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INTRODUCTION
CHAPTER - I
FINANCING OF SMALL SCALE INDUSTRIES IN HARYANA

INTRODUCTION.

A cursory glance at the industrial structure of any country reveals the existence of units of varying sizes which may broadly be classified as small, medium and large. This persistence of units of varying sizes despite the innumerable difficulties besetting those relatively smaller ones is to be found both in the industrially developed and backward countries.

In recent times decentralised industrial development has assumed greater importance. The main reason why the small scale industries are decentralised or promoted are: they are labour intensive, they generate employment potential, they assist in the growth of developing and backward areas so that the disparities between the developed and less developed get reduced, skills are picked up by the people in backward areas both through training and by experience, production in the small scale industries quantitatively and in variety is very considerable; as a result of fast development of technology the quality
and productivity have vastly improved, their export potential is sizeable; they do not involve heavy financial commitment and lastly their labour problems do not usually cause much trouble because the number of employees is not large.

The great spurt in small scale industrial units can be judged by the fact that the number has increased from 57,000 in 1969 to the present figure of 1.3 millions, including the unregistered units. The unregistered units are about half the total number of small scale units in the country. Table 1.1 shows the plan expenditure on the development of small scale industries in various periods. It is apparent from the table that the Government of India is giving more emphasis on the development of small scale industries. The plan expenditure which during the first five years plan (1951-56) was 5.20 crores has risen to Rs. 1120.51 crores in the VII plan period (1985-90).

TABLE 1.1
SHOWING PLAN EXPENDITURE ON DEVELOPMENT OF SMALL SCALE INDUSTRIES
(Rs in crores)
<table>
<thead>
<tr>
<th>Plan Period</th>
<th>Small Scale Industries</th>
<th>Industrial Estates</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Plan</td>
<td>5.20</td>
<td>N.A</td>
<td>5.20</td>
</tr>
<tr>
<td>Second Plan</td>
<td>44.40</td>
<td>11.60</td>
<td>56.00</td>
</tr>
<tr>
<td>Third Plan</td>
<td>90.91</td>
<td>22.15</td>
<td>113.06</td>
</tr>
<tr>
<td>Annual Plan</td>
<td>45.90</td>
<td>7.58</td>
<td>53.48</td>
</tr>
<tr>
<td>Fourth Plan</td>
<td>80.46</td>
<td>15.73</td>
<td>96.19</td>
</tr>
<tr>
<td>Fifth Plan</td>
<td>Break up not available</td>
<td></td>
<td>221.74</td>
</tr>
<tr>
<td>Annual Plan</td>
<td>-do-</td>
<td></td>
<td>104.81</td>
</tr>
<tr>
<td>Sixth Plan</td>
<td>-do-</td>
<td></td>
<td>616.10</td>
</tr>
<tr>
<td>Seventh Plan</td>
<td>-do-</td>
<td></td>
<td>1120.51</td>
</tr>
</tbody>
</table>

**SOURCE**: Compiled from the seventh plan document vol(iii)

The policy of reservation of economically viable and technically feasible items exclusively for manufacturer in the small scale sector makes the intention of the Government in promoting small scale industries more clear.
I. General Profile:

Haryana, the divine land of Mahabharta and historic place of three decisive battles of Panipat, is one of the youngest states of India. Haryana became the 17th state of Indian Union on 1st November, 1966 as a result of the reorganisation of the Punjab into two states. Haryana is situated in the midst of Shivalikas on the north, river Yamuna on the east, Aravali range and Thar desert on the south and river Satluj on the west. It is at a close proximity to Delhi and other borders join it with Punjab and Rajasthan. (A political map of Haryana and administrative structure of Haryana can be seen on page 5).

II. Industrial Profile:

Haryana is primarily an agricultural state. But it is unfair, if we say Haryana is only an agricultural state. The gains recorded on the industrial front are also quite significant. Haryana consists of twelve districts as on 31st March, 1988 viz. Hissar, Sirsa, Bhiwani, Gurgaon, Faridabad, Jind, Ambala, Mohindergarh, Kurukshetra, Karnal, Rohtak and
Sonipat. An Industrial map is given on page number 7. During the past few years the industry has gained momentum both in depth and breadth resulting in the emergence of more viable small scale industrial units as well as large & medium scale industries. The industrial profile of each district is given below:

AMBALA

District Ambala occupies a place of vantage being a gateway of three states - Punjab, Uttar Pradesh and Himachal Pradesh. Ambala has come up a nucleus of scientific instrument, mixies and washing machine units which have been speedily growing over the years. The small scale industries are mainly engaged in the manufacturing of scientific instruments, electric utility articles, agricultural implements and chemicals etc.

