7.1 INTRODUCTION

This study is an attempt to investigate into the Fund Management of small scale industries in Thiruvananthapuram District of Kerala.

This study begins with the analysis of the concept of small scale industries and its growth during plan periods. The study also analyses the economic setting of Thiruvananthapuram District and the infrastructure facilities available in the district for the promotion of small scale industries.

This study has helped immensely in understanding the factors which influence the attitude of the small scale industrial entrepreneurs towards the financial factors responsible for industrial sickness. It also helps in measuring to growth of small scale industries on account of fund management.

The nature of study is both descriptive and analytical in nature. The researcher has used primary data and secondary data. The researcher has used interview schedule for collecting primary data administered by him. This study can be described as informative and successful experiment. In this chapter, the researcher has presented a summary of finding and suggestions based on the study.
7.2 SUMMARY OF FINDINGS

The findings of the study are narrated in the following manner.

7.2.1 ECONOMIC SETTINGS

The second chapter deals with the concept of small scale industries in the light of definition and its significance. It also explores the growth of small scale industries during the plan period. It also covers the economic settings of Thiruvananthapuram District for promoting the industrial sector. It also states the infrastructural facilities available in the study area, Thiruvananthapuram.

7.2.2 FINANCIAL PERFORMANCE

The third chapter highlights the financial performance of small scale industries in the study area. This study also analysed the role of finance in small scale industrial units, functions of finance source of fund and financial information. It also evaluates the financial assistance to small scale industries in India, Kerala and the financial institutional assistance to small scale industries in India.

7.2.3 IMPACT OF FINANCIAL PERFORMANCE

The fourth chapter evaluates the financial effectiveness of small scale industries in Thiruvananthapuram District which can be measured with the help of growth rate achieved by the components like
number of person employed, value of machine, production growth, turnover, net profit, land and building, plant and machinery, furniture and fixtures, cash and bank and debtors.

The study reflects that compound growth rate of the number of person employed has only very little marginal positive growth whereas that of plant and machinery has negative growth. It import poor financial performance and result in financial problem. This study also proved that the small scale industrial units have positive growth in value of machine, number of person employed and production rate. But the land and building, cash and bank have very little growth.

The co-efficient of variation for the twelve components of majority industries in the study area shows high percentage of variation. Hence, the growth performance of the small scale industries is inconsistent.

7.2.4 FACTORS RESPONSIBLE FOR POOR FINANCIAL PERFORMANCE

The fifth chapter analyzes the factors which influence the financial performance. The factors responsible for poor financial performance are analyzed through factor analysis. For studying the factors responsible for poor financial performance 15 variables are identified and grouped into 4 sets of factors like
(i) **UNDER UTILIZATION OF CAPACITY**

The first factor was termed as “Under utilization of capacity” accounts for 4.0748 percent variation in the total variable set. The first factor is dominated by a set of four variables namely decrease in the level of stock, disturbed industrial relations, declare in operational rations, under utilization of capacity and delay in implementation of project.

All these variables are possibility loaded; it means a positive correlation between four variables. Any increase in these four variables will lead to the failure of finance is small scale industries.

(ii) **IRREGULAR BANK ACCOUNTS**

The second factor which is denoted as “Irregular Bank accounts” accounts for 9.4078 percent variation in the total variable set. The variable default in payment of interest and installment, frequent interruption in production and irregular Bank account has been loaded in this second factor. All these variables are negatively loaded incept frequent interruption in production.

(iii) **PROBLEMS OF PRODUCING QUALITY PRODUCT**

The third factor which is denoted as problems of producing quality product accounts for 13.2868 percent are loaded and the factors deterioration in the quality of product and accumulation of outstanding salaries and P.F and unproductive expenditure. All this three available one of positively correlated and another one negatively correlated.
(iv) OUTDATED TECHNOLOGY

The fourth factor showed 17.1888 percent variation in the total variable sets. Outdated Technology they are high turnover of personal and decline to technical efficiency.

The Garret’s ranking principles reveals and ranked the factors responsible for poor financial performance are licensing, raw materials, technical, machinery shortage, high rate of interest, transport, and heavy taxation, indifference of government, labour problems and delay in loan and power problems.

The major problem of small scale industries is licensing problems (95.83 percentile rank). The another important factors responsible for financial problems are raw materials procurement problems (87.50 percentile rank), technological updatements problems (79.17 percentile rank), machinery shortage (70.83 percentile rank), high rate of interest (62.50 percentile rank), transport problems (54.17 percentile rank) heavy taxation (45.83 percentile ranks), indifference of the government towards SSI (37.50 percentile rank), labour problems (29.17 percentile rank), delay in sanctioning the loan (20.83 percentile rank) power problems (12.50 percentile rank) and other miscellaneous problems (4.17 percentile rank), are important problems perceived by the small scale industries towards poor financial performance.
7.2.5 FINANCIAL FACTORS RESPONSIBLE FOR SICKNESS OF SMALL SCALE INDUSTRIES

The sixth chapter reveals the measurement of attitude of the entrepreneurs of small scale industries towards the financial factors responsible for the sickness of small scale industries for measuring the attitude.

