CHAPTER - VII

SUMMARY OF THE STUDY AND SUGGESTIONS

An attempt is made in this chapter to evaluate the state of art of the problems and prospects of the selected units under study, summarizes the conclusions and offer suggestions for their effective functioning.

SIGNIFICANCE OF THE STUDY

The study has great significance and relevance particularly when the government is very keen on the promotion and development of this capital sparing and labor intensive sector. Though it has been mentioned that much was done both by the public and private agencies for the promotion and development of this sector, it is not performing up to the expectations of many as it has been suffering from several problems. As such, the present study is aimed at probing into the causative factors for the present state of affairs and suggests necessary measures to be initiated to strengthen the functioning of micro and small scale of enterprises.

OBJECTIVES OF THE STUDY

(i) To study the growth and working of micro and small-scale enterprises in India in general and with reference to Andhra Pradesh in particular.

(ii) To analyze the role of the District Industries Center in the industrial promotion of micro and small-scale industries in Krishna district along with its profile.
(iii) To study the problems and elicit the views of entrepreneurs on the problems in running the small scale and PMRY units in Krishna district.

(iv) To identify the differences between rural and urban units in the problems and prospects of small scale and PMRY units in the selected district.

(v) To summarize the study, draw conclusions and offer suggestions for the effective working of the small scale and the PMRY units.

**HYPOTHESES OF THE STUDY**

The following are the hypotheses formulated for the study.

1. **Null Hypothesis (H\(_{10}\))**: There are no significant differences in the views of entrepreneurs towards problems and prospects of sample small scale units in rural and urban areas of selected region.

2. **Alternative Hypothesis (H\(_{11}\))**: There are significant differences in the views of entrepreneurs towards problems and prospects of small scale units in rural and urban areas of selected region.

3. **Null Hypothesis (H\(_{20}\))**: There are no significant differences in the views of entrepreneurs towards problems and prospects of PMRY units in rural and urban areas of selected region.

4. **Alternative Hypothesis (H\(_{21}\))**: There are significant differences in the views of entrepreneurs towards problems and prospects of sample PMRY units in rural and urban areas of selected region.
METHODOLOGY OF THE STUDY

(i) **Scope of the Study:**

The study aims at an exploration into the views of entrepreneurs towards the problems and prospects of village industries and Prime Minister Rozgar Yojana units, with a view to discover answers to questions such as:

- What is the rationale behind starting village industries and Prime Minister Rozgar Yojana units?
- What type of assistance was provided by institutions like the DIC and other financial institutions for promoting these industries?
- What are the problems relating to production, finance, marketing and Human Resources by the entrepreneurs of respective units?
- What are the turnover, exports and other growth related aspects of the units?
- What are the future plans of the entrepreneurs of these units?

(ii) **Period of the Study:**

The period of study is ten years, which is considered to be adequate for study of this kind. The information relating to the profile of village industries and Prime Minster Rozgar Yojana units is obtained for the period covering ten years, i.e., during 1999-00 to 2008-09. The information relating to the formation, functioning, growth and problems is covered during this period.
(iii) **Selection of Sample Units:**

For the purpose of data collection, a sample of 150 units, each of which have been working under both the categories, are selected thus the total sample units will be:

- Small scale units - 150
- PMRY units - 150

Total: 300

The sample units are drawn from the list of units, whose data were available continuously for the last ten years given by the DIC, Krishna district. The investigator approached the DIC of Krishna, Guntur and Prakasam districts. The authorities of the DIC of Krishna district were kind enough to provide the relevant information on the topic which the investigator had proposed to undertake for his research work.

(iv) **Sources of Data:**

The data were collected from both primary and secondary source. The data relating to the growth of micro and small enterprises and their profile were collected from secondary sources i.e. text books, magazines, journals, newspapers and other relevant websites. The information relating to the address and other details of the MSE particularly PMRY and village industries was obtained from the DIC of Krishna district. The prospects and problems of the village industries and PMRY units were collected from entrepreneurs through

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primary source, i.e., a structured questionnaire for each of these units selected for the study.

