CHAPTER SIX

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6.1 INTRODUCTION

In this final chapter of the thesis efforts have been made to indicate the findings of the study, followed by testing of the hypothesis and arriving at specific conclusion. The later part deals with the suggestions that are provided to overcome the various obstacles that affect the effective system of managers small scale industries. An analytical approach has been used in drawing the findings from the data analysis which was accomplished in the previous chapters. The findings are presented in a draft manner, so that the situations identified through the present research could be understood in an abstract form. The suggestions made in the last part of this chapter are purely based on the findings and the researcher has used his conceptual understanding as a base for determining the appropriateness of the suggestions that are suitable to the system of finding running to small scale industries.

6.2 FINDINGS OF THE STUDY

The collected questionnaires resulted in a total of 164 usable responses including 89 Food M.C, 25 Mineral M.C and 50 Autos-Part M.C so the researcher has given the points in brief about the significant major findings of his study that are as follows:

1. A large segment of SSIs believe that the government's role in favour of the small businesses to be reinforced through presenting consultation, supportive policies and etc. has been too poor.

2. In government's macro-economics policy-making, specific facilities with respect to the creation of the SSIs on one hand, and in carrying out the macroeconomic policies on the other hand, the government has not shown any tangible and required flexibility, such as reducing taxes, limiting or omitting some charges, in favour of speeding up the small businesses' activities.

3. As regards the subsidies' policy and the reduction of the accounts payable to the State by the SSIs, the government has not shown any flexibility in order to support the small scale industries.

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4. Most of the SSIs believe that not only have the government supportive rules acted poorly with regard to financing the small businesses, but also the execution and efficiency rate of the rules in the improvement methods of financing the SSIs has not been so much successful.

5. The government has not applied the rules and long-term policies for the development or support of immediate capital markets specific for SSIs to help the improvement of small businesses' financing methods; however, if such rules have been applied, their functions have been too poor.

6. Most of the SSIs believe that neither have there been any specific rules and banking system as regards the distinction of SSIs from the large ones nor have they been carried out properly in case of existence and the banking system has not regarded any priority on the small businesses as the essential element for the country's economic and industrial development.

7. Most of the SSIs believe that little significance has been attached to the essential factors such as profitability, market potentiality of the product and management innovation capability in providing finance regarded by the creditors in appropriating the financial sources.

8. The governing bureaucracy on getting credit token from the banking system has been too long and this has decreased the efficiency and effectiveness of the economic decision-making with respect to the obtained credit token.

9. Most of the SSIs believe that the collaterals and securities required by the credit granters are not proportionate and reasonable with the SSIs' conditions and potentialities. As a consequence, the SSIs can't provide the costly collaterals and securities and for this reason they lose the opportunity of quick and timely finance.
10. The determined interest rate in the loan contracts is not proportionate to the SSIs' conditions and capabilities; therefore, because of the limited profitability, the small businesses can not afford the payment of the high interest of the credit system.

11. Most of the SSIs believe that the lack of timely raw material supply by the respective industries on one hand, and the delivery of the products to these industries on the other, and consequently the financial cycle based on these financial events has not been performed on the orderly cash management basis which has finally caused a lot of grave financial problems for these businesses.

12. Most of the SSIs believe (hold the belief) that the present procedures of finance lack the required competency to remove the small businesses' financial requirements. Therefore, new procedures, proportionate to the SSIs' status, must be established.

13. The stock market function as a source of equity financing for small businesses has not been satisfactory; consequently, most of the SSIs have set forth that they have not taken proper advantages of stock market as an important finance procedure.

14. Most employees of the financial departments of the SSIs have not got the respective university education and this factor has caused weaknesses in the financial systems which have consequently led to the lack of proper accountability to statement users and especially the creditors.

15. The applied hard-wares and soft-wares in the financial units (departments) of the small scale Industries are mostly in low level and this has reduced the efficiency and eventually the system's inability in accountability to the statement users and especially the creditors.

16. Most parts of the financial statements as a decision-making basis for the statement users have not, on one hand, been prepared on the basis the Generally Accepted
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Accounting Standards and, on the other hand, most parts of these reports have not been audited (investigated) by independent auditors. In other words, most parts of these reports lack the quality specifications of the financial statements.

