Chapter - IX

SUMMARY OF FINDINGS AND CONCLUSIONS
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Introduction

Developing countries like India face problems of population explosion, low rate of saving, investment, unemployment and poverty. The small scale industries are the important and promising means to solve all these problems and to achieve economic development. The validity of small sector could be judged by the fact that the gross output and value added per Rs. 1 lakh of fixed capital in it is 4 to 5 times and 2 to 3 times respectively higher than the gross output and value added in large scale industries. The required capital for employment of one person is 7 to 9 times lower in small scale industries than in large scale industries. In the total Indian exports, the share of small scale industries increased significantly from 29.69 per cent in 1990-1991 to 31.56 per cent 2006-07. The small industries have enough scope to exploit available local resources, such as, small savings and raw materials, skilled and unskilled labour. In order to develop these industries, it was felt necessary to have increasing public sector investment for development of infrastructural facilities and to provide incentives through developmental programmes for setting up of these industries.

Even after five and a half decades of planned development through ten five year plans and annual plans, industrial sector could not achieve the targeted growth and contribute substantially to GDP as expected due to several bottlenecks. Instead of industrial sector, services sector achieved an impressive growth. Due to inadequate growth of the industrial sector, agriculture sector is over burdened with excessive manpower resulting in widespread unemployment and underemployment and proletarianisation of the assets-less unemployed in the rural areas leading to widespread poverty. Inspite of the rigorous efforts made to develop the industrial sector and improve the performance of the large and medium industries, their progress has been hampered due to inadequate capital resources and technological and other bottlenecks. Keeping the capital resources constraint and growing incidence of unemployment and regional disparities in mind small scale industries are being encouraged as they can provide gainful employment to the rural employed.
The development of small scale industries has been accorded priority in the overall strategy of industrial development in the five year plans of India. The rationale behind such an approach is that small industries are mostly labour-intensive involving less capital requirement and low gestation period. They need relatively smaller markets and stimulate growth of entrepreneurship and promote a more decentralized pattern of ownership and location. In recent times, there has been a big leap in the number of small scale units, in employment generated and in the range and quality of items manufactured.

The basic objectives of small scale industries are generation of employment at a relatively low cost, to meet substantial part of the increased demand for consumer goods and simple producer goods, mobilization of resources of capital and skill which might otherwise remain inadequately utilized and integration of these industries with the rural economy on the one hand and large scale industry on the other. In addition, these small units are assumed to ensure more equitable distribution of income and wealth. Thus the development of small scale industries has assumed immense importance in the task of planned development of the Indian economy in the context of rapid growth of population, growing incidence of poverty and unemployment, low capital resources and widespread regional inequalities.

Though small scale units are facing different problems, they provide immediate large scale employment particularly to the unemployed and under employed people.

With this backdrop, the main focus of the study is employment generation and the role of small scale units by selecting sample units in Nellore district. To be more specific, objectives of the study were:

(1) To review the status of small scale industries development and employment generation in India in general and in Andhra Pradesh in particular;

(2) To study the pattern and progress of small scale industries development in Nellore district;

(3) To examine the small scale industries development and employment potential in selected unit in Nellore district:
(4) To identify the problems confronted by the small scale industrial units in Nellore district;

(5) To suggest appropriate policy measures for the development of small scale industries to generate employment opportunities.

In order to fulfill the objectives, a micro-level study was conducted in Nellore district. All SSI units established in Nellore district during 1999-2000 are listed out as per the industrial category. From this list, a sample of 10 per cent of units was selected covering eight categories of units using SRSWOR. The effective sample turned out to be 120 units covering agro based, forest based, textile based, mineral based, chemical based, engineering based, animal based and miscellaneous categories in the district. A specially designed pretested interview schedule was used to collect primary data from the sample units. The collected data were analysed using statistical and mathematical tools through computer and the conclusions were drawn.

