

# FACTORS DETERMINING THE SUCCESS AND FAILURE OF SMALL SCALE INDUSTRIES IN COIMBATORE DISTRICT.

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## Abstract

Small Scale Industries have been playing an incredible role in the development of both developed and developing countries. Small scale industries considered universally as an engine of economic expansion and as a key tool for promoting equitable development. SSI are labor oriented industry that require less capital investment, they contribute extensively to the country's manufacturing output, employment and exports and is qualified for generating the highest employment development and also accounting for a major share of industrial production and exports. SSI are facing a lots of setbacks. These setbacks are not only hindering the growth of SSI sector but are also obstructing the growth of the economy. Therefore, the main aim of this research paper is to identify these setbacks or challenges faced by SSI and to identify the factors that help SSI's to retain and grow in their area.

Key word: Small Scale Industries, challenges, measures.

## Introduction:

India is the sixth largest economy country in the world with \$10.385 Trillion PPP Per Capital: \$7,783+ HDI: 0.624. India is visioning to go beyond both the UK by year of 2020 to occupy the fifth place as largest economy in the world with a nominal GDP of around USD 2.9 trillion having overtaken the French country economy in 2018. Small scale industries are important because they help in increasing employment and economic development of the country; they also improve the growth of the country by increasing urban and rural growth. SSI are there to help the government in increasing infrastructures and manufacturing industries, reducing issues like pollution, slums, poverty, and many development acts. Small scale manufacturing industries play a very important role in the economic development of India so Investing enough capital in SSI will help in reducing unemployment in India and increasing self-employment and also help in economic growth of the country.

## Growth of Small Scale Industries in Coimbatore

Coimbatore is a home of more than 25,000 Micro, Small and Medium Enterprises in the various fields of manufacturing such as general engineering, textiles, textile spates, auto spares, machine tools, motor & pumps, foundry, home appliances, software, farm equipment's. The most fundamental reason for the growth of Coimbatore as a manufacturing center was the community-triggered contagion competitive spirit. The high-quality educational institutions helped to set up and expedited the process in starting enterprises. The easy availability of skilled manpower which facilitates industry and entrepreneurship in the region, The people's matured entrepreneurship, the conducive work culture and business environment prevailing in Coimbatore region attributes for sustainable development of SSI in manufacturing sector. It is the highest revenue yielding district in the state even ahead of Chennai, thus making it one of the fastest-growing second-tier metro cities in India. Coimbatore is ranked as one of most competitive (by business environment) Indian cities.

## Success and failure of Small Scale Industries

SSIs sector is incomparable to contribute to the economic development of both developed and developing countries, this sector is being accepted as a main key to sustainable economic growth; they play a matchless role to many industries as supportive to the organizations in providing more opportunities of vertical integration in rural remote areas and thus this sector contributing tremendously to the fiscal progress of the nation.

This sector is overwhelmed with multiplicity of problems over and over again related to the level of their size, such as delay in implementation of the project, absence of adequate and timely banking finance, non-availability of suitable technology, ineffective marketing due to limited resources and non-availability of skilled manpower, Lack of Financial Resources, Lack of Human Resources, Raw Material problems, Production problem, etc. These are often problems that cause failure of small scale industries in India.

### Objectives:

- To identify the major challenges faced by industry while running the business.
- To know the satisfaction level of entrepreneurial in running the business.
- To provide the appropriate measures that will enhance and sustain the vibrancy of SSI.

### Reviews of literature:

**K. Gunasekaran and Dr.C. Malleshwaran (2015)<sup>1</sup>** On their research work have examined that in India, SSI has been very helpful in generation of revenue mainly through export of goods and have made a considerable contribution to employment generation and also rural industrialization. In the economic changing scenario, SSI is facing face a lot of diverse problems such as huge population, large scale un-employment and underemployment and insufficiency of capital resources. Therefore, different special facilities are being provided by the Government through different policies and programmes to solve the problems and for the growth and development of small scale industries.

**Dr. K.a. Michael (2016)<sup>3</sup>** Stated that Industrial sector plays a vital role for the development of Indian economy. Particularly, Small Scale Industrial sector at present contributes much towards Indian economy. This sector generate production at low capital, utilizing 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 such as lack of finance, defective marketing, shortage of skilled, etc. This study suggested that reduction of rate of interest would enhance performance of SSI, Government can look forward to reduce Tax in SSI, and Government also can support this sector in doing marketing for their products.

