Preface

Financial appraisal is the end of a continuous accounting cycle, which starts with the classification, recording, summarizing, presentation and analysis of data and ends with the interpretation of results obtained from critical analysis thereof. Though much can be learnt about the financial position and performance of the concern through the appraisal of financial statements. It spotlights the significant facts and relationship regarding managerial performance, corporate efficiency, financial strength and weaknesses and creditworthiness.

On the other hand, the development of small scale industries is of great importance to our economy because it recognized as an instrument of social transformation, enlarging employment opportunities, broad basing entrepreneurship and securing dispersal of industries. The emphasis placed on small scale industries has increased with the passage of time and in five year plans they have been viewed as a major source of supply for the variety of consumer goods. The problem of unemployment and under employment can be tackled by the expansion and modernization of existing small scale industries and introduction of new industries capable of raising the level of production and improving the present depressed standards of living. Small scale industries apart from agriculture are still the most extensive occupation of people in India. Distributed both in rural and urban areas, they help to meet a variety of essential needs connected with agriculture, housing, transport and the demands of everyday life.

Industrialisation in the state of Himachal Pradesh is comparatively a recent phenomenon. The small scale industries have been given priority in the successive five year plans in view of the advantages in terms of low investment, high potential for employment generation in rural and urban areas. The factors such as peaceful industrial relations, cheap power, improved telecommunication, banking and transport, infrastructure, skilled and semi-
skilled work force provide congenial environment for the development of industries in the state.

In present study, we have confined our attention to the financial aspect of the small scale industries. We have analysed the financial statements of twenty four industrial units for ten years and examined the working capital position, profitability and financial strength of the industries.

The present study is divided into seven chapters. Chapter 1st introduces the concepts of financial appraisal, industrialisation and small scale industries. Chapter IIInd deals with the review of literature and Chapter IIIrd has been framed as research design. An analysis of working capital has been made through statement of working capital and statement of sources and uses of funds in Chapter IVth. A cause and effect study of the profitability of small scale industries has been undertaken in Chapter Vth. Chapter VIth examines the long term and short term financial position of the small scale industries. The last chapter VIIth attempts to give a summary of conclusions and offers suggestions for improvement of working of small scale industries.