The major conclusions of the study, as discussed in the preceding chapters, will be presented under the following sub-headings:

(1) Small scale industries and employment generation in India;

(2) Performance of small scale industries and employment generation in Andhra Pradesh;

(3) Pattern and progress of small scale industries in Nellore district;

(4) Socio-economic profile and the factors for the selection of small scale industries in the district;

(5) Performance evaluation of select small scale industries in the district;

(6) Employment generation by select small scale industries in the district;

(7) Problems encountered by select small scale industries;

(8) Policy implications and suggestions.
1. Small Scale Industries and Employment Generation in India

The concept of 'small firm' has been defined variably from time to time since its origin. In India, a number of definitions are given from time to time by social thinkers, economists and the planning commission of the Government. All the industries are categorized as large, medium and small scale industries. The SSI, classified as traditional sector, includes handlooms and hand operated industries and the modern SSI sector includes SSI and ancillary industries. The small scale unit means a unit having a ceiling limits of investment in plant and machinery less than Rs.1 crore at present.

During five year plans, the SSI has played a significant role in terms of registered number of units, investment, and generation of employment and the share of exports to the total in the economic development of India. The Government of India has given much importance for the exclusive development of village and SSI in third five year plan. Though the government has taken several steps from time to time, the sixth five year plan marked a significant stage in the development of small scale industry. The government announced the socio-economic significance of the role of SSI and initiated several positive measures for their development in tenth plan.

The different industrial policies of the government reveal that SSI units have been assigned an important role throughout the period since independence. The industrial policy resolution of 1956 stressed the role of cottage, village and SSI units in the development of the national economy. From time to time, government established a number of boards, commissions, financial institutions and agencies towards the development of SSI in India. The government also initiated a number of measures like reservations of product lines, marketing assistance, infrastructural facilities, subsidies and incentives, standardization, quality control, consultancy and technology for the promotion of SSI.

The reservation of products for exclusive manufacture in the small scale sector was introduced for the first time in 1967 with the reservation of 47 items. This number has increased progressively from 47 items. This number has increased progressively from 47 items in 1967 to 55 items in 1970, 124 items in 1971, 177 items in 1974, 180 items in 1976 and 504 items in 1978. After the introduction of National Industrial Classification (NIC) code, the list was recast. As a result, the list of reserved items expanded from 504 to 807 in 1978 and the number has increased to
836 in 1989, out of which 39 items were decreased in four phases during 1997-2001. Subsequently, 51 items were decreased in 2002, 75 items in 2003 and 85 items in 2004. As on October, 2004, 605 items were reserved for exclusive manufacture in the small scale sector, out of which 108 items were decreased at the end of March 2005.

There has been an impressive growth in the number of small scale units. The numbers of units have increased from 4.2 lakhs in 1973-74 to 8.7 lakhs by 1980-81 and 1990-1991 from 8.7 lakhs to 67.90 lakhs. During the post reform period the growth of SSI has been gradual and steady which is evident from the increase from 67.9 lakhs units in 1990-1991 to 101.10 lakhs units in 2000-2001 and to 133.70 lakhs units in 2007-2008. There has been a steady growth in investment, production, employment and exports during 1990-1991 to 2007-2008. The investment and production increased from Rs.936 billion and Rs.635 billion in 1990-91 to Rs.2390 billion and Rs.6951 billion in 2007-08 respectively at current prices. There has been a steady increase of employment and exports of SSI units. The employment in SSI units increased from 15.83 million in 1990-91 and to 32.23 million in 2007-08. During the same period the exports have increased from Rs.96.64 billion to Rs.1776.0 billion in 2007-08 respectively.

Registering a leaner growth rate of 3.95 per cent, 4.82 per cent, 12.03 per cent, 4.05 per cent and 10.69 per cent per annum during 1990-1991 to 2007-2008. The share of exports of SSI sector to total exports ranges from 29.69 per cent in 1990-91 to 31.56 per cent in 2006-07. In absolute terms, the exports of small scale sector have increased from Rs.9664 lakh in 1990-91 to Rs.177600 lakh in 2006-07 registering an increase of 10.69 per cent per annum. During the same period, the total exports have recorded an increase of 10.94 per cent per annum. This provides evidence that there has been marked increase in the exports of small scale sector.

