

# Performance of MSMEs

## A Study on SPSR Nellore District in A.P.

CH.Bandeiah, G.Sudhakaraiyah & M.Venkateswarlu

### INTRODUCTION

Worldwide, the Small and Medium Enterprises (SMEs) are recognized as an "engine of growth". In India, however, it is necessary to refer to the "Micro, Small and Medium Enterprises (MSMEs)" on account of the significance of the micro enterprises, both in the total population of MSME and in the economy as a whole. The process of globalization has, on the one hand, opened the gateways of opportunities to the MSMEs: of closer interactions and access to much larger markets, to name only a few. It has, on the other hand, exposed the segment, particularly the micro, small and medium enterprises (MSMEs) in India, to the challenges of intense competition, both domestic and global.

The output of the Small-Scale Industry Sector contributes almost 40 per cent of the gross industrial value-added, 45 per cent of the total exports from India and is the second largest employer of human resources after agriculture. The development of Small Scale Sector has therefore been assigned an important place in India's national plans. In order to facilitate the promotion and development and for enhancing the competitiveness, it was felt to have a separate legislation for this sector. The need for a single legislation was pointed out by different committees and also by several associations.

In addition there was no statutory consultative and recommendatory body to look into the promotion and development of this sector. It was also felt the need for

defining the Micro, Small and Medium Enterprises concept; need to promote service sector; need to strengthen existing law on delayed payments and need to facilitate closure of enterprises. Keeping this in view, the Government of India brought out Micro, Small and Medium Enterprises Development Act 2006, which became operational from 2<sup>nd</sup> October, 2006. It is a known fact that the service sector has fast emerged and is becoming a good contributor to the economy. Therefore, manufacturing and service sectors have been defined separately.

As already mentioned, entrepreneurship development has also been influenced by the socio-economic factors. The analysis of such factors inter alia is quite relevant while making any attempt to study the nature and characteristics of entrepreneurial orientation of any region. In this chapter, the socio-economic factors such as the social status of the entrepreneurs, their age at the units under survey will be discussed.

The main goals of industrialization are maximum growth rate, large scale employment generation and equitable distribution of income and wealth. Of course emphasis shifts from one objective to the other with the level of development achieved and with improved perceptions. Nevertheless, the objectives of growth and employment have always assumed much importance. Some general issues connected with economic growth like equity, welfare and the national economic independence are given due importance in the process of industrialisation.<sup>1</sup>

The champions of small scale industrial organizations are reluctant to accept the fact that the large scale organizations bring in more efficient results. They maintain that the much claimed economics of size are due to questionable business practices at the cost of free and fair competition. In small firms, the efficiency in production is attained by intra-plant economics through an effective co-ordination and supervision. Small Scale Sectors are more flexible and readily adaptable to the changing situations. Small Scale organization also conserves non-renewable resources unlike big ones.<sup>2</sup>

### **STATEMENT OF THE PROBLEM**

Finance is one of the significant factors in contributing to the development of micro, small and medium enterprises, the availability and adequacy of institutional finance to this sector assumes vital place as it is crucial for the growth, stability and efficient functioning of micro, small and medium enterprises. One of the important requirements for the success of modern business enterprises is the provision of sufficient funds. Today, micro, small and medium enterprises require capital for three purposes: (1) financing fixed capital requirements; (2) financing working capital; and (3) financing improvement and expansion programmes. It is not an easy task for the micro, small and medium entrepreneurs to raise sufficient capital by personally; therefore, different sources have to be tapped to raise finance for varying purposes and periods

It is a well known fact that the finance is the lifeblood of any business and micro, small and medium enterprises is not an exception. But the enterprises engaged in industrial production realize a great need of finance according to their firm, size and capacity. In

micro, small and medium enterprises, the vital need of finance is realized due to its limited sources

With the view of developing the backward areas government have been providing capital in besetment subsidy to small industrial units established in those areas as notified by the Government of India and State Government.

In spite of this, the promotion of micro, small and medium enterprises units has been discouraging both at the central level and at the state level. In Andhra Pradesh the growth of micro, small and medium enterprises units has declined from 11.2 percent to 7.3 percent and the capacity utilization was around 55.00 percent during the last decade. It is identified that the major factors impeding the progress of micro, small and medium enterprises units are inefficient entrepreneurship, shortage of capital, inadequate raw-materials, frequent power cuts, labour and marketing problems, high interest rate on borrowing and delayed realization of receivables etc. On the other hand, government related factors include tax burden on the unit, especially import duties, excise duties and sales tax, legal restrictions on the units and frequent changes in stagnation or recession in the industry, competition faced by the units and excess capacity in the industry. Hence, it became imperative to evaluate the performance of micro, small and medium enterprises and to take necessary measures for the promotion of these industrial units.

