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FINAL REPORT OF THE UGC MAJOR RESEARCH PROJECT

**Turnaround strategies of MSME's
A study with reference to select units in Andhra Pradesh**

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ANDHRA UNIVERSITY



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CERTIFICATE

Certified that the final report of Major Research Project entitled "Turnaround Strategies of MSME's ; A study with reference to select units in Andhra Pradesh" undertaken by me in the Department of commerce and management studies Andhra University, is being submitted to the UGC and has been assessed by the committee for final submission of the report to the UGC, New Delhi, under the scheme of Major Research Project.

I express my sincere thanks to the UGC for extending financial support to undertake the above project. I also express my sincere thanks to Andhra University, authorities for extending all their support and help in completion of the Major Research Project.

(K.SAMBASIVA RAO)

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CHAPTER - I

INTRODUCTION

1.1 Background of the Study

The micro small and medium enterprises (MSMEs) have been accepted as the engine of economic growth and for promoting equitable development. The labour intensity of the MSME sector is much higher than that of the large enterprises. The MSMEs constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. The MSMEs play a vital role in the overall growth of industrial economy of the country. With its agility and dynamism, the sector has shown admirable innovativeness and adaptability to survive the recent economic downturn and recession and have lots of opportunities to grow in the future. Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. 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 & 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.

Ministry of Micro, Small & Medium Enterprises (MSME) envision a vibrant MSME sector by promoting growth and development of the MSME 2 Sector, including Khadi, Village and Coir Industries , in cooperation with concerned Ministries/Departments, State Governments and other Stakeholders, through providing support to existing enterprises and encouraging creation of new enterprises. In India, the enterprises have been classified broadly into two categories:

(i) Manufacturing; and (ii) Those engaged in providing/rendering of services.

Both categories of enterprises have been further classified into micro, small and medium enterprises based on their investment in plant and machinery (for manufacturing enterprises) or on equipments (in case of enterprises providing or rendering services).

In recent years the MSME sector has consistently registered higher growth rate compared to the overall industrial sector in India. During the first 4 years of XI Plan, MSME Sector exhibited a growth rate of 13% on an average, an impressive performance compared to most of the other sectors. As per the 4th Censes of MSME Sector, this sector employs an estimated 59.7 million persons spread over

Table 1.1 Classification of micro, small or medium enterprises

Classification	Manufacturing Enterprises	Service Enterprises
Micro	Up to Rs.25 lakh	Up to Rs.10 lakh
Small	Above Rs.25 lakh & up to Rs.5 crore	Above Rs.10 lakh & up to Rs.2 crore
Medium	Above Rs.5 crore & up to Rs.10 crore	Above Rs.2 crore & up to Rs.5 crore

Before 2 October 2006

Classification	Manufacturing Enterprises	Service Enterprises
Micro	Upto Rs.25 lakh	Upto Rs.10 lakh
Small	Above Rs.25 lakh & upto Rs.1 crore	—
Medium	Not defined A	Not defined

26.1 million enterprises. It is estimated those in terms of value, MSME sector accounts for about 45% of the manufacturing output and around 40% of the total export of the country. The major advantage of the sector is its employment potential at low capital cost. Establishment of specific Funds for the promotion, development and enhancing competitiveness of these enterprises, notification of schemes for this purpose, progressive credit policies and practices, preference in Government procurement to products and services of the micro and small enterprises, more effective mechanisms for mitigating the problems of delayed payments to micro and small enterprises and assurance of a scheme for easing the closure of business by these enterprises are some of the other features of the

Act.

The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 seeks to facilitate the development of these enterprises as also enhance their competitiveness. It provides the first-ever legal framework for recognition of the concept of “enterprise”, 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 consultative mechanism at the national level with balanced representation of all sections of stakeholders, particularly the three classes of enterprises; and with a wide range of advisory functions.

SSI Sector in India creates largest employment opportunities for the Indian populace, next only to Agriculture. It has been estimated that a lakh rupees of investment in fixed assets in the small scale sector generates employment for four persons. 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 & 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. The sector contributes significantly to manufacturing output, employment and exports

of the country. In terms of value, the sector accounts for about 45 per cent of the manufacturing output and 40 per cent of total exports of the country. It is estimated to employ about 60 million persons in over 26 million units throughout the country. There are over 6000 products ranging from traditional to high-tech items, which are being manufactured by 35 the MSMEs in India. It is well known that the MSME sector provides maximum opportunities for both self-employment and wage-employment, outside agriculture sector. MSME sector contributes not only to higher rate of economic growth but also in building an inclusive and sustainable society in innumerable ways through creation of non-farm livelihood at low cost, balanced regional development, gender & social balance, environmentally sustainable development and to top it all, recession proofing of economic growth, which the sector has proven time and again

In today's fast paced global business scenario, technology has become more vital than ever before. With a view to foster the growth of MSME sector in the country, Government has set up ten state-of-the-art Tool Rooms and Training Centers. These Tool Rooms provide invaluable service to the Indian industry by way of precision tooling and providing well trained craftsmen in the area of tool and die making. These Tool Room are highly proficient in mould and die making technology and promote precision and quality in the development and manufacture of sophisticated moulds, dies and tools. The Tool Rooms are not

only equipped with the best technology but are also abreast with the latest advancements like CAD/CAM, CNC machining for tooling, Vacuum Heat Treatment, Rapid Prototyping, etc. The Tool Room & Training Centers also offer various training programmes to meet the wide spectrum of technical manpower required in the manufacturing sector. The training programmes are designed with optimum blend of theory and practice giving the trainees exposure on actual jobs and hands on working experience. The Tool Rooms have also developed special training programmes to meet the requirements at international level, which are attended by participants from all over the globe.

Export Promotion

Export promotion from the MSE sector has been accorded a high priority. To help MSEs in exporting their products, the following facilities/incentives are provided: (i) Products of MSE exporters are displayed in international exhibitions and the expenditure incurred is reimbursed by the Government; (ii) To acquaint MSE exporters with latest packaging standards, techniques, etc., training programme on packaging for exporters are organised in various parts of the country in association with the Indian Institute of Packaging; (iii) Under the MSE Marketing Development Assistance (MDA) Scheme, assistance is provided to individuals for participation in overseas fairs/ exhibitions, overseas study

tours, or tours of individuals as member of a trade delegation going abroad. The Scheme also offers assistance for (a) sector specific market study by MSE Associations/Export Promotion Councils/Federation of Indian Export Organisation; (b) Initiating/contesting anti-dumping cases by MSE Associations; and (c) reimbursement of 75 per cent of the one time registration fee and annual fee (recurring for first three years) charged by GSI India (formerly EAN India) for adoption of Bar Coding.

Opportunities for MSMEs

The opportunities in the MSMEs are enormous due to the following factors:

- Less Capital Intensive
- Extensive Promotion & Support by Government
- Reservation for Exclusive Manufacture by small scale sector
- Project Profiles
- Funding - Finance & Subsidies
- Machinery Procurement
- Raw Material Procurement
- Manpower Training
- Technical & Managerial skills
- Tooling & Testing support

- Reservation for Exclusive Purchase by Government
- Export Promotion
- Growth in demand in the domestic market size due to overall economic growth
- Increasing Export Potential for Indian products

By its less capital intensive and high labour absorption nature, this sector has made significant contributions to employment generation and also to rural industrialization. This sector is ideally suited to build on the strengths of our traditional skills and knowledge, by infusion of technologies, capital and innovative marketing practices. This is the opportune time to set up projects in the small-scale sector. It may be said that the outlook is positive, indeed promising, given some safeguards. This expectation is based on an essential feature of the Indian industry and the demand structures. The diversity in production systems and demand structures will ensure long term co-existence of many layers of demand for consumer products / technologies / processes. There will be flourishing and well grounded markets for the same product/process, differentiated by quality, value added and sophistication. This characteristic of the Indian economy will allow complementary existence for various diverse types of units. The promotional and protective policies of the Govt. have ensured

the presence of this sector in an astonishing range of products, particularly in consumer goods. However, the bugbear of the sector has been the inadequacies in capital, technology and marketing. The process of liberalization coupled with Government support will therefore, attract the infusion of just these things in the sector. Small industry sector has performed exceedingly well and enabled our country to achieve a wide measure of industrial growth and diversification. By its less capital intensive and high labour absorption nature, SSI sector has made significant contributions to employment generation and also to rural industrialization.

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1.2 Objectives of the Study

- To examine the nature and extent of sickness in selected units
- To analyze the reasons for sickness in selected units.
- To explore the possibilities of turnaround in selected units.
- To examine the strategies adopted for turnaround by the selected units

- To offer suggestions to the government and other agencies in formulating suitable strategies for grappling with the problem of sickness.

1.3 Methodology of the Study

1. Identification of Units:

The MSME units are spread throughout the state of Andhra Pradesh. However, most of the units are concentrated in major cities of Andhra Pradesh viz. Hyderabad, Vijayawada, Visakhapatnam, Guntur and Tirupati. The units were identified by adopting purposive sampling method.

A total of 125 MSME units are identified for the study. Out of which 50 are Micro enterprises, 50 are Small enterprises and 25 are Medium enterprises. From each city 10 Micro 10 Small and 5 Medium are selected for the study

2. Data Collection and Analysis:

The primary data has been collected from the units identified. For this purpose a structured questionnaire has been used to collect the basic information from the units. Mostly, the information is available with the owners of the enterprises and the same will be gathered by making personal visits to the units.

3. Statistical tools used: The data collected has been processed by using statistical tools like Regression analysis, Time series analysis etc. The data was further processed by using SPSS package. The selected cities viz. Hyderabad, Tirupati, Vijaywada, Guntur and Visakhapatnam DIC's have been visited and collected the statistics relating to MSME's and sick have been identified. Out of all sick units a total of 125 sick units were identified, the data and information and opinions of the unit owners has been completed and analyzed and inferences have been drawn on sickness of the units.

1.4. Organization of the Study

The study has been presented in six chapters . Chapter one is introduction and narrates the significance of the study , objectives and methodology employed for the study. Chapter two is Profile of Andhra Pradesh and narrates the entire background and development of Andhra Pradesh. Chapter three is micro, small and medium enterprises(msmes) in andhra pradedsh and covers various aspects of MSMEs in AP.chapter four is Sickness in MSMEs and explains the reasons for sickness and identification of sickness etc., Chapter five is turnaround strategies and analyses the starategies adopted by MSMEs to overcome sickness and Chapter six is summary and suggestions and presets the conclusions of the study and suggestions to overcome sickness in MSMEs.