The generation of employment by small scale industrial units increased from 188.34 lakh persons in 1990-1991 to 322.28 lakh persons in 2007-2008 registering a leaner growth rate of 4.05 per cent per annum. The total employment generated by public and private sectors increased from 289.53 lakh persons to 289.53 lakh persons, showing a marginal growth rate of 0.08 per cent per annum during the same period. Thus the small industrial units have catered to the employment needs of people in the country.
Review of the trend in sickness among the small scale industrial units showed that there are 21.19 lakh units with an outstanding amount of Rs.2426.94 crores in 1990. Due to several measures taken by the government, the number of sick units decreased to 0.85 lakh units with an outstanding amount of Rs.19849 crores in 2008. Though the sick units decreased, the outstanding amount increased during the same period.

2. Performance of SSI and Employment Generation in Andhra Pradesh

Andhra Pradesh is predominately an agricultural state and has been making rapid strides in transforming itself into an industrial state since its formation. The total number of registered SSI units in Andhra Pradesh in 1990-91 was 7358. The total investment in those units accounted for Rs.89.19 crore. The SSI units could provide employment to 56565 persons towards the end of the year 1990-1991. The data provide a clear view that there has been gradual decrease in the number of units from year to year. The fixed investment in SSI units was of the order of Rs.89.19 crore in 1990-1991 which rose Rs.269.15 crore in 2007-2008. The SSI units were observed to have provided employment to 56565 persons in 1996, which has decreased to 15143 persons in 2007-2008. In absolute terms there has been gradually decrease in employment over the years. The investment invested per unit was Rs.1.21 crores and generated employment to 7.69 persons on an average in 1990-1991 and it has been increased to 19.67 crore per unit and generated employment to 11.07 persons in 2007-2008.

The share of employment generated by SSI in the organized sector decreased to 0.72 per unit in 2007-2008 from 3.21 per cent in 1990-1991. The generation of employment by SSI in all the districts of AP increased from 1997-1998 to 2007-2008.

3. Pattern and Progress of SSI IN Nellore District

Industrially, SPS Nellore is a backward district. In the recent past, however, some of the units like National Nepo Ltd, Balaji Steels, Mica Industries, Pallava Granites, Marine Industries, Chemical Industries, Nellore Dairy, Three Sugar Industries and some export oriented industries like Apachi have come-up in the district. The district was brought under the preview of Rural Industries Project Programme in 1973-1974 and it has made a significant industrial progress. At present
there are 47 large and medium scale industries spread over 12 major industrial categories with an investment of Rs. 1134.76 crores providing employment to 11698 persons. Among 12 categories, sugar industry had the largest share of 17.06 per cent of investment in the total in 2009.

As the small scale industries are exploiting available resources, Nellore district was the potential to attract significantly many small scale units. The number of registered SSI units was 816 with an investment of Rs.188.8 crores in 1996-1997 which increased to 1301 units with an investment of Rs.14.9 crores in 1999-2000 and decreased to 1183 units with an investment of Rs.10.23 crores in 2008-2009. The employment increased from 6066 persons to 13371 persons during 1996-1997 to 1999-2000 and decreased to 3863 in 2008-2009.

The above data reveals that the progress of SSI is declining due to several problems, which are highlighted in the preceding paragraphs.

Nellore urban and rural has a large concentration of SSI, which account for more than 30 per cent of units in the district.

There are 32052 smalls scale and tiny units with an investment of Rs.454.44 crores and generating employment to 1.32 lakh persons. Besides there are 1007 KVL units with an investment of Rs.4.82 crores in 1999-2000 that increased to 1085 units with an investment of Rs.5.85 crores in 2008-2009 in the district.

The category-wise SSI and tiny sector analysis shows that 30 per cent of the units are in miscellaneous category, 25 per cent of units are engineering based industries and around 15 per cent of units are agro based industries.

4. Socio-Economic Profile and the Factors for the Selection of SSI in the District

It is well known that the socio-economic factors like social status, age, education, family background, experience, location, occupation and motivational factors are influencing the entrepreneurs development everywhere. The analysis of the impact of socio-economic factors on entrepreneurship development in the district reveals that the growth of entrepreneurship has more or less influence by the factors like previous experience, strong desire to do some thing independent in life and motivation by the family members.
The analysis of form of organization reveals that about 77 per cent are proprietary, 17 per cent are partnership concerns and the rest are private limited companies in the total sample of 120 units.

