A Study on Identification And Analysis of Sick Units And Development of Coir Cluster With Reference To MSME-DI Chennai

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Abstract- *The study is been conducted on coir cluster of MSME Tamil Nadu at Pudukottai, Thanjavur, Coimbatore Sivagankai and Theni Districts. The study will identify the sick units among the cluster by analyzing the various aspects of the organization like the general aspects which will include the indent of starting the unit, how the financials where been vested to the unit, etc. Quantitative business research approach were applied and its descriptive in nature. Convenience sampling method is applied and the research is been carried out at the SIDCO having wide number business units in theni, singampunari, uttamapalayam, pollachi, peravurani, alangudi, keeramangam. The result of research found that The industry being such a low profile one has a wide scope of improvements. The suggestions given based on interpretation of the feedback of the unit owners is hoped to be effective and bring the required change to the cluster units. The suggestions made also considered the feedback given by various stakeholders of the business like the suppliers, sellers, and banks.*

Keywords- MSME, cluster, finance, SIDCO, Coir unit.

I. INTRODUCTION

The study is been conducted on clusters of MSME Tamil Nadu. The study will identify the sick units among the clusters by analyzing the various aspects of the organization. The aspects considered for analyzing are the general aspects, operational aspects, inventory aspects, marketing aspects, logistics aspects, financial aspects, and export aspects. These jointly analyzed together to find whether they are sick units or anunit which is part of the cluster needed to be improved or an unit which is functioning well inside the cluster.

The project is been carried on various districts of Tamil Nadu on various different clusters located in the districts of TamilNadu. The project covered the following districts Pudukottai, Thanjavur, Coimbatore Sivagankai and Theni for the coir cluster in this project.

Cluster:Group of industrial units built around an area of 5km range constituting production of similar or same material within the region is called a cluster. The product is manufactured with the help of availability of raw-materials through natural or derived means.A cluster can also constitute the manufacturing of a finished material by the producing the spares of the finished material.

Clusters in India

A cluster is a sector targeted geographical concentration of micro and/ or small & medium enterprises (MSMEs/MSMEs), service providers and institutions faced with common opportunities and threats. In other words, a cluster of MSMEs is a concentration of economic enterprises, producing a typical product/service or a complementary range of products/services within a geographical area. The location of such enterprises can span over a few villages, a town or a city and its surrounding areas. Thus a cluster of MSMEs, hereafter referred to as "cluster", is identified by the 'product/service' that the micro and small enterprises produce and the 'place' where the enterprises are located. Foundation for MSME Clusters assists institutions in undertaking cluster based local area development, effectively and inclusively in developing and transition economies.

STATEMENT OF PROBLEM

- From the report of Times of India we found that during the year 2013-14, Small business units 79 are turning financially unviable every day in the country. This translates to three units falling sick every hour, according to data compiled by the Micro Small and Medium Enterprises - Development Institute (MSME-DI).
- Tamil Nadu, with the highest number of operational small and medium sized enterprises (SMEs), is also the state with the maximum number of sick SME industrial units.

Need for the study

- The study identifying and analyzes reasons of the sick units.
- The research will be explain cluster development in current situation over the Tamil Nadu

Objective of the study

- To analyze the performance of cluster and identify whether they are tending towards sickness
- To identifythe areas where their business are lagging
- To analyze and suggest the areas needs improvement.

Scope of the study:

- The study will bring out the performances of each individual company in the cluster.
- The study will give an overview of the cluster.
- It will establish the cause and remedies that can help the units in improving their performance
- The study can be extended to other clusters in Tamil Nadu
- A performance study on same cluster can be made after a short period of time to analyze whether the suggestions are effective

II. LIMITATIONS OF THE STUDY

- The study is limited conducted only for the period 10 weeks
- The study is based on feedbacks of the owners of the units. The originality of some data's like turnover, working capital, etc requires solid evidence to state that they are facts which the study has not taken into consideration.
- Some of the interpretations are based on listening observation from the respondents.

