International Journal of Research Publication and Reviews

Financial Management of Small-Scale Industries in Chittoor District, Andhra Pradesh

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ABSTRACT

Small scale industries play an immensely important role in the framework of Indian planning. Small scale enterprises have occupied prominent place of strategic importance in Indian economy in view of its copious contribution to employment, production as well as export. The SSI today comprise a very important segment of the Indian economy as they help in dispersal of industries, rural development and the decentralization of economic power. The small scale sector has been a rapidly growing sector for Indian Economy. Major indicators to measure the performance of industries are infrastructural development, technological advancement, financial performance, constraints on operation and growth and the performance of firms in domestic and international market etc. These industries faced numerous problems which make them either uncompetitive or sick. An attempt is made to address some solutions which can improve their productivity by focusing on a sustainable vision. Result shows that there are significant differences in impact of government policy on the performance of both the industries, effectiveness of infrastructure, technology. Financial performance of the industries is also significantly different and there is no significant difference in total constraints in operation and growth of these two industries in Chittoor District.

KEY WORDS: Small Scale industries, Performance, Effectiveness, Government policy

INTRODUCTION

Finance is the life-blood for all the economic activities of any country as it facilitates the process of economic growth and development. When finance is easily available, industrial development can be accelerated rapidly as the participation of new entrepreneurs in economic activities depends upon the sources of access of funds on reasonable terms.[1] The financial requirements of small scale industries may be broadly classified into fixed capital and working capital. The first category needs resources to be deployed for a long-period and the second category involves resources for a short-period. The long-term finance is direly needed for creating assets like land, buildings, plant and machinery etc. The short term finance is needed for purchasing of raw materials and for meeting the day-to-day requirements of business.[2]

The fixed capital requirements are usually met by issue of shares and debt securities. Equity capital of small scale units is generally provided by the entrepreneurs themselves. The entrepreneurs often supplement their own contribution by raising the funds from their friends and relatives.[3] The small entrepreneurs also borrow finance on long-term basis from the financial institutions and others to meet their fixed capital requirements. The working capital requirements are met by drawing on: (i) owner's funds; (ii) funds from operations; (iii) long- term borrowings; (iv) spontaneous financing (e.g. trade creditors) and (v) short-term borrowings from commercial banks and others. The working capital is required for purchasing raw materials and maintaining required level of inventory. It is also required for maintaining cash balance and also making credit sales to customers. Moreover, all the day-to- day financial requirements of the business are met out of the funds drawn on working capital. The level of working capital in an organisation primarily depends upon the length of the operating cycle, nature of the business, capital market situation etc.[4]

India is very prosperous country in forest wealth having a huge land area under forests. All varieties of forest growth are found in India, ranging from tropical hardwood forests to high altitude coniferous forests and from deciduous to evergreen forests and plantation but unfortunately the forest resources are rapidly depleting due to population explosion and other causes. Sound principles of forest policy, administration, timber production and conservation were introduced by an act of legislature in 1845, and ever since Indian forests are being managed on scientific and progressive lines.[5] Large area shave abundance of some of the finest plywood timbers both for constructional and decorative plywood, Indian teak, Indian Rosewood and Padauk are world renowned for their beauty of figure, grain and texture. "Wood demand is unlikely to reach the peak of 2025-2025 again in the foreseeable future (FAO's report on "State of the World's Forests 2019"). It also mentions about the scaling down of production is widespread in almost all countries and all forest industries, from logging to sawmilling to production of wood panels, pulp, paper and furniture. Government policies and support systems for the small scale sector are debatable issues in various public documents.[6]

RESEARCH METHODOLOGY

Survey method was used to test the hypothesis. The result of the quantitative input was summarised to know the performance of rubber and wood industries. A questionnaire based approach was used to collect data from the owner/entrepreneur of the small scale industries. Sample size was 40 agro- and chemical industries in Chittoor district having existence of more than five year were used for questionnaire survey. Owner/Entrepreneurs were selected to fill the questionnaire.

RESULTS AND DISCUSSION

Industries

The name of the industries and respective number has been presented in the Table 1.

Table 1 Name of the Industries

Sl. No.	Name of industries	No. of Industries	Percentage
1	Agro	26	65
2	Chemical	14	35
Total		40	100

The table shows that 26 agro industries (65 %) and 14 chemical industries (35 %) have been considered for the present work.