The main objective is to study the performance and socio-economic conditions of micro, small and medium enterprises in SPSR Nellore District.

### **METHODOLOGY**

The study is based on both primary and

secondary sources of data. The secondary data has been drawn on the Reports on micro, small and medium Industries in India. Plan Documents, Plan Reports, Statistical Abstracts of India, and Statistical Abstracts of Andhra Pradesh, various publications on Reports of Reserve Bank of India such as Reports and Currency on Finance, published and unpublished data, books, documents, files and annual reports of APSFC , District Industries Center. Further Primary data have been collected by survey method.

### Hypotheses

1. There is no significant association between source of finance for fixed capital and industry category; and
2. There is no significant association between source of finance for working capital and industry category

### Sample Design

These units were selected by two stages of sampling procedure. Micro, Small and Medium Enterprises units which are financed by the APSFC are selected in the first stage.

Out of 32052 Micro, Small and Medium Enterprises in the District, 410 units are financed by the APSFC. For the purpose of selection of sample units, all these SSI units are classified into six categories of industries viz., Agro based, Forest based, Chemical based, Engineering based, Electrical and Electronics based, Miscellaneous categories. 82 units have been selected on the basis of stratified random sampling method giving equal importance to each of these six categories of units in the second stage. The sample works out to approximately 20 per cent of units in each category. The sampling design is presented in the following Table.

### Sampling Design

S.No	Category of Units	Financed SSI Units by APSFC	Units Selected No. of as Sample
1	Agro based	75	15
2	Forest based	50	10
3	Chemical based	65	13
4	Engineering based	85	17
5	Electrical & Electronics	70	14
6	Miscellaneous	65	13
	<b>Total</b>	<b>410</b>	<b>82</b>

### Social status of the entrepreneurs

The social status of the entrepreneurs is presented in Table-1. It could be seen from the Table that out of 82 entrepreneurs of small scale industries in SPSR Nellore district, the largest number of 33 entrepreneurs belonged to the general category or other caste groups (OCs). Next to OC entrepreneurs, backward class entrepreneurs constituted the highest share. There are 30 such entrepreneurs who formed about 37 percent of total entrepreneurs. There are 11 entrepreneurs belonging to SCs (13.41 percent) and 3 entrepreneurs belonging to STs (3.66percent). About 5 entrepreneurs belong to minorities such as Muslims, Christians, Jains etc.

Among different categories of units, it could be seen from the Table that OCs and BCs established most of the agro based and allied units (12 out of 15 units), chemical based units (10 out of 13 units), engineering materials units (13 out of 17 units), electrical and electronic units (12 out of 14 units) and miscellanies units (10 out of 13 units) are owned by general category and other backward class entrepreneurs. On the whole 63 out of 82 units are owned by these two categories of persons while minorities owned and operated 2 forest based units, 2 chemical based units and one electrical and electronics based unit, three ST members owned each of agro based, chemical based units. Out of 11 SC entrepreneurs, 4 members

owned engineering material units and two each owned other categories of units except chemical based and one number electrical

and electronic units. In short, the MSME units in the district are mostly owned and operated by OBCs and general category persons.

**Table 1**  
**Industry-wise and Caste Group-wise Distribution of the Entrepreneurs**

S.No.	Industry Group	Social Status					
		General	OBC	SC	ST	Min	Total
A	Agro based	7	5	2	1	-	15 (18.29)
B	Forest based	3	3	2	-	2	10 (12.20)
C	Chemical based	4	6	-	1	2	13 (15.85)
D	Engineering Materials	7	6	4	-	-	17 (20.73)
E	Electrical & Electronic	7	5	1	-	1	14 (17.07)
F	Miscellaneous	5	5	2	1	-	13 (15.85)
	<b>Total</b>	<b>33</b> <b>(40.24)</b>	<b>30</b> <b>(13.41)</b>	<b>11</b> <b>(13.41)</b>	<b>3</b> <b>(3.66)</b>	<b>5</b> <b>(6.10)</b>	<b>82</b> <b>(100)</b>