CHAPTER - II

PROFILE OF ANDHRA PRADESH

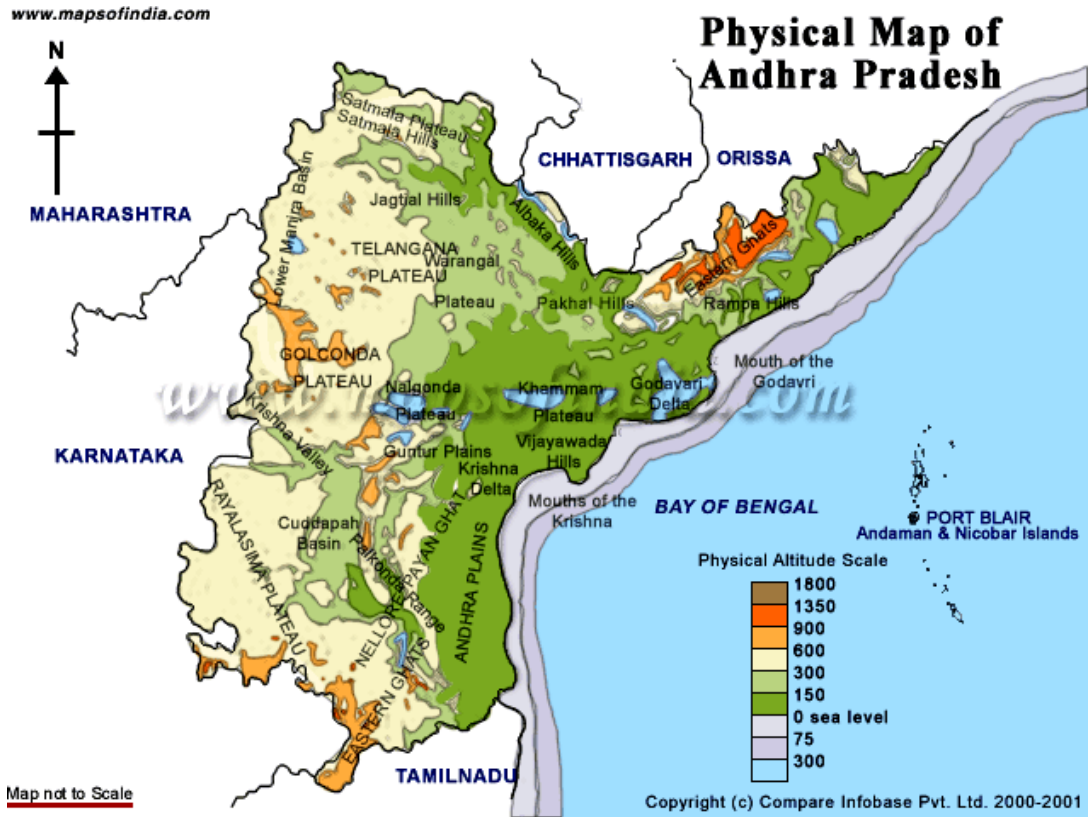
2.1 Historical background

Andhra was formed in the year 1956, separating certain districts from the erstwhile composite Madras State, with Kurnool as its capital. With effect from 1-11-1956, Andhra Pradesh emerged in the present form, duly merging the Telangana districts situated on Deccan Plateau with Andhra, and delineating Bellary area to merge with Karnataka state. The final shape came into being with 9 Coastal districts, 10 Telangana districts and 4 Rayalaseema districts, with the State capital at Hyderabad. Andhra Pradesh is the largest State in the Southern peninsular region. It is situated between $14^{\circ} 21'N$ and $19^{\circ} 54'N$ latitude and $76^{\circ} 46'$ and $84^{\circ} 50'E$ longitude. It is bounded by the Bay of Bengal on the East, the State of Karnataka on the West and the State of Tamil Nadu on the South. Its Northern boundaries are shared by the States of Orissa, Maharashtra and Madhya Pradesh. The State has a long coastline of 974 kms.

Plains are the most populous and the most prosperous of all regions in the State as the river waters deposit rich alluvium in the delta region, making it one The Coastal districts are also industrially well-

developed. Andhra Pradesh is endowed with a good river system of perennial rivers that sustain the economy of the State. The major, medium and minor rivers that flow through the state number around 40. The rivers of A.P. carry 15% of all the river waters in the Country. Godavari, Krishna, Pennar and Vamsadhara are the major rivers flowing through the State. There are 36 smaller rivulets flowing through the state. The State has the advantage of having most of the east flowing rivers in the heart of the state, bringing copious supplies from the Western and Eastern Ghats, and the Deccan Plateau, upto the Bay of Bengal.

- ***The Godavari system:*** River Godavari takes its birth at Triambakam, near Nasik in Maharashtra, and flows for a distance of 692 kms, before entering AP in Adilabad district. It flows through Eastern Ghats at Polavaram. At Dowlaiswaram, it gets divided into 2 branches, the Gautami, and Vasishta and finally merges in the Bay of Bengal after traversing a total distance of 1446 kms. It has a catchments area of 3,10,692 Sq.kms of which 23.62% lies in AP. Godavari delta is formed in between these two branches. In the State, Godavari flows through the districts of Adilabad, Nizamabad, Karimnagar, Warangal,



Khammam, East and West Godavari. It is fed by a number of tributaries, of which Kinnerasani, Manjira and Indravathi are important.

The Krishna system: River Krishna is the second largest river in the state. It flows 780 kms from Mahabaleswar in Maharashtra, before it enters AP. The main tributaries are Koyna, Bhima, Ghataprabha, Mallaprabha, Tungabhadra, Yerla, Warna, and Dudhganga. The river gets most of its water from the Western Ghats. The catchment area of the river is 2,58,818 Sq.kms, of which 29.45% is in AP. The Country's biggest man-made Reservoir formed by the famous masonry dam the Nagarjuna Sagar, is built across the river Krishna in Nalgonda and Guntur districts.

- ***The Pennar system:*** River Pennar also known as Uttara Pinakini, enters Anantapur district(AP), after traversing 40kms from Nandidurg hills of Mysore. The important tributaries of river Pennar are Jayamangali, Chitravati, Kunderu, Papagni, etc. It falls into the Bay of Bengal 29kms north of Nellore.
- ***The Vamsadhara system:*** Vamsadhara is the biggest of the rivers flowing from the Eastern Ghats into the Bay of Bengal, mostly through Srikakulam district. It runs for 250 kms with a catchment area of 41,400 Sq.kms

- Apart from these major rivers, many small rivers like the Musi, Swarnamukhi, Gosthani, Bahuda, Sarada, Varaha, Tandava, etc. flow through the State. Hence, the State of A.P. is called the River State of the South. These rivers are the main sources of irrigation in the State. They also offer good scope for navigation, fish and prawn farming, generation of electricity etc. The total surface water available from the river systems of AP is estimated to be 2746 TMC at 75% dependability.

The Western parts of the State experience wide variations in temperature during summer and winter regions as they are at a higher altitude when compared to the coastal region. The minimum temperature experienced during winters in Nizamabad, Madanapalli, Ananthapur etc. is 8-10°C, whereas the maximum temperature recorded during summer in Guntur, Khammam, Karimnagar, Nizamabad and Krishna districts often crosses 45°C. Humid to semi-humid conditions prevail in the coastal area, while arid to semi-arid situations pronounce in the interior parts of the State, particularly Rayalaseema, and some districts of Telangana region.

Rainfall :- The normal rainfall in the State is 925mm. The coastal districts and the Telangana region receive good rains, while the

Rayalaseema region is generally dry. The State receives rainfall during both South West monsoon and the North East Monsoon. 70% of the total rainfall is received by the South-West Monsoon, which generally sets in between June and September, followed by the North East Monsoon between October and December (about 22.3%).

2.2 Districts of the State

Andhra Pradesh has been divided into 23 districts for administrative convenience. Of these, nine districts are coastal districts, ten districts fall under Telangana region and four under Rayalaseema region. The following are the 23 districts of the State.

The Coastal districts are agro-rich. They are also densely populated. The Telangana region is relatively backward, with low rate of literacy. Districts in Rayalaseema region are also not industrially well developed, though there is immense potential for industrial activity – especially in the mineral based sector. The districts of Adilabad, Khammam, Nizamabad and Karimnagar have a good forest cover. Some of the important cities and commercial centres of the State are the Capital City of Hyderabad, Visakhapatnam, Vijayawada, Guntur, Tirupathi etc.

Districts of Andhra Pradesh

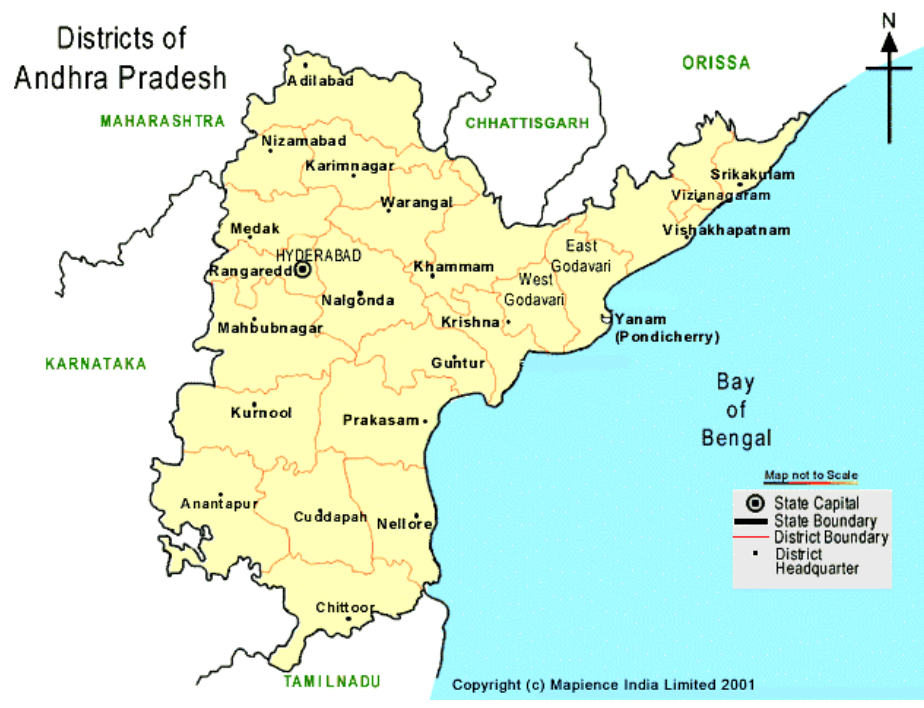


Table 2.1 The districts of the state of Andhra Pradesh

S.No	Coastal Region	S.No	Telangana Region	S.No	Rayalaseema Region
1.	Srikakulam	1.	Adilabad	1.	Anantapur
2.	Vizianagaram	2.	Karimnagar	2.	Kurnool
3.	Visakhapatnam	3.	Khammam	3.	Kadapa
4.	East Godavari	4.	Nalgonda	4.	Chittoor
5.	West Godavari	5.	Nizamabad		
6.	Krishna	6.	Warangal		
7.	Guntur	7.	Mahbubnagar		
8.	Prakasam	8	Ranga Reddy		
9.	Nellore	9.	Medak		
		10.	Hyderabad		

i) Population

The population of A.P. as per the 2011 census stands at 84.66 millions.

This constitutes about 6.99% of the total population of the country.

This makes A.P. the most populous of the 4 southern states. The

decadal growth rate of population in A.P. is 11.1 % down

from 14.44% in 2001 and 24.2% in 1981-91, whereas the average All

India decadal growth rate is 17.64 %. The population of the State stood

at 31.11 millions in 1951, 35.98 millions in 1961, 43.5 millions in

1971 and 53.55 millions in 1981, and 66.5 millions in 1991, with increasing decadal growth rates (15.65 in 1961, 20.9 in 1971, 23.1 in 1981 and 24.2 in 1991 and a decline to 14.44 in 2001 and 11.1 % in 2011-12) during the 4 decades.

Density and Dispersal of population :

The State's density of population (as per 2011 census) is 308 persons per Sq km, recording an increase from 277 persons per sq km in 2001 and 242 in 1991. The density of population has been steadily increasing from 113 persons/Sq.km. in 1951 to 131 persons/Sq.km. in 1961, 157 persons/Sq.km. in 1971 and 195 persons/sq.km. in 1981 and 242 persons per sq km in 1991. The Country's density of population in 2001 stands at 312 persons per Sq.km. and 382 persons per Sq Km in 2011. The coastal districts are the most populous as they are the most prosperous districts, owing to good natural resources. The Telangana Region has less density of population owing mainly to good forest cover. The Rayalaseema region is generally drought prone, with no major rivers flowing through it. The average density of population of the Coastal, Telangana and Rayalaseema regions speaks of this. The maximum density of population is in the capital city of Hyderabad (17632 persons per Sq.km.).

