CHAPTER-VII
SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

INTRODUCTION
This chapter provides the detailed findings of the main study with implications for SME activities, prospects and problems of SMEs in Chennai and Tiruvallur district. The findings pertaining to SMEs at all India, Tamilnadu, Chennai and Tiruvallur district levels are presented crisply. It also concludes the findings of the study and provides a scope for further research along with suitable suggestions for the development of SME activities.

FINDINGS
GROWTH OF SMALL SCALE INDUSTRIES IN INDIA AND TAMILNADU

The number of unregistered SME units is more than registered SME units. There were 115.22 lakh SME units in the country out of which 15.54 lakh were registered working units and 99.68 lakh unregistered units in the year 2008-09. The number of both registered and unregistered units is showing an upward trend in the years 1999-2009.

It is found that the estimated growth in production of SME sector is 7.6 per cent where as the export growth of SME sector is increased from 31.5% to 34.4% from 1995-2009. The five items namely ready made garments (27.21 per cent), engineering goods (14.53 per cent), processed food (11.25 per cent), basic chemicals (11.23 per cent), electronics and computers (11.46 per cent), leather products (7.10 per cent) barring electronics and computers alone accounted for 80 per cent of total exports.
The average rate of growth of employment was about 3.5 per cent per annum. The employment potential of SMEs shows a continuously increasing trend in the span of 10 years from 1999-2009. It has raised more opportunities for wide range of entrepreneurial development. The contribution of SMEs to GDP of India is highly significant. The contribution to GDP was 5.68% in 1994 and it is increased significantly to 6.75% significantly in the year 2009.

The total number of registered SME units in the Tamil Nadu has increased from 4.49 lakhs in 2007-08 to .75 lakhs in 2008-09 with a recording growth of 5.7 per cent. The investment made in the sector of Tamil Nadu increased from Rs.12569.34 crores in 2007-08 to 13291.50 crores in 2008-09 resulting in a growth of 5.7 per cent. The employment provided by this sector has increased from 31.42 lakhs in 2007-08 to 34.18 in 2008-09 with a growth of 8.78 per cent. The continuous increase in the employment potential of SME is also noticed in the span of 10 years from 1999 to 2009.

The production of SME units in Tamil Nadu is increased by 76.44% in ten years. In the year 2003-04 a maximum increase of 16.69% in production was noticed. There is a increasing trend in the production of SME sector in Tamil Nadu. The SME sectors in Tamil Nadu are highly successful in export performance in fact they show an increase of 55.95%. The export was increased from Rs. 149872 lakhs in 1999-00 to Rs. 256487 lakhs in 2008-09.

The growth of SMEs in India significantly contributes to the national GDP and creates more employment opportunities to the poor and needy. In developing countries like India poverty impedes the development in the form of unemployment, but SME is a powerful tool to provide employment opportunities.
DEVELOPMENT OF SMALL SCALE INDUSTRIES IN CHENNAI AND TIRUVAÑLLUR DISTRICT

The product wise and Taluk wise analysis of SME sector revealed the complete profile of the industry in the districts. The growth of cottage and handicraft industries gained a momentum in these districts. It is found in Chennai district 13.72 per cent units are producing Hosiery and readymade garment units followed by paper and paper products 12.30 per cent and Manufacturing industries with 12.18 per cent.

The total employment of 601255 is found in the Chennai district, mambalam-Guindy Taluk has the major share of 131004 employment accounting for 21.79 per cent while Perambur-purasaiwakkam Taluk has 119181employment accounting for 19.82 per cent. Other taluks share is below 19 percent of the total employment. The maximum of 40.35 percent cottage industries are producing leather goods and generating 30.49 per cent employment. Besides this the cottage industries are producing 39.13 per cent of other miscellaneous items show case materials etc

The production of sambrani dominates the Handicraft industries in Chennai district with percentage worked out to 19.19 per cent. The minimum concentration of handicraft industries are on potteries and plastic wires chairs with the percentage 12.79 per cent. The maximum number of 18.75 per cent workers is found in sambarani production and minimum amount of 12.53 per cent employment is generated in the production of plastic wire chairs.

The maximum number of Hosiery and readymade garment is produced in Tiruvallur district followed by manufacturing industries with 11.54 per cent paper and paper products with 10.53 per cent. In Tiruvallur district the cottage industries are producing 9.36% of Phenyl, Agarbathies, detergents and 10.40 per cent of pickles and snacks. These productions are generating the employment of 8.97 per cent and 12.67 per cent respectively .In Tiruvallur district 18.18 per
cent of handicraft industry is giving importance to instant sambarani followed by wooden articles with 15.10 per cent and other products produced by the handicraft industries are less than 15 per cent. It also generates considerable employment to rural areas. The handicraft industry with the production of sambarani generates 15.19 per cent and wooden articles as well as chairs contribute 29.35 per cent of total employment.

