



A STUDY ON THE CHALLENGES, PROBLEMS AND PROSPECTS OF SMALL SCALE INDUSTRIES IN TIRUCHIRAPALLI DISTRICT, TAMIL NADU

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Abstract

MSME sector play extremely significant role in Indian economy. MSMEs have the highly vibrant and dynamic sector of the Indian economy over the last five decades. MSMEs have the advantage of generating employment with low investment, diversifying and the industrial base, reducing regional disparities through dispersal of industries into rural, semi-urban and backward areas. This paper places of interest the result of the Micro, Small and Medium enterprises and their position in the economy and the impact of economic reforms on growth pattern and performance of MSMEs. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural and backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country. This paper, after briefly presenting the current industrial situation in India and Tamil Nadu, analyses the growth and structural changes experienced and the problems faced by the selected small scale Industries in Tiruchirapalli District.

Keywords: *India, Tamil Nadu and Tiruchirappalli District Micro, Small and Medium Enterprises (MSMEs), Problem of SSI in Tiruchirappalli District.*

Introduction

“It is only when India has acquired the ability to design
Fabricate and erect its own plants without foreign
Assistance that it will have become a truly
Advanced and industrialized country”.

- Jawaharlal Nehru

The Micro, Small and Medium Enterprises (MSME) play a pivotal role in the economic and social development of the country, often acting as a nursery of entrepreneurship. The MSME sector contributes significantly to the country's manufacturing output, employment and exports. In the Global Economy Micro, Small and Medium Enterprises (MSMEs) are a very heterogeneous group of business usually operating in the manufacturing, trade, agri-business, and service sectors. They include a wide variety of firms such as village handicraft makers, small machine shops, and computer software firms that possess a wide range of sophistication and skills. Some are dynamic, innovative, and growth-oriented while others are satisfied to remain small and perhaps family owned. MSMEs usually operate in the formal sector of the economy and employ mainly wage-earning workers. MSMEs are often classified by the number of their assets. The size of classification or by the value of their assets. The size classification varies within regions and advantage of across countries relative to the size of the economy and its endowments. The major the sector is its employment potential at low capital cost. The labour intensity of the MSME sector is much higher than that of large enterprises. MSMEs constitute more than 90% of total enterprises of the countries.

MSMEs in India

In India MSMEs play an essential role in the overall industrial economy of the country? In recent years the MSME sector has consistently registered higher growth rate compared with the overall industrial sector. With its agility and dynamism, the sector has shown admirable innovativeness and adaptability to survive the recent economic downturn and recession. The MSME sector in India is highly heterogeneous in terms of the size of the enterprises, variety of products and services, and level of technology. The sector not only plays a critical role in providing employment opportunities at comparatively lower capital cost than large industries but also helps in industrialization of rural and backward areas, reducing regional imbalances and assuming more equitable



distribution of national income and wealth. MSMEs complement large industries as ancillary units and contribute enormously to the socio-economic development of the country.

MSME sector plays a major role in India's present export performance. As per available statistics (4th Census of MSME Sector), this sector employs an estimated 597 lakh persons spread over 261 lakh enterprises. It is estimated that in terms of value, MSME sector accounts for about 45% of the manufacturing output and around 40 % of the total export of the country. As a result, MSMEs are today exposed to greater opportunities for expansion and diversification across the sectors. The Indian market is growing rapidly and Indian industry making remarkable progress in various Industries like Manufacturing, Precision Engineering, Food Processing, Pharmaceuticals, Textile & Garments, Retail, Information Technology(IT), Agro and Service sectors. MSMEs are finding increasing opportunities to enhance their business activities in core sectors.

