

A STUDY ON EFFICIENCY OF SMALL –SCALE INDUSTRIES IN THOOTHUKUDI DISTRICT

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ABSTRACT

Rapid industrial development contributes to the process of accelerated economic growth. In a country like India, where unemployment and underemployment prevail, where most of the entrepreneurs are capable of only small investment and where there is dearth of sophisticated machinery and modern technology, the Small – Scale industry, which is labour – intensive and capital – saving, plays a vital role in the overall economic development. India is predominantly an agricultural country. A proper development of the Small- Scale industry is vital for the nations' healthy growth. The Small-Scale Industry is a vital aspect of Indian Economy which remains mainly a country Small – Scale production. The Small Scale Industries have an important role to play in achieving the plan objectives of increasing industrial production, dispersal of industries, utilizing locally available resources, generating additional employment and reducing the regional imbalance in growth. Hence, in this paper, an attempt has been made to study on the efficiency of Small Scale Industries in Thoothukudi District.

KEYWORDS: Rapid Industrial Development, Sophisticated Machinery, Modern Technology

INTRODUCTION

This paper analyses the technical efficiency and economic viability of Small- Scale industrial units in terms of productivity of capital profitability and operational efficiency. These are analyzed for various measurements have been used in six industry groups.

OBJECTIVES OF THE STUDY

- To identify the factors which influence the growth of selected SSI units and to measure the efficiency in terms of productivity of capital profitability and operational efficiency of selected SSI units and
- To suggest measures to improve and develop SSI units in the study area on the basis of the findings of the present study.

METHODOLOGY

In order to study the efficiency of Small-Scale industries in Thoothukudi District for 150 small-scale industrial units were selected by adopting the proportionate probability random sampling method. The small-scale industries registered in the District Industries Centre as on 31.03.2017 were classified into Six categories namely

- Agro-based industries
- Forest-based Industries
- Textile based Industries
- Chemical-based Industries
- Engineering and allied industries and
- Miscellaneous Industries which included all other industries registered in the District Industries Centre. The proportionate probability random sampling technique was adopted to select 150 from these six categories.

In order to study the efficiency of Small-Scale industries in Thoothukudi district are classified into three heads namely productivity of capital, profitability and operational efficiency of SSI are given below.

Productivity of Capital

The productivity of capital is analyzed through two ratios of output-capital. These are value added by the manufacture to total assets and value added to fixed assets. Value added is preferred to gross the output figure for representing output of a unit as it facilitates comparability between units and as it is amenable for aggregation retaining the intrinsic contribution of each unit. Higher ratios indicate better performance in terms of higher capital productivity. As surplus consists of net profit plus interest. It is a measure of operational profit as distinguished from gross profit and net profit. Profitability as measured through the indicators, “surplus to total assets” and ‘Surplus to fixed assets” and “ value added by the manufacture to total assets” and “value added to fixed assets”

Among the six industries groups, productivity ratio was higher than 0.50 in Chemical based industry and Engineering and allied industry. Results are given in the following table.

Table 1: Industry Growth Wise Productivity of Capital of SSI Units

Industry	No. of Units	Value Added	Value Added	Surplus	Surplus
		Total Assets	Fixed Assets	Total Assets	Fixed Assets
Agro –based Industries	22	0.34	0.76	0.09	0.24
Forest –based Industries	12	0.38	0.98	0.10	0.31
Textile –based Industries	29	0.40	1.15	0.12	0.39
Chemical –based Industries	15	0.52	1.35	0.14	0.49
Engineering and allied Industries	31	0.58	1.56	0.20	0.56
Miscellaneous	41	0.48	1.47	0.18	0.45
Over All	150	0.46	1.27	0.15	0.42

The table represents the industrial groups, namely chemical – based and Engineering and allied which have shown high value-added/total assets ratio and also recorded high productivity through value-added / fixed assets ratio. They range from 1.15 to 1.56. The highest percentage (20%) of surplus/total assets was noticed in respect of Engineering and allied industries. Next in sequence were miscellaneous (18%), Chemical-based industries (14%), Textile-based industries (12%), forest-based industries (10%) and the agro-based industries (09%) which were the lowest. Surplus as a percentage of fixed assets is high in Engineering and allied industries (56%) and low in agro-based industries (24%).It is observed that in older units in the district, fixed assets were valued at a lower level on account of depreciation provided for over a long period, whereas in the relatively recent units, value of fixed assets tended to be higher because of higher purchase value of fixed

assets and the less number of years of depreciation.