Table 2.2 Population in the State of Andhra Pradesh

Name of the District	Population as per 2011 census
Coastal region	
Srikakulam	26,99,471
Vizianagaram	23,42,868
Visakhapatnam	42,88,113
East Godavari	51,51,549
West Godavari	39,34,782
Krishna	45,29,009
Guntur	48,89,230
Prakasam	33,92,764
Nellore	29,66,082
Coastal region total	3,41,93,878
<u>Telangana Region</u>	
Ranga Reddy	52,96,396
Hyderabad	40,10,238
Nizamabad	25,52,073
Medak	30,31,877
Mahbubnagar	40,42,191
Nalgonda	34,83,648
Warangal	35,22,644
Karimnagar	38,11,738
Adilabad	27,37,738
Khammam	27,98,214
Telangana region total	3,52,86,757
<u>Rayalaseema Region</u>	
Chittoor	41,70,468
Kurnool	40,46,601
Kadapa	28,84,524
Anantapur	40,83,315
Rayalaseema region total	1,51,84,908
Total	8,46,65,533

The rural population of the State is 552.96 lakhs constituting 72.65 % of the State's population. The crude birth rate per 1000 population in A.P, as per the 1991 population census was 26 while the estimated figure for 2000 is 21. The crude death rate per 1000 population is 8.2(which was 13.8 in 1981 census)Death rate in rural areas is 9.0 and that in urban areas is 5.8. Infant mortality rate in rural areas is 74 per 1000 live births, and that in urban areas is 36. Average infant mortality rate is 65. The sex ratio (no. of females per 1000 males) stands at 977 (up from 972 in 1991).

Literacy : The average literacy rate in the State is 67.66 which is a good increase from the 2001 figure of 61.11 The literacy rate among male population is 75.56, and that amongst female population is 59.74. The following table gives the literacy rates in different districts of the State. The average literacy rate is highest in the coastal districts of AP followed by the Rayalaseema districts. Prosperity, industrialization and awareness may be attributed to the high literacy rates.

An interesting fact is that, among agricultural labourers and marginal workers, female workers out-number male workers. While female workforce constitutes 51.12% of the total agricultural workforce, 92.32% of marginal workers are female workers. The contribution

of Manufacture & Processing Sector (both household and non-household sector) to employment generation is only about 10%.

dependent on it. The bountiful

Economic Activities

The rich and varied natural resources that the State of Andhra Pradesh is endowed with have helped the State in its Economic and Industrial development. Agriculture, being the main backdrop of the economy, and many other sectors, such as the Agro Industry, textile industry, handloom sector, etc. are directly or indirectly region have helped Andhra Pradesh reach new heights in exports, and provide raw material to Agro and food based industry in far off parts of the country. The horticulture produce based industry in the State too has developed, making the State one of the leaders in fruit production. Commercial crops such as chillies, coconut, groundnut, tobacco, cashew, turmeric etc. have been earning good revenue and foreign exchange for the State since many decades.

The good irrigation facilities in the State, coupled with fertile soil have helped the State earn the epithet of 'Rice Bowl of India'. The State grows several varieties of fine rice. The State is now witnessing changes in cropping patterns, with oil seeds like sunflower &

castor seed, being grown in vast areas. Floriculture, Sericulture, Aquaculture and Mushroom culture are other economic activities that are being encouraged in a big way, as they have been identified as sunrise industries, offering immense export potential.

Andhra Pradesh also has rich deposits of various minerals. It is the leading producer of some minerals. The State leads in production of Barytes, Mica, Bauxite, etc. with a large number of Research Institutions; the State Capital is a centre of Science and Technology. Hyderabad has attracted many computer software and hardware firms and has now emerged as a leading centre for Information Technology. With the establishment of private industrial parks for Information Technology, the State has become a pioneer in private investment in infrastructure industry. The Government's thrust is in developing tourism by improving the infrastructure base and logistics. To facilitate foreign investment, it has embarked upon providing an investor friendly environment and world class infrastructure.

The State has many places of Tourists' interest. Among them are the valleys of Eastern Ghats, forts and temples of Warangal, stupas of Amaravathi (Guntur Dt.) and Tirupathi (Chittoor dt), abode

of Lord Venkateswara, and many places in the Capital city of Hyderabad. However, the tourism industry is not well developed and it offers tremendous scope for development. This sector is a potential revenue earner for the State.

The agricultural resources of Andhra Pradesh were discussed in the last chapter. Apart from a rich agro base, Andhra Pradesh is also endowed with good deposits of many minerals, which make mining and mineral based industrial activity a major industry in the state.

It is a leading producer of some minerals like Barytes and mica, and is a major contributor of some raw materials to the industry in the country. The state has good forest reserves which fetch good revenue. The marine based resources also have much to offer to the industry in the state.

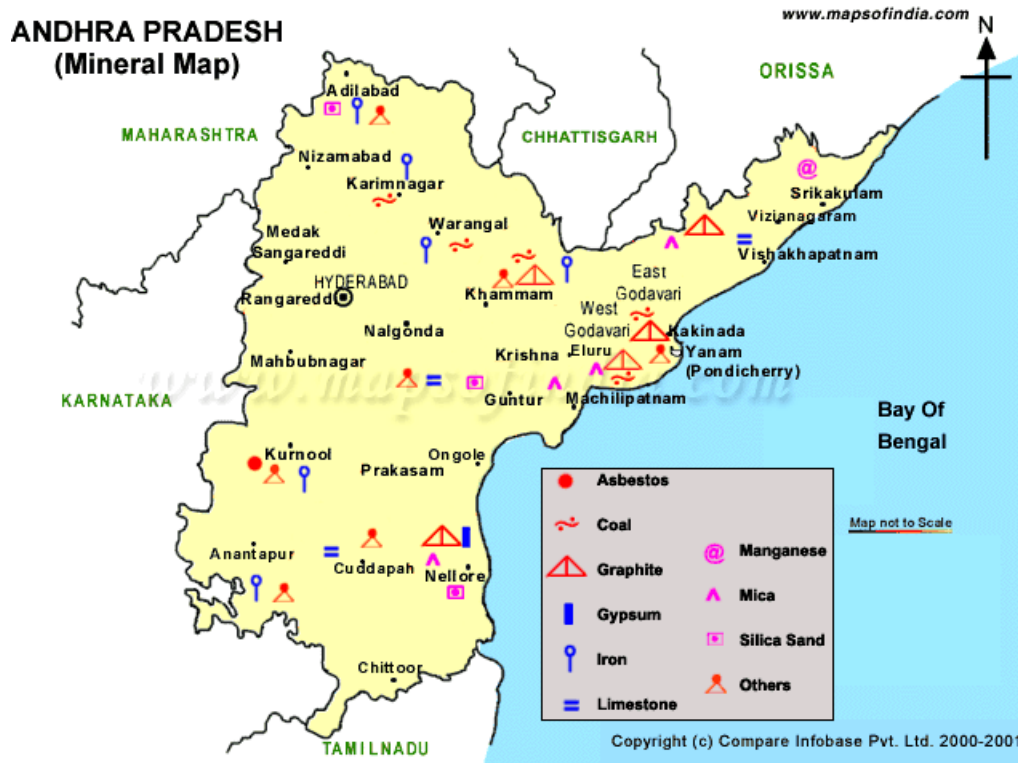
Mineral Resources

Andhra Pradesh occupies an important place on the mineral map of India. Blessed with a variety of good mineral deposits like coal, limestone, auxite, ball clay, asbestos, crystallite, mica, copper, Barytes, manganese, etc, Andhra Pradesh is a leading producer of granite

slabs, cement, Barytes, mica, etc.

Table 2.3 The Andhra Pradesh State's share in the country in deposits of some Minerals and Deposits of some major minerals

1.	Barytes	97%
2.	Clay	32%
3.	Sand	62%
4.	Silver	40%
5.	Vermicelli	43%
6.	Quartz	40%
7.	Mica Crude	47%
8.	Feldspar	24%
9.	Apatite	27%
1.	Coal	13021.5 Million tons
2.	Limestone	30400 million tons
3.	Bauxite	700 mill. tons
4.	Gold ore	6.84 mill. tons
5.	Granite	1072.42 mill. tons
6.	Beach sand	32 million tons
7.	Diamond	194990 carats



Andhra Pradesh exports iron ore, Manganese ore, Ferro products, charge chrome, silicon manganese ore, cement clinker, alumina powder, Blast furnace clay, feldspar, copper Dump Stag, Bentonite pig iron and granite blocks to other countries.

Table 2.4 The production of important minerals during 2010-11

No	Mineral	Production. (in tones)	Value (Rs in Lakhs)
1	Apatite	2654	56.98
2	Asbestos	281	137.81
3	Barites	1203781	13511.72
4	Ball Clay	322008	397.27
5	Other clays	-	-
6	Fire Clay	56708	117.7
7	Steatite	91156	346.97
8	Vermiculite	16883	75.80
9	Ochre	156366	234.92
10	Silica Sand	2166719	1846.91
11	Stowing sand	2296164	937.98
12	Shale	191327	94.13
14	Manganese ore	6,69,801	11595.66
15	Mica(crude)	9031	2979.77
16	Quartz	630816	1051.63
17	Lead contridge		
18	Lime ankar	490	1.35
19	Lime shell	4630	16.02
20	Limestone	49875547	62279.59
21	Iron ore	13,97,452	2997.12
23	Laterite	2878745	2714.37
24	Garnet(Abrasive)	-	-
29	Dolomite	1352491	3467.79
30	Feldspar	515572	1133.90
31	Coal	5,13,13,804	641422.55
32	Natural Gas	1377	44071.81
33	Crude oil	304	16952.69
	Granite (B & C granite)	919000	214356.32

Natural Gas

Natural gas, found in the Krishna Godavari basin is set to be the fuel of the next century. The Krishna Godavari basin extends over 20,000 Sq.Mts. upto 200 mtrs. Isobath and an additional 30,000 sq.mts. upto 2000 mts. isobath offshore. The exploration on the offshore area, at present is limited to 200 meters isobath. Geological prognosticated reserves of 800 million tonnes of oil and oil equivalent gas have been established on the basis of which 130 million tonnes were reportedly proven reserves.

Forest Reserves

Andhra Pradesh has a total forest cover of 61.99 lakh Ha which constitutes 22.37% of the total geographical area of the state. Around 45% of the cover falls in the Telangana region, while around 30% falls in the coastal region and 25% in Rayalaseema region. The major forest produces in the State are Timber, fire wood & charcoal, Minor forest produce include bamboo, beedi leaves, soapnuts etc. Plantation products like cashew, teak and coffee are also grown. The pride of A.P's forests Red Sanders wood, is grown in 2600 hectares in Kadapa, Nellore, Chittoor and Kurnool districts. Other plantations are sandal wood, pine silver oak and casurina. The major forest produce in 2010-

11 was valued at Rs.1873 lakhs.

