8.2</td>
</tr>
<tr>
<td>Engineering</td>
<td>0</td>
<td>5</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>5.6</td>
</tr>
<tr>
<td>Total units</td>
<td>0</td>
<td>11</td>
<td>21</td>
<td>10</td>
<td>12</td>
<td>15</td>
<td>14</td>
<td>17</td>
</tr>
</tbody>
</table>

Source: Survey data

Table 6.2 shows the annual profit earned by the successful units of different sectors. Rubber sector units are making the highest rate of profit and engineering sector units are making the lowest profit.

6.12 Capacity utilisation

Capacity utilisation is comparatively low in engineering, food and plastic units mainly due to lack of demand, shortage of working capital and skilled labour. Among the successful units, the average capacity utilisation is 52.2 per cent for rubber, 49.2 per cent for chemical, 45.1 per cent for plastic, 40.3 per cent for food and 37.6 per cent for engineering sector. Similar trend is noticed among sick and closed units.
6.13 Strategies

6.13.1 Innovation

The vast majority of the units are not having innovative initiatives. One unit each from food, rubber, plastic and chemical sector introduced new products, while two units from the engineering sector did the same. New sales methods were introduced by four successful units (50 per cent in food, 25 per cent each from rubber and engineering). Among the 2 sick units that introduced a new product, one each belongs to chemical and engineering sectors. Only one engineering unit among the closed units came under survey introduced innovative initiatives by applying changes in the existing products.

However, compared to other sectors engineering sector has introduced more innovation. It is already proved that failure rate is comparatively low among firms that have conducted prior market survey. But the study did not identify any sectoral variation in respect of prior market survey.

6.13.2 Marketing

The study has already identified that units with a wider market are in a better position to succeed as compared to units that solely depend on local and state markets. The sectorwise study tried to examine whether there is any sectorwise difference regarding their sources of markets.
Diagram 6.9.1.a Source of market for the successful units

Source: Survey data

Diagram 6.9.1.b Sources of market for the sick units

Source: Survey data
A vast majority of the successful units (61 per cent) in all sectors heavily depend on the state market for sales. In the food sector 15 per cent of units sold their products in the local market, 50 per cent units in the state, 10 per cent units in south India, 15 per cent units at the national level and 10 per cent units internationally. In the rubber sector 35 per cent units depend on state market, 10 per cent depend on south Indian market, 45 per cent units sell at the national level and 10 per cent units at the international level. In the plastic sector 65 per cent units marketed their products at the state level, 15 per cent in south India, 10 per cent nationally and 10 per cent internationally. In the chemical sector, 60 per cent units are selling their products at the state level, 15 per cent in south India and 25 per cent nationally. In the engineering sector, 35 per cent units are depending on the local markets, 60 per cent on the state markets and 5 per cent at the international level markets. Among the sick and closed units also, food and engineering units depended heavily on local market.
Sectorwise analysis of SSI units regarding sources of market reveal that food and engineering units heavily depend on local markets. Plastic units mainly depend on state market. The rubber and chemical sector units sell their products mainly in the national market (Case study 1.1 in appendix -1). From the early findings, it can be inferred that rubber and chemical sector units are in a better position in terms of their possibility to succeed as these units have a wider market as compared to others.

As regards the mode of payment, a large number of units in the food sector are selling their products on credit. The next two sectors after the food sector that depend on credit payments for the sale of their products are plastic and engineering. 20 per cent of units in the rubber sector, 15 per cent each in the plastic and chemical sectors and 10 per cent of units in the engineering sector sold their products for cash down payment.

Among the sick units also, the food sector sells their products mainly on credit. After the food sector comes the engineering sector, which sold their products mainly on credit basis. 12.5 per cent of sick units each in the rubber, plastic and chemical sector and 6.25 per cent of units in the engineering sector sold their products on cash down payment.

Among the closed units also, food sector is the one where larger amount of credit-based sales took place. Only 25 per cent of closed units each in the rubber and chemical sectors sold their products on cash down payment.

Sectorwise analysis regarding the mode of payment received for products sold reveals that food, plastic and engineering sector units sold their products on credit while rubber and chemical sector units sold their products on ready cash. Thus
it can be inferred that rubber and chemical sector units are in a better position compared to other sectors with respect to payment received for products sold.

