CHAPTER-I
INTRODUCTION

1.1 Introduction

The Small scale industries (SSIs) generate production at low capital cost, mostly use indigenous raw materials, utilise local skills, widen the entrepreneurial base, facilitate balanced regional growth and prevent the migration of labour to the metropolitan areas (Parthasarathy, 1996).

Ganesamurthy et.al (2002) explained that the small scale sector now produces more than 8000 products. It has emerged as a major supplier of mass consumption items like leather products, sheet metal goods, paints and varnishes etc,. Among the sophisticated items mention may be made of television sets, electronic motors and pesticide formulations etc. The contribution of the small scale sector in saving the precious foreign exchange through production of a large number of import substitute items has been equally significant.

Subbiah and Navaneethakrishnan (2006) expressed that the SSI units have solved the problems of poverty and unemployment. They pave the way for equitable distribution of income and wealth. This is the reason why all the countries give importance to enhance the performance of small scale industrial sector. Recently, it constitutes a very important segment of the Indian Economy. SSI units have high potentiality in generating employment, promoting entrepreneurship and earning Foreign exchange, compared to other sectors.
Ramappa et al (2006) emphasised that in India, SSIs occupy 133.68 lakh units; contribute 40 per cent of industrial production; 35 per cent of its exports; and provide employment to about 322.28 lakh people.

SIDBI Annual Report (2009) clearly explained that the SSIs contributing to the development of the economy can be perceptibly seen in three areas, viz., production, employment and export. The SSIs have registered a remarkable growth in production, export and employment. The value of output of the total SSI sector increased from Rs. 2,61,297 crores in 2000-01 to Rs. 6,95,126 crores in 2007-08 indicating a two fold increase at current prices during the period. The number of persons employed increased from 238.73 lakhs in 2000-01 to 322.28 lakhs in 2007-08.

SIDCO Annual Report (2009) pointed out that the faster growth in production as compared with employment indicates that the output per employee has increased over time at least in terms of current prices. Similarly during the above period the value of exports increased from Rs. 69,797 crores to Rs. 1,77,600 crores i.e., three fold increase. The sector has acquired a larger degree of export orientation over the years.

Ganesan and Navaneethakrishnan (2006) observed that the growth of SSIs has improved a lot due to the support of Government policies. Particularly, Indian banks have positively responded by providing adequate credit to the SSIs in the country. The Government support can be in the form of interest rate subsidies credit-linked capital subsidy, credit guarantee, credit enhancement facilities and tax incentives.
The easy availability of financial assistance, incentives and subsidies influenced many entrepreneurs to start SSIs units. Investment limit was also reduced. This resulted in the growth of number of SSI units. Despite the performance of some SSI units was functioning well, few units were not performing well due to marketing problem, dearth of finance, administrative hurdles, infrastructural bottlenecks particularly power and Government intervention etc. Hence, the researcher is interested in doing research work on problems and prospects of SSI units in Tiruchirappalli taluk of Tiruchirappalli district.

1.2 Theoretical Base

Anil Bhuiimali (2004) stated that small-scale industries were the dream of Mahatma Gandhi, father of our nation. He has supported the growth of small-scale industries in India, because he had the vision that it would help the poor people of India to come up. Small-scale or cottage industries are not capital based, but the talent and effort based business. Hence, the middle class people can also own and run SSI units.

Mahatma Gandhi is of the view that full employment of human resources is basic need of a country. It is true that national income will increase if each and every person’s skill (whether skilled or unskilled) is employed fully. This cannot be possible only with the development of large scale industries because of their labour saving nature. Agriculture sector too cannot solve the problem of unemployment and underemployment due to its seasonal nature. Therefore, mechanization and large scale production cannot provide the solution to the problem of poverty and unemployment. But the SSIs holds key role to solve this type of problem. Small Scale Sector is able to
provide employment to 26 persons if it expands Rs. one lakh of fixed investment whereas it is only four persons in case of the large scale industrial sectors. SSIs are playing at present an important role for the development of Indian economy in terms of employment and growth.

Manoharan and Selvamoorthy (2010) observed that the over all credit of developing small scale sector goes primarily to the vision of Jawaharlal Nehru, the first prime minister of free India, who proposed and implemented the development of core industry and a supporting sector in the form of small scale enterprises. In the words of our honourable Prime Minister Dr. Manmohan Singh, “the key to our success in employment lies in the success of manufacturing in the small scale sector”. The small scale sector is important not only for its contribution to GDP but also for stellar performance in exports and generating employment

1.3 Statement of the problem

Small scale industrial sector is an important segment of Indian economy. It generates employment opportunity next to agriculture sector. India is divided into 29 states, among which some of the states such as Uttra Pradesh, West Bengal, Gujarat, Tamil Nadu are industrially advanced and retaining the dominant position in India. Tamil Nadu is the third largest economy in India, but it stands second position in number of industrial units, number of workers employed in factories and retaining the third position in terms of industrial output.