CHAPTER – III

MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) IN ANDHRA PRADESH

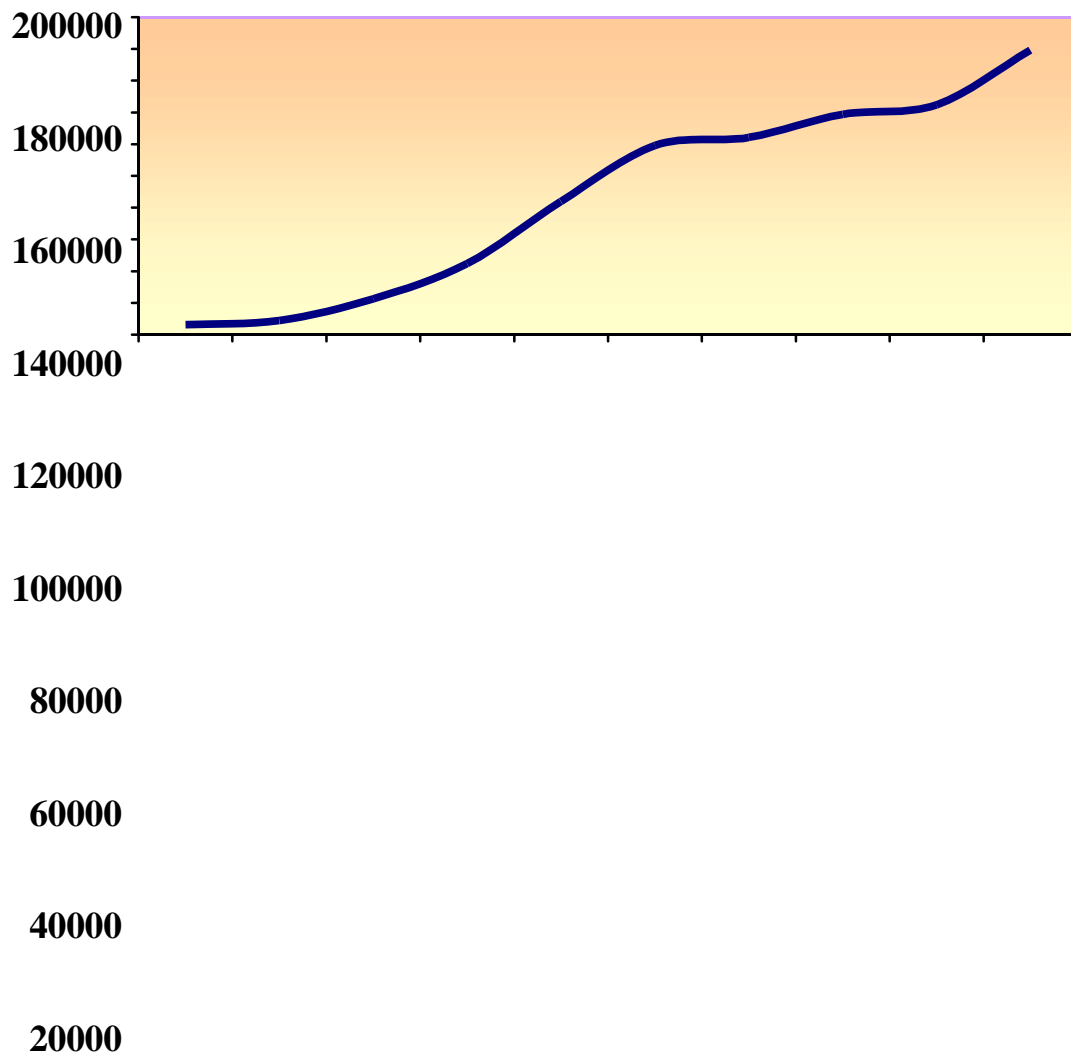
The MSME Sector, being a priority sector has been given special emphasis by both the State and the Central Governments over the decades. With this thrust, the small scale sector in the State has witnessed rapid growth. The inherent advantages of the small scale sector to a growing economy – like high employment potential, low capital investment, use of conventional low –cost technology, etc, have helped industrialization percolate to village level. With the periodic revision of the investment limit of the small scale sector and the advent of new technologies, the product base of this sector has widened. Products manufactured in this sector now include hi-tech products required for space applications, defence, information technology, communications, bio-medical equipment, sophisticated high precision equipment, life saving drugs, etc.

The revision of the investment limit of small scale sector from Rs. 1 crore to Rs. 5 crores brings a wider variety of industries into the fold of this sector. This implies higher credit requirement, adoption of improved technology and certain changes in the policies pertaining to this sector.

3.1. Growth of Small Scale Sector In A.P

The small scale sector has seen a phenomenal growth during the last 4 decades. The number of units in this sector, during 1956 was just 6195, while the corresponding figure in 2011 stands at 1,79,330..

Chart showing the growth in investment in MSME sector during the last 45 years.



0

1956 1967 1977 1985 1990 1996 1997 2000 2004 2011

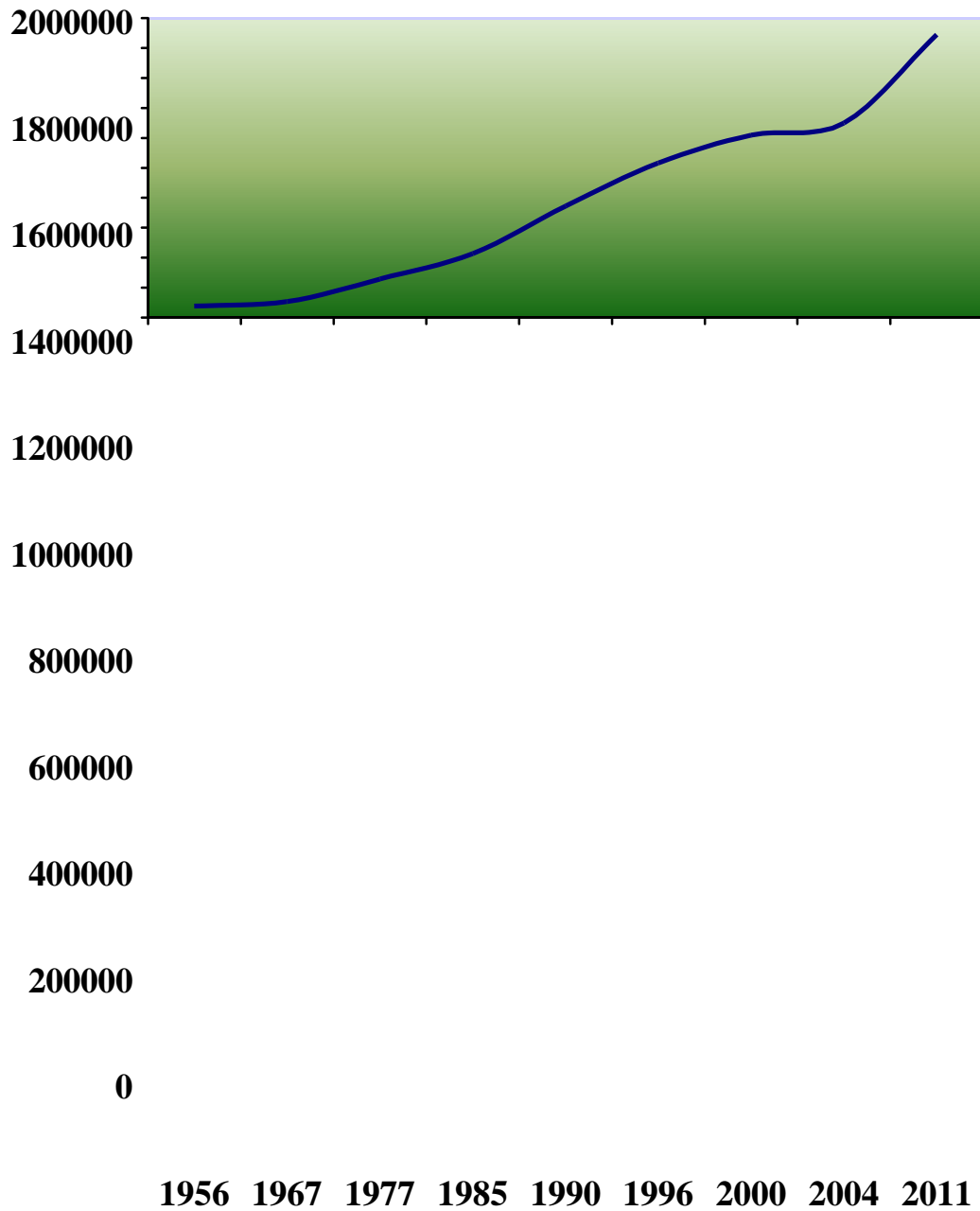
Table 3.1 Investment in MSMEs in Andhra Pradesh since 1990

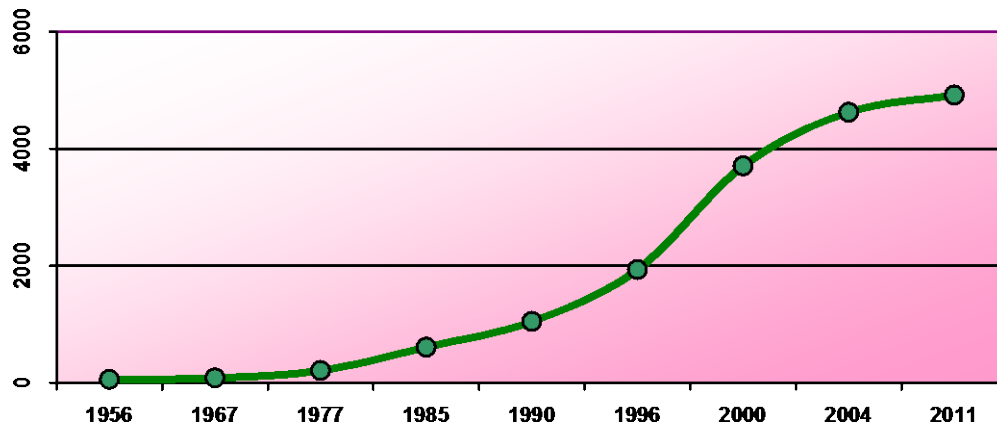
Year	1990	1996	2001	2004	2011
Investment at current prices	1044.90	1933.43	3706.2	4619.66	29040

The number of small scale industries has grown 20 fold during the 40 years from 1956. A corresponding increase in investment made and employment provided by the sector is also seen. However, an interesting trend in the investment and employment by the sector is that the average investment per unit in this sector has been rising, whereas, the average employment provided by the sector has been coming down. The major reason that can be attributed to this trend is the advent of new technology and consequent increase in production.

With regards to spatial distribution, Rangareddy district alone accounts for 22.75% of the total investment, and 12.5% of total employment, and 12.2% of total number of units, implying that SSI units in this district are more capital intensive.

Growth in employment in SSI Sector





The average investment per unit has risen from Rs.92,000 in 1956 to just over Rs.3.00 lakhs in 2003. This may be due to the fact that majority of units in the sector are in the tiny sector, which involves low level of investment. The number of big small scale units is still proportionately less. 95% of units in SSI sector belong to the tiny category. The following table gives details of number of units, investment and employment in the MSME sector, year wise, during the period 1991-92 to 2010-11.

3.2 Dispersal of small scale units over the State

The 158173 small scale units (as on 2009, latest available data) in the State are not evenly spread over all the districts and over product groups.

Food processing industries seem to dominate the distribution.