6.13.3 Advertisement

Advertisement expenditure among successful units is the highest in food sector and is the lowest in rubber sector. The average annual expenditure on advertisement among the successful units surveyed is Rs. 39500/- in food, Rs. 21000/- in rubber, Rs. 32000/- in plastic, Rs. 28000/- in chemical and Rs. 33000/- in the engineering sector.

In the case of sick units, advertisement expenditure is the highest in plastic and the lowest in engineering and rubber. The average annual expenditure on advertisement is Rs. 22000/- in food, 19000/- each in rubber and engineering units, Rs. 26000/- in plastic and Rs. 23000/- in chemical sectors.

Among the closed units, advertisement expenditure was the highest in plastic and lowest in engineering. The average annual expenditure on advertisement among closed units surveyed is Rs. 14500/- in food, Rs. 13200/- in rubber, Rs. 15000/- in plastic, Rs. 12400/- in chemical and Rs. 10000/- in engineering sectors.

The sectorwise study relating to advertisement expenditure of units revealed that rubber and chemical sector units spend less on advertisement as compared to other sectors.

Regarding quality mark of products, it is found that food and plastic sector units as compared to other sectors mostly produce quality marked products. In the case of branding of products the study found that branding was comparatively less in engineering and rubber sector units as compared to other sectors.
6.13.4 Professionalism in Management

It is already identified in the previous chapter that units managed by professionally qualified hands are more successful as compared to those managed by the non-professionals (Case study 2.5 in appendix-1). This sectorwise study tries to analyse whether there is any significant sectoral variations in it.

Of the total successful units managed by professionally qualified persons 22.72 per cent each are in the food, rubber and chemical sectors, 18.18 per cent are plastic and 13.63 per cent are the engineering units. Of the total units managed by staff without professional qualification, 10 per cent each are in food and chemical, 20 per cent rubber, 30 per cent each are in plastic and engineering units. Similar pattern is also noticed among sick and closed units. Professional management is seen more among food, rubber, chemical and plastic sectors. It is comparatively less in engineering units.

6.14 Problems

In the light of the discussion about the performance of modern small enterprises in various sectors, the general problems faced by them have been analysed. Instances of lockouts were common in the case of majority of failed units while it was rare in the case of successful units.
Table 6.3 Prior lockouts

<table>
<thead>
<tr>
<th>SI. No</th>
<th>Prior instances of lock outs</th>
<th>Successful units</th>
<th>Sick units</th>
<th>Closed units</th>
<th>Total units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Stopped production earlier</td>
<td>14 (7)</td>
<td>37 (18.5)</td>
<td>17 (8.5)</td>
<td>68 (34)</td>
</tr>
<tr>
<td>2</td>
<td>Did not have prior lock outs</td>
<td>86 (43)</td>
<td>43 (21.5)</td>
<td>3 (1.5)</td>
<td>132 (66)</td>
</tr>
<tr>
<td>3</td>
<td>Total</td>
<td>100 (500)</td>
<td>80 (40)</td>
<td>20 (10)</td>
<td>200 (100)</td>
</tr>
</tbody>
</table>

Source: Survey data. *Figures in brackets show percentage to total samples.*

Table 6.3 reveals that 85 per cent of the closed units had prior lockouts and 46.25 per cent of the sick units also had prior lockout instances. In the case of successful units, only 14 per cent had prior instances of lockouts. Of the total 68 units that had prior lockouts, the percentage of successful units are 20.58 per cent, sick units are 54.4 per cent and closed units are 25 per cent. Of the total 132 units that had no prior lockouts, the number of successful units is 65 per cent, sick units 32.4 per cent and closed units 9.3 per cent. It is an indication of their mortality. The main problems attributed to this are identified and given below.

