CHAPTER-VIII

FINDINGS, SUGGESTIONS AND CONCLUSION
This chapter of the study contains the major findings, suggestions and conclusions. The various chapters discuss relevant issues relating to the financing of small scale industries in Orissa, and summaries of the respective chapters have been appended at their ends. Here it is proposed to integrate the whole panorama bringing into clear focus the major findings and drawing broad conclusions on six issues viz., i) the growth and development of small scale industries in Orissa; ii) their problems; iii) their financial solvency; iv) their sources of finance and the extent of their reliance on internal and non-institutional sources for asset formation; v) the role played by the financial and promotional agencies in matters of promotion and development of small scale industries in Orissa; and vi) the problems encountered by the entrepreneurs while arranging for the institutional finance.

8.1. The major findings of the study with regard to the above mentioned issues are given below.

8.1.1. The growth and development of small scale industries in Orissa

The small scale industries complex of the state consists of cottage industries and SSI sector industries. Under the purview of the cottage industries come the traditional village industries, both cooperatives and artisans,
most of which are set up by the artisans of the state on hereditary basis. The SSI sector industries on the other hand comprises of modern mechanised small scale industries, most of which are set up by the educated and technician entrepreneurs of the state and are normally urban oriented.

The cottage industries have been assigned a strategic role in Orissa for strengthening her rural economy and absorbing her surplus agricultural labour force. Though steps for the promotion and development of these industries were initiated much earlier, elaborate efforts were made in this direction only after the establishment of the District Industries Centres (DIC) in the year 1978-79. The DICs have identified and assisted as many as 64,272 units to commence production between 1978-79 and 1980-81. As such, at the end of March 1981, the units of this sector constituted 85.2 percent of the total units of the entire small scale industries sector of the state. But in terms of employment generated and capital investment mobilised the share of this sector has remained at 55.8 percent and 9.9 percent respectively. This proves that the industries of this sector are more labour intensive than the SSI sector. However, the development of these industries has remained very much imbalanced and heavily tilted in favour of the five non-backward districts of the state namely, Cuttack, Ganjam, Puri, Sambalpur and Sundargarh (Table 3.2).
The SSI sector industries have been assigned a strategic role in the rapid industrialisation of the backward districts of the state and for absorbing her mounting educated unemployed youth. Various steps for the promotion and development of these industries were initiated in the late fifties. From among the steps, the introduction of a pilot project scheme under which the government participated up to 90 percent in the share capital of the small companies set up by the private entrepreneurs was first of its kind in the whole of the country. However, the SSI sector industries (then called registered sector) continued to remain disorganised till 1973-74 and no systematic records were maintained by the State Industries Directorate. The Small Industries Development Organisation (SIDO) conducted a census survey on these industries all over the country in the year 1973 and discovered 32 percent of them as being closed and ghost units in the state of Orissa as compared to 38 percent at the all-India level. After the SIDO census survey, systematic records on these industries were maintained by the State Industries Directorate and effective steps were also taken for their sound growth on healthy lines. As a result, during the period from 1973-74 to 1980-81, these industries registered a compound rate of growth of 21.9 percent, 15.6 percent and 16 percent in terms of units set up, employment generated and capital investment mobilised respectively. The growth rate, however, became better and encouraging after the establishment of the DICs in the year 1978-79. In spite of the introduction
of the pilot project scheme and the establishment of DICs, the growth rate of these industries in Orissa between 1973 and 1980 in terms of units set up has been lower in comparison to the national growth rate and also to that of the neighbouring states (Table 3.14). As such, it can be observed that, Orissa occupies an insignificant place in the small scale industries map of the country.

In the SSI sector, the resource based industries dominated over the non-resource based industries. As on 31st March 1981 out of the total of 9677 SSI sector units, the resource based industries accounted for 6711, thus forming 69.4 percent. On the other hand, the non-resource based industries deteriorated their proportionate share to the state total from 33.4 percent, 34.8 percent, and 41.4 percent in terms of units set up, employment generated and capital investment mobilised, respectively in the year 1973-74 to 26.7 percent, 29.7 percent and 40.8 percent in the year 1980-81.