It is also found that 67.5 per cent of the sample units are located in urban areas including industrial estates and the remaining 32.5 per cent are in rural areas.

Out of 112 entrepreneurs, an overwhelming proportion of 88 members were males and women entrepreneurs were only 24 members. There was no preference towards a particular type of industry for males or females and both the categories were ready to establish any type of enterprise.

Education is said to be an important variable, which influences the supply and performance of entrepreneurship. The level of education of the entrepreneurs reveals that 30 per cent were graduates and 21 per cent were undergraduates, 19 per cent were technical certificate and diploma holders, 15 per cent were postgraduates and only 11 per cent of the entrepreneurs have been educated upto the high school level. It is also understood that 81 per cent were non-technical and 19 per cent were technically qualified. Most of the industrial units are established in the category of agro based, mineral based followed by forest based and textile based units.

The analysis of the social status has revealed that 41.07 per cent of the general category started 46 units out of 112 proprietary and partnership concerns, followed 31.25 per cent by other backward castes, 13.39 per cent by scheduled caste and 8.93 per cent by minorities and 5.36 by scheduled tribes. Because of the reservation policy, 59 per cent of the units are operated by reserved category people when compared to general category.

The age group analysis shows that the majority of 32 per cent of entrepreneurs fell in the age group of 31 to 35 years, about 28 per cent were in the age group of 26 to 30 years and about 22 per cent were in the age group of 36-40 years and 13 per cent in the age group of 21-25 years. Thus more than 70 per cent of entrepreneurs were below 35 years of age.
The income-wise distribution of sample units reveals that 55 per cent of units had their annual income in the range of Rs.10000-50000 while 22 per cent of units in the range of Rs.5000-10000 13 per cent of units in the range of Rs.5001-100000 and only 6 per cent of units are below the income level of Rs.5000. Only about 2 per cent of the units are earning more than Rs.200000.

The family background of entrepreneurs has tremendously affected the orientation of entrepreneurial activity and helped them in setting up the industrial units in the district. Out of the total, 38 per cent belonged to business families, 24 per cent to professionals, 17 per cent to the service category, 8 per cent to agriculture and only 13 per cent are having no family background. The analysis reveals that the entrepreneurs whose fathers were in business and industry and also whose father were employed in large manufacturing concerns are tremendously benefited. The relationship between the experience of entrepreneurs and that of their father’s occupation revealed that the prior experience of the father has enabled their children in gaining experience which in turn resulted in the emergence of new entrepreneurial class in the district.

The impact of motivational factors on the entrepreneurship reveals that the largest number of respondents took a plunge into industrial activity to satisfy their strong desire to do something independently in life. This motivated them to become an entrepreneur by launching a new venture. The majority of entrepreneurs were prompted to take risks mainly because of strong desire to do something, motivated by family unemployment, previous experience and government or institutional assistance.

The selection of trade by the entrepreneurs reveals that about 32 per cent selected the present enterprise because of desire to earn profit, self employment, 29 per cent, previous knowledge of the industry 16 per cent, to fulfill my family ambition 12 per cent, 5 per cent each for gaining social status and leaning success stories of entrepreneurs.

Reasons for selecting the location by the entrepreneurs reveals that about 30 per cent want to locate their industries in native place attracted by the availability of resources, 18 per cent of the entrepreneurs selected the location due to government
policies, 13 per cent each for reasons of land availability and industrial area where all facilities provided. The infrastructural facilities influenced to the extent of 11 per cent to establish the enterprises.

The large segment of entrepreneurs belonged to local towns (41 per cent), 28 per cent of units belonged to districts and 31 per cent migrated from within the state and outside the state.

Considering the future plans of the entrepreneurs 36 per cent of entrepreneurs decided to start new units, 29 per cent have plans for expansion, 25 per cent are willing for market expansion and only 10 per cent for market diversification.

5. Performance Evaluation of Select SSI in the District

The performance of select small scale industrial units in Nellore district in terms of investment pattern, sources of capital, availability of raw-material production and productivity, marketing and profitability, is examined and presented in the following paragraphs.

