
FINANCIAL PERFORMANCE OF SMALL SCALE ENTERPRISES IN CHITTOOR DISTRICT OF ANDHRA PRADESH

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ABSTRACT

Small-scale enterprises play a key role in the industrialization of a developing country. This is because they provide immediate large-scale employment and have a comparatively smaller markets to be economic; they need lower investments, offer a method of ensuring a more equitable distribution of national income and facilitate an effective mobilization of resources of capital and skill which might other-wise remain unutilized; and they stimulate the growth of industrial entrepreneurship and promote a more diffused pattern of ownership and location. Small scale industries function as ancillaries to large scale industries. They produce parts, components and accessories required by large scale industries. This paper consists of structure and pattern of assets and liabilities, financial performance of SSEs in Chittoor district of Andhra Pradesh. The statistical tools like simple percentages, averages, linear growth rates, and ratio analysis are used to evaluate the financial Performance of the selected sample units.

Keywords: SSEs; Financial Performance; Chittoor District

INTRODUCTION

Small scale industries contribute significantly to social and economic development objectives such as – labour absorption, income distribution, rural development, poverty eradication, regional balance and promotion of entrepreneurship. In fact they play an important in the process of a country's industrial development. Particularly in developing countries, small labour-intensive industries have been favored basically to create employment opportunities in an economy with abundant unskilled labour, even though such industries may not always be supported on grounds of economic efficiency. In addition, a low capital requirement, given an appropriate market environment, is believed to stimulate growth of numerous industries with wide regional dispersal. This helps to promote balanced growth, ensure more equitable income distribution, as well as diversification of the industrial structure which often leads to increased utilization of national resources. The process, if properly nurtured, can help the entrepreneurial class and boost capital formation as well as lead to the growth of industries in the small scale sector in both urban and rural areas. Such processes create the basis for transformation of technology management and pave the way for creative development while sustaining national heritage and skills. It will also contribute to the growth of the right type of entrepreneurship in the country.

REVIEW OF LITERATURE

In this context, Dhar and Lydall (1961)¹ have expressed their doubt as to the economy in the use of capital in small-scale industries. In their words „these small factories are actually capital intensive i.e., use more capital per unit of output than the large factories. Still small scale industries are known to their labour intensity compared to large scale industrial units. Besides, in small scale industrial units even the semi-skilled and un-skilled workers could also be employed effectively.

Hence, this industrial sector is more suitable for the labour surplus economies. Further, the employment potential per unit of capital is more in small scale industrial sector than in larger ones.

Bhat (1972)² Committee, the employment generating capacity of small scale industrial units as reflected in the employment generation per fixed capital was about seven times higher than that of large undertakings. The value added by manufacture per unit of fixed capital of small units was over three times than that of large units. Lucken and Stares (2005) many developing countries see small and medium sized Enterprises (SMEs) that exporters themselves are facing a dilemma. They do not know how to respond to the rising social and environmental requirements of global buyers and supply chains. Sivasankar.P.R., and K. Ekambaram (2006) in his article “Role of Public Sector Banks in the development of small scale sector in India” reveals that flow of timely and adequate credit accelerates the development of industry. Banks are the major sources of finance to small-scale industries and banks provide both short term working capital and long term capital for plant and machinery. Nirankar Srivastav and Rickey A.J.Syngkon (2007), according to them, it is evident that the number of SSIs are growing in the state in a significant manner. Meghalaya’s: Economy has begun to join the process, which is known as preliminary stage of “Industrialization”. At this stage, it is not possible to take full advantage of technology and economies of scale by the existing SSIs and the economy at large. As a result in the present form this sector is not in a position to contribute to the growth of state economy in a big way. It then appears that unexploited sources, scale of economies/positive externalities, technology applications and research and development could become the key factors for the further growth of the economy of Meghalaya. It is recommended to develop additional industries in the state that lead to the full exploitation of economies of scale and technical advances to lead the state to a solid, stable and sure progress.

