



Micro Manufacturing Enterprises: Use of Local Resources

KEYWORDS

Dr. P. Siva Kumar

Post- Doctoral Fellow, UGC, Dept. of Commerce, S.V. University, Tirupati -517502

Prof. B. Bhagavan Reddy

Dean, Faculty of Commerce and Management, S.V. University, Tirupati - 517502

1. Introduction

In the recent times, Micro, Small and Medium Enterprises (MSMEs) were assigned a key role in the process of rural industrialization on the premise that these would use local resources. Further, it is considered as an effective tool to sub-serve the national objective of growth with social justice. The specific objective of the study is to examine how far the micro manufacturing enterprises have used local resources in Chittoor district. The focus is on source of finance, use of hired labour, utilization of raw materials, products manufactured and so on. The universe of the study is Chittoor district. Of the categories of micro enterprises, as classified by the District Industries Centre, for a meaningful analysis of cross sectional data, 20 micro manufacturing units each are purposely brought into the sample frame. These are spread over agro, food and allied, mechanical and metallurgical, chemical, plastic and rubber, glass and ceramics and paper. Stratified random sample technique is conveniently adopted.

2. Capital : sources and assistance availed

A look at the Table 1 reveals that, of the total respondents, 28 per cent have financed their operations with their own funds and the remaining, 72 per cent, invested their own funds as well as borrowed funds Among the categories of respondents, 35 per cent in each of mechanical and metallurgical and chemical, plastic and rubber, 25 per cent in each of paper and agro, food and allied and 20 percent in glass and ceramics have invested their own funds and the remaining respondents utilized both their own and borrowed funds for financing their operations. In the case of own and borrowed funds, the share of respondents in glass and ceramics ranked first while that of respondents in both of mechanical and metallurgical and chemical, plastic and rubber came last in the order.

Table 1: Source of Finance to Sample Respondents

Source	Agro, food & allied	Mechanical & metallurgical	Chemical, Plastic & rubber	Glass & ceramics	Paper	Total
Own	5 (25.00)	7 (35.00)	7 (35.00)	4 (20.00)	5 (25.00)	28 (28.00)
Own & borrowed	15 (75.00)	13 (65.00)	13 (65.00)	16 (80.00)	15 (75.00)	72 (72.00)
Total	20 (100.00)	20 (100.00)	20 (100.00)	20 (100.00)	20 (100.00)	100 (100.00)

Notes : Figures in brackets indicate the percentage to total
Source : Sample survey.

It can be observed from the Table 2 that, banks have financed a majority of respondents in agro, food & allied activities (73.33 per cent) followed by chemical, plastic and rubber (69.23 per cent), paper (66.67 per cent), mechanical and metallurgical (46.15 per cent) and glass and ceramics (37.50 per cent). The friends and relatives have financed 15.38 per cent, 13.33 per cent, 7.69 per cent and 6.25 per cent of respondents in mechanical & metallurgical, paper, chemical, plastic and rubber and glass and ceramics sequentially. None of the friends and relatives have financed the respondents in the agro, food & allied category. Financial institutions have provided funds to 56.25 per cent of respondents in glass and ceramics followed by mechanical & metallurgical (38.47 per cent), agro, food & allied (26.67 per cent),

Table 2: Source-wise Funds Borrowed by Respondents

Source of borrowing	Agro, food & allied	Mechanical & metallurgical	Chemical, plastic & rubber	Glass & ceramics	Paper	Total
Banks	11 (73.33)	6 (46.15)	9 (69.23)	6 (37.50)	10 (66.67)	42 (58.33)
Friends & relatives	-	2 (15.38)	1 (7.69)	1 (6.25)	2 (13.33)	6 (8.33)
Financial institutions	4 (26.67)	5 (38.47)	3 (23.08)	9 (56.25)	3 (20.00)	24 (33.34)
Total	15 (100.00)	13 (100.00)	13 (100.00)	16 (100.00)	15 (100.00)	72 (100.00)

Notes : Figures in brackets indicate the percentage to total
Source : Sample survey.

chemical, plastic and rubber (23.08 per cent) and paper (20 per cent). When all the micro entrepreneurs are put together, the highest, 58.33 per cent were financed by banks followed by financial institutions (33.34 per cent) and friends and relatives (8.33 per cent). Banks are the primary source of borrowing to respondents in agro, food and allied, chemical, plastic and rubber and paper whilst financial institutions to glass and ceramics. The less share of institutional agencies is a welcome trend.