**Note:** Figures in parenthesis represent the percentages

**Source:** Field Survey

Distribution of sample small scale units in the three revenue divisions of SPSR Nellore district is presented in Table 2. It could be observed from the Table that out of 82 entrepreneurs, a overwhelming proportion of 65 members are males and women entrepreneurs accounted for only 17 members. The SFC has a quota or reservation for women in the sanctioning of loans. Among different categories of MSME units, it could be seen from the Table that the number of women entrepreneurs seemed to be very high at 5 members in engineering material units as against 12 male entrepreneurs. Next to this category, agro based units had the largest number of women entrepreneurs at 4, as against 11 male members. It could also be

seen from the Table that there are three women entrepreneurs each in chemical and miscellaneous units and one entrepreneur each in forest based and electrical units. In short, the proportion of women entrepreneurs seemed to be very high in engineering and agro based units probably because these women entrepreneurs are technically qualified and had experience in the relevant trades.

Among different revenue divisions, the number of female entrepreneurs was the highest at 7 members in Nellore division followed by 6 members in Kavali division and 4 members in Gudur division. Among the 7 women entrepreneurs in Nellore division, 3 members preferred to establish engineering

based units. Two women entrepreneurs chose agro based units and one each chose to establish chemical and miscellaneous units. Out of 28 male entrepreneurs in Nellore division 6 members each established agro based and engineering units. Five male entrepreneurs established miscellaneous units.

In Gudur division, out of 4 women entrepreneurs, one each established agro based, forest based, engineering based and miscellaneous units. Majority of male entrepreneurs in Gudur division (11 out of 20) were inclined to establish engineering based and electrical units.

**Table 2**  
**Activity -wise and Division -wise Male and Female Entrepreneurs of the Sample Units**

Industry Group	Nellore		Gudur		Kavali		Total	
	Male	Female	Male	Female	Male	Female	Male	Female
A. Agro-based	6	2	2	1	3	1	11	4
B. Forest based	3		4	1	2		9	1
C. Chemical based	4	1	2		4	2	10	3
D. Engineering based	6	3	5	1	1	1	12	5
E. Electrical	4		6		3	1	13	1
F. Miscellaneous	5	1	1	1	4	1	10	3
<b>Total</b>	<b>28</b> <b>(43.08)</b>	<b>7</b> <b>(41.18)</b>	<b>20</b> <b>(30.77)</b>	<b>4</b> <b>(23.53)</b>	<b>17</b> <b>(26.15)</b>	<b>6</b> <b>(35.29)</b>	<b>65</b> <b>(100)</b>	<b>17</b> <b>(100)</b>

**Note:** Figures in parentheses represent the percentages

**Source:** Field Survey

In Kavali division, out of the six women entrepreneurs, two members established chemical based units each preferred to establish one agro based engineering based, electrical and miscellaneous units. The majority of male entrepreneurs preferred to establish chemical, miscellaneous units, agro based and electrical units. Thus there was no preference towards a particular type of industry for males or females both the categories were ready to establish any type of industry.

Table 3 shows the distribution of age of the entrepreneurs who belong to different

divisions under survey. It could be seen from the table that out of 35 entrepreneurs hailing from Nellore division, the maximum number of 11 entrepreneurs are in the age group of 26-30 years and another 9 members are in the age group of 31-35 years. Six members are in the age group of 21-25 years and another 7 members belonged to the age group of 36-40 years. In other words, 33 out of 35 entrepreneurs are below 40 years of age.

In Gudur division also a similar picture was observed. Out of 24 entrepreneurs, 19 entrepreneurs established their units when they were below the age of 35 years and 23

out of 24 entrepreneurs could establish the units when they were below 40 years of age. The picture is more pronounced in Kavali division where all the entrepreneurs were

below the age of 40 years. Thus in all the revenue divisions, young entrepreneurs dominated the Micro, Small and Medium Enterprises.

**Table 3**  
**Division-wise and Age Group- wise Distribution of the Entrepreneurs of the Units**

Age Group	Divisions			Total
	Nellore	Gudur	Kavali	
21-25	6	7	4	17 (20.73)
26-30	11	4	7	22 (26.83)
31-35	9	7	10	26 (31.71)
36-40	7	5	2	14 (17.07)
40 & Above	2	1	-	3 (3.66)
<b>Total</b>	<b>35</b> <b>(42.68)</b>	<b>24</b> <b>(29.27)</b>	<b>23</b> <b>(28.05)</b>	<b>82</b> <b>(100.00)</b>