(V) **Method of Data Collection:**

In obtaining the views of entrepreneurs on the functioning and problems of village industries and PMRY units, the questionnaire that was formed covered the following aspects

(i) Support gained from DIC in financial and other related matters

(ii) Rationale in starting the present enterprises.

(iii) Problems faced in finance, marketing and human resource in running the enterprises.

(iv) Steps taken to overcome these problems.

The questionnaire consists of the following types of questions.

(i) Dichotomous

(ii) Multiple choice

(iii) Scaling questions

The owners/managers of these units were interviewed with the help of interview schedules.

(vi) **Limitations of the Study:**

Though proper care is taken in the successful completion of the study, the study is not free from the following limitations and constraints:
The researcher encountered several difficulties in obtaining empirical evidence from the respondents on various issues of small and PMRY units. In spite of the best possible efforts put in by the researcher, there are a little data constraints whose impact on interpretations and conclusions of the study is fortunately negligible, as sufficient care has been taken to draw meaningful conclusions.

The researcher experienced data constraints in the management of secondary data too. The data published by the small industry promoting agencies have not been regular. Further, the data published by different organizations on particular issues for a given period of time have not been uniform. Thus, the researcher encountered various data gaps. However, the researcher could overcome the gaps by consulting a number of experts in the field and using his own personal judgment without any prejudice in organizing the data successfully.

FINDINGS OF THE ANALYSIS:

The following are the findings of the analysis:

(i) Growth and working of micro and small scale enterprises:

It can be concluded that more number of small scale industrial units was established during the 11th Five year plan when compared to other Plan periods because of incentives and other policy decisions of the government. It was also observed that in case of rural area, majority of the units are getting the assistance of “Integrated Rural Development programs.” But in case of urban area, a majority of the units are operated under the assistance of
“Entrepreneurship Development Programs”. These two programs are providing much assistance in finance, marketing, technical and training aspects compared to that of other programs.

(ii) **Role of DIC in the promotion and development of micro and small scale units:**

In both rural and urban areas, a majority of the units are running under assistance of finance, project report preparation, technical assistance, training, etc. of the District Industries Centre. But very few of the units are operated under the assistance of District Rural Development Agency and specialized corporation.

In case of rural area a majority of the respondents are satisfied with the corporation and its support in project report preparation by the District Industries Centre while in the case of urban area, a majority of the respondents are only moderately satisfied with the cooperation and support in project report preparation by the District Industries Centre (DIC).

It was observed that the majority of the rural entrepreneurs expressed their opinion that the arrangement of training program by the DIC is good in respect of upgrading knowledge and imparting required technical skills to run their units effectively, while a majority of the urban entrepreneurs felt that the arrangement was moderate.

A majority of both rural and urban entrepreneurs expressed that a partial support was provided by the DIC on the technical assistance. But a majority of the rural area entrepreneurs said that they could not get any support through the single window service provided by the DIC, while a majority of the
urban area entrepreneurs said they were able to receive partial support from the DIC.

(iii) Working of small scale industrial units in Krishna district:

The analysis of the views of entrepreneurs on the problems in running the small scale units in the selected area of the study found that more number of service units were located in urban areas because of more demand for services; but more number of industrial units were concentrated in rural areas because of availability land, labor and raw materials at low cost. It was also noticed that in both rural and urban area units a majority of the output was sold immediately after production during the period of study.

The age group of majority of the sample respondents is in between 51 – 60 years because that age group of people is more matured and they have technical and general knowledge, experience in various fields, and they can provide sufficient capital. Hence, it is possible for entrepreneurs in that age bracket to start business units. It was observed that in both rural and urban areas a majority of the respondents belonged to male category because male population have more risk bearing capacity compared to their female counter parts. It was found that in both rural and urban areas a majority of the respondents belonged to reserved category because the policy of communal reservation was observed strictly while sanctioning the small scale units in the area of study.