Profitability

Gross profit is calculated as per cent of output and as a percent of total assets and similarly, net profit is calculated relation to net worth and surplus as a percent of total assets. Net profit in relation to net worth is another and more reliable indicator of the performance of small industrial units, along with surplus in relation to total assets. Another indicator on profitability considered is the investible surplus in relation to machinery value. As investible surplus were arrived at by deducting emoluments from value added. It is an indication of funds available for reinvestment for expansion of the capacity of the unit through addition of machinery. In view of this, it is compared with machinery value, available in depreciated terms. Hence, if the depreciated value of machinery is low, the ratio tends to be high. The industry-wise analysis of profitability is presented in below table.

Table 2: Industry Wise Profitability of SSI Units

Industry	No. of Units	Gross Profit Output (%)	Gross Profit Fixed Assets (%)	Net Profit /Net Worth (%)	Surplus Total Assets (%)	Ingestible Surplus Machinery Value (ratio)
Agro –based Industries	22	15.09	27.8	18.4	10.3	2.86
Forest –based Industries	12	16.5	29.7	20.1	12.1	3.22
Textile –based Industries	29	17.8	32.9	23.5	13.8	4.09
Chemical –based Industries	15	22.01	34.8	31.5	15.4	5.76
Engineering and allied Industries	31	24.2	41.5	38.2	18.9	6.89
Miscellaneous	41	20.7	40.1	29.6	16.3	4.18
Over All	150	19.96	35.84	27.98	15.05	4.61

It is seen from the table that among the industry groups, gross profit in relation to output ranged from 15 to 25 percent. It ranged from 20 to 25 percent in the three industry groups, namely the miscellaneous, the chemical-based industries and Engineering and allied industries. Gross profits/ total assets value ranged from 27 to 42 percent. It was high (above 40%) in the miscellaneous group and Engineering and allied industries. Chemical-based industries and textile-based industries stood next with 34.8 and 32.9 percent respectively.

Net profit in relation to net worth worked out to an average of 27.98 percent of total sample units. Chemical-based industries and Engineering and allied industries recorded above 30 percent. The miscellaneous group recorded nearly 30 percent. In the other three industries, the values were low. Surplus/total assets value ranged from 10 to 19 percent. It was high (above 15%) in chemical-based industries. The miscellaneous group and the Engineering and allied industries.

In the other three industries, the values were below 15 percent. In the case of investible surplus in relation to machinery value, the resultant ratio was 4.61 for total sample units and two industrial units recorded high ratio (above 5%). These were chemical-based industries and Engineering and allied industries. The other industries recorded a figure ranging from 2.86 percent in agro-based industries to 4.18 percent in the miscellaneous group.

Operational Efficiency

Industry-Wise operational efficiency of small-scale industry is shown in the table below

Table 3: Industry-Wise Operational Efficiency (Output per Unit of Input) of SSI Units

Industry	No. of Units	Output	Value Added
		Input (including Depreciation)	Input (Including Depreciation)
Agro –based Industries	22	1.15	0.25
Forest –based Industries	12	1.21	0.39
Textile –based Industries	29	1.38	0.46
Chemical –based Industries	15	1.57	0.57
Engineering and allied Industries	31	1.73	0.90
Miscellaneous	41	1.49	0.64
Over All	150	1.45	0.57

Industry-wise analysis revealed that the output-input ratio ranged from 1.15 to 1.73 and value-added input ratio ranged from 0.25 to 0.90. These industries in the descending order were Engineering and allied industries (1.73 and 0.90 respectively). Chemical-based industries (1.57 and 0.57) respectively, the miscellaneous group (1.49 and 0.64 respectively), Textile-based industries (1.38 and 0.46 respectively), Forest-based industries (1.21 and 0.39 respectively) and agro-based industries (1.15 and 0.25) respectively. Only for agro-based industries, operational efficiency was lower than the average (1.15 and 0.25) respectively. This reveals that in traditional industries such as agro-based industries, operational efficiency was low.

Summary of Findings

The technical efficiency and economic viability of small -scale industrial units in terms of productivity of capital, profitability and operational efficiency. Among the six industrial groups, the productivity ratio was higher than 0.50 percent in chemical-based industry and engineering and allied industries. The profitability ratio and in input and output ratio for the small-scale industrial unit were found high in Engineering and allied industries.

SUGGESTIONS

It is understood from the analysis that inadequate market demand is the major problem confronted by SSI Units; marketing problem includes inadequate market demand, fluctuations in demand and competition from large-scale industrial unit. In order to solve this problem, it is suggested that the existing price preference provided by the Government should be implemented. As far as possible, the large units must be discouraged from competing with SSI products. To solve the working capital problem, the present industrial financing must be streamlined by implementing the announced single widow system o help the small-scale industrialist to have the funds from the beginning.

CONCLUSIONS

Thus, it may be concluded from the findings that the number of registered units, employment generation, and total investment made and production had been increased tremendously in Thoothukudi District. The role of District Industries Centre has also been immense in promoting SSI in this district. Industry – Wise, Engineering and allied industries are found to progress well, with higher efficiency

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