**Note:** Figures in parentheses represent the percentages

**Source:** Field Survey

### Education of the Entrepreneurs

Education is said to be an important variable which influences the supply and performance of entrepreneurship. Formal education not only helps in the acquisition of the required knowledge for a job which demands non-traditional skills, but also imparts knowledge about the different occupational opportunities. While enough evidence of education is a factor in economic development, such evidence has not been coming forth considerable depth in respect of developing economies such as India. Enormous expansion of educational facilities has taken place in India in the Post-Independence period. Studies are being undertaken by economists and planners to throw light on the relationship between the educational attainment of individuals and its effect on their earnings, performance etc. While studying the role of entrepreneurship

in economic development, therefore, it seems necessary to evaluate the level of formal education of the entrepreneur because the formal education has always been considered as an important asset of an individual in building his occupational career.

Table 4 gives the information relating to the level of educational attainments of the sample entrepreneurs and their belongingness to different industry groups. As is evident from the Table the entrepreneurs in the study are generally well educates. Out of 82 entrepreneurs, 32 (39.02 percent) are graduates, 18 (21.95 percent) are engineers and other technical persons and 15 (18.29 percent) are post-graduates. Of the remaining 17 entrepreneurs, 11 are under graduates, 5 are in high school category and one was holding doctoral degree. Thus, in the study 64 (78.05 percent) entrepreneurs are non-technical and the remaining 18 (21.95 percent) were technically qualified.

Among 5 entrepreneurs who studied up to X class, 2 are managing agro based units and one each is running forest based, electrical and electronic units. Among the 11 undergraduates, 3 entrepreneurs established engineering material based units and two each established agro based, forest based, chemical based units and electrical and electronic units. Among the 32 graduate entrepreneurs, 7 each are running agro based and engineering material units, 6 entrepreneurs established electrical and electronic units and 5 established miscellaneous units. Among the graduated 4 entrepreneurs are running forest based

units and 3 entrepreneurs chemical based units. Five post-graduated entrepreneurs preferred to establish engineering material units and three each chose to run forest based and chemical based units. Out of the remaining 4 entrepreneurs in the post-graduated category, one each established agro based and forest based units and 2 established electrical and electronic units. Most of the technical qualified entrepreneurs chose to establish different types of units under miscellaneous category. Three each seemed to have evinced interest in agro based and electrical and electronic based units. The sole entrepreneurs possessing research degree established chemical unit.

**Table 4**  
**Industry- wise Education Levels of the Entrepreneurs**

Education	Industry Group						Total
	A	B	C	D	E	F	
1. High School	2	1	-	-	1	1	5 (6.10)
2. Under Graduation	2	2	2	3	2	-	11 (13.41)
3. Graduation	7	4	3	7	6	5	32 (39.02)
4. Post Graduation	1	3	3	5	2	1	15 (18.29)
5. Technical & Diplomas	3	-	4	2	3	6	18 (21.95)
6. M.Phil & Doctoral	-	-	1	-	-	-	1 (1.22)
<b>Total</b>	<b>15</b> <b>(18.29)</b>	<b>10</b> <b>(12.20)</b>	<b>13</b> <b>(15.85)</b>	<b>17</b> <b>(20.73)</b>	<b>14</b> <b>(17.07)</b>	<b>13</b> <b>(15.85)</b>	<b>82</b> <b>(100.00)</b>

- Note:** 1. A: Agro based, B: Forest based, C: Chemical based, D: engineering based, E: Electrical & Electronic, F: Miscellaneous  
2. Figures in parentheses represent the percentages

**Source:** Field Survey

### Selection of Enterprises

One of the objectives of the present study is to identify the factors responsible for the selection of enterprises. Table 5 provides motivational factors responsible for selection of industries by the entrepreneurs in Nellore district. It could be observed from the Table that out of 82

industries, 33 members of 40.24 per cent selected the present enterprise based on the existence of heavy demand for the product. About 14 enterprises (17.07 per cent) expressed that the main reason for the selection of trade was availability of raw material. A considerable number of enterprises aggregating to 10 members selected the enterprises based on the suggestions given by DIC. About 5 entrepreneurs chose the enterprise taking into the consideration the needs of the customers. Absence of competition in the product concerned promoted about 6 entrepreneurs to choose the activity. About 14 entrepreneurs in the district have been influenced by all the factors to some extent. The industry wise analysis of factors responsible for the selection of trade provides responsible for the selection of trade provides interesting insights.

