

A study on the factors determining the business success and failure of small scale industry units with reference to erode city

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ABSTRACT

Small scale industries play a major role in the growth of national income. They provide large employment opportunities to people. In the small scale industries there are so many factors that determine success and failure rate. There are both internal and external environment factors. Internal environmental factors are human resource, marketing, finance and production. External environment factors are suppliers, creditors, consumers and government. This study analyse whether internal or external environment factors determine business success and failure of small scale industry units with reference to Erode city

Introduction

Small Scale Industries are the back bone of a developing country. They need lower investment to provide higher employment opportunities to near located people. Small scale industries are relatively suitable for smaller markets because smaller markets need smaller quantities of products. Small scale Industries stimulate growth of Industrial entrepreneurship and promote a more diffused pattern of ownership and location. Small scale industries generate additional income and additional savings which help in capital information

in the economy. Small scale industries make possible transfer of manufacturing activity from congested cities to rural and semi-urban areas in regional development.

Research Objective

1. To identify the factors that govern the starting of the small scale Industry units.
2. To identify the business performance of small scale Industries. .

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3. To find out specific problems faced by small scale industries units.

Problem Definition

For the purpose of the study, the required information was collected relating to small scale industries facing such problems as production of goods, occurring of finance , human resource problems , marketing of products and government policies, etc. The study was analysed for considering small scale industry units' success and failure rate.

Research methodology

Primary data were collected through personal interviews and field work.

Secondary data were collected from small industries units, government records, news papers, business magazines, websites and some important sources of information used in this work.

The geographical area of Erode city was chosen for this study. The main reason for choosing Erode city is that investigator is located here and is familiar with the people.

The study includes all categories of small scale industry units such as small, medium and big. The respondents were selected on the basis of non-probability convenience sampling techniques. The total number of sample is 300 small scale industries units in Erode city.

The present study brings to light the common problems faced by the respondents in production, finance, human resource, marketing and government policies.

Statistical tools used for the study area

1. Two-Way Classification Table
2. Chi-square test
3. Hendry Garrett Ranking Technique

TWO-WAY CLASSIFICATION TABLE

With a view to find the degree of association between the selected independent factors of SSI units and their level of satisfaction in running of their Small Scale Industries, a two-way table was prepared and the result is depicted in the following table.

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TABLE 1 : AGE AND LEVEL OF SATISFACTION

S. No.	Age	Level of Satisfaction			Total
		Low	Moderate	High	
1	Below 20 years	12(42.9)	11(39.3)	5(17.9)	28
2	21 to 25 years	13(31.7)	21(51.2)	7(17.1)	41
3	26 to 35 years	33(25.4)	64(49.2)	33(25.4)	130
4	35 years and above	25(24.8)	67(66.3)	9(8.9)	101
	Total	83	163	54	300

On the basis of age it is clear from the above table that the highest percentage level of satisfaction was perceived by 35 years and above respondents (66.3).

TABLE 2 : GENDER AND LEVEL OF SATISFACTION

S. No.	Sex	Level of Satisfaction			Total
		Low	Moderate	High	
1	Male	75(30.6)	130(53.1)	40(16.3)	245
2	Female	8(14.5)	33(60.0)	14(25.5)	55
	Total	83	163	54	300

On the basis of the gender it is found from the table that the highest percentage among level of satisfaction by female respondents (60.0).

TABLE 3 : MARITAL STATUS AND LEVEL OF SATISFACTION

S. No.	Marital Status	Level of Satisfaction			Total
		Low	Moderate	High	
1	Married	67(28.4)	120(50.8)	49(20.8)	236
2	Unmarried	16(25.0)	43(67.2)	5(7.8)	64
	Total	83	163	54	300

On the basis of marital status it is found from the above table that the highest percentage of satisfaction was by unmarried respondents (67.2).