Attitude scale was developed by awarding scores of 14 statement and the financial factors responsible for the sickness of the units are taken as components for building the scale. Based on the likert’s five point scale, the attitude of entrepreneurs towards the financial factors responsible for sickness of small-scale industries was measured.

This study analyzes the factors which influence the attitude of entrepreneurs towards the financial factors responsible for the sickness of industries. For studying this, educational background, experience, nature of business, space availability, scientific system adopted, registered trade mark, satisfaction with present sales, product advertisement, ISI product certification, awareness of various financial assistants, initial capital, sufficient capital, awareness of source of assistance and repaying the loan are identified as influential factors. To ascertain the relationship between the above factors and the attitude of the entrepreneurs towards financial factors responsible for sickness of industries, Analysis of variance (ANOVA) was applied. The analysis shows the following results.
There is a significant relationship between educational background of the entrepreneurs and their attitudes towards the impact of financial problems responsible for sickness.

There is a significant relationship between the experience of the entrepreneurs and their attitudes towards the impact of financial problems responsible for sickness.

There is a significant relationship between the nature of units of the entrepreneurs and their attitudes towards the impact of financial problems for sickness.

There is a significant relationship between the space availability of entrepreneur's building and their attitude towards the impact of financial problems responsible for sickness.

There is a significant relationship between the scientific system adopted by the entrepreneurs and their attitudes towards the impact financial problems responsible for sickness.

There is a significant relationship between the registered trade mark of the entrepreneurs and their attitudes towards the impact of financial problems responsible for sickness.

There is a significant relationship between the satisfaction with present sales of the units and the attitudes of the entrepreneurs towards the impact of financial problems responsible for sickness.
There is a significant relationship between the product advertisement and the attitudes of the entrepreneurs the impact of financial problems responsible for sickness.

There is a significant relationship between the ISI product certification by the entrepreneurs and their attitudes towards the impact of financial problems responsible for sickness.

There is a significant relationship between the various awareness of financial assistance to small scale industries and the attitudes of the entrepreneurs towards the impact of financial problems responsible for sickness.

There is no significant relationship between initial capital contribution of small scale industries and the attitudes of the entrepreneurs towards the impact of financial problems responsible for sickness.

There is a significant relationship between sufficient capital in small scale industries and the attitudes of the entrepreneurs towards the impact of financial problems responsible for sickness.

There is a significant relationship between government assistance of small scale industries and the attitudes of the entrepreneurs towards the impact of financial problems responsible for sickness.

There is a significant relationship between the repayment of loan and the attitudes of the entrepreneurs towards the impact of financial problems responsible for sickness.
7.3 SUGGESTIONS FOR IMPROVEMENTS

1. Considering the weak financial structure of SSI in the state and the exorbitant financial commitments involved in the market survey, which is a prerequisite for the successful organization and the subsequent functioning of SSI and a state level marketing consultancy organization should be set up to minimize the product failure.

2. The financial agencies particularly Kerala financial Corporation, should take necessary steps for reducing the rate of interest for loans and advances to the entrepreneurs of SSI sector.

3. The financial agency should ensure the proper utilization of loan advanced by it to the SSI. Therefore, there should be proper follow up action which provided finance to the firms. For this purpose an inspection team may be constituted for all branches of the financial institutions.

4. It is suggested that an application revived for financial support in the form of a loan from SSI should be disposed by the financial institutions and banks within one month. It requires special attention that the Kerala Financial cooperation, which is mainly responsible for the development of SSI Sector in the State as a Government agency should take special care in this regard. The genuineness of the
application should also be thoroughly verified as to ensure that the assistance is not misused.

5. The government can setup a marketing corporation with autonomous status for marketing the product of the SSI sector with reasonable returns and can market their products in an organized manner through its sales depots. Large scale advertisement for the products of the SSI sector can also made possible under this arrangement.

6. Inadequacy of funds is a hurdle for the Small Scale Industries from undertaking marketing research of their own. The SIDCO and other agencies responsible for the promotion of Small Scale Industries should take the initiative to conduct marketing surveys and to provide the small scale industries with the information which would be required for changing the production pattern and marketing strategies.

7. In order to avoid the competition from within in the Small Scale Industrial sector the government can consider the imposition of restrictions on the number of units for a specified item of products in a particular area, say Block or Taluk.

8. Bank should assess the demand potentiality of each type of industry and only a feasible number of units should be financed. If this is not done, these units will not be able to use their full capacity. Hence,
need based lending should be followed instead of security or target oriented lending.

9. It is important that the working capital requirements of the borrower units are reviewed by the banks periodically and if found necessary the limits should be enhanced.