BHIWANI

Bhiwani is one of the important town among other towns of Haryana. Bhiwani town which is now the District headquarter has been the famous trading centre of Punjab even before the partition of the country. Next to Amritsar, it was the biggest market
of textiles. The main products being manufactured by the small scale industries in this district are powerloom products, monofilament yarn, steel utensils, cement, asbestos pipes, R C C pipes and stone crushers etc.

**FARIDABAD**

The Faridabad District came on the map of Haryana on the 15th August, 79 as the 12th district of the state. At present the Faridabad is the biggest 9th Industrial Town of the country, which is a matter of pride for the people of Haryana. Its proximity to Delhi, the Capital of the country provides an impetus for speedy industrial growth. The small scale units of this district are mainly engaged in the manufacturing of agricultural implements, sports goods, paper and paper products, auto mobile and auto parts, machine and machine parts and electrical appliances etc.

**GURGAON**

Gurgaon town has attained a unique position in the state at present, which was once a small inhabitate known as "Guru Gram"- a village donated by king Yudhistra the eldest son of the
Pandava to Guru Dronacharya, in whose name a tank lies nearby. By the passage of time the Gurgaon district has witnessed a phenomenal growth in all spheres of development particularly in urbanisation process of the area and creating industrial climate. Therefore, it is considered to be one of the major town of Haryana which has been identified for all round developments. The main products being manufactured by the small scale units in this district are drugs and medicine, auto parts, industrial gases, control valves etc.

H I S S A R

Hissar district having been founded by Ferozshah Tuglak in 14th century has a rich historical background. It has Haryana Agricultural University, stud farm and state farm for sheep breeding. The various types of products being manufactured by small and large scale industries are cotton ginning, rice sheller, agricultural implements etc.

J I N D

The Jind district is the heart of Haryana being situated in the centre of the state. Agriculture is the mainstay of the people and thus the economy of
the district is agriculture-oriented. The small scale industrial units which have come up in the existence in the district are mainly engaged in rice, cotton ginning, oil expelling, straw boards etc. At present the whole of the district has been declared backward by the state.

K A R N A L

The district is named after Raja Karna, the mythical champion of Kauravas in the epic of war of Mahabharata. Panipat has come up a nucleus of Handloom industry which has been steadily growing over the years. Fabrics of Panipat have become a craze with disseminating people of taste at home and abroad. Nearly 75% of the requirement of Barrack Blankets of defence forces is being met by the units located in this area. Karnal leads in the manufacturing of agriculture implements like discs, harrows, trailers, threshers, tractors and trolleys etc. Haryana supplies more than 60% of the requirement of the whole country for various types of power driven agricultural implement and 90% of it comes from Karnal district alone.

K U R U K S H E I R A
Kurukshetra enjoys a unique place in the annals of history. Kurukshetra is the land of Mahabharata and the place where Lord Krishna delivered his sermons. The district, no doubt, earned name in agricultural produce and known as rice bowl of India, has been witnessing growth of industrial culture particularly during the recent past. The major industrial units set up so far can be summed up as rice mills, cold storage, solvent extraction plants, oil mills etc.

Mohindergarh

Mohindergarh district is industrially most backward district of Haryana. The people of this district have a fairly static social conditions. As a consequence, they lack the spirit of enterprise, mobility and efficiency which are considered most essential assets in the industrial pursuit. The items having manufactured by these small scale units are domestic non-ferrous utensils, artistic brass ware on ferrous sheet, rolling, circle cutting and chemical etc.

Rohtak
Rohtak is named after Raja Rohtash-son of Satyawadi Maharaja Harish Chander ji. The small scale industrial units of Rohtak district are mostly engaged in manufacturing flour milling, oil, cotton ginning, soap making, auto parts, precision screws, sodium silicates and surgical cotton etc.

Sirsa is established on the bank of Saraswati. Sirsa district was carved out from Hissar district in 1975. There were only 483 units at the time of its formation. The main type of industries are traditional and agro-based like oil mills, cotton ginning, rice shellers, dal mills, straw board and agriculture implements.

