CHAPTER I
INTRODUCTION AND DESIGN OF THE STUDY

1.1 INTRODUCTION

The government of India directed each and every district Industries centre for the rapid development of small scale industrial units. The DIC programme was started on May 8th 1978 with a view to providing an integrated administrative framework at the district level of the promotion of small scale industries in rural areas.

DIC is an institution at the district level that renders all services and facilities to the SSI units in the district under one roof, so that, they may set up small-scale and village industries. The services and facilities include economic investigation of the potential for development identification of suitable schemes, the preparation of a feasibility report, arrangement for the supply of machinery, the provision of raw material, quality control, research and entrepreneurial training. The main purpose of this programme has been to minimize facilities. Suitable powers have now been delegated by several departments of the state government to DIC, so that an entrepreneur may get
all the assistance he needs, from a single agency. Efforts have been made to cover each district in the country, with a District Industries centre.

1.2 STATEMENT OF THE PROBLEM

A major thrust of the industrial policy pursued in India during the last five decades has been in the areas of growth and promotion of the small scale enterprises along with those of the large scale industries. The role of such enterprise in India's industrial development was very significant. This way due to the fact that they provided immediate large-scale employment and had a relatively higher labour capital ratio; they required a shorter gestation period and relatively smaller market to function as economic units. They needed lower levels of investments and offered a method of ensuring a more equitable distribution of the national income. This facilitated an effective mobilization of the resources of capital and the skills which might otherwise remain unutilized. They stimulated the growth of industrial entrepreneurship and promoted a different pattern of the ownership and the location of the industries.

Small scale industries were therefore, rightly accorded a top priority in India, small industries could achieve economic growth faster in view of
their small gestation period, high employment potential and relatively limited financial requirements. In a developing nation like India, where population was high and incomes were low, it is absolutely necessary to develop the small industries sector which could absorb more manpower even at low levels of capital.

The District Industries Centre constitutes an institutional device to place the industrial infrastructure at the door-step of the entrepreneurs and to tackle the problems of the small-scale sector through an integrated approach. The District Industries Centre has been entrusted with the responsibility of planning for the balanced development of small-scale industrial units.

A few studies have been made on various programmes and incentives to small-scale industries as well as on the promotional activities of the District Industries Centre at the macro and the micro levels. Though these studies made an attempt to indicate deficiencies of various schemes including those of the District Industries Centre, they did not evaluate the performance of the small scale industries development at district level. Hence, the present study entitled “A Study on the Role of District Industries Centre in the Development of Small Scale Industries in
"Tirunelveli District", is an attempt in this direction with special reference to Tirunelveli district of Tamilnadu.

1.3 REVIEW OF LITERATURE

For any research, a review of the past studies related to the subject is useful in several ways.

The promotion of industries in rural areas has been one of the important objectives of the industrial policy of rural development in India. It was realized that the objective could be attained, to a great extent, through the promotion of small-scale industries.

To look at the problem of rural industrialization, DIC was launched. The major functions of DIC are to identify potential entrepreneurs, prepare industry profiles, provide technical consultancy and support for getting finance through loans and subsidies from the public sector banks and government, arrange for the supply of raw materials, provide guidance in marketing of products and impart training to the entrepreneurs.
Here an attempt is made to review some of the studies connected with the problems of small-scale industries and the role of DIC in the promotion of small-scale industries.

G. Balakrishnan\(^1\) (1961) in his study "Financing small industries in India 1950-52", analysed the experience of joint stock companies in finding finances and found that they had low carrying capacity due to the high cost of production and the high rate of interest.

R.V.Rao\(^2\) (1967) in his study, “Small-scale industries and Planned Economy”, made a vigorous appeal to promote small-scale industries for the industrialization of India. The study pointed out the role of cottage and small-scale industries in India and also discussed in detail the meaning, scope and relevance of small-scale industries in India’s development.

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\(^1\)Balakrishnan, G. *Financing Small Industries in India 1950-52*. Asia publishing House, Bombay, 1961, p.73.

J.N. Mishra\(^3\) (1968) in his study, "Small scale and cottage industry in Saugar District", found that industrialists preferred a bania, a private money lender, to a co-operative bank for meeting their financial needs in order to avoid the complicated formalities, cumbersome procedures and undue delay in getting loans from banks.

On the basis of a survey conducted by the Central Small Industries Organisation\(^4\) (1969), the Administrative Reforms Commission, stated that twenty percent of the financial requirements of small units were met by institutional sources.

A booklet entitled, “A Study of National Small Industries Corporation- H.P. Scheme\(^5\)” (1972), in the states of Mysore and Andhra Pradesh, undertaken by the small industries extension training institute, Hyderabad, indicated that in the case of larger towns, the assistance per unit was much more and it gradually diminished as the town size decreased. It


was also observed that sophisticated and expensive machines were used more in bigger towns than in smaller towns.

D. Kopardekar\textsuperscript{6} (1974) in his study, "Small sale industries", attributes excess capacity remaining unutilized in small firms to the lack of finance. Lack of finance, especially shortage in working capital, leads to inefficient utilization of the installed capacity. Inadequate funds lead to inconsistent operation of the units. Many units are not in a position to apportion funds to fixed and working capitals.

The study “Finances for Small Scale Industries in India” undertaken by professor K.T. Ramakrishana\textsuperscript{7} (1975), pointed out the nature and magnitude of financial problems faced by the small–scale industrial sector of India and the role of the government, the State Financial Corporations and Banks financing this sector. The methods of financing by several countries like Japan, the U.S.A., the U.K., countries in Europe, Canada, Australia and the like were highlighted in the study.


\textsuperscript{7}Ramakrishna, K.T. \textit{Finances for Small Scale Industries in India}, Deep & Deep publications, New Delhi, 1975.
S.P. Mathur\textsuperscript{8} (1979) in his study, "Economics of Small Scale Industries", on the basis of his study in the Agra region reported that finding adequate fixed and working capital was the greatest bottleneck in the growth of small-scale industries.

S.V.S.Sharma\textsuperscript{9} (1979), in his study, “Small Entrepreneurial Development in Some Asian Countries- A Comparative Study”, pointed out that in India, the policy of the State/union territories had hampered the development of entrepreneurship. The policies of Megalaya and Nagaland did not permit outsiders to register their units and as such the States were deprived of external resources for industrial development. In Korea, the government policy tended to encourage the upper and smaller enterprise, ignoring very small business.

\textsuperscript{8} Mathur, S.P. \textit{Economics of Small Scale Industries}, Sandeep Prakasam, Delhi, 1979.

Neela Mukherjee and Amitava Mukherjee\(^\text{10}\) (1980), in their study, “Economics of Small-Scale Industries – Emphasis on Efficiency Dimension”, pointed out that the contribution of small-scale industries to India’s total exports had been fairly stable around 16 per cent. The small-scale industries were 500 per cent more labour intensive than the large-scale industries and the output per worker was much lower in SSI than in the large-scale ones.