**Ms. Vandana Hedge,K.K.Sabarirajan (2017)<sup>4</sup>** In their work highlighted that SSI is like a backbone of Indian economy and contribute significantly towards growth of its economy. this sector faces a lot of limitations like absence of adequate and timely supply of finance, difficulties in procuring raw materials, marketing and distribution challenges and non-availability of suitable technology etc. the barriers for getting loans can be reduced when the owners are willing to put more effort in increasing their knowledge and better utilization of government schemes or else through the change in the attitude of the banker. The government must consider these aspects regarding the policy development for MSME sector. it is concluded that the

growth and development of MSMEs will be ensured by initiating actions by government and banks for arranging the MSMEs financing to be avail by way of reducing the barriers recognized by the industrialists.

### Limitation:

- ❖ The overall industries were not covered because only fifty respondents were interviewed.
- ❖ The research was only conducted in Coimbatore.

### RESEARCH METHODOLOGY:

Research methodology is the techniques used in selecting, process and analyze the information about a specific topic.

#### Data collection

The data used in this research were collected with the help of two main sources of information namely secondary data and primary data.

#### Secondary data

During this study some data collected from secondary sources such as various journals, books, articles, government published annuals reports, website of different government agencies.

#### Primary data

Primary data is data that is collected from first hand sources.

With the help of questionnaires the study were conducted in Small Scale Industries.

#### Sample size

50 respondents were selected for the sample size in Coimbatore.

#### Tools used

1. Percentages
2. Cumulative percentage
3. Chi-square

### Analysis and Interpretation:

Variables		Frequency	Percent	Valid Percent	Cumulative Percent
Age	26-30 years	6	12.0	12.0	12.0
	31-35 years	9	18.0	18.0	30.0
	36-40 years	23	46.0	46.0	76.0
	above40 years	12	24.0	24.0	100.0
	<b>Total</b>	<b>50</b>	<b>100.0</b>	<b>100.0</b>	
Education	postgraduate	6	12.0	12.0	12.0
	undergraduate	12	24.0	24.0	36.0
	secondary	18	36.0	36.0	72.0
	diploma	6	12.0	12.0	84.0
	primary	8	16.0	16.0	100.0
	<b>Total</b>	<b>50</b>	<b>100.0</b>	<b>100.0</b>	
	less than 4	8	16.0	16.0	16.0

<b>Years of business experience</b>	4-8	20	40.0	40.0	56.0
	8-12	18	36.0	36.0	92.0
	above 12	4	8.0	8.0	100.0
	<b>Total</b>	<b>50</b>	<b>100.0</b>	<b>100.0</b>	
<b>Nature of the business</b>	Micro	18	36.0	36.0	36.0
	Small	21	42.0	42.0	78.0
	medium	11	22.0	22.0	100.0
	<b>Total</b>	<b>50</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Business type</b>	food processing	12	24.0	24.0	24.0
	Textile	14	28.0	28.0	52.0
	garment store	13	26.0	26.0	78.0
	groceries	11	22.0	22.0	100.0
	<b>Total</b>	<b>50</b>	<b>100.0</b>	<b>100.0</b>	
<b>Form of the business</b>	Sole proprietor	9	18.0	18.0	18.0
	partnership	15	30.0	30.0	48.0
	public company	11	22.0	22.0	70.0
	private company	9	18.0	18.0	88.0
	cooperative society	6	12.0	12.0	100.0
	<b>Total</b>	<b>50</b>	<b>100.0</b>	<b>100.0</b>	
<b>Source of finance</b>	own capital	9	18.0	18.0	18.0
	friends and family	13	26.0	26.0	44.0
	bank loans	16	32.0	32.0	76.0
	small business loans	12	24.0	24.0	100.0
	<b>Total</b>	<b>50</b>	<b>100.0</b>	<b>100.0</b>	

The above table shows the profile of the industries that have been taken for the study. Out of 50 industries majority of the respondents are aged between 36-40, 40% of industries have 4-8 of experience, 42% of nature of business were small industries, 30% of the enterprises were formed as partnership and 32% of them were using bank loans for running their business.

### Research Hypothesis:

H<sub>0</sub>: There is a significance relationship between nature of business and challenges faced by industry while running the business.

H<sub>1</sub>: There is a relationship between education level of entrepreneur and satisfaction level of the business.

H<sub>2</sub>: There is a significance relationship between years of business operation and difficulties in the market of the product.

**Relationship between Nature of business and Challenges faced by industry while running the business.****Table 1:** Nature of business and challenge faced by the industry while running the business

Nature of the Business		Challenges faced by business					Total
		Lack of experience	Location	Delay in customer payment	Insufficient capital	Technology problem	
	Micro	1	4	3	6	4	18
	Small	6	1	6	4	4	21
	Medium	0	5	5	1	0	11
<b>Total</b>		7	10	14	11	8	50

**Chi-Square**

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	17.998 <sup>a</sup>	8	.0R1
Likelihood Ratio	20.958	8	.007
Linear-by-Linear Association	2.902	1	.088
N of Valid Cases	50		

a. 13 cells (86.7%) have expected count less than 5. The minimum expected

**Interpretation:**

The chi square table 1 indicates that the probability value (0.021) is less than 0.05; Null hypothesis is accepted at 5% level of significance. Hence, it is concluded that there is a significant relationship between nature of business and challenge faced by the industry while running the business.