Out of the total select small scale units 29 per cent of the units are in the range of Rs.1.05 crore and Rs.1.25 crore of total capital and 22 per cent of the units are above 1.25 crore of total capital. But 31 per cent of the units are below the range of Rs.25 lakhs of fixed capital and 28 per cent of units invested between Rs.25 and Rs.45 lakhs of fixed capital. In terms of working capital, 29 per cent of the units have less-than Rs.10 lakhs of working capital, 23 per cent of units between Rs.10 and Rs.20 lakhs and 17.5 per cent of units are between Rs.20 and Rs.30 lakhs. Only 9 per cent of the units are above Rs.60 lakhs of working capital.

The composition of fixed capital and the ratio of working capital to the total capital show that, on an average, 32 per cent is fixed capital and 68 per cent working capital for the select sample units during 1999-2000. This composition is varying from one unit to the other in all the categories of units. A similar trend is observed even during 2007-2008 with minor differences.
The average total capital per unit is Rs. 46.25 lakhs in 1999-2000 and increased to Rs. 121 lakhs in 2008-2009. But the average fixed capital per unit is Rs. 15 lakhs in 1999-2000 and Rs. 35 lakhs in 2008-2009. Average working capital was Rs. 31.37 lakhs and Rs. 86 lakhs during the same periods.

The analysis of source of finance reveals that about 42 per cent of units are having own funds, 33 per cent of units are getting funds from financial institutions, 19 per cent are depending on friends and relatives and about 6 per cent of units are taking loans from lenders for investing in fixed capital.

For day to day operations which require the working capital, 41 per cent of the units are depending on friends and relatives, 34 per cent of units are using their own funds, 17.5 per cent are taking loans from banks and 7.5 per cent are still depending on money lenders.

The establishment of small scale units is playing a very important role to utilize the local resources of raw-materials. The analysis shows that 44 per cent of sample units are using the raw materials within the district 22.5 per cent of the units are using within the state, 21 per cent of units are depending upon the locally available raw material and only 12.5 per cent of the units are getting from outside the state.

The performance of the small scale units is examined in terms of capital productivity and labour productivity over a study period of 10 years. The labour productivity (O/L) increased from Rs. 1.93 lakhs per persons in 1999-2000 to Rs. 4.2 lakhs per persons in 2008-2009 against the capital productivity (O/K) ratio which increased to 0.66 from 0.50 during the same period.

The analysis also reveals that though the small scale units are more labour intensive in terms of capital-labour (K/L) ratio, the ratio increased from Rs. 3.85 lakhs of capital per labour in 1999-2000 to Rs. 6.37 lakhs in 2008-2009 and generated more employment opportunity. This trend shows that they are moving towards capital intensive structure.
The employment-production ratio decreased over the 10 year period which reveals that the employment growth rate is lower than that of production growth rates. It is interesting to note that 53 per cent of the sample units are having product mix by producing two or more products and the other units are producing only single product.

Out of the total sample units, 76 per cent of units, more or less in all categories are selling their products outside the local market and only 24 per cent of units are depending upon the local markets.

The analysis of the profitability over a study period registered a linear growth rate of 10.29 per cent per annum though the cost of production registered of a linear growth rate of 12.27 per cent. The sales also registered a growth rate of 11.6 per cent per annum. The average profitability per unit is Rs.10.07 lakhs in 1999-2000, which increased to Rs.23.85 lakhs in 2008-2009. Though net profit, profitability per unit and profit per employee are increasing over the period, the return on capital (ROI) decreased to 0.19 from 0.22 during the same period.

The distribution of sample units by net profit per unit range reveals that 27 per cent of the units are between Rs.20 and Rs.25 lakhs, 22 per cent of units in the range of Rs.10-15 lakhs, 19 per cent of the units are below Rs.5 lakhs during 2008-2009. Only 5 per cent of the units are in the range of Rs.25 lakhs and above.

6. Employment Generation by Select SSI in the District

The main aim of the study is to assess the employment generation by the selected small scale units in the district. The employment generation by the select units is analyzed in various dimensions like gender classification, industry category-wise analysis, skill-wise analysis, cadre-wise analysis, origin and source of employment, size-wise classification, social status-wise analysis, age and literacy-wise analysis and this is presented in the following paragraphs.