OBJECTIVES OF THE STUDY

1. To know the assets and liabilities structure of the sample small scale enterprises in Chittoor district
2. To examine the investment pattern of sample small scale enterprises in Chittoor district
3. To evaluate the financial performance small scale enterprises in Chittoor district

METHODOLOGY

The empirical data have been collected for analyzing financial performance of small scale enterprises by conducting a survey by using an interview schedule. The primary data are used mainly for evaluating the performance of small scale industries in Chittoor district. The interview schedule has been structured by the researcher himself. For identifying the variables to be used in the interview schedule, the researcher conducted a trial interview with 59 units in Chittoor District of small scale industrial entrepreneurs. The period of study pertains to 10 years from 2006- 07 to 2015-16. Secondary data were collected from published and unpublished sources. They are collected from books, journals, reports and published documents of District Industries Centre, Department of Statistics, Ministry of Small Scale Industries, Government of India, New Delhi.

Sampling

The main objective of the study is to evaluate the financial performance of SSEs in Chittoor district. The researcher purposively selected Chittoor district for the study due to proximity and familiarity. The SSI units registered with DIC in Chittoor district during 2006-07 are listed out as per the industrial category. From this list, a sample of 5 per cent of units is drawn covering all the categories of industrial units using Simple Random Sampling without Replacement (SRSWOR).

The sample consists of 59 units in Chittoor District (CRD) of Andhra Pradesh covering all the Industrial categories. Tools for Analysis In order to examine the "Financial Performance of Small Scale Enterprises in Chittoor District of A.P", the data collected in this regard is analysed by using the different statistical tools and techniques. The statistical tools like simple percentages, averages, Linear Growth Rates, and ratio analysis are used to evaluate the financial performance of the selected sample units.

ANALYSIS OF DATA

Financial effectiveness of the Small Scale Industries was analysed with the help of financial and statistical tools and techniques like growth rates, ratio analysis, etc. Ratio analysis is a powerful device to analyze and interpret the financial health of the firm. This not only helps the management in decision making and control but also serves as a useful tool for all, concerned with the firm. The financial effectiveness of the Small Scale Industries was evaluated in three different dimensions namely operational efficiency, financial efficiency and liquidity efficiency. This chapter highlights the financial performance of sample small-scale industries in Chittoor District. Structure and Pattern of Assets and Liabilities.

The sources of finance that is whether owned or borrowed will also be an important factor in the financial analysis of an industry. The details of sources of funds of the selected 59 small scale enterprises in Chittoor District are presented in Table 1. The analysis of sources of funds to the selected enterprises presented in the table clearly indicates that over the years of 2006-07 to 2015-16, the total capital of all the enterprises increased from Rs.1784.16 lakhs to Rs.3258.40 lakhs registering a linear growth rate of 10.25 per cent per annum. The owned capital, increased from Rs.921.92 lakhs to Rs.1305.33 lakhs between 2006-07 and 2015-16 registered a linear growth rate of 7.09 per cent per annum. On the other land, loaned capital rising from of Rs. 862.24 lakhs to Rs. 1952.87 lakhs recorded a higher growth rate of about 13.63 per cent per annum during the period 2006-07 and 2015-16 under study.

In other words the importance of loaned capital in the total capital increased during the study period. This could also be understood from the fact that the proportion of owned capital in the total capital declined from 51.67 per cent to 40.06 per cent during the period 2006-07 and 2015-16. Conversely, the share of loaned capital improved from 48.32 per cent to 59.93 per cent during the same period. The steady decline in the lending rates of banks, excess liquidity with banks is the reasons for the increased share of loaned capital relating to owned capital during the period under study. Table 1.Sources of funds of sample Small Scale Industries in Chittoor district (Rs. in lakh).