Among 17 members pursuing agro industry, about 6 members selected the industry because there was heavy demand for the product they selected and 4 members selected the industry based all the above

factors. Absences of competition and customers need seemed to be very less important factors for selecting the industries of agro based units by the entrepreneurs in SPSR Nellore district. Out of 10 members who pursued forest based activity, 2 members chose the trade because of availability of raw materials in the field. Having heavy demand for the product seemed to be the motivating factor for 3 entrepreneurs. All the above factors and suggestions given by DIC and absence of competition seemed to be other important factors for selecting the trade by the rest of the entrepreneurs. Similarly, out of 17 members who established engineering industries, 7 members were motivated by the existence of heavy demand for the product they have selected, while suggestions given by DIC were responsible for selecting the industry by 5 entrepreneurs, all the above factors seemed to have motivated another 3 entrepreneurs. In short the three major factors responsible for selection of industries by the members were heavy demand for the product, availability of raw material, suggestions given by DIC and all the above factors in SPSR Nellore district.

**Table 5**  
**Reasons for Selecting the Industrial Unit**

Reasons	Industry Group						Total
	A	B	C	D	E	F	
1. Heavy demand for the product	6	3	6	7	5	6	<b>33</b> <b>(40.24)</b>
2. Availability of raw material	2	2	3	2	2	3	<b>14</b> <b>(17.07)</b>
3. Suggestions by given DIC	2	1	3	2	-	2	<b>10</b> <b>(12.19)</b>
4. Customers need	1	-	1	2	-	1	<b>5</b> <b>(6.10)</b>
5. Absence of competition	2	1	-	1	2	-	<b>6</b> <b>(7.32)</b>
6. All the above factors	4	3	1	3	2	1	<b>14</b> <b>(17.08)</b>
<b>Total</b>	<b>17</b> <b>(20.73)</b>	<b>10</b> <b>(12.19)</b>	<b>14</b> <b>(17.08)</b>	<b>17</b> <b>(20.73)</b>	<b>11</b> <b>(13.41)</b>	<b>13</b> <b>(15.86)</b>	<b>82</b> <b>(100)</b>

**Note:** Figures in parentheses represent the percentages

**Source:** Field Survey

Table 6 reveals the factors responsible for selecting the product in the three divisions. As it is clear from the Table, in Nellore division, heavy demand for the product 12 (34.28 percent), availability of raw material 10 (28.57 percent), all the above factors 2 (5.71 percent), and suggestions given by DIC motivated 2 entrepreneurs.

In Gudur division, out of 24 entrepreneurs heavy demand for the product 10 (37.50 per cent), availability of raw materials 5 (20.83 percent) and suggestions given by DIC 5 (20.83 percent) seemed to have influenced a considerable number of entrepreneurs.

**Table 6**  
**Reasons for Selecting the Product**

Divisions	Reasons						Total
	1	2	3	4	5	6	
Nellore	12	10	6	2	3	2	35
Gudur	9	5	5	1	3	1	24
Kavali	12	4	4	1	1	1	23
Total	33	19	15	4	7	4	82

**Source:** Field Survey

In Kavali division, heavy demand for the product (12 or 52.17 percent), availability of raw material and suggestions given by DIC (4 or 17.39 per cent) each seemed to have influenced 23 entrepreneurs. In short majority of the entrepreneurs in the three divisions were influenced by the three factors viz., heavy demand, availability of raw material and suggestions given by DIC.

### Selection of Location

Table 7 provides various reasons given by the sample entrepreneurs for selecting the locations of their choice. It was found that industrial area has first highest choice for 14 entrepreneurs followed by native place and availability of resources with share of 17.07 per cent each. It implies that many

entrepreneurs preferred to establish their units in an industrial area or in their native place. The third important reason for selecting the location as given by the entrepreneurs is availability of good infrastructural facilities. About 11 (13.41 per cent) entrepreneurs chose the present location in view of having good infrastructure facilities. Near to the city 12.19 percent selecting the location is fourth. Only unit belonging to miscellaneous units chose the present location based on favorable government policy.

