

## INDUSTRIAL DOWNTURN HAMPERING PRODUCTION ORIENTED SMALL SCALE INDUSTRIES OF TAMIL NADU-A STUDY

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### **Abstract**

The problem in the front of industry has its genesis in agriculture as industry and agriculture are intertwined in our economy. To absorb unemployment and underemployment prevailing in agriculture, the industry is complementing by way creating employment in industrial sector. Still, it is ailing in many respects. It is strongly believed that aiding/supporting industries of different genre especially one's related to production will go a long way in checking downward pattern in growth.

**Key words:** Agriculture-un employment problems-govt role in providing employment opportunities-the role of DIC's- generic problems of SSI units-problems of production oriented industries-solutions

### **Introduction**

Agriculture occupies a significant place in Indian economy, but the importance of industry can't be ignored. For the development of the modern welfare state it has become highly essential to achieve self-sufficiency not only in matters of food but also in all other aspects. Industrial development of a country is brought about by providing employment opportunities and proper utilization of scarce resources including human resources as a whole.

### **Objectives of the Study**

The problem of sickness in industrial sector has become a constant source of anxiety for the government, financing institutions and others. Due to downturn, the entrepreneurs are not able to repay the institutional loans on time. Also, as a result of this, it curtails the recycling process of the institutional funds to deserving people. The present study aims at being a fact-finding research, finding the magnitude of the problems and offering solutions the same with special reference to production based small and medium scale industries.

## Un Employment

Unemployment is a major problem in the present scenario of the country. Unless a great chunk has been given employment a welfare state like India will be faced with a number of socio-economic problems like un employment. The large scale industries cannot solve the unemployment problem of the country. So the government of India has decided to expand employment opportunities for the unemployed persons by means of introducing self employment programmes and encourage setting up of small scale industries through suitable policy measures.

### The Role of District Industries Centres (DIC's)

The District industries centres invites, by making a public notification invites the unemployed persons of the respective districts and selecting the same as per the requirement, gives a capsule training programmed and recommends their cases to the financial institutions to provide finance for their unit. The need to credit has become all the more important in the context of establishment of new industries.

To meet the credit needs of the young unemployed, the commercial banks and tamilnadu industrial investment co-operation (TIIC) are coming forward to meet the credit needs of the needy persons sponsored by DIC under PMRY scheme.

Today, the beneficiaries in spite of getting all facilities including loans are not utilizing in proper way. Also, availability of raw materials, marketing of products, management problems, social functions, natural calamities and the attitudes of the beneficiaries influence the loan in a such a manner that the finance provided by the financing institutions are not properly utilized. This very often results in the sickness of industries. If a unit becomes sick, it will paralyze the entire process and at last the nation has to bear the burden leading to misutilization of funds and resources.

The path of small entrepreneurs is not rosy. Small entrepreneurs face the following types of problems:

#### (1) Problem of raw materials:

A major problem that the small entrepreneurs face is the procurement of raw materials. They have to confront with numerous problems like;

- i. Availability of inadequate quantity
- ii. Poor quality of materials
- iii. High cost of raw materials etc

All these factors adversely affect the proper functioning of small units.

#### (2) Problem of finance:

Finance is one of the most important problems faced by small entrepreneurs. As finance is the life blood of a business organization and no business organization can function properly in the absence of adequate funds.

The problem of finance in small sector is mainly due to two reasons *i.e.*

- (i) Scarcity of capital in the country as a whole.
- (ii) Weak credit-worthiness of small units in the country. Due to their weak economic base, they find it difficult to take financial assistance from the commercial banks and financial institutions.

Therefore, small entrepreneurs have to obtain credit from the money lenders on a very high rate of interest.

**(3) Problem of marketing:**

One of the major problems faced by small entrepreneurs is in the field of marketing. They are not in a position to get first hand information about the market *i.e.* information about completion, taste, liking disliking of consumers.