Table 1. Sources of funds of sample Small Scale Industries in Chittoor District (Rs. in lakh)

Year	Owned capital	Loaned capital	Total investment
2006-07	921.92 (51.67)	862.24 (48.32)	1784.16 (100)
2007-08	796.40 (44.46)	994.64 (55.53)	1791.04 (100)
2008-09	684.52 (36.45)	1193.35 (63.54)	1877.87 (100)
2009-10	942.24 (43.88)	1204.95 (56.11)	2147.19 (100)
2010-11	1042.94 (45.04)	1272.49 (54.96)	2315.43 (100)
2011-12	1164.27 (46.94)	1315.92 (53.05)	2480.19 (100)
2012-13	1221.62 (44.78)	1505.82 (55.21)	2727.44 (100)
2013-14	1256.92 (43.29)	1645.94 (56.70)	2902.86 (100)
2014-15	1296.72 (40.51)	1903.69 (59.48)	3200.41 (100)
2015-16	1305.53 (40.06)	1952.87 (59.93)	3258.40 (100)
LGR	7.09	13.63	10.25
CGR	6.55	8.99	7.84

Source: Field Survey

Note: 1. Figures in parenthesis represent the percentages 2. LGR: Linear Growth Rate; CGR:Compound Growth Rate

Table 2 provides details of fixed and current assets of the select small scale units in Chittoor District. It is seen from the table that in the beginning years fixed assets constituted an overwhelming of total assets. But over the years the proportion of fixed assets has been declining steadily. Conversely the proportion of current assets has been increasing steadily. In the year 2006-07 the fixed assets accounted for Rs. 1274.34 lakhs and current assets accounts for Rs. 545.32 lakhs constituting 70.03 per cent and 29.96 per cent respectively. Over the years the share of fixed assets declined to 38.73 per cent and that of current assets increased to 61.26 per cent even though in absolute terms both the type of assets were at a higher level in the 2006-07 when compared to 2005-06 the growth of fixed assets was negative at -0.76 per cent during the period under study. On the other hand, the current assets displayed spectacular performance by rising at the average annual growth rate of 27.33 per cent per annum during the period under study. The increase in the share of current assets and decrease in the share of fixed assets are expected in growing concern because with increase in the business share of current assets such as bills receivable, cash, debtors are bound to increase and hence the relative share of current assets in the total assets also would increase. Consequently the income and profit of the units would also increase.

Table: 2 Investment pattern of selected Small Scale Industries during 2007-2016 (Rs. in lakh)

Year	Fixed Assets	Current Assets	Total Assets
2006-07	1274.34 (70.03)	545.32 (29.96)	1819.66 (100)
2007-08	1347.22 (69.35)	595.34 (30.64)	1942.56 (100)
2008-09	1393.44 (69.40)	614.37 (30.59)	2007.81 (100)
2009-10	1505.30 (68.43)	694.32 (31.56)	2199.62 (100)
2010-11	1596.72 (68.56)	732.14 (31.43)	2328.86 (100)
2011-12	1456.66 (65.05)	782.34 (34.94)	2239.00 (100)
2012-13	1492.35 (59.58)	1012.42 (40.41)	2504.77 (100)
2013-14	1306.79 (49.32)	1342.51 (50.69)	2649.30 (100)
2014-15	1296.22 (43.34)	1694.35 (56.65)	2990.57 (100)
2015-16	1204.59 (38.73)	1905.09 (61.26)	3109.68 (100)
LGR	-0.76	27.33	7.66
CGR	-0.74	15.44	5.98

Source: Field Survey

Note: Figures in parenthesis represent the percentages

Management & Technology

Table 3 reveals the information on the liability pattern of the selected small scale enterprises during 2007-2016. It is seen from the table that in the year 2006-07 in the total liabilities of Rs. 1847.28 lakhs, Proprietary funds constituted about 49.40 per cent, long term liabilities about 36.71 per cent and current liabilities 13.38 per cent. Thus proprietary funds constituted more than half and long term liabilities about one-third of total liabilities. Over the years the share of proprietary funds decreased and correspondingly the share of current liabilities increased. The long term liabilities by and large remained around 36 per cent. For instance, in the year 2015-16 proprietary funds constituted only 43.48 per cent when compared to current liabilities that rose to the level of 25.93 per cent. The long term liabilities broadly remained stagnant at 30.61 per cent. The analysis of growth rate of these variables indicated that the current liabilities registered the highest growth rate of about 20.00 per cent per annum as against proprietary funds that registered a growth rate of only 7.09 per cent. The long term liabilities grow by 4.32 per cent per annum during the period under study.

