APPENDIX 1

CASE STUDY
Appendix: 1

1. Selected case studies of successful units

CASE STUDY-1.I

Centrifuged Latex- Partnership Firm

The unit is located in a rural area of Ernakulam district and was started in 1996. Three brothers are the partners of the unit that has been successfully operating for the last ten years. It is situated in the ancestral land that belongs to the partners. The initial fixed capital investment was Rs. 1 crore and the working capital was Rs. 50 lakh. The present fixed capital exceeds Rs. 2 crore. About 50 per cent of fixed capital is from bank loan.

Personal and family back ground

The three partners (A, B and C) are brothers of the same family. The eldest one (Mr. A) is the M.D. of the unit. Mr. B is settled in Delhi, running a transport company, which provides door delivery of household items from Delhi to Kerala. The youngest one, Mr. C is actually managing the company affairs. Mr. A, 60 years old, is father of five children. Mr A is assisted by his eldest son. Mr. B, 52 years old, has three sons and they are employed in Delhi after completing their engineering degree. The children of Mr. C are students. Wives of all the partners are homemakers. The family members of Mr. B’s and Mr. C’s wife are business people, while that of Mr. A are farmers. The father of the partners was a business person.

The partners earlier had a latex creaming unit, rubber band units and chemical shop that was selling mainly chemicals needed for different rubber products.
manufacturers. Now they are running only this centrifuged latex unit. It is really a scaling up in their business activity.

**Entry into industry**

From 1979 onwards, they were engaged in rubber products manufacturing especially rubber band. The products were sold in Delhi. Later, they also started a latex creaming unit whose products were also sold mainly in Delhi. Both were running profitably. However, the creamed latex was of inferior quality compared to centrifuged latex and the quantity that can be produced was very low. Rubber band unit was facing labour shortage. Therefore, they decided to change over to centrifuged latex unit.

**Strategies and innovations**

They initially purchased two machines from China and with the available facilities started the new unit in 1995. Each machine costs Rs. 25 lakh. The initial FC was above Rs1 crore. Later two more second hand machines were purchased from a unit that was closed down. Additional tanks were built to increase the stock of raw material and finished products. More vehicles were bought to collect latex from different regions. Pollution treatment plant was also installed to treat the effluents from the units.

The field latex is purchased from different parts of the state directly from farmers and indirectly from co-operative societies and traders that collect latex from farmers. Farmers are provided with liquified ammonia filled barrels at their required site and are collected periodically. The payment of the field latex is based on the
D.R.C. (dry rubber content.) and market rate. The traders are paid in accordance with the mutual agreement. Agreement will be always in accordance with the D.R.C.

The factory operates three shifts and at a time two machines will be operated. The finished products are collected in barrels and they are mostly sold to different manufacturers and traders in Delhi. A small portion of the product is sold to manufacturers in Kerala like Rubco. The product is carried to Delhi by own vehicle which in return is used to transport household items from Delhi to Kerala. The partner who is settled in Delhi is in charge of marketing the product there. The eldest brother is in charge of purchasing the raw materials like latex and steel barrel. His son is now discharging these functions. The youngest one looks after the management of the unit. All the partners are paid monthly salary to meet their personal requirements. In addition, the company provides provision of availing loan from the company to meet the requirements of larger funds by the partners.

There are twenty labourers in the production unit. Except the chemical engineer, production manager and office staffs, all others are from North India. They engage in production, packing of the products in the barrel, as well as loading and unloading of the raw materials and finished products. They are paid piece wage. A labourer is paid more than Rs. 350/- daily. Two females are employed to manage the accounts of the company. The drivers are from Kerala. All the financial dealings are through banks. The company is making handsome profit and its FC and WC are increasing. It has sufficient profit to repay the loan installment in time. The banks are now requesting them to avail of more bank loans.
Struggles and methods to tackle

Financial problems were severe in the initial periods. There was severe opposition from the local people who complained of pollution. There was a case against the company filed by the locals. They even physically attacked a few employees of the company and destroyed some properties of the company. The agitation of the locals was solved mainly by purchasing the property at a price demanded by them. This created some working capital shortage for a few years.

A very high increase in latex price also increased the company’s requirements of working capital. The company had to reduce production due to shortage of working capital. It took four years to tide over the financial crisis. Though there is no shortage of labour in the factory, the company is facing shortage of sincere truck drivers with the capabilities of handling the problems that may arise during the journey from Kerala to Delhi and back.

Observations

The company is a good example of successful partnership firm. The co-operation and understanding among the partners are exemplary. They could start the venture in the field they have expertise. They could succeed very well in marketing mainly due to their strong business base in Delhi. The company is directly selling the product to other industrial units in Delhi instead of brokers. This enables the company to get better price and ready cash. There was no misutilisation or diversion of fund. The company could tackle the problem of local protest by purchasing additional land at a premium price.
Each partner had been assigned the job according to their ability and taste. The success of this unit is the result of sharing responsibility such as marketing, production and raw material collection coupled with the sincerity, hard work and cooperation of the partners.

**CASE STUDY-1.2**

**Plastic Carry bag Manufacturing- Sole Proprietorship**

This unit was the first plastic manufacturing unit in Kerala. Mr. D, the sole proprietor, though 78 years old, is running the business successfully. Mr. D has a degree in electronics engineering. It was started with an initial FC of Rs. 25 lakh in 1986. Now the company has a fixed capital investment of over 1 crore. Now it is employing 24 labourers. Fourteen are females and ten are male labourers. The company is situated in urban area.

**Personal and family background**

Mr. D hails from a financially sound Muslim family of Ernakulam. His grandfather was a businessman and his father was a government employee. He had three brothers and two sisters. All are business people and financially well off.

He has a son and four daughters. His son is a contractor in the construction field. He is also managing the company affairs now. The daughters are married. His wife’s family members are also mainly business people. His father-in-law was running a petrol pump and a timber mill. His brothers-in-law were doing business in the construction field.
At present, his son is helping him to manage the business. The unit was started in 1966. Though it closed down in 1984 due to labour strikes and militant trade unionism, he reopened the company after two years with an entirely new set of labourers.

**Entering into the industry**

Though graduated in electronic engineering, he was not interested in going for a salaried job. He came to know about the plastic industry and its future scope from certain articles published in a magazine. He imported machinery from William Jacks Company, U.K. With the limited knowledge, gained through books and guidance given by the manufacturers of the machinery the unit was started in a rented room in the market road, Broadway, Ernakulam. Plastic granules were brought from traders. There were only three labourers initially. The product was being sold to a shop in the market road called Ceylon Fancy house. The investment was Rs. 10000/-. The price per kilogram of plastic granule was only Rs.6.50/- in 1965 (now it is Rs. 83)/.

**Strategies and innovations**

The company was making good profit and the demand for the product was high. In 1971, the unit was shifted from its rented room to own building in Kaloor as he managed to purchase building with the profit of the company. More machines were imported and production was increased. The number of labourers increased to thirty. Products were sold to more shops. Meantime plastic bags were produced for the packing needs of manufacturers of curry powder, tea, fish exports etc., They were given mainly on a credit period of 30 days.
Problems and methods to tackle

From 1974 to 1984 the company was facing very severe labour problems and trade union militancy. Interference of political parties and trade union leadership was disturbing the smooth functioning of the unit. The employees were demanding undue requirements. Labourers even demanded beds and pillows for night shift. They organized violent strikes continuously without any genuine reason. The company was forced to lock out several times. Finally, the company was closed in 1984. For two years the company remained closed. Since there was no bank loan and the entrepreneur had a very good financial background, the closure of the unit did not affect him financially. For almost two years, different trade unions and labourers tried to reopen the factory. After two years, when everything became calm, Mr. D reopened the company with an entirely new set of labourers.

Only over draft (O.D) facility for working capital is availed of. No loan was taken for fixed capital. Capacity utilisation is 70 per cent. Wage ranges between Rs 2550 to Rs 6000 per month.