A glance at the Table 3 shows that, in aggregate terms, the highest, 54.72 per cent of respondents have availed soft loan followed by capital subsidy as well as soft loan (26.41 per cent) and capital subsidy (18.87 per cent). In the case of mechanical and metallurgical category, the high-

est, 81.82 per cent have availed soft loan and 18.18 per cent both capital subsidy/soft loan while those who have availed capital subsidy alone are absent. With regard to agro, food and allied, 66.66 per cent have availed soft loan and each of 6.67 per cent availed capital subsidy / soft loan.

Table 3: Type of Financial Assistance Availed by Sample Respondents

Kind of assistance	Agro, food & allied	Mechanical & metallurgical	Chemical, plastic & rubber	Glass & ceramics	Paper	Total
Capital subsidy	2 (16.67)	-	2 (20.00)	4 (44.44)	2 (18.18)	10 (18.87)
Soft loan	8 (66.66)	9 (81.82)	2 (20.00)	4 (44.44)	6 (54.55)	29 (54.72)
Capital subsidy/soft loan	2 (16.67)	2 (18.18)	6 (60.00)	1 (11.12)	3 (27.27)	14 (26.41)
Total	12 (100.00)	11 (100.00)	10 (100.00)	9 (100.00)	11 (100.00)	53 (100.00)

Notes : Figures in brackets indicate the percentage to total
Source : Sample survey

In respect of paper, 54.55 per cent have availed soft loan, 27.27 per cent capital subsidy/soft loan and 18.18 per cent capital subsidy only. In the case of chemical, plastic and rubber, 60 per cent have availed both the capital subsidy and soft loan, 20 per cent each soft loan and capital subsidy. With regard to glass and ceramics, these have formed 11.12 per cent and 44.44 per cent serially.

3. Use of hired labour

Ninety eight per cent of enterprises have employed hired labour and the rest, family members (see Table 4). Of the total respondents, the highest, 26.53 per cent, have employed hired labour in the range of 5-10 persons followed by 24.49 per cent in the order of 10-15 persons, 23.47 per cent less than 5 persons, 14.29 per cent in the group of 15-20 persons and the remaining, 11.22 per cent in the frequency of 20 persons and more. In the case of agro, food and allied, 21.05 per cent of respondents have employed less than 5 persons, 31.58 per cent in the range of 5-10 persons, 15.79 per cent each in the order of 10-15 persons, 15-20 persons and 20 persons and more.

Table 4: Details of Hired Labour Employed in Sample Enterprises

Size	Agro, food & allied	Mechanical & metallurgical	Chemical, plastic & rubber	Glass & ceramics	Paper	Total
Upto 5	4 (21.05)	5 (25.00)	5 (25.00)	2 (10.00)	7 (36.84)	23 (23.47)
5-10	6 (31.58)	9 (45.00)	4 (20.00)	7 (35.00)	-	26 (26.53)
10-15	3 (15.79)	3 (15.00)	7 (35.00)	6 (30.00)	5 (26.32)	24 (24.49)
15 - 20	3 (15.79)	2 (10.00)	3 (15.00)	4 (20.00)	2 (10.52)	14 (14.29)

20 and more	3 (15.79)	1 (5.00)	1 (5.00)	1 (5.00)	5 (26.32)	11 (11.22)
Total	19 (100.00)	20 (100.00)	20 (100.00)	20 (100.00)	19 (100.00)	98 (100.00)

Notes : Figures in brackets indicate the percentage to total
Source : Sample survey

With regard to mechanical and metallurgical group, 25 per cent have employed below 5 persons, 45 per cent in the order of 5-10 persons, 15 per cent in the frequency of 10-15 persons, 10 per cent in the level of 15-20 persons and 5 per cent in the range of 20 persons and more. In respect of chemical, plastic and rubber, the highest, 35 per cent of respondents have employed hired labour in the range of 10-15 persons followed by 25 per cent in the frequency of below 5 persons, 20 per cent in the class interval of 5-10 persons, 15 per cent in the level of 15-20 persons and the remaining, 5 per cent in the order of 20 and above persons. A like trend prevails in the case of glass and ceramics and paper. In respect of the former, the maximum, 35 per cent have employed hired labour in the range of 5-10 persons followed by 30 per cent in the order of 10-15 persons, 20 per cent in the class interval of 15-20 persons, 10 per cent below 5 persons and 5 per cent 20 or more persons. In the case of paper, the highest, 36.84 per cent were in the level of less than 5 persons, 26.32 per cent each in the range of 15-20 persons and 20 and above persons and 10.52 per cent in the order of 15-20 persons.