Table 3. Liability pattern of selected Small Scale Industries during 1998-2007 in Chittoor district (Rs. in lakh)

Year	Proprietary funds	Long-term liabilities	Current liabilities	Total liabilities
2006-07	921.92 (49.90)	678.19 (36.71)	247.17 (13.38)	1847.28 (100)
2007-08	796.40 (43.69)	635.15 (34.84)	391.15 (21.45)	1822.70 (100)
2008-09	684.52 (37.27)	648.00 (35.28)	504.01 (27.44)	1836.53 (100)
2009-10	942.24 (44.89)	651.13 (31.02)	505.51 (24.08)	2098.88 (100)
2010-11	1042.94 (47.01)	639.96 (28.54)	527.98 (23.88)	2210.88 (100)
2011-12	1164.27 (48.09)	699.94 (28.91)	556.36 (22.98)	2420.57 (100)
2012-13	1221.62 (46.43)	799.67 (30.39)	609.58 (23.61)	2680.87 (100)
2013-14	1256.92 (46.40)	840.68 (31.03)	611.19 (22.56)	2708.79 (100)
2014-15	1296.72 (45.48)	807.96 (28.33)	746.28 (26.17)	2850.96 (100)
2015-16	1305.53 (43.48)	919.90 (30.61)	779.05 (25.93)	3004.58 (100)
LGR	7.09	4.32	20.00	7.75
CGR	6.56	3.97	10.48	6.35

Source: Field Survey Financial Performance of Small Scale Enterprises

Note: Figures in parenthesis represent the percentages

The performance of study units can be analysed in term of some relevant indicators. Financial analysis generally used different ratios in order to analyse the financial performance of units. Table: 4 furnishes details of financial ratios of sample units of Chittoor district, the values of the ratios such as current ratio, debt assets ratio, debt equity ratio and proprietary ratio etc. In the second column the values of current ratio are furnished. It could be seen that in all most all the years the current ratio, which is the quotient of current asset to current liabilities, is greater than unity indicating that current asset are greater than current liabilities.

In fact, in recent years current ratio has been steadily raising from 2.20 in 2006-07 to 2.44 in 2015-16. The third column of the table furnished debt assets ratio. The debt assets ratio is defined as the ratio of total debt to total assets. It is heartening to note that in all the years the debt assets ratios have been less than one indicating that the small scale enterprises are managed most efficiently. The ghost of debt has been kept under control so that it has not eaten away the assets

of the concerns. The fourth column of the table provides the debt equity ratio in the small scale enterprises in the Chittoor District. The debt equity ratio defined as a ratio of current liabilities and long term liabilities to equity as well as owned funds of the units. The debt equity ratio was very low and less than one in the year 2006-07.

It reached the maximum level of 1.49 in the year 2015-16. Though the debt equity ratio declined for some years, subsequently it began to rise in recent years. The fifth column of the table contains proprietary ratio. The proprietary ratio is defined as ratio of share holders' funds including owners' capital to total assets. A successful enterprise should manage to keep the proprietary ratio at less than 0.5. The proprietary ratio is 0.51 in the year 2006-07, the proprietary ratio has been steadily declined indicating that the firm have accumulated assets in relating to owner's capital.