In 2001, the state of Tamil Nadu was divided into 29 districts. Chennai, Coimbatore, Tiruchirappalli, Kanchipuram, Salem, Thriuvallur, Vellore and Tuticorin are the main districts of industrial and commercial activities. From which Tiruchirappalli is an industrially and economically advanced district in
Tamil Nadu. Some of the SSIs in Tiruchirappalli district are flourished a lot and some of them are not showing good performance. So, the researcher is interested to take up the research work on problems and prospects of SSIs in Tiruchirappalli district of Tamil Nadu state particularly Tiruchirappalli taluk.

1.4 Objectives of the study

The overall objective of this study is to analyse the general working of SSI units in Tiruchirappalli district. The specific objectives of the study are furnished below:

1. To study the various types of the small scale industrial units in Tiruchirappalli district.

2. To analyse the performance of different small scale industrial units in Tiruchirappalli district.

3. To analyse the prospects of small scale industrial units in Tiruchirappalli taluk.

4. To study the problems faced by the small scale industrial units in the study region; and

5. To suggest appropriate policy measures to enhance the performance of SSI units in the study area.
1.5 Hypotheses of the study

Based on the above objectives the following hypotheses are drafted. These hypotheses add analytical vigour to the analysis of the objectives.

1. There is a strong relationship between the amount of investment and employment generation of small scale industrial units in Tiruchirappalli district.

2. There is a significant relationship between capital invested and the profitability of SSI units in Tiruchirappalli taluk.

3. There is a sizeable variation in the profitability of SSI units operating in the study area.

1.6 Methodology of the study

Tiruchirappalli district is one of the industrially advanced districts in Tamil Nadu. Tiruchirappalli district is divided into eight taluks namely Tiruchirappalli, Srirangam, Manachanallur, Lalgudi, Musiri, Thuraiyur, Thottiam and Manapparai. Among these taluks, Tiruchirappalli taluk is considered as an industrially advanced taluk in Tiruchirappalli District (refer table no. 1.1). Total number of SSIs registered at District Industries Centre (DIC) is 21,323 at the end of March 2008. This list includes all sectors namely tiny, small and medium scale industries. In order to get to know the details of SSI units specifically, the study did follow the details of Inspector of Factories. There were 576 SSI units registered at Inspector of factories in Tiruchirappalli district level at the end of December 2006. From which, the majority of 294 units are from Tiruchirappalli taluk itself.
This study aims at analysing the problems and prospects of SSIs in Tiruchirappalli taluk. Due to the insufficiency and discrepancy of secondary data, the researcher had to collect the primary information too for the amenable data. From the 294 units, only 75 units are indeed viable as per the assumption (registered with the Inspector of Factories in the year 2000 & earlier and still functioning) of the study. From the 75 units, five units have found to be closed. And 20 units have not properly responded even after repeated visit. Finally, the primary data have been collected from the fifty SSI units through a well structured interview schedule. This study is based on complete enumeration method. The fifty SSI units have been divided in to eleven categories of industries such as Engineering industries, Rice mills, Crusher industries, Electrical & Electronic industries, Plastic industries, Furniture industries, Saw mill, Tyre industry, Auto Garage, Metal industry, and Masala industry.

The study has also used secondary data collected from District Industries Centre, Inspector of Factory, District Statistical Office, published materials like Journals, News Papers, Periodicals, and Books.
## Table No.1.1

Taluk-wise classification of SSIs in Tiruchirappalli district  
(as on 31.12.2006)