The gender-wise analysis shows that male and female employees registered a linear growth rate of 6.22 per cent and 3.32 per cent per annum against the total employment of 5.22 per cent during the 10 year study period. The composition of male employment is between 62 per cent and 70 per cent over the study period and female employment shared the remaining.
The activity-wise analysis showed that the proportion of female employees increased between 1999-2000 and 2008-2009. The relative proportion of males and females by and large remained at the level that prevailed in 2008-2009.

In the 120 select small scale units, 2280 persons are working in the production activities. Out of these agro based industries generated 34 per cent, textiles at 14.5 per cent, forest based at 8.9 per cent, chemical based shared by 8.5 per cent of total employment. Though the average total employment generated by one unit is 19 persons 24 per cent by animal and textile based, 22 persons by agro based, 18 by chemical, 16 by each engineering and other industries. The least of 14 persons generated by forest based industries. The average male employees per unit are 8.56 in 1999-2000 and increased to 13.3 in 2008-2009. Though the female employment per unit is 3.5 it is increased to 5.7 during the same period.

The skill-wise analysis showed that the skilled employees shared only 32 per cent in 1999-2000 and increased to 50 per cent in 2008-2009 and the remaining shared by the unskilled employees during the same period. The skill wise and gender-wise analysis reveals that the skilled male employment constitutes 66.42 per cent to the total male employment. But the skilled female employment constitutes only 11.55 per cent. The remaining shares shared by unskilled employment in male and female categories.

The skilled employment accounted a leaner growth rate of 9.06 per cent against the 2.02 per cent of the unskilled employment during the study period. The composition of skilled employment varied from 32 per cent to 50 per cent and unskilled varied in between 68 to 50 per cent during the 10 years study period.

The origin of employment in 2008-2009 reveals that 42.4 per cent from local areas, 33 per cent within the district 20 per cent within the state and about 5 per cent outside the state. So, the sample units provided employment mostly to the local people.

The employee size wise distribution reveals out of 120 units 35 units in the employee size of 10 to 15 generating 401 persons in 1999-2000. But 39 units in the size of 15 to 20 generated employment to 763 persons in 2008-2009. It is also noticed that 24 per cent of units generates only 5.28 per cent of employment in 1999-2000. In 2008-2009 18 per cent of units generated 43.33 per cent of employment.
The industry category reveals that among the 15 per cent (18 units) of units providing employment to below 5 persons shows, 13.89 per cent units are in agro based, 14.29 per cent units are in forest based, 7.14 per cent units are in textile based, 27.78 per cent are in mineral based, 27.27 per cent units are in engineering based and 12.5 per cent units each are in animal based and other categories industrial units. Among the 17.5 per cent (21 units) units that are providing employment to between 5 to 10 persons, 16.67 per cent units are agro based, 21.43 per cent units are forest based, 14.29 per cent are textile based, 11.11 per cent are mineral based, 27.27 per cent units are engineering based, 25 per cent units each are animal based and other categories based and 9.09 per cent units are chemical based.

It can be observed that there are no employees in chemical based units below 5 persons. It can be inferred that employment generation is very less in other industries, animal, chemical and engineering based industrial units. On the other hand, employment generation is more in agro based, textile, mineral and forest based industrial units in the district.

An analysis of the social status of the employees in 1999-2000 shows that 23.89 per cent employees are in general category, 33 per cent are other backward castes, 21 per cent are scheduled caste, 13.75 per cent are scheduled tribes and 8.5 per cent are minorities. On the other hand, 25 per cent of employees are in general, 32 per cent are backward castes, 22 per cent are scheduled castes, 14 per cent are scheduled tribes and 7.24 per cent are minorities in 2008-2009.

The age-wise employment generation reveals that 23 per cent of employees are less than 20 years of age, 42 per cent are between 25 and 35 years, 28 per cent between 35 and 45 years, 7.15 years per cent are above the age of 45 years among the total selected small scale units. It is found that most of the employees are in the age group of 25 to 35 years in both initial period and present period. There has been no increase among employees above the age of 45 years.