There is a 7.35 per cent of cumulative growth rate observed in the number of registered SME units in Chennai district from 1999-2009. The per capita investment of Chennai revealed that the maximum investment is found in the SME sectors in the year 1999-2000 which is worked out to 3.05 lakhs and unenthusiastic investment is found in the year 1999-00 with 2.03 lakhs. But in the span of ten years the investment amount increased by 1.02 lakhs.

In average there is a 2.09 per cent of employment opportunities are created by SME sectors in Chennai district every year. The per capita employment of SMEs in Chennai district is showing the declining trend from 1999-2009 continuously. This shows the heavy competition in SME sector in Chennai district. The rate at which the labour gets into a unit slightly increased from 0.5 to 0.7. This implies the urgent requirement of labours for the SME sector. The over all average percentage of increase in the production of SME sectors in Chennai district is 7.21per cent. The minimum of 19.63 lakhs per capita production of Chennai district is noticed in the year 2001-02 and a maximum of 20.41 lakhs per capita production was achieved in the year 1999-2000. In four years from 2005-09 the per capita production remains constant. In Chennai district the number of units of SME sector influences the production more significantly than Investment and employment.

There is a 26.33per cent growth observed in the number of registered SME units in Tiruvallur district during 1999-2009. Similarly the average increase of investment is found to be 26.08per cent. The per capita investment
revealed that SME sector in Tiruvallur district experienced maximum investment 3.94 lakhs in the year 1999-00. A sudden decline of 1.74 lakhs in the per capita investment is observed in the year 2002-03. In the span of 10 years the per capita investment shows a fluctuating trend. In average there is a 22.48per cent of employment opportunities are availed by the unemployed persons through SME sectors in Tiruvallur district.

In the year 2004-05 the per capita employment has reached maximum which is worked out to 14.5 lakhs followed by 13.46 lakhs in the year 2003-04. The minimum per capita employment is found in the year 2005-06 which is worked out to 6.27 lakhs. The fluctuating trend is prevailing in per capita employment. In workers get into a unit it is found that during the years from 2006-2009 a constant trend is existing. Poor number of workers per unit was observed in consecutive two years from 1998-00. The average percentage of increase in the production of SME sectors in Tiruvallur district is 13.03per cent. The per capita production continuously decreased for nine years from 1999-2009 and marginally increased in the year 2004. It is also found that the maximum production was achieved in SME sector of Tiruvallur district in the year 1999-00 and minimum production is experienced in three years from 2005-2008.

Both Chennai and Tiruvallur districts are contributing significantly in the export performance of Tamil Nadu. The contribution of Chennai district is higher than Tiruvallur district. In Tiruvallur district the number of units, employment, and investment equally influence the production more significantly. This implies the growth of SME is determined by the production capacity which in turn depends upon number of units, investment and employment potential of SME sector.

It is ascertained that the growth of SME units in terms of number of SME units, investment, employment and export in Chennai district are considerably higher than Tiruvallur district. In the case of production both Chennai and
Tiruvallur district are equally contributing to SME sector in Tamil Nadu. In the exploratory analysis of performance of Chennai and Tiruvallur districts it is profoundly unraveled that the performance of SMEs in these districts are highly appreciable and their contribution to Tamilnadu SME performance is also significance, hence hypothesis two is accepted and concluded that the SME performance are highly impressive.

**PROSPECTS OF SMALL OF SCALE INDUSTRIES**

SMEs’ ambitious approach helped them to know more opportunities in business and this spirit gives moral support during failures and also have confidently approved that self interest is the important motivating factor to identify the opportunities in their business. They remain neutral in their opinion about traditional family business and its support. SMEs are of the same belief that the government encourages them and banking sector during negative results and this balanced support has helped them to solve business problems.

SMEs strongly agree that they have the ability to work hard, hard earned money and to take quick business decisions in tranquil atmosphere. The questioned SME owners strongly agree on their ability to struggle hard to develop business opportunities by taking superior positions. They are ready to shoulder responsibilities and undertake risk for their personal employment. SMEs are extremely positive to the view that they are active, hard working to see the daily income and are very confident and optimistic to make their business successful through their experience.