Table 1.1: State Wise Distribution of Number of Em-Ii* Filed During 1st April, 2007 Up To 31st March, 2012, (MSMEs)

Sl.No	Name of the State/Union Territory	2007-08	2008-09	2009-10	2010-11	2011-12
1	Andaman&Nicobar	50	60	68	77	82
2	Andhra Pradesh	4,478	4,726	9,144	9,204	9,260
3	Arunachal Pradesh	63	107	111	50	36(1)
4	Assam	1,811	1,711	1,678	1,506	1,218
5	Bihar	2,855	3,134	4,010	4,302	4,108
6	Chandigarh	32	161	255	174	259
7	Chhattisgarh	1,335	1,291	1,089	1,206	1,741
8	Dadra & Nagar Haveil	307	143	104	74	106
9	Daman & Diu	164	247	107	126	83
10	Delhi	131	70	165	199	345
11	Goa	57	76	112	88	97
12	Gujarat	13,185	17,866	19,992	27,939	51,781
13	Haryana	2,489	2,599	2,357	2,707	2,759
14	Himachal Pradesh	832	925	1,053	942	856
15	Jammu & Kashmir	1,044	971	1,192	914	1,170
16	Jharkhand	940	1,051	669	690	939
17	Karnataka	14,984	15,705	17,195	18,434	21,021
18	Kerala	11,068	15,935	12,013	10,194	10,020
19	Lakshadweep	5	14	23	24	8
20	Madhya Pradesh	12,319	14,183	19,747	19,704	20,104
21	Maharashtra	11,396	12,148	11,896	14,496	15,606
22	Manipur	54	139	81	122	120
23	Meghalaya	403	397	1,040	748	573
24	Mizoram	226	478	500	198	131
25	Nagaland	687	2,498	1,445	141(2)	-
26	Odisha	1,515	1,588	1,758	1,657	2,155
27	Puduchery	144	214	200	186	120
28	Punjab	932	1,272	2,189	2,988	3,087



29	Rajasthan	13,873	14,609	14,630	14,904	14,678
30	Sikkim	14	71	18	40	30
31	Tamil Nadu	27,209	32,049	41,799	57,902	70,639
32	Tripura	156	236	218	218	205
33	Uttar Pradesh	30,443	31,629	33,479	33,027	33,568(3)
34	Uttarakhand	1,500	1,346	1,871	1,973	2,121
35	West Bengal	17,618	13,428	11,685	10,109	13,470
	ALL- INDIA	1,74,319	1,93,077	2,13,894	2,37,263	2,82,496

***EM-II** (Entrepreneur Memorandum).

Source: The State/ UTs Commission rates /Directorates of Industries, Annual Report of MSME, Government of India, 2012-13.

Note: (1)-Information from five DIC, awaited, (2)-Information from six DIC awaited and (3) - Information from five DIC, a waited.

Table 1.2: Number of Em-Ii* Filled By Type of Enterprises (Msmes)

YEAR	Micro	Small	Medium	Total (All India)
2007-08	1,56,051	17,777	491	1,74,319
2008-09	1,71,031	18,757	690	1,93,077
2009-10	1,86,126	23,999	1,412	2,13,894
2010-11	2,04,064	29,101	1,260	2,37,263
2011-12	2,42,606	34,192	2,939	2,82,496

***EM-II** (Entrepreneur Memorandum)

Source: The State/ UTs Commission rates / Directorates of Industries, Annual Report of MSME, Government of India, 2012-13.

Note: (p)-Provisional, since figures from some of the States UTs is awaited.

MSMEs in Tamil Nadu

The MSME sector has a major contribution to the economy to the economy of Tamil Nadu has 8.44 lakh registered MSMEs (as on 28.12.2013). This sector contributes about 10 % to the GSDP, provides employment to about 58.83 lakh persons and accounts for a total investment of Rs.48, 189 corers. MSNEs in Tamil Nadu produce over 8000 varieties of products including engineering products, electrical, electronic, chemicals, plastics, matches, textiles, hosiery and readymade garments. As per the 4th All India Census of MSMEs (2006-2007) Tamil Nadu Accounts for 14.95 % of the total working enterprises in the country. 15.24% of these enterprises are micro enterprises, which is the highest in the country. 9.60 % of them are small enterprises, which is the 3rd highest in the country. Further 9.21% are medium enterprises, which is the 2nd highest in the country. MSMEs in Tamil Nadu provide the largest number of employment in the country (15.32 %). The table given below indicates the growth of Micro, Small and Medium Enterprises during the last ten years and the level of investment, production, employment, etc., in Tamil Nadu.