Table 4. Different financial ratios of sample units from 2006 to 2016 in Chittoor District

Year	Current Ratio	Debt-Assets Ratio	Debt-Equity Ratio	Proprietary Ratio
1	2	3	4	5
2006-07	2.20	0.47	0.93	0.51
2007-08	1.52	0.51	1.24	0.44
2008-09	1.21	0.59	1.74	0.36
2009-10	1.37	0.54	1.27	0.43
2010-11	1.38	0.55	1.22	0.45
2011-12	1.40	0.58	1.13	0.46
2012-13	1.66	0.06	1.23	0.44
2013-14	2.19	0.62	1.30	0.43
2014-15	2.27	0.63	1.46	0.41
2015-16	2.44	0.62	1.49	0.40

Activity-Wise Investment Pattern of Sample Units

Table 5 shows activity- wise investment pattern of sample units in Chittoor district during the year 2015-16. The entrepreneurs depend on owned capital to larger extent in the initial stage and as years passed by, they resorted to the borrowed capital, as could be observed from the table, in all the different categories SSI units, the shares of loaned capital increased between 2006-07 and 2015-16. For instance, the total capital of Rs.3258.40 lakhs in the all units. There were also considerable variations in the share of loaned and owned capitals in different types of activity units. For instance, the share of loaned capital was very high about 63.70 per cent in the misc products units. Conversely, the share of owned capital was very less about 36.24 per cent in the miss products units. In the case of general and engineering units share of loaned capital is low at about 48.29 per cent. It is 58.23 per cent in printing stationary units and 58.41 per cent in electrical and electronics units.

Table 5. Activity-wise investment pattern of sample units during 2015-16 in Chittoor District

Industry Group	Total		
	Loaned Capital	Owened Capital	Total
1. Food and Beverages	31.24 (59.47)	21.29 (40.52)	52.53 (100.00)
2. Textile and Garments	399.40 (60.60)	259.62 (39.39)	659.02 (100.00)
3. Wood based	34.94 (59.72)	22.19 (40.23)	57.13 (100.00)
4. Printing Stationary	34.36 (58.23)	24.64 (41.76)	59.00 (100.00)
5. Gneral and Engineering	169.27 (48.29)	181.19 (51.70)	350.46 (100.00)
6. Electrical and Electronics	35.42 (58.41)	25.22 (41.58)	60.64 (100.00)
7. Misc. Products	760.22 (63.70)	432.20 (36.24)	1192.42 (100.00)
8. Other services.	490.03 (59.09)	339.22 (40.00)	829.25 (100.00)
Total	1952.87 (59.93)	1305.53 (40.06)	3258.40 (100.00)

Source: Field Survey

Note: Figures in parenthesis represent the percentages

Category-Wise Liability Pattern of Sample Units

Table 6 shows that category-wise capital structure of the selected units during 2015-16 in Chittoor District. It could be seen from the table that in the year 2015-16, there were 8 categories in the units of food and beverages, textile and garments, wood based, printing stationary, General and Engineering, Electrical & Electronics, miscellaneous products and other services units.

Table 6. Category-wise capital of the selected SSI units during 2006-07 Chittoor District

Industry Group	No. of units	proprietors funds	Long term	Current	Total
			liabilities	liabilities	
1. Food and Beverages	1	45.29 (58.91)	21.25 (26.69)	10.29 (13.38)	76.83 (100.00)
2. Textile and Garments	11	101.92 (31.33)	123.42 (37.94)	99.94 (30.72)	325.28 (100.00)
3. Wood based	1	44.27 (58.88)	20.92 (27.82)	9.99 (13.28)	75.18 (100.00)
4. Printing Stationary	1	43.21 (58.28)	21.09 (28.44)	9.84 (13.27)	74.14 (100.00)
					Cont..