SMEs are very positive to all jolts in their business, and are flexible to adapt the environment and this has in turn increased their reputation. SMEs are with the strong intention of their power over the qualities of honesty, integrity, creativity, organizing them before any venture, accepting short comings, planning and thinking twice about prudential effects. SMEs have very positively
reacted about their responding ability and are always prepared to take initiatives to materialize suggestions and are very resourceful to achieve the goal.

The SMEs partly agreed for the view of the importance of emotional approach in the business. SMEs encompass unlike outlook and agree for the query about mental vigor in problem solving and the success of the decisions they take.

The SMEs agreed that they are encouraged by the government policies and do not find impediments in availing facilities. They have an agreement with procedural delays and bureaucratic interruptions. The SMEs confessed that the demand of personal and political influence obstructs them. They have an optimistic opinion on impact of globalization and periodic changes in the discouraging government policies. The SMEs realized the difficulties in reaching the government policies and lack of awareness among them in getting government policies. They do not have any opinion about inadequacy of government funds.

SMEs are not enthusiastic in attending the entrepreneurial development program and they themselves measure their potentiality for constant development. They agree with consultation of friends and relatives to develop the business and periodically collect the information for the perfect development. They have an optimistic idea of exploring the results of their development strategies.

Entrepreneur’s advertisement increases the market potential and supply of quality of products. They generally do not seek assistance of marketing agencies. They strongly agree with the increase of marketing through smooth innovative marketing strategies and polite approach and safe margin and reasonable price. They profoundly believe that innovative marketing strategies and extending the circle of acquaintance are useful for the successful marketing.
SMEs periodically plan their budgets and they have the inclination towards periodic check for monthly income and expenditure. The female entrepreneurs study thoroughly study the cash flow and innovatively apply the mathematical model to avoid financial problems. It is believed that the SMEs expect their investment money to work hard with maximum risk and prudentially plan for the future through shrewd strategies.

They are interested in applying the new technologies and ignoring the primitive technology. They in fact apply the latest management and operations management techniques to increase production and profit. Perseverance and motivational aspects are essential for SMEs, which establish their interest for innovations.

They have accepted that they are proud to be women entrepreneur, and also positively expect a bright future in business. They have strongly agreed that they have obtained happiness and they are proud of their entrepreneurship. SMEs feel that they have gained monetary advantage, dignity and respect from the society, efficiency and reputation through entrepreneurship. SMEs strongly feel that sincerity and diligent hard work is very essential and this in large extent contributes to the economy. SMEs also sense that quality and ability is very imperative for their business and their response about entrepreneurship is very encouraging.

PROBLEMS SMALL OF SCALE INDUSTRIES

It is inferred that the small-scale industries are aimed at acquiring maximum benefit through their production within the short span of time. The entrepreneurs also find that these industries are one of the lucrative channels for their economic advancement. The distribution of industry has achieved successfully according to the policies of government in Chennai and Tiruvallur districts. The entrepreneurial development is also noticed in these districts.
through the developmental activities of SMEs and also providing appreciable scope to solve unemployment problems.

It is ascertained that the proprietors of small-scale industries in Chennai and Tiruvallur districts are continuously affected by the heavy interest rates for the loan amounts. They are supplying to their purchasers in time, but the purchasers procrastinate their payments. This leads to serious financial crisis for the small-scale industries. The entrepreneurs are not able to get the loans in time from the government sources and private sources. There is a popular feeling prevails among the sources of loans of SMEs that their repaying capacity is very low. It is found that the SMEs in Chennai and Tiruvallur districts are facing enormous amount of Raw material problem. They are not able to get the raw materials in time, both government and private suppliers are delaying in their supply. This attitude of the suppliers affects the continuous flow of production of small-scale industries in the two districts. The SMEs in Chennai and Tiruvallur districts are facing constraints of limited hours of power supply and High Tariff for the current usage. These are affecting their continuous production and severe financial crisis. It is identified that around 20% of SMEs in these two districts have been closed by the action Tamil Nadu electricity board for non-payment of electricity bills.

The SMEs products have not got proper advertisement and popularity of the products is also less. In fact they are not able compete with the productions of large industry in price as well as the popularity. They are forced to sell their products to specified buyers with fixed profit. Their scope for different marketing avenues are totally obscured by these sort of buyers. So far government has not taken strenuous efforts to curb the marketing problems of SMEs. The SMEs in Chennai and Tiruvallur districts are helpless in selling the products in the midst of heavy competition from the large industries. The entrepreneurs of SMEs possess poor planning and insincere workers due to financial and other prominent constraints. The financial constraints cease their
development in the form of rent and other important expenses. The modern
technology is identified as a one of the serious problems faced by the SMEs in
present situation. They are not in the position to modernize their industry with
small capital.