Now the plastic bags are not sold to shops. It is being supplied to manufacturers of curry powder, tea, maida, atta, fish exports etc. There is sufficient demand for the product and the company is getting good orders. The company is functioning well and is making good profit. Per unit profit, however has declined mainly because of the enormous increase in the price of raw materials. The entrepreneur is planning to shift the company to some rural area and convert the present site into a shopping complex.
Observation

The success of this sole proprietorship form of organisation is mainly due to the personal qualities as well as family background of the entrepreneur. He was highly educated and had a very good vision about future. He was enterprising to introduce a new product. For that, he took so much of pain to know more about that and imported the needed machinery. He was simple and sincere enough to start from a humble beginning. He was also brave enough to withstand the problems faced and overcame them. He could adopt right strategy to tackle the labour problems. Likewise the right marketing strategy along with adequate demand has also helped the industry to succeed.

CASE STUDY-1.3:

Paint Manufacturing- Partnership

Mr. E, 46 years old, started a partnership unit producing paint in 1992. The company has been successfully operating since its inception and the entrepreneur has started two more units in 1993 and 2003. The units are located in I.D.A. in Ernakulam district. The partners are his wife and children but they are not active.

Personal and family background

Mr. E is a Goan Hindu. His parents are settled in Mattancherry. He is at present residing at Edapally. He is a graduate in commerce. He is married and has two sons, who are students. His wife is a homemaker. His grandparents and father were business people. He has two brothers who are also business persons. The family members of his wife are also business people. He was born and bought up under business conditions with almost all of his relatives having independent business.
Entering into business

After completing his graduation, he worked with his uncle’s factory in Kozhikode that was manufacturing paints. His six years of work experience enabled him to understand the production as well as marketing techniques of paint industry. With the advice of his uncle, he planned to start a new industrial unit of his own. He approached the D.I. C and got a plot in I D A, Kalamassey. With the help of bank loan and family support, he stared the first unit in 1992.

Strategies and innovations

The fixed capital was Rs.25 lakh and the working capital was Rs.15 lakh. Fifty per cent of the total investment was bank loan. His uncle managed to get him the needed machines from Bombay. The raw materials are mostly purchased from outside the state. The product is marketed throughout Kerala but mainly concentrated in Ernakulam. The product is branded. It is sold to dealers for a credit of 3 months. The variety that is in demand is produced in greater quantity.

There are 16 workers. Three are female workers. Workers are all from Kerala. Their average salary is Rs. 4000/- per month. Capacity utilisation is 70 per cent. Mr. E is personally managing the company, though there is a professionally qualified manager. Labourers are fully satisfied and there is no labour problem.

The company has own vehicles to transport the products to the dealers. The success of the company prompted the entrepreneur to start two more units in the same Industrial Development Area. The company has sufficient demand for its products. Monthly sales trend is increasing. The fixed capital of the company is also increasing and it is more than Rs.1 crore.
Struggles and methods to tackle

The most important pre operational problem was finance. To quote his own words, “I started from zero”. The help of family members was crucial at the initial stages. There is no internal problem for the unit. It is functioning very well. However, the unhealthy competitions from large-scale manufacturers are very severe. Earlier, small-scale paint manufacturing industrial units were given tax concessions. They were paying 8 per cent excise duty while large scale units were giving 16 per cent. Now this difference in excise duty is eliminated. All are to pay 16 per cent excise duty. This reduced the smaller unit’s capability to compete with large-scale paint manufacturing companies.

Observations

The success of this particular paint industry is related to the entrepreneurial skill and ability of Mr. E. The previous work experience in a similar factory enabled him to perform better. The business background of the entrepreneur is very crucial as he belongs to a business family and business society. Direct marketing, branding of the product, the production of items which have large demand etc are other important factors behind his success.
CASE STUDY-1.4

Engineering Goods- Sole Proprietorship

Mr. F, 50 years old, started a sole proprietorship form of company manufacturing engineering goods like nuts, bolts and rivets. The company was started in 1986. The company is successfully working and it has brought financial prosperity to the entrepreneur.

Personal and family background

Mr. F belonged to Kollam. He is a Hindu Ezhava by caste. His parents were teachers. He had one brother and one sister. His brother is a bank employee and his sister is a teacher. He is married and has three daughters. One is married and the others are employed and yet to get married. His wife was also a teacher. Her family members are business people. He was earlier working in a similar factory in Bombay before his marriage. He was a diploma holder in Mechanical engineering.

Entering into business

After the marriage, he could not continue with his profession in Bombay as his wife was employed in Ernakulam as a teacher. With the advice and help of his wife’s family members, he decided to start an industrial unit in Kerala. His previous experience in a nut and bolts making unit made him to think in the same line. With the help of D I C he got an industrial plot in I.D.A and started the industrial unit in 1986 and production in 1987.
Strategies and innovations

The fixed capital was Rs. 20 lakh and working capital was Rs.10 lakh. Sixty per cent of the total investment was bank loan. The raw materials were mainly purchased from Visakhapatnam steel plant yard, Ernakulam. Machines were purchased from Punjab. The product is mainly marketed through dealers all over Kerala. It is also exported through an agent in Aluva. One-month credit is given to dealers. The sales trend had an increasing tendency.

There are ten labourers. All are male. Four of the labourers are from Orissa, while the rest are from Kerala. The average salary is Rs. 4000/- per month. The company has own vehicle to collect the raw material and market the finished product. The success of the unit prompted him to start a new unit in the same I.D.A. The new unit was started in 1994. It is also functioning well. The total fixed capital of the company is now above Rs.1 crore. There are only very few such units in Kerala. Therefore, the competition is not that much from within the state.

Struggles and methods to tackle

The most important pre-operational problem was delay in getting electricity connection. Due to the non-availability of transformer and electric connection, the unit could start production only after 7 months. Though there is no competition from Kerala, it is severe from units in Punjab and Haryana. Shortage of raw material leads to low capacity utilisation. Raw material price rise and its shortage is the most severe problem faced by the unit. There were no labour problems or labour unrest.
Observation

The prior work experience of the entrepreneur in the same field enabled him to have a very good knowledge about the production as well as marketing techniques of the product. The support and help he gained from his wife’s family was also very helpful. It is his enterprising spirit, personal qualities as well as education and work experience that made him a successful entrepreneur. The potentiality of the unit has not been fully reaped due to shortage in raw material.

Case Study-1.5:
Extracts From Spices- Private Limited Company

Mr. G is one of the three directors and promoter of a private limited company that produces extracts from spices, medicinal plants and fish. The company had four units of production, two units in Kerala and one each in Mysore and Coimbatore. Now the company has three units. All are functioning well.

Personal and family background.

Mr. G, 50 years of age, belongs to a Syrian Catholic family of Ankamaly. He is having a doctoral degree in applied chemistry. His father was a college professor and mother is a homemaker. He has three sisters and no brothers. All the sisters are married and financially sound.

His wife is a teacher. Her family members are mainly employees and farmers. He has a son and a daughter. Both are doing their engineering degree. Earlier he was a FACT employee. After three years, he resigned from the job due to his lack of
satisfaction and disinterest in the job. Later he joined a spices extracting company in Bombay. He worked there for five years in the company’s research lab.

**Entering into industry**

It was his work experience in the spices extracting unit in Bombay that motivated him to start a company. He, along with two other friends who were also working in the same company, decided to form a spices extracting unit in Kerala. The first unit was established in an I.D.A in Ernakulam in 1989 and its operation began in 1990. The unit is producing 40 different extracts of spices, medicinal plants and fish. The company is an ISO 9002 company. It has four international patents. Later three more units were started. The unit in Ankamaly was closed due to labour problems. The units in Mysore and Coimbatore are functioning successfully.

**Strategies and innovations**

While the units outside Kerala are mere production units, the unit in Ernakulam is both a production unit and research centre. In the research centre, only Malayalees are working. In the production unit, more than half of the labourers are from other states. There are 30 employees in the research lab and 50 labourers in the production unit in Ernakulam.

