A STUDY ON PROBLEMS AND PROSPECTS OF SMALL SCALE INDUSTRIES IN TIRUCHIRAPPALLI TALUK, TIRUCHIRAPPALLI DISTRICT

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ABSTRACT

Industrial sector plays a vital role for the development of Indian economy. Particularly, Small Scale Industrial sector at present contributes much towards Indian economy. Small Scale Industries (SSIs) generate production at low capital, utilising indigenous raw materials, local skills, maintaining balanced regional growth and preventing the migration of labour from rural to urban area. The growth of SSIs holds the key role to resolve the problems of poverty and unemployment. Despite the success of SSIs, still there are some problems encountered by the entrepreneurs. Hence, this paper attempts to focus on Problems and Prospects of Small Scale Industries in Tiruchirappalli Taluk, Tiruchirappalli District.

Keywords: Small Scale Industries, Bharat Heavy Electricals Limited, MUDRA, Engineering industries, Crusher Industries.

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. The SSIs which play a vital role in the Indian economy in terms of employment and growth has recorded a very high rate of growth in spite of stiff competition from the large scale industries.

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.

As per SIDCO Annual Report (2009) the faster growth in production as compared with employment indicates that the output per employee has increased over time. Similarly during the year 2009, the value of exports increased from Rs. 69,797 crores to Rs. 1,77,600 crores i.e., threefold increase. The sector has acquired a larger degree of export orientation over the year. The growth of SSIs has improved a lot due to the support of Government policies. The Government support has been in the form of interest rate subsidies, credit-linked capital subsidy, credit guarantee, credit enhancement facilities and tax incentives.

Importance of the study

Small Scale Industrial Sector is an important segment of Indian economy. It generates employment opportunity next to agriculture sector. SSI units are the major planks of economic development strategy of Tiruchirappalli district. Recently, SSIs occupy a position of strategic importance in Tiruchirappalli district’s economic structure due to its significant contribution in terms of output, exports and employment. To visualise the future prospects of SSI units in Tiruchirappalli taluk, a study has been made to enquire the steps need to be taken to strengthen SSIs to ensure its sustainable contribution to the economy of Tiruchirappalli district. 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 the prospects of these units in the study area.

Statement of the Problem
Tiruchirappalli taluk has more SSI units compared to other taluks in Trichirappalli district. In many respects like production, employment and export, the SSI units in Tiruchirappalli taluk perform well. So any measures towards the development of SSI units would improve its prospects in future. This study analyses the prospects and problems of SSI units in Tiruchirappalli taluk where some of the SSI units are flourished a lot and some of them are dormant because of the major thwarts like dearth of finance, infrastructural bottlenecks and scarcity of skilled labourers. In order to wipe out these problems, the fructuous initiatives have to be taken to strengthen SSI units for the future prospects in the study area. So, the researcher is interested to take up the research work on problems and prospects of SSI units in Tiruchirappalli taluk, Tiruchirappalli district of Tamil Nadu state.

Objectives
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 terms of growth rate of number of units, investment, employment, production and export in Tiruchirappalli district.
3. To study the problems faced by each Small Scale Industrial unit in the study region; and
4. To suggest appropriate policy measures to enhance the future prospects of SSI units in the study area.

Methodology of the study
Tiruchirappalli district is one of the industrially advanced districts in Tamil Nadu. and it is divided into nine taluks namely Tiruchirappalli, Tiruverumbur, Srimangal, Manachanallur, Lalgudi, Musiri, Thuraiyur, Thottiam and Manapparai. Among these taluks, Tiruchirappalli taluk is considered as an industrially advanced taluk in Tiruchirappalli District. In order to get to know the details of SSI units specifically, the study did follow the details of Inspector of Factories. There were 664 SSI units registered at Inspector of factories in Tiruchirappalli district level. From which, the majority of 214 units are from Tiruchirappalli taluk itself. The study on problems and prospects of SSI units in Tiruchirappalli taluk, Tiruchirappalli District, has made use of both primary and secondary data.

Review of Literature
Anil Bhuimali (2004) stated that Small Scale Industries were the dream of Mahatma Gandhi. 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.