With regard to the academic qualifications, it is observed that in rural areas a majority of the entrepreneurs have SSC/Inter as their academic
qualification, whereas in urban areas, they have degree as their academic qualification. It is also interesting to note that some of the sample respondents have started business owing to lack of employment opportunities and lack of financial support to continue their studies.

In the rural area, a majority of the respondents have the experience of offering services to their customers which inspired them to start small scale units, whereas in the case of urban area a majority of the respondents have the experience of running business which motivated them to start a small scale unit. It is also found that in both rural and urban areas majority of the respondents’ profession is agriculture. The poor income through agriculture forced them to start small scale industrial units. The better infrastructure facilities in Krishna district tempted the respondents of urban and rural areas to migrate to various parts of the district and to start small scale units for their livelihood.

(iv) **Findings on the Problems of entrepreneurs in running the small scale units:**

The data on the establishment of small-scale units in the selected area shows that there are wide disparities in case of establishment of small scale units in between rural and urban areas. The main reason for the disparities may be because of the government support offered which attract more number of units in rural area. These units are running under the assistance of Entrepreneurship Development Program and less number of units is running under the assistance of Society for Training and Employment Promotion.
It can be inferred from the analysis that more number of service units is located in urban areas, whereas manufacturing units are concentrated in rural areas. The service based units are more attractive in urban areas due to more demand for services and the government restriction in locating the manufacturing units in rural areas. It is also evident from the data that at the time of starting the business the percentage of entrepreneurs with less than 40 years of age is a single digit, which shows that at this age, apparently, people are not much interested to start any business.

The sex-wise composition of the selected entrepreneurs of small scale units shows that more than three-fourth of the respondents belongs to male category. A similar feature is also found in case of both rural and urban areas.

It is further evident from the data that the policy of communal reservation is observed strictly, while sanctioning the small scale units. Further, it is very interesting to note that majority of the rural area entrepreneurs are having SSC/Inter as their academic qualification, but degree as the academic qualification in case of urban areas. It can be concluded from the analysis that among the various factors responsible to become an entrepreneur, the possession and qualification is an important factor in majority of the cases in urban area.

It can be found from the analysis that the poor income, un-economic nature of agricultural activities and the financial support under the micro small medium enterprises motivated people to start small scale units. The analysis
across rural and urban areas did not differ from this finding of the total area of the study.

It was found from the data that about two-thirds of the respondents are not having any employment other than being an entrepreneur. The rural and urban entrepreneurs expressed the same. It can be concluded from the data that there are no significant differences in the range of the capital spent at the inception of the selected small scale units in both rural and urban areas. Further, it can be said from the analysis that a great number of rural units invested own capital less than Rs.25 lakh and whereas the urban based units provided above Rs.75 lakh at the starting of these small scale units. These high amounts of own funds are due to the matching of own funds with that of the loan capital mobilized by these units. It also shows that the small scale units’ entrepreneurs have gradually increased their own capital in their respective units for meeting the capital requirement of the industrial units. Rural and urban areas analysis did not differ in this respect. The reason may be the policy of the government to contribute the margin money at the time of sanctioning the scheme.

The need to take loans from the banks is mainly due lack of sufficient capital, possibility of getting the funds from banks with less interest rate and convenient repayment installments compared to private sources, like money lenders, neighbors, friends and relatives. It is also opined by the entrepreneurs that there is too much of documents at time of sanction of loans by the banks, which may leads to a delay in sanctioning of loan by the banks. It can also be
concluded from the data that there is no significant difference in this respect between rural and urban area units.

It can be observed from the data that a majority of the entrepreneurs have utilized the subsidy. As a matter of fact, the amount of subsidy depends on the type of scheme and gender of the entrepreneurs. This may be one of the reasons to attract these entrepreneurs to the developmental schemes sanctioned by the government.