Fixed capital investment of the unit of Ernakulam exceeds Rs. 3 crore and working capital above 2 crore. The company is getting spices board’s sales subsidy and soft loan facility from central government. Above 60 per cent of the investment is bank loan. The average salary of the employee is Rs. 5000/- per month. There are more than 200 workers in the three units together. The total fixed capital exceeds Rs. 9 crore and working capital Rs. 3 crore.
Mysore unit is providing bio marine extracts. The Coimbatore unit is producing different capsules that are supplied mainly to different companies. Experts are giving training on safety equipment, process and management. The company had conducted a prior market survey and the result was favourable. A major portion of the product is exported. Only 20 per cent of the products are sold in the domestic market. Market feedback is collected with the help of customer’s assessment forms. The company purchases products from other companies and after checking the quality, export them as own products. Sale is mainly on two months credit. Raw materials are purchased from different sources. Twenty per cent is purchased from the state, 75 per cent from the national level and 5 per cent is imported. Labour relations are comparatively smoother outside the state. However, quality labour is available only in Kerala. Otherwise, the unit would have been shifted to Mysore or Coimbatore.

Problems and methods to tackle

The most important problem at the commencement period was quality problem. It took so much of research and time to arrive at expected quality of the products. Labour unrest and trade union militancy was a problem in the units of Kerala. The closure of the unit in Ankamaly and the opening of new units outside the state gave a warning alarm to the labourers. It also prompted the company to introduce more labourers from outside the state in the production unit. Now they are planning to start a new unit that produce extracts from turmeric.
Observations

The company has grown and flourished under the efficient leadership of the three directors. Each director is in charge of each unit. All the three are very much enterprising and hard working. Their educational qualifications and previous work experiences gave them strength. The timely decisions taken by them has led to success. As for instance when they faced labour problem in Kerala, they opened new ventures outside the State and the one in Kerala was largely converted for research training.

2. Selected Case Studies of closed units

CASE STUDY-2.1

PVC Pipe

Mr. A, 58 years old, was the sole owner of a firm manufacturing PVC pipes. It was located in a semi urban area in Ernakulam district. The unit worked for 15 years before its closure. He was 51 years of age at the time of the closure of the unit.

Personal and family background

He belongs to Syrian Catholic community from Kuttanadu, Alappuzha district. He got his B.Tech degree in Civil engineering from Regional Engineering College, Kozhikode (R.E.C) in 1971. The father of Mr. A was a teacher and was also having ‘copra’ business that ultimately ended in failure causing him heavy financial loss. He has three brothers and three sisters. One of his elder brothers is a doctor and
the other is an officer in Air force. The younger brother is a farmer. The three sisters are married and well settled.

His wife is a housewife. Wife’s family members are abkari contractors. Mr. A has a son and a daughter. His son is an M.B.A student and daughter who is an engineer is an earning member of the family. He was employed in Central P.W.D from 1973 to 1978. He resigned from the job to join a better career in the Gulf (Dubai).

Entering into business

While he was working in a construction company in Dubai, he got the idea of starting a new business from a friend who was working as a production manager in a P.V.C manufacturing company in the Gulf. It was under his persuasion and guidance that he got the idea of starting a P.V.C pipes manufacturing unit in Kerala. With his help, he managed to visit the factory that was located in Dubai and learned more about the technology as well as production process. His younger brother managed to conduct the legal procedures and other groundwork to get the land for the factory from DIC Ernakulam as well as loan from KFC. He carried out the required procedural formalities for getting the necessary licenses and registration to start the company. The company was launched in 1982. The production started in 1984. Before that, he resigned from his job in the gulf and returned to Kerala to manage the company affairs personally.

The initial FC was above Rs.1 crore. Fifty per cent per cent of it was loan from KFC. The working capital was around Rs.50 lakh. Above 60 per cent of it was
loan from S.B.T. Because of the initial success and flourishing of the business, he started one more unit in the same area in 1991.

He tried to take over another company (‘Y’) situated in Ankamaly that was manufacturing cartons. The company ‘Y’ had to pay around Rs.30 lakh to KFC. It was a registered sick unit and KFC had initiated the process of seizing the company. Mr. A paid Rs.30 lakh to KFC to take over that company. In the meantime company ‘Y’ filed a suit against its take over by KFC. The court issued stay order against KFC’s proceedings. The case prolonged for a period of over two years. Meantime Mr. A did not pay his loan installments that he was supposed to pay to KFC, thinking that his Rs.30 lakh with them would compensate his liabilities to that financial institution. With the court verdict, which was in favour of company ‘Y’ Mr. A got back his money with nominal interest. Meantime, his indebtedness to KFC increased enormously. Affected by severe financial problems the unit was shut down in 2001.

**Strategies and innovations**

He gave prime importance in maintaining quality of the product. The machineries were most modern and were imported. The raw materials were mainly from Reliance Company. The production manager was a well experienced person in the same field. He marketed the product by own vehicles directly to the dealers from Kollam to Kozhikode region. The product was given to the dealers on a credit of 30 days. The dealers were given costly complements. The product was introduced in the market through advertisements. Owing to the inability to meet the increased demand, he was forced to curtail advertisements.
Struggles and methods to tackle

The most important initial problems during inception stage were delay in getting electricity connection, shortage of working capital and shortage of raw materials. After the commencement of production, the major problem that affected the prospects of the company was the three labour strikes by the employees demanding higher wages. The factory had to be closed down for more than 9 months due to these strikes by the employees. The first strike was in 1989. The factory had to be closed down for one month before resuming production.

The second strike of the employees was in 1991. The factory was closed down for 5 months. During this period he acquired another company on lease and carried on production with certain selected labourers. However, he could not maintain the earlier quality of the product and the dealers refused to accept the product due to large-scale complaints from customers. Owing to his failure in handling employees efficiently a third strike occurred in 1994. The factory had to be closed down for 3 months.

Monopoly power of the Reliance industry over the supply of raw material created severe shortages of raw material. Owing to this, the factory could not meet the demand on time during the early years of production. Banks were very reluctant to give working capital loan. There were many bad debts from the part of the dealers to whom the product was sold on credit. Many of these debts could not be recovered as these dealers discontinued their business. All these worsened the working capital shortage. To meet this shortage he had to borrow from private money lenders at a very high rate of interest.
The unit that produced PVC pipes had a very good reputation and could not even meet the demand during the early years of operation. However, due to mismanagement, labour problems and financial shortage the unit was forced to close down and the entrepreneur became bankrupt. He was forced to part with even his personal properties including the house, vehicle and inherited land to meet the financial liabilities.

**Observations**

Mr. A started the business in Kerala without studying or understanding properly the business environment or investment culture prevailing in the state. The various ineffective and inappropriate strategies that he adopted in fact caused minor issues which led to serious problems. His strategies to overcome labour strikes, introduction of costly complements to dealers, etc. are clear examples of wrong strategies. Acquisition of other units before attaining proper financial or managerial capabilities of the already existing units was a great business failure. Above all he could not start a venture in his own field.

**CASE STUDY-2.2**

**Plastic unit**

Mr. B, 67 years old, started a company in 1981 that initially manufactured Polythene bags and later plastic cans. It was located in a semi urban area in Ernakulam district. The company had an initial fixed capital investment of Rs.20 lakh and working capital of Rs.10 lakh. The company was employing 16 labourers.
Personal and family background

Mr. B belongs to Aluva. He is a Muslim by faith. He had 4 sons and 3 daughters. He had to sell away their ancestral property to tide over the financial liabilities caused by the failure of business. Mr. B was not well educated and had just passed 8th standard.

His father was running a grocery shop. His brothers were farmers. His spouse is a house wife. Her parents were farmers and her brothers were mostly petty traders. He was an office bearer of the Ernakulam small scale industries association. Before entering into this business he was having a stationery shop near Aluva.

Entering into Industry

As a stationery merchant, he was mainly dealing in plastic products. He came to know about a plastic manufacturing unit that was working in Tamil Nadu. He contacted him personally and learned more about the technique of manufacturing polythene bags. With meager technical knowledge he started a polythene film manufacturing unit.

Strategies and innovations

The company was started in 1981 as a sole proprietorship in the land allotted to him by the DIC. Initially the unit produced Polythene films used to make carry bags. The needed machineries were bought from Punjab with the help of a friend who was working in a private company there. Above 60 per cent of the fixed capital was loan. The loan was availed of from State Co-operative Bank. The polythene films were given mainly to wholesale dealers in Ernakulam. The company was flourishing and was earning reasonable profit. Then he started another unit which
was manufacturing plastic cans of the size of 25 litres and 35 litres in 1983. These cans were supplied mainly to Kerala Acids Company and Periyar Acids Company. Raw materials were imported through mediators.