17. A high percentage of SSIs do not enjoy making reasonable uses of working capital management system and its related analysis in controlling their liquidity (cash). As a consequence, part of these industries' cash(liquidity) problems are involved in the lack of efficient management tools application inside the business entity.

18. In the process of manufacturing their products, major small scale industries have made limited use of the practical procedures in the case of market requirement measurement. Therefore, this has caused limitations in the product sales level and eventually in the small businesses' liquidity and finance.

19. Production and product supply rate of most SSIs do not comply with consumption market demand. This gives rise to the inventory which by itself increases the costs and consequently the timely finance becomes difficult since the financial resources are blocked as current assets.

20. Major small manufacturing businesses have had very low application of the prospective product market potentiality analysis which is directly related to the prospective expansion activity process and incoming cash flows.

21. The applied investment volume in the SSIs is not proportionate to the production, sales rate and eventually with profitability and liquidity rate.

22. Part of the SSIs' received financial resources from credit systems have been spent out of the determined credit fund issue due to the inappropriate inspection.
6.3 CONCLUSION

The conclusion of this research study could be that there is a greater scope for the growth of small scale industry in Iran, for the ultimate purpose of achieving high level of economic development as well as industrialization in Iran. The fact is that small scale industry in Iran has been in isolation from the national development priorities. No doubt that in the past there has been no need for the Government to concentrate its efforts on the growth of small scale industry due to low effects of import substitution. However as the economy is growing and large percentage of population getting educated, it has become an imperative for the government to encourage small scale industry particularly in financing of SSIs.

According to the finding of the research, the government has not attached a significant contribution to the small scale industries in its macro-economic policies, on the other it has not implemented the particular supportive rules with regard to financing properly.

The banking system, as the leading source of financing the small scale industries, has attached little significance in the distribution of funds to the small businesses and the bases of granting credit to the SSIs have not been suitable with the circumstance of these industries.

The financial cycle of SSIs with respective industries lack the required order and also the supply rate of the finished goods of the small businesses to the consumption market has not been arranged on the basis of the market demand and this has caused major difficulties in the financial capability of the small industries.

The applied Financial Systems of the SSIs are not adequately accountable to the financial statement users' requirements.

Finally there is no security exchange properly in the situation of the Small Scale Industries in Iran that these industries can use of financing sources.

Towards this, it is inevitable that the Islamic Republic of Iran should confer high priority to the growth and establishment of small scale industries. In this regard it can be rightly stated that the Iran’s policy makers have to take use of the experiences of some countries such as Indian in solving the financing problems of SSIs.
To sum up, the specific conclusions about the result of the present research study on the hypotheses according to statistical tests in the last chapter are following:

I) First Hypothesis: The government has not attached a significant contribution to the small scale Industries in its macro-economic policies.

“Proved to be correct”

II) Second Hypothesis: The particular supportive rules with regard to financing the small scale Industries have not been implemented properly.

“Proved to be correct”

III) Third Hypothesis: The banking system, as the leading source of financing the small scale Industries, has attached little significance to the distribution of funds to the small businesses.

“Proved to be correct”

IV) Fourth Hypothesis: Due to the low significance to the bases and process of granting credit token attached by the banking system (including profitability competency, market potentiality of the product, justifiable reports, interest rate, collateral security, entity’s credibility and bureaucracy), the SSIs lose the opportunity to be financed immediately and in due time.

“Proved to be correct”

V) Fifth Hypothesis: The financial cycle and the liquidity (cash) flow lack the required order to provide the small businesses with raw materials on one hand, and the purchase of their finished goods by the respective industries, on the other.

“Proved to be correct”

VI) Sixth Hypothesis: The SSIs have not properly taken advantage of the securities exchange as one of the most important sources for equity financing.
**VII) Seventh Hypothesis:** The applied Financial and Accounting Systems of the SSIs are not adequately accountable to the financial statement users' requirements.

"Proved to be correct"

**VIII) Eighth Hypothesis:** The supply rate of the finished goods of the small businesses to the consumption market has not been arranged on the basis of the market demand and this has caused major difficulties in the financial capability of the small industries.