T. Subbi Reddy and Bhaskar Reddy\(^\text{11}\), (1981), in their study, “DIC and Development of SSI” had analyzed in detail the role of functional managers and evaluated critically their activities, giving valid suggestions.

Sekhar A.Uday\(^\text{12}\) (1983), in his study, “Industrial Location Policy–The Indian Experiences”, observed that the location policies were successful in narrowing the disparities of industries’ locations in different states. The study also concluded that for India as a whole, the degree of concentration of

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employment in household industry had declined substantially between 1961 and 1971. However, the non-household industry maintained its level of concentration during the period.

R. Neelamegam\textsuperscript{13} (1983) in his study of institutional financing for small–scale industries analyzed various types of financial assistance offered to the small–scale units is Tamil Nadu. He dealt with the role of the national small industries corporation, the industrial development bank of India, the small industries corporation, the state financial corporation, co-operative banks and commercial banks in assisting small scale industries.

Hrishikesh Bhattacharya\textsuperscript{14} (1984) in his study, "Entrepreneur, banker and small scale industries", conducted a study on the problems faced by the small-scale entrepreneurs located in Howrah and Calcutta of West Bengal. All the units were bank–assisted units. The study found that the need for proportionate increase in capital was inversely related to the size of the small firms. It was also observed that the smaller the firm, the lesser as its chance to command finance from banks in the absence of any track record of past


\textsuperscript{14} Hrishikesh Bhattacharya, \textit{Entrepreneur, Banker and Small Scale Industry}, Deep and Depp publication, New Delhi, 1984.
years’ performance. The bank managers felt reluctant in sanctioning the required amount of loan because they were unable to judge the capability of prospective borrowers on the basis of projections only.

Thanulingom\textsuperscript{15} (1984), in his study, “Small-scale Engineering Industry in Coimbatore Region – A Study of Inter-Relationship with Large-Scale Industry”, pointed out that the factors that influenced the entrepreneurial development were previous occupation in industry, favourable demand for products, location near the residence of the entrepreneur and previous working experience in large-scale units.

The study undertaken by T. Venkateswara Rao\textsuperscript{16} (1987), entitled, “Impact of DIC Programme on Rural Industrialization – A Study of Two Districts” revealed that the growth of small-scale industries in terms of number of units, employment and investment was more in Renga Reddy District compared to Mahabubnagar District. This implied that the agglomerative factors such as nearness to the city, market and infrastructure


facilities had helped Renga Reddy District to achieve higher industrial growth. The pattern of industrialization had been changing from traditional to modern in the case of Mahabubnagar District, whereas in Renga Reedy district modern industrialization had been continuing over the period, because of its locational advantage.

The study undertaken by Jayalakshmi Kumpahla\(^\text{17}\) (1987), entitled, “Role of DIC in TRYSEM revealed that the performance of DICs showed a steady increase in the number of SSI and artisan units established and in the generation of additional employment opportunities, except during the year 1983-84, when the new scheme for providing self-employment to educated unemployed youth, had just commenced. The study also revealed that about 23 percent of the total additional employment opportunities created under DIC programme, had gone to SC/ST communities.

I. Satya Sundaram\(^\text{18}\) (1988), in his article, “What ails DICs?”, pointed out that there should be better co-ordination among all government and non-official organizations so that DIC could provide a single window for


entrepreneurs and serve as a focal point for industrial promotion. The district industries centres should be treated as autonomous bodies by the state government. They should be permitted to handle the procurement and supply of input and take up marketing functions.

M. Sahney\(^1\) (1988), in his article, “Need for Technical Support in DICs”, stressed that DICs should have a complement of technical people, covering various disciplines and with experience in small industry operations in more common products in their respective disciplines, on the lines of the Small Industries Service Institution (SISI). While these people should be encouraged to widen their area of expertise, there should also be a national roster of specialists in specific product technologies. While the former would act as general practitioners, the latter would render specialized advice when called for.

The Indian Institute of Management\(^2\) (1988), in a study conducted in Andhra Pradesh entitled, “Evaluation of DIC Programme-Andhra Pradesh”,

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observed that the single window committee of DIC recommended and requested fast action as DICs had no powers to hasten and clear up delayed cases. Several entrepreneurs in every DIC had their cases long pending with developmental agencies and local bodies due to the indifferent attitude and the lack of sympathetic understanding of entrepreneurial problems.

Y.S. Yoosuf Khan\(^1\) (1988), in his study “Problems of Small Scale Industry: A Study with Special Reference to SSI units in Tirunelveli” found that the paucity of fund caused the small–scale units to organize more and more concerns under partnership, to pool together the resources of the partners. Fifty-five percent of the sample units studied required financial aid for their day–to–day running expenses and only 7.5 percent for expansion purposes. The nationalized banks in the region accounted for 40 percent of the total institutional assistance given to small–scale units.

R. Natarajan\(^2\) (1989), conducted a study on “Institutional Financing for Small Scale Industries” in Andhra Pradesh which shows that the Andhra


Pradesh State Financial Corporation and banks gave increasing proportions of credit to SSI. Inter-firm comparison was absent in their appraisal as also the to build up of relevant data on the performance of firms. An increasing proportion of bank loans was disbursed for working capital.

R. Natarajan\textsuperscript{23} (1989), in his study “Institutional Finance for Small Scale Industries” observed that all institutions were engaged in promotional finance and fixed capital finance of SSI units but special institutions were not floated to provide working capital loans. The promotion of SSI units was encouraged by installation of fixed assets and by many financial institutions, but post–promotional financial requirements for meeting day-to-day business needs were completely ignored by them.

The study conducted by the Government of India\textsuperscript{24} (1989), entitled, “Self –Employment Programme for Educated Unemployed Youth – An Evaluation Study in two districts of Andhra Pradesh”, pointed out that the beneficiaries acquired confidence which they lacked earlier. If they were

\textsuperscript{23} \textit{Ibid.}

\textsuperscript{24} Government of India, \textit{“Self Employment Programme for Educated Unemployed Youth – An Evaluation Study in two Districts of Andhra Pradesh”}, New Delhi, Development Commissioner, Small-Scale Industries January 1989.
given opportunity and support, they could achieve something tangible on their own, besides improving their economic and social status. The study observed that the district industries centres were arranging “marriage” between banker and beneficiary, but they were not concerned with post-marriage problems.

R. Neelamegam\(^{25}\) (1989), in his article, “Employment Potential of SSI Units”, emphasized that with abundant manpower, it was more important to have men mass-produce than machines. During 1975-76 SSI units provided employment to 44 lakh persons and this figure sharply rose to 90 lakhs in 1984-85. The employment potential of SSI was 4.5 times greater than that of large-scale industries for the same amount of investment in fixed assets.

