Chapter-1
INTRODUCTION

The term “Small Scale Industry” has many synonyms, such as, “Small enterprise”, “Small Undertaking”, “Small Unit”, “Small Scale Sector”, “Small Industrial enterprise”, “Small Industry” etc. In fact, these terms are used by different authors to convey the same meaning.

The definition of “Small Scale Industry” is not a universal one. Different countries of the world, at different times, have defined the term in different ways to meet the needs of time and pace. In fact, it is the outcome of a process of evolution, pragmatic to the circumstance of each country. In India, prior to independence, the British rules were almost indifferent to the development of this sector for obvious reasons. The term commonly used during those days was “cottage and small scale industries”.¹ “They were indigenous by nature and flourished spontaneously out of the historical background of the days”;² in a very humble way without any nursing by the state. But after attainment of political independence, the national government “started taking active interest in the development of small scale industries from 1947, when the conference on industrial development took note on the necessity of development in this field. Following its recommendation the cottage industries board was setup as an adviser body”³. But soon the board realized the diverse problems confronted by the various groups of industries of the sector and advised the government of India to setup separate organization to look after the interest of each group of industry. “Accordingly, five boards were setup during 1952–53 for handloom, handicrafts, coin, silk and khadi and village

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1. Nanjappa, K.L., Small scale industries, 25 years of progress, New Delhi; Sterling publishers (P) Ltd., 1977. P.17
3. Development commissioner (SSI), New Delhi, small scale industries in India,1968,P.53.
In the meantime, the government of India realized that if its desire to develop small scale industrial sector is to be materialized, there should be a well-chalked out promotional measures, pragmatic to the circumstance to which the Indian economy was subjected.

With this end in view, "in 1953-54 the ministry of commerce and industry invited an International planning team through the country of the Ford foundation to report on measures, that could be adopted to develop small scale industries." The Team strongly recommended the need for development of "modern small scale industries" to meet the needs of the time and pace. The team also recommended the various measures to be taken by the Government for promotion and development of this sector of the economy.

In pursuance of the recommendation of the team the government of India setup a special advisory board in the name and style of "small scale industries board in 1954." No sooner the board had started functioning, it keenly felt the need for a comprehensive working definition for implementing various programmes meant for development of the small scale sector. Accordingly the board, in its first meeting held in early January 1955, adopted the first working definition of a small scale industrial unit as "a unit employing less than 50 persons if using power and less than 100 persons without use of power and with a capital asset not exceeding Rs. 0.5 million."

Since then definition of small scale industries had been modified several times in order to meet the need of time. In cause of these modifications, a new category of

4. Ibid., p.232
5. Ibid., p.236
6. Ibid., p.242
industries viz. "small scale Ancillary units" emerged. An ancillary unit is defined as, "a unit which produces parts, components, sub-assemblies and tooling for supply against known or anticipated demand of one or more large units manufacturing, assembling complete products and which is not a subsidiary to or controlled by a large unit in regard to the negotiation of contracts for supply of its goods to any large unit."\(^8\)

Since they require higher form of technology and costly machinery, the requirements for investment in fixed planned and machinery in ancillary unit, are relatively higher than those in ordinary small scale units.

Accordingly, "at the initial stage, the fixed capital ceiling limit for ancillary small unit, was fixed at Rs.1.0 million as against Rs.0.5 million for an ordinary small scale units. At present, the ceiling limits for ordinary small scale undertaking and small scale ancillary undertakings are Rs.60 lakhs, and Rs.75 lakhs, respectively irrespective of number of persons employed. It should however be noted that the investment in fixed capital in this case include investment in plant and machinery only, excluding land."\(^9\) It is important to mention here that the industrial policy resolution 1977, coined a new term for certain units of small scale industries called "Tiny units", which at that time consisted of those small scale units which had an investment in machinery and equipment upto Rs.1 lakh and were situated in towns with a population of less than 50,000 according to 1971 census. The present investment limit in the fixed plant and machinery for tiny sector is Rs.5 lakhs.