The table given below indicates the growth of Micro, Small and Medium Enterprises during the last ten years and the level of investment, production, employment, etc., in Tamil Nadu.



Table 1.3: Growth of MSMEs in Tamil Nadu for the past 10 years

Year	Number of units	Investment (Rs. in Crores)	Production (Rs. in Crores)	Employment (Numbers)
2003-2004	25 794	722.16	5 158.80	3 22 967
2004-2005	16 253	1 105.81	4 556.97	60 280
2005-2006	20 399	1 705.20	4 414.87	67 800
2006-2007	19 201	714.41	2067.87	1 10 026
2007-2008	27 209	2 547.14	8 739.95	2 42 855
2008-2009	32 049	3 557.89	13 354.86	2 94 255
2009-2010	41 799	3 214.22	10 880.01	1 51 743
2010-2011	57 902	5 872.37	12 500.86	4 05 233
2011-2012	70 758	7 429.59	15 496.00	5 02 381
2012-2013 (UptoFeb 013)	83 348	8 751.54	17 503.08	5 83 436

Source: Micro, Small and Medium Enterprises Department, (policy Note 2013-2014), Government of Tamil Nadu, 2103.

There has been a phenomenal growth in the number of small scale industries in Tamil Nadu from 4,74,699 units in 2003 to 8,43,617 units as on 28.02.2013.

The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006

Government of India enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 to facilitate integrated development of Micro, Small and Medium Enterprises. It provides the first-ever legal framework for recognition of the concept of “enterprises” which comprises both manufacturing and service entities. It defines Medium Enterprises for the first time and seeks to integrate the three tiers of these enterprises, namely, Micro, Small and Medium. The Act also provides for a statutory mechanism at the National level with balanced representation of all sections of stake-holders, particularly the three classes of enterprises and with a wide range of advisory functions. As per the MSMED Act 2006, the enterprises are classified into manufacturing and service enterprises based on their investment in plant and machinery / equipment (excluding land and buildings) as indicated below:

The Defined Limit on Investment for Enterprises To Be Classified As Micro, Small And Medium Enterprises Is As Follows

Classification	Manufacturing Enterprises*	Service Enterprises**
Micro	Rs.2.5 million / Rs. 25 lakh	Rs.1 million / Rs. 10 lakh
Small	Rs.50 million / Rs. 5 crore	Rs. 20 million / Rs. 2 Crore
Medium	Rs.100 million / Rs. 10 crore	Rs. 50 million / Rs. 5 crore

* Investment limit in Plant & Machinery **Investment limit in equipment

The term “ Village industries” has been redefined in amended KVIC, Act 1956 as “ any industry located in rural area which produces any goods or renders any service with or without the use of power and in which the fixed capital investment per head of artisan or workers does not exceed Rs. one lakh (Rs on lakh and fifty thousand in case of village industry located in a hilly area) or such other sum as may, by notification in the Official Gazette, be specified from time to time by the central Government”.

Small Scale Industries

The Small scale industries of have a place of semi-urban and rural areas, promoting entrepreneurship and earning foreign exchange. The development of small scale industries is an integral part of overall economic, social and industrial development of our country. They have developed a spirit of self-reliance and improved the socio-economic conditions of the entrepreneurs and the people depending on them.