5. General and Engineering	3	89.23 (52.78)	40.71 (24.08)	39.10 (23.13)	169.04 (100.00)
6. Electrical and Electronics	1	43.92 (59.20)	20.25 (27.29)	10.01 (13.49)	74.18 (100.00)
7. Misc. Products	28	747.40 (42.06)	530.29 (29.84)	499.29 (28.07)	1776.98 (100.00)
8. Other Services	13	190.29 (43.95)	141.93 (32.78)	100.69 (23.25)	432.91 (100.00)
Total	59	1305.53 (43.45)	919.90 (30.57)	779.15 (25.93)	3004.58 (100.00)

Source: Field Survey

Note: Figures in parenthesis represent the percentages

The first category contain only 1 unit with a total capital of Rs.76.83 lakhs, proprietary funds had Rs. 45.29lakhs or about 58.91 per cent, long term liabilities Rs. 21.25 lakh or about 26.69 per cent and current liabilities Rs. 10.29 lakhs about 13.38 per cent respectively. The Textiles & Garment units had a total capital of Rs. 325.28 lakhs with 11 units. The proprietary funds were Rs.101.92 lakhs or about 31.33 per cent, long term liabilities had Rs.123.42 lakhs or about 37.94 per cent and Rs. 99.44 lakhs were in the current liabilities category respectively. The total capital of Rs.1776.98 lakhs were in miscellaneous products category, proprietary funds constituted of Rs. 747.40 lakhs or about 42.06 per cent as well as long term liabilities of Rs. 530.29 lakhs or about 29.84 per cent and current liabilities of Rs. 499.29 lakhs or about 28.07 per cent respectively.

Category-Wise Investment Pattern of Sample Units

Table 7 presents the category-wise investment pattern of selected SS1 during 2015-16 in Chittoor District. The table reveals that 38.73 per cent constitute fixed assets, 61.26 per cent are current assets of the total sample of 59 units. It could be seen from the table that in the beginning of the study year, fixed assets constituted an overwhelming proportion of total assets. But over the years, the proportion of fixed assets had declined to Rs. 1204.59 lakhs and current assets to Rs. 1905.09 lakhs constituting 38.73 per cent 61.26 per cent respectively. The highest category is food and beverages with 49.47 percent of the fixed assets and 50.52 percent of current asset and the lowest category is other services with 36.07 percent of fixed assets and 63.92 percent of current assets.

Table 7. Investment pattern of SSI during 2015-16 in Chittoor District Industry Group (Rs. in lakh)

Industry Group	Total		
	Fixed Assets	Current Assets	Total
1. Food and Beverages	9.99 (49.47)	10.20 (50.52)	20.19 (100)
2. Textile and Garments	172.14 (42.49)	232.90 (57.50)	405.04 (100)
3. Wood based	10.01 (47.66)	10.99 (52.33)	21.00 (100)
4. Printing Stationary	11.21 (48.27)	12.01 (51.72)	23.22 (100)
5. General and Engineering	40.04 (46.57)	45.92 (53.42)	85.96 (100)

Source: Field Survey

Note: Figures in parenthesis represent the percentages

Category-Wise Financial Ratios

Table 8 provides financial ratios for different categories of SSI units in Chittoor District during the year 2006-07. The ratios enable to present changing trends in financial ratios of SSI units in the District in the years 2006-07 and 2015-16. The current ratio expresses relationship between current assets and current liabilities. Another indication of the financial performance is debt assets ratio which is unequivocally increased at the beginning and moved up and down at end of the study period in all the categories of study units in the district, the highest being 1.444 for services and lowest being 0.991 for Food & Beverages units. The equity ratios were all less than one during the year 2006-07. Another important ratio is proprietary ratio which indicates the ratio of share holders funds to total assets decreased in value for all the categories of SSI units. The solvency ratio of all the study units increased during 2006-07 mainly due to the increase in both short term & long term liabilities of the units.