**Table 7**  
**Reasons for Selecting the Location**

Reasons	Industry Group						Total
	A	B	C	D	E	F	
1. Native place	3	2	2	3	2	2	14 (17.07)
2. Govt. Policy	-	-	-	-	-	1	1 (1.22)
3. Good infrastructure Facilities	3	-	2	2	2	2	11 (13.41)
4. Near to the city	2	2	1	2	-	3	10 (12.19)
5. Availability of resources	2	4	2	2	3	2	15 (18.29)
6. Land availability	2	-	2	1	-	1	6 (7.32)
7. Well transportation	1	2	-	-	1	-	4 (4.89)
8. Industrial area	1	1	3	4	3	2	14 (17.07)
9. Availability of raw material	-	1	-	2	2	2	7 (8.54)
Total	14	12	12	16	13	15	82 (100)

**Note:** Figures in parentheses represent the percentages  
**Source:** Field Survey

### Performance of Sample Units

Size of capital of an enterprise, inter alia, depends on the nature of production/ type of activity undertaken and the (capital intensive or labour intensive) scale of operations etc.

#### i) Fixed and Working Capital

Table 8 shows category-wise fixed capital, working capital and total capital of all sample units. It is seen by the Table, that on

the whole, between the initial year and at present (at the time of survey), total capital of 82 sample units increased by 82.9 per cent, whereas fixed capital increased by 76.17 per cent and working capital by 65.7.

Between the initial year and at present, forest based units accounted for the highest increase in total capital (105.9 per cent) and fixed capital (123 per cent). Electrical and electronics based units (117 per cent) reported the highest increase in working capital, while, agro based units showed lowest increase in total capital (69.1 per cent) and working capital (30.0 per cent, electrical & electronics units (76.2 per cent) reported lowest increase in fixed capital during this period.

**Table 8**  
**Financial Structure of Sample Units**  
**(Rs. in lakhs)**

S. No	Industrial Category	Initial Year			Present Year			% Increase on initial year		
		FC	WC	TC	FC	WC	TC	FC	WC	TC
1	Agro based	47.23	32.35	79.58	92.47	42.06	134.53	95.8	30.0	69.10
2	Forest based	29.6	13.45	43.05	66.00	22.65	88.65	123.0	68.4	105.9
3	Chemical based	24.98	19.42	44.4	52.61	30.81	83.42	110.6	58.7	87.90
4	Engineering based	34.7	9.72	44.42	61.24	16.95	78.19	76.5	74.4	76.00
5	Electrical & Electronics	42.57	29.62	72.19	75.02	64.27	139.29	76.2	117.0	92.90
6	Miscellaneous	25.7	12.25	37.95	47.4	16.8	64.2	84.4	37.1	69.20
	<b>Total</b>	<b>204.78</b>	<b>116.81</b>	<b>321.59</b>	<b>394.74</b>	<b>193.54</b>	<b>588.28</b>	<b>76.15</b>	<b>65.7</b>	<b>82.90</b>

Source: Field Survey

### Size of Fixed Capital

Data relating to distribution of sample units according to size of fixed capital are set out in Table 9. In the initial year, majority of units

in agro based (46.67 per cent) forest based (50 per cent), chemical based (53.8 per cent), engineering based (64.71 per cent) and, categories electrical electronics based is 57.1 per cent miscellaneous (46.2 per cent) have fixed capital in the range of Rs. 1,00,000 and below. At present (at the time of survey) majority of units in all categories fell in the fixed capital range between Rs. 1,00,000 below.

On the whole in the initial year 44 (53.7 per cent) of sample units fell in the fixed capital range of 0-1lakh. But at present majority units ie., 21 units (25.6 per cent) are in the capital range of Rs. 1,00,001 to 3,00,000. This indicates that there is considerable increase in the size of fixed capital in all the categories of industrial unit between two periods and unit have become more capital intensive.

**Table 9**  
**Classification of Sample Units According to Size of Fixed Capital**

S.No	Industrial Category	Total No. of Units	Initial year				At present			
			0-1 Lak h	10000 1-30000	30000 0-50000	Above 50000	0-1 Lak h	10000 1-30000	30000 0-50000	Above 50000
1	Agro based	15	7	5	1	2	6	3	0	6
	%		46.67	33.33	6.66	13.33	40.00	20.00	0	40.00
2	Forest based	10	5	3	2	0	3	6	1	0
	%		50.00	30.00	20.00	0.00	30.00	60.00	10.00	0.00
3	Chemical based	13	7	2	4	0	3	2	2	6
	%		53.80	15.40	30.80	0.00	23.10	15.30	15.30	46.20
4	Engineering based	17	11	2	4	0	3	5	2	7
	%		64.71	11.76	23.53	0.00	17.65	29.41	11.76	41.18
5	Electrical & Electronics	14	8	3	1	2	6	2	2	4
	%		57.10	21.43	7.14	14.29	42.86	14.29	14.29	28.60
6	Miscellaneous	13	6	2	2	3	4	3	1	5
	%		46.20	15.30	15.30	23.10	30.80	23.10	7.70	38.50
	<b>Total</b>	<b>82</b>	<b>44</b>	<b>17</b>	<b>14</b>	<b>7</b>	<b>25</b>	<b>21</b>	<b>8</b>	<b>28</b>
	%		53.70	20.70	17.10	8.50	30.40	25.60	9.80	34.10