Technical effectiveness

The technical effectiveness of the selected industries has been shown in the Table 2

Table 2 Technical effectiveness

Name of the Industry	N	Mean	Std. Dev.	Std. Error	85 % of Confidence Interval for Mean		Min.	Max.
					Lower Boundary	Upper Boundary		
Agro	26	39.35	9.16	1.80	35.65	43.05	25	50
Chemical	14	43.29	5.03	1.34	40.38	46.19	39	55
Total	40							

The table presents that that mean of chemical industry is 43.29 and it is higher than mean of agro-industry that is 39.35. Therefore, it can be concluded that technical effectiveness of agro- industry increases more than the chemical industry.

Transport facilities

The transport facilities of the selected industries has been shown in the Table 3

Table 3 Transport facilities

Name of the Industry	N	Mean	Std. Dev.	Std. Error	85 % of Confidence Interval for Mean		Min.	Max.
					Lower Boundary	Upper Boundary		
Agro	26	24.88	8.46	1.66	21.47	28.30	15	38
Chemical	14	35.79	8.99	2.40	30.59	40.98	23	47
Total	40							

It is observed from the table that mean of rubber industry is 35.79 and it is higher than mean of wood industry that is 24.88. Therefore it is inferred that transport facilities are better in agro industry increases as compared to chemical industry.

Tax and regulatory constraints

The tax and regulatory constraints of the selected industries has been shown in the Table 4.

Table 4 Tax and regulatory constraints

Name of the Industry	N	Mean	Std. Dev.	Std. Error	85 % of Confidence Interval for Mean		Min.	Max.
					Lower Boundary	Upper Boundary		
Agro	26	18.88	4.10	0.80	17.23	20.54	9	23
Chemical	14	22.14	8.26	2.21	17.37	26.91	15	32
Total	40							

The result shows that mean of rubber industry is 22.14and it is higher than mean of agro industry that is 18.88. Therefore, it can be concluded that the total tax and regulatory constraints are higher in rubber chemical industry as compare to agro industry.

Quality of utility service

The quality of utility services of the selected industries has been shown in the Table 5.

Table 5 Quality of utility service

Name of the Industry	N	Mean	Std. Dev.	Std. Error	85 % of Confidence Interval for Mean		Min.	Max.
					Lower Boundary	Upper Boundary		
Agro	26	19.88	3.89	0.76	18.31	21.46	9.00	25.00
Chemical	14	25.50	9.77	2.61	19.86	31.14	13.00	44.00
Total	40							

The table presents that mean of chemical industry is 25.50 and it is higher than mean of agro industry that is 19.88. Hence, the total quality of utility services in chemical industry increases.

Constraints on operation and growth

Every industry has several constraints. The constraints on the operation and growth of the selected industries have been shown in the Table 6.

Table 6 Constraints on operation and growth

Name of the Industry	N	Mean	Std. Dev.	Std. Error	85 % of Confidence Interval for Mean		Min.	Max.
					Lower Boundary	Upper Boundary		
Agro	26	39.42	5.72	1.22	37.11	41.73	27	46
Chemical	14	40.93	5.59	1.50	37.70	44.16	33	50
Total	40							

The table shows that mean of rubber industry is 40.92 and mean of wood industry is 39.43. Therefore, it is concluded that there is no significance difference in total constraints on operation and growth of wood and rubber industry.

Financial support

The financial support of the selected industries has been shown in the Table 7.

Table 7 Financial support

Name of the Industry	N	Mean	Std. Dev.	Std. Error	85 % of Confidence Interval for Mean		Min.	Max.
					Lower Boundary	Upper Boundary		
Agro	26	36.12	8.58	1.68	32.65	39.60	27	48
Chemical	14	38.64	7.22	1.93	34.48	42.81	28	50
Total	40							

The table presents that the mean of chemical industry is 38.64 and it is higher than mean of agro industry that is 36.12. Therefore it is concluded the financial performance of chemical industry increases. Moreover, the effectiveness of infrastructure, technology and financial performance of the industries are significantly different and there is no significant difference in total constraint in operation and growth of these two industries.

CONCLUSION

The analysis indicates that agro and wood industries are contributing in the growth of Indian economy by increasing the employment and contributing towards the GDP. Although Government is providing various supports for the promotion of SSIs in the country yet the SSIs are facing threats due to globalisation and large industries. For facing the competition and to sustain its competitive advantages these small scale units need to improve their productivity and quality. The way to liberate the SSIs in the countries is to bring out a policy of easy credit, marketing, tax free period, improvement in various dimensions of technology and they must cope up with the changing trends in the technology. Government is providing various supports as financial support, technological support, infrastructure support, quality upgradation support etc. With improved quality and high performance the small scale sector can increase its position in the global market.

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