"Proved to be correct"

### 6.4 THE RECOMMENDATIONS OF RESEARCH WORK

The researcher after the findings gives his own recommendations to the Iran’s SSIs policy makers that are as follows:

1) Develop a national policy for the development of small scale industries and integrate the same with the policies of economic development.

2) Consider the small scale industries as priority sector, which are useful in converting public savings in to commercial activities and generating employment opportunities.

3) Rationalize policies and procedures for financing the small scale sector, particularly the industries.

4) Reserve some products for the exclusive productions of small scale industries.

5) Develop intermediately financing agencies for the purpose of providing finance to small scale industries.
6) Develop infrastructure facilities and provide the same custom design basis to small scale industries at subsidized rates.

7) Be proactive in understanding and evaluating the financial requirements of the small scale industries.

8) Make provisions to provide compulsory financing to small scale industries. Some quota in the total finance should be reserved for small scale industries.

9) Direct the bank system to adopt a friendly approach in dealing with and appraising the financial requirements of small scale industries.

10) Direct the bank system to develop professional orientation in financing the small scale industries.

11) Make it mandatory on the part of the bank system to accord high extent of importance in considering finance to the following factors:
    A) The feasibility of the project.
    B) The entrepreneurial skills of the borrower.
    C) The credibility of the borrower.
    D) The part profitability of the firms.
    E) The net worth status of the firms.
    F) The market ability status of the products.
    G) The technology and product uniqueness.

12) Do not allow the bank system to consider the following factors in financing to the small scale industries.
    A) Political influence.
    B) Favoritism.
    C) Higher authority influence.
D) Collateral security.

13) Develop a proper mechanism to monitor the financing practices and procedures particularly associated with the small scale industries.

14) Rationalize the interest rates as well as moratorium on repayment with common standards and should not leave the same to the discretion of individual national banks.

15) Consider establishing a marketing assistance agency, to help the small scale industries to market their products.

16) Promote a flexible environment for the venture capital specific to SSI to flourish.

17) Give a greater emphasis on training programmes to help banks’ staff understand the unique requirements of SSIs better.

18) Promote harmonization of the financial policy framework across economies which will promote cross-border strategic alliances including SSIs and facilitate transfer of experiences between the regional economies.

19) Provide funds to BIM (Bank of Industry and Mineral) to enable it to set up increased credit lines for industrial SSEs;

20) Allow tax exemptions in less developed areas in order to create employment;

21) Modify customs tariffs, taxes and other dues in order to encourage the SSIs’ exports.

22) Attract domestic and foreign investments;
23) Develop domestic financial resources to increase investments, and creating more employment by introducing incentives for small savers and investors;

24) Simplify the regulatory framework for investments in the manufacturing sector;

25) Tax rate reductions and Prohibitions on the levying of any additional taxes or duties, such as municipal corporate taxes;

26) Allow granting of foreign exchange facilities to the private sector;

27) Increase loans and other financial facilities by simplifying the banking system;

28) Exempt the governmental levies and duties for investors in under-developed areas;

29) Grant reduction in the tax rate for firms operating in underdeveloped areas;

30) Upgrade the skill level of labour employed in the industrial sector;

31) And finally it could be suggested that the Government should establish a national standards board for small scale industries to make provisions for maintaining quality standards in small scale industries. This will help to maintain competitive edge among the small scale industries in Iran.

6.5 SUGGESTIONS FOR FUTURE RESEARCH

Along with the findings and the recommendations, the researcher also has some suggestions to make for future research. They are as follows:

1. The study of the topic of research be made the base of the other types of SSIs.

2. The investigation of the Banking System of Iran and the difficulties faced by them in relation to SSIs.
3. The survey of the Economy of Iran and Industrial Policy with special reference to SSIs.

4. The study of the Stock Exchange of Iran and causes of its inefficiency in SSIs.

5. The study of the difficulties of financing of SSIs of Iran in comparison with the experience of other countries such as India.

6. The investigation of proper financial markets for SSIs according to the experience of other countries such as India.