Among the total employees, 7.94 per cent are illiterates, 21 per cent studied up to primary school, 31.45 per cent studied upto secondary school, 21 per cent have intermediate education and only 10.39 per cent of employees are graduates. The remaining 8.73 per cent of employees are having technical education. It is found that most of the employees have secondary education only.

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The rural and urban area analysis reveals that 67 per cent of employees belong to urban areas in 1999-2000 and increased to 80 per cent in 2008-2009. But the rural employment was 33 per cent in the beginning and decreased to 23 per cent in the present year.

7. Problems Encountered by Select SSI in the District

Inspite of several policies and programmes taken up to promote and develop small scale industries, small scale industries have been facing several problems, which not only affect the effective utilization of their capacities but also hamper their growth. As many as 96.67 per cent of the sample units covered have been facing competition problem. Among the 120 samples units, power shortage is the most serious problem for 90.83 per cent and 90 per cent of sample units have been facing transportation problem. Of the 120 sample units, 88.33 per cent are facing the problem of marketing and 86.67 per cent stated that they have not been able to compete with other units due to outdated technology they adopt. 75.83 per cent of the sample units are facing the problem of non availability and irregular supply of raw materials. Finance is the main problem for 86.67 per cent of the sample units 82.5 per cent of the units (99) are facing the problem of non-availability of skilled and unskilled labour while 83.33 per cent of the entrepreneurs reported that heavy taxation affects the income and profitability of the units. 87.5 per cent are facing the problems of location. The above trend highlights the fact that the problems being faced by the small scale units are manifold.

Conclusion

The study highlights the suitability and relevance of small scale industries in India's economic development in the context of resource constraints, particularly capital resources. The small scale industries are less capital intensive and labour absorbing. Several policies and programmes were taken up to promote and develop small scale industries. Capital assistance has been provided through a wide net work of financial institutions in the country. The findings of the study have demonstrated that there has been development of small scale industries in terms of generation of employment, increase in production, profitability and capital output ratio. The study has also identified several problems which are faced by the small entrepreneurs which require attention of the policy makers. The policies and programmes should be
periodically reviewed and reoriented to ensure that the no worthwhile and viable smalls scale industrial units suffer financial institutions have to play a crucial role to make the small scale industries competitive and economically viable. Suitable strategy has to be evolved to develop small scale units technologically strong and compute with large scale units in the context of globalization

POLICY IMPLICATIONS AND SUGGESTIONS

It would be appropriate to offer some useful suggestions in the light of the above conclusions drawn from the analysis of the different aspects of the development of small enterprises in general and those of Nellore district in particular. It is hoped that these suggestions would help to lessen the problems confronting the SSIs.

1. The number of visits of entrepreneurs to different offices for sanction of units should be minimized and the officers should clearly inform the reasons for rejecting the applications.

2. It will be better if the DIC visited the sanctioned SSIs more often to monitor the industrial units whenever the industrial units needed the suggestions for their better functioning.

3. It will be more beneficial to the entrepreneurs, if banks reduce the rates of interest. If possible, they should charge less than that charged by other financial institutions.

4. It is also suggested that it will be better if the banks increase or sanction sufficient amount of term loans for working capital requirements also as the SSIs are approaching moneylenders and friends for the above purpose. In essence, 'a Single Window System' for sanction of all loans to the SSI through bank network is to be followed.

5. For better performance of the industrial units, it is required that DIC and NGOs should provide maximum non-financial assistance like consultancy services, marketing assistance, training through Entrepreneurial Development Programmes (EDPs) and also supply of necessary scarce inputs.
6. The EDPs should help the entrepreneurs as some of them are lacking experience, vision and the family background for successful organisation of industrial units as our study revealed that the socio-economic factors influenced the successful organisation of enterprises.

7. The SSIIs are advised to utilize their assets to the maximum extent so that productivity and profitability will be increased.

8. The interference of the governments and non-governmental agencies should be minimized for effective functioning of the enterprises.

9. As the number of products reserved for SSI sector has been reduced in recent years by government, it is imperative that the same are increased so that the SSI can withstand the competition from other large and medium sectors.

10. The incentives and subsidies offered by the government to SSI may be enhanced as the sector contributes more to the total exports and employment generation.

11. Last but not the least, the government should create a widespread institutional network for credit rating of SSIIs project at affordable cost.