10. There should be a proper monitoring system of the banks at the branch level in order to detect sickness in the small scale units at the incipient stage itself, since prevention through caution is better than cure.

11. Government should ensure that the Small Scale Industrial sector gets uninterrupted supply of power, either through the existing system or through other source of energy.

12. Poor employer-employee relationship mainly stumps from the demand from the employees for higher wages. So the minimum wage fixed by the government should be linked with productivity.

13. In order to reduce the delay in project implementation the commercial banks should take up the responsibility of providing both fixed and working capital finance. The Small Industries Development Bank of Indian can help the commercial banks for providing the necessary long term loans to lending institutions providing the working capital assistance. The difficulties in this respect can be minimized.
14. To ensure the free flow of credit the small scale industries, the commercial bank should setup specialized branches exclusively for catering to the needs of the small scale industries, in all the important industrial centers of the state.

15. Working individual unit's partnership and societies are not able to make full use of their production capacity due to the absence of skilled labour force. In order to have a sufficient trained workers and supervisory staff, a course on different product manufacturing is to be initiated in Industrial Training Institutes and polytechnic colleges.

16. The existing pattern of loan repayments imposes heavy burden on the borrowers especially during the initial periods as the units are strengthening to generate profits. The telescopic system should be adopted for scheduling the loan repayments in which the size of the installment increases progressively with the age of loan.

17. A separate bank exclusively for the tiny sector should be set up on the same lines as SIDBI. This would ensure that tiny units are not sidelined in the development effort.

18. Compulsion on collateral securities turn away worthy, resourceful and able entrepreneurs especially those with novel projects. Hence, the security oriented approach towards loan should be replaced by purpose oriented lending.
19. The procedure for securing financial assistance should be rationalized and simplified and urgent steps should be taken to reduce the time taken for processing the application. This would prevent cost overruns caused by undue delay in commissioning the product.

20. Commercial banks and similar financial institutions should be given direction by the government to sanction loans for the working capital requirements of the SSI units at a subsidized rate by giving top priority. The Cumbersome formalities followed should also be made easier especially with regard to the timely disbursement of loan.

21. The financial institutions and commercial banks extend financial support of the Small Scale Industrial units should ensure themselves that the money borrowed from them is utilized by the owns of the Small Scale Industrial units for the purpose for which it is taken. Periodical on the spot inspection by the financial institutions / banks is highly recommended.

22. The existing arrangement for loans granted to the Small Scale Industries for acquiring plant and machinery, adopted by the financial institutions are fund to be not satisfactory in the Sense that the units are compelled to buy certain specified brands of plant and machinery. This leads to the acquisition of poor quality of plant and machinery. To overcome this, the Small Scale industries in should
be given the freedom for the selection of the plant and machinery in accordance with their needs.

23. Gestation period of the loan should be extended at least till the commencement of commercial production. Similarly, recovery of interest should start only after the commercial production commences. These steps would prevent the units from becoming sick.

24. In order to avoid the problems of non availability of raw materials in time, the intervention of the government becomes the inevitable action. It is suggested that the allotment of raw materials under government quota be enhanced. In addition the availability of such quota of raw materials in time and the required quality should also be ensured.

25. In order to monitor sickness in the Small Scale Industrial sector, a state level committee on the lines of the Board of Industrial and Financial Reconstruction should be set up. This will help to study the problems of sick units.

7.4 CONCLUSION

The present study is an attempt to evaluate the Fund Management by small scale industries in Thiruvananthapuram District of Kerala. The study highlights the various financial problems faced by the small scale industries in the study area. The study is based on primary and
secondary data. The findings of the study will enable the Government and policy markers to frame suitable mandates to promote small scale industries. It is therefore, earnestly hoped that the authorities will consider the suggestions given in the study.

The study would also strive to motivate the future researchers to identify many more problems in the area of small scale industries. The researcher has identified the following issues for future research based on his experience.

1. A study on the working capital management of small scale industry.

2. A study on the role of specialized financial institutions for the revival of sick small scale industries in Kerala.

3. A study on the role of Government agencies in improving the socio-economic status of the small scale industrial workers in Kerala.

4. A study on the assistance extended by the government for effective financial performance of small scale industries.

5. A study on the role of the small scale industrial sector in the industrial development of Kerala.

6. A study on the impact of the working of government agencies for the entrepreneurial development of small scale industry in Kerala.

7. A study on the production problems of small scale industries in Kerala.
8. A study on the financial crises of small scale industries on account of economic crises in Kerala.

9. A study on the industrial sickness of industrial estates in Kerala.

10. A study on the changes in the SSI sector in Kerala as a result of the implementation of liberalization scheme.

   The researcher presents this study with the fervent hope that this will draw the attentions of the future researchers. If the study helps them in any form for their research, the researcher will feel that he is amply rewarded.