Similar to the trend observed in the cottage industries sector with respect to the inter-district distribution, the SSI sector units (both resource based and non-resource based industries) were very much unevenly distributed among the 13 districts of the state. The five non-backward districts have gained more concentration of these units than the backward districts, although, the backward districts provide enough scope for development and growth of SSI sector units. In this connection the efforts of the State Industries Directorate, the DICs and the financial and promotional agencies have been
to arrest the trend. From among the non-backward districts, Cuttack has received greater concentration of these units as compared to the rest four districts.

With regard to the general health of the small scale industries of the state, it is found that they were never rooted on sound footings. A large segment of them always remained either completely closed or virtually dead and defunct (Table 3.15).

8.1.2. Problems of Small Scale Industries in Orissa

The small scale industries of the state are confronted with numerous problems ranging from raw materials to marketing. The government supporting measures like supply of scarce raw materials at controlled prices, marketing assistance through government stores purchase programme and early settlement of dues to the small industries for the goods supplied by them to the government and semi-government departments have not helped the industries to the extent desirable and feasible. These problems ultimately lead to the problem of finance because they hinder the production process and increase the requirements of working capital. However, the problem of inadequate availability of institutional credit has remained the most important problem for the small industries. This is proved by the fact that, credit extended by financial and promotional agencies constituted only 46.8 percent in 1978-79, 33.8 percent in 1979-80, and 32.2 percent in 1980-81, of the total capital investment mobilised by the new SSI sector.
units set up in the state during these years. These units raised the rest amount from the owner's equity and non-institutional sources of credit (credit from money lenders and friends and relatives). In case of the old units (which include both SSI sector and cottage industries sector), the share of the institutional credit in their total investment remained at around 31.9 percent (Table 4.1) and 4.18), which stood much below the standard prescribed by the Industrial Development Bank of India (IDBI). A large number of new as well as old small units were denied credit by the institutional agencies operating in the state on various grounds. All these facts testify to the hypothesis that, "the non-availability of adequate institutional credit is the most acute and pressing problem of small scale industries". These problems have led to large scale sickness and mortality among the small scale industries in the state of Orissa.

8.1.3. Financial solvency of the small scale industries in Orissa

This aspect of the small scale industries of the state has been studied with the help of three categories of financial ratios; namely (i) Liquidity Ratios; (ii) Activity Ratios; and (iii) Solvency Ratios.

8.1.3.1. Liquidity Ratios.

Under this category the current ratio, the liquid ratio and the working capital turnover ratio have been studied. The analysis of these ratios has basically thrown light on
the short term solvency of the small scale industries of the state.

The short term solvency of an enterprise depends upon the adequacy of current assets in relation to current liabilities. The analysis of the current ratio of the small scale industries of the state reveals that the current liabilities of all the capital size groups and categories of industries were adequately covered (Table 4.1 and 4.2). Further, the average current ratio of the small scale industries of the State (around 1.39:1) has been higher than their counterparts at the all-India level (1.21:1). However, the ratio both in the state of Orissa as well as at the national level has been lower than the standard ratio of 2:1.

The liquid ratio is considered to be more penetrating measure of the liquidity compared to the current ratio. The analysis of the liquid ratio of the small scale industries of the state reveals that the liquid assets have exceeded the liquid liabilities in almost all the capital size groups and categories of industries (Table 4.3 and 4.4). Further, the average liquid ratio of the small scale industries of the state (1.15:1) has been higher than the standard ratio and the average ratio of their counterparts at the all-India level (1.01:1).

The average net working capital turnover ratio of the small scale industries of the state has stayed at around 9.33 times. Further, all the capital size groups and categories
of industries have maintained some net working capital - which is considered by the financial analysts to be a sound investment pattern (Table 4.5 and 4.6). Moreover, the average net working capital position of the small scale industries of the state has been better than their counterparts at the all-India level.