L. Reddappa Reddy\(^{26}\) (1989), in his study, “Role of DIC in development of Small industries in Chittor District of Andhra Pradesh” analyzed the various incentive schemes applicable to SSI units. He suggested that DIC should streamline the administration of incentive


schemes, particularly the subsidy scheme, relating to the small-scale industries, in accordance with local conditions and needs.

R Neelamegam\textsuperscript{27} (1990), in his article “Small Business Financing” emphasized the fact that small firms suffered for want of capital. Inadequate capital resulted in less investment on labour saving devices, resulting in less productivity and profit. The short life span of small firms was attributed to inadequate capital.

Mithilesh Kumar Mishra and Anup K. Karan\textsuperscript{28} (1990), in their research paper entitled “Sickness in Small Industries: A Case Study” state that the two major factors for the sickness of small scale industries are lack of adequate and timely working capital and lack of marketing facilities. They found that the lack of technical know-how, shortage of improved machinery, labour problems, irregular power supply and erratic powercuts, fluctuation in prices of raw materials and inadequate arrangements for consultancy acted as checks on the growth of the units.


G.R. Sharma²⁹ (1990), in his article “Role of NABARD in Small – Scale Industries” pointed out that the prosperity of the country specially the rural areas, depended on the harmonious growth and development not only of agriculture but also of small-scale industries. As the apex bank for agriculture and rural development, it was the paramount task of NABARD to accelerate the process of all round development in the country. The National Bank formulated various schemes for the flow of credit to village/cottage and small-scale industries through commercial banks, co-operative banks and regional rural banks. Such assistance paved the way for the growth of small-scale industries.

K.S. Shetty\(^{30}\) (1990), in his article entitled, “District Industries Centre Programme – An Appraisal” critically analyzed the various programmes of DICS. The study revealed that the

i) DICs were not fully manned as per the restructuring norms.

ii) DIC functionaries got more involved in regulating rather than promotional work.

iii) Proper information, guidance, extension and training services for setting up small-scale industries were not available and

iv) Units were facing difficulties in obtaining inputs like raw materials.

Dilip R.Shah\(^{31}\) (1990), in his study entitled, “Boosting Rural Industries through DIC, A Case Study” suggested that the tempo of rural industrialization could be boosted by reducing the gap between the schemes of DIC and their actual operation.


Umesh C.Patnaik\textsuperscript{32} (1990) in his study, “Contribution fo DIC Programme to SSI in India” pointed out that after launching DIC programme, the growth rate of SSI sector was less, particularly in the case of export and employment generation.

The study in Cuddapah District undertaken by L. Reddappa Reddy\textsuperscript{33} (1990), entitled “Rural Industrialization – Role of District Industries Centre”, revealed that the total number of entrepreneurs identified in the district had been showing a diminishing trend year after year. However, the study indicated that the performance of DIC, in respect of training programme, was satisfactory.

C.S. Adhikari and Narendra Singh\textsuperscript{34} (1990), in their article entitled, “District Industries Centre Restructuring”, highlighted the various arrangements in terms of organizational structure, function, powers of DICs


and examined critically the workings of DICs and suggested possible remedial measures.

T.S. Chandrika\textsuperscript{35} (1990), in her dissertation, “A Study of DIC in Madurai District during 1980-90”, has analyzed the various schemes of DIC. In her conclusion, she suggested that there should be a branch office of DIC at each and every taluk headquarters to promote the small-scale units. Further, it was suggested that various schemes of DIC should be given wide publicity.

A. Subbiah\textsuperscript{36} (1990), in his study “Financing of small scale Industries by State Bank of India: A Study with Special Reference to Sattur Branch” stated that there was delay in the sanctioning of loan and subsidy to small-scale units. The State Bank of India could not achieve its target of disbursement of loans to small scale units due to non-materialization of some new proposals. Match factories were not fully utilizing the cash credit limit sanctioned to them.


M.S. Kallur and M.S. Chandakavata\textsuperscript{37} (1992), in their case study entitled, “Role of Subsidies in Self-Employment Promotion, A Case Study”, stated that ‘subsidy’ would prove to be a more powerful instrument of policy to motivate unemployed people towards self employment, provided sufficient care was taken in the selection of beneficiaries. Subsidy is only a necessity but not a sufficient condition for the success of self-employment schemes. Therefore, the need of the hour was a well-conceived and systematically implemented ‘subsidy schemes’ not leading to the squandering of the scarce resources.

Sharma and K.C. Taneja\textsuperscript{38} (1992), in their article, “What Industrialization has done to Rural Areas” pointed out that in the entire manufacturing sector, the factories located in the rural areas generated more employment and that too at a comparatively cheaper rate, whereas contribution to the manufacturing sector per factory was almost of the same order both in the rural and the urban areas, as measured through value added. The entrepreneur was, thus, not likely to be adversely affected. Besides, the


other advantage was that value of output per unit of input was also of the same order. This implied that the raw material at the source could also be gainfully utilized, without incurring transportation charges and with minimum time lag in procuring the raw materials, resulting in timely, if not expeditious, production and supply to the ultimate consumer.

The study undertaken by A. Muralidhar Rao\textsuperscript{39} (1992), in Andhra Pradesh entitled, “Role of DICs in Rural Industrialization – Some Issues” revealed that DICs had exceeded the targets in setting up the number of SSI and tiny units, in employment generation and training of entrepreneurs in all the 23 districts of Andhra Pradesh. The study concluded that DICs had fulfilled all their basic objectives.

A.R. Sen\textsuperscript{40} (1992) in his work, “Appraisal and Administration of Small Industries Loans”, argues that banks lack expertise in handling small industries accounts and have a natural aversion to them because of high risk

\textsuperscript{39}Muralidhar Rao, A. “Role of DICs in Rural Industrialization- Some Issues”, \textit{Kurukshetra}, New Delhi, Vol.XLI, No.2, November 1992, pp. 16.17.27.

\textsuperscript{40}Sen, A.R. \textit{Appraisal and Administration of Small Industries Loans}, Allied Publishers Limited, Bombay 1992.
and high mortality. Banks have to take precautionary measures to cover deficiencies at the time of appraisal and also during actual operations.

M. Altaf Khan\textsuperscript{41} (1993), in his paper “Industrial sickness and Revitalization Through Banks” mentions that the banks and financial institutions which extend loan assistance were to be held responsible equally for the sickness of the SSI units, for the want of proper analysis of very optimistic sale projections, for the laxity of control for the diversion of funds, for the ineffective credit supervision, permitting delays in submission of statements, returns and financial statements and inadequate credit assistance.

M.S. Chikkara’s study (1994)\textsuperscript{42} titled “Role of Banks and Financial Institutions vis-a-vis Consultancy Needs of SSIs”, represents the evolution of non-financial role for the financial institutions and banks for the promotion and healthy growth of small scale enterprises.

\textsuperscript{41}Altaf Khan, M. “Industrial Sickness and Revitalization Through Banks”, \textit{SEDME}, Vol. XX, No.1, March, 1993, pp. 47-57.