Source: Field Survey

## Size of working capital

It is observed from Table 10 that majority of sample units in all categories have working capital below Rs.1,00,000 both in the initial year as well as at present. This implies that there is no significant increase in size of working capital between the two periods under review implying the capital intensive nature of production of sample units

**Table 10**  
**Classification of Sample Units According to size of Working Capital**

S. No.	Industrial Category	Total No. of Units	Initial year				At present			
			0-1 Lakh	10000-30000	30000-50000	Above 50000	0-1 Lakh	10000-30000	30000-50000	Above 50000
1	Agro based	15	9	1	2	3	8	4	0	3
	%	-	60.00	6.70	13.33	20.00	53.3	26.70	0.00	20.00
2	Forest based	10	7	1	2	0	5	3	1	1
	%	-	70.00	10.00	20.00	0.00	50.00	30.00	10.00	10.00
3	Chemical based	13	8	2	3	0	10	2	1	0
	%	-	61.50	15.40	23.10	0.00	76.90	15.40	7.70	0.00
4	Engineering based	17	16	1	0	0	13	3	1	0
	%	-	94.12	5.88	0.00	0.00	76.47	17.65	5.88	0.00
5	Electrical & Electronics	14	11	2	1	0	6	4	4	0
	%	-	78.60	14.30	7.10	0.00	28.60	28.50	28.60	0.00
6	Miscellaneous	13	13	0	0	0	-	10	3	0
	%	-	100.00	-	-	-	-	76.90	23.10	0.00
	Total	82	64	7	8	3	42	26	10	4
	%	-	78.00	8.50	9.80	3.70	51.20	31.70	12.20	4.90

Source: Field Survey

## Main Source of Finance for Fixed Capital

Table 11 shows main source of finance for fixed capital for sample units. It is observed that, on the whole, out of 82 sample units, for 25 units (30.5 per cent) main source of finance for fixed capital is borrowing from banks, whereas for 22 units (26.8 per cent) own capital is the main source of finance for fixed capital. The remaining 35 units (42.7 per cent) have mainly depended on borrowing from friends/ relatives/money

lenders and financial corporation, to meet fixed capital requirements.

Industrial category-wise analysis reveals that for 6 (40 per cent) agro based, 3 (30 per cent) forest based, 4 (30.8 per cent) chemical based, 9 (52.94 per cent) engineering based and 5 (32.7 per cent) miscellaneous categories of units. The main source of finance for fixed capital is borrowing from banks. Own capital is the main source of finance for fixed capital. In respect of 3 (20 per cent) agro based, 2 (20 per cent) forest based, 3 (20.1 per cent) chemical based, 3 (17.65 per cent) engineering based, 4 (28.6 per cent) electrical and electronics based and 3 (23.1 per cent) miscellaneous categories of units. For the rest of the units in all categories, borrowing from friends (relatives) money lenders and financial corporation are the main source of finance for fixed capital.

Chi-square is calculated in order to test whether there is any significant association between source of finance for fixed capital and industry categories.

**Table 11**  
**Main Sources of Finance for Fixed Capital**

S. No.	Category of Industry	Own capital	Borrowed funds			Total
			Friends /relatives/ money lenders	From Banks	Financial corporation	
1	Agro based	3	3	6	3	15
	%	20	20	40	20	100
2	Forest based	3	2	2	3	10
	%	30	20	20	30	100
3	Chemical based	4	2	3	4	13
	%	30.8	15.3	20.1	30.8	100
4	Engineering based	2	3	9	3	17
	%	11.76	17.65	52.94	17.65	100
5	Electrical & Electronics	4	2	3	5	14
	%	28.6	14.3	21.4	35.7	100
6	Miscellaneous	4	3	2	4	13
	%	30.8	23.1	15.4	30.7	100
	Total	20	15	25	22	82
	%	24.4	18.3	30.5	26.8	100

Source: Field Survey (Chi-square test: 8.87, not Significant at 5 percent level)

## Main Source of Finance for Working Capital

Table 12 shows main source of finance for working capital of sample units. For majority of units in agro based (33.3 per cent, forest (40 per cent), engineering based (52.9 per cent), electrical and electronics (35.7 per cent) and miscellaneous (46.2 per cent) categories, the main source of finance for working capital is borrowing from friends /relatives/money lenders.