Abhishek Kapoor (2008) has studied the Regional bias seeps into small-scale industries and employment at Gandhinagar in Gujarat. As a result of the study, 46 per cent of the total investments expended on three districts of Ahmedabad, Vadodara and Surat because of the infrastructural facilities which account for half of the additional small scale units registered in the state till date. The total investments lined up would generate over seven lakh jobs in the Golden Corridor between Ahmedabad and Vapi - north Gujarat. Lozi and Basem Mohammed (2008) have studied the Small-scale industries in Jordan in the globalization era performance and prospects. The study indicated that the small scale industries were facing the slight adverse effects of globalization in the stringent requirements of quality costs, tight delivery schedules and productivity in Jordan.

Manoharan and Selvamoorthy (2010) observed that the overall 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.

Mariammal and Darling Selvi (2010) stated that India’s spice sector is zooming at great pace. During the period of April – June 2008, the export of various spices and spice products has shown a remarkable increase of 23 per cent both in terms of their quantity and value. India is producing more than four million tonnes of spice and is exporting around 180 spice products in over 150 nations. Vijayalakshmi (2011) has observed the Entrepreneurial Competencies of Small Scale Industrialists. The entrepreneur is an important agent of change, contributing significantly to the economic development in terms of wealth and employment creation, stimulation of indigenous entrepreneurship and so on. The government on her part recognizes the strategic and economic role of the entrepreneur and has continuously crafted policies that would enhance the development of entrepreneurship in the country. The government policy initiatives have tended to emphasize more of financial resources than other critical factors to entrepreneurial success.

Puli Subramanyam and B Ramachandra Reddy (2012) have observed MSME in India – An Overview is an imperative comprise of India’s industrial sector. It contributes significantly India gross domestic products and export earnings besides meeting the social objectives including that of providing employment opportunities 2 millions of people across the country. If the accumulated losses of an industry reach equal to or exceed its entire net worth i.e., capital and reserve, it is called a sick industry. A small scale unit is considered sick when it’s accumulated losses equal to or exceeds 50% of its peak net worth in the immediately preceding five accounting years. Sickness in industry does not occur overnight rather it takes 5 to 7 years to erode the health of an industrial unit.

The Hindu (July 2015) Stated the MUDRA( Micro Units Development and Refinance Agency ) card under the Pradhan Mantri MUDRA Yojana(PMMY) scheme was launched by the Corporation Bank. The MUDRA card was released by Ministry of finance. The card facilitates withdrawal and use of the working capital finance by micro entrepreneurs. Corporation Bank was the first bank to launch the MUDRA Card based on the RuPay platform. Three loan schemes are offered to the entrepreneurs based on the capacity to repay. “shishu” scheme provides loan up to Rs. 50 000 while a loan amount up to Rs.5 lakh will be lent under “Kishore” schem. Under “Tarun” scheme loan up to Rs.10 lakh will be offered.

Results and Discussion:

Table no.1.1 - Taluk-wise classification of SSIs in Tiruchirappalli district (as on 31.12.2013)

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Name of the Taluk</th>
<th>2m(i)</th>
<th>2m(ii)</th>
<th>85(i)</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Tiruchirappalli</td>
<td>213</td>
<td>1</td>
<td>-</td>
<td>214</td>
<td>32.23</td>
</tr>
<tr>
<td>2.</td>
<td>Tiruverumbur</td>
<td>162</td>
<td>2</td>
<td>-</td>
<td>164</td>
<td>24.70</td>
</tr>
<tr>
<td>3.</td>
<td>Manapparai</td>
<td>39</td>
<td>-</td>
<td>-</td>
<td>39</td>
<td>5.87</td>
</tr>
<tr>
<td>4.</td>
<td>Thottiam</td>
<td>22</td>
<td>-</td>
<td>2</td>
<td>24</td>
<td>3.61</td>
</tr>
<tr>
<td>5.</td>
<td>Sirrangam</td>
<td>44</td>
<td>-</td>
<td>-</td>
<td>44</td>
<td>6.63</td>
</tr>
<tr>
<td>6.</td>
<td>Musiri</td>
<td>32</td>
<td>-</td>
<td>1</td>
<td>33</td>
<td>4.97</td>
</tr>
<tr>
<td>7.</td>
<td>Lalgudi</td>
<td>28</td>
<td>-</td>
<td>1</td>
<td>29</td>
<td>4.37</td>
</tr>
<tr>
<td>8.</td>
<td>Thuraiyur</td>
<td>31</td>
<td>-</td>
<td>-</td>
<td>31</td>
<td>4.67</td>
</tr>
<tr>
<td>9.</td>
<td>Manachannalur</td>
<td>86</td>
<td>-</td>
<td>-</td>
<td>86</td>
<td>12.95</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>657</td>
<td>03</td>
<td>04</td>
<td>664</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Inspector of Factories, Tiruchirappalli-23.