**Struggles and methods to tackle**

The most important pre-operational problem was delay in getting electricity and water connections. Banks were not favorable in providing loan. Financial problem was very severe as he relied heavily on borrowed fund. Shortage of raw material was also a problem. The machinery bought for the production of cans was of low quality and this severely affected the quality of the product. Severe marketing problems occurred since one of the major purchasers, Kerala Acids Factory closed down after six months supply of plastic cans. Periyar Acids also reduced their production owing to their financial problems. The product could not be marketed in the open market since big sized cans were not in great demand in the open market. Unable to meet the bank liabilities and mounting loss, he was forced to close down the company in 1989. This occurred mainly due to it’s inability to sell the plastic cans. The financial liabilities created by the plastic cans manufacturing unit affected the functioning of polythene bag manufacturing company also. The unit was running in shortage of working capital. So finally both the units were closed down.

**Observations**

He had a low educational background especially in the technical field. His over interest in Association activities resulted in giving lesser attention to company affairs. His own fund was very low and a large portion of the working capital and fixed capital was bank loan. With little fund he went for diversification of products.
that actually ruined the company. He also diverted company fund for meeting personal requirements like house construction and marriage of daughter that resulted in severe working capital shortage.

**CASE STUDY-2.3**

**Chemical unit- Partnership**

Mr. C and Mr. D who were FACT employees started a chemical manufacturing company in 1983. The company was a Partnership form of organisation. It was located in a semi urban area. The unit was manufacturing sodium silicate used for soap manufacturing. The company worked till 1990 when it was closed and later sold to another person (Z) who is running the business now. The company under (Z) is now producing sodium silicate, potassium silicate and Hydrate Calcium Silicate.

**Personal and family background**

Mr. C is hailing from Calicut and Mr. D was from Kottayam. Both of them are graduates in chemistry. Both are Hindu Nair and are around 60 years of age now. They were around 42 at the time of the closure of the company. Both are settled in Kalamaserry.

Mr. C has two boys and one daughter. Both boys are employed and well settled. Mr. D has three daughters. All are married and well settled. The parents and siblings of D are employees. The parents and siblings of C are business people. The wife’s relatives and family of both the partners are basically farmers and employees.
Entering into industry

The experience of Mr. C and D in FACT prompted them to begin a business. Both were working in the same department and were good friends and neighbours. They were living near Travancore Cochin Chemicals (T.C.C). There were a few units near their residence that produced similar products. Their contact with these units prompted them to think of starting a company. They started a partnership mainly to find an additional source of income. They got the land from DIC in the I.D.A.

Strategies and innovations

The company was one of several such companies in Ernakulam district that produced such product. The fixed capital was Rs.20 lakh and working capital was Rs.5 lakh at the starting time. Above 50 per cent of FC was loan from KFC Above 60 per cent of working capital was loan from Federal Bank. The partners had equal shares and rights. Raw materials were available locally. The market was mainly to soap manufacturers from Kozhikode to Kottayam region. Usually 15 days credit was allowed.

Machines and boilers were purchased from Tamil Nadu. There were 10 workers. All were males from Kerala. Initially there was high demand for the product. The manager was a paid - staff who was not technically qualified. The partners were earlier directly monitoring the functioning of the company.
Struggles and methods to tackle

The most important preoperational problems were delay in getting electricity and water connection, getting different licenses and problem of getting adequate bank loan. Production was started in 1984. Labour problem was very severe. The company had to close down for almost one year due to two labour strikes in 1986 and 1989. The labourers belonged to AITUC union and were interested in protecting their rights alone without doing their duty. Their demands were not feasible. Outside political interference was severe. There was sufficient market for the product but Credit problem was very severe. It worsened the working capital shortage problem. Misunderstanding between partners was a big hurdle in the smooth functioning of the unit. The disagreement among partners became worse especially after the labour strike in 1986.

Labour problem, disinterest, disagreement between partners and lack of sufficient working capital were leading the company to loss during the 1990’s. Then in 1990 an accident occurred in the unit. The boiler of the company exploded damaging the entire building as well as a few near by buildings. The estimated loss on account of the accident was above Rs. 25 lakh. It further worsened the relationship between the partners and they decided to close down the unit in 1990.

Observations

Labour problem and trade union militancy were the major factors that led to the loss of a well-flourished company. Misunderstandings and disagreements among the partners was a severe hurdle to progress. Loss of confidence among the partners made them hesitate to increase fixed capital or compensate the shortage of funds by
own funds. This particular case explicitly shows that a partnership form of business requires a good amount of understanding and co-operation among the partners. C and D did not possess entrepreneurial qualities. Their occupational background as employees of a public limited company made them fail in tackling the labour problem effectively.

CASE STUDY-2.4

Chemical unit -Sole Proprietorship

Mr. E, 48 years old, was having a sole proprietorship form of business located in a rural area of Ernakulam district. The unit worked for just four years from 1994 to 1998 before it was finally closed. The unit was producing turpentine and thinner used in enamel paintings. However, due to severe financial and marketing problems the company could not survive long.

Personal and family background

Mr. E is married and has a daughter. He belongs to Hindu Ezhava community from Harippad. Now he is settled in Ernakulam. His parents were government employees. He had a brother and a sister. His brother is an advocate and sister is a teacher who is married and well settled. His spouse’s family is in Ernakulam and they are vegetable merchants. He is having Higher Secondary level education and was employed in a chemical factory in Gujarat from 1976 to 1992.

Entering into business

While Mr. E was working in Gujarat, he happened to meet a friend from Kerala who was running a similar factory in Gujarat. Mr. E was impressed by the
performance and success of this entrepreneur there. He started the industry in Kerala. His wife had some land property in nearby Perumbavoor. With the support of bank loan he started a unit in 1994 in the land that his wife received from her parents as ancestral property.

**Strategy and innovations**

The FC investment was around Rs.15 lakh and Working Capital was around Rs.5 lakh. About 70 per cent of it was bank loan. He started production without studying or analysing the scope and nature of marketing the product. The raw materials were purchased mainly from oil refinery.

There were 6 workers. Four were males and two were females. The products were sold to different hardware shops in Ernakulam district. Mr. E. managed both production and marketing. The sale was on credit for 30 days. However, often the payment was delayed. Second hand machinery was purchased from Gujarat.

**Struggles and methods to tackle**

Finance was the most important pre-operational problem. Getting electricity connection was also delayed. Production was started in 1995. Marketing was a very severe problem. The shopkeepers were reluctant to take the product. Competition from large companies was severe. The dealers were not making the payments on time. Working Capital shortage was severe. The unit could not run, as it could not meet the daily expenses even. So finally, it was closed in 1996 due to lack working capital and marketing problems.
Observation

The entrepreneur had no entrepreneurial background or family support to run the business. He did not study about the scope of either marketing or the business environment of Kerala. The unit was not capable of competing with the existing units. He did not introduce any innovations in the product or marketing technology. Mere imitation of successful entrepreneurs in other states was a curse for him. All these led to the early failure of the unit.

CASE STUDY-2.5

Rubber unit - Private Limited Company

Mr. F, 60 years of age, was the entrepreneur behind the formation of a private limited company in a semi urban area in Ernakulam. He is an N.R.I. The unit was manufacturing latex gloves and its product was exported mainly to U.S.A and to the Gulf countries. The unit was started in 1988 and functioned for six years before it finally failed.

Personal and family background

Mr. F is from Kottayam and he belongs to a Syrian Catholic family. He is a chemical engineer and was working in Bharat Electronics Limited before going to Gulf. Father of Mr. F was a businessperson having a sawmill, latex creaming and rubber band making units in Kottayam. He has four brothers and four sisters. Brothers are also business persons. Sisters are married and well settled. Mr. F is married and has two sons. Both of them are engineers, the elder is working in U.S.A, and the younger is working in Gulf. Wife’s parents were government employees. Wife’s brothers are NRIs and are engaged in business.
Entering into business

He was a partner in the latex creaming and rubber band making units managed by his father. While working in B.E.L he was marketing the rubber band and creamed latex in Delhi areas. He had an idea of starting a rubber based business in Kerala. The major raw material, Latex could be supplied from his father’s unit. He also was aware of the production technique of making quality examination gloves. With the help of bank loans, he along with a few N.R.I friends formed a Private Limited Company in 1988 and took over a sick company. The company started production in the same year itself.