### 6.14.1 Major hurdles at the inception

The study also examined the pre operational problems of the entrepreneurs of the modern small enterprises. These problems act as a hindrance to the development of new entrepreneurs in the state.
Table 6.4 Most important hurdles at the beginning

<table>
<thead>
<tr>
<th>SI. No</th>
<th>Initial hurdles</th>
<th>Successful units</th>
<th>Sick units</th>
<th>Closed units</th>
<th>Total units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Purchasing machinery</td>
<td>3 (1.5)</td>
<td>3 (1.5)</td>
<td>1 (0.5)</td>
<td>7 (3.5)</td>
</tr>
<tr>
<td>2</td>
<td>Power connection</td>
<td>28 (14)</td>
<td>26 (13)</td>
<td>3 (1.5)</td>
<td>57 (28.5)</td>
</tr>
<tr>
<td>3</td>
<td>Bureaucratic indifferences and the formalities of getting licenses</td>
<td>31 (15.5)</td>
<td>9 (4.5)</td>
<td>4 (2)</td>
<td>44 (22)</td>
</tr>
<tr>
<td>4</td>
<td>Problems from head load workers and Political Parties</td>
<td>4 (2)</td>
<td>8 (4)</td>
<td>3 (1.5)</td>
<td>15 (7.5)</td>
</tr>
<tr>
<td>5</td>
<td>Purchasing land</td>
<td>12 (6)</td>
<td>7 (3.5)</td>
<td>1 (0.5)</td>
<td>21 (10.5)</td>
</tr>
<tr>
<td>6</td>
<td>Finance and problems of getting loan</td>
<td>22 (11)</td>
<td>27 (13.5)</td>
<td>8 (4)</td>
<td>47 (23.5)</td>
</tr>
<tr>
<td>7</td>
<td>Total</td>
<td>100 (50)</td>
<td>80 (40)</td>
<td>20 (10)</td>
<td>200 (100)</td>
</tr>
</tbody>
</table>

Source: Survey data Figures in brackets show percentage to total samples.

Table 6.4 reveals that the major problems faced by the SSI units in their initial periods of pre operation were delay in getting electricity connection, finance and bureaucratic indifference. Of the total units, 28.5 percent units are severely affected by shortage of finance and delay in getting electricity connection. Financial problems arose due to either faulty project evaluation and failure or delay of financial institutions in providing adequate loans to those units. The SSI units require 8 certificates from various departments to start an ordinary business. These include SSI registration, Factory registration, Panchayat licence, Pollution N.O.C., E.S.I, sanction
from labour department, electrical inspectorate, and legal metrology. The undue delay in getting these certificates and licences from various departments causes severe hardships to the entrepreneurs at the beginning of business. Trade union and labour militancy problems though reduced largely, still prevail in certain areas. 7.5 per cent of total units surveyed were affected by these. Labour militancy and trade union hamper Kerala’s industrialisation (Rammohan 2000). Purchasing of machinery was another preoperational problem faced by a few entrepreneurs.

### 6.14.2 Problems from bureaucracy

Majority of the units surveyed expressed their discontent about the attitude of the bureaucratic class towards them. It is largely in the form of the unnecessary delay in fulfilling the formalities and issuing licences required for beginning a new enterprise. This often disappoint a new entrepreneur in the beginning itself. The details are summarised in diagram 6.10.

**Diagram 6.10 Problems related to bureaucracy**

Source: Survey data
The major problem related to bureaucracy is the delay in issuing licences. 48 per cent of the successful units, 38.75 per cent of sick and 25 per cent of closed units respectively pointed out this as a major problem. 18 per cent of successful units, 26.25 per cent of sick and 45 per cent of closed units respectively complained about harassments of bureaucrats (Case study 2.9 in appendix-1). Many of the industrialists surveyed complained about the negative attitude of the public. The public often consider the small industrialists as capitalists who exploit labour and society. The public and bureaucrats are not considering the small industrialist as a producing class like the farmers. For an investment culture, to exist in the state, the attitude of the bureaucrats and society should undergo change. The small industrialists should be considered as producers and employment generators. The network established for the promotion and growth of small scale industries in the state is comparatively comprehensive but in effect it is weak and inefficient because of corruption and suspicious attitude of the bureaucrats. (Vepa 1997). Bureaucratic problems affect more severely plastic, chemical and rubber sector units as they are causing more of environmental issues.