Table 3.2 Number Of Units, Investment And Employment in MSMEs in Andhra Pradesh

S. No	Year	Units (in Nos)	Investment (Rs incrores) at current prices	Employment (nos)
1	Upto 1990-91	8974 3	1028	77929 2
2	1991-92	7706	111	67450
3	1992-93	6201	155	41454
4	1993-94	5612	157	46362
5	1994-95	4435	185	40899
6	1995-96	4123	191	33836
7	1996-97	4970	211	37900
8	1997-98	4935	297	49999
9	1998-99	4997	552	58253
10	1999-2000	4195	539	39664
11	2000-01	2124	327	25433
12	2001-02	1612	261	19211
13	2002-03	1641	235	24293
14	2003-04	1573	204	21949
15	2004-05	1632	266	24076
16	2005-06	1267	245	15832
17	2006-07	2440	886	36019
18	2007-08	4264	2050	77864
19	2008-09	4703	2605	92229
20	2009-10	9129	5422	157781
21	2010-11	12028	13113	198429
	Total	192276	49148	2082617

Source: AP Economic Survey, 2011-12

Table 3.3 Dispersal of small scale units over the State

S.No.		No. of units	Investment Rs. in crores	Employment
1.	Food Processing Beverage & Tobacco products	36828	2292.52	374529
3.	Cotton Textiles Wool, silk & synthetic fiber textiles Jute, hemp & mesta textiles Hosiery and garments	3105	264.57	49099
7.	Wood products	12769	113.53	71259
8.	Paper products and printing	10223	623.5	74381
9.	Leather & leather products	3512	44.86	18790
10.	Rubber, plastic & petroleum products	8016	873.39	69759
11	Chemical and allied inds	7363	1213.14	111816
12.	Mineral based industries	16251	1403.56	260114
13.	Basic metal industries	2648	460.78	43741
14.	Metal products	15501	919.98	131294
15.	Machinery and equipment	11696	576.78	88940
16.	Electrical and electronic	5420	631.6	64448
17.	Transport equipment and parts	2282	75.82	20244
18	Miscellaneous	3471	167.81	29208
19	Repairs and services	14634	254.65	74306
20	Others	4454	587.84	50087
	Total	158173	10504.33	1532015

Table 3.4 Number of MSMEs promoted in Andhra Pradesh during 2007-08 to 2011-12

Sl. NO	District	2007-08				2008-09				2009-10				2010-11				2011-12			
		M	S	Md	T	M	S	Md	T	M	S	Md	T	M	S	Md	T	M	S	Md	T
01.	ADILABAD	45	4	0	49	54	14	0	68	105	27	0	132	71	369	0	440	31	115	0	146
02.	NIZAMABAD	37	0	1	38	35	3	0	38	103	32	2	137	58	100	0	158	137	245	0	382
03.	KARIMNAGAR	113	16	0	129	52	36	0	88	80	63	0	143	115	306	0	421	118	286	0	404
04.	MEDAK	135	149	8	292	101	165	9	275	454	510	22	986	226	294	4	524	229	262	5	496
05.	HYDERABAD	325	63	0	388	331	110	2	443	414	148	1	563	313	616	1	930	229	279	2	510
06.	RANGAREDDY	1004	417	5	1426	929	460	3	1392	845	581	13	1439	1261	683	6	1950	1039	1380	16	2435
07.	MAHABOBNAGAR	70	25	0	95	84	33	0	117	123	52	1	176	81	244	2	327	86	177	0	263
08.	NALGONDA	72	48	2	122	136	72	1	209	384	175	4	563	288	531	7	826	435	746	9	1190
09.	WARANGAL	46	37	0	83	63	30	0	93	153	62	0	215	88	232	0	320	95	251	0	346
10.	KHAMMAM	41	82	0	123	44	69	0	113	134	40	0	174	48	233	0	281	137	170	0	307
11.	SRIKAKULAM	33	9	4	46	32	8	0	40	112	46	4	162	25	54	0	79	12	30	0	42

12.	VIZI AN AGA RA M	21	7	0	28	50	20	1	71	36	15	1	52	16	31	1	48	20	61	0	81
13.	VISA K HAPA T NAM	136	54	6	196	208	88	1	297	620	255	11	886	165	262	3	430	205	444	7	656
14.	EAS T GO DA VARI	100	53	3	156	93	55	2	150	379	224	5	608	125	659	4	788	76	127	0	203
15.	WE ST GO DA VA RI	49	17	1	67	72	22	1	95	96	56	0	152	56	82	4	142	68	68	1	137
16.	KRIS HNA	201	71	1	273	180	60	0	240	187	71	0	258	84	170	2	256	105	222	5	332
17.	GUN TUR	311	25	1	337	235	39	1	275	882	174	3	1059	73	184	1	258	116	141	2	259
18.	PRAK ASA	149	46	0	195	54	72	0	126	110	78	1	189	93	159	1	253	129	134	0	263
19.	NELL O RE	84	26	0	110	105	25	0	130	260	87	0	347	16	36	0	52	33	32	0	65
20.	CUD DA PAH/ K ADA PA	42	10	0	52	33	14	0	47	112	47	0	159	84	122	0	206	116	126	0	242
21.	KUR NO OL	43	6	0	49	56	14	0	70	78	26	0	104	42	100	0	142	34	88	0	122
22.	ANA NT HAP UR	83	22	0	105	75	39	0	114	53	13	0	66	52	114	1	167	64	115	1	180
23.	CHIT T OOR	48	71	0	119	129	102	4	235	299	270	5	574	89	117	0	206	74	122	3	199
	Total	3188	12581	2582	447832	3151	44780	2305	14726	60150	3052	253	91444	72669	56917	307	30234	358783	5621	91144	926046

Source: www.dcmsmse.gov.in, M : micro, S : small, Md: Medium, T; Total

3.3 Industrial Clusters:

Important MSE industrial clusters in the State developed naturally in some pockets all over the State. Depending on the local availability of resources, be it raw material, skilled labour or based on local demand, these clusters have sprung up and have grown to become important industrial centers, encouraging industrial activities in surrounding areas through backward and forward linkages. Some important industrial clusters identified in the State are being undertaken for modernization, upgradation of technology, conservation of energy and quality improvement. Cluster studies identified are discussed below:

1. **Cashew Processing;** This industry is mainly concentrated in Palasa of Srikakulam district and Vetapalem of Prakasam district. The cluster of units in these two areas have come up mainly due to raw material availability in the coastal area. There are more than 300 cashew processing units in the above two places and conventional methods are followed for processing of the cashew to extract kernel.
2. **Mango jelly :** Mango jelly units are concentrated in and around Kakinada of East Godavari district, where mango is grown in abundance. Much of the fruit that is grown is consumed as such,

without value addition owing to inadequate storage facility , and lack of processing plants, creating immense scope for establishment of such units. There are more than 125 units, which are mostly labour oriented and seasonal, concentrated at Sarpavaram in East Godavari district.

3. **Fruit canning** : Abundance of mango fruit has led to a concentration of fruit canning units in Chittoor and Krishna districts. An Industrial Infrastructure Development Centre(IIDC) is being developed at Nagari, in Chittoor district, for fruit processing.
4. **Biscuits and Confectionery** : Hyderabad (Kattedan) Ranga Reddy districts and Tenali (Guntur Dt) have a concentration of biscuit and confectionery units. Hyderabad houses famous biscuits making units, such as Paro Foods, M/s. Asoka Foods etc. besides innumerable smaller units.
5. **Marine Foods** : Visakhapatnam and Kakinada (EG Dt.) both Coastal Cities have concentration of marine food processing units. Marine produce like prawn, fish etc
6. **Brass metal works** Budithi, Srikakulam dt.(for bronze, bell metal, and brass), Srikakalahasti, (Chittoor), Agraharam(West Godavari dist), Tandur (RR Dist), Chundur (Nalgonda dist), and Siddipet (Medak Dist) have clusters of brass utensils making units.

7. **Cast brass hardware** : Pembarthy (Warangal) and Lal Bazaar of Hyderabad has many brass hardware making units.
8. **Aluminium utensils** : Rajahmundry (East Godavari Dist.) has a concentration of more than 20 Aluminium utensil units.
9. **Steel Furniture** : Chundru (Nalgonda) Hyderabad, Ranga Reddy and Vijayawada have a number of steel furniture manufacturing units.
10. **Automobile industry**: Vijayawada is famed for auto parts, body building and spare parts of automobiles, Kakinada too has a concentration of such units.
11. **Agricultural implements**: Gudivada (Krishna) and Ramachandrapuram (East Godavari) have cluster of Agricultural implements manufacturing industries.
12. **Pneumatic Hammers, Drill bits, drilling equipments** - Twin cities(Hyderabad and Secunderabad)
13. **Hand pumpsets** - Hyderabad
14. **Water coolers, freezers.**
15. **Wooden furniture**: Mancheri (Adilabad) has a concentration of these units.
16. **Steel re-rolling mills** : Ranga Reddy district, Hyderabad, Medak, and Ananthapur districts have concentrations of these units.

17. **Balancing Beams:** Dowleswaram(East Godavari) district has a good concentration of these units. About 20 units, all in tiny sector, manufacturing balancing beams, are located in Dowleswaram, near Rajamundry.
18. **Wooden toys:** Kondapalli(Krishna district) Srikalahasti and Varipenta of Cuddapah district have clusters of wooden toy manufacturing units.
19. **Ceiling fans:** Balanagar(Hyderabad) has many big and small ceiling fan assembling units.
20. **Distribution transformers:** Jeedimetla, and Patancheru have concentration of these units.
21. **Power Supplies, Battery Chargers, and ASCR conductors:** Electronic Complex, Kushaiguda, Ranga Reddy district.
22. **Sago rice :** These units are concentrated near Samalkot, in East Godavari district. The cluster has about 15 tiny units.

The following are the list of clusters identified by UNIDO for technology upgradation:

- Oil Mills (Adoni),
- Polished slabs (Banganapalli, Khammam dist.),
- Polished slabs of Bathamcherla, Khammam dt,
- Rice milling, E G Dt.
- Ceiling fans – Balanagar (Rangareddy)

- Electronics- Kusahaiguda (Rangareddy)
- Polished stones – Kolimigundalla, Khammam
- Artificial diamonds- Kurnool
- Cashew Processing – Palasa, Srikakulam
- Handloom Dhurries – Warangal
- Leather tanning – Warangal
- Powerlooms – Warangal
- rice milling – West Godavari,

Cluster development by various agencies: Both the Central and State Governments have identified that development of existing and new clusters would result in focused growth, as a number of similar units stand to benefit by joint interventions of the Development agencies. The following clusters have been undertaken by the agencies for development:

1. Fan cluster of Balanagar, Hyderabad – SISI, Hyderabad
2. Hand made lace cluster of Narsapur – NISIET, Hyderabad
3. Pharma cluster of Hyderabad – State Government
4. Auto components of Vijayawada – State Government
Under Small Industry cluster development programme, with grants from DC(SS), GOI
5. Imitation jewellery cluster of Machilipatnam, Krishna dt – for State Government, by APITCO
6. Mango jelly cluster of Bhimli, Vizianagaram – for state

Government, by APITCO

7. Mango jelly cluster at Kakinada, EG dt – for state

Government, by APITCO

8. Burnt lime cluster at Piduguralla, Guntur district – for state

Government, by APIRCO

9. Turmeric processing cluster, Duggirala, Guntur district – for state Government, by APITCO

10. food processing cluster at Vijayawada, APITCO -

11. Graphite crucibles cluster, Rajamundry, - for state

Government – by APITCO

12. Precision Components and machine tools cluster of Balanagar, Jeedimetla, Kukatpalli – RR district – for State Government by FAPSIA

13. Plastic cluster at Adilabad, by CIPET'

14. Readymade Garments cluster at Rayadurg, Anantapur

15. Plastics cluster at Nalgonda

16. Electronics cluster at Kushaiguda, Hyderabad, by NSIC

17. Fruit processing cluster at Chittoor – by APITCO, under UPTECH

18. Drugs & pharmaceuticals sector, Hyderabad, under UPTECH, , by IICT

Foundry sector of AP by Institute of Indian Foundrymen, under

UPTECH scheme

3.4 Schemes for development of MSMEs

The following programmes are being implemented in the state of Andhra Pradesh for promotion of the SSIs in the state:

S. No	Name of the programme	Implementing agency/ target sector	Other details
1	Industrial Infrastructure Upgradation scheme	State Government, Pharma cluster of Hyderabad and Auto Components cluster of Vijayawada	for improving physical infrastructure, Common facilities, marketing infrastructure etc, with Grant from GoI
2	MSE Cluster Development programme	Clusters at 5 to 17 mentioned above	Conducting diagnostic study, R&D, new technology demo plant, Common facility center, training, workshops etc
3	UPTECH scheme	Clusters at 17-19 mentioned above	Equal assistance from GoI and GoAP.
4	Leather Industries Development Programme	1. Establishment of AP Footwear Design Center, Hyderabad 2. Nayudamma footwear design centre, Guntur dt	With CLRI, Chennai with Nayudamma Foundation for Education & Rural Development, and CLRI
5	Coir development programme	GoAP	Promotion of coir units in coastal districts
6	Jute Development Programme	GoAP	Diagnostic study on jute clusters in Srikakulam, Visakhapatnam, & Warangal districts- APPC
7	Technology Development fund	GoAP	For technology development of SSIs, Funds from GoI and other Instt.
8	Rate contract system for purchase of 17 products from SSIs	GoAP	Steel furniture, electrical items, air coolers, Absorbent & Non absorbent cotton, IV and Blood donation sets, sterile cotton, phenyl grade II & III, MS, dustbins, wheel barrows

Credit to MSME sector : Total outstanding credit to SME sector, as on 30.3.2012 was Rs. 39516 crores, and that to MSME sector was Rs 51776 crores. The sector wise outstanding to MSME sector is as given below:

Table 3.5 Total outstanding Credit to SME sector, as on 31-03-2012

Sector	Outstanding as on 31.3.2012 (Rs. Incrores)
Micro	12775
Small	26741
Medium	12260
Total MSME	51776

CHAPTER – IV SICKNESS IN MSMEs

4.1 Causes of Sickness

As per the Third All India census of small scale industries, the share in percentage of sick unit of the state among the total All India figure is 6.04% and the percentage share of incipient sick units is 9.76%. The number of closed units, as per the census, is 38582, working out to 26.6 % of the total number of units.