\textsuperscript{42}Chikkara, M.S. “Role of Banks and Financial Institutions, Vis-a-Vis Consultancy Need of SSI”, \textit{SEDME}, Vol. XXI, September, 1994.
M. Upaulthus Selvaraj\textsuperscript{43} (1994), in his article “Financial Incentives and Small Industrial Units in Madurai District: A Survey” found that the entrepreneurs of small industrial units had reasonable knowledge of the existence of long term financial incentives and subsidy assistance. As to the availing of financial assistance, nearly seventy percent of the small scale units had made use of both the long term and the short term financial incentives. He states that the deplorable feature was found in the availing of subsidy assistance. Only 15 percent of SSI units had availed of such assistance. The industry-wise analysis laid that chemical industrial units followed by engineering and textile units availed themselves of long-term finance to a greater extend. Engineering units availed of short term financial assistance to greater extend followed by the textile units in Madurai district.

K. Nirmala\textsuperscript{44} (1994) in her study “Problems of Small Scale Industries: A Study with Special Reference to Sattur Taluk”, analyzed the problems of production, marketing and finance for the small scale industrial units. She


\textsuperscript{44}Nirmala, K.\textit{Problems of Small–Scale Industries – A Study With Special Reference to Sattur Taluk"}, M.Phil. Dissertation submitted to Madurai Kamaraj University, 1994.
states that the lack of timely finance was responsible for the problems of production and marketing in small scale industrial units.

A study was undertaken by the National Institute of Bank Management\textsuperscript{45} (1995), titled “Are our SSI units receiving Adequate Institutional Credit”. This study aimed at identifying the credit-related problems faced by SSI units. The findings of this study are: the inadequacy of credit limits sanctioned, increase in interest rate, insistence of banks on adequate security including collateral, and delay in sanctioning or disbursement of loans.

C. Thilaka\textsuperscript{46} (1996), in her study “A Study of Financing of Select Small Scale Industries by Commercial Banks in Tamilnadu” states that one of the important problems of the small scale industries was bank finance. Restriction on term loan facilities to small scale industries acted as a stumbling block in the promotion of SSI units. She states that commercial banks provide only 75 percent of the financial needs of the small scale

\textsuperscript{45}National Institute of bank Managements, “Are our SSI units receiving Adequate Institutional Credit”, \textit{Productivity}, Vol.36; April-June, 1995.

industrial units. Further the borrowers complained that they had to visit the bank more than ten times for getting their loans.

James and William\textsuperscript{47} (1996), in his study "Managing the Small to Medium Sized Company Concept and Cases", in their work emphasize the challenges of managing cash flow in times of rapid growth and find that it is imperative for small business managers to use a sound cash flow strategy in building their companies.

The Abid Hussein Committee\textsuperscript{48} (1997), in its report observed that the access of small scale enterprises to credit is inadequate and hence the existing institutional structure needs a thorough overhaul. The committee endorsed the recommendations of the Nayak Committee for providing twenty percent projected turnover as working capital finance by banks to SSI. The plan of the government of the local area banks and specialized branches for the SSI’s was endorsed by the committee.


Hrishikes Bhattacharya’s (1997)\textsuperscript{49} in his study "Banking Strategy Credit Appraisal and Lending Decision", work emphasizes the adoption of a total systems approach to firms, a proper understanding of which will enable a banker to assess the correct working capital requirement of a small industrial unit.

D.G. Rudramurthy\textsuperscript{50} (1997) in his study titled “Institutional Finance for the Development of Small Scale Industries in Karnataka”, this study made an attempt to analyze the pattern, trends and magnitude of financial assistance to the SSI sector in Karnataka. The study also evaluates the impact of institutional finance on industrial development and assesses the financial problems of the entrepreneurs and the nature of dependency on financial institutions.

K. George Verghese\textsuperscript{51} (1998), in his paper “Leading Issues in Credit Flow to SSI Sector is Finance for Small Enterprise in India” states that


focus on the limited impact of policies on the SSI sector in India is mainly due to the isolated treatment accorded to the SSI sector. The SSI sector needs a renewed thrust, enhancing credit flow by drastically improving the problem areas of administration, personnel, entrepreneurial development and infrastructure in the dispensation of credit.

P. Ganesan\textsuperscript{52} (1998), in his study “Public Sector Banks and Priority Sector Advances: A Critical Analysis” states that the priority sector credit from banks rose from ₹765.11 crores in December 1969 to ₹61,794 crores in March 1995, registering an average annual growth rate of 19.20 percent. The advances of public sector banks to the small scale sector as a percentage of the total bank credit increased to 16.60 in 1997 from 9.78 at the end of 1969. He suggests that to enhance the credit flow to small scale industries, banks should adopt a simplified approach to the assessment of the working capital requirements.

D.D. Mali\textsuperscript{53} (1998) in his paper, “Development of Micro Small and Medium Enterprises in India: Current Scenario and Challenges” stresses the need to bring about attitudinal change among the officers of banks and financial institutions for improving the credit flow to the small and medium enterprises and micro enterprises.

K. Ramesh\textsuperscript{54} (1998), suggested in his study "Bank Finance for SSI Credit – The Regional Dimension", the redistribution / opening of specialized branches in credit deficit states with a special thrust on financing micro enterprises. He acknowledges that the flow of credit would critically depend upon the availability of infrastructure and support services for SSI.

K.M. Shahjahan\textsuperscript{55} (1999), in his study "Priority Sector Bank Lending How Useful", finds that the banks have surpassed the priority sector target of 40 percent by only widening the area of the priority sector and not by


financing the core priority sector. Diversified lending to areas within the priority sector has pushed down the total non-performing assets of banks.

Kiran Sankar Chakraborthy and Alok Pramanik,56 (1999) in their study, “Sickness in small scale Industries of North–Eastern Region”, found that inadequate working capital supply by financial institutions, including banks, complicated banking procedure, the gap between the application for loan and the disbursement of money or the multiplicity of procedures and the like came in the way of the smooth functioning of the small enterprises. A greater positive role has to be played by the reserve bank of India through its sick industrial undertakings division for the re-orientation of the attitudes of the banks and other financial institutions operating in the backward areas for assisting and rehabilitating sick units.

Adwait Mohantly and Jyotirmayee kar57 (1999) in their article, “Credit Rationing and SSI units” analyzed the impact of credit rationing


undertaken by banks in financing SSI units. They observe that small scale units largely encountered the working capital rationing imposed by banks.

V.Balasubramanian\textsuperscript{58} (2000), in his dissertation, “A Study of Industrial Development in the Composite Ramnad District”, suggested that DIC should make arrangements for adequate supply of raw materials and take more efforts to help the entrepreneurs to market their finished products, instead of simply directing them to approach SIDCO. It was also suggested that at least 40 percent of the project cost should be granted as margin money assistance, instead of the present 25 percent.

