

Food Processing Units of Ssi And Level Of Amount Spent On Other Items Of Working Capital In Kerala, Eranakulum District

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ABSTRACT: Small scale industry (SSI) plays an important role in the economy of the state Kerala of India. In spite of all the odds, the SSI sector has emerged as India's engine of growth in the new millennium. The SSI sector in India contribute almost 40% of the gross industrial value added, the study is undertaken by SSI units, from Primary data source. From this study, it has been found the working capital management is to decide the pattern of financing of the current assets, which is one of the biggest problems of working capital management. The SSIs has to decide about the sources of funds which can be avail to make investment in the current assets. The problem of working capital management of small-scale industries is not new.

1.1 INTRODUCTION

The role played by small business in the economic activity of Indian history since practically the beginning of the recorded time is significant. Out of the limited resources of information available, the first ever known piece of writing on small business, reflecting how banks would lend money at interest, appeared some more than 4000 years ago. Since then, small businessmen have given countless hours in the creation of products and services to benefit the consumer and society. The small-scale industrial sector, during the last 50 years, has made phenomenal progress in diverse activities despite the zooming mortality rate. It is contributing most to the Indian economy in the form of employment, contribution to national domestic product, foreign exchange earning etc. As on March 1995, the number of small-scale units in the country stood at 19 Lacs in the organized sector, manufacturing about 7500 items, some of them based on local crafts, skills and raw materials, while others were employing sophisticated technologies and turning out products that compete even in the international markets. The total employment in the sector is over 437 Lacs persons as in 1990-91. With regard to employment, it stands next to the agricultural sector, which is the biggest employer in the economy. 1.2. Small Scale Industries in Post Independence Era After independence, several entrepreneurship development programs had been started to develop the skill, knowledge, and competence among the entrepreneur. In spite of various entrepreneurship development programmes launched by the Govt. and nongovernment agencies, the entrepreneurs are encountering a number of problems for establishing economically viable small-scale industries like lack of physical facilities like, communication, transport and storage, lack of quality control measures, selection of products, non-availability of right type of raw material, lack of managerial competence, poor linkage with marketing bodies, lack of trained workers, low scale of production, improper communication with other developmental agencies. Long and complicated procedures to avail institutional help, lack of Govt. support and incentives, lack of sufficient finance and working capital and problems in procuring finance as well as loan from different agencies (Shehrawat, 2006).

1.2. STATEMENT OF THE PROBLEM

An idea of the importance of working capital can be had from the fact that the management of current assets and current liabilities occupies the largest portion of a financial manager's time. It is reliably estimated that the finance manager spends between 80% and 90% of his time in day-to-day financial decisions involving short term assets and liabilities. Although current assets vary from industry to industry, they constitute between 50% and 60% of the total assets of manufacturing concerns (Jones, 1978). Working capital management is particularly very important for small firms to manage their current assets and current liabilities very carefully.

A small firm may not have much investment in fixed assets and it can minimize its investment in fixed assets by renting or leasing plant and machinery, but there is no way it can avoid an investment in current assets such as cash, accounts receivables and inventories. Therefore, current assets are particularly significant for the financial management of small firms.

1.3 IMPORTANCE OF WORKING CAPITAL

Every industry needs working capital to run the day-to-day business activities. Particularly in SSI, the enterprise is going to collapse without adequate supply of working capital. According to S.C.Kuchhal working capital is a business enterprises may be compared to the blood of the human body; blood gives life and strength to the business organisation. It has been pointed out by RBI that a firm's profitability may be increase as more working capital is added to fixed capital provided the firm does not exceed cent present capacity. To examine the needs to working capital basically there are two types of Permanent as well as Temporary working capital. To examine the source of working capital there are three sources such as long term, short term and transactionary source

1.4 OBJECTIVES OF THE STUDY

To analyses the working capital management of the Small Scale Industries in Kerala, Ernakulam.
To offer the suitable suggestions to improve the working capital of SSI units.

1.5 METHODOLOGY OF THE STUDY

The design of the present study is descriptive, analytical and conclusive. Using simple random sampling technique, 4 food product groups namely spice powder, curry powder, pickle and jam products were selected and 600 small units manufacturing the above food products were further selected by applying convenient random sampling method. Interview schedule was circulated among 150 units manufacturing each of selected food products in Ernakulam district. For this study, the food processing units were selected based on the following criteria, namely,

- i. The units should be registered under District Industries Centre (DIC), Ernakulam.
- ii. The manufacturing units should have operated for a minimum period of 2 years at the time of research.

All the questionnaires were filled and collected for a critical analysis and interpretation. The data was tabulated and statistically interpreted.

In order to pursue the research on various marketing problems faced by MSMEs, 600 small units were selected from Ernakulam district in Kerala. The study was carried out in the MSMEs located in Ernakulam district. The total number of MSMEs in Ernakulam and its environs were around 27973. The units manufacturing the selected food products - spice powder, curry powder, pickle and jam was around 1000 units. Out of the total, 600 food processing units were taken for the study. Well structured interview schedule was prepared for conducting survey. For the present study, primary data were collected for analysis. However, to substantiate the views in course of the analysis and to provide the review, secondary data was also used. These data and information was collected from different sources like newspapers, magazines, journals, books, websites and pamphlets. Various institutions like DIC of Ernakulam, Cochin University for Science and Technology (CUSAT), District Statistical Office at Ernakulam, Mahatma Gandhi University Library and Bharata Mata College Library were utilised. Chi-square test has been used in this study.