Sonepat district came on map of Haryana on 22nd December, 1972. Sonepat district has made significant strides in the sphere of industrialisation. The units situated in this district are manufacturing wide range of end products such as bicycles and parts, auto cycles/mopeds, welded steel tubes, hand tools, rubber transmission conveyer belts.
and reclaimed rubber etc. Atlas Cycles Industry, one of the largest industrial unit famous for manufacturing cycles, is situated in this district.
Looking to the important role played by the small scale industrial units, their ever growing number and the emphasis given by Government of India by laying huge amount of plan expenditure on development of small scale industries in various plan periods, a need was felt to make an integrated study of both external and internal sources of finance besides operational flow of finance in small scale industry.

OBJECTIVES OF THE RESEARCH STUDY

The basic objective of the study is to examine the financial pattern of small scale industry in the state of Haryana. The study has attempted to analyse the sources of finance available to small scale units and the problems attached to it.

In brief the following are the objectives of the study:

I. To examine the pattern of investment of funds in fixed assets and current assets of small scale industry.

II. To analyse the sources of finance used by small scale industry to finance fixed capital.
III. To assess the sources of finance used by small scale units to finance working capital requirements.

IV. To identify the distinguishing features of financing small scale industry and to give suitable suggestions for overcoming the problems faced in financing of small scale industry in Haryana.

SCOPE OF THE STUDY

The scope of the present study is restricted to those units which fall under the category of small scale sector and to the units registered with the District Industry Centres (D. I. C.) of Haryana State. The Government of India has defined a small scale industry as one "Which has an investment in plant and machinery not in excess of Rs 35 lakhs. In the case of ancillary unit, the limit has been extended upto Rs 45 lakhs. Further, the study has excluded the units having the investment of less than Rs one lakh in plant and machinery. The reason behind exclusion was the hesitative nature of such
units in disclosing their financial position and secondly to reduce the number of units under study to a manageable size.

METHODOLOGY

A. RESEARCH DESIGN

The present research study is mainly descriptive in nature as its aim is to examine the financing pattern of small scale industry in the state of Haryana and to identify the distinguishing features of financing small scale industry.

B. SAMPLE DESIGN:

(a) Sample unit Or Universe of the study:

Since it was not possible to cover all the small scale units prevailing in the region on account of financial implications and the time required for such a wide coverage, it was decided to select a representative group of units from the universe using an appropriate sampling technique.

Defining the universe of the small scale industry was a difficult job because the term small scale industry includes village industries, household industries, modern small scale industries
machinery less than the specified amount. Further, some of these are registered and many of them are not registered. The required information of unregistered units was not available. Therefore, it was decided to limit the scope of study only to the units registered with the District Industries Centres popularly known as DIC of Harayana viz Ambala, Bhiwani, Faridabad, Gurgaon, Hissar, Karnal, Kurukshetra, Jind, Mohindergarh, Rohtak, Sonepat and Sirsa.

Secondly, the units having capital investment of less than Rs one lakh in plant and machinery were excluded. The reason behind this exclusion was the hesitative nature of such units in disclosing their financial position and also to keep the sample to a manageable size.

Hence, the universe of study is the small scale industrial units registered with the Directorate of Industries (without taking into consideration the category to which they belong) and whose capital investment in plant and machinery is more than Rs one lakh.

There was no consolidated list of small scale industries situated in the state. So
the latest lists of industries prepared by the respective District Industries Centres were collected and taken into consideration. These lists uniformly consisted of all the units registered on or before 31st March, 1988. Hence the universe was limited to the small scale units registered with the District Industries Centre in Haryana on or before 31st March, 1988.

**SELECTION OF SAMPLE**

Depending on the nature of the work to be carried out, it was decided to use stratified sampling technique to select the units from the universe or population. The variables considered for stratification at first instance were "Type of Industry" and "Size of Investment in Plant & Machinery". But it was found in the pilot study that particulars of the size of investment of the units given in the list provided to researcher by the DIC of respective districts differed from the actual information gathered from the respondent units. Hence, it was decided to consider "Type of Industry" for stratification prior to sampling and "size of
In stratified random sampling, a simple random sample was taken from each stratum, and such sub-samples were brought together to form the total sample.