Therefore, they are not able to upgrade their products according to the changing business environment. These small units acceding to the changing business environment.

These small units often do not process any marketing organization. As a consequence, their product quality compares unfavorably with the quality of the products of the large scale industries.

Therefore, these industries suffer from a comparative disadvantage as compared to large scale industries.

**(4) Problem of under utilization of capacity:**

Most of the small entrepreneurs are suffering from the problem of under utilization of capacity. Small scale units are making only 40 to 50 percent use of their installed capacities due to various reasons such as shortage of finance, raw-materials, power and under-developed markets for their products.

**(5) Outdated technology:**

Most of the small entrepreneurs depend upon old techniques and equipment. These units find it very difficult to modernize their plant and machinery due to limited capacity and capital.

The quality of products and productivity tend to be low in the absence of modern technology and that too at higher cost. They are in no position to compete with their better equipped rivals operating modern large scale units. For example, Khaki products even after government subsidy seem to be costlier.

**(6) Poor project planning:**

Poor project planning is another problem faced by small entrepreneurs. In the absence of education and experience, these entrepreneurs do not attach much significance to viability studies. They do not bother to study the demand aspect, marketing problems, sources of raw materials.

Inexperienced and incompetent entrepreneurs often submit unrealistic feasibility reports and incomplete documents which invariably result in delays in completing

promotional formalities. They cannot afford to avail services of project consultants due to limited financial resources.

**(7) Inadequate infrastructure:**

Insufficient quality and quantity of transportation, communication and other basic services particularly in backward areas is another problem. Inadequate infrastructure results in under utilization of capacity and wastages.

Inadequate infrastructures also adversely affect the quality, quantity and production schedule of the enterprises operating in these areas. Therefore, their functioning will become uneconomical and unviable.

**(8) Problem of skilled manpower:**

A small entrepreneur located in backward area may not have problem of unskilled workers but it may be exposed to the problem of non-availability of skilled workers. Skilled workers may be reluctant to work in their areas and small scale enterprise may not afford to pay the wages and other facilities demanded by these persons.

Unavailability of skilled manpower result in lower productivity, deterioration of quality, increase in wastages, rise in other overhead costs and finally adverse impact on the profitability of these small scale units.

**(9) Managerial problem:**

Another serious problem for small scale units is managerial inadequacies. Modern business demands vision, knowledge, skill, aptitude and whole hearted devotion. The managerial competence of the entrepreneur is very important for the success of any venture.

An entrepreneur is required to undergo training and counseling for developing his organization revolves. Therefore, he must be fully conversant with all aspects of management. Lack of proper commitment and managerial skill will add to the problems of entrepreneurs.

**(10) Other problems:**

In addition to above discussed problems, the small scale industries have been constrained by a number of other problems such as trained technicians, technological obsolescence, unorganized nature of operation etc.

**Problems Specific to Production Oriented Industries**

The objective of an entrepreneur is achieved when he is able to dispose of his products at a price, which covers necessary profits to aintain production levels. In a competitive market, an individual producer or seller has to supply such goods as are not inferior to the goods of other competing firms. Therefore, the problem is to maintain and improve quality of production. The inferior quality of goods produced in the small-scale industrial sector is due to certain reasons:

- i. The small-scale producers tend to produce goods of poor quality for the simple reason that inferior production involves a lesser capital outlay and production time.
- ii. The small-scale producers are encouraged to produce goods of poor quality because such goods are easily sold in the market as a result of their low prices.
- iii. Shortage of raw materials of good quality at reasonable rates also compels the small-scale producers to utilize inferior raw materials, which are available easily at a cheaper rate.
- iv. The quality of goods is inferior due to the inappropriate use of modern technology by the small-scale industrial units, which cannot afford to pay the expenditure involved in production research. The price of a product is determined by its quality. It is essential that quality products are produced at reasonable prices. Therefore, the main aim should be to motivate the small-scale sector to produce high quality goods by providing them necessary financial assistance, raw materials, technical guidance, marketing assistance, etc.