Neelamegam and R. Maria Inigo\textsuperscript{59} (2000), in his study "Managing Small Industries with strong Equity", on a sample of 150 units drawn from Coimbatore, Madurai and Sivagangi districts. One of the findings of the study was that nearly half the sample units (Constituting 49.3 percent) had availed of loans exclusively from banks and financial institutions. A distinct finding of the study was that 24 units did not avail of financial assistance from any source but used their own funds. Out of the 150 units surveyed


107 units accounting for 71.3 percent benefited from finances from banks and financial institutions. The study observed that only 16.7 percent of the sample units had the knowledge of the venture capital assistance provided by public as well as private sector banks. Further, only a paltry portion of two percent availed themselves of the assistance under such funds. Fourteen percent of the sample units had knowledge of the equity financial schemes of the SIDBI. It was also found that the units in the backward districts were more dependent on loans from banks/financial institutions than the SSI units in developed districts.

Laxman Singh Sharma\(^{60}\) (2000) in his published thesis on "the Role and Contribution of the Reserve Bank of India", in financing Indian Industry and its impact on growth observes that SSI have made remarkable progress in the utilization of credit and contributed to national production in a big way. Bank credit and the growth of an industrial unit are interrelated. Banks have to assess the need of the SSI borrower through current ratio and DSCR and restrict credit facilities to twenty percent of the turnover. The

\(^{60}\)Laxman Singh Sharma, *The Role and Contribution of Reserve Bank of India*, Modern Publishers, New Delhi, 2000,
reserve bank has made banks indifferent in their work relating to SSI by issuing voluminous instructions and guidelines.

Saloni P. Ramakrishna\textsuperscript{61} (2000), in her paper “Mapping the Small Scale Industries: The Creative Way” observes that if the SSI’s were given information support along with adequate and timely finance, their performance could show marked improvement.

Harinath Reddy’s\textsuperscript{62} (2000), study on "Working Capital Management in Small Scale Industries", indicates improper controls on the working capital funding. The preparation of periodical working capital reports at least once a month, better planning to overcome shortages and over trading are some of the steps suggested and above all banks have to monitor the working capital utilization to detect early signs of sickness.

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The S.P. Gupta Committee\textsuperscript{63} (2000) presented a comprehensive picture of the various aspects of the small scale sector and recommended the fixing of investment limits for tiny (upto ₹10 lakh), small (₹10 lakhs to ₹1 crore) and medium (₹1 crore to ₹10 crores) units, and emphasised the need for priority sector lending by banks, reducing interest rate, technology upgradation and price preference to the goods manufactured.

Rajagopalan Nair and P. Vimala\textsuperscript{64} (2001), in their article “District Credit Plans and Financing of Priority Sectors”, analyze the progress of the priority sector lending in the State of Kerala through district credit plans.

J. Revathy’s\textsuperscript{65} (2006), study on the "Financing Pattern of Small Business Units", found that lack of access to credit represents a strong restriction on the expansion of SSI units. Owners perceive financing of their operational activities as their most debilitating constraint.


D.G. Rudra Murthy\textsuperscript{66} (2001), in the unpublished thesis on "Institutional Finance for the Development of SSI in Karnataka State", finds that the availability of institutional finance has not met the demand from the SSI sector. The educational background of the owners had little impact on the running of the units. Proprietary and partnership firms were found to be more prompt and regular in repayment of loans than limited companies. The study suggests the setting up of an SSI mutual fund, more specialized SSI branches and modification of the Narasimham Committee report to suit the SSI sector.

V. Manickavasagam and C. Vethirajan\textsuperscript{67} (2002), in their article “Contribution of Small Scale Industries to the Indian Economy” assessed the role of the small scale industrial sector in augmenting the production and also in earning foreign exchange through exports.


K. Sunder, R. Kumar Gandhi and G. Gangatharan (2002), in his study "The Role of SIDBI in Industries", find that after independence innumerable financial institutions have come into existence and they serve as important sources of finance for industrial projects. The financial institutions have been established at the all India level and at the state level. The paper presents the role of the SIDBI in meeting financial requirements of the SSI though its various loan programmes. The SIDBI is a wholly owned subsidiary of the Industrial Development Bank of India (IDBI). The SIDBI is an apex institution for promotion, financing and development of industries in the small scale sector and for coordinating the function of other institutions engaged in similar activities. The Bank is mainly financing SSI through “Refinance” and “Bills financing” schemes. The performance of bank in providing promotional and development assistance is not so impressive. Therefore it is suggested that banks should widen their horizon of loan assistance to cater to the diverse credit requirements of the small scale units. It has to intensify its lending activities into the areas that is equity assistance, project-related finance and resource support to the institutions engaged is promoting SSI.

Anil Kumar\(^6\) (2002), in his study "Role of State Financial Corporation (SFC) in financing SSI in India during Post Reform Period", said that the SFC’s should make efforts to sanction the loans in a balanced manner for different purposes. More emphasis has to be laid on small size category of loans, because it will help in promoting entrepreneurship development in the country, which is the need of the hour. SFCs should concentrate on the growth of the services sector in terms of loans sanctioned and disbursed, which is considered to be essential for rapid economic growth.

A. Subbiah and K. Navaneethakrishnan\(^7\) (2003), have studied "The Financing of the Small Scale Industries by the Commercial Banks", operating in Virudhunagar district under the Lead Bank Scheme.

The term “commercial bank” at the district level refers to all branches of public and private sector commercial banks operating in Virudhunagar district. Financing small scale industries refers to financing the small scale industrial sector under the Lead Bank Scheme. For the purpose of this


analysis the commercial banks are classified into three categories. They are the State Bank Group, the Nationalized Commercial Banks, and Private Sector Commercial Banks. The result of friedman’s test indicates that there is no significant difference in the performance of commercial banks of different classifications operating in Virudhunagar district in lending to small scale industries.

Hina Sidhu\textsuperscript{71} (2004), in his study, “Industrial Development in the Backward Region: A Case Study of Mehsana District in Gujarat”, pointed out that in Mehsena District of Gujarat, the small-scale industries (SSI) were playing an important role in employment generation. The employment per SSI unit had increased over the year which was contrary to the trend at the national level. The growth rates recorded by SSI sector in the district were higher than in the state. Such was the high growth in industrialization in Mehsana that the number of SSI units located in the district increased from 1.74 percent of the total SSI units in Gujarat in 1993-94 to 436 percent in 2004-05.

Rashid R. Pansare\textsuperscript{72} (2005), in his article “Trends in financing SSI sector in India” explains that the small scale industries play a very important role in India. The small scale industry has been given a priority status in the matter of bank financing. Experience, however, shows that in a significant number of cases, bank branches have departed from the guidelines subjecting SSI units to necessary delay and exposing them to the danger of losing viability.