It is also inferred from the analysis that the entrepreneurs obtained the raw materials from within the native district and a few are dependent on other districts and States. The reason may be that these raw materials are not available in the native district.

It is evident from the analysis that a majority of the units are running under the assistance of District Industrial Centre, and very few units are running under the assistance of District Rural Development Agency and specialized corporation. Further, it is also evident that a majority of the selected entrepreneurs felt that the cooperation and support by the DIC is satisfactory, though there is a difference of the opinion between rural and urban entrepreneurs.

It can be concluded from the data that the logistics factor plays a major role in marketing of products and through which to get better prices for the products. It can be seen from the data on the details of marketing of products of the selected entrepreneurs that about one-third of the entrepreneurs market
their products through specific parties/institutions and the rest of them market their products through the retailers or their own outlets within the district.

It can be concluded that the lack of demand on the one hand and heavy competition from the medium and large scale units on the other hand are the major reasons for the sickness of the small scale units. It can be also said from the analysis that the small scale units are not able to stand before the medium and large scale industrial units because of their high technology through which they are able to produce with less cost with higher quality. It can be seen from the data that a majority of the entrepreneurs want conversion of the same unit into medium scale unit, who want to expand their business.

The statistical analysis revealed that there are certain differences in the views of entrepreneurs towards problems and prospects of small scale units in rural and urban areas of the selected area of the study.

(v) Problems of entrepreneurs in running the PMRY units:

It is quite interesting to note from the analysis that there were only 16 units established in the district during the year 2003-04, twelve in rural and four in urban areas and it shows that there was not much of sanction of PMRY units in the district. It was found from the analysis that the PMRY scheme is sanctioned mostly in the age group of entrepreneurs, who are between 20 and 40 years. From this it can be said that the policy of the government is to sanction the scheme for that age group.
It can also be concluded that, while sanctioning the PMRY scheme, the government was taking equal interest across the gender-wise, which may be its policy. But this situation is found true in case of urban areas, while in case of rural areas, the opposite was the fact. It also proved from the analysis that the policy rule of reservation was carefully observed, while sanctioning the PMRY units in the area of the study. The situation in case of rural and urban areas is found to be the same.

It can be seen from the data that more than 80 per cent of the entrepreneurs attended training programs organized by various organizations, like DRDA, DIC, etc., whereas less than one-fifth of the sample unit holders had not taken any training and it may be due to their possessing adequate knowledge/skills to run the units. It can be said in this context that in some professions a few entrepreneurs could manage their units with their family profession skills/knowledge. A similar view is also known in case of both rural and urban areas. One could find from the analysis that the respondents shifted to new trades and after getting PMRY scheme probably because they found their earlier occupations were not yielding adequate results. The rest of the cases, they continued in existing profession even after they got the PMRY schemes.

The analysis on the family background of the selected entrepreneurs revealed that the over-dependence on agriculture and its failure led to migration to urban areas so that they could shift to more economical activities by obtaining the financial support under the PMRY schemes. As it was already
evident that the Krishna district has better infrastructure, which could have attracted the people to start their PMRY schemes.

It is also evident from the analysis that the rural entrepreneurs prefer to continue their parental occupation, while the urban entrepreneurs were interested to utilize their professional expertise, because of the fact that the urban people may have better exposure to and awareness to professional qualifications, for which they settle in that line of business.

It is also seen from the analysis that a majority of the PMRY units started with a fixed capital of less than Rs.5 lakh at the time of their inception. A parallel phenomenon is also seen in the case of rural and urban PMRY schemes. It is also found from the analysis that a few PMRY units’ holders have stated that the present investment is Rs. 2 to 4 lakh. In case of respondents of both rural and urban areas, the same feature is seen.

When we come to the investments made from their pocket, it was found from the analysis that a majority of the schemes have invested ranging from Rs.5 to 1.0 lakh. The reason may be the policy of the government to contribute a low matching. As a matter of fact, the amount of subsidy depends on the type of scheme, which is realized by every entrepreneur under the PMRY scheme. This may be one of the reasons for the entrepreneurs to be attracted to the developmental schemes sanctioned by the government.