8.1.3.2. Activity Ratios

Under this category, the fixed assets turnover ratio, the inventory turnover ratio and the average collection period have been studied. These ratios have been studied to ascertain the efficiency with which capital employed by the small scale industries of the state in their business are rotated. The analysis of these ratios reveal that, despite marketing, raw materials and debt collection constraints, the small scale industries of the state have by and large managed their fixed and working capital effectively and efficiently (Tables 4.7 to 4.12). However, the smaller and traditional industries appear to have been using obsolete machinery and inadequate buildings. Further, these industries normally indulge in overtrading.

8.1.3.3. Solvency Ratios

Under this category the debt/equity ratio and the total indebtedness ratio have been studied. The analysis of these ratios have thrown light on the long term solvency of the small scale industries of the state and the relative proportion of internal and external resources in their business funds. The analysis reveals that the small scale
industries have maintained a very high proportion of internal resources in their business funds. Their average debt/equity ratio has remained at around 0.48:1 as compared to the standard ratio of 2:1. The analysis of their total indebtedness ratio also reveals that they are trading on a very thick equity (Table 4.15 and 4.16). The same phenomenon is also noticed at the all-India level. Further, the smaller and traditional industries have maintained higher proportion of internal resources in their business funds as compared to their bigger and non-traditional counterparts. The analysis also reveals that the working capital requirements of the small scale industries are higher than their fixed capital requirements.

Thus, it is evident that the small scale industries of the state have more or less maintained a sound liquidity and solvency and also have exhibited desired acumenship in matters of investment management, thereby earning the distinction of credit worthiness.

8.1.4. The sources of finance for the small scale industries and the extent of their reliance on internal and non-institutional sources for asset formation.

The major sources of finance for the small scale industries have been grouped under four main heads. They are: i) Internal; ii) Non-institutional; iii) Trade dues and other current liabilities, and iv) Institutional. While the three former sources have been dealt under this head, the later, i.e. institutional sources of finance has been separately dealt with.
8.1.4.1. Internal Sources of Finance

The owners' equity, reserves, surpluses, and provisions constitute the internal sources of finance for small scale industries. Despite the low level of living conditions of people, lower percapita income and consequent lesser savings; the share of the internal sources of finance in the financial structure of the small scale industries of the state of Orissa (31.2 percent) in average has been higher than their all-India counterparts (28.2 percent). This rate is also higher than the share prescribed by the Industrial Development Bank of India. The internal sources of finance meet around 41.2 percent of the total fixed asset requirements of the small scale industries in the state, which is higher than the ratio prescribed by the financial institutions (Table 4.21). Further, around 28 percent of the current assets of the small scale industries are met out of the same source. The contribution of the internal source of finance in the financial structure of the smaller and traditional industries is higher than that of the bigger and non-traditional industries. Thus, it is evident that, despite the attempts of the government to provide institutional finances by opening innumerable financial and promotional agencies for financing the small scale industries; these industries heavily rely on internal sources of finance. This trend confirms to all-India pattern.

8.1.4.2. Non-Institutional Sources of Credit

The credit provided by the private money lenders, friends and relatives constitute the non-institutional
sources of credit for the small scale industries. While invariably the private money lenders supply the short term credit, the friends and relatives provide medium term credit. The private money lenders, however, charge exorbitant rates of interest ranging from 48 to 60 percent per annum. The entrepreneurs invariably resort to the money lenders when they do not get adequate institutional credit for financing their current operations. However, the share of the non-institutional sources of credit in the financial structure of the small scale industries of the state has remained around 11.9 percent (2.5 percent medium term and 9.4 percent short term). The short term non-institutional sources of credit have catered to around 12.5 percent of the current asset requirements of the small scale industries of the state as compared to 25.5 percent by the commercial banks (Table 4.23 and 4.24). At the all India level the share of non-institutional sources of credit in the financial structure of the small scale industries have remained around 10.2 percent. The reliance of smaller and traditional industries on the private money lenders have been higher than their bigger and non-traditional counterparts. Thus, despite the policy of the Government and the Reserve Bank of India and also the follow up measures taken by them to ensure a smooth flow of institutional credit to the small scale industries so that they are freed from the clutches of the money lenders; the small scale industries continue to rely on the money lenders for financing their current operations.
The contribution of internal sources of finance (31.2%) and non-institutional credit (11.9%) taken together in the structure of the small scale industries of the state being more than the institutional credit, confirms to the hypothesis that "despite the presence of a network of institutional financing agencies in the internal sources of finance and non-institutional credit (credit from money lenders) still continue to retain their prominence as an important source of finance for small scale industries".