(a) Pre-sampling stratification

The universe was divided into seven groups based on the type of industrial activity. For classification of units industry-wise, the main product of the unit (the product of the unit having the maximum value) was taken into consideration. Then, the equal number of units were chosen from each such group/strata. The proportional allocation system was ruled out for the reason that some groups (General Engineering and Agro-based) consisted of too large a number of units and other groups (Mineral, Forest and Textiles) consisted of too small a number of units impending an analytical study. So it was decided to adopt equal allocation system. And to maintain accuracy, it was decided to take a sizeable number (35 units from each such strata). Then, all the units in each strata (35 units) were selected at
random by using lottery method. And another 15 units were selected from each strata and were kept in the waiting list with a view to substitute in case of non-response from the units in the main list. The final design of the sample is shown in Appendix A. Thus out of total units of 2315 divided in seven groups, 245 units were selected as sample.

(b) Post-sampling stratification:

As expressed earlier, it was not possible to stratify on the basis of 'size of investment' in plant and machinery prior to sampling. There are certain authors who are of the view that from the viewpoint of the theory of probability sampling, it is essentially irrelevant whether stratification is introduced in the procedure of sampling or in the analysis of data, except in so far as the former makes it possible to control the size of the sample obtained from each stratum and thus to increase the efficiency of the sampling design. In other words, the procedure of drawing a simple random sample and dividing it into strata is equivalent in
effect to having drawn a stratified random sample using as the sampling fraction within each stratum, the population of that stratum which is included in our simple random sample. Hence it was decided to resort to post-sampling stratification. The size of investment here means the investment in Plant and Machinery less than the specified amount, as was followed in defining the definition of small scale industries by the Government of India vide their notification No. SO 202-(E) dated 18.3.1985.

The selected 245 sample units were classified into six groups on the basis of size of investment in Plant and Machinery. The sample design is shown in Appendix A.

C. SOURCES AND METHOD OF DATA COLLECTION:

Use of both the sources, documentary and field survey has been made in this study. The documentary information was collected from both the primary and secondary sources. Sources of data consisted of published and unpublished documents, reports, statistical abstracts at the state level and district level. In addition to this, information were drawn by having personal discussion with the bank.
officals, District Industries Centres Officers, Personnel of Haryana Financial Corporation, Officials of the Development Commissioner Small Scale Industries, New Delhi, Officials of Small Industries Services Institute Of Karnal, Bhiwani and New Delhi and Official of different government departments concerned with the promotion of Small Scale Industries. Further a lot of information were collected from published books, journals and research reports etc.

For the purpose of this study structured interview was resorted to (through pre-determined and pre-drafted questionnaire). The data was collected from the sample units through personal interview with the entrepreneurs by using a pre-tested schedule prepared for the purpose. In some cases the sample units were dormant at the time of survey. Since the study of these units was very important, efforts were made to meet the entrepreneurs at their residence. In most of the cases, it was rather a success in deriving the information. But in some cases, it was not possible because of non-availability of the entrepreneurs, or lack of proper accounts needed to augment the information. In those cases the immediate units in the second list were drawn and the data collected from
In order to facilitate unhesitant and honest response an assurance was given to the respondents that information obtained from them would be kept strictly confidential and would be used solely for the academic purpose.

The total capital requirement of 245 small scale industrial units under study has been divided into fixed and working capital. Similarly the sources, from which the funds are raised, have been divided into long-term sources and short-term sources. Long-term sources have further been divided into owned capital and debt capital (long-term borrowings).

In the present study different types of symbols including numerals and alphabets were used to the minimum. However, for different types of industry the following codes have been used:

1. Agro-based industry : (A)
2. Chemical-based industry : (B)
3. Forest-based industry : (C)
4. Engineering based industry : (D)
5. Mineral Based industry : (E)
Taking into consideration the cost, time and personnel factors, the hand tabulation method has been adopted for the purpose of this research study. Secondly, the quantum of data has also been considered for choosing the hand tabulation method. Both simple and cross tabulation were used for study e.g. in case of components of working capital simple table is used (Table 3.1) whereas in case of distribution of sample units on the basis of investment in Plant and Machinery cross table is used (Table 3.10).

Diagrams have, now, become important tool in the hands of statisticians to portray statistical data. A diagram is a visual form for presentation of statistical data, highlighting there basic facts and relationship. Diagrams are used with great effectiveness in the presentation of all types of data. When properly constructed, they readily show information that might otherwise be lost amid the details of numerical tabulation.