Small-scale industries have emerged as vibrant and dynamic sector of the Indian economy that contributes around 40 per cent of the total industrial production and over 34 per cent of the national exports. At present the SSI sector is providing employment to over 200 lakh persons. The captains of our economy are more than aware of the importance of the small-scale industries in terms of employment potential, productivity, utilization of indigenous resources, balanced regional development etc. In the words of **Dr. Manmohan Singh**, “the key to our success in employment lies in the success of manufacturing in the small scale sector”. The small scale sector is important not only for its contribution to GDP but also for its stellar performance in exports and generating employment. In the present Liberalized, Privatized, and Globalized economy the significance of productivity in the development of SSI sector needs to be recognized. This sector is ideally suited to build on the strengths of our traditional skills and knowledge by infusion by technologies and innovative marketing practices. Small scale industry has been accorded an important place in the national economy by the national decision makers. Small units generate employment at relatively small capital cost, mobilize resources of capital and skill at micro levels and are expected to meet the rising demand for various goods and services required by the economy. Small scale industries form an important sector constituting nearly 40 percent of the total output in the private sector. Small scale sector as a priority sector of the national economy is protected and promoted in a number of ways. The growth of small scale industry has been sought to be promoted over years through various government policies and measures. However, presently the small scale industrial sector suffers from a high rate of mortality and growing incidence of sickness. Accordingly to latest estimates, the percentage of sick unit in the small scale industry varies from ten to fifty percent in various states. The closure of debilitated existence of an industrial unit involves heavy cost to the society; it renders idle its manpower; lays waste scarce financial and material resourced invested in land and building, machinery and equipment inventories and stocks. The social cost involved in much more.

Definition of Small Scale Industries

The definition of ‘Small-Scale Industry’ varies from one country to another. In most of the countries of the world, the criterion for defining a small enterprise is the size of employment and investment. In some countries, both employment and investment are taken into account. Various countries have stipulated different ceilings on the number of employees and the quantum of investment in small-scale industries. In some countries like Pakistan and Sri Lanka, no upper limit for employees has been fixed for small-scale industries.

The Traditional definitions of SSI: In 1955, a Small-Scale units was defined as “A unit employing less than 50 persons, using it power and less than 100 persons without the use of power and with capital assets not exceeding Rs.5 lakhs”. And then, 1960, the above definition was modified as “Small-Scale Industries will include all industrial unit with a capital investment of Rs.5 lakhs irrespective of number of persons employed”. Accordingly, a small-scale industry is presently defined as, “A unit engaged in manufacturing, servicing, repairing, processing and preservation of goods having investment in plant and machinery, at an original cost not exceeding Rs.1 corer”.

Current definition of SSI: “An industrial undertaking in which the investment in fixed asset in plant and machinery whether held on ownership in lease or on hire purchase does not exceed Rs.100 millions”
www.ssi.nic.in.

Significance of Small Scale Industries

Small Scale industries occupy a significant place in the industrial set up of a country irrespective of the stage of its economic development. The importance of small-scale industries in the economic life of an under-developed and developing country is indeed very great, particularly in view of its large employment potential and contribution to national income. The principal elements in the economic picture of India are the rapid growth of population, increasing size of labour force, large volume of unemployment and under-employment and a low rate of savings. This panorama can be effectively altered through the establishment of small-scale industries.

The banking sector being a part of the economic system has its crucial role in economic development. The scope for banks to play a vital role as development agencies is practically unlimited. In earlier periods, commercial



banks were concentrating on metropolitan areas and industrial centers with the Nationalization of Bank and the assigning of priority in their credit to small-scale industries, there has been a rapid expansion of bank credit to the small-scale industries sector. Bank finance has diversified and is finding its way to the rural and semi-urban areas. Commercial banks have become the principal financial institutions in meeting the financial needs of small-scale industries.

Statement of the problem

The small-scale sector has become the hub for many economic activities in developing countries, by virtue of its special features like its capital-sparing and labour-intensive nature. The small-scale sector has a major role to play in developing nations, which suffer from slow capital formation and over population. Realizing the potential of the small-scale sector, the Government of India took several measures for the promotion and smooth functioning of this sector. Besides these, the Government has carefully planned the development of the small-scale industrial sector in the country. It has earmarked millions of rupees for their development during the plan periods. Nevertheless, to the dissatisfaction of many, including government agencies, the sector has not been working well owing to various problems both at the promotional and operating stages. In this backdrop, the present study has been taken up to identify the problem areas in this sector and to suggest appropriate measures to resolve the problems. To carry out the study on sound lines, it was hypothesized that the small-scale sector is suffering from several problems in production, marketing and management.

