

A Study on SSI Entrepreneurs' Business Performance and it's Constrains before and after Registering in DIC – Special Reference to Thoothukudi District

M.Sekar *

*Head, School of Business Management,
Rathnavel Subramaniam College of Arts & Science (Autonomous),
Sulur – 641 402, Coimbatore.*

*sekar@rvsgroup.com

R. Ganesan

*Dean,
Sri Venkateswara Institute of Information Technology and Management,
Coimbatore.*

Abstract

The small scale industry occupies a very important place in the economies of all the developing countries of the world. 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. This study attempt has been made to analyze the role of DIC in promotion of SSI in India, with special references to Thoothukudi District, Tamilnadu.

Keywords: SSI, DIC, Working, Capital, Asset, Industry, Economies.

INTRODUCTION

Small industries provide ample opportunity for entrepreneurship. The latent skills and talents of people can be channeled into business ideas which can be converted into reality with little capital investment and almost nil formalities to start a small business. Small industries also enjoy the advantage of low cost of production. Locally available resources are less expensive. Establishment and running costs of small industries are on the lower side because of low overhead expenses. In fact, the low cost of production which small industries enjoy is their competitive strength. Due to the small size of the organisations, quick and timely decisions can be taken without consulting many people as it happens in large sized organisations. New business opportunities can be captured at the right time. Small industries are best suited for customised production. i.e., designing the product as per the tastes/preferences/needs of individual customers, say for an example tailor-made shirt or trouser. The recent trend in the market is to go in for customised production of even non-traditional products such as computers and other such products. They can produce according to the needs of the customers as they use simple and flexible production techniques.

Significance of the Study

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. To improve access to latest information, automation of the Ministry of SSI Office of DC (SSI), Directorate of Industries and District Industries Centers have been set up.

Role of DIC

The District Industries Centers Programme was launched on May 1, 1978, with a view to providing an integrated administrative framework at the district level, which would look at the problems of industrialisation in the district, in a composite manner. In other words District Industries Centers is the institution at the district level which provides all the services and support facilities to the entrepreneurs for setting up small and village industries. DIC identification suitable schemes for SSI units, preparation of feasibility reports, arranging for credit, machinery and equipment, provision of raw materials and other extension services are the main activities undertaken by these centers. Broadly DICs are trying to bring change in the attitude of the rural entrepreneurs and all other connected with economic development in the rural areas.

Statement of Problem

SMEs have proved to be a vital element of growth in the global economy. Their contribution to the economic development of both developed and developing countries has been well recognized. In order to maintain sustained growth, the developing economies in particular have to take into account the latent force of the SME sector and harness it properly in their favour. The singular contribution of SMEs in India is on account of their unique characteristics. Their role in economic activity is manifest in both tangible and intangible ways. If this contribution is to be sustained, then their uniqueness needs to be nurtured in an overt and explicit manner. In order to maintain a competitive edge in the fast emerging new economic order, and overcome various challenges in the domestic and international markets, SMEs would need to be provided with suitable institutional capacity-building programmes

Scope for the Study

Similarly the concept of District Industries Centers (DICs) was introduced so that in each district a single agency could meet all the requirements of SSIs under one roof. This study attempt has been made to analyze the role of DIC in promotion of SSI in India, with special references to Thoothukudi District, Tamilnadu. The results and discussion made in the current study will prove useful to the various stakeholders of SMEs in India: SSI entrepreneurs, manufacturing, firms, government, support services financial institutions and academicians in understanding the SSI entrepreneurs' perception towards the role of DICs and their business growth before and after joining DIC.

Objectives of the Study

Based on the concept discussed above the following objectives were constructed for the effective conduct of the study.

- ✓ To evaluate the variables of DIC
- ✓ To analyse the perception of SSI entrepreneurs about the performance of DIC (Positive Points)
- ✓ To analyse the performance of DIC variables with initial and extraction.

Hypotheses of the Study

Following hypotheses are framed to justify the objectives drawn

- ✓ There exists no uniformity the opinion of SSI entrepreneurs' about various business constrains faced by them.
- ✓ The business performance of SSI entrepreneurs' has significantly improved after registering in DIC.

REVIEW OF LITERATURE

Morris *et al.* (2006) found out that major problems faced by small scale industries is to deal with government requirement is of simplifying the laws and regulations ranging from Labor Compensation Act to Unionization Act which are required to be merged.