There exits three types of clusters of SMEs in Chennai and Tiruvallur
districts. It is inferred that in first cluster SMEs in Chennai and Tiruvallur district
are not facing the REMO, PPW, MOD and QD significantly, 24.87% of SMEs
are effectively generating the income for rent and other expenses They have
modern technology in their premises to produce the high quality products. But
they face so many other problems like loans, raw material and power problems.
The SMEs in second cluster face all the problems severely. It is found that
33.09% of SMEs in Chennai and Tiruvallur districts face severe financial
problems, raw material problems, power problems and marketing problems. The
SMEs in second cluster are very much confident about their production. The
third cluster differs from first cluster in financial problems and resemble in
technology and quality. It is identified that 42.04% face serious financial
problems and they are not able to meet all the expenses of their industries.
Besides that all the three clusters face power problems with different dimensions
of severity. The third cluster SMEs also face raw material and marketing
problems and hampered by their severity.

The SMEs in second and third clusters are facing raw material, power,
marketing, and other general problems with severity ranging from moderate to
high. The first cluster SMEs with 23.87% of frequency are not accessible to
problems of rent, planning, workers, modern technology and quality. It is also
found that the quality of products of SMEs in Chennai and Tiruvallur districts
are good and welcome by the purchasers.

The SMEs are accepting that the government has taken only the moderate
efforts for issuing the quick loans for less interest, subsidies, raw materials, sales
out lets and policies for over all developments. In the domain of priority sector
SMEs are considered as most important for development. In fact the central
government has directed the public sector banks to issue loans for SMEs for
entrepreneurial development and to solve unemployment problems.

It is inferred that both the registered and un registered of SMEs in
Chennai and Tiruvallur districts are distributed over all the three types of clusters
and facing problems of finance, raw material, marketing and power problems.
The registered SMEs are able to get the aid from the government easily than the
unregistered. it is revealed that the owner ship is independent of problems faced
by the SMEs. The SMEs under sole proprietorship, partnership, and private
limited are distributed over all the three clusters of SMEs and facing numerous
problems. The SMEs in Chennai and Tiruvallur districts are obtaining loans
from all the sources. They get their loans from public sector banks, private sector
banks, private finance and foreign banks according their conveniences like quick
loan system and less interest loans with subsidies. The Business establishment
place is independent of problems faced by the SMEs in Chennai and Tiruvallur
districts. They have own, leased, and rent establishments and present rationally
in all the three clusters. The annual turn over does not distinguish the SMEs in
Chennai and Tiruvallur districts based on their problems. There is general
opinion of SMEs with small and high turn over that they face financial, raw
material, power and marketing problems regularly. The first and third clusters of
SMEs do not face severe competition problems from the various industries. The
clusters are mainly classified under the problems of competition.

The SMEs in Chennai and Tiruvallur districts expect good employment
opportunities with minimum capital through SMEs. The SMEs in the three
clusters expect various out puts in their SME units and also expect Government
to purchase all their products and they face different dimensions of problems in
acquiring the loans and subsidies based on the products they produce. The
cluster analysis revealed that SMEs are classified into three groups and are facing all the problems in their respective clusters. So it is concluded that all the problems are equally severe the SME sector and the hypothesis three is rejected. The globalization policies of central government and austerity measures of state government indirectly impedes and creates problems to small scale sector, hence the hypothesis four is accepted and concluded that the government policies are not SME friendly.

The findings of the study are useful to make an intellectual deduction regarding the four hypotheses of the study. The performance of SMEs in all India level, Tamilnadu level in terms of production, employment and export supports that the SMEs are more suitable for the developing countries like India.

The observations of performance of SMEs in terms of number of units, investment, production and employment made by the researcher for the span of 10 years supports profoundly that the performance of SMEs at all India, Tamilnadu and district level are highly impressive.

The microscopic analysis of various problems like finance, marketing, power, labour and administrative problems revealed that SMEs are facing all these problems equally. So this is not supporting the hypothesis that the SMEs are facing more marketing problems than any other.

The liberalization and globalization policies of the government posed heavy competition and challenges to SMEs. So it supports the hypothesis that the government policies are not SMEs friendly.
SUGGESTIONS

01. Success of an enterprise irrespective of the scale of operation depends mainly upon the competitive nature of its products, managerial efficiency and process technology. For the adoption of improved technology the government and financial institutions need to play a dynamic role by providing technical guidance and timely credit to SMEs considering limited resources of the small entrepreneurs.