Further, it is also observed from the analysis that almost all the entrepreneurs availed loans from the public sector banks. The data also
revealed that a good number of entrepreneurs have taken loans because the banks were directed to sanction more credit under these PMRY schemes as a priority in their policy. The region-wise analysis also gives a similar picture in the case of rural and urban entrepreneurs.

It can be concluded from the discussion that maximum number of PMRY units’ holders have availed the interest rate of eight percent for securing loan. The region-wise analysis showed that one-third of rural entrepreneurs availed the loan at lower level of interest, i.e.; at 7 per cent and whereas the urban loaners are 8 per cent during the period of study. It can be inferred that the rural borrowers are more committed to loan repayment as compared to the urban borrowers. This parity may be because of to keep the image of the family in the society in case of rural entrepreneurs.

It can also be seen that the decrease in the demand and timely non-realization of dues are found to be major reasons for the non-repayment of loans by the defaulters. It is also seen from the data that about one-fourth of the borrowers were not able to repay the loans due to loss of the business. The PMRY scheme holders of both rural and urban areas have expressed similar views.

The selection of the PMRY units is not based on the adequacy of services which the authorities should give for sanction as it was revealed in the analysis. Lack of demand and heavy competitions are found to be major reasons for a majority of the units to fall sick in rural areas. In the case of urban
areas heavy competition and substitute products were found to be the major reasons for their sickness.

It can also be seen from the analysis that a few units sell their products outside the district areas. A majority of them are able to market their products in the local markets. A similar picture emerges both in the rural and urban units. It is also found from the analysis that the marketing activity of three-fourth of the PMRY scheme holders are in the form of general services i.e., personal selling by physical presence in their respective units. Those who market their output through major parties or brokers are negligible in number.

It can be seen from the analysis that majority of respondents focused on maintaining quality and design and to provide better services in time. The other efforts like advertisement, innovation and prices of products are equally valid reasons for sales improvement. From this discussion, no significant differences were found in the perception of entrepreneurs towards problems and prospects of PMRY units in rural and urban areas. In few cases, the hypothesis is accepted. The study was carried out with the help of ANOVA, correlation, regression, discriminate analysis and t-tests.

(vi) **Differences in problems and prospects of small scale and PMRY units:**

In both rural and urban areas a majority of the entrepreneurs opined that there was delay from the banks in sanctioning loans. The entrepreneurs of both rural and urban areas were contented (good) with the cooperation and support in project report preparation provided by District Industrial Centre.
It is found that in the case of rural area a majority of the entrepreneurs took loan with 7 per cent rate of interest, but the majority of the urban area entrepreneurs’ secured loan with 8 per cent rate of interest during the period of study. The entrepreneurs securing the loan with 7 per cent interest rates found it more useful to expand the unit, update technology and maintain the quality of the products.

In the case of rural area a majority of the entrepreneurs repaid the borrowed amount within 5 years, but a majority of the urban entrepreneurs took more than 5 years to repay because the rural borrowers are more committed to repayment when compared to urban borrowers.

A majority of the rural entrepreneurs could not repay the loans because of two reasons; one was decrease in demand for the products/services and another was entrepreneurs could not collect the amounts due to them in time. As a result they defaulted in repaying what they borrowed from the banks. But in urban area a majority of the entrepreneurs could not repay loans because of decrease in demand for the products/services and bad debts arising in the business and heavy competition.

Many of the entrepreneurs both rural and urban faced problems in receiving loans and obtaining raw material from other institutions because of delay in getting the loan from banks and financial institutions. Banks insisted on security to release the loan amounts, and raw material even from the
neighboring districts was not being supplied in time because of paucity of funds.