Note: Law Provision- 2m (i) - With power using 10 persons
      2m (ii) - Without power using 20 persons
The study has used secondary data collected from District Industries Centre, Inspector of Factories, District Statistical Office, published materials like Journals, News Papers, Periodicals, and Books. The secondary data available for the whole Tiruchirappalli District have been analysed to study the performance of all the SSI units in the Tiruchirappalli District. 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 and 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.

Table No.1.2
Category wise classification of Sample SSI units in Tiruchirappalli taluk

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Types of Industries</th>
<th>Total No. of Units</th>
<th>No. of Sample Units</th>
<th>Per cent of Sample Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Engineering Industries</td>
<td>118</td>
<td>20</td>
<td>17</td>
</tr>
<tr>
<td>2.</td>
<td>Rice mills</td>
<td>52</td>
<td>9</td>
<td>17</td>
</tr>
<tr>
<td>3.</td>
<td>Crusher Industries</td>
<td>29</td>
<td>5</td>
<td>17</td>
</tr>
<tr>
<td>4.</td>
<td>Electric &amp; Electronic</td>
<td>29</td>
<td>5</td>
<td>17</td>
</tr>
<tr>
<td>5.</td>
<td>Plastic</td>
<td>24</td>
<td>4</td>
<td>17</td>
</tr>
<tr>
<td>6.</td>
<td>Furniture</td>
<td>12</td>
<td>2</td>
<td>17</td>
</tr>
<tr>
<td>7.</td>
<td>Saw Mill</td>
<td>6</td>
<td>1</td>
<td>17</td>
</tr>
<tr>
<td>8.</td>
<td>Tyre</td>
<td>6</td>
<td>1</td>
<td>17</td>
</tr>
<tr>
<td>9.</td>
<td>Auto Garage</td>
<td>6</td>
<td>1</td>
<td>17</td>
</tr>
<tr>
<td>10.</td>
<td>Metal</td>
<td>6</td>
<td>1</td>
<td>17</td>
</tr>
<tr>
<td>11.</td>
<td>Masala (Food Industry)</td>
<td>6</td>
<td>1</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>294</strong></td>
<td><strong>50</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Inspector of Factories, Tiruchirappalli-23.

Finally, the primary data have been collected from the fifty SSI units through a well structured interview schedule in order to study the prospects and problems of SSI units. A pilot study was also conducted to get to know the information on prospects and problems of SSI units in the study area. 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. A stratified random sampling method has been adopted to select 17 per cent of sample from the total available units in each category.

Findings

1. In the beginning of 1970’s, there was only a single engineering unit functioning in the study area. Number of engineering units has been gradually increasing over the study period. After the advent of BHEL, SSIs have got more work orders. This is the major reason why the performance of SSIs has increased considerably in the study area.
2. The survey revealed that all the fifty units are set up and managed by males. More partners are found in Engineering units as compared to other categories of industries. This is mainly because of the huge investment and lucrative business.
3. Out of fifty SSI units, forty units have run in their own premises (contribution of Engineering units towards own premises is more). This shows the capacity of Engineering units. Six SSI units have functioned in rented premises and four units have functioned on lease (two Rice mill units, one Engineering unit and one crusher unit). This shows the optimistic view on the performance of SSIs in the study area.

4. Of the fifty SSI units, thirty eight units are from semi urban area. Mostly engineering units are located in semi urban area. This contributes a major role in the development of SSI units in the study area. Twelve SSI units namely Crusher industries, Plastic industries, Furniture industries and metal industry are located in rural areas because of the stringent laws prohibiting pollution.

5. It is found that most of the SSI units are run by entrepreneurs between the age group of 36 – 45 years. This is mainly because of the maturity and experience in the field of Small Scale Industrial units.

6. Of the 50 SSI units incorporated in the survey study, 14 units are managed by ITI and Diploma holders. Eleven units are run by undergraduate technical degree holders. This is mainly because of the technical education of the entrepreneurs which motivated them to become successful entrepreneurs.

7. It is observed that out of 50 SSI units, forty seven units are run by married people. Hence, most of the entrepreneurs are not given up their efforts in business. This is the reason why more SSI units are found in the study area. From the structure of families, it is observed that most of the SSI units are run by joint families.