8.1.4.3. Trade credit and other current liabilities

Trade credit available for purchase of raw materials, outstanding expenses and other short term payables constitute these sources of finance. The share of these sources of finance in the structure at the small scale industries of the state has remained around 25.2 percent (trade credit 22.7% and others 2.5 percent). However, the amount of credit available to the small scale industries of the state for purchases is higher than the quantum of credit allowed by them to their customers. The same phenomenon is noticed at the all-India level.

8.1.5. The role played by the Financial and Promotional Agencies in the promotion and development of small scale industries in Orissa.

The financial and promotional agencies which provide financial assistance to the small scale industries of the state include: i) Commercial banks (both medium term and short term credit); ii) Orissa State Financial Corporation
(term credit); and iii) Government Agencies (term credit and incentives and facilities). The share of all these sources of credit taken together has remained at around 31.9 percent in the financial structure of the small scale industries of the state. The lower reliance on the institutional sources of credit by the small scale industries of the state is more due to their non-availability than due to their non-use by the units.

The major findings of the study in respect of different institutional sources of finance are given hereunder.

8.1.5.1. Commercial Banks

The Commercial banks are the largest suppliers of institutional credit for the small scale industries of the state contributing around 21.6 percent to their financial structure (2.1 percent medium term and 19.5 percent short term). However, they mainly cater to the working capital requirements of the small scale industries, which is higher than their fixed capital requirements. Further, the commercial banks are the only institutional suppliers of working capital credit for the SSI sector industries of the state.

The commercial banks financed around 25.5 percent of the gross working capital requirements of the small scale industries of the state as compared to 12.5 percent by the private money lenders. Further, while the small scale industries are supposed to avail themselves of the whole of the permissible working capital bank credit limit as per the
formula prescribed by the Tondon Study Group, the units in the state availed themselves of only around 52 percent of the same (Table 4.25 and 4.26). Their counterparts at the all-India level, however, availed themselves of 57.4 percent. The lower use of credit limit was more due to their non-availability than due to their non-use by the units. The smaller and traditional units have mostly relied on money lenders for financing their current operations; whereas their bigger and non-traditional counterparts have relied more on the commercial banks for the same. Almost the same phenomenon was noticed at the all-India level.

Of the total units operating in the state (both cottage and SSI sector industries) at the end of March 1981, the commercial banks have assisted to only 31.7 percent of them and catered only to 31.6 percent of their total asset requirements. In case of the cottage industries sector, even though the banks have assisted to 33.6 percent of them; yet, the credit has mostly gone in favour of the artisan based units which need lower quantum of finance. But in case of the SSI sector units, the banks have assisted only to 21.1 percent of them and the assistance have been mostly channeled to a few bigger units which require less of care from the banks. Those SSI sector units not given coverage by the commercial banks have relied on the money lenders for financing their current operations.
The share of the state of Orissa in the total bank advance to the small scale industries sector in the country over the period between 1968 and 1980 has remained at less than 1.0 percent (Table 5.2). The variations in the number of units assisted by the banks and the amount outstanding in the year 1980 over the year 1968 have largely taken place in favour of the industrially developed states (Table 5.5). The variation in the units assisted (3.8%) and amount outstanding (1%) over the period in Orissa have remained lower than all her neighbouring states (Table 5.5). With regard to the promotion of self-employment scheme by providing bank advances to the educated unemployed youth the same trend is also marked (Table 5.6). Hence, it is observed that, regional imbalances exist in the matters of financing of small scale industries sector by the commercial banks in the country as a whole.