A majority of units in rural areas were sick due to lack of demand for their products/services, whereas the urban area units were sick due to heavy competition between them, poor quality of the products and the availability of substitute products in the market. A majority of the entrepreneurs in both rural and urban areas obtained the source of required raw materials within district, though a few of the entrepreneurs obtained the raw materials from neighboring districts and States.

It was found out that in both rural and urban areas a majority of entrepreneurs were marketing their products in the form of general services. But some of the entrepreneurs market their products through major parties/brokers. These are negligible in number because a majority of them are engaging in entrepreneurship activity only; hence their products are marketed in general services.

Most of the entrepreneurs in urban areas wanted to convert small scale units into medium scale unit, but in rural areas, most of the entrepreneurs wanted to expand the existing unit.

There are no significant differences between rural and urban areas in terms of investment in selected PMRY units in Krishna district. It was observed that in case of rural area the majority of the entrepreneurs’ working capital funds were less than Rs. 50, 000 but the majority of urban area
entrepreneurs’ working capital funds were in the range of Rs. 50,000 to Rs. 75,000.

In both rural and urban areas a majority of the units secured loans from the public sector banks according to the survey. The reason maybe that banks were directed to sanction more credit under these PMRY schemes as a priority during the above mentioned period.

**Conclusions:**

The small scale sector plays a pivotal role in the development of any economy. The government of India provides financial and other forms of assistance for the growth of small scale industry in India. Huge outlays have been earmarked in all the five year plans since independence. Various institutions and banks have been instructed to provide adequate support to the small scale sector. The DICs have been established in all the districts of the country for promoting small scale industries. A number of schemes, like PMRY and CMEY have been implemented. But the small scale industry and its units are facing a number of problems in the areas like production, marketing, finance and human resource management. The competition from large scale sector is also a major factor. Hence, there is a need for reorientation of policy and schemes relating to small scale industry in order to make the units viable and efficient.
SUGGESTIONS:

(i) There is a need to organize more entrepreneurship development programs in rural areas for better operation of the units. The governmental institutions may think of providing more financial assistance to the small scale industries in order to reduce if not eliminate the burden of the entrepreneurs in the form of private loans.

(ii) There is a need to review the number of documents to be submitted to banks for sanction of loans as more documentation results in delay of the sanctioning of the loans. The assistance of the DIC may be made more effective, by including all the requirements of the entrepreneurs. They should employ qualified personnel for various functional areas viz., Production, Marketing, Finance and Management.

(iii) They should introduce managerial techniques, such as budgetary control, break-even analysis and cost accounts to manage the activities on sound lines. They should scrutinize the proposals from small scale industrialists promptly for their quick disposal. They should expedite the lending decisions without taking unduly long period of time by decentralizing the decision-making process pertaining to lending to small scale industry. They should not help units which have indulged in malpractices such as mismanagement, diversion of funds, black marketing of scarce raw-materials, etc.

(iv) The government should increase the plan allocation to small scale sector proportionately with increase in the overall allocations to ensure...
this sector its due share in the future plan. The government should resolve the problems of small scale sector, such as shortage of power and materials, marketing, managerial and technical problems so as to create conducive atmosphere for successful operation of small-scale industries.

(v) The DIC should improve single window services to the rural and urban units. The government should provide qualitative inputs with less cost and give permission for exports to the other states to tap the opportunities that exist in other states and to increase the demand for their products.

(vi) The government should provide sufficient financial, technical and other functional support and provide the required infrastructure facilities. Banks both in the public and private sectors should provide the units short, middle and long term loans with less rate of interest without many obligations at the earliest.

(vii) For the effective functioning of any unit financial assistance in the form of loan is very essential within a specified time. Hence, instructions are to be given by RBI in this regard to all the banks to sanction loans without delay. The DIC is to strengthen its operation in the areas of technical assistance and single window system. These were identified as the unsatisfactory by many of the entrepreneurs. The government of India may permit export of the product/services of
the PMRY units. The government should promote a co-operative type of institution to improve the marketing of the PMRY products.