Rathod, C. B. (2007) described the importance of small scale industrial sector and also the contribution of Indian small scale entrepreneurs in world economy. The main objective of the study was to study the growth and pattern of the SSI sector and identify the reasons for success/ failures, to evaluate the impact of globalization on SSIs and export opportunity, to identify the barriers and constraints that SSIs were facing to cope with globalization. The study analysed that SSI sector in India has been exhibiting a striking export performance; export had grown up to double digit from the last ten years. The study concluded that both opportunities and challenges were raised as the impact of globalization on Indian Industry as a whole and the small scale sector in particular. The study found that a major portion of our exports would have to gear up to the new era of boundary less economy. The study has suggested that there was need for simplified legal and regulatory framework, good governance, sufficient and accessible finance, suitable infrastructure and competitive environment.

Patricia R. Todd *et al.* (2007) research paper aims to focus on the determinants influencing the internationalization of small and medium-sized enterprises (SMEs) in India. The objective is to investigate and evaluate the business environment and, then, examine the importance of developing and promoting entrepreneurship to allow SMEs in India to develop a competitive position in the international marketplace. It is proposed that the primary method for fostering or promoting the growth of entrepreneurship is through the utilization of technology. In this study an overview is provided of the current economic situation facing SMEs in India. Then factors necessary for the expansion of the business are discussed, along with the challenges of overcoming the resource gaps identified. The importance of fostering entrepreneurship is presented. The current state of technology is then evaluated. The paper concludes with an assessment of challenges and implications for future expansion. Findings of the study states that information is provided concerning the current situation for SMEs in India and the challenges encountered as they face a business environment that is becoming more competitive. Several factors are identified that must be addressed before the SME can achieve international growth, specifically the utilization of technology. Special attention is given to the gaps in infrastructure that could enable a more efficient use of resources and the impact of entrepreneurship on the economic growth of the SME.

According to Milind Kumar Sharma and Rajat Bhawat (2007) Performance Measurement System (PMS) is underdeveloped and under researched in Small and Medium Enterprises (SMEs). It has emerged as a vital

decision support tool at the strategic management level in SMEs in the developing nations. This research explores and examines the PMS development through four select case studies in India. Another purpose of this study is to provide some preliminary insights on why SMEs adopt the PMS. It also aims to identify critical issues that would contribute to the effective performance measurement function in Indian SMEs. This research is exploratory in nature; a case study methodology is used for the research. Based on four case studies from diverse SMEs from three different states of western India, the paper presents four important issues – PMS strategy, competitive priorities, benefits observed/perceived by effective management of PMS function and barriers observed in implementing PMS practices. Based on the analysis of the case studies, several propositions as recommendations for effective PMS development in Indian SMEs are proposed.

According to Development Commissioner SSI (2007) in all there are 13 million enterprises in India's small sector providing employment to about 29 million people, contributing 40per cent of total industrial production and 34per cent of total exports. These small enterprises produce about 8000 items ranging from conventional products to hi-tech components. These bold statistics are seen at the top of continuous incremental growth curve of India's small sector. With this economic performance, small businesses (particularly Micro enterprises) have been the major support to India's village / rural economy and small-Medium enterprises have been the major counterpart of India's growing urban economy.

Vaaland and Heide (2007) comments that the weak bargaining power of the SSI units compels them to sell their products at the terms and conditions of the buyers. The small units could not perform well with regard to the management of demand because of their poor practices and strategies.

OVERVIEW OF SMEs

Small- and medium-scale enterprises (SMEs) occupy an important and strategic place in economic growth and equitable development in all countries. Constituting as high as 90per cent of enterprises in most countries worldwide, SMEs are the driving force behind a large number of innovations and contribute to the growth of the national economy through employment creation, investments and exports. Their contribution to poverty reduction and wider distribution of wealth in developing economies cannot be underrated.

SMEs in the Global Scene

Although SMEs make up the vast majority of companies around the world, in each country the total percentage of the workforce they employ varies. But the fact remains that they constitute a sizeable chunk of enterprises.

The European Union

With some 23 million enterprises providing around 75 million jobs and representing 99per cent of all enterprises, SMEs play a central role in the European economy. They create wealth, foster new ideas and are a key source of new jobs.

The OECD countries

The Organization for Economic Co-operation and Development (OECD) has 30 member countries. The members include 19 of the 25 EU member states, one candidate country and three of the remaining European countries. The other seven countries are Australia, Canada, Japan, Korea, Mexico, New Zealand and the United States. Most OECD governments promote entrepreneurship and seek to support and develop SMEs through a myriad of policies and programmes. These attempt to combat many of the common difficulties encountered by SMEs and offer solutions to problems in such areas like finance, technology and innovation, e-commerce, management, internationalization etc.