02. Although certain level of protection is necessary for the healthy growth of the SME sector, the protection beyond some reasonable limit like pricing and marketing of the products would do more harm than good to the overall efficiency and productivity of the sector. Infrastructure development is vital for the development of the small enterprises. As the industry has made remarkable growth in the regions having adequate infrastructural facilities rather than cash subsidies will prove more productive.

03. The technological innovations are generally labour saving which pose a real danger by depriving employment to a large number of persons. Economic wisdom demands employment opportunities in the absence of which man cannot survive and the wisdom lies in the women entrepreneurship because of its labour intensive characteristics. The technological progress should have trickle down effect by creating additional job opportunities in the related activities. However, the irony is that much of the success in technological progress has not benefited the humanity even in the developed countries, which are now facing the problem of increasing unemployment as they have failed to manage the technological progress.

04. The proposed National equity fund for the upgradation of technology and improvement of skills among women entrepreneurs must be effectively utilized. The SMEs avail various benefits provided by the center and state government for
the promotion of small scale industries should be asked to provide information periodically to the respective directors to identify the pattern of their growth.

05. The government should take initiatives to increase the number of SMEs by inculcating the ideas of entrepreneurship in schools and colleges by introducing a new academic curriculum. Proper technical education should be given to women in particular.

06. Effective steps should be taken by the government to create entrepreneurial opportunities among men and women, and steps should be taken to develop their knowledge and skill and to raise their level of motivation for SME development.

07. As self-employment breeds entrepreneurship, Government should undertake more and more self-employment programmes and proper training should be given to bathe rural and urban people. Free training facilities should be provided in all fields of enterprises.

08. SMEs should be made aware of various credit facilities, financial incentives and subsidies.

09. Government should take steps to develop markets in rural and semi-urban areas so that SMEs can sell their products easily in the nearest markets. More and more fairs and exhibitions should be arranged for SME products.

10. It is indispensable to give adequate and timely credit being a key factor in catalyzing entrepreneurship, it is highly essential to involve bank managers/SME specialists from banks at the pre-training, training and post-training phases of entrepreneurship development programmes.
Scope for further research

This study concentrates on problems and prospects of SMEs in Chennai and Tiruvallur district. It also identified the contribution of government to SMEs in Tamilnadu in terms of growth and performance. A wide innovative study can be undertaken by the energetic researchers to study the growth of SMEs microscopically by covering all the districts. This study does not cover the governmental ideas for the development of SMEs so a separate study can be initiated in this direction to obtain a torrent of useful results for the development of SMEs in India and Tamil Nadu. Most of the products produced by the SMEs are subject to export. A empirical and economic analysis would be helpful to identify the contribution of SMEs in India to the globalized and liberalized economy.

This study ascertained the various predominant factors of problems and prospects of SMEs in Chennai and Tiruvallur district. It is also analyzed the significant difference between SMEs in Chennai and Tiruvallur district and the analytical reasons behind this. With the experience it is stated that a separate research of leadership quality of SME owners on various aspects like skills, knowledge, administration, retrenching the capital flow may be undertaken elaborately.

CONCLUSION

Industrial sector in India stretches from the highly organized sector compromising of large and medium and some modern small scale industries to some unorganized sector consisting of traditional industries like village and small industries. While the performance traditional segment of village small industries has been unsatisfactory in terms of production and productivity. Its modern segment is gaining importance because it serves as the training ground for entrepreneurs.
Emphasis on the development of SME in India has emanated from the belief that the small units serve a multiplicity of objectives such as decentralization of industry, generation of employment, mobilization of resources, distribution of economic power and rural development. The role of small scale industries as an effective instrument for creating employment opportunities with limited range of capital requirement. It has been realized in all the developed and developing countries that the SMEs directly help the needy and poor to develop their economic background.

SMEs undertake risk and they are engrossed to do things in different ways adapting newest techniques and use strategies to lessen their expenditure. SMEs react positively to all challenges and struggle hard to accomplish goals. Decision makers have realized that innovation and analyzing the threats and opportunities available in the market is the essential factor for the success of an organization.

Small Scale Industrial sector has stimulated economic activity of a far reaching magnitude and created a sense of confidence among large number of entrepreneurs about their vital and viability. It is emerging as a self-reliant sector and does not depend on subsidies for its existence. The small scale industrial sector has been recognized as an effective instrument in the development of backward and rural areas. Apart from economic aspects, the social value of small industries sector justified its being given the most significant role in attaining the main objectives such as removal of poverty, attainment of self-reliance, a reduction in disparities in income, wealth and consumption standards and regional imbalances etc. Small scale industries generate a large number of employments.