Strategies and innovations

The M.D at the beginning was another person and all the directors were well placed N.R.I business persons. Mr. F was also one of the directors. Mr. F was able to give sufficient technical support regarding the quality of the product. With the influence of his brother- in- law who is a businessman in U.S.A, the company got orders from U.S.A. With his and the other directors’ influence, sufficient orders were created in the Gulf countries. The quality of the product was well maintained. The raw materials were mainly locally purchased and often got on credit. The manager was a non-qualified staff. There were around 40 employees. Thirty were females and ten were males. All were from Kerala.

Struggles and methods to tackle

There was no financial, insufficiency of orders or labour problem in the initial periods. The previous M.D started misuse of the funds and subsidies. This created differences of opinion among the directors and they wanted to eliminate the M.D by
compensating his investments and other contributions. This resulted in the creation of another Board of Directors. Impressed by the performance of the unit, a few other NRI shareholders also became shareholders by investing more funds. Mr. F became the new M.D and the unit started functioning well.

The previous M.D after receiving his due compensations misguided the banks with wrong information about the unit and its functioning. The company’s accounts were frozen. Change in the management and frozen account created many hardships to the company. However, the new directors who were mostly NRI shareholders invested more of their own funds to tide over the crisis. A Parallel account was operated by the Director’s own funds. Nevertheless, the company could not work for long with the Parallel account, as the payments received by the company were also frozen. During this financial crisis of the company many shareholders reduced their share amount. The directors with good financial background invested more in the company. Yet the company could not tide over the financial crisis especially due to the hard stand taken from the bank’s side. Meanwhile the company could not meet the stipulated orders and the Letters of credit were cancelled. The company was later given on lease to a third party for two years. But, the inefficiency and financial losses ultimately ended up in the closure of the company in 1994.

Observations

The major shareholders of the company were NRI shareholders. They could not properly follow up the working of the unit. This led to mismanagement and waste of funds. Banks did not follow a sympathetic attitude towards the unit during its financial crisis. The directors of the company were not having keen interest in the company’s
affairs. Most of them had several other businesses. The person who was managing
the affairs here was inefficient and was not well qualified.

CASE STUDY-2.6

Rubber unit-- sole proprietorship

Mr. G, 28 years of age, was having two sole proprietorship forms of business
in Ernakulam district. One of the unit is manufacturing rubber linings that is used to
separate contact of metals with acids. This unit was inherited from his father. The
product is supplied mainly to industries. This unit is still functioning. The other unit
that manufactured rubber foam was started in 2000 and was closed in 2005. The
major reason for the closure was the large scale introduction of synthetic ‘U’ form in
the market which is a cheaper and better substitute for rubber foam.

Personal and family background

Mr. G belongs to Jacobite Community from Perumbavoor. His father is a
business person and it was his father who started the rubber-lining unit. His father
was employed in a rubber-liner making unit in Delhi. Now he is only helping his son
as he is a heart patient. His mother is a house wife. He has a brother and two sisters.
Brother is employed in a public sector company. Sisters are married and well settled.
Mr. G is married and has a son and a daughter. Both the children are kids. His wife is
a teacher. Wife’s family has no business background and they are either employed or
are farmers. He is a post graduate in commerce.
Entering into industry

After completing his studies he was on the look out for a job when his father was affected by some severe heart problems. Thus, he was forced to take up father’s business. The factory was functioning quite well. However, due to limited customers, capacity utilisation was very low. It was only 30 per cent. The profit also was declining. Therefore, Mr. G decided to start a new unit that is manufacturing rubber foam. The company was started in 2000 and production started from 2001 onwards.

Strategies and innovations

The first company was started by his father in 1994. The raw material was creep and natural rubber. The customers were mainly a few major industries like FACT and Cochin Shipyard in Ernakulam. There were 12 employees. Eight were men and four were women. All were from Kerala. Mr. G’s father was personally managing the business. Products were sold for 1 month credit. Machines were imported from China. Fixed capital investment was Rs. 50 lakh. Around 60 per cent was bank loan. Working capital was around Rs.10 lakh. For working capital there was O.D facility. This unit was started in 1989 and Mr. G took over the company affairs only in 1996.

He started the new unit in 2000. The fixed capital investment was around Rs. 1 crore. Above 60 per cent of it was bank loan. The machineries were imported. Raw materials were available from the state. Major raw material was latex. There were 16 workers. Majority of the workers were from Tamil Nadu. Only 2 were female workers. The product was mainly sold to dealers in Kottayam, Ernakulam,
Trichur and Idukki districts. 45 days credit was given. Raw material was also purchased on credit.

**Struggles and methods to tackle**

The most important pre-operational problem was delay in getting electricity connection and loan. Initially there was high demand for the product and the price of raw material was affordable. However, after two years of operation competition became very severe. Introduction of Synthetic ‘U’ foam reduced the demand for rubber foam to a great extent. The price rise of latex made it impossible for rubber foam to compete with ‘U’ foam. The company became sick and was running on loss for two years. Unable to operate profitably the company was closed down in 2004 after only 3 years of operation. He had to dispose off a certain portion of his ancestral property to settle bank liabilities. Now he is planning to start a new business to which his father is not agreeing.

**Observations**

The entrepreneur came to the field only due to forced circumstances. He failed not because of his personal mismanagement or incompetence but due to the introduction of a close substitute which is comparatively cheaper and easy to handle and work with. Much such rubber - foam manufacturing units are found closed due to rise in price of latex and the introduction of synthetic ‘u’ foam. This means that the company had no diversification capability or financial capacity.
CASE STUDY- 2.7

Food product unit

Mr. H, who is now aged 42, started a curry powder unit in 1998. The company had a FC of 75 lakh rupees and working capital of Rs.50 lakh. The company was located in a semi urban area in Ernakulam district. The unit was employing 30 labourers of which 20 were female and 10 were male. Sixty per cent of the labourers were from Tamil Nadu. The unit had its own vehicles for transportation of raw materials and finished products. It was functioning well in the initial years and was closed in 2003 owing to its failure to market the product. The entrepreneur was 36 years old then.

Personal and family background

Mr. H is a Hindu Nair belonging to Alappuzha. His parents were government employees. He had 3 brothers and 2 sisters. All the brothers are government employees. His wife belonged to Changanacherry. Her parents and siblings are also bureaucrats with very strong political background. He had 2 sons and a daughter. He is a post graduate in commerce and was employed in a private company in Pune. He was from a financially sound family.

Entering into industry.

One of his cousins was holding a high position in Civil Supplies Corporation of Kerala. It was under his influence and pressure that Mr. H started the curry powder unit in a land allotted by D I C, Ernakulam. The products were sold to Kerala Civil Supplies Corporation. Sixty per cent of the FC was bank loan. Seventy five per cent of the working capital was also bank loan. The company was producing only for
civil supplies and the brand name was that of civil supplies corporation of Kerala. The machineries were mostly purchased from Tamil Nadu.

**Strategies and innovations**

The raw materials were mainly purchased from Kerala and Tamil Nadu. The production was mainly based on order from civil supplies corporation. It was given on credit for 30 days. There was no sale in the open market as the product was branded as civil supplies corporation of Kerala. Raw materials were stocked in huge amount to meet the order on time. Own vehicles were used for purchase of raw material. The Civil supplies corporation collected the products from the factory. The unit worked successfully for 5 years.

**Struggles and methods to tackle**

The initial problems were delay in getting electricity connection and delay in getting bank loans. In 2005 civil supplies corporation cancelled the agreement with the company on the alleged reason of deterioration of the quality of the product. At this time, the company had stock of finished goods and raw materials worth over Rs.25 lakh. The company could not enter the open market for sale since it had no such experience. Unable to sell the products and faced with severe financial problems, the company was closed in 2003.