2.1 Research Methodology:

Research methodology is the process used to collect information and data for the purpose of making business decision. The methodology may include publication, research, interview, survey, and other research techniques and could include both present and historical information.

Quantitative Research Methodology:

Quantitative business research can be defined as business research that addresses research objectives through empirical assessments that involve numerical measurement and analysis approaches.

2.2 Nature of Business Research:

This research is descriptive in nature. This is because the project is going to do an analysis about the performances of the companies which are in the cluster. The performance of the company refers to the identification companies positives in various departments of management and also arrives at the areas where they needed to improve in future to have a long run in the business.

2.3 Source of Data Collection

Data is one of the most important and vital aspect of any research studies. Researchers conducted in different fields after study be different methodology. But every research is based on data which in analyzed and interpreted to get information. As we all know that their two types of data collecting methods,

Primary Data: The primary data for this research is been collected with the help of a questionnaire. The feedbacks from the respondents are been recorded in two ways both manually and digitally.

Secondary Data: The secondary data refers to the existing data collected by the researcher which already exist. The secondary data for this research is been taken from newspaper, earlier research work of research scholars, and industrial text books of MSME through the help of internet.

2.4 Sampling Techniques:

Convenience sampling as the name suggests, convenience sampling refers to sampling by obtaining people or units that are conveniently available. The research is been carried out at the SIDCO having wide number business units. The possibility that all the units could share their business information with a third part or an intern is very low. So the research has chosen convenience sampling.

2.5 Population Size: 1000(above)

AREA	INDUSTRY	AUDIENCE
KEERAMANGALAM (PUDUKOTTAI)	COIR INDUSTRY	MANAGER'S & OWNER'S OF COIR UNITS
PEERAVURANI (THANJAVUR)		
POLLACHI (COIMBATORE)		
SINGAPUNARI (SIVAGANGAI)		
THENI		

DISTRICTS SURVEYED	NUMBERS
THENI	6
SINGAMPUNARI	21
UTTAMAPALAYAM	5
POLLACHI	13
PERAVURANI	21
ALANGUDI	3
KEERAMANGAM	21

2.6 Research Period   : 10 Weeks

2.7 Tools for Data Collection   : Questionnaire.

2.8 Questionnaire:

It is a research tool which carries different sets of questions asked by the interviewer to the respondent. The questionnaire is of two types

Open end questionnaire: Open ended questions are questions which the respondent is free to give his own answers and not constrained to the option given by the interviewer

Closed end questionnaire: Closed end questionnaire are questions which the respondents response are restricted within the options given by the researcher.

2.9 Question Variables:

Variables are factors through which the question in the questionnaire is set. Each factor will have at least one question based on it. There are two types of variables. They are

Independent Variables:

Since the topic is very wide there are different independent variables used for the corresponding dependent variables. Some of them are intention to start the business, factors considered for staring the business, source of capital, continuity of the manufacturing process, availability of raw materials, time of receiving the raw materials, time taken to produce the finished goods, number of vendors available for the supply of raw-materials, how the product is priced, what is the channel of distribution, whether they export, whether they maintain various financial registers like ledger, journal, balance sheet, ratio analysis, etc. and so on.

Dependent Variables:

The dependent variable in this questionnaire is entrepreneurial vision, maintenance of good financials, development of good marketing setup, availability of infrastructure in the industrial area, guidance from government, and operation process.

III. TOOLS FOR DATA ANALYSIS

The response of the respondents were tabulated in excel software and their responses where scaled under various categories based on the questions. Each company's performance will be judged based on those scales and the total scored by each company will be established under each dependent variable. Then this will be extended towards each individual area surveyed and then to each individual cluster.

3.1 Data Analysis

The data analysis part is carried out with the help of excel software. The data are tabulated and charted in the software are furnished below. The questions (independent) in the questionnaire are interpreted with appropriate scores based on the impact the response had on the business on long term basis.

Some of the column headers are dependent variables which are dependent on various other factors. The scores were allotted to these dependents variables based on their respective independent variable. The impact that the independent has on the dependent is the final score of the dependent variable.

