ABSTRACT

Though the role of small scale industries has been recognised by the developed as well as developing countries, in India, high industrial sickness has been observed and it is increasing at an alarming rate. In literature, the causes of sickness in the smallscale units have been attributed to many factors, e.g., the shortage of raw materials and finances, marketing problems, mismanagement, etc.

In the present study an attempt has been made to analyse the sickness of the small scale industries from the view-point of economic theory. As the existing theories of the origin of the firm could not provide a satisfactory explanation of the failure of the small scale units, a new concept, i.e., 'Time-Cost' has been introduced which explains not only the failure of the small scale units but also the origin and other organisational aspects of the firm.

The concept of 'Time-Cost' has been tested empirically and the analysis shows that

1. Time-Cost minimisation by the entrepreneur while acquiring the inputs needed for the production or selling the output are positively affecting the performance of the firm.
2. Lack of specialisation of human resource's which is the result of Time-Cost minimisation is affecting the performance of the firm negatively.
3. The Time-Cost minimisation by developing the linkages is affecting the performance of the firm positively.
4. In the absence of separation of ownership from control which is the effect of Time-Cost minimisation, the allocation of activities has been measured and it is found that allocation of activity is positively affecting the performance of the firm.

Key Words

Small Scale Unit
Failure of the firm
Time Cost
Human Resources
Allocation activities
Origin of the firm
Time Cost Minimisation Index
Performance of the firm
Linkages
Separation of ownership from control