United States

In the United States, small businesses have benefited from direct cash injections. Procurement policy also seeks to increase the participation of small businesses, veteran-owned small businesses, small/ disadvantaged business, women-owned small businesses. The Small Business Act requires that each contract with an anticipated value of greater than US\$2,500 but less than US\$100,000 be reserved exclusively for small business concerns (unless the contracting officer is unable to obtain offers from two or more small businesses that are competitive with market prices and with the quality of the goods or services to be purchased).

Latin America

After focusing on large investments and wooing multinationals for years, Latin American politicians are beginning to realize that SMEs are the true job creators as well as important players in technology supply chains. Governments have vastly reduced red-tape to ensure SMEs' needs are attended to swiftly.

Asia

Some of the world's best-performing economies, notably Taiwan and Hong Kong are very heavily based on small enterprises. In Hong Kong in 2005, a total of almost 270,000 SMEs accounted for over 50per cent of employment, providing job opportunities to almost 1.2 million people. The majority of enterprises were in the services sector, specifically import and export, and wholesale and retail trade. In Japan, where SMEs are defined as establishments employing between four and 299 employees with a turnover of less than 100 million yen, they represented 99.7per cent of all enterprises, with retail and manufacturing being the most popular industries. Korea, recognizing the importance of SMEs has introduced many measures that include tax breaks and reduced interest loans for those starting new businesses in rural areas.

ROLE OF DISTRICT INDUSTRIES CENTER

Overview

The District Industries Centers (DIC's) programme was started in 1978 with a view to provide integrated administrative framework at the district level for promotion of small scale industries in rural areas. The DIC's are envisaged as a single window interacting agency at the district level providing service and support to small entrepreneurs under a single roof. DIC's are the implementing arm of the central and state governments of the various schemes and programmes. Registration of small industries is done at the district industries centre and PMRY (Pradhan Mantri Rojgar Yojana) is also implemented by DIC. The organizational structure of DICS consists of General Manager, Functional Managers and Project Managers to provide technical services in the areas relevant to the needs of the district concerned. Management of DIC is done by the state government. Progress of DIC Till March 31st 1998, 422 district industries centers (DICs) have been set up covering 431 districts of country leaving out the metropolitan cities and some new districts. The same rose to a total of 640 Districts as per the census of 2011.

Table No.1: Perception of SSI Entrepreneurs about the performance of DIC (Positive)

Variables	Very High	High	Moderate	Low	Very Low	Total sum	Mean	Rank
It is beneficial to register the unit with DIC	28(13.33)	26(12.38)	156(75.29)	0(0.00)	0(0.00)	712	3.39	16
The subsidies provided by DIC helps the development of the unit	39(18.57)	155(73.81)	13(6.19)	3(1.43)	0(0.00)	860	4.10	4
DIC disburses the subsidies and incentives on time	77(36.67)	105(50.00)	26(12.38)	1(0.48)	1(0.48)	886	4.22	2
For all available units, DIC strongly recommends loans from financial institutions	96(45.71)	13(6.19)	73(35.76)	28(13.33)	0(0.00)	807	3.84	7
DIC takes follow-up steps regarding loans from financial institutions	15(7.14)	143(68.10)	12(5.71)	13(6.19)	27(12.86)	736	3.50	14
The financial institutions sanction loans to all the units recommended by DIC	63(30.00)	41(19.52)	92(43.81)	1(0.48)	13(6.19)	770	3.67	10
The loan sanctioned by the financial institutions is adequate	130(61.90)	16(7.62)	53(25.24)	0(0.00)	11(5.24)	884	4.21	3
The training offered by DIC is sufficient to run a unit	1(0.48)	168(80.00)	12(5.71)	16(7.62)	13(6.19)	758	3.61	11
Without DIC, there will be no growth and development in SSI Units	66(31.43)	13(6.19)	112(53.33)	15(7.14)	4(1.90)	752	3.58	12
DIC is the best channel for the Government for assisting SSI Units	130(61.90)	28(13.33)	39(18.57)	13(6.19)	0(0.00)	905	4.31	1
DIC employees are very courteous	3(1.43)	168(80.00)	26(12.38)	13(6.19)	0(0.00)	791	3.77	9
The new financial assistance schemes of the Government are given enough publicity by DIC	51(25.29)	16(7.62)	117(55.71)	25(11.90)	1(0.48)	721	3.43	15
The motivation campaigns conducted by DIC are useful	28(13.33)	13(6.19)	15(7.14)	143(68.10)	11(5.24)	534	2.54	18
DIC's Single Window clearance Committee functions effectively	0(0.00)	25(11.90)	0(0.00)	172(81.90)	13(6.19)	457	2.18	19
DIC provides all services connected with marketing	77(36.67)	23(10.95)	26(12.38)	67(31.90)	17(8.10)	706	3.36	17
DIC officials are specialists have caballing of resolving the problems of SSI units	118(56.19)	39(18.57)	3(1.43)	38(18.10)	12(5.71)	843	4.01	5
DIC has qualified technocrats who can assess the resource potential of the district	16(7.62)	153(72.86)	3(1.43)	13(6.19)	25(11.90)	752	3.58	12
DIC's Credit Wing is efficient	55(26.19)	86(40.95)	54(25.71)	13(6.19)	2(0.95)	809	3.85	6
DIC's Raw-material Wing is efficient	28(13.33)	141(67.14)	13(6.19)	25(11.90)	3(1.43)	796	3.79	8