Category-Wise Financial Ratios

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Table 8. Category-wise financial Ratios for different categories of SSI units during 2015-16 in Chittoor District

Industry Group	Current Ratio	Debt-Assets Ratio	Debt-Equity Ratio	Proprietary Ratio	Solvency ratio
1. Food and Beverages	0.991	1.547	0.997	0.405	1.564
2. Textile and Garments	2.330	0.986	1.538	0.393	0.551
3. Wood based	1.100	1.569	1.485	0.402	1.471
4. Printing Stationary	1.220	1.479	1.394	0.417	1.332
5. General and Engineering	1.174	1.968	0.934	0.517	0.928
6. Electrical and Electronics	1.257	1.506	1.404	0.415	1.287
7. Misc. Products	2.383	0.395	1.779	0.362	0.536
8. Other Services	3.875	0.802	1.444	0.409	0.397
Total	14.33	10.252	10.975	3.320	8.066

Source: Computed for the data obtained from the field survey.

FINDINGS

- The total capital of all the 59 enterprises increased from Rs.1784.16 lakhs to Rs.3258.40 lakhs registering linear growth rate of 10.25 per cent per annum during 2006-07 to 2015-16.
- Over the years the share of fixed assets declined to 38.73 per cent and that of current assets increased to 61.26 per cent even though in absolute terms both the types of assets were at a higher level in the year 2015-16 when compared to 2005-06. The growth of fixed assets

was negative at -0.76 per cent during the period under study. Proprietary funds constituted about 49.90 per cent, long term liabilities about 36.71 per cent and current liabilities 13.38 per cent.

- Current ratio has been steadily rising from 2.20 in 2006-07 to 2.44 in 2015-16. The debt assets ratio is defined as the ratio of total debt to total assets. The debt equity ratio was very low and less than one in the year 2006-07. It reached the maximum level of 1.49 in the year 2015-16.
- The category-wise investment pattern in CRD reveals that 38.73 per cent constitute fixed assets, 61.26 per cent are current assets of the total sample of 59 units. But over the years, the proportion of fixed assets had declined to Rs. 1204.59 lakhs and current assets to Rs.1905.09 lakhs constituting 38.73 per cent 61.26 per cent respectively. The highest category is food and beverages with 49.47 percent of the fixed assets and 50.52 percent of current asset and the lowest category is other services with 36.07 percent of fixed assets and 63.92 percent of current assets.
- Financial performance of study units namely debt assets ratio unequivocally increased in the beginning and moved up and down at end of the study period in all the categories of study units in the district, whereas the debt equity ratios were less than one during the year 2015-16.
- The details of fixed assets and current assets Investment pattern of selected SSI is 70.03 per cent of fixed assets and 29.96 per cent of the currents assets in the total sample of the 59 SSI units in Chittoor District during 2006-07.
- In Chittoor District, 59 sample SSI units total capital is Rs.1784.16 lakhs. Loaned capital constitutes Rs. 862.24 lakhs or about 48.32 per cent and owned capital constitute Rs. 921.92 lakhs or about 51.67 per cent.
- The debt assets ratio unequivocally increased between beginning and end of the study period in all the categories of study units in the district the total debt assets ratio 3.266. The ratio of fixed assets to proprietary funds actually increased from 0.806 to 1.522. The solvency ratio of all the study units increased between 2006-07 and 2015-16.

CONCLUSION

A significant feature of the Indian economy since independence is the rapid growth of the small industry sector. This sector plays a pivotal role in the economy in terms of number of units, employment, production and its growth has recorded a high rate since independence, in spite of stiff competition from the large scale sector. Hence, this sector has emerged as a dynamic and vibrant sector of the economy. The steady decline in the lending rates of banks, excess liquidity with banks is the reasons for the increased share of loaned capital relating to owned capital during the period under study. Working capital position is good and there is stability of current assets, but no consistency of financial performance in sample SSI units during the period. The study also identified that the solvency ratio of all the study units increased during 2015-16 mainly due to the increase in both short term & long term liabilities of the units. Also it is concluded that it is essential to maintain sufficient fixed assets, for this the banks and other financial institutions have to provide required assistance to sustainable development.

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