<table>
<thead>
<tr>
<th>Si.No</th>
<th>Name of the Taluk</th>
<th>2 m(i)</th>
<th>2 m(ii)</th>
<th>85 (i)</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Tiruchirappalli</td>
<td>292</td>
<td>2</td>
<td>-</td>
<td>294</td>
<td>51.04</td>
</tr>
<tr>
<td>2.</td>
<td>Manapparai</td>
<td>27</td>
<td>-</td>
<td>-</td>
<td>27</td>
<td>4.69</td>
</tr>
<tr>
<td>3.</td>
<td>Thottiam</td>
<td>12</td>
<td>-</td>
<td>-</td>
<td>12</td>
<td>2.08</td>
</tr>
<tr>
<td>4.</td>
<td>Musiri</td>
<td>53</td>
<td>-</td>
<td>-</td>
<td>53</td>
<td>9.20</td>
</tr>
<tr>
<td>5.</td>
<td>Srirangam</td>
<td>44</td>
<td>-</td>
<td>-</td>
<td>44</td>
<td>7.64</td>
</tr>
<tr>
<td>6.</td>
<td>Lalgudi</td>
<td>28</td>
<td>-</td>
<td>1</td>
<td>29</td>
<td>5.03</td>
</tr>
<tr>
<td>7.</td>
<td>Thuraiyur</td>
<td>31</td>
<td>-</td>
<td>-</td>
<td>31</td>
<td>5.38</td>
</tr>
<tr>
<td>8.</td>
<td>Manachanallur</td>
<td>86</td>
<td>-</td>
<td>-</td>
<td>86</td>
<td>14.93</td>
</tr>
</tbody>
</table>

**Total**  
573 2 1 576 100

**Source:** Inspector of Factories, Tiruchirappalli-23.

**Note:**  
2 m (i) - With power using 10 persons  
2 m (ii) - Without power using 20 persons  
85 (i) - Match Industries.
Table No.1.2

Industrial-wise classification of selected sample units in Tiruchirappalli taluk

<table>
<thead>
<tr>
<th>Si.No</th>
<th>Types of Industries</th>
<th>No. of Units</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Engineering Industries</td>
<td>20</td>
<td>40</td>
</tr>
<tr>
<td>2</td>
<td>Rice mills</td>
<td>9</td>
<td>18</td>
</tr>
<tr>
<td>3</td>
<td>Crusher Industries</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>4</td>
<td>Electric &amp; Electronic Industries</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>5</td>
<td>Plastic Industries</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>6</td>
<td>Furniture Industries</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>7</td>
<td>Saw Mill</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>8</td>
<td>Tyre Industry</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>9</td>
<td>Auto Garage</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>10</td>
<td>Metal Industry</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>11</td>
<td>Masala (Food Industry)</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Source:** Inspector of Factories, Tiruchirappalli-23.
1.7 Period of the study

This study comprises of the problems and prospects of SSI units at Tiruchirappalli Taluk. The collection of data was done in the year 2008. The study was concentrated on initial period (then) and current period (now) of SSI units. The initial period of operation was different from industry to industry and the current period denotes the period of data collection. The initial information about the units has been collected from the elder members of the families of entrepreneurs in order to ascertain the problems and prospects of SSI units. Through comparing the initial period of information and current period of information, the researcher would obtain the scientific result.

1.8 Tools used for the study

The researcher has availed the statistical tools such as F-test, correlation, percentage, average, bar diagram and pie diagram for the scientific analysis of the study.

The ‘F’ test is used to find out the intra industry and inter industry variations in the capital investment. The correlation is used to gauge the intricate relationship between investment and employment in the SSI units.

1.9 Utility of the study

The findings of this study would bring about the facts of SSI units in the study region. This helps the policy makers to design the suitable schemes and the packages for the rapid development of SSI units at macro level. This research work also provides various suggestions for the problems faced by small scale industrial units and to ameliorate performance of these units in the study area.
1.10 Limitations of the study

This study has the following limitations:

1. The study envelops the Tiruchirappalli taluk alone. This is a micro level study and its application is limited to the areas which are having identical conditions.

2. The study has covered only the registered units and it did not cover the unregistered and sick units.

3. The money values of some variables such as fixed capital, working capital and wages have been used in this study are different from initial and current period. So, imputed values are calculated for such variables.

1.11 Chapter scheme

- The research work is presented in six chapters. The first chapter consists of Introduction, Theoretical basis, Statement of the problem, Objectives of the study, Hypotheses of the study, Methodology of the study, Period of the study, Tools of the study, Utility of the study, Limitation of the study, and Chapter scheme.

- The second chapter deals with the concepts and review of related literature.

- The profile of the study area is given in third chapter.

- The fourth chapter is discussed with an overall view about SSIs.

- The fifth chapter is concerned with the analysis of data and interpretation.

- The sixth chapter gives a summary of findings, suggestions and conclusion.
References


District Industries centre (DIC), Tiruchirappalli-1.


Inspector of Factories, Tiruchirappalli-23.


www.mkgandhi-sarvodaya.org/articles/bhuimali.htm