K. Srivastava, et.al.\textsuperscript{73} (2005), in their article, “Sick SSI units in India: Role of Commercial Banks”, mentioned that though a number of steps were being taken by commercial banks in nourishing SSI units, it was difficult to bring the sick SSI units on to the right track. For example, the industry’s exposure to SSI as a percentage of total advances has ranged between 15 and 18 percent. But the recovery percentage had lowered to about 35 percent, much below the minimum of 60 percent for a viable recycling of funds.


P. Chinnaiyan and R. Nandagopal\textsuperscript{74} (2005), in their study “Accessibility of Bank Finance by SSI: A Case Study” explain that in India the SSI contribute substantially to production, employment and growth in the number of units after the new industrial policy (1996). Small scale industries are viewed increasingly as an important vehicle for meeting both the growth and the equity objectives of developing economies. Employment generated by this sector stood at 185.6 lakh which constitutes 59.8 percent of the total employment in the organized sector of the country. The inability of small scale entrepreneurs to scout for funds results in slowing down their growth, lowering their capacity to internally generate funds thereby leading to the lowering of the retention and recycling of the same. The study shows that the type of ownership of the firm, the age of the units and the socio-economic groups significantly influence the accessibility of bank finance.

N. Namasivayam and S. Ganesan\textsuperscript{75} (2006), in their articles "Financing of Small Scale Industries by Banks", said that the small-scale industries have emerged as an engine of growth in several developed and developing


economies of the world. Commercial banks with their vast network of branches have emerged as an important alternative institutional source for SSI financing. Private-sector banks also play an important role in financing the SSI sector. The total value of credit by public-sector banks exhibits an increasing trend. It was ₹31,542 crore in 1996-97 and ₹48,445 crore in 2000-01 and finally stood at ₹67,639 in 2004–05.

S.M. Chockalingam and J.Sundara Raj \(^{76}\) (2006), in their article “Adequacy of Commercial Bank Credit to Small Scale Industries: An Empirical Analysis” explain that the SSI sector is a major contributor to the country’s industrial economy. The objectives were to access the adequacy of commercial banks finance to small scale industrial sector and to offer suggestions for the smooth flow of commercial bank credit to the SSI sector. The banks are liberal in extending credit to the industrial sector and more particularly to the SSI. Some coordinated efforts should be taken by the government and commercial banks for the smooth flow of adequate credit to SSIs. An adequate credit flow to the SSI sector from commercial banks may

result in making the country a strong industrialized nation and thereby achieving the targeted eight percent GDP growth rate.

B.L. Chandak\textsuperscript{77} (2006), in his study "SSI Credit – Supply side constraints", says that the ratio of SSI bank credit to GDP at current prices declined from 3.0 percent as at the end of the financial year 1998 to 2.6 percent as at the end of the financial year 2004, whereas the overall bank credit to GDP ratio increased from 21.3 percent to 30.5 percent. The world over, it is the SMEs which play a major role in innovation, revitalization of economy and creation of new jobs. Hence it is high time governments realized that adequate and timely availability of working capital is vital for the growth of SSI units. The unusual slide in SSI assistance from bank credit (BC) channels to the SSI sector since late 1990’s reflects downward shifts in the SSI credit risk appetite of banks. Non-bank credit channels are an essential and critical part of the financial intermediation process as a very high proportion of savings, investment and credit in the economy are still managed informally.

Kasturi Nageswara Rao\textsuperscript{78} (2006), in his study "Bank Credit, Redefining Priorities", has showed that the priority sector credit is not uncommon among developing economies. An internal group of the RBI studied the question of priority sector credit and recommended that directed lending has to be continued with respect to small borrowers. Directed lending, if continued, has potential to generate huge employment. Credit to SSI sector has steeply fallen from 13.8 percent of net Bank credit (1995) to 8.2 percent (2004). So has the number of accounts from 29.6 lakh to 18.1 lakh.

K. Kamalakannan and N. Namasivayam\textsuperscript{79}, (2007) in his study "SIDBI and Small Scale Industries", says that the small scale industries in India over the past fifty years have made a significant contribution building a strong and stable national economy. The SIDBI has been playing an important role by operating various schemes of financial assistance to small scale industries. In order to widen its area of operations, the SIDBI should open more branches in district headquarters. Small scale industries have an important


role to play in achieving the plan objectives of increasing industrial production, generating additional employment and reducing regional imbalances of growth. The Small Industries Development Bank of India (SIDBI) was set up for promoting, financing and developing industries in the small scale sector and for coordinating the function of other institutions engaged in similar activities.

A. Subbiah and K. Navaneethakrishnan\textsuperscript{80} (2008) in their article “Small Scale Industrial Units and their Problems” explain that small scale industries have a place of pride in India. These have a high potential, among others, for generating employment, dispersal of man power to semi-urban and rural areas, promoting entrepreneurship and earning foreign exchange. A district industries centre has been set up in each district to serve as the focal point for the development of small-scale and cottage industries. Small scale industrial units play a significant role in the economic development of India.

The number of people employed by the small scale sector increased from 129.80 lakhs in 1991-92 to 192.23 lakhs in 2001-02. Small scale Industries are confronted with problems such as paucity of finance,

difficulties in procuring raw materials and in marketing, and obsolete and 
out-dated technology.

S.C.Lahiry\(^{81}\) (2009), in his article, “Rural Industrialization – An 
Overview”, pointed out that improvement of the economic conditions of the 
rural population was closely linked to the growth and development of rural 
industries. Rural industrialization should continue to be a central component 
of industrial policy and the Khadi and village industries institutions should 
be strengthened in order to meet the challenges posed by rapid 
industrialization and intense competition due to the opening of the economy.

Ratna N. Shettar\(^{82}\) (2011), has attempted to discuss in his study on 
"Perspective on the Problems of Sickness in SSI sector", the growth of SSI 
is spectacular during last five decades (1950-2000). The number of SSI has 
increased from an estimated 8.74 lakh units in 1980-81 to a 32.25 lakh units 
in the year 1999-2000. As per the Third census of SSI, there were 105.2 
lakhs SSI units out of which 13.75 lakhs were registered and the


unregistered units were 91.5 lakh. The productivity and employment potential of unregistered units is relatively high. But the reasons for non-registration are not precisely known. The Small Scale sector is playing a pivotal role in the Indian Economy in terms of employment. It has built up brands that are small, reliable, trusted and local. These tiny brands have remained small in their volume and turn over but are really big in their equity in the markets they operate. Since the tiny sector is the nursery of traditional skills of rural areas and caters to artisans and craftsmen both in rural and urban areas, it should be strengthened. To exploit it's intrinsic merits.