**Relationship between Education level of entrepreneur and Satisfaction level of the business.****Table 2:** Education level of entrepreneur and satisfaction level of the business

		Satisfaction level of business					Total
		Provid ed space	Financi al conditio n	Govern ment services	Marketing and advertising	Entrepreneuri al problem	
<b>Level of Education</b>	Postgraduate	1	2	2	0	1	6
	Undergraduate	0	2	2	6	2	12
	Secondary	5	3	7	2	1	18
	Diploma	0	4	1	0	1	6
	Primary	3	3	1	0	1	8
<b>Total</b>		9	14	13	8	6	50

**Chi-Square**

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	26.428 <sup>a</sup>	16	.048
Likelihood Ratio	28.672	16	.026
Linear-by-Linear Association	3.514	1	.061
N of Valid Cases	50		

a. 24 cells (96.0%) have expected count less than 5. The minimum expected count is .72

**Interpretation:**

The chi square table 2 indicates that the probability value (0.48) is less than 0.05; Null hypothesis is accepted at 5% level of significance. Hence, it is concluded that there is a significant relationship between Education level and satisfaction level of the business.

**Relationship between years of business experience and difficulties in the market of the product.****Table 3:** years of business experience and difficulties in the market of the product

		Difficulties in the market of the product					Total
		Low price	Transportation	Delayed payment	Location	Customer needs	
Years of Business experience	Less than 4	0	2	2	1	3	8
	4-8	5	5	2	2	6	20
	8-12	3	5	8	0	2	18
	Above 12	0	0	1	3	0	4
Total		8	12	13	6	11	50

**Chi-Square**

	Value	Df	Asymptotic Significance(2-sided)
Pearson Chi-Square	27.109 <sup>a</sup>	12	.007
Likelihood Ratio	25.799	12	.011
Linear-by-Linear Association	.057	1	.811
N of Valid Cases	50		

a. 19 cells (95.0%) have expected count less than 5. The minimum expected count is .48.

**Interpretation:**

The chi square table 3 indicates that the probability value (0.007) is less than 0.05; Null hypothesis is accepted at 5% level of significance. Hence, it is concluded that there is a significant relationship between years of operation and difficulties in market of the product.

**Findings:**

1. Number of respondents were the age of 36-40.
2. Majority of respondents hold secondary school as level of education.
3. Number of respondents were up to 8-12 years of experience.
4. Most of respondents were running their business as Small enterprises.
5. Number of respondents were running textile business.
6. Number of respondents started their business as partnership.
7. Number of respondents started their business with help of bank loans.
8. Number of respondents were facing challenges in form of delay in customer payment.
9. Number of respondents showed that they are not satisfied with their financial condition.

10. Number of respondents highlighted that delay of customer payment is one main difficulty faced in market of the product.

### Suggestions:

1. **Involve customers in product development:** Involving customers in the process is the key to developing a successful new product, you're probably missing out on valuable opinions and insights that could transform your offerings in case you don't consider your customers in your product development process, if you are serious about success, you need to build your products with your customers.
2. **Awareness of government schemes: it is important to be aware of government schemes and know how you can be benefited from them:** (for example: if you are not aware government schemes you might end up paying significant amount of taxes to the government every year).
3. **Write down business goals:** Having goals gives everyday tasks more meaning and clarifies the reasoning behind company decisions. Setting up Goals is an important component to achieving success in any endeavor and provide a future direction for your business, which helps guide you and your employees in everyday decision-making processes and reduce work stress.
4. **Involve family members:** It is so important to involve your Family members into the business because they will usually understand that they're all in this together, and are working toward a common goal. They will stick together in hard times to make financial sacrifices if things get tough and show the determination needed for business success.
5. **Get paid in advance, ask for deposits or full payment in advance:** Get the payment of an order before doing the delivery or the service requested is the easiest way to minimizing chances of non-payment and have access to working capital for day-to-day operations and it helps you to pay your own suppliers and complete your order on time.

### Conclusion:

Despite all the problems face by SSIs, they still contribute enough to the country economic development. If government is going to initiate more steps for encouragement and development of the SSI sector, as they are labor intensive by creating networks of organizations which help to provide training to the skilled workforce to improve productivity, encourage entrepreneurship to up-grade their technology and put more emphasis on innovation, there is no doubt that SSIs will contribute even more than it used too.

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