One important thing to be clarified here is that the definition of Small Scale Industry as stated above, does not include the traditional cottage or village industries which come under the control of special boards like handloom board, silk board, coin board etc. The present study does not include those industries.

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Scope of the study

The present study is being made by taking chittoor district as base. It is located at the western most corner of the Andhra Pradesh state. The district falls under the category of industrially developed districts of the state as identified by the small industry extension training institute (SIETI), Hyderabad in 1987-88, and it is by far the most prominent district in the scenario of Andhra Pradesh. Some of the important industries operating in the chittoor district under the small scale industries are Power looms, Readymade Garments, Granite cutting and Polishing mats on power operated, Bakery, Confectionery, Mango Pulp, Dedicated account Powder.

Table-3 presents the district wise breakup of the small scale industrial units located in Andhra Pradesh as on 31-3-1999. Table-3 shows that among the district of Andhra Pradesh, the chittoor district claims the Fifth position in small scale industrial units.

It should be noted that in order to avail of any sort of assistance or benefit from the government, the industrial units are to be registered with the district Industries center of the district. As revealed by the Directory, small scale industries, Andhra Pradesh, there were 1366 permanently registered modern small scale units in the chittoor district as on 31st March 1999.

The Present study will cover only those small units of the district which obtained permanent registration from district industrial center upto 31st March 1999, the unregistered units of the district, the exact number of which is not known, are excluded from the purview of the present study more over the small scale units which are established under
the SEEUY programme are also excluded from the purview of the present study. Because, the district industrial center maintains a separate directory for such beneficiaries which include trading operations also. Therefore, for examining the performance of such units, a separate study is essential.

a) Objectives:

The present investigation, which is exploratory in nature has tried to examine some of the problems of entrepreneurship in Chittoor district. Taken precisely, the following are the major objectives of the study.

1. To examine the patterns of assistance provided by the government and its various agencies for entrepreneurial growth,
2. To assess the actual availability of assistance as well as sources of assistance to entrepreneurs;
3. To examine the pattern of entrepreneurs growth and their information needs, and to elucidate the factors which impede entrepreneurial activity and to suggest measures to remove them.

b) The Present study

Notwithstanding the inception of technical bodies for facilitating the growth of small scale entrepreneurship, the growth of entrepreneurship has been tardy, particularly in the Chittoor district. Entrepreneurs decry the delay caused by intermittent red tapism and bureaucratic apathy creates further impediments in the process of establishment of small industries prospective entrepreneurs bemoan the delay in processing loans from various financing agencies and in obtaining licenses for raw materials etc. Non-availability of technical advise is yet another factor which creates obstacles in the growth of
entrepreneurial as well as fuller utilization of entrepreneurial potential. Thus the problem of industrial growth of small units under public sector appears to be multifaceted. The underlying intention of the present study is primarily concerned with the assessment of the actual situation in vogue vis-à-vis availability of intensive and assistance as reported to have been provided by the state government, that is, (a) how for various facilities, which are said to have been put forward by the state government in this direction, are available to and are being utilized by the entrepreneur of the small scale industrial units, (b) What are major impediments, if any, the entrepreneurs face in availing of the facilities provided by the state government and its various agencies.

c) Hypothesis

Keeping in view the objectives of the study and based on the knowledge acquired from several studies made elsewhere, the following hypothesis are proposed to be tested in the context of the small scale industrial units of the Chittoor district (A.P).

Non availability and non application of information can influence the business industry at various points and in variety of ways. Here are some examples:

1) A large majority of small scale industrial units of Chittoor district (A.P) suffer from capacity under utilization.

2) The most prominent reasons behind capacity under utilization in the small scale industrial sector is the shortage of raw materials.

3) Lack of industrial motivation among the native entrepreneur is responsible for large scale under utilization in the small scale industrial sector.

4) The most important inhibiting factor in setting up of a small scale unit is the "Shortage of capital".
Methodology: The Methodology adopted in the present study is as follows:

Firstly, all the 1366 small scale units of the district which had obtained permanent registration with 31st March 1999, are categorized on the basis of the prime materials used for their products, Secondly, having been categorized, 5% of each category subject to a minimum of 3 units are taken by random sampling method. By doing so, there emerged as many as 78 units, ancillary and non-ancillary units, rural and urban based units, sick and healthy units, units with in and without the industrial estates etc.