1.6 ANALYSIS AND INTERPRETRATION

Type of Food Processing Units and Level of Amount Spent on Other Items of Working Capital

The selected food processing units were analysed with respect to level of amount spent on other items of working capital such as power, fuel, chemicals and other consumables.

TABLE - 1
TYPE OF FOOD PROCESSING UNITS AND LEVEL OF AMOUNT SPENT ON OTHER ITEMS OF WORKING CAPITAL – TWO –WAY TABLE

Type of Food Processing Unit		Amount Spent on Other Items of Working Capital			Total
		Low	Moderate	High	
Spice Powder	Number of units	51	42	57	150
	%	34.0	28.0	38.0	100.0
Curry Powder	Number of units	45	72	33	150
	%	30.0	48.0	22.0	100.0
Pickles	Number of units	54	51	45	150
	%	36.0	34.0	30.0	100.0
Jam	Number of units	48	57	45	150
	%	32.0	38.0	30.0	100.0
Total	Number of units	198	222	180	600
	%	33.0	37.0	30.0	100.0

Source: Primary data

Table revealed that, about 38 per cent of 'spice powder' producing units have spent 'high' amount on other items of working capital, 34 per cent of 'spice powder' producing enterprises have spent 'low' amount on other items of working capital and 28 per cent of the enterprises have spent 'moderate' amount on other items of working capital. About 48 per cent of 'curry powder' producing enterprises have spent 'moderate' amount on other items of working capital, 30 per cent of 'curry powder' producing enterprises have spent 'low' amount on other items of working capital and 22 per cent of the enterprises have spent 'high' amount on other items of working capital.

About 36 per cent of the 'pickle' producing enterprises have spent 'low' amount on other items of working capital, 34 per cent of the enterprises have spent 'moderate' amount on other items of working capital and 30 per cent of the 'pickle' producing enterprises have spent 'high' amount on other items of working capital. About 38 per cent of the 'jam' producing enterprises have spent 'moderate' amount on other items of working capital, 32 per cent of the enterprises have spent 'low' amount on other items of working capital and 30 per cent of the 'jam' producing enterprises have spent 'high' amount on other items of working capital.

On the whole, 37 per cent of the food processing units have spent 'moderate' amount on other items of working capital, 33 per cent of the food processing units have spent 'low' amount on other items of working capital, and 30 per cent have spent 'high' amount on other items of working capital.

To find out the association between 'type of food processing units' and 'level of amount spent on other items of working capital', Chi-square test was applied.

The hypotheses tested was

: There is no significant association between type of food processing units and level of amount spent on other items of working capital by the food processing units.

: There is significant association between type of food processing units and level of amount spent on other items of working capital by the food processing units.

TABLE - 2
TYPE OF FOOD PROCESSING UNITS AND LEVEL OF AMOUNT SPENT ON OTHER ITEMS OF WORKING CAPITAL - CHI-SQUARE TEST

Chi-Square Value	Df	P Value	Significance
15.904	6	0.014*	Significant

Source: Calculated data

Note: * Significant at 5% level

From Table 4.18, it is understood that the Chi-square value is 15.904 and the p value (.014) is less than 0.05 and the result is significant at 5 per cent level. Hence, the null hypothesis (H_0) is rejected and alternative hypothesis (H_1) is accepted. Thus from the analysis it is concluded that there is an association between type of food processing units and level of amount spent on other items of working capital of the selected food processing units.

1.7. SUGGESTIONS OF THE STUDY

Food processing unit, to meet such current obligations due to lack of good liquidity position, its goodwill in the market is likely to be affected beyond repair. It will result in a loss of creditor's confidence in the firm and may cause even closure of the firm. Even a very high degree of liquidity is not good for a firm because such a situation represents unnecessarily excessive funds of the firm being tied-up in current assets. Therefore, it is very important to have a proper balance in regard to the liquidity of the firm. Two types of ratios calculated for measuring short-term financial position or short-term solvency of a firm. Liquidity refers to the ability of a concern to meet its current obligations as and when these become due. The short-term obligations are met by realising amounts from current, floating or circulating assets. The current assets should either be liquid or near liquidity. These should be convertible into cash for paying obligations of short-term nature. The sufficiency or insufficiency of current assets should be assessed by comparing them with short-term (current) liabilities. If current assets can pay off current liabilities, then liquidity position will be satisfactory. The bankers, suppliers of goods and other short-term creditors are interested in the liquidity of the concern. Funds are invested in various assets in business to make sales and earn profits. The efficiency with which assets are managed directly affect the volume of sales. The better the management of assets, the larger is the amount of sales and the profits.

1.8 CONCLUSION OF THE STUDY

The study is undertaken by small scale food processing units, data from Primary data source. From this study, it has been found the working capital management is to decide the pattern of financing of the current assets, which is one of the biggest problems of working capital management. The SSIs has to decide about the sources of funds, which can be avail to make investment in the current assets. The problem of working capital management of small scale industries is not new, it is prevailing in India. The SSI units are low capital base where investment on fixed assets found to be less. Without the help of government support and financial institutions co-operation, it is very difficult to solve the problem of working capital management of food processing units of (SSI) of Kerala.

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