TABLE 4 : EDUCATIONAL QUALIFICATIONS AND LEVEL OF SATISFACTION

S. No.	Educational Qualifications	Level of Satisfaction			Total
		Low	Moderate	High	
1	Below SSLC	37(36.6)	47(46.5)	17(16.8)	101
2	SSLC to 12 th STD / ITI	4(6.3)	49(77.8)	49(77.8)	63
3	Degree / Diploma	33(30.3)	51(46.8)	25(22.9)	109
4	Post graduate	9(33.3)	16(59.3)	2(7.4)	27
	Total	83	163	54	300

On the basis of educational qualification the table highlights that the level of satisfaction perceived by the respondents was the highest (77.8%) among the SSLC to 12th Std. / ITI qualified respondents (77.8)

TABLE 5 : NATURE OF FAMILY AND LEVEL OF SATISFACTION

S. No.	Nature of Family	Level of Satisfaction			Total
		Low	Moderate	High	
1	Male	75(30.6)	130(53.1)	40(16.3)	245
1	Nuclear family	60(25.0)	130(54.2)	50(20.8)	240
2	Joint family	23(38.3)	33(55.0)	4(6.7)	60
	Total	83	163	54	300

On basis of nature of family it is clear from the above table that the highest level of satisfaction was among the joint family respondents (55.0).

TABLE 6 : FAMILY SIZE AND LEVEL OF SATISFACTION

S. No.	Family Size	Level of Satisfaction			Total
		Low	Moderate	High	
1	Small (Upto 2 members)	12(25.0)	19(39.6)	17(35.4)	48
2	Medium(3-4 members)	37(31.6)	68(58.1)	12(10.3)	117
3	Large(Above 4 members)	34(25.2)	76(56.3)	25(18.5)	135
	Total	83	163	54	300

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On the basis of family size, the above table indicates that the highest percentage of level of satisfaction was by the respondents of medium size of families (58.1).

TABLE 7 : TYPES OF FIRM AND LEVEL OF SATISFACTION

S. No.	Type of the Firm	Level of Satisfaction			Total
		Low	Moderate	High	
1	Proprietorship	46(25.7)	90(50.3)	43(24.0)	179
2	Partnership	37(30.6)	73(60.3)	11(9.1)	121
	Total	83	163	54	300

On the basis of type of firm it is found from the above table that the highest level of satisfaction was by the partnership type of firms (60.3).

TABLE 8 : NATURE OF INDUSTRY AND LEVEL OF SATISFACTION

S. No.	Nature of industry	Level of Satisfaction			Total
		Low	Moderate	High	
1	Textile based	9(18.0)	33(66.0)	8(16.0)	50
2	Food based	31(31.6)	55(56.1)	12(12.2)	98
3	Leather based	9(31.0)	11(37.9)	9(31.0)	29
4	Metal based	16(47.1)	12(35.3)	6(17.6)	34
5	Engineering based	18(20.2)	52(58.4)	19(21.3)	89
	Total	83	163	54	300

It is evident from the above table that the highest percentage level of satisfaction was among the respondents who have textile based nature of industry (66.0).

TABLE 9 : INVESTMENT AND LEVEL OF SATISFACTION

S. No.	Investment	Level of Satisfaction			Total
		Low	Moderate	High	
1	Less than Rs.50000	10(16.1)	37(59.7)	15(24.2)	62
2	Rs.500001 and Less than Rs.100000	29(34.1)	38(44.7)	18(21.2)	5
3	Rs.100000 and above	44(28.8)	88(57.5)	21(13.7)	153
	Total	83	163	54	300

On the basis of investment it is revealed from the above table that the highest percentage level of satisfaction was by respondents with less than 50,000 investment (55.7).

TABLE 10 : NUMBER OF WORKERS IN THE UNIT AND LEVEL OF SATISFACTION

S. No.	Number of Workers in the unit	Level of Satisfaction			Total
		Low	Moderate	High	
1	01 to 10 workers	44(25.7)	101(59.1)	26(15.2)	171
2	11 to 20 workers	5(17.2)	17(58.6)	7(24.1)	29
3	21 to 50 workers	6(40.0)	4(26.7)	5(33.3)	15
4	51 to 100 workers	17(40.5)	21(50.0)	4(9.5)	42
5	101 and more	11(25.6)	20(46.5)	12(27.9)	43
	Total	83	163	54	300

On the basis of number of workers it is identified from the above table that the highest percentage level of satisfaction was by respondents with 01 to 10 workers (59.1).

CHI-SQUARE TEST ANALYSIS

Hypothesis

- H_0 : There is no significant relationship between selected independent factors and level of satisfaction in running of their small scale industry unit.
- H_1 : There is a close significant relationship between selected independent factors and level of satisfaction in running of their small scale industry unit.

In order to find the relationship between number of the workers working in the company and their level of satisfaction, a chi-Square test was used and the result of the test is shown in the following table.