**Observations**

Mr. H worked under the patronage of some officials of civil supplies corporation. When they could not protect him, the unit came to a natural death. It also shows the danger of depending on a single customer for sale of its products.
CASE STUDY-2.8

Food product unit

Mr. I, 49 years old, belonged to Muvattupuzha and is now settled in Ernakulam. He started a company that produced wheat flour, semolina, maida and bran. The company was started in 1992 and worked successfully for 4 years and closed in 1996.

Personal family background

Mr. I hails from a Hindu high caste family. His father was a provision merchant in Muvattupuzha. He had four brothers and a sister. One of his brothers is running the ancestral shop, while the other three are government employees. The sister is married. His wife is a housewife and he has two boys. Wife’s parents are farmers, while in laws are government employees. Mr. I was running his father’s business earlier.

Entering into industry.

His experience in the provision wholesale shop made him think about starting a roller mill unit that could produce different wheat products. He got a plot from D.I.C in I D A in Ernakulam. He purchased machinery from Punjab. The FC investment was above Rs. 30 lakh. The working capital was Rs. 20 lakh.

Strategies and innovations

Fifty per cent of the working capital and sixty per cent of the FC was bank loans. The company purchased wheat through traders from North India. The plastic bags were purchased from Alappuzha and Bangalore. Used own vehicles to transport the products. There were 15 workers with 13 males and 2 females. Seventy five per
cent of the workers were from outside state, mostly from Tamil Nadu. The product was sold to wholesale dealers on a credit of 30 days. The product was marketed only in Kerala. The unit was operating mainly during night due to daytime power failure. Capacity utilisation was about 60 per cent.

**Struggles and methods to tackle**

The most important pre-operational problems were delay in getting electricity connection and finance. During the operational period, the major problems were high competition, too much of credit, working capital shortage, price variation in wheat, non availability of raw material and electricity failure. One second’s electricity failure would take half an hour to restart the operation. The unit worked for 3 years successfully. Due to severe competition and working capital shortage caused by credit sales, the operation of the unit became very difficult. Raw material could be purchased only on ready cash. Power cuts and failures forced to continue the production process with the help of generators. This was not viable as the cost increased more than the price of the product prevailed in the market. Severe working capital shortage forced the company to reduce capacity utilisation. The unit found itself unable to market its product under conditions of severe competition. All these forced to close down the unit in 1996 causing severe financial liability to the entrepreneur.

**Observations**

Raw material purchase through north Indian traders increased the cost of purchase of raw material. Electricity problems forced the unit to operate on electricity produced by generator that was comparatively very costly. This increased
the cost above the price of the product. The product was supplied only to the 
wholesalers. This reduced the rate of profit. The product was despatched only in 50 
kilograms. No units of smaller packing were done. The unit had no sufficient funds 
to tide over credit sale. The entrepreneur did not possess the entrepreneurial talents to 
compete with the existing units. The marketing strategy followed by the unit actually 
resulted in failure.

CASE STUDY-2.9

Engineering unit

Mr. J, 52 years old, was the major shareholder and M.D of a private limited 
company that produced capacitors for motors, fans and fluorescent lamps. The 
company was started in 1992 and could not survive long. It was closed in 1997 with 
huge financial liability.

Personal and family background

Mr. J belonged to Kannur. He was a Hindu Nair. His father was a bank 
employee. He has three brothers and two sisters. His brothers are employees working 
in banks and government departments. His wife is a housewife. His wife’s parents 
belong to Palakkad. Her father was a merchant and mother is a housewife. Her 
brothers are mostly government employees. He had three daughters. Two are married 
and one is studying for an engineering degree. He was an electrical engineer and was 
working in KELTRON for 16 years. He resigned from the job along with four of his 
friends, who were employees of KELTRON and started the present company in a 
semi urban area in Ernakulam district.
Entering into industry.

The poor performance of KELTRON made him think of resigning the job in the company and start a business of his own. He conveyed the idea to few of his friends who also had similar views. With the help of D I C he managed to get a plot in I.D.A to start a company. With the help of a bank loan, they managed to get the company registered in 1993.

Strategies and Innovations

The FC was 35 lakh and working capital 15 lakh. Sixty per cent of the total investment was backed by bank loan. The machineries were mainly imported. The major raw materials were purchased from importers of Calcutta. There were 10 labours. All the labourers were male. The labourers were having I T I (electrical} qualification. There was no special training facility for labourers. The products were sold to manufacturers and dealers. Sales were on credit basis. Feedback system was through manufacturers. The company tried to get  I. S. I quality mark and in this attempt it wasted more than Rs. 3 lakh.

Struggles and methods to tackle

Initial problem was delay in getting electricity connection, finance and official harassment. Competition was severe from China and from big companies like Mahindra motors and Hykon investors. Labour problem and trade union militancy was the biggest internal problem. The company had to be closed for months in 1994 and in 1995 due to labour strikes. Labour was demanding wages that could not have been affordable to the company. Credit sale was causing working capital shortage. Electricity failure reduced capacity utilisation. Due to the labour
problems and lack of working capital, the management was forced to close the company in 1997.

Observation

Relying too much on bank loans was a shortcoming of the company. The poor performance of the company made the Board of directors hesitate to invest more of their own funds. Instead, many of them tried to withdraw their own shares. Marketing was a severe problem due to tough competitions from within the country and from China. Management inefficiency worsened the labour relations. It is the bureaucratic background of the entrepreneur that made him totally fail in handling effectively the labour strikes and trade union militancy. All these led to the failure of the unit leaving heavy financial loss to the entrepreneurs.

CASE STUDY-2.10

Engineering unit

Mr. K, 48 years of old, started a sole proprietorship firm in 1981 that produced machine parts and job works for HMT. The company was well performing for more than 10 years and the poor performance of HMT resulted in the failure and closure of this unit, which was an ancillary unit of HMT.

Personal and family background

Mr. K belonged to Piravom. He is a Christian Jacobite. His father was an employee of HMT, Kalamassery. He has a brother and two sisters. His brother is working in H.O.C, Ambelamedu. His sisters are married and well settled. His mother is a homemaker. Wife is a clerk in irrigation department. He has two children. One is
a son and other is a daughter. Both are studying. Wife’s father is a farmer. Her two brothers are employed in government department. He is a diploma holder in mechanical engineering. He has no previous work experience.

**Entering into industry**

It was under the influence of his father that he started the factory which was an ancillary unit of HMT. The FC investment was Rs. 20 lakh and working capital was Rs. 5 lakh. There were 8 employees. All were males and were ITI mechanical diploma holders. Earlier HMT Company supplied the raw materials in accordance with the orders placed. The unit was doing only the job works for the HMT. Forty per cent of the total investment was backed by bank loan.

**Strategies and Innovations**

There were no strategies and innovations since the HMT Company was providing orders and the required raw materials. There were sufficient orders and payments were very prompt in the early years of operation.

**Struggles and methods to tackle**

There was no pre-operational problem, since the HMT Company provided the land, building and electricity connection. The most important operational problem initially was the shortage of labour. Most of the labourers, after a few months of experience, used to go to Gulf countries in search of better prospects. Absenteeism was very severe. The company was finding it difficult to carry out the order placed by the HMT. Still with overtime work the company was successfully flourishing. After 8 years of successful operation the prospects of the company became bleak.
especially due to the failure of HMT. Orders were rare and payments were unduly delayed. As a result, the company could not survive and was closed in 1991.

Observations

The closure of this unit is an example of ancillary unit that depend on a parent unit. The future prospects of such ancillary units are directly linked to the success of parent unit. The failure of parent unit naturally leads to the end of ancillary units since they do not have any separate entity.

Summary

The case studies of successful entrepreneurs and failed entrepreneurs expose the fact that it is the personal traits as well as social, economic and cultural background of the entrepreneurs that crucially determine the success or failure of a modern small enterprise. Case studies of failed units reveal that except in a few cases majority of the units failed due to the personal incompetence, mismanagement, lack of insight, lack of sincerity, lack of experience and lack of family and social support of the entrepreneurs.