The Small-Scale Units are faced with the problems of scarcity of raw materials. There is shortage of raw materials like iron and steel, pig iron, 'A' grade coke, chemicals etc., small scale industries are weak in financial position. They have to utilize the services of intermediaries to get raw materials on credit. Such an arrangement results in higher costs and is disadvantageous when raw materials are imported, for the profit margins of intermediaries are rather high.

Different types of industries require different types of raw materials. There are industries, which use indigenous raw materials while there are also industries, which are based on imported raw materials. According to their availability, raw materials can be classified into scarce raw materials and freely available raw materials. The non-availability of raw material in sufficient quantities has been the main problem with small-scale industries.

The shortage of scarce raw materials is likely to continue in future also. Therefore, the strategy for the further development of industries should be such that the industries based on indigenous and local raw materials are encouraged and those based on imported raw materials are discouraged. However, it should be the responsibility of the state to meet all the needs of the existing industries by guaranteeing liberal distribution of raw materials from the state depots and issuing import licenses for reasonable quantities of foreign raw materials required for production.

Category of industries	Sample units	Shortage of raw materials	Lack of finance	Power shortage	Inadequate govt.support	Price fluctuations	Changes in technology
Agro based production units	20	08(80%)	02(20%)	04(40%)	02(20%)	-	04(40%)
Forest based production units	30	06(40%)	12(80%)	04(26%)	02(14%)	-	06(6%)
Mineral based production units	10	04(80%)	02(40)	-			04(80%)
Textile based production units	60	08(26%)	08(26%)	12(40%)	04(14%)	08(26%)	20(68%)

The above table illustrate the kind of problems faced by the production oriented small and medium scale industries in composite thanjavur district.(involving thanjavur,thiruvarur and nagappattinam districts) The parameters selected for the purpose of a pilot study involving four different kinds of production, are based on the vast amount of information pertaining to the problems of small scale industries which are in public domain.

#### **Solutions Suggested to the Problems Faced by the Small Scale Industries**

Small Scale Industry sector has emerged as India's engine of growth in the New Millennium. The SSI sector accounts for nearly 40 per cent of value added in the manufacturing sector and 34 per cent of total exports from the country. Through 95 per cent of industrial units in the country, the sector provides employment to about 20 million persons. The Government has recognized its importance for the economy and its intention towards promotion of SSIs is reflected in various Industrial policy Resolutions right from the year 1948. The primary objective of the Small Scale Industrial Policy during the nineties was to impart more vitality and growth-impetus to the sector to enable it to contribute its mite fully to the economy, particularly in terms of growth of output, employment and exports.

The sector has been substantially delicensed. Further efforts would be made to deregulate and debureaucratise the sector with a view to remove all fetters on its growth potential, reposing greater faith in small and young entrepreneurs. All statutes, regulations and procedures were reviewed and modified, wherever necessary, to ensure that their operations did not militate against the interests of the small and village enterprises. Government is aware of the challenges faced by SSIs and has been trying to improve their competitiveness through various measures. These consist of the following:

- a) Tax concessions have been provided to SSIs to promote investment in this sector and also to grant relief to small entrepreneurs.
- b) Technological facilities have been increased.
- c) In order to facilitate adequate flow of credit efforts have been done.
- d) Measures have also been taken to improve infrastructure facilities and promote marketing of products. 314
- e) To improve access to latest information, automation of the Ministry of SSI Office of DC (SSI), Directorate of Industries and District Industries Centres have been set up.

### Conclusion

Small and marginal industries of the nation are the back bone of Indian economy. Large scale unemployment problem is mitigated by this sectors growth and development. The yard stick/ barometer of a nation's growth is hinging upon the growth and development of the SME sector along. So the governments policy measures should suitable accommodate this component. Technical symposiums, conferences, workshops specially dedicated to address this issues must be patronised

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