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TABLE 11 : CHI-SQUARE TEST

Independent factors	Calculated c ² Value	Table Value	D.F	Significant
Age	16.267	12.592	6	5% level
Gender	6.668	5.991	2	5% level
Marital status	7.374	5.991	2	5% level
Educational Qualification	26.024	12.592	6	5% level
Nature of family	8.442	5.991	2	5% level
Family size	15.419	9.488	4	5% level
Types of firm	10.906	5.991	2	5% level
Nature of industry	19.265	15.507	8	5% level
Investment	9.740	9.488	4	5% level
Number of workers in the unit	15.629	15.507	8	5% level

It is clearly identified from the above table that the calculated chi-square value is greater than the table value in all the variables and the result is significant at 5% level. Hence, the null hypothesis is rejected for all the variables. That is, from the analysis, it is concluded that there is a close relationship between the selected independent variables and SSI units' level of satisfaction in their business.

HENRY GARRETT RANKING TECHNIQUE

TABLE 12 : FACTORS INFLUENCING TOWARDS STARTUP A SMALL SCALE INDUSTRY

S.No.	Factors	Total Score	Mean Score	Rank
1.	Capital	14681	48.9	VI
2.	Location of enterprise	15393	51.3	IV
3.	Labour	14578	48.6	VII
4.	Government rules and regulation	13875	46.3	VIII
5.	New technology	15142	50.5	V
6.	Consumers	17622	58.7	I
7.	Suppliers	16616	55.4	II
8.	Profit generation	15892	53.0	III
9.	Information	12404	41.3	X
10.	Energy	13870	46.2	IX

It could be noted from the above analysis that majority of the respondents have opined that the external factors 'consumers' and 'suppliers' are the major factors to start a small scale industry unit.

Findings

- The level of satisfaction in overall performance of the Small scale industry unit was the highest (66.3%) among the above 35 years aged respondents.
- The level of satisfaction perceived by the respondents was the highest (60.0%) among the female respondents.
- The level of satisfaction perceived by the respondents was the highest (67.2%) among the unmarried respondents.
- The level of satisfaction perceived by the respondents was the highest (77.8%) among the respondents of SSLC to 12th Std. / ITI.
- The level of satisfaction perceived by the respondents was the highest (55.0) among the respondents of joint family.
- The level of satisfaction perceived by the respondents was the highest (60.3) among the respondents of partnership firm.
- The level of satisfaction perceived by the respondents was the highest (66.0) among the textile industry.
- The level of satisfaction was the highest (59.7%) among the respondents whose capital investment is less than Rs.50,000.
- The level of satisfaction in overall performance of the small scale industry unit

was the highest (59.1%) among the respondents who have below 10 workers in the company.

- It is concluded from the above analysis that majority of the respondents are opined that the external factors 'consumers' and 'suppliers' are the major role plays to start a Small scale industry unit.

Recommendations

- The major skill needed to start small scale industries is experience. So those who start small scale industries units start should have the industrial experience in the field.
- From the study it is found that small scale industries unit produce engineering materials are more than other product units. On the other side textile food, leather, and metal companies are still considered as sick industries. Hence the government should give more subsidies to encourage these types of small scale industries.
- In relation to government policy, tax structure is a major problem in small scale industries. So the government should modify tax structure for small scale industries.
- Small scale entrepreneurs are not getting proper financial support from government in time because they have more formalities in

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sanctioning loans. Hence the government should take necessary steps to motivate the small scale entrepreneur by sanctioning loan with maximum relaxation.

- Some of the small scale units face problem of executing orders, because of shortage of power supply. So the Government should give continuous power supply to small scale industry units.
- Small scale industries face major problem employee turnover, because employees switch over from one company to another easily for getting higher salary, remuneration, etc. So small scale industry units should offer good salary and remuneration to their employees to retain them.
- Small scale industries have major marketing problem of distribution of products, because majority of small scale industries are not aware of promotional and developmental activities of SIDO. So steps should be taken by the government to make people aware by conducting programs in association with small scale entrepreneur associations in the industrial estate.

Conclusion

The success and failure of every small scale industry units is determined by varies external

environments such as consumers and suppliers etc. But small scale entrepreneur does not have adequate resources. So the support of government policy is necessary to running the small scale industry successfully. Failure leads to success of every business. So the small scale industry unit should take necessary steps to prevent the failure of industry that will enhance success level of small scale industry unit.

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