Lalit Sharma, et.al. 83 (2011), in their article on "Kisan Credit Card Scheme: An Analysis since inception", state that agriculture plays a dominant role in Indian Economy. A majority of the population of the country depends on agriculture either directly or indirectly for livelihood. Agriculture credit is one of the most basic and vital inputs contributing to the success of all agricultural development programmes. Therefore, financing for agriculture is an important task because credit is an input. Farmers

\footnote{Lalit Sharma and Mukesh Kumar, "Kisan Credit Card Scheme: An Analysis since inception", \textit{Southern Economist}, February 15, 2011, pp.5-7.}
require credit. It is observed that not only the size of land, but also the cost of production should be taken into consideration while fixing the credit limit and also there should be a link between. Kisan Credit should also be issued for consumption credit combined with production credit. The success of this scheme, is however mainly based on education, of both the farmers and also the bank officials. However, this scheme is a boon to farmers.

1.4 RESEARCH GAP

Review of earlier studies on relating to small-scale industries has helped the researcher to identify the research gap. Studies relating to the role of District Industries Centre (DIC) to the development of SSI in Tirunelveli district are found inadequate. Therefore, an indepth and comprehensive study on role of DIC on the growth of SSI in this respect attempts to evaluate the impact of DIC assistance on the growth of SSI and problems encountered by small-scale industries in Tirunelveli district. Therefore, the present work is some aspects is a follow up work and also claims improvement over the other studies.
1.5 SCOPE OF THE STUDY

The present study attempts to assess the economic evaluation of the development of small-scale industries with special reference to Tirunelveli district. The study is confined to the evaluation of development of small scale industries in terms of block-wise growth, DIC assistance and problems faced. The study does not cover the ancillary units and tiny sectors.

1.6 OBJECTIVES OF THE STUDY

The following are the main objectives of the present study:

1. To analyse the development of small scale industries in Tirunelveli district.

2. To study the needs of small scale industries in terms of employment and investment.

3. To evaluate the effectiveness of various programme and incentives rendered by DIC to small scale industries.

4. To find out the influence of different type of assistance of DIC on production and profit/loss level of the beneficiaries.

5. To discuss the pros and cons faced by the DIC and the beneficiaries and
6. Based on the findings to offer suggestions for the proper development of small-scale industries by getting effective guidance and support of the DIC.

1.7 OPERATIONAL DEFINITION OF CONCEPTS

1.7.1 Small Scale Industry

Small scale industry is defined as a unit in which investment in original value of plant and machinery should not exceed ₹1.5 crore. However, to facilitate technology upgradation and enhance competitiveness, the investment limit has been raised to ₹5 crore in respect of 71 high tech export oriented items in drugs, pharmaceuticals, hand tools and knitwear sectors, etc.

1.7.2 District Industries Centre

The district industries centre was started on the objective to find out the micro small medium enterprise in the district. Also, it helps those enterprises to tackle their hurdles faced by the MSME’s under one roof.
1.7.3 Cottage Industries

Cottage industries are those industries which are setup in rural areas and the products are manufactured by the group of family members.

1.7.4 Subsidy

A benefit given by the government to groups or individuals usually in the form of a cash payment or tax reduction. The subsidy is usually given to remove some type of burden and is often considered to be in the interest of the public.

1.7.5 Food Industry

The food industry is a complex, global collective of diverse businesses that supply much of the food energy consumed by the world population.

1.7.6 Paper Industry

Paper industry comprises companies that use wood as raw material and produce pulp, paper, board and other cellulose based products.
1.7.7 Leather Products

Leather is a durable and flexible material created by the tanning of animal rawhide and skin, often cattle hide. It can be produced through manufacturing processes ranging from cottage industry to heavy industry.

1.7.8 Baking Industry

Food processing industry that produces various type of bread, rolls and baranki products, therapeutic and dietary baked goods, and enriched and un-enriched biscuits.

1.7.9 Bakery

A bakery is an establishment that produces and sells flour based food baked is an oven such as bread, cakes, pastries, and pies.

1.7.10 Capital Subsidy

Under this scheme, subsidy is made available to all the eligible SSI units engaged in manufacturing and non – manufacturing activities except iron and steel, aluminum, smelting, and calcium carbide. In backward blocks the subsidy is 15 percent on the total investment in fixed asset subject to a
ceiling of ₹15 lakhs in respect of units located in 216 backward blocks in Tamilnadu.

1.7.11 Special Capital Subsidy

This subsidy is 20 percent of the total investments in fixed assets subject to a maximum of ₹15 lakhs irrespective of the location of the units in Tamilnadu for the following industries only. Auto ancillaries, drugs and pharmaceuticals, food processing industries, solar energy equipment, gold and diamond jewellery for export only, pollution control equipment, sports goods and accessories, cost effective building material like aluminum or PVC doors.

1.7.12 Power Subsidy

To improve the status of small –scale industries and to encourage more entrepreneurs to venture into the business without reluctance, concessions in respect of power expenses have been provided by the government to all registered SSI units. This subsidy includes low tension power traffic subsidy and generator subsidy.
1.7.13 Low Tension Power Tariff Subsidy

Registered SSI units which consume low tension power and which have commenced production on or after January 1, 1980 are eligible for this subsidy. The government of Tamilnadu introduced this scheme which is in operation throughout the state except Chennai, Coimbatore, Madurai and Trichirapalli. This subsidy is available for the period of three years from the date of commencement of production or the date of power connection whichever is later the rates of 40 percent of the actual charges paid in the first years, 30 percent of the actual charges paid in the second year, 20 percent of the actual charges paid in the third year.

1.7.14 Generator Subsidy

All high tension/ low tension power consuming units which have installed generator are eligible for a subsidy of 15 percent of the cost of the generator subject to a ceiling of ₹5 lakhs. The scheme has been introduced since August 19, 1989.
1.8 METHODOLOGY

This section describes the methodology adopted in the present study which includes the choice of the study area, the sampling technique adopted, the collection of data, the period of study and the tools of analysis.

1.8.1 Sampling Technique

In order to evaluate the role of DIC in the development of small scale industries in Tirunelveli district, 512 units were selected by adopting stratified random sampling method. The small-scale industrial units registered in District Industries Centre from 2007-08 to March 2012 were classified into five categories namely (i) Food and food products (ii) Paper and paper products (iii) Leather and leather products (iv) Bakery industries and (v) Miscellaneous industries which included all other industries registered in Tirunelveli district. A total of 10242 small scale industries was registered during 2007-2008 to 2010 - 12 and 5 percent of sample units (512) was selected randomly for primary data collection. The proportionate random sampling technique was adopted to select the sample from each category. The total SSI units and sample units are given in table 1.1.
TABLE 1.1

SMALL-SCALE INDUSTRIAL UNITS REGISTERED FROM 2007-08 TO 2011-12 IN THE DISTRICT INDUSTRIES CENTRE (DIC) AND SELECTED SAMPLE SSI UNITS

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Category</th>
<th>SSI Units registered 2007-08 to 2011-12</th>
<th>Sample SSI units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Food and Food Products</td>
<td>2314</td>
<td>116 (22.66)</td>
</tr>
<tr>
<td>2.</td>
<td>Paper and Paper products</td>
<td>1229</td>
<td>62 (12.11)</td>
</tr>
<tr>
<td>3.</td>
<td>Leather and Leather products</td>
<td>1844</td>
<td>92 (17.97)</td>
</tr>
<tr>
<td>4.</td>
<td>Bakery units</td>
<td>2048</td>
<td>102 (19.92)</td>
</tr>
<tr>
<td>5.</td>
<td>Miscellaneous</td>
<td>2807</td>
<td>140 (27.34)</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>10242</td>
<td>512 (100.00)</td>
</tr>
</tbody>
</table>

Source: Records from District Industries Centre, Tirunelveli, 2012.