Summary of interpretation and findings

Source of capital: In the case of source of capital bank and NGO financed business were given a score of 4, while finance hired from friends and relatives were given a score of 3, while self-finance was given a score of 2 and at last

finance procured from unauthorized financiers for high interest rate was given a score of 1.

- The investment for a startup in coir industry is high (5 Cr and more)
- The risk factor is high in this industry due to amount of investment involved.
- Finance procured is mostly self and the second best goes to the rest belongs to the unauthorized financiers
- Banks are not taking enough steps in educating business men about loan from bank and other sources
- The proprietor is involved in high financial risk
- There is an imbalance between the attitude of banker and the business

Entrepreneurial intend:

- The entrepreneurial intend of the business men are low
- This shows they are lack long goals and a proper directions.
- Many are not ready to take up the entire supply chain after high investment

Product portfolio:

- Though they have invested more money on this they are not intended towards increasing the profit margins by reducing the wastage from their unit.
- A good sign is nearly 40% of the population has involved themselves in this approach
- We can expect these numbers to raise in the future
- Human Resource Issues
- High percentage of units suffer with employee shortage
- This has had a impact on their operational performances.

Inventory model

- The inventory model is nearly in the 50-50 stage, 48-52 to be exact.
- This is because of the product manufactured differs
- Operational Performance
- For a good operating unit it has to above 90% on its production
- But in the case of coir only 25% of the industry only has good operational performance
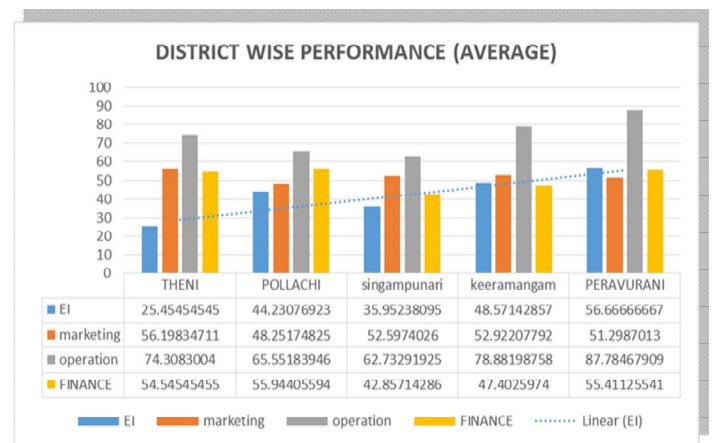- Lack of labor, insufficient funds is considered to have made this impact

Marketing Performance

- Highly concentrated on direct marketing were they have a standard customer to whom they sell their products
- Almost in all the cases the product manufactured is not the end product, except by the few mattresses and pillow manufacturers
- In most cases the person who receives the goods are local dealers who export the product.
- Financial practices
- Though there is high sum of money involved in starting the business number of people having good financial practices are very low.
- Low profits and loss incurred were given as a feedback for not maintaining proper financial practices.
- Lack of education among people involved in the business is also an influencing factor for such habit

Balance sheet

- The above mentation chart has been clearly explain about the balance sheet most of the people not using balance sheet.
- Out of 90 coir industries just 20 coir industries using balance sheet.

DISTRICT WISE OVERALL PERFORMANCE

DISTRICT WISE PERFORMANCE (AVERAGE)					
	THENI	POLLACHI	singampunari	keeramangam	PERAVURANI
EI	25.45454545	44.23076923	35.95238095	48.57142857	56.66666667
marketing	56.19834711	48.25174825	52.5974026	52.92207792	51.2987013
operation	74.3083004	65.55183946	62.73291925	78.88198758	87.78467909
FINANCE	54.54545455	55.94405594	42.85714286	47.4025974	55.41125541

INTERPRETATION

- All the five districts coir industries having good operation performance
- In this five districts most of the coir industry do not maintain proper
- Financial performance
- Compare to other districts THENI and SINGAPUNARI have poor entrepreneur skill &performance

- All the five districts having moderate marketing strategy but they concentrate only their regular customers

IV. FINDINGS AND SUGGESSION

Reason behind coir units lacking direct export activity:

- Lack of awareness and value about export.
- Lack of awareness about government aided schemes, subsidies and incentives provided by the government entities.
- Lack of funds for machineries for bulk production.
- Lack of continuously manufacturing.