6.14.3 Problems of labour

Research studies about modern small enterprises of Kerala could not leave untouched the labour problems prevailing in the state. In fact, many of them have overexaggerated the issue and emphasised only the trade union militancy and labour agitations. The present work analyses the different labour problems faced by the MSEs in the district. The major problems of these units related to labour found in the study are evaluated in table 6.5.
Table 6.5 Problems related to labour

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Problems related to labour</th>
<th>Successful units</th>
<th>Sick units</th>
<th>Closed units</th>
<th>Total units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Demand for higher wages</td>
<td>4 (2)</td>
<td>8 (4)</td>
<td>2 (1)</td>
<td>14 (7)</td>
</tr>
<tr>
<td>2</td>
<td>Trade union militancy</td>
<td>12 (6)</td>
<td>17 (8.5)</td>
<td>4 (2)</td>
<td>33 (16.5)</td>
</tr>
<tr>
<td>3</td>
<td>Shortage of labour</td>
<td>67 (33.5)</td>
<td>37 (18.5)</td>
<td>8 (4)</td>
<td>112 (56)</td>
</tr>
<tr>
<td>4</td>
<td>Lack of punctuality and sincerity</td>
<td>17 (8.5)</td>
<td>18 (9)</td>
<td>6 (3)</td>
<td>41 (20.5)</td>
</tr>
<tr>
<td>5</td>
<td>Total</td>
<td>100 (50)</td>
<td>80 (40)</td>
<td>20 (10)</td>
<td>200 (100)</td>
</tr>
</tbody>
</table>

Source: Survey data. Figures in brackets show percentage to total samples

Table 6.5 shows that the major problem related to labour faced by the Modern Small Enterprises is that of shortage of labour. This shortage of labour is more severe in the marketing field. Of the total units, 56 per cent of units are affected by acute shortage of labour. Kerala youth is not prepared to work in the small scale sector units, although the unemployment rate is very high in the state. 67 per cent of the total working units, 46.25 per cent of the sick units and 40 per cent of closed units are affected by shortage of labour. Only 7 per cent of the total units surveyed are faced with demand for higher wages from the employees. Demand for higher wages are made mostly by the workers of sick and closed units.
Work ethics is defined in protestant terms as a systematic and disciplined approach to work as a duty and responsibility, even as an ethical ideal (Tharamangalam 1998). He identifies the erosion of work ethics as a reason for Kerala’s economic failure. 17 per cent of the total working units, 22.5 per cent of sick and 30 per cent of closed units are having labourers who are not punctual and sincere.

Trade union militancy mostly affected failed units. 21.25 per cent of sick and 20 per cent of closed units were having trade union militancy problems. Among the working units, only 12 per cent were having trade union problems. The successful units used comparatively better strategies to manage and maintain better labour relations (Case study 1.2 in appendix-1). Trade union aggression is not present in the majority of successful units as the majority of labourers of these units are female workers (Patrick 2006). It is evident that the labourers of successful units are more satisfied and content as compared to the labourers of sick and closed units. The shortage of labour is over come by bringing the needed labourers from outside the state especially from North India.

In the case of labour problems, chemical, plastic and rubber sectors were more affected by demand for higher wages and trade union militancy (Case studies1.2,2.1and 2.9 in appendix-1). This is because these sectors are employing comparatively larger number of male workers from Kerala. Labour shortage is also affecting all the sectors without any significant sectorwise difference. However, while other sectors are compensating the shortage of labour by employing labourers from north India, engineering sector that requires skilled labour is more severely affected by shortage of labour.


6.14.4. Problems of raw material


Diagram 6. 11 Problems related to the procuring of raw materials

![Diagram 6.11 Problems related to the procuring of raw materials]

Source: Survey data

Diagram 6.11 exposes that the most crucial problem related to raw material procuring is rise in their price. 60.5 per cent of the units are adversely affected by the price rise of raw materials. 63 per cent of the successful units, 60 per cent of sick and 50 per cent of closed units are affected by price rise of raw materials. Other problems
are poor quality and shortage. 32.5 per cent of the total units are having shortage of raw materials. 7 per cent units are affected by poor quality. The price rise of raw materials is a severe problem in all sectors (Case studies 2.1 and 2.8 in appendix-1). However, it was more crucial in plastic and rubber sector units. The problem of poor quality is severe in food and rubber. Irregular supply is a major problem in food sector.