Source: Primary Data

Table no.2: Perception of SSI Entrepreneurs about the performance of DIC (positive)

Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Co linearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
Constant	.295	.181	-	1.634	.104	-	-
It is beneficial to register the unit with DIC	-.074	.144	-.042	-.518	.605	.019	52.929
The subsidies provided by DIC helps the development of the unit	-.188	.081	-.082	-2.314	.022	.100	9.979
DIC disburses the subsidies and incentives on time	-.267	.087	-.151	-3.053	.003	.051	19.582
For all available units, DIC strongly recommends loans from financial institutions	-.043	.056	-.039	-.765	.445	.047	21.280
DIC takes follow-up steps regarding loans from financial institutions	-.269	.090	-.243	-2.987	.003	.019	53.006
The financial institutions sanction loans to all the units recommended by DIC	.282	.065	.247	5.355	.000	.039	25.685
The loan sanctioned by the financial institutions is adequate	-.086	.062	-.079	-1.387	.167	.039	25.681
The training offered by DIC is sufficient to run a unit	-.084	.102	-.059	-.829	.408	.025	40.558
Without DIC, there will be no growth and development in SSI Units	.188	.064	.160	2.926	.004	.042	23.804
DIC is the best channel for the Government for assisting SSI Units	-.004	.103	-.003	-.038	.970	.020	51.267
DIC employees are very courteous	-.004	.105	-.002	-.034	.973	.054	18.631
The new financial assistance schemes of the Government are given enough publicity by DIC	.255	.071	.203	3.589	.000	.039	25.621
The motivation campaigns conducted by DIC are useful	.021	.086	.019	.241	.810	.021	48.637
DIC's Single Window clearance Committee functions effectively	-.040	.050	-.023	-.806	.421	.154	6.501
DIC provides all services connected with marketing	.147	.062	.169	2.351	.020	.024	41.302
DIC officials are specialists have caballing of resolving the problems of SSI units	.537	.056	.578	9.604	.000	.035	28.857
DIC has qualified technocrats who can assess the resource potential of the district	.215	.088	.191	2.441	.016	.021	48.704
DIC's Credit Wing is efficient	.066	.071	.048	.940	.348	.047	21.114
DIC's Raw-material Wing is efficient	.220	.105	.152	2.097	.037	.024	42.207

Level of Significance: 5 per cent

To determine of one or more of the independent variables are significant predictors of perception of SSI entrepreneurs about the performance of DIC (positive) the information provided in the co-efficient table is examined. All the above 19 parameters statements are statistically significant. The standardized co-efficient beta column reveals that perception of SSI entrepreneurs about the performance of DIC (positive) met have beta co-efficient .295 which is statistically significantly at 0.000.

To assess multi-collinearity one looks at the size of tolerance and VIF (Variance Inflated Factor). For the tolerance small indicate the absence of collinearity. The VIF is the inverse (opposite) of tolerance, one looks for large values. If the tolerance value is smaller than .10, it is concluded that multi-collinearity is a problem. Similarly, if the VIF is 5 or larger, then multi-collinearity is a problem. Since the tolerance value is substantially above .10 and the VIF is smaller than 5 it is concluded that multi-collinearity among the independent variable is statistical significant.