A questionnaire is carefully prepared for the purpose (vide Appendix - 2) and empirical data are collected by direct personal interview and rapport with all these 78 entrepreneurs. In case of any unit is not found after strenuous efforts, it is substituted by another unit of that category. The entrepreneurs are clarified about the purpose the study. However, it is found that the entrepreneurs in general are reluctant to give details of their businesses. But once their interest is aroused, they answer to the questions as wanted. It took 4 to 6 sittings with one unit to get all the questions answered.

It is found that 38 (49.4%) units maintain proper records of their business transactions, while the rest 40 (50.6%) units don't have systematic records. However, out of these 40 units, 34 units prepare a statement at the close of each financial year for tax purpose, while the remaining 6 unit, do not have any records at all.

Complete performance data could be collected from 76 units only, for out of the 38 units who maintain proper records, 36 units cloud be convinced to disclose their performance records, while the remaining 2 units have declined to show any financial records pertaining to production and sale for the sake of their business secrets. However,
they have responded to the other questions properly. Out of the remaining 40 units having no systematic records, 34 units have agreed to show their statements prepared for tax purpose. The remaining 6 units have supplied their performance data on the basis of their estimates, which in their opinion, reveal the average position of their units.

**TABLE – 1**

Categorization of small scale units (registered) of chittoor District (as on 31.3.99) on the basis of prime materials listed and the proposed number of sample units taken from each category for study

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Category based on Prime material used</th>
<th>Total no. of units in Chittoor District as on 31*March 1999 (Registered)</th>
<th>No. of sample units taken for study</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Agro based</td>
<td>482</td>
<td>24</td>
</tr>
<tr>
<td>2</td>
<td>Forest based</td>
<td>32</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>Textile based</td>
<td>183</td>
<td>9</td>
</tr>
<tr>
<td>4</td>
<td>Mineral based</td>
<td>32</td>
<td>3</td>
</tr>
<tr>
<td>5</td>
<td>Engineering &amp; Allied products</td>
<td>363</td>
<td>18</td>
</tr>
<tr>
<td>6</td>
<td>Chemical &amp; Rubber products</td>
<td>71</td>
<td>6</td>
</tr>
<tr>
<td>7</td>
<td>Animal based</td>
<td>12</td>
<td>3</td>
</tr>
<tr>
<td>8</td>
<td>Building Material</td>
<td>19</td>
<td>3</td>
</tr>
<tr>
<td>9</td>
<td>Miscellaneous</td>
<td>172</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>1366</strong></td>
<td><strong>78</strong></td>
</tr>
</tbody>
</table>

d) Selection of universe:

The present study has been carried out in the district of chittoor (A.P) the entire district has been divided into four geographical zones viz. East, West, North and South extending from the remote areas of chittoor district in the East to Satayavedu in the West Molakalacheruvu and Kuppam in the South and Tirupati in the North. By resorting to geographical division of the district, it could enable to locate small scale industries in the different parts of the district and help to select the sample.
Organization of Chapters

Entrepreneurial activity has a systematic sequence and this sequence has been tried in ordering the chapter of the present investigation.

The first chapter, being an introductory one, contains a discussion on evolution of the official working definition of small scale industry in Indian context and the role of small scale industries in economic development and in the five year plans. Moreover, a brief review of existing literature in the field, objectives of the present study, Hypothesis chosen for testing and scope and Methodology of the study are presented in this chapter.

Second chapter attempts with regard to Information needs and problems of small scale industries.

Third chapter makes a brief survey of the growth of industrial activities of chittoor district i.e. the universe of the present investigation.

Fourth chapter deals with the analysis of data.

Fifth chapter comprise the concluding part, the findings and suggestions to overcome the bottlenecks faced by entrepreneurs in their pursuits, and offered some suggestions for the obliteration of impediments. The suggestions given there under, if they are not pigeonholed, may go a long way in overcoming the needs of the information of small scale industries in general on solid and healthy lines.