

A Study on Growth of Small Scale Industries in Erode District

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Abstract: Small scale industries (SSIs) are considered as engines for economic growth all over the world. In present scenario of markets globalization and age of information technology, SSIs are playing significant role in supply chains of larger organizations. To sustain their importance and performance, SSIs are feeling more pressures to improve their competitiveness as compared to past protective markets. In this paper, an attempt is made to examine various issues such as nature of pressures and constraints, priorities for making investment and developing competencies and their competitiveness. Different dimensions of performance and competitiveness have been identified.

For analyzing these issues questionnaire based survey methodology was used. Total 50 responses were received. On the basis of analysis of data, it is observed that inadequate funding, access of capital and skilled manpower are major pressures on SSIs. Lack of growth conducive environment and inadequate government support are major constraints. For making investment, market research, welfare of employees and research and development are major areas of investment. Performance of Indian SSIs is not found very satisfactory in comparison to international standards. However their growth in terms of market share, sales turnover and profit is higher than moderate level. It may be due to enhancing opportunities for them after market globalization. This study implies that SSIs have lot of potential for growth provided they can improve their competitiveness at global level.

Key words: Small scale industries, Economic growth, investment.

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I. Introduction

Small-Scale Industries (SSI) play a very imperative role in the development of any developing or under-developed country despite the extraordinary expansion in the large scale industries. In reality, the small scale industry is considered to escalate in most of the countries. Small Scale and Cottage Industries have been acknowledged as one of the most significant means for providing better economic opportunities for the people of developed countries like India, as they are labour intensive and they meet the twin needs viz., resolution of unemployment problem and scrutiny of the economic concentration in the hands of a few. These industries promote self-sufficiency, independence and co-ordination. Thus, these industries create the scope of employment to the rural population in India. The Five Year Planning for the economy started from 1951 onwards and subsequently the Industrial Policy was followed by Government of India, and the Government earmarked a special role for Small-Scale Industries and Medium Scale Industries in the Indian Economy. Due protection was accorded to both sectors, and particularly for small scale industries from 1951 to 1991, till the nation adopted a policy of liberalisation and globalisation. However, since 1991 small scale industries in India found themselves in a strongly competitive atmosphere due to globalisation, domestic economic liberalisation, and dilution of sector specific protective procedures. Tamilnadu is one of the well developed states in terms of industrial development. In the post-liberalisation era, Tamilnadu has emerged as one of the fore-runners by attracting a large number of investment proposals particularly in recent times. Today, Tamilnadu is the second largest economy in India and its State Domestic Product during 2007-08 is well over US \$ 23 billion.¹ Thanks to the efforts of the Government of Tamil Nadu for attracting investments into the state. In the last four years 37 new industries have come up with an investment of Rs.46,091 crores thereby demonstrating the success of the industrial policy. On account of such investments 2.22 lakh people will get employment opportunities during 2007-08.

1.2 Meaning of Small Scale Industries

Small scale sector plays an important role in the development of every country. In a developing country like India this sector is indispensable. Since independence small scale units have made significant progress.

After agriculture small scale sector provides highest employment to the labour force. Since small units are widely dispersed, they provide jobs to local residents.

In the sphere of production this sector provides a major share in the industrial production of the country. Large scale units are also dependent on small units for various needs. Ancillary units which are very important for big units are mostly in small sector. Government of India also encourages the development of small units through industrial and financial policies.

1.3 OBJECTIVES OF THE STUDY

The main objectives of the study are:

1. The primary objectives of the study is to evaluate critically the contribution made by small scale industries to balanced growth of the economic and development backward areas in rural and urban areas.
2. To analyse the growth trend of the registered small scale industries through Erode district.
3. To study the influencing factors for the growth of small scale industries.
4. To find out the challenges of small scale

1.4 LITERATURE REVIEW

Schmitz, H. (1995) conducted a study that concerned with the growth of small local industry in developing countries and explores one particular route for understanding and fostering such growth. It focuses on the clustering of firms and the competitive advantage which they derive from local external economies and joint action, captured in the concept of collective efficiency. Following a conceptual discussion, the article explores the economic and institutional conditions which enhance or hinder collective efficiency. This includes a case study which suggests that responding to opportunity and crisis requires shifting from mere reliance on external economies to joint action and from ascribed to earned trust.

Golla, S. K., & Rao, K. R. (2019) have conceptualized across the emerging small scale industry clusters and locations in the state of Andhra Pradesh in India. As evident, the SSI (small scale industry) plays a crucial role in macro and micro economic development in context of developing economy like India, yet the sector is not aloof from problems, challenges and threats evident as industrial sickness. The research posits across the socially constructed origins of the phenomenon and calls for the identification and classification of the factors that contribute towards industrial sickness in Andhra Pradesh SSI sector.

Parappurathu, S., Ramachandran, C., Baiju, K. K., & Xavier, A. K. (2019) have scrutinized the diverse credit transactions undertaken by small-scale fishers along the South West coast of India, based on a field-level survey carried out in the maritime State of Kerala. The findings point to continuing dominance of the informal financial sector over the institutional credit sector. In the light of the findings, measures such as reforming the fish auction system, linking insurance with formal credit, further strengthening of fishery co-operative societies and exercising stringent state control to curb exploitative lending practices are suggested.

1.5 STATEMENT OF THE PROBLEM

Due to accurate competition growth and survival of the textile industry is a million dollar issue. The textile industry worldwide is in doldrums and the textile industry in India is not an exception. This study has been carried out to analyse the factors affecting the growth of SSI in Erode.