### 6.14.5 Problems related to electricity

The various problems relating to electricity located in the survey are mentioned in the diagram 6.12

**Diagram 6.12 Problems of electricity**

As diagram 6.12 reveals the major problem faced by majority of units is delay in getting electricity connection. 45 per cent of the total units faced this problem of delay. 42 per cent of successful units, 47.5 per cent of sick and 50 per cent of closed units respectively are the victims of this problem. This further delayed
to begin operations resulting in heavy initial losses to the entrepreneur (Case studies 1.4, 2.1 and 2.4 in appendix-1). Voltage fluctuation, high price and electricity failure are other problems. 21 per cent of successful units, 23.75 per cent of sick and 20 per cent of closed units respectively are affected by voltage fluctuations. The problem of electricity failure is pointed out by 18 per cent of successful units, 15 per cent of sick and 10 per cent of closed units respectively. 19 per cent of successful units, 13.75 per cent of sick and 20 per cent of closed units complained about the high price of electricity. At this juncture the findings in the study by Paraschar (2004) about the small enterprises in India that after finance and marketing, the most important problem faced by the small scale unit is power cuts and non availability of electricity connection is worth mentioning. Shortage of inputs including power often leads the small scale units to sickness (Selvaraj, 2005). There is no sectoral difference and the major problem related to electricity among working, sick and closed units of all sectors is delay in getting electricity connection.

6.14.6 Problems of availing of loan

The important problems in availing of loan by the modern small enterprises include unnecessary delay, too many formalities, non-cooperation of bank officials, high interest rate and emphasis on track record (Case studies 1.1, 1.3, 2.4, 2.5 and 2.9 in appendix-1) The findings of the study are specified in diagram 6.13.
Of the total units, 26.5 per cent viewed that the non co-operation of bank authorities was the major hurdle for getting loan. 27 per cent of the successful units, 28.75 per cent of sick and 15 per cent of closed units respectively complained about the non cooperating attitude of the officials of banks. The other problems in their order are high interest rate, delay and emphasis on track record. 19 per cent of successful units, 18.75 per cent of sick and 35 per cent of closed units felt that the interest rate is very high. 20 per cent each of successful units and sick units and 25 per cent of closed units noted that too much of formalities often make the industrialists unable to get loan. 22 per cent of successful units, 15 per cent of sick and 20 per cent of closed units felt that there was undue delay in sanctioning of loan. Lack of timely finance might have caused failure of certain closed units. Emphasis on track record greatly affected new entrants. 12 per cent of successful units, 17.5 per cent of sick and 5 per cent of closed units have found that too much of emphasis on track record acted as a hindrance in availing of bank loans by the new entrepreneurs. Small firms have only less ability than large ones in securing financial assistance.
Until recently small industries were predominantly depending on KFC for financial assistance since the banks were reluctant to grant loans to these units. In the case of successful units, delay in getting bank loans affected more severely by food sector units (36.36%) while other sectors are affected more by non-co-operation of bank officials. In the case of sick and closed units also, the study could not identify any sectorwise difference regarding bank loan problems.

6.14.7 Problems of marketing

Marketing of the product is often cited by many as a major problem of the small industrialists.

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Problems of marketing the products</th>
<th>Successful units</th>
<th>Sick units</th>
<th>Closed units</th>
<th>Total units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Lack of demand</td>
<td>22 (11)</td>
<td>25 (12.5)</td>
<td>8 (4)</td>
<td>55 (27.5)</td>
</tr>
<tr>
<td>2</td>
<td>Availability of cheap substitutes</td>
<td>17 (8.5)</td>
<td>13 (6.5)</td>
<td>4 (2)</td>
<td>34 (17)</td>
</tr>
<tr>
<td>3</td>
<td>Unhealthy competition</td>
<td>12 (6)</td>
<td>21 (10.5)</td>
<td>4 (2)</td>
<td>37 (18.5)</td>
</tr>
<tr>
<td>4</td>
<td>Too much of credit</td>
<td>34 (17)</td>
<td>12 (6)</td>
<td>4 (2)</td>
<td>50 (25)</td>
</tr>
<tr>
<td>5</td>
<td>Shortage of marketing personnel</td>
<td>12 (6)</td>
<td>5 (2.5)</td>
<td>0 (0)</td>
<td>17 (8.5)</td>
</tr>
<tr>
<td>6</td>
<td>Inappropriate marketing arrangements</td>
<td>3 (1.5)</td>
<td>4 (2)</td>
<td>0 (0)</td>
<td>7 (3.5)</td>
</tr>
<tr>
<td>7</td>
<td>Total</td>
<td>100 (50)</td>
<td>80 (40)</td>
<td>20 (10)</td>
<td>200 (100)</td>
</tr>
</tbody>
</table>