Small scale industrial sector is an important segment of Indian economy. It generates employment opportunity next to agriculture sector. India is divided into 29 states, among which some of the states such as Uttar Pradesh, West Bengal, Gujarat, Tamil Nadu are industrially advanced and retaining the dominant position in India. Tamil Nadu is the third largest economy in India, but it stands second position in number of industrial units, number of workers employed in factories and retaining the third position in terms of industrial output.

In 2011, the state of Tamil Nadu was divided into 32 districts. Chennai, Coimbatore, Tiruchirappalli, Kanchipuram, Salem, Thiruvallur, Vellore and Tuticorin are the main districts of industrial and commercial activities. From which Tiruchirappalli is an industrially and economically advanced district in Tamil Nadu. Some of the SSIs in Tiruchirappalli district are flourished a lot and some of them are not showing good performance. So, the researcher is interested to take up the research work on problems and prospects of SSIs in Tiruchirappalli district of Tamil Nadu.

Objectives of the study

The overall objective of this study is to analyse the general working of SSI units in **Tiruchirappalli district**. The specific objectives of the study are furnished below:

1. To study the various types of the small scale industrial units in Tiruchirappalli district.
2. To analyze the performance of different small scale industrial units in Tiruchirappalli district.
3. To analyze the prospects of small scale industrial units in Tiruchirappalli district
4. To study the problems faced by the small scale industrial units in the study region; and
5. To suggest appropriate policy measures to enhance the performance of SSI units in the study area.

Methodology of the study

Tiruchirappalli district is one of the industrially advanced districts in Tamil Nadu. Tiruchirappalli district is divided into nine taluks namely Tiruchirappalli, Tiruverumbur Srirangam, Manachanallur, Lalgudi, Musiri, Thuraiyur, Thottiam, and Manapparai. Tiruchirappalli taluk is considered as an industrially advanced taluk in Tiruchirappalli District. Total number of SSIs registered at District Industries Centre (DIC) is 12 322 at the end of March 2012. The Industry at a glance of Tiruchirappalli District is included. This list includes all sectors namely tiny, small and medium and large scale industries. According to Ministry of MSME, Government of India gave the details of existing Micro & Small Enterprises and Artisan units in the district is based on NIC code number is included. In order to get to know the details of SSI units specifically, the study did follow the details of Inspector of Factories. There were 664 SSI units registered at Inspector of factories in Tiruchirappalli district level at the end of December 2013. From which, the majority of 214 units are from Tiruchirappalli taluk itself.



This study aims at analyzing the problems and prospects of SSIs in Tiruchirappalli district. Due to the insufficiency and discrepancy of secondary data, the researcher had to collect the primary information too for the amenable data. From the 664 units, only 150 units are indeed viable as per the assumption (registered with the Inspector of Factories in the year 2013 & earlier and still functioning) of the study. From the 150 units, five units have found to be closed. And 45 units have not properly responded even after repeated visit. Finally, the primary data have been collected from the hundred SSI units through a well structured interview schedule. This study is based on complete enumeration method. The hundred SSI units have been divided in to ten categories of industries such as Engineering industries, Steel fabrication, Rice mills, Readymade Garments industries; Agro based industries, Metal industries, Furniture Industries, Saw Mills, Auto Garage industries, and Crusher industries. The study has also used secondary data collected from District Industries Centre, Inspector of Factory, and District Statistical Office, published materials like Journals, News Papers, Periodicals, and Books.

Industrial Scenario of Tiruchirappalli District

Table No 1.4: Year Wise Trend of Units Registered

Year	No. of Registered Units	Employment	Investment (Rs.in Lakhs)
2006-07	7581	75452	108060.92
2007-08	762	8825	7525.65
2008-09	858	7992	5432.55
2009-10	388	3961	4260.32
2010-11	1228	9655	14500.89
2011-12	12322	114064	NA*
2012-13	2065	NA*	NA*

* Not Available

Source: District Industries Centre, Tiruchirappalli District

Table 1.5: Industry at a Glance of Tiruchirappalli District

Sl.No	Head	Unit	Particulars
1	Registered Industrial Unit	No	10817
2	Total Industrial Unit	No	15143
3	Registered Medium & Large Unit	No	92
4	Estimated Avg. No. Of Daily workers Employed in Small Scale Industries	No	105885
5	Employment in large and Medium Industries	No	42600
6	No .of Industrial Area	No	9
7	Turnover of Small Scale Industries	Rs. In Lacks	54085
8	Turnover of Medium and Large Scale Industries	Rs. In Lacks	1840

Source: Government of India Ministry of MSME, Brief Industrial profile of Trichy(Dt).