4. Raw materials: Sources and utilization

It is evident from the Table 5 that, of the total respondents, 33 per cent have used locally available raw materials in the village or surroundings, 18 per cent each

Table 5: Source of Raw Materials for Respondents

Source	Agro, food & allied	Mechanical & metallurgical	Chemical, plastic & rubber	Glass & ceramics	Paper	Total
Local	3 (15)	7 (35)	3 (15)	16 (80)	4 (20)	33 (33)
District	8 (40)	1 (5)	5 (25)	3 (15)	1 (5)	18 (18)
AP	8 (40)	5 (25)	3 (15)	-	2 (10)	18 (18)
Outside AP	1 (5)	7 (35)	9 (45)	1 (5)	13 (65)	31 (31)
Total	20 (100)	20 (100)	20 (100)	20 (100)	20 (100)	100 (100)

Notes: Figures in brackets indicate the percentage to total
Source: Sample survey

within Chittoor district and outside Chittoor district but within Andhra Pradesh (A.P) and the remaining, 31 per cent procured raw materials from outside A.P and but within the country. It can be observed that none had obtained raw materials from other countries in the globe. In the case of agro, food and allied, these have formed 15 per cent, 40 per cent each and 5 per cent respectively. With regard to mechanical and metallurgical, 35 per cent

have utilized locally available raw materials, 5 per cent within the district, 25 per cent outside Chittoor district but within A.P and the remaining, 35 per cent outside A.P but within the country. In respect of chemical, plastic and rubber, 45 per cent have used materials drawn from outside the state followed by 25 per cent from within the district and outside the mandal and 15 per cent each who use materials available locally and outside the district but within the state. It may be noted that, none of the units in glass and ceramics have procured raw materials from outside the district and within the state. Eighty per cent of respondents have procured raw materials locally, 15 per cent from outside the mandal but within the district and the balance, 5 per cent from outside the state and within the country. In respect of paper, 65 per cent of respondents have procured raw materials from outside the state and within India, 20 per cent locally, 10 per cent from outside the district and within the state and 5 per cent from outside the mandal but within the district. Fifty one per cent of enterprises have used raw materials available within the district. Only those units, whose operations are relatively on a large scale or demand based, relied on outside sources. These have to necessarily procure their raw material requirements from outside since what is available locally will not meet their needs. Sixty five per cent of paper units belong to the aforesaid category.

5. Products

A look at the Table 6 shows that, of the total number of micro enterprises, 83 per cent have manufactured single product whereas the remaining, 17 per cent, multiple products. All the units in chemical, plastic and rubber have manufactured

Table 6: Product Mix in Sample Micro Enterprises

Product mix	Agro, food & allied	Mechanical & metallurgical	Chemical, plastic & rubber	Glass & ceramics	Paper	Total
Single	15 (75)	14 (70)	20 (100)	19 (95)	15 (75)	83 (83)
Multiple	5 (25)	6 (30)	-	1 (5)	5 (25)	17 (17)
Total	20 (100)	20 (100)	20 (100)	20 (100)	20 (100)	100 (100)

Notes : Figures in brackets indicate the percentage to total

Source : Sample survey

single product only. The proportion of units which have manufactured single product was 95 per cent in glass and ceramics, 75 per cent in each of agro, food and allied and paper and 70 per cent in mechanical and metallurgical while the rest have produced multiple products. Since all the units are under micro category, the scope for the manufacture of multiple products is limited.

Conclusions:

Micro entrepreneurs have obtained funds from their own source as well as borrowed ones. Banks are the primary source of borrowing. The share of non-institutional sources is low when compared to institutional agencies. A majority of respondents in agro, food and allied, mechanical and metallurgical and paper have availed soft loan whereas

capital subsidy as well as soft loan in chemical, plastic and rubber. The size of micro enterprises measured in terms of number of hired labour varies across the industrial groups as well as aggregate level. Contrary to expectation, all the categories of units have obtained raw materials locally as well as from outside the state but within India. The share of multiple product enterprises is less as compared to single product ones.