The all-India pattern of regional imbalances in extending credit also exists at the inter-district level in the state of Orissa. Around eighty percent of the total credit extended by the commercial banks to the SSI sector have gone in favour of the five non-backward districts. In these non-backward districts the commercial banks have assisted to 31.1 percent of the operating units and catered to 38.1 percent of their total asset requirements, which is higher than the corresponding ratio (32.6 percent and 19 percent respectively) in the rest 8 backward districts (Table 5.4). Among the non-backward districts, the three advanced districts of Cuttack,
Puri and Sambalpur have claimed little less than two thirds of the total bank credit of the state. Further, the quantum of credit made available to these three districts individually have remained higher than the combined assistance (quantum) of the 8 backward districts (Table 5.4). This is also true in case of the ratio of the small scale industrial bank credit to the total investment mobilised. In the backward districts the banks have sanctioned loans in favour of more of artisan based units and provided small loans in favour of SSI sector units without adopting a need based approach.

8.1.5.2. Orissa State Financial Corporation (OSFC)

The OSFC is the major source of institutional term credit for the small scale industries of the state, financing around 33 percent of their net fixed assets as against 8 percent each by the commercial banks and government agencies (Table 4.21 and 4.22). However, the share of the corporation in the financial structure of the small scale industries of the state has been around 8.2 percent. Of these industries, the non-traditional and bigger units have remained the major beneficiaries.

During the sixties the advance portfolio of the OSFC was oriented to finance the medium scale industries (Table 6.1). But in the seventies the corporation evinced greater interest in financing small scale industries. After the establishment of DICs and the Branch offices of the corporation in all the districts of the state in the year 1978-79, there developed a spectacular increase in the sanction of the corporation's loans in favour of the small scale industries. At the end
of March 1981, the small scale industries sector shared a little over 4/5ths of the corporation's total quantum of sanctions covering around 99 percent of the total sanctioned units. However, the performance of the OSFC with regard to the sanction of the loan assistance in favour of the small scale industries has been better than majority of its counterparts in other states of the country (Table 6.7). Thus, it is rightly felt that in the absence of the OSFC, the industrial map of the state would not have been dotted with so many small scale industries.

In respect of the correction of imbalances or disparities in the promotion and development of small scale industries among different districts of the state, it is found that, of the total credit sanctioned by the OSFC between 1970-71 and 1980-81 73.4 percent have gone in favour of the 5 non-backward districts covering 64 percent of the total assisted units. The opening of the DICs and the Branch offices of the corporation in all the districts of the state have done precious little to arrest this trend (Table 6.6). Further, the corporation has shown a preferential attitude towards the small scale industries of Cuttack district. Of the total credit sanctioned by the corporation between 1970-71 and 1980-81, 41.6 percent has gone in favour of Cuttack district alone. The combined assistance of the eight backward districts have remained much lower than the assistance accorded in favour of Cuttack district alone. The same phenomenon is also noticed even after the opening up of the Branch offices of the corporation in all the districts of the state.
With regard to the lending pattern of the corporation, in matters of promotion and development of different categories of industries, the corporation by and large has matched well with the growth of different categories of SSI sector industries in the state (Table 6.2). However, the emphasis of the corporation on transport and hotel financing has adversely affected other categories of industries of the state as they failed to get their due share. Of the total credit extended by the corporation between 1970-71 and 1980-81, 31.4 percent has gone in favour of the transport sector alone.

The bulk of the corporation's assistance has gone in favour of bigger units. At the end of March 1981, eventhough, units receiving sanction order of rupees one lakh, or above constituted only around 20 percent of the total assisted units; yet, they claimed around 75 percent of the total quantum of loans sanctioned by the corporation.

In matters of disbursement, it is found that there exists a wide gap between the sanction and disbursement of the corporation's loan. Cumbersome procedure of disbursement and paucity of funds at the disposal of the corporation were responsible for this phenomenon.

The position with regard to the recoveries has always remained far from satisfaction and probably because of this the OSFC has been constrained to play a limited role in different spheres. At the end of March 1981, the overdue amount formed around 35 percent of the corporation's
outstanding loan. Suspension of collection drive from the transport and trawler operators, inadequate follow-up measures by the corporation officials, sickness of majority of the assisted units and wilful default by some units have been the major contributing factors for such a sad state of affairs on this front.