Table No 1.6: Details of Existing Micro & Small Enterprises and Artisan Units in the District

Nic Code No	Type of Industry	Number of Units	Investment (Rs.Lakh.)	Employment
20	Agro Based	1130	8047.06	11328
22	Soda Water	0	0	0
23	Cotton Textiles	99	8258.01	1130
24	Woolen, Silk & Artificial Thread Based Clothes	0	0	0
25	Jute & Jute Based	0	0	0
26	Readymade Garments & Embroidery	3991	1815.56	39447



27	Wood/Wooden Based Furniture	397	1788.36	3482
28	Paper & Paper Products	317	2842.11	2784
29	Leather Based	106	1870.68	2784
30	Rubber, Plastic & Petro Based	161	1859.56	1358
31	Chemical/Chemical Based	174	3876.2	2445
32	Mineral Based	244	3201.11	2440
33	Metal Based(Steel Fab)	829	76812.71	5962
35	Engineering Units	1477	22427.5	18481
36	Electrical Machinery and Transport Equipment	129	1000.35	1121
97	Repairing & Servicing	1482	4337.37	12998
01	Others	281	1643.75	1921
	Total	10817	139780.33	105885

Source: Government of India Ministry of MSME, Brief Industrial profile of Trichy(Dt)

Table No.1.7: Taluk-Wise Classification of Ssis in Tiruchirappalli District (As On 31.12.2013)

Si.No	Name of the Taluk	2m(i)	2m(ii)	85(i)	Total	Percentage
1.	Tiruchirappalli	213	1	-	214	32.23
2	Tiruverumbur	162	2	-	164	24.70
3	Manapparai	39	-	-	39	5.87
4	Thottiam	22	-	2	24	3.61
5	Srirangam	44	-	-	44	6.63
6	Musiri	32	-	1	33	4.97
7	Lalgudi	28	-	1	29	4.37
8	Thuraiyur	31	-	-	31	4.67
9	Manachannalur	86	-	-	86	12.95
	Total	657	03	04	664	100.00

Source: Inspector of Factories, Tiruchirappalli-20.

Note: Law Provision 2m (i) - With power using 10 persons, 2m (ii) - Without power using 20 persons, 85(i)- Match Industries

Table No.1.8: Industrial-wise classification of selected sample unit's in Tiruchirappalli District

Si. No	Types of industries	No. of Units	Percentage
1	Engineering Industries	25	25
2	Steel Fabrication	15	15
3	Rice Mills	15	15
4	Readymade Garments Industries	10	10
5	Agro based Industries	10	10
6	Metal Industries	05	05
7	Furniture Industries	05	05
8	Saw Mill	05	05
9	Auto Garage Industries	05	05
10	Crusher Industries	05	05
	Total	100	100.00

Source: Inspector of Factories, Tiruchirappalli-23



Table 1.9: Taluk Wise Classification of Selected Units in Tiruchirappalli Districts

Sl. No	Types of Industries	Engineering Industries	Steel fabrication	Rice Mills	Garments Industries	Agro based Industries	Metal Industries	Furniture Industries	Saw Mill	Auto Garage	Crusher Industries	Total	Percentage
	Taluk												
1.	Tiruchrappalli	05	2	2	3	2	2	1	1	1	-	19	19
2.	Tiruverambur	07	5	2	1	1	1	1	1	1	1	21	21
3.	Manapparai	3	2	2	4	1	1	1	-	1	1	14	16
4.	Thottiam	1	1	1	-	1	1	1	1	-	-	07	07
5.	Srirangam	2	1	1	-	1	-	-	-	-	-	05	05
6.	Musiri	2	1	1	-	1	-	1	-	-	-	06	06
7.	Lalgudi	2	1	2	-	1	-	-	1	-	1	08	08
8.	Thuraiyur	1	1	1	-	1	-	-	-	1	1	06	06
9.	Manachannalur	2	1	3	2	1	-	-	1	1	1	12	12
Total		25	15	15	10	10	05	05	05	05	05	100	100