Table 4.1 Number of sick units in A.P.

1992	29586
1993	20294
1994	13842
1995	13740
1996	14794
2001	29359
2012	5816

The major causes of sickness in this sector are found to be

delayed/insufficient credit to the small scale sector, improper management, lack of financial discipline, improper diagnosis of problems during incipient stages, frequent change in Government policies, obsolete technology, lack of demand, lack of marketing support etc.

According to RBI, of the total number of sick MSMEs in AP (5816) (as on 31.3.2012), 546 have been found to be potentially viable, and 5212 are found to be non viable. The non-viable MSMEs involve an amount of Rs 32561 lakhs . Viable units involve an amount of Rs. 13472 lakhs. Viability of 58 MSMEs is yet to be decided.

4.2 Revival of industrial sickness

Government of AP introduced a scheme called AP Small Scale Industry Revival Scheme (G. O. Ms. No. 359, Ind. & Com. (IP) Dept. Dt. 25-6-2001), revised in 2006, for revival of Small Scale Industries having plant and machinery exceeding Rs 5 lakhs. Govt of AP launched a revised scheme APSSSIRRS- 2006. Govt of AP has decided to constitute an AP SSI Revival and Rehabilitation Fund for compensating (partially), the losses to Financial Institutions, etc. Under APSSIRS, Govt of AP has Relaxations extended to Sick unit include the followingrelaxation from ULC Act, pro-active steps from Labour Department for amicable settlement when there are Labour problems, 6% Interest rebate to sick units, deferment of Commercial tax

arrears, etc.

Non-fiscal Relief

Grant of permission to mortgage surplus land that has been exempted under Sec. 20 of Urban Land Ceiling Act. In favour of banks/financial institutions. Labour Department would take proactive action for amicable settlement of disputes between management and representatives of labour.

Fiscal concessions:

6% interest subsidy to be provided to all identified /eligible sick units, subject to a maximum of Rs 2 lakhs per year, for a max of 3 years. (component to be reimbursed to be calculated by the financing Bank, rest to be borne by entrepreneur)

Arrears of payment of purchase tax, sales tax and interest towards nonpayment of sales tax shall be deferred for 3 years from the date of grant of revival package. The amount so deferred will be recovered in six equal half-yearly installments effective after 3 years tax holiday. Subsidy in payment of arrears of Current consumption charges to AP Transco.

CHAPTER-V TURNAROUND STRATEGIES

The role of micro, small and medium enterprises (MSMEs) in the economic and social development of the country is well established. The MSME sector is a nursery of entrepreneurship, often driven by individual creativity and innovation. This sector contributes 8 per cent of the country's GDP, 45 per cent of the manufactured output and 40 per cent of its exports. The MSMEs provide employment to about 60 million persons through over 26 million enterprises producing over six thousand products. The labour to capital ratio in MSMEs and the overall growth in the MSME sector is much higher than in the large industries. The geographic distribution of the MSMEs is also more even. Thus, MSMEs are important for the national objectives of growth with equity and inclusion. It would be an understatement to say that MSME sector in India is highly heterogeneous in terms of the size of the enterprises, variety of products and services produced and the levels of technology employed. Cutting across all sections of production and services, MSME sector is truly a strategic asset for the economy of the country.

The challenge here is to provide grass-root and affordable technologies and ensure, at least primary processing at the village/cluster level to add value and reduce the costs of logistics. With the increase of educated youth power at the

village level, the second challenge is to train them to set up their own rural level enterprises and encourage them through policy as well as fiscal instruments. Diverting unproductive labour forces from agriculture sector to productive enterprises would add to rural economy and simultaneously reduce the disguised unemployment in agricultural sector.

On the other hand, in extreme contrast and the opposite side of the spectrum are the Micro, Small and Medium Enterprises who are producing an extremely wide ranging variety of goods which are exported as well as have to reach out to the domestic consumers, withstanding the removal of protectionist measures such as reservation for small scale as well as lowering of entry barriers for imported goods due to the WTO regime in place. Withstanding such internal (from big domestic industries) and external competitions (imports) requires and necessitates them to be innately competitive whether in terms of design, manufacturing competence, marketing or market access.

A non-level playing field for MSME Sector, facing the odds like reluctance of banks/financial institutions for providing credit to MSMEs, lack of access to technology, inadequate marketing capabilities, etc., has pushed them towards the edge. Their threshold tolerance level to vicissitudes of markets and vagaries of banking system is so small that any adverse environment can have serious consequences leading to sickness or even closure.

Presently, the MSME sector is associated, in public perception, with low quality standards. It is envisioned that the MSME sector will be upgraded through modern and new technologies to achieve global quality standards. Niche markets will be identified and developed for MSME products, including khadi and coir products. The factors contributing to the sickness and closure of the MSME units were discussed in the following sections.

5.1 Factors affecting Performance of MSME Sector

As MSMEs are an integral part of the overall manufacturing and services value chains, both at the domestic and global level, several factors have a bearing on the growth of the sector. Any adverse policy regime may have a cascading disastrous impact on the MSMEs or a specific sub-sector. This is because of the low threshold of tolerance levels, which characterize MSMEs. These include:

- (i) The availability (or rather the lack of it) of adequate budget provision for implementation of the said policy.
- (ii) The State Governments who shape various Government policies and take initiatives are also a major external factor. Merely a simple political act of diverting power from industrial units to agricultural sector effectively shuts down units (A very familiar trend). It has also been observed that even though the clusters of MSME pay a very high

percentage of taxes, their infrastructural conditions are in an extremely poor shape because the plough- back by the State Government does not take place. Thus, populism is in an adversary to the development of healthy clusters of MSMEs.

The economic externalities which affect the sector are the following

- (i) Overall domestic and global growth trends;
- (ii) Domestic tax regime, particularly advent of Goods and Service Tax and Direct Tax Code;
- (iii) Policies governing the credit flow to the sector;
- (iv) Trade policies, including free trade agreements with other countries;
- (v) Labour policies, particularly multiplicity of labour laws and procedures for compliance of various labour regulations;
- (vi) Availability of infrastructure facilities, including power, water, roads, etc.;
- (vii) Availability of critical raw material at competitive prices;
- (viii) Availability of skilled manpower for manufacturing, services, marketing, etc.

Information Technology is a thread which runs through the entire sector. Access to information technology enabled services at an affordable cost would bring the MSME sector on a level playing field with bigger players. Various enabling software from designing to customer management and sales management are still beyond the reach of the MSME due to their higher cost. The challenge before the Ministry is to effectively enable trends in cloud computing which (as per Gartner) have reached a maturity level, within the reach of MSME.

Innovation being the strength of the MSME sector, it would be important to provide financial support to promote innovation and upscale them to withstand global competitions. Various productivity improvements through application of industrial engineering concepts as well as technological upgradation of the MSMEs, whether through purchase of new technologies as well as machines, would be another challenge. The creation of a Technology Upgradation Fund enabling the MSME, (which generally suffer from low level of technology) to access world class technology would minimize external risks to tolerable levels. With the TRIPS regime as well as the WTO regime, the legal contexts have suddenly become very important. The complexity can defy comprehension by average MSME, remedy can be beyond affordability and both together can translate into serious threat and in-conducive functional environment.

Strengths and Weaknesses

The MSME sector is often driven by individual creativity. A major strength of the sector is its potential for greater innovation both in terms of products and processes. An inherent strength of the sector is that these enterprises can be set up with very small amounts of investments and have the locational flexibility to be located anywhere in the country. Their employment potential is higher compared to large enterprises and are presently estimated to employ 6 crore persons. They are amenable to ancillarisation and thus have natural linkages with large enterprises.

There exists a strong institutional structure at the State and Central level for the promotion and development of the sector. There is a well-spread network at the National, State and the local level for providing a comprehensive range of support services under marketing, technology, finance, infrastructure and skill development. The existing schemes/programmes of the Central and State Governments span across major areas of operations of MSMEs. These are administered by a workforce who are qualified but can be upgraded with additional inputs. An apex consultative body has been set up at the national level, namely, National Board for MSMEs, comprising of representatives of all sections of stakeholders for providing guidance/inputs in policy formulation and programme implementation.

Having said so, the sector suffers from a number of constraints and weaknesses. Of the 2.6 crore enterprises, a predominant number is in the unorganized sector, often located in non-conforming urban zones. The sector is heterogeneous with pockets of high technology enterprises but majority suffering from low technology base resulting in low productivity and poor quality of products. The units being small in size also have poor access to equity and credit.

Most of the time, the equity is coming from savings and loans from friends and relatives rather than through banking systems. Very often, the credit is coming from operations or domestic savings rather than established systems of cheap banking credit for working capital. This problem is particularly acute for the village industries as well as the lower end of micro industries. While we have large pool of human resources, this sector continues to face shortage of skilled manpower due to lack of paying capacity and poor managerial capabilities. Another major weakness is absence of marketing channels and brand building capacity.

A coordinated effort can significantly reduce the risk of duplication and the confusion it causes in the client group. A major weakness is a heritage weakness. Due to the protectionist, subsidy- driven, reservation based regime, the mindset of the sector continues to demand similar legacy treatments. It is interesting to note that this tendency is gradually dying out in the newer

generation of entrepreneurs but the thought leaders from this newer generation are yet to emerge.

Credit availability remains one of the most major concerns. Whereas, the Government of India has taken several steps to increase the lending of this Sector, this remains even now the most difficult problem faced by the MSME. There is a cyclical nature of availability of funds to the MSME sector. This is determined by larger issues of international and domestic monetary policies, fiscal policies and other parameters beyond the pale of the sector. In times of a liquidity crunch, lack of liquidity in the financial system, even though caused by external factors, can quite dry up the flow of credit to the sector. The most major dependence of the sector is for the working capital requirement which directly impacts their production cycle. As stated elsewhere, the tolerance threshold levels of this sector are very low. Hence, any liquidity crunch has an immediate and disastrous impact. During the last global economic crisis, this was seen to be a major problem area, affecting the MSME for their day-to-day requirement of working capital. The MSME thus need to be insulated from such credit squeezes in times of adverse monetary conditions.

