

A Bird View on Small Scale Industries in Erode District

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The rural industries occupy a premiere position of eminence in the industrial structure of the Indian economy. They provide employment opportunities to a large section of working force and contribute significantly towards the manufacture and export of goods. The rural industrial sector stands next only to agriculture in terms of employment; on value addition its share is about fifty percent of the total value of goods produced in the manufacturing sector and in the matter of exports, its share is more than one third of the total exports made by the country. The rural industrial sector consists of two segments viz. modern and traditional. The village and cottage industries such as handloom, khadi and other allied village industries, handicrafts, Seri-culture and coir form the traditional segment while the modern sector comprises a wide range of modern small scale industries.

The role of village and cottage industries in a developing country like India cannot be over emphasized

Objectives

- To understand the behaviour of industry to start an entrepreneur enrolment in the study area during 2017,
- To reckon their compound growth rate of firms performance in Erode district and
- To suggest to improve their performance and growth of the firm in Erode district.

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Sampling

Erode District had been selected for the study since there were a wide range of rural industrial units which provided considerable employment in and around Erode. As census sampling survey method is not feasible, it was proposed to follow proportionate convenient sampling method.

Review of Literature

Manoharan and Selvamoorthy³ (2010) study has ascertains that the number of SSI units, quantity of production, employment opportunities and exports of goods have increased in India, from 1990 - 1991 to 2007 - 2008. This study has explains that the various policy measures have been taken by the Government and incentives given in the form of concessions, assistance, facilities and subsidies. As a result, Small Scale units have registered tremendous growth.

Lozi and Basem Mohammed⁴ (2008) study has envisages that 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.

Vetrivel and Iyyampillai⁵ (2009) study has found that there would be a rapid growth of SSI units, employment generation and value of output during the period 1991-2008. Besides, the study also analyzed that there would be an increment on investment per SSI unit and value of production per SSI unit under the aegis of government policies and financial assistant.

Further the study⁶ has clearly brings out that the small scale industrial sector's growth has being driven by registered and unregistered manufacturing units, which has achieved a growth of 9.3 per cent during the year 2000- 2006 in Tamil Nadu. This study has also explained that Tamil Nadu has a large

³ Manoharan and Selvamoorthy, "Performance of SSI in India: An Overview", *Southern Economist*, Vol.48, No.20, 2010, p.13- 16.

⁴ Lozi and Basem Mohammed, "Small-Scale Industries in Jordan in the Globalization Era Performance and Prospects", *Journal of Social Sciences*, 2008.
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⁵ K. Vetrivel and S. Iyyampillai, "Problems and Prospects of SSIs in Tamil Nadu", *Southern Economist*, Vol. No.:48(14), 2009, pp 31-34.

⁶ K. Vetrivel and S. Iyyampillai, "Problems and Prospects of Small Scale Industries in Tamil Nadu", *Southern Economist*, Vol. No.: 48(14), 2009, pp 31-34.

number of cotton industries which accounts for 39 per cent of India's production capacity. Small Scale Textile Industries are very popular in Coimbatore, Tiruppur, Karur, Madurai, Rajapalayam and Chennai. There are 3000 exporters well known for knitting wears in Tiruppur itself. In Tiruchirappalli district many of the SSI units are at present equipped with modern machines producing qualitative products at international level are engaged in manufacturing wide range of products such as high presser boiler, rice mill boiler etc. After the advent of Bharath Heavy Electricals Limited (BHEL) more changes have been taken place in SSIs at Tiruchirappalli district.

Analysis

The list of rural industrial units with a minimum of ten years standing, registered up to 2016-17 was obtained from the Office of the KVIC, Registrar of Co-operative Societies and District Industries Centre, Erode. Out of 2001 units 300 units, being 15 per cent of the universe, had been selected for this study. The rural industrial units located in Erode District were agro and forest based, engineering and allied sectors, khadi and polymer based, leather and leather based, chemical based and miscellaneous units. The sample units covered by the present study are shown in Table 1.1.

Table 1.1: Sample of Rural Industrial Units (2016-17)

Sl. No.	Description	Universe	Sample Units
1	Engineering & Allied	321	48
2	Agro & Forest Based	442	66
3	Chemical Based	225	34
4	Leather & Leather Based	293	44
5	Khadi & Polymer Based	312	47
6	Miscellaneous	408	61
	Total	2001	300

Source: Records of KVIC, Registrar of Co-operative Societies and District Industries Centre, Erode.

Table 2.2: Growth Rate of the Number of Persons Employed in Sample Units

Sl. No.	Range of CGR	Consumption of Raw Materials	P	Power Consumption	Sales	Percentage
1	-20 to -10	14 (4.67)	22	15	12	4.67
2	-10 to 0	58 (19.33)	48	120	104	19.33
3	0 to 10	102 (34.00)	81	69	78	34.00
4	10 to 20	110 (36.67)	76	27	28	36.67
5	20 & above	16 (4.58)	13	9	18	4.58
Total		300 (100)	240	240	240	100

Source: Calculated Data.

It is observed from the table that compound growth rate of fifty seven (23.75 per cent) sample units were negative. On enquiry, it was learnt that in the past, few furniture units were dominating the market and enjoying monopoly status. But later, because of competition, they were forced to reduce production and hence the raw material requirements were also declined. Another point was noted that polythene bag units had recorded negative growth rate because of stiff competition from neighbouring districts. The remaining units had positive compound growth rates. Nearly one third of units had compound growth rate ranging from 0 to 10 per cent. Eleven (4.58 per cent) units of paper and plastic designing units were innovative. They had a tremendous common growth rate of above 20 per cent.

It is observed from the table that twenty-two (9.17 per cent) units had a negative growth rate ranging between -12 percent and -6 per cent. Nine polythene bag units, three fiber units, five furniture units and five plastic manufacturing scrap-melting units fall into this category. Only thirteen sample units (5.42 per cent) including three machinery belt units and ten ancillary parts units had a very impressive compound growth rate of above 12 percent.

It is observed from the table that twelve units have negative growth rates upto -8 and the remaining 228 units have positive growth rates. The negative growth may be due to heavy competition or because of reduction in the demand due to the availability of alternatives in the market. A major portion of the sample

units, 104 units (43.33 per cent), fall in the category of 0-8 per cent, 78 units (32.50 per cent) in the group of 8-16 per cent.

Conclusions

The study has concludes that the survival of rural industries depended on their ability to become competitive. There should be efforts to reduce costs and improve quality through technological up-gradation. Again, the production centers have to resort to product diversification to satisfy the ever changing tastes of the consuming public. Last but not the least, the Government sponsored and aided distribution channels should focus on demand creation by providing feed back to artisan units, proper advertisement, creative salesmanship and thus evolving modern marketing practice.

Reference

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