8. Of the 50 SSI units under the study, 40 units are owned by the entrepreneurs who belong to Backward Community. Five units are run by the entrepreneurs who belong to Forward Community and remaining five units are run by the entrepreneurs who belong to most Backward Community. Scheduled Caste and Scheduled Tribe community people have not ventured into SSI units during the study period.

9. Years of experience of the entrepreneurs are one of the important determinants in enhancing the performance of SSI units. With the year of experience earned through BHEL, most of the employees resigned their jobs and became entrepreneurs in small scale industries. It is evidently shown that experience makes the people to start new SSI units in the study area. Of the 50 units, 19 units are run by the entrepreneurs who have got the experience of 21 years and above.

10. It is observed that most of the SSI units have adopted the modern methods of production. Especially, all the Rice mill units have expended more on modern methods of production in order to speed up the production process. Fifty per cent of the engineering units have adopted modern methods of production and rest of the units has been following the primitive methods of production. Even then, the entrepreneurs successfully run their business. Majority of the crusher units have also adopted the modern methods of production (conveyor system). This has reduced the labour force considerably and sped up the production process too.

11. It is found that the increase in the fixed capital per unit was due to the development and the expansion of SSI units. The fixed capital per unit of Masala industry is on the increase and followed by Engineering units because of the heavy borrowing capital on fixed asset.

12. It is observed that out of eleven categories of industries, rice mills alone have contributed more for purchase tax because of the purchase of raw materials (paddy) from other districts. This is mainly because of the poor productivity of agriculture in India which is coercing the entrepreneurs to obtain the raw materials at the higher cost.
13. It is observed that most of the SSI units market their products within district, ten SSI units market its products within state and three SSI units market their products within India. Seventeen Engineering units market their products within district because of the continuous BHEL orders.

14. It is clearly observed that most of the SSI units are affected mainly because of the erratic power supply. It hampers the production of SSI units in the study area.

15. From the study, it is understood that most of the entrepreneurs do not need technical consultancy because there are more skilled workers in SSI units. So, entrepreneurs are not interested in technical consultancy.

Suggestions

Since there are slew of SSI Engineering units in the study area, the entrepreneurs felt that there would be a poor work order from BHEL comparing up with the previous phase. Hence, uniform system of work order must be followed and there should not be any undue favoritism with regard to the provision of orders to all SSI engineering units.

1. The women participation in SSI Engineering units is very poor. Hence, the Government must shoulder the responsibility in imparting special entrepreneurial programmes that educate the women entrepreneurs more potential. This leads to the start of new SSI units by women in the study area.

2. Marketing problem is one of the major obstacles for SSI entrepreneurs. Majority of them are concentrated their marketing activities within the district. Hence, there is a stiff competition among entrepreneurs. This can be overcome through the support of Government.

3. There must be a proper location for SSI units especially for hazardous industries. So that, the welfare of people can be enhanced. In this regard, pollution control board should have to decide the location for these units.

4. In the study, it is clearly shown that there would not be any entrepreneurs from SC and ST community at the time of data collection. Under the aegis of the Government, vocational education and financial assistance can be given to these people. This leads to involvement and participation of SC/ST people in business ventures.

5. It is observed that most of the SSI entrepreneurs get loans from the nationalized banks because of the low rate of interest. If these banks can further reduce the rate of interest, the beneficiaries would be more. This results in enhancing the performance of SSI units.

6. Expenditure is on the increase for crusher industries and saw mill unit because of the Government restrictions on stop quarrying and felling of trees respectively. This leads to increase the cost of raw materials. In this regard, the Government can very well consider these industries for preferential treatment in taxes, rebates and interest deduction scheme for the better performance.

7. Since the entire small scale engineering units’ bank on BHEL, the direct export to foreign countries is not possible. Hence, the Government should make arrangements for getting foreign orders for these SSI units in the study area.

8. It is observed that most of the SSI units in the study area are affected mainly because of the imposition of tax. So, the Government can very well consider these SSI units to reduce the rates of taxation.

9. The Government can uphold the SSI units through providing continuous power supply to enhance their performance and prospects in the study area.
Conclusion

It is lucidly observed that after the advent of BHEL, many positive changes viz., generation of employment, number of small scale engineering units and economic status of the people have been made in the study area. The structural and infrastructural bottlenecks such as lack of finance, defective marketing, shortage of skilled workers and erratic power supply are hampering the hassle free working of SSI units. In order to tide over these problems, the pertinent suggestions have been made by the researcher. If these suggestions are indeed properly implemented in practice, the future of SSI units in the study area will be rosy and promising.

References