Predicated Value of

- Perception of SSI entrepreneurs about the performance of DIC (positive) = .295 (Constant)
 ± .188(The subsidies provided by DIC helps the development of the unit)
 ± .267(DIC disburses the subsidies and incentives on time)
 ± .269(DIC takes follow-up steps regarding loans from financial institutions)
 ± .282(The financial institutions sanction loans to all the units recommended by DIC)
 ± .188(Without DIC, there will be no growth and development in SSI Units)
 ± .255(The new financial assistance schemes of the Government are given enough publicity by DIC)
 ± .147(DIC provides all services connected with marketing)
 ± .537(DIC officials are specialists have caballing of resolving the problems of SSI units)
 ± .215(DIC has qualified technocrats who can assess the resource potential of the district)
 ± .220(DIC's Raw-material Wing is efficient)

Table no.3: Cumulative Perception of SSI Entrepreneurs about the performance of DIC (Positive)

Variables	Initial	Extraction
It is beneficial to register the unit with DIC	1.000	.973
The subsidies provided by DIC helps the development of the unit	1.000	.944
DIC disburses the subsidies and incentives on time	1.000	.947
For all available units, DIC strongly recommends loans from financial institutions	1.000	.925
DIC takes follow-up steps regarding loans from financial institutions	1.000	.977
The financial institutions sanction loans to all the units recommended by DIC	1.000	.945
The loan sanctioned by the financial institutions is adequate	1.000	.967
The training offered by DIC is sufficient to run a unit	1.000	.979
Without DIC, there will be no growth and development in SSI Units	1.000	.961
DIC is the best channel for the Government for assisting SSI Units	1.000	.980
DIC employees are very courteous	1.000	.951
The new financial assistance schemes of the Government are given enough publicity by DIC	1.000	.949
The motivation campaigns conducted by DIC are useful	1.000	.972
DIC's Single Window clearance Committee functions effectively	1.000	.900
DIC provides all services connected with marketing	1.000	.966
DIC officials are specialists have caballing of resolving the problems of SSI units	1.000	.965
DIC has qualified technocrats who can assess the resource potential of the district	1.000	.980
DIC's Credit Wing is efficient	1.000	.934
DIC's Raw-material Wing is efficient	1.000	.970

In order to provide a more parsimonious interpretation of the results, 19-item scale was then Factor analyzed using the Principal Component method with Varimax rotation.

REFERENCES

1. V.Balasubramanian, (1992); *A Study of Industrial Development in the composite Ramnad District,* Ph.D Unpublished Thesis , Madurai Kamaraj University 1992.
2. G.R.Sharma (1990); "Role of NABARD in Small – Scale Industries ," *Tamilnadu Journal of Co-operation* , Vol. 81, February 1990, pp: 424 – 432.
3. Delip R. Shah (1990); *Boosting Rural Industries through DIC, A Case Study,* *Kurushetra*, April 1990, pp: 35 – 37
4. Umesh C. Patnaik (1990); *Contributions of DIC Programme to SSI in India*, *Journal of Rural Development*, Hyderabad, Vol. 9, No. 2, April 1990, pp: 429-34.
5. L.Reddappa Reddy (1990); " *Rural Industrialisation – Role of District Industries Centre., Khadhi Gramodyog, Bombay, Vol XXXVI, No. 9, June 1990, pp 359 -365.*
6. Muralidhar Rao (1992); " *Role of DICs in Rural Industrialisation – Some issues*", *Kurukshetra*, New Delhi, Vol. XLI, No. 2, Nov 1992, pp: 16 – 17.27.
7. Sudan, F.K. (2005), *Challenges in Micro and Small Scale Enterprises Development: Some policy issues* , *Synergy: I. T. S. Journal of IT & Management*, Vol. 3, No.2, July 2005, pp: 67 – 81.
8. Morris, S., Rakesh Basant, Keshab Das, K. Ramachandran, Abraham Koshy (2006), *Growth and Transformation of Small Firms in India*, Delhi, Oxford University Press. No, 20003/2006
9. Rathod, C. B. (2007), *Contribution of Indian Small Scale Entrepreneurs to Economic Growth in India: Opportunities and Challenges in Global Economy*, *Prabandh- Journal of Management & Research*, Vol. 23, June 2007, PP: 1- 12.
10. Patricia R. Todd, Rajshekhhar (Raj) G. Javalgi, (2007); *Internationalization of SMEs in India: Fostering entrepreneurship by leveraging information technology*, *International Journal of Emerging Markets*, Vol. 2 Issue: 2, pp.166 – 180.
11. Milind Kumar Sharma and Rajat Bhawat (2007); *Performance measurement system: case studies from SMEs in India*, *International Journal of Production and Quality*, Vol.2, No.4, pp.475-509
12. Development Commissioner, SSI, Ministry (2007); *Laghu Udyog Samachar, A Publication of Ministry of Small Industry, Government of India*, Vol:31(3-5):62-63
13. Vaaland., I. T. & Heide, M. (2007); *Can the SMEs Survive the Supply Chain Challenges? Supply Chain Management: An International Journal*, 12(1), 20-31.