The strengths and weaknesses provide learning for the future strategy. Thus the learning agenda is at several levels. It would be in the creation of insular layers to protect the MSME from the vagaries of global/financial markets and misuse of

WTO/TRIPS regimes. There is also need to learn from best of the breed international practices both in technology and marketing. On another level, creation and professionalization of efficient organizational systems even at the lowest level and promoting innovations at grass root level.

5.2 Turnaround Strategies Recommended

The following units are studied in different parts of the state of Andhra Pradesh to analyse the reasons for sickness and suggest suitable turnaround strategies.

Table 5.1 Number of sick units selected for the study

City	Micro Enterprises	Small Enterprises	Medium Enterprises	Total
Hyderabad	10	10	5	25
Vijayawada	10	10	5	25
Visakhapatnam	10	10	5	25
Guntur	10	10	5	25
Tirupathi	10	10	5	25
Total	50	50	25	125

At a macro level there is need for a strategy for a horizontal geographical spread of the various outreach programmes for balanced growth. On the other hand, there

is also a need to emphasize the inclusive nature of any strategy to target women entrepreneurs and other weaker sections of the society. It is only by such horizontal and vertical inclusiveness that we can attain the objectives of this mission with equity. The potential strategies would mainly rest on five pillars, as it were, concurrently. They are (not in order of priority):

- i) Skill development
- ii) Markets
- iii) Technology
- iv) Infrastructure
- v) Credit availability

There are individual analyses and proposed actions which are listed below including new knowledge-driven initiatives and actions which can leverage our strength and lower the susceptibility of the MSME to external threats. Focus on its efforts for giving financial assistance for Entrepreneurship Development Training Programmes (EDPs), Skill Development Training Programmes (SDPs), Entrepreneurship-cum-Skill Development Training Programmes (ESDPs) and Training of Trainers Programmes. Centre for Excellence would be set up at national level for standardization of training curriculum, training of trainers etc.

Financial assistance to States/UTs for their efforts to set up Entrepreneurship Development Institutes.

Marketing is one of the critical areas where MSMEs face problems. In the global arena, they do not have the strategic tools and the means for their business development, unlike the large enterprises. Constant changes in the market dynamics due to technological changes and globalization have had a profound impact on the competitiveness of the MSMEs. The whole gamut of marketing strategy for any product is required to be addressed whether it is product differentiation, incremental feature of the product, branding issue, customized and tailor-made services, clientele building, post sale servicing etc. The existing scheme of support requires to be harmonized and rationalized to have a focused approach. The existing marketing support institutions would also be revisited with a view to strengthening the marketing infrastructure for the MSME sector and mainstream it to the major consuming areas and patterns.

E-Commerce has emerged as a powerful tool world over for reaching out to buyers in business as well as consumers worldwide. Territories/borders have been obliterated with the advent of this new technology. For giving better access to MSME sector to the market, Ministry has already promoted a Business-to-Business (B2B) Portal in NSIC. Now the endeavor would be to have a robust and inclusive, best of the breed, Business-to-Consumer (B2C) Portal in addition to

the above. The challenge would be to create a logistics supply chain and standardization of the products to service the customers. The National Small Industries Corporation Ltd. (NSIC) would be strengthened by providing more equity support for their efforts to create market for products of MSMEs. KVIC would be strengthened to provide market to village industries. The schemes of the Ministry to provide financial assistance to MSMEs for participation in domestic and international exhibitions/ trade fairs would continue in the XII Plan also with more outlay. A policy has been formulated, awaiting Cabinet approval, to ensure that 20% of the procurement by the different Ministries/ PSUs is made from MSME sector mandatorily. Challenge here would be to upscale the technical capabilities of MSMEs to meet quality standards and delivery schedules.

The cluster development approach can make the industry more competitive. This is the tool to enable them to take on the onslaught of competitive marketing strategy of large scale sector as well as multinationals. The Cluster Development Scheme of the Ministry of MSME addresses all the sectors of MSE clusters across the country. The awareness about the scheme would be increased among various stakeholders including State Governments. More clusters will be undertaken for soft and hard interventions including diagnostic study, infrastructure development and Common Facility Centre projects.

The critical factor that drives growth in MSME sector is technology. In the present economic scenario of globalised competitiveness, it is the technological edge that will determine the winners. In view of this reality, the Ministry of MSME is initiating a number of programmes and schemes for technology development of the sector. It has recently introduced 10 innovative schemes under the National Manufacturing Competitiveness Programme (NMCP) covering entire gamut of manufacturing in the sector aiming to develop global competitiveness among Indian MSMEs. These schemes under NMCP would get priority of the Ministry and would provide competitive edge to the MSME units in future.

a) The existing administrative structures seem to be reasonably adequate to meet the challenges. However, delivery systems sometimes suffer due to clogging of the pipelines. For a more coordinated institutional framework for the promotion and development of the MSME sector, the Ministry will undertake a comprehensive diagnostic study. Besides analyzing the existing institutional framework, the study will also look into the best international practices in this regard. A sensitized mechanism would be put in place which sends alerts for de-clogging of the delivery pipelines. Involvement of private sector, wherever feasible, as well as strengthening of District Industries Centres (DICs) of States are other possible strategies.

b) Strengthening and empowering the MSME Associations, to be appropriate

delivery channel can be a supplemental strategic tool for better targeting of schemes and data collection.

c) For expanding the outreach of the schemes/programmes, the Ministry will take a comprehensive review of all the existing schemes/programmes. The schemes/ programmes with overlapping objectives will be merged and those that have outlived their utility will be weeded out. In place of implementing a number of small schemes, the Ministry will provide focused attention on few large schemes to have a discernible impact on the beneficiary group.

d) Leveraging the benefit of public-private partnership (PPP) approach in a cluster has been recognized as one of the best instruments for effective policy intervention. The existing Micro and Small Enterprises-Cluster Development Programme (MSE-CDP) including Industrial Infrastructure Development Scheme would be pursued more vigorously with renewed guidelines under PPP mode to cover as many as possible clusters all over the country for all round sustainable growth of the MSMEs.

- i) Marketing
- ii) Skill Development
- iii) Technology upgradation
- iv) Infrastructure
- v) Availability of Credit

Each of these priority areas is equally important for the MSME sector and therefore, strategic initiatives for each area have been given equal weightage.

5.3 Implementation of Turnaround Plan

The Implementation Plan would cover the following areas:

- (i) Strengthening Training activities
- (ii) Better marketing support to MSMEs
- (iii) Technological support to MSMEs;
- (iv) Cluster Development Programme
- (v) Encouraging corporatization of the MSME sector;
- (vi) Up scaling existing financial schemes
- (vii) Encouraging innovations

The proposed strategy for turnaround of sick units would be met by revising the different Plan schemes

- i. Enhancing the Capacity for Growth
- ii. Enhancing Skills and Faster Generation of Employment
- iii. Managing the Environment

- iv. Markets for Efficiency and Inclusion
- v. Decentralization, Empowerment and Information
- vi. Technology and Innovation
- vii. Securing the Energy Future for India
- viii. Accelerated Development of Transport Infrastructure
- ix. Rural Transformation and Sustained Growth of Agriculture
- x. Managing Urbanization
- xi. Improved Access to Quality Education
- xii. Better Preventive and Curative Health Care
- xiii. Enhancing the Capacity for Growth
- xiv. Enhancing Skills and Faster Generation of Employment
- xv. Markets for Efficiency and Inclusion
- xvi. Technology and Innovation

The success will be monitored and measured through outcome parameters laid down for each scheme and their concurrent evaluation. Implementation will be monitored through a robust MIS and grievance redressal mechanism.

CHAPTER – VI

SUMMARY AND SUGGESTIONS

6.1 Summary

The MSMEs play a vital role in the overall growth of industrial economy of the country. With its agility and dynamism, the sector has shown admirable innovativeness and adaptability to survive the recent economic downturn and recession and have lots of opportunities to grow in the future. Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. 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 & 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. Ministry of Micro, Small & Medium Enterprises (MSME) envision a vibrant MSME sector by promoting growth and development of the MSME 2 Sector, including Khadi, Village and Coir Industries , in cooperation with concerned Ministries/Departments, State Governments and other Stakeholders, through providing support to existing enterprises and encouraging creation of new enterprises. In India, the enterprises have been classified broadly into two categories:

(i) Manufacturing; and (ii) Those engaged in providing/rendering of services.

Both categories of enterprises have been further classified into micro, small and medium enterprises based on their investment in plant and machinery (for manufacturing enterprises) or on equipments .

In recent years the MSME sector has consistently registered higher growth rate compared to the overall industrial sector in India. During the first 4 years of XI Plan, MSME Sector exhibited a growth rate of 13% on an average, an impressive performance compared to most of the other sectors. As per the 4th Censuses of MSME Sector, this sector employs an estimated 59.7 million persons spread over 26.1 million 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. The major advantage of the sector is its employment potential at low capital cost. Establishment of specific Funds for the promotion, development and enhancing competitiveness of these enterprises, notification of schemes for this purpose, progressive credit policies and practices, preference in Government procurement to products and services of the micro and small enterprises, more effective mechanisms for mitigating the problems of delayed payments to micro and small enterprises and assurance of a scheme for easing the closure of business by these enterprises are some of the other features of the Act.

The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 seeks to facilitate the development of these enterprises as also enhance their competitiveness. It provides the first-ever legal framework for recognition of the concept of “enterprise”, 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 consultative mechanism at the national level with balanced representation of all sections of stakeholders, particularly the three classes of enterprises; and with a wide range of advisory functions.

SSI Sector in India creates largest employment opportunities for the Indian populace, next only to Agriculture. It has been estimated that a lakh rupees of investment in fixed assets in the small scale sector generates employment for four persons. 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 & 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. The sector contributes significantly to manufacturing output, employment and exports of the country. In terms of value, the sector accounts for about 45 per cent of the manufacturing output and 40 per cent of total exports of the country. It is estimated to employ about 60 million persons in over 26 million units throughout the country. There are over 6000 products ranging from traditional to high-tech items, which are being manufactured by 35 the MSMEs in India. It is well known that the MSME sector provides maximum opportunities for both self-employment and wage-employment, outside agriculture sector. MSME sector contributes not only to higher rate of economic growth but also in building an inclusive and sustainable society in innumerable ways through creation of non-farm livelihood at low cost, balanced regional development, gender & social balance, environmentally sustainable development and to top it all, recession proofing of economic growth, which the sector has proven time and again

In today's fast paced global business scenario, technology has become more vital than ever before. With a view to foster the growth of MSME sector in the country, Government has set up ten state-of-the-art Tool Rooms and Training

Centres. These Tool Rooms provide invaluable service to the Indian industry by way of precision tooling and providing well trained craftsmen in the area of tool and die making. These Tool Room are highly proficient in mould and die making technology and promote precision and quality in the development and manufacture of sophisticated moulds, dies and tools. The Tool Rooms are not only equipped with the best technology but are also abreast with the latest advancements like CAD/CAM, CNC machining for tooling, Vacuum Heat Treatment, Rapid Prototyping, etc. The Tool Room & Training Centres also offer various training programmes to meet the wide spectrum of technical manpower required in the manufacturing sector. The training programmes are designed with optimum blend of theory and practice giving the trainees exposure on actual jobs and hands on working experience. The Tool Rooms have also developed special training programmes to meet the requirements at international level, which are attended by participants from all over the globe.