The success of the unit depends very much on the calibre of their entrepreneurs. The enterprising spirit of the entrepreneurs influences the performance of the unit. The role of entrepreneurs in determining the performance of the units is very decisive. Similar findings are also seen in the case studies of successful entrepreneurs.

Success of the unit is very much related to the successful leadership of the entrepreneur and failure of the units is related to the unsuccessful leadership of the entrepreneurs. Successful entrepreneurs were able to tackle efficiently the various
problems the unit faced including that of labour problems. They were able to introduce innovations both in production and in marketing. Entrepreneurs of failed units were incapable of handling the various problems efficiently. They ventured into business without proper knowledge about the production technique and marketing strategies. Marketing and finance were the major problems faced by most of the entrepreneurs. Depending on a single customer, the failure of the parent unit and the introduction of cheap substitutes, labour agitations, diversion of funds and mismanagement were the major reasons that led to the failure of units. The case studies of successful units show that they too had problems that the failed units faced. However, the successful entrepreneurs tackled all these problems efficiently while the failed entrepreneurs succumbed to them.
Appendix-2

Performance of the Modern Small Enterprises in Kerala

A Diagnostic Approach.

Interview schedule

Confidential – Information to be used for thesis purpose only

Research scholar : Tomy Mathew, Lecturer Selection Grade, Dept of Economics, St. Xavier’s College, Vaikom.

Supervisor : Dr. Martin Patrick, Reader, Research Centre & Post Graduate Department of Economics, Maharajas College, Ernakulam.

I. General Information

1. Name of the owner :

2. Address :

3. a. Age : ______ b. Sex M/F

4. Education :

   d. Graduation             e. Technical education
   f. Others (specify)       

xliv


7. Caste (specify):


b. No. of members of the family (specify):

9a. Annual income of the family from all sources:

   a. < 1,00000   
   b. 1,00000-2,00000  
   c. 2,00000 – 3,00000  
   c. 3,00000 – 4,00000  
   d. 4,00000 – 5,00000  
   d. > 5,00000

b. Sources of income other than this business:

   a. Spouse’s salary   
   b. Other business   
   c. Landed property   
   c. Any other (specify)
II. **Profile of the unit**

10. Name of the unit :

11a. Year of establishment :

   b. Year in which operation began :

12. Address of the Unit :

13. Location :  
   a. Rural  □  b. Urban  □  c. Semi urban  □

14a. Form of organisation :  
   a. Proprietorship  □  b. Partnership  □

   c. Co-operative  □  d. Pvt. Ltd. Company □

   e. Others (specify)  □

   b. Whether acquired □ or Inherited □

15. Who manages the business

   a. Self  □

   b. Family (relationship)

   c. Professionally qualified staff  □

   d. Staff without professional qualification  □

   e. Others (specify)

16. In case of partnership who is looking after the functions of management :

   a. Active partner  □

   b. Partners share functions among themselves  □
c. Employees with professional qualification

d. Employees without professional qualification

17. Nature of operation

    a. Manufacturing
    b. Processing
    c. Assembling
    d. Others (specify)

18. Nature of Products

    a. Food based
    b. Plastic
    c. Rubber
    d. Engineering
    e. Chemicals

19. Specify the product/products:

20.a. Whether your product is any quality marked:  a. Yes  b. No

    b. if ‘yes’ specify: (ISI, Agmark, FPO, ISO, environmental standards, etc.)


III. Pre-Operational Information

22a. Did you conduct any market survey before finalizing the product

    a. Yes  b. No

    b. If ‘Yes’, what was the response:

        a. Favourable  b. Unfavourable  c. No clear picture

23. Did you prepare any project report:  a. Yes  b. No

24. Major factors that you have considered, while selecting the product:
a. Availability of raw materials at a reasonable price □

b. Demand in domestic market □

c. Availability of skilled labour □

d. Technology □

e. Availability of credit □

f. Export potential □

g. All of the above □

h. No factors considered □

i. Others (specify) □

25. Main reasons for selecting the location:

   a. Easy availability of raw materials □ b. Availability of quality labour □

   c. Transportation □ d. Other infrastructure □

   e. All of the above □ f. Others (specify) □

26. Most important hurdles at the commencement period:

   a. Difficulty in getting licence □ b. Purchasing machinery □

   c. Purchasing Land □ d. Power connection □

   e. Transportation □ f. Bureaucratic indifference □

   g. Finance □ h. Environmental □

   i. All of the above □ j. Others (specify) □
IV. Entrepreneurial Background

27 a. Occupational background of the family

<table>
<thead>
<tr>
<th></th>
<th>Grand Father</th>
<th>Father</th>
<th>Spouse’s Family</th>
<th>Siblings</th>
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<tbody>
<tr>
<td>Occupation</td>
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b. Occupational background of the entrepreneur

<table>
<thead>
<tr>
<th>Nature of Occupation</th>
<th>Year</th>
<th>Reason for shift</th>
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c. In case of first generation entrepreneur what motivated you to start a small enterprise:

a. Desire to be self employed

b. Desire to contribute something of my own to the society.

c. Dissatisfaction of the previous job

d. Motivation from the family/relatives/friends

e. Success stories of other entrepreneurs

f. To receive subsidies and incentives

g. Advertisement / Exhibition / Visit to other place

h. After attending EDP programme

i. Others (specify)
28.a Any shift in the line of activity after becoming entrepreneur

  a. Yes □  b. No □

  b. If ‘Yes’, give details.

V. Performance

29a. Total amount invested on fixed capital:

  b. Total amount invested on Working capital:

c. Does these sufficient for your need: WCapital Yes No

d. FCapital Yes No

e. If ‘not sufficient’, what is the deficit: WCapital :

f. FCapital:

g. Sources of Capital

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<thead>
<tr>
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<th>Fixed Capital</th>
<th>Working Capital</th>
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<tr>
<td>1. Own fund</td>
<td></td>
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<tr>
<td>2. Borrowed fund</td>
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<td>3. Subsidy/grant/aid</td>
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30. Acquisition of fixed assets over the period. (Indicate the trend)

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<tbody>
<tr>
<td>a. Land and building</td>
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<td>b. Machinery (New/second hand)</td>
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<td>c. Tools and equipments</td>
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<td>d. Others (specify)</td>
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31. Details of Working Capital. (Indicate the trend)

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<td>a. Wage bill</td>
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<td>b. Maintenance and repairs</td>
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<td>c. Raw material purchase</td>
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<td>g. Interest</td>
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<td>h. Rent</td>
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<td>i. Any other (specify)</td>
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32. Output, Sales, Profit, Cost- Period wise. (Indicate the trend)

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<td>a. Annual total production</td>
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<td>d. Inventory Stock</td>
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<td>e. Total production cost</td>
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<td>g. Total profit</td>
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<td>h. Price per unit</td>
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<td>i. Cost per unit</td>
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b. Capacity utilisation (indicate the trend)

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<td>a. Total capacity of production</td>
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<td>b. Capacity utilisation (%)</td>
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33a. Do you wish to expand the capacity to produce:

   a. Yes □    b. No □
b. If ‘No’ what are the bottlenecks.
   a. Transport  
   b. Financial  
   c. Labour  
   d. Legal  
   e. Competition  
   f. Technology  
   g. Others (specify)  

c. If ‘yes’ state the future plans:

34. Source of raw materials:
   a. Local purchase  
   b. State  
   c. South India  
   d. National  
   e. Government quota  
   f. Imported materials  
   g. Others (specify)  

35. Transportation is by own vehicles:
   a. Yes  
   b. No  

VII. Employment

36. Total number of labourers employed:
   a. Permanent employees: Male  Female  Total  
   b. Temporary employees: Male  Female  Total  
   c. Casual workers: Male  Female  Total  

37. Source of labour:
   a. Local  
   b. Rest of the state  
   c. Tamil Nadu  
   d. Other states  

liii
38a. How is wage fixed?
   a. Time base  
   b. Piece wage  
   c. Others (specify)  

b. Incase of ‘time wage’ (monthly)
   Highest wage :  
   Lowest wage :  

39. Incase of piece wage give a description about it.

40a. Do you revise wage periodically:  
   a. Yes  
   b. No  

b. If ‘Yes’ specify the mode of revision.
   a. Annually  
   b. biannually  
   c. Once in three years  
   d. Others (specify)  

c. Whether any special training is given to your managerial personnel
   a. Yes  
   b. No  

d. If ‘Yes’ specify the type of training given.