Problem of SSI in Trichirappalli District

1. Problems relating to the financial area may lead the industrial unit towards a tight liquidity position and create shortage of funds, particularly working capital to meet the day-to-day requirements
2. Certain difficulties due to the internal and external factors may lead to decrease in production and consequent increase in the cost of production.
3. Marketing is an important and sensitive functional area. Problem in the field of marketing may lead to reduction in total sales or low profit margin on sales.
4. The internal and external causes of sickness relating to personnel area.
5. Shortage of power condition in Tiruchirappalli District.
6. Lack of Government Guidance for new entrepreneur.

SMEs form the backbone of our Economy

SMEs form the backbone of our Economy. They account for a large portion of our industrial output and employment. The bulk of service sector enterprises are also SMEs. Most of these SMEs are Own Account Enterprises. Most importantly a majority of unregistered enterprises are owned or run by SCs, STs and OBCs. According to the Asia Pacific Equity Research paper Credit Suisse pointed out the unregistered business account for 84 percent of the non-formal employment in India – against 4-6 percent in “Developed” nations, study according to World Bank. What the study sees as the informal economy, the National Sample Survey



Organization (NSSO) Survey 2011 presents as comprising 57.7 million non-corporate business units outside the huge construction sector. And 70 percent of them are unregistered says NSSO. They are the fastest growing since 1991, almost doubling since 1998. In contrast, and post-liberalization, that share of jobs in the organized sector came down from 8 to 7 percent. The first change in the government's approach to this vital segment, so far derided as the "informal economy", has been to adopt, in paragraph 102 in the Union Budget, 2014. A helicopter view of the nation's economy and its major components is needed. The Asia / Pacific Equity Research paper of Credit Suisse-which manages \$1.3 trillion worth of assets that corporate, constitute just "the tail" of the Indian economy. This report is dated July 2013, after two decades of celebration of the corporate sector. The paper titled "India's better half: The informal Economy" adds: The intuitive habit of drawing macroeconomic conclusion from the corporate feedback is fraught with risk. After all, only half of India's GDP and 10 percent of India's employment are in the formal sector. Further only a fraction of the formal sector is listed. It also exposes the emperor's new clothes story- that the corporate sector generates only 15 percent of the national consumption, with share of the listed ones in just a fraction, four percent. Moreover, the celebrated private corporate, with the IT and auto revolution, have added just 3.7 million jobs in 20 years from 1991. The credit Suisse report rightly concludes that the corporate "tail is unlikely to wag the dog". Namely the national economy. The corporate sector is provide just over 14 million jobs but unregistered micro, small and medium scale industries or business is legitimate and provide more employment opportunities in India . So SMEs is called a backbone of Indian Economy.

Conclusion

The MSME sector is an imperative comprise of India's industrial sector. It contributes significantly India's gross domestic products and export earnings besides meeting the social objectives including that of providing employment opportunities 2 million of people across the country. If the accumulated losses of an industry reach equal to or exceed its entire net worth i.e., capital and reserve, it is called a sick industry. A small scale unit is considered sick when it's accumulated losses equal to or exceeds 50% of its peak net worth in the immediately preceding five accounting years. Sickness in industry does not occur overnight rather it takes 5 to 7 years to erode the health of an industrial unit. A small scale unit is considered sickness it's accumulated losses equal to or exceeds 50% of its peak net worth in the immediately preceding five accounting years. Sickness in industry does not occur overnight rather it takes 5 to 7 years to erode the health of an industrial unit. At presently experts and politician feel about the SMEs (registered and unregistered) sector that provides 90 percent of non-farming jobs and half of the of nation's GDP also. At present government has come forward providing finance to them is the best way of formalizing them.

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