Reasons for Low Entrepreneurial Intend

- From the response of the respondents we can also understand that most of the respondents are illiterate.
- Most of the respondents people above 45 years. These respondents are satisfied with their profits they are getting.
- Most business man in this cluster, run their business for their livelihood.
- Lack of financial planning

Reasons for good Operation of the business:

- Almost all the business men involved in this business are ex-workers of their chosen field of business.
- They know to produce the goods effectively and efficiently.

Reasons for Low Marketing Operations:

- Marketing is the backbone of every good business, but in pollachi, Thanjavur, pudukkotai, Theni, Singampunari as we came to know from the values interpreted many of the units scored less than 50% in marketing activities they do.
- The literacy of the business men involved in the business.
- Their exposure to new marketing techniques.
- Lack of funds to invest
- Low competitiveness
- The above reasons disturb the potential of the marketing steps taken by the business men in various districts.

Reasons for Less Maintenance of Financials:

- Lack of awareness about loan, and subsidy schemes provided by the government organization and banks
- There is a huge gap between expectation of business man towards the banks and expectation of the bank towards the business man

DISTRICT WISE REPORT ON POSIBILE SICK UNITS:

DISTRICTS/CATAGEORY	VLP	LP	N	P	HP
THENI	0	0	0	0	6
SINGAMPUNARI	0	0	1	0	20
UTTAMAPALAYAM	0	0	0	0	5
POLLACHI	0	1	1	0	11
PERAVURANI	0	4	7	0	10
ALANGUDI	0	0	0	0	3
KEERAMANGAM	0	0	7	0	14

4.2 SUGGESSTIONS:

- The units can concentrate on reducing their wastes.
- The percentage of people procuring finance from unauthorized financial medium is considerably high. Efforts should be taken to bring this down.
- The gap between the people procuring finance and the financial institutions should be brought down.
- Employee shortage can be brought down with help of external agencies providing unskilled labor or by making a internal forum were all the unskilled labor are registered and can be rotated to different business units on a rotational bases.
- Efforts should be taken from the business units to bring down the supply chain of the coir yarn
- This can be done by involving in
  - Export activities
  - Supplying the yarn directly to business units which are involved in making mattresses and pillows
  - Yarn can also be supplied to business which makes furniture's
- Educating the business about value added products in business is essential
- Information flow from the coir board can be made digital i.e instead of hanging hoardings only near the regional coir office the information can be sent through digital platform via mobile phones as a testing practice
- The same can be implemented to the banking sector as well to bring them close to the business units.
- The units can seek the help of some willful NGO's for making some value added goods out of coir.

- Efforts should be taken by the coir board or MSME to bridge the coir manufacturers and value added products producers.
- The number of units which are making single product (i.e only coir yarn) is more in many cases. Efforts can be made to pack the coir dust into packets and these packets can be sold as natural fertilizers to the farmers with a common brand name to maintain uniformity in price and profitability to a certain extent possible.
- Exporting practice can be increased by educating the business units about the export procedures and scope of export in the coir industry and importantly aiding with good financial assistance.

V. CONCLUSION

The industry being such a low profile one has a wide scope of improvements. The suggestions given based on interpretation of the feedback of the unit owners is hoped to be effective and bring the required change to the cluster units.

The suggestions made also considered the feedback given by various stakeholders of the business like the suppliers, sellers, and banks.

To have a sustainable improvement the rehabilitation suggestions can be taken into serious consideration by the MSME for the improvement of the cluster. To achieve this sustainably attitude of the people has to change and the initial steps before such implementation should be on the people attitude which holds a key factor for their perception towards others (including concepts, techniques, and organization).

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