Source: Survey data. *Figures in brackets show percentage to total samples*
The study has identified that lack of demand, too much of credit (Case study 2.4 in appendix-1), unhealthy competition, availability of cheap substitutes (Case study 2.6 in appendix-1) and shortage of marketing personnel are the major problems prevailing among the SSI units here. Sectorwise analysis has found that lack of demand and unhealthy competition is comparatively more severe among food and engineering units. The problem of competition from cheap substitutes is mainly affecting the rubber sector. Several rubber foam-making units are forced to close down their units due to the availability of synthetic U foam, which is cheaper and easy to handle. Regarding credit sale of products, food, plastic and engineering units are affected more compared to other sectors. It is seen that marketing problems affect food, plastic and engineering units more, compared to chemical and rubber sector units. This is because rubber and chemical sector units have comparatively wider markets, lesser credit sale and lesser competition.

6.15 Summary

Sole proprietorship organisations are comparatively more in number in food and engineering sectors. Private limited companies are more in chemical and rubber sector. Chemical sector is mostly concentrated in semi urban areas. Rubber, food and engineering units are comparatively more in the rural areas than urban and semi-urban.

Plastic, rubber and chemical sectors have larger amount of fixed capital than other sectors. FC investment is comparatively low in food and engineering sectors. Fixed capital growth rate is greater in rubber, plastic and chemical sectors. In the case of working capital also, food and engineering sectors have lesser amount. Food and engineering sectors have lesser proportion of loan to their total FC and WC.
Wage is higher in chemical, rubber and plastic sectors. In the case of interest cost, the study did not identify any sectoral difference. Food and plastic sectors spend more on advertisement than other sectors. In purchasing of raw materials, rubber is the only sector that depended on state level market. Plastic, chemical and engineering sectors depend mostly on the national market for their purchase of raw materials. Food sector mostly depend on south Indian markets for their purchase of raw materials.

Product innovations are more in engineering and chemical sectors. Credit sale is more in the food sector. Ready cash payment for the sale of products is more in rubber, chemical and engineering sectors. Capacity utilisation is comparatively lower in engineering, food and plastic sectors. Quality mark is found more in food and plastic sectors. Branding is less in rubber and engineering sectors. Professionalism in management is seen lesser in engineering sector.

Demand in the market is the major factor for food, plastic and chemical units for selecting the product. Regarding the source of market for the sale of products, it is found that food and engineering sectors are mostly depending on local markets. Plastic and chemical sectors are depending on state market. Rubber sector is selling their products at the national level.

Delay in getting electricity connection, poor quality of power, shortage of finance and delay in fulfilling the formalities and issuing licences required for an enterprise are the major hurdles at the initial periods of a business. The attitude and mon-cooperation of officials, delay and high interest rate charges are the problems in availing of loan. The public and bureaucrats are not considering the small
industrialist as a producing class like the farmers. For an investment culture to exist in the state, the attitude of the bureaucrats and society should undergo change. Though trade union militancy and labour problems have decreased to a great extent, it is still prevailing in certain areas. The SSI units in the state face acute labour shortage. This is compensated by immigration of north Indian labourers. Continuous rise in the price of raw materials reduce profit and create working capital shortage. Price rise of raw materials is more severe in plastic, rubber and chemical sectors. In marketing, the enterprises are faced with shortage of marketing personnel, too much of credit sale, unhealthy competition and availability of close substitutes. Introduction of synthetic substitutes mostly affects rubber sector. Marketing problem is more severe in food and plastic sectors. The annual sales turnover is comparatively higher in rubber, plastic and chemical units.

In short, the sectorwise study reveals that units belonging to rubber, chemical and plastic sectors are performing better and earn better profit as compared to units that belong to food and engineering sectors. Sales turnover is the highest in the rubber sector and it is the lowest in engineering sector.