Export promotion from the MSE sector has been accorded a high priority. To help MSEs in exporting their products, the following facilities/incentives are provided: (i) Products of MSE exporters are displayed in international exhibitions and the expenditure incurred is reimbursed by the Government; (ii) To acquaint MSE exporters with latest packaging standards, techniques, etc., training programme on packaging for exporters are organised in various parts of the country in association with the Indian Institute of Packaging; (iii) Under the MSE Marketing Development Assistance (MDA) Scheme, assistance is provided to individuals for participation in overseas fairs/ exhibitions, overseas study tours, or tours of individuals as member of a trade delegation going abroad. The Scheme also offers assistance for (a) sector specific market study by MSE

Associations/Export Promotion Councils/Federation of Indian Export Organisation; (b) Initiating/contesting anti-dumping cases by MSE Associations; and (c) reimbursement of 75 per cent of the one time registration fee and annual fee (recurring for first three years) charged by GSI India (formerly EAN India) for adoption of Bar Coding.

By its less capital intensive and high labour absorption nature, this sector has made significant contributions to employment generation and also to rural industrialization. This sector is ideally suited to build on the strengths of our traditional skills and knowledge, by infusion of technologies, capital and innovative marketing practices. This is the opportune time to set up projects in the small-scale sector. It may be said that the outlook is positive, indeed promising, given some safeguards. This expectation is based on an essential feature of the Indian industry and the demand structures. The diversity in production systems and demand structures will ensure long term co-existence of many layers of demand for consumer products / technologies / processes. There will be flourishing and well grounded markets for the same product/process, differentiated by quality, value added and sophistication. This characteristic of the Indian economy will allow complementary existence for various diverse types of units. The promotional and protective policies of the Govt. have ensured the presence of this sector in an astonishing range of products, particularly in consumer goods. However, the bugbear of the sector has been the inadequacies in capital, technology and marketing. The process of liberalization coupled with Government support will therefore, attract the infusion of just these things in the sector. Small industry sector has performed exceedingly well and enabled our country to achieve a wide measure of industrial growth and diversification. By its less capital intensive and high labour absorption nature, SSI sector has made

significant contributions to employment generation and also to rural industrialization.

The diversity in production systems and demand structures will ensure long term co-existence of many layers of demand for consumer products / technologies / processes. There will be flourishing and well grounded markets for the same product/process, differentiated by quality, value added and sophistication. This characteristic of the Indian economy will allow complementary existence for various diverse types of units. The promotional and protective policies of the Govt. have ensured the presence of this sector in an astonishing range of products, particularly in consumer goods. However, the bug bear of the sector has been the inadequacies in capital, technology and marketing. The process of liberalization will therefore, attract the infusion of just these things in the sector.

Objectives of the Study

- To examine the nature and extent of sickness in selected units
- To analyze the reasons for sickness in selected units.
- To explore the possibilities of turnaround in selected units.
- To examine the strategies adopted for turnaround by the selected units
- To offer suggestions to the government and other agencies in formulating suitable strategies for grappling with the problem of sickness.

Methodology of the Study

The MSME units are spread throughout the state of Andhra Pradesh. However, most of the units are concentrated in major cities of Andhra

Pradesh viz. Hyderabad, Vijayawada, Visakhapatnam ,Guntur and Tirupati. The units were identified by adopting purposive sampling method.

A total of 125 MSME units are identified for the study. Out of which 50 are Micro enterprises, 50 are Small enterprises and 25 are Medium enterprises. From each city 10 Micro 10 Small and 5 Medium are selected for the study

The primary data has been collected from the units identified. For this purpose a structured questionnaire has been used to collect the basic information from the units. Mostly, the information is available with the owners of the enterprises and the same will be gathered by making personal visits to the units.

The data collected has been processed by using statistical tools like Regression analysis, Time series analysis etc. The data was further processed by using SPSS package.

1. At the beginning, the selected cities viz. Hyderabad, Tirupati, Vijaywada, Guntur and Visakhapatnam DIC's have been visited and collected the statistics relating to MSME's.
2. Out of the MSME's working in these areas sick units have been identified.
3. After identification of sick MSME's, efforts were made to identify the location and the owners of the units. Out of a total of 125 units identified, the data and information and opinions of the unit owners has been completed and analyzed and inferences have been drawn on sickness of the units.

6.2 Suggestions

The Government of AP has to introduce a scheme for revival of Small Scale Industries having plant and machinery exceeding Rs 5 lakhs. And to constitute an AP SSI Revival and Rehabilitation Fund for compensating the losses to Financial Institutions, etc. and has extended tax relaxations to Sick units. Pro-active steps from Labour Department for amicable settlement when there are Labour problems, six percent Interest rebate to sick units by deferment of Commercial tax arrears, etc.

Grant of permission to mortgage surplus land that has been exempted under Sec. 20 of Urban Land Ceiling Act. In favour of banks/financial institutions. The Labour Department has to take proactive action for amicable settlement of disputes between management and representatives of labour so as to ensure success of the rehabilitation package with the cooperation of the workers.

A minimum of six per cent interest subsidy to be provided to all identified /eligible sick units, subject to a maximum of Rs 2 lakhs per year, for a max of 3 years. component to be reimbursed to be calculated by the financing Bank, rest to be borne by entrepreneurs.

Arrears of payment of purchase tax, sales tax and interest towards

nonpayment of sales tax shall be deferred for 3 years from the date of grant of revival package. The amount so deferred will be recovered in six equal half-yearly installments effective after 3 years tax holiday.

There should be a strong institutional structure at the State and Central level for the promotion and revival of sickness in MSME sector. The existing schemes/programmes of the Central and State Governments span across major areas of operations of MSMEs. These are administered by a workforce who are qualified but can be upgraded with additional inputs. An apex consultative body has been set up at the national level, namely, National Board for MSMEs, comprising of representatives of all sections of stakeholders for providing guidance/inputs in policy formulation and programme implementation.

Most of the time, the equity is coming from savings and loans from friends and relatives rather than through banking systems. Very often, the credit is coming from operations or domestic savings rather than established systems of cheap banking credit for working capital. This problem is particularly acute for the village industries as well as the lower end of micro industries. While we have large pool of human resources, this sector continues to face shortage of skilled manpower due to lack of paying capacity and poor

managerial capabilities. Another major weakness is absence of marketing channels and brand building capacity. A major weakness is a heritage weakness. Due to the protectionist, subsidy- driven, reservation based regime, the mindset of the sector continues to demand similar legacy treatments. It is interesting to note that this tendency is gradually dying out in the newer generation of entrepreneurs but the thought leaders from this newer generation are yet to emerge.

Credit availability remains one of the most major concerns. Whereas, the Government of India has taken several steps to increase the lending of this Sector, this remains even now the most difficult problem faced by the MSME. There is a cyclical nature of availability of funds to the MSME sector. This is determined by larger issues of international and domestic monetary policies, fiscal policies and other parameters beyond the pale of the sector. The liquidity crunch, lack of liquidity in the financial system, even though caused by external factors, can quite dry up the flow of credit to the sector. The most major dependence of the sector is for the working capital requirement which directly impacts their production cycle. As stated elsewhere, the tolerance threshold levels of this sector are very low.

Hence, any liquidity crunch has an immediate and disastrous impact. The MSME thus need to be insulated from such credit squeezes in times of adverse monetary conditions. The strengths and weaknesses provide learning for the future strategy. Thus There is also need to learn from best of the breed international practices both in technology and marketing. On another level, creation and professionalization of efficient organizational systems even at the lowest level and promoting innovations at grass root level.

At macro level there is need for a strategy for a horizontal geographical spread of the various outreach programmes for balanced growth. On the other hand, there is also a need to emphasize the inclusive nature of any strategy to target women entrepreneurs and other weaker sections of the society. It is only by such horizontal and vertical inclusiveness that we can attain the objectives of this mission with equity. The potential strategies would mainly rest on five pillars, as it were, concurrently. Skill development, Markets, Technology, Infrastructure and Credit availability Focus on its efforts for giving financial assistance for Entrepreneurship Development Training Programmes (EDPs), Skill Development Training Programmes (SDPs), Entrepreneurship-cum-Skill Development Training Programmes (ESDPs) and Training of Trainers Programmes. Centre for

Excellence would be set up at national level for standardization of training curriculum, training of trainers etc.

The whole gamut of marketing strategy for any product is required to be addressed whether it is product differentiation, incremental feature of the product, branding issue, customized and tailor-made services, clientele building, post sale servicing etc. The existing scheme of support requires to be harmonized and rationalized to have a focused approach. The existing marketing support institutions would also be revisited with a view to strengthening the marketing infrastructure for the MSME sector and mainstream it to the major consuming areas and patterns.

The cluster development approach can make the industry more competitive. This is the tool to enable them to take on the onslaught of competitive marketing strategy of large scale sector as well as multinationals. The Cluster Development Scheme of the Ministry of MSME addresses all the sectors of MSE clusters across the country. The awareness about the scheme would be increased among various stakeholders including State Governments. More clusters will be undertaken for soft and hard interventions including diagnostic study, infrastructure development and Common Facility Centre projects.

The critical factor that drives growth in MSME sector is technology. In the present economic scenario of globalised competitiveness, it is the technological edge that will determine the winners. In view of this reality, the Ministry of MSME is initiating a number of programmes and schemes for technology development of the sector. It has recently introduced 10 innovative schemes under the National Manufacturing Competitiveness Programme (NMCP) covering entire gamut of manufacturing in the sector aiming to develop global competitiveness among Indian MSMEs. These schemes under NMCP would get priority of the Ministry and would provide competitive edge to the MSME units in future.

Involvement of private sector, wherever feasible, as well as strengthening of District Industries Centres (DICs) of States are other possible strategies. Strengthening and empowering the MSME Associations, to be appropriate delivery channel can be a supplemental strategic tool for better targeting of schemes and data collection.

For expanding the outreach of the schemes/programmes, the Ministry will take a comprehensive review of all the existing schemes/programmes. The schemes/ programmes with overlapping objectives will be merged and those that have outlived their utility will be weeded out. In place of implementing a number of small schemes, the Ministry will provide focused attention on

few large schemes to have a discernible impact on the beneficiary group.

The existing Micro and Small Enterprises-Cluster Development Programme (MSE-CDP) including Industrial Infrastructure Development Scheme would be pursued more vigorously with renewed guidelines under PPP mode to cover as many as possible clusters all over the country for all round sustainable growth of the MSMEs.

Each of these priority areas is equally important for the MSME sector and therefore, strategic initiatives for each area have been given equal weightage. All the above five areas are suitably acceptable (as they are demand driven) as well as easy to implement.

The Implementation Plan would cover the following areas:

- (viii) Strengthening Training activities
- (ix) Better marketing support to MSMEs
- (x) Technological support to MSMEs;
- (xi) Cluster Development Programme
- (xii) Encouraging corporatisation of the MSME sector;
- (xiii) Up scaling existing financial schemes
- (xiv) Encouraging innovations

The proposed strategy for turnaround of sick units would be met by revising the different Plan schemes

- xvii. Enhancing the Capacity for Growth
- xviii. Enhancing Skills and Faster Generation of Employment
- xix. Managing the Environment
- xx. Markets for Efficiency and Inclusion
- xxi. Decentralization, Empowerment and Information
- xxii. Technology and Innovation
- xxiii. Securing the Energy Future for India
- xxiv. Accelerated Development of Transport Infrastructure
- xxv. Rural Transformation and Sustained Growth of Agriculture
- xxvi. Managing Urbanization
- xxvii. Improved Access to Quality Education
- xxviii. Better Preventive and Curative Health Care

- xxix. Enhancing the Capacity for Growth
- xxx. Enhancing Skills and Faster Generation of Employment
- xxxi. Markets for Efficiency and Inclusion
- xxxii. Technology and Innovation

The success will be monitored and measured through outcome parameters laid down for each scheme and their concurrent evaluation. Implementation will be monitored through a robust MIS and grievance redressal mechanism.

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