41a. Whether any special training is given to your non-managerial personnel
   a. Yes  
   b. No  

b. If ‘Yes’ specify the type of training given.

VI. Strategies Adapted

42. Explain the pricing strategy followed:  
   a. Markup  
   b. Average cost  
   c. Skimming  
   d. Penetration  
   Others  
43a. Do you have adaptability and responsiveness to change in demand:
   a. Yes ☐ b. No ☐

   b. If ‘Yes’ specify

44a. Do you spend money in advertisement/publicity/propaganda etc.:
   a. Yes ☐ b. No ☐

   b. If ‘Yes’ mention the amount annually spent:

45a. In the case of production, schedule of production adopted:
   a. Continuous ☐ b. Seasonal ☐
   c. Batch ☐ d. Others (specify) ☐

   b. If ‘seasonal’ state the reason for it:

46a. Have you attempted to improve the quality of the product/change market:
   a. Yes ☐ b. No ☐

   b. What changes in quality

   a. Ingredients ☐ b. Production method ☐
   c. External appearance ☐ d. Packing ☐ e. Others (specify) ☐

47a. Basis of production
   a. On demand ☐ b. On order ☐ As per production schedule ☐
b. If it is ‘on order’, orders are:

a. Sufficient □

b. Insufficient □

c. Too much and cannot meet them on time □

c. Others (specify) □

48. In the case of marketing strategy, what feedback system do you follow to know the response of the market to the product.

a. Periodical market survey □

b. Regular feedback from the dealer/agency □

c. No proper feedback □

d. Others (specify) □

49a. Market for the product:

a. Local area only □

b. State wide □

c. Nation wide □

d. International □

b. Channel of distribution:

a. Zero level □

b. Two level □

c. Three level □

d. Others (specify) □

50a. Basis of sales

□

a. Cash basis □

b. Credit basis □

c. Credit and cash □

d. Others (specify) □

b. If ‘credit’ mention the period and amount of credit:

51a. Monthly sales trend in 2005-06 (optional)

b. Expected sales trend in the future 5 years
52. Have you any plan to diversify your business
   a. Yes □   b. No □
53. Do you wish to start any new enterprise in the near future
   a. Yes □   b. No □
54. What is your future investment plans

VIII. Problems

55. Instances of stoppage of production in No. of days

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<td>a. Break down of machinery</td>
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<td>b. Labour problem</td>
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<td>c. Lack of raw materials</td>
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<td>d. Poor quality/quantity and failure of power</td>
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<td>f. Lack of working capital</td>
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<td>g. Lockout/Layoff</td>
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<td>h. Others (specify)</td>
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56. In case of labour militancy, how does it affect the functioning of the firm?
   
a. Increasing cost     
b. Affect the volume of production 

c. Affecting the quality of the product
   d. General indiscipline

e. Cannot meet the demand on time
   f. Others (specify)

57a. Have you taken disciplinary action against any one in the last two years.
   
a. Yes
   b. No

b. If ‘Yes’ how did it affect the functioning of the firm.
   
a. Positively improved
   b. Negative impact
   c. Any other (specify)

58. What are the reasons for labour problem
   
a. Demand for higher wages
   b. Demand for better service conditions
   c. Demand for participation in management
   d. Demand for profit sharing
   e. Demand for the recognition of the trade union.
   f. Others (specify)

59. What are the problems in getting loan.
   
a. Delay
   b. Too much formalities
   c. Non Co-operation of the officials
   d. Others (specify)
60. Period of instalment


61. Amount to be paid in each instalments.

62. Annual rate of interest to be paid:

63a. Are you prompt in repaying the loan

   a. Yes □   b. No □

   b. If no, state the reason

   a. Tight repayment schedule □   b. Losses

   c. Poor turnover □   d. Insufficient profit □

   e. Diversion of fund □   f. Others (specify) □

   c. Incase of default how many installments are pending

64a. Do you get the required quantity of raw material.

   a. Yes □   b. No □

   b. If ‘no’ what are the usual problems in procuring the raw materials.

   a. Price variation □   b. Poor quality □   c. Irregular supply □

   d. Import restrictions □   e. Bank clearance □   f. Others (specify) □

65a. Do you find the problem of transporting of raw materials/produced goods.

   a. Yes □   b. No □

   b. If ‘Yes’ specify the exact nature of the problem.
66. What are the problems related to power supply.
   a. High price
   b. Shortage in supply
   c. Poor quality (voltage fluctuations)
   d. Others (specify)

67a. What are the major problems in marketing your products.
   a. Lack of demand
   b. Face severe competition
   c. Too much of credit
   d. Inappropriate marketing arrangements
   e. Government policy
   f. Others (specify)

68a. In case of a subcontracting unit, are their enough orders from the parent industry
   a. Yes
   b. No

b. If ‘no’ state the reasons.

69a. In case of partnership, do the partners participate in.
   a. Tour
   b. Get together
   c. Conferences
   d. Others (specify)

b. Do you take decisions individually or jointly.
   a. Yes
   b. No

C. Do you have differences of opinion that affect the functioning of the firm.
   a. Yes
   b. No
d. If ‘yes’, how do you solve them?
   a. through friends & relatives  
   b. mediators  
   c. direct talk  
   d. legal measures or advise  
   e. others(specify)  

70a. Did you face any time delay in implementation of the project.
   a. Yes  
   b. No  

b. If ‘yes’ mention the reasons for delay

71a. Are you in any way affected by the liberalisation/globalisation/dereservation policy etc. of the government.
   a. Yes  
   b. No  

b. If ‘Yes’ State the ways in which you are affected.

72a. Are you in any way affected by the introduction of VAT :
   a. Yes  
   b. No  

b. If ‘yes’, mention the ways in which you are affected :

73a. Do you feel that you could perform better if your factory were outside Kerala:
   a. Yes  
   b. No  

b. If ‘Yes’ substantiate your arguments

74a. Are you a member of small entrepreneurs association.
   a. Yes  
   b. No  

b. If ‘yes’ what benefits you gain from being a member
   a. Marketing
   b. Pricing
   c. Legal matters
   d. Labour relations.
   e. Tax issues
   f. Others (specify)

c. If ‘no’ what prompt you to stay outside.

IX. Reasons for Sickness (for sick units only)

75. For how many years did your unit function profitably
   a. Less than 1 year
   b. Less than 2
   c. Less than 3
   d. Less than 4
   e. Less than 5
   f. More than 5

76a. Have you applied for getting your unit registered as sick:
   a. Yes
   b. No

b. If ‘Yes’ state the year of application

c. What is the reason for applying.

77a. Have you got any help from the government or financial institutions to revive.
   a. Yes
   b. No

b. If ‘Yes’ mention the nature of help received.

78a. What is the total asset of the unit.

b. What is the total amount of liability of the unit.

c. In case of liability greater than the assets how will you overcome the deficit.
79. What are the reasons for the sickness.

   a. Wrong selection of location
   b. Selection of technology
   c. Choice of product
   d. Severe competition
   e. Delay in starting the project
   f. Inappropriate marketing arrangements
   g. Raw Material scarcity/cost/poor quality.
   h. Delay in getting funds on time
   i. Shortage of working capital.
   j. Shortage of energy /cost/poor quality
   k. Labour problems/shortage/highwage
   m. Transportation problems
   n. International changes
   o. Failure of parent institutions
   p. Personal problems
   q. Any others (specify)
80a. Do you have any hope of reviving your unit

   a. Yes □  
   b. No □

b. If ‘yes’ what measures are to be taken:

81. What is your opinion about the functioning of small enterprises in Kerala.

   a. Very poor compared to other states □
   b. Performance is poor but improving □
   c. Performance is worsening □
   d. Opportunities are less □
   e. Policies of the state are not supporting □
   f. Any other (specify) □

82. What is your opinion about the functioning of small enterprises in other states.

83. What are your suggestions for a better performance of the small enterprises in Kerala.