Chi-square is calculated whether there any significant association between source of finance for working capital and industry category. On the whole, 17 units (20.7 percent) depended on borrowing from friends/relatives/money lenders, 18 units (22 per cent) on own capital, 27 units (33 per cent) on borrowing from banks and 20 units (24.3 per cent) on borrowing from financial corporation, as main source of finance for working capital and industrial categories.

**Table 12**  
**Main Sources of Finance for Working Capital**

S. No	Category of Industry	Own capital	Borrowed funds			Total
			Friends/Relatives/Money lenders	From Banks	Financial Corporation	
1	Agro based	4	2	4	5	15
	%	26.70	13.30	26.70	33.30	100
2	Forest based	2	4	1	3	10
	%	10.00	40.00	10.00	30.00	100
3	Chemical based	4	1	5	3	13
	%	30.80	7.70	38.50	23.10	100
4	Engineering based	2	3	9	3	17
	%	11.80	17.60	52.90	17.60	100
5	Electrical & Electronics	4	3	2	5	14
	%	28.60	21.40	14.30	35.70	100
6	Miscellaneous	2	4	6	1	13
	%	15.40	30.80	46.20	7.70	100
	Total	18	17	27	20	82
	%	22.00	20.70	33.00	24.30	100

**Source:** Field Survey (Chi-square test: 15.235, not Significant at 5 percent level)

## Category Wise Source of Raw Materials

Table 13 shows main source of raw material for sample units. It is clear that, on the whole out of 82 sample units, 30 units (36.6 percent) are getting raw material from within the district, whereas for 20 units (24.4 per cent) are obtaining raw material from within the state, totally 19 units (23.2 per cent) are getting raw material totally while 13 units (15.8 percent) are obtaining raw material from outside the state.

Industry category-wise analysis reveals that 8 (53.3 per cent) agro based, and 6 (46.2 per cent) chemical based units are mainly depending on local sources of raw materials. Intra-district (within the district) is main source for raw material in respect of 5 (50 per cent) forest based and 10 (58.8 per cent) engineering based units.

Only a very few units in all categories (except chemical based) are depending raw material from other states. Thus majority of units are obtaining raw material either locally or within the district.

**Table 13**  
**Source of Raw Materials**

S. No.	Category of Units	Source of Raw Materials					Total
		Parent unit	Locally	Within District	Within the State	Other States	
1	Agro based	0	8	4	2	1	15
	%	0	53.33	26.70	13.33	6.70	100
2	Forest based	0	4	5	0	1	10
	%	0	40.00	50.00	0.00	10.00	100
3	Chemical based	0	1	2	6	4	13
	%	0	7.70	15.40	46.20	30.80	100
4	Engineering based	0	1	10	6	0	17
	%	0	5.90	58.80	35.30	0.00	100
5	Electrical & Electronics	0	2	3	4	5	14
	%	0	14.30	21.40	28.60	35.70	100
6	Miscellaneous	0	3	6	2	2	13
	%	0	23.10	46.10	15.40	15.30	100
	Total	0	19	30	20	13	82
	%	0	23.20	36.60	24.40	15.80	100

**Source:** Field Survey

## Summary

The socio-economic factors like, age, education, family background, experience, location, occupation influencing the entrepreneurship. The analysis reveals that the social status influenced more for starting the units by the entrepreneurs. The gender analysis reveals no preference towards a particular type of industry for men or women to establish any type of industry. Most of the units are started by the age groups between 21 and 40 years. The analysis of the education reveals that the majority of the entrepreneurs are non-technical but they are graduates. The family background reveals that the entrepreneurs whose parents are businessmen and industrialists are tremendously benefited in organizing the industrial units. The prior occupations of the entrepreneurs have mostly helped them in selecting their present trades. The study also reveals that the family background has a great bearing on entrepreneurial orientation.

On the whole, the factors like previous experience, willingness to live independently and more on the entrepreneurship development are seen.

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## About the Author

C H Bandeiah and G. Sudhakaraiyah are research Scholars in the Dept of Commerce at S.V. University, Tirupati.

Dr. M. Venkateswarlu is a Professor in the Dept., of Commerce at S.V. University, Tirupati.

The author can be reached at  
venkatpkm@gmail.com