It is seen from Table 1.1 that out of 512 (5 percent) of total units registered) sample units, 116 (22.66 percent) of them were food and food products with, 62 (12.11 percent) were paper and paper products units, 92 (17.97 percent), 102 (19.92 percent), and 140 (27.34 percent) were Leather and leather products, Bakery units and Miscellaneous industries which include all other units.
1.8.2 Collection of Data

The present study is based on primary as well as secondary data. The personal interview method has been adopted to collect primary data. For this, a well designed and a pre-tested interview schedule was prepared to collect the information relating to the study. Further, the researcher had preliminary discussions with the officials of the District Industries Centre and a few small scale industrial units registered in District Industries Centre, Tirunelveli. In the light of the information gathered, the researcher prepared the interview schedule for primary data collection.

The secondary data were collected from published, unpublished reports, handbooks, action plan, pamphlets of Director of Industries and Commerce, Chennai and District Industries Centre, Tirunelveli.

1.8.3 Tools of Analysis

In order to measure the growth of SSI units, growth scale has been developed on the basis of scores awarded to the ten growth components. The ten components are allotted 10 scores each. The 10 scores are distributed on the basis of the growth percentage of each component. The
growth percentage has been calculated on the basis of the five year data from 2007-08 to 2011-12 by using the following formula:

\[
\text{Growth Percentage} = \frac{\text{Current year value} - \text{Base year value}}{\text{Base year value}} \times 100
\]

In order to classify the levels of growth, mean score (\(\bar{X}\)), and the Standard Deviation (S.D.) of total growth scale obtained, have been used and classified as

\[
\text{Score value} (\quad \bar{X} + \text{SD}) \geq \text{High level growth}
\]

\[
\text{Score value} (\quad \bar{X} - \text{SD}) \leq \text{Low level growth}
\]

\[
\text{Score value} (\quad \bar{X} - \text{SD}) \text{ and } (\quad \bar{X} + \text{SD}) \quad = \text{Medium level growth.}
\]

A taxanomic method was used to analyse and compare the development of small scale industries at block levels in terms of growth and equity angles.
The formula for the ‘Z’ test is

\[
Z = \frac{\bar{X}_1 - \bar{X}_2}{\sqrt{\frac{S_1^2}{n_1} + \frac{S_2^2}{n_2}}}
\]

Where,

- \( S_1^2 \) – variance of the first sample
- \( S_2^2 \) – variance of the second sample
- \( \bar{X}_1 \) – mean value of variables before DIC’s assistance
- \( \bar{X}_2 \) – mean value of variables after DIC’s assistance
- \( n_1 \) – number of observation in the first sample = 600
- \( n_2 \) – number of observation in the second sample = 600

In order to study the relationship between differences in production and profit level caused by different type of assistance from DIC, Karl pearson correlation co-efficient (r) formula\(^{84}\) has been used.

\[
r = \frac{\sum (x - \bar{x})(y - \bar{y})}{n \sigma_x \sigma_y}
\]

where,

\[ x = \text{differences in production level} \]
\[ y = \text{differences in profit level} \]
\[ \bar{x} = \text{arithmetic mean of } x \]
\[ \bar{y} = \text{arithmetic mean of } y \]
\[ n = \text{number of pairs observation} \]
\[ \sigma_x = \text{standards deviation of series } x \]
\[ \sigma_y = \text{standard deviation of series } y \]

In order to test the significance of the correlation co-efficient (r) the following ‘Z’ test was carried out.

\[ Z = \frac{r}{\sqrt{\frac{1 - r^2}{n}}} \]

where

\[ r = \text{correlation co-efficient} \]
\[ n = \text{number of pairs of observation} \]

\[ ^{85} \text{Ibid., p. A-3, 23.} \]
1.8.4 Period of Study

The period of study pertains to the financial year 2011-12. The primary data were collected from the selected SSI units during the six months from September 2011 to March 2012. The data relating to the growth factors of small scale industries had been obtained for the period of five years from 2007-08 to 2011-12.

1.8.5 Choice of the Study Area

Tirunelveli district in Tamil Nadu is one of the districts, blessed with good basic infrastructural facilities and resources, which could contribute to the process of development of the industries in the area and in particular to the development of the small-scale industries. But the pace of development in Tirunelveli district is found to be relatively slow. The majority of the working population depends on agriculture. This is the main reason for the stagnation in the industrial development of Tirunelveli district. The Government of India had declared almost the entire Tirunelveli district as an industrially backward area under the 'B' and 'C' category, which makes the district eligible for capital investment subsidy at the rates of 15 and 10 per cent respectively. With such incentives, the district was expected to make
much progress. It makes one conclude that the policies are sufficient enough to accelerate the pace of industrial development in the district. There is also a scope for promoting the industries based on tourism, since there are a number of tourist spots in the Tirunelveli district. These are the main reasons for selecting the Tirunelveli district as the study area to evaluate the performance of District Industries Centre in promoting small-scale industries.

1.9 LIMITATIONS OF THE STUDY

The present study is subject to the following limitations.

1. The opinions have been collected from the beneficiary units of DIC in Tirunelveli district only.

2. Based on the availability secondary data were collected for 5 years upto 2007-12.

1.10 CHAPTER SCHEME

The present study “A Study on the Role of District Industries Centre in the Development of Small Scale Industries in Tirunelveli District” is to be presented in seven chapters. They are as follows:
**Chapter I** introduces the subject and deals with statement of the problem, review of literature, scope of the study, objectives of the study, methodology, limitations and scheme of the report.

**Chapter II** deals with the theoretical perspective of District Industries Centre (DIC), Function of the DIC, Conceptual Background of DIC, Development of SSI in India, Industrial Policy after Independence, Small Scale Industries and Government policy, Small Scale Industries and five year plans, growth of Small Scale Industries in Tamilnadu.

**Chapter III** highlights the profile of the study area and role of DIC for small scale industries Development in Tirunelveli District.

**Chapter IV** describes the role of DIC assistance on the development SSI block-wise growth comparison of growth and equity analyses.

**Chapter V** explained the impact of DIC assistance on the growth of small scale industries – industry wise analysis in Tirunelveli district.

**Chapter VI** assess the problems encountered by sample SSI units under study in Tirunelveli district.

**Chapter VII** presents a summary of findings of the study, along with the researcher’s suggestions made in the context of the findings and conclusion.