1.6 SCOPE AND NEED OF THE STUDY

The scope of the study is wide and encompasses almost all important aspects of financial support of industrial. In the present scenario where business world has become highly competitive and there is a slow recession in the world economy. This study provides an overview of the growth of small scale industries with special reference to Erode district. The analysis is limited to 50 sampling units of small scale industries which can be further extended to other sectors. Analysis is useful to shape the financial structure of the organization in order to identify the best financial resource for business improvement.

1.7 RESEARCH DESIGN

This study aims to understand the challenges faced by the small scale industries. On the load of growth Primary data for the study was collected by means of questionnaire in Erode district. Secondary data were collected from magazines, journals & websites etc. A total of 50 questionnaires were distributed, to out of which 50 responses were solicited for analysis purpose. Convenience sampling technique is adopted to select sample of respondents. The statistical technique used for analysing the data are simple percentage and descriptive statistics. In order to know about the validity of the data collection. .

1.8 Analysis and Interpretation

The data collected through the well structured questionnaire are analyzed and interpretations made on the basis of such analysis are represented as below:

Table no1: Demographic profile of respondents

PROFILE	GROUP	FREQUENCY	PERCENTAGE
Nature of business activity	Production	24	48
	Processing	17	34
	Job work	9	18
Age of your SSI unit	Less than 5 years	15	30
	5 – 10 years	22	44
	More than 10 years	13	26
Nature of your organization	Proprietorship	28	56
	Partnership	18	36
	Company	4	8
Capital you have invested in your company	20 lakhs	17	34
	25 lakhs	22	44
	30 lakhs	11	22
Area of industry	Urban	22	44
	Semi – urban	15	30
	Rural	13	26
Annual turnover	Less than 5 lakhs	12	24
	5 – 25 lakhs	25	50
	More than 25 lakhs	13	26
Annual profit	Less than 5 lakhs	22	44
	5 – 25 lakhs	22	44
	More than 25 lakhs	6	12

(Source: Primary data)

1. Table No1 shows the demographic profile of the respondents. 48% of the respondents nature of business activity was production. Age of the SSI unit lies between 5-10 years as stated by 44% of the respondents. 56% of the respondents opined that their nature of organization is proprietorship.
2. 44% of the respondents invested 25 lakhs for their business. Maximum of the respondents belonged to urban area. A maximum of 50% of respondents annual turnover was 5-25 lakhs and they also earned the profit of below 25 lakhs.

Table No2: Factors influencing the growth of small scale sector

S.no	Items	N	Max	Min	Mean
1	Finance from banks	50	5	2	3.9600
2	Finance from term lending institutions	50	5	2	3.7000
3	Finance with subsidy	50	5	2	3.8000
4	Government support	50	5	2	3.6200
5	Various kinds of finance availability	50	5	2	3.7000
6	Locally available labours	50	5	3	3.9600
7	Continuous raw material supply	50	5	3	4.1000
8	Better incentive schemes	50	5	3	3.9800
9	Good demand for products	50	5	3	3.9200
10	Lower tax burden	50	5	3	4.0400
11	Easy to market the product	50	5	2	4.0400
12	Better transport facilities	50	5	3	4.0400
13	Technical assistance	50	5	3	4.0000
14	Sick finance	50	5	1	2.4400
15	Market survey	50	5	2	3.8400
16	Ready market for products	50	5	2	3.9200
17	Information assistance	50	5	2	3.9400
18	Tax concessions	50	5	2	3.9800

The respondents were asked to rate the influencing factors for the growth of SSI on a 5 point rating scale starting from 1-Very Low to 5-Very High. The ratings assigned were 1-Very Low, 2-Low, 3 –Moderate, 4-High, 5-Very High. The scale consisted of 18 items. The mean ratings were found out for all the items and are displayed above. The highest mean rating is 4.04 for the items Low tax burden, Easy to market the product and Better transport facilities. That is on average, the level of agreement of the respondents falls above 4 (High). Sick finance has a lowest mean rating of 2.44, which falls below Moderate and above Low. All other items except Sick finance have mean ratings above 3, that is above moderate level.

II. Research implication and conclusion

FINDINGS:

- 48% of the respondents are nature of business activity is production.
- A maximum of 44% of the respondents started their industries within ten years.
- The 56% of the respondents had the proprietorship form of organization.
- 44% of the respondents invested a capital of above 25lakhs.
- 44% of the respondents area were located in urban areas.
- 50% of the respondents turnover is five lakhs to 25 lakhs.
- Most of the respondents annual profit is below 25 lakhs.

III. Recommendations

1. Government should make sustainable development activities for implementation of SSI units.
2. Government should come out with more incentive schemes for Erode district small scale industries.
3. Sick finance is considered as the least effective factor that influence the growth of SSI. Thus government should provide more funds as loan for SSI.

IV. Conclusion

The small scale industries in Erode is one of the major economic contributors to the Indian economy. Financial Assistance to SSIs plays a vital role because these industries have been considered as the engines of Economic growth. The small scale industries in Erode under Tamilnadu state contributes for economic development by earning foreign exchange and generating employment opportunities. Finance the elixir of business must be utilized in proper manner to achieve balanced growth of export business. Financial constraints must be eliminated to encourage the young entrepreneur to get into the industrial sector and motivate to develop large projects

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