Since the study was of descriptive nature, use of graphs and charts has not been made much.
Use of sophisticated statistical techniques has not been made in the present study, however, the data has been analysed with the help of simple statistical tools like, averages, percentages, and ratio etc.

**LEGAL STATUS OF SMALL SCALE INDUSTRY**

Table 1.2 reveals the form of organisation of small scale industrial units under study. It is apparent from the table that more than 75% of the small scale units under study were in the non-corporate sector. The non-corporate sector included units in sole proprietorship(38) and in partnership firms(143). Sixty four units were in the corporate sector out of which 44 units were in form of private limited companies (more than 68% of the units in the corporate sector). It is the fact that the private limited companies carry with them the advantages of 'limited liabilities'. The number of shareholders in the private limited companies can not exceed fifty and it helps in maintaining family character of the organisation. The family businesses, therefore, prefer this form of organisation after they have achieved a certain level of growth. However, approximately 74% of
TABLE 1.2

LEGAL STATUS OF SMALL SCALE INDUSTRIAL UNITS UNDER STUDY

<table>
<thead>
<tr>
<th>TYPE OF INDUSTRY</th>
<th>SOLE</th>
<th>PARTNERSHIP</th>
<th>PRIVATE</th>
<th>PUBLIC</th>
<th>OTHERS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agro Based</td>
<td>NIL</td>
<td>31</td>
<td>02</td>
<td>02</td>
<td>NIL</td>
<td>35</td>
</tr>
<tr>
<td>Chemical Based</td>
<td>05</td>
<td>18</td>
<td>05</td>
<td>03</td>
<td>04</td>
<td>35</td>
</tr>
<tr>
<td>Forest Based</td>
<td>06</td>
<td>18</td>
<td>08</td>
<td>01</td>
<td>02</td>
<td>35</td>
</tr>
<tr>
<td>Engg. Based</td>
<td>02</td>
<td>15</td>
<td>14</td>
<td>04</td>
<td>NIL</td>
<td>35</td>
</tr>
<tr>
<td>Mineral Based</td>
<td>14</td>
<td>14</td>
<td>07</td>
<td>NIL</td>
<td>NIL</td>
<td>35</td>
</tr>
<tr>
<td>Textile Based</td>
<td>04</td>
<td>25</td>
<td>04</td>
<td>NIL</td>
<td>02</td>
<td>35</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>07</td>
<td>22</td>
<td>04</td>
<td>01</td>
<td>01</td>
<td>35</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>38</td>
<td>143</td>
<td>44</td>
<td>11</td>
<td>09</td>
<td>245</td>
</tr>
</tbody>
</table>

(15.5) (58.4) (18.0) (4.5) (3.6) (100.0)

Source : PERSONAL SURVEY
the units were in the non-corporate sector. This is because of the lack of knowledge about the corporate sector and cumbersome procedure in forming this type of organisation. Industry-wise classification of the units, however, shows variation in some cases. In case of General Engineering industries units were found more in corporate sector than those in the non-corporate sector. Fifty one percent of the total units of this sector were in corporate sector whereas 49% of the units were in the non-corporate sector.

LIMITATIONS OR CONSTRAINTS OF THE STUDY

The major constraints of the study are as follow:

1. Most of the units were not maintaining all books of accounts systematically. Hence it was not possible to obtain information with absolute accuracy.

2. The financial year i.e. the year ending on 31st of March, has been used as the accounting year. But all units in the sample did not adopt the financial year to maintain their accounts. Since it was not possible to reconstruct the accounts of all the industrial units to suit one accounting period, it was decided to use the accounts closed on any date ranging from 1st of April to 31st of March as accounts of the
3. Another limitation of the study is related to presentation of financial statements. The accounts prepared by the sole proprietors, partnership firms, private limited companies were heterogeneous in nature and presentation. Some units prepared manufacturing, trading, profit and loss accounts, profit and loss appropriations accounts whereas others prepared only trading account or trial balance only.

4. There were few units which prepared only one account i.e. profit and loss account in place of manufacturing and profit and loss account. However, it was possible to standardise the Balance Sheet and Profit & Loss account of various units without significant loss of details.

5. With regards to transactions with institutional agencies cross verification of the facts furnished by the industrial units could not be done because agencies were reluctant to augment the information of the individual units. To illustrate I wanted to cross examine the data collected by me with the return submitted in the office of the Income-Tax Department. The Income-Tax department refused to furnish
information on the plea of secrecy of the records.
REFERENCES