8.1.5.3. Government Agencies.

The Orissa State Industries Directorate, the Orissa Small Industries Corporation (OSIC), and the National Small Industries Corporation (NSIC) have been put under the Government agencies. While the OSIC and NSIC operate only various loan schemes, the State Industries Directorate operates loans as well as various incentive schemes. The loan assistance from all these agencies have been around 2 percent in the financial structure of the small scale industries of the state and constitute around 8 percent of their net fixed assets.

The State Industries Directorate operates a loan scheme under the State Aid to Industries Act. Total loans advanced under this scheme between 1960-61 and 1980-81 constitute only 1.8 percent of the total investment of the operating units. Further, this loan scheme is almost on the verge of disappearance as only 3 units are assisted in the year 1980-81. The OSIC operates the seed capital loan scheme, hire-purchase of machinery scheme and the bridge loan scheme. All these schemes have been closed. However, the loans advanced under the first two schemes constituted around 1.4 percent
of the total investment of the operating units at the end of March 1981. With regard to the operation of the bridge loan scheme, it is found that the OSIC surrendered the money received from the government on the plea that, it did not attract proper response from the entrepreneurs in spite of wide publicity. The surveyed units, however, claim their unawareness of the operation of such a scheme by the OSIC. Nevertheless, the government placed inadequate funds at the disposal of these agencies for the operation of various loan schemes.

The NSIC provides loan assistance under the hire-purchase of machinery scheme in the country. It has played a very limited role in the State of Orissa. The share of the State of Orissa in the total loan advanced by the NSIC in the country under this scheme has remained insignificant (0.7%) and lower than all her neighbouring states (Table 7.5). At the end of March 1981, the loan assistance of the NSIC under this scheme formed only 0.8 percent of the total investment mobilised by the operating units of the State of Orissa. This is despite the establishment of its branch office in the state.

Under all the loan schemes, the credit extended in favour of Cuttack district alone has remained higher than the combined credit of the eight backward districts. Further, Cuttack district and its neighbouring districts have received a better treatment from these agencies as compared to other districts. There is no evidence of deliberate attempt on the
part of the officials of these agencies to diversify credit to the far off districts.

The recovery of loan assistance under all the loan schemes have always been very much discouraging. Among other things, low priority accorded by the units to pay government loans, inadequate follow up measures by the agencies, sickness of majority of assisted units and sanction of loans in favour of ghost units have been the major contributing factors for such a sad state of affairs.

The State Industries Directorate operates subsidy and incentive schemes of two types for the small scale industries namely, i) The Central Investment Subsidy scheme operating in the six specially declared backward districts, and ii) The State Investment Subsidy Scheme operating in the rest seven districts. Under both the schemes it is marked that bigger units are the major beneficiaries. Under the first scheme only 25.8 percent of the eligible units have been assisted. The rate of subsidy is 15 percent on fixed capital investment. The ratio of the quantum of subsidy granted to the total investment (fixed and working capital) of the assisted units is bound to be less than 15 percent. Further, the ratio of the subsidy granted to the total investment of the total eligible units ought to have been still less. But the ratio works out to be 25.7 percent. The same trend has been marked in the implementation of the second scheme where only 14.3 percent of the eligible units have been assisted. This unusual phenomenon may be attributed to an improper utilisation of the subsidy.
With regard to the expenditure on the industrial estate facilities in Orissa, the situation remained quite encouraging so long it was funded by the Government of Orissa through its budgetary allocation. But, since 1973 the pattern was changed and the Government provided only 20 percent of the estimated cost of construction and the rest 80 percent was to be made available by the financial institutions. After the change in the pattern of financing, the progress of the construction immediately became slow and sluggish (Table 7.7 and 7.9). Inadequate availability of financial assistance from the financial institutions became the major contributing factor for this phenomenon in the state.

In respect of the location of the industrial estate facilities it is observed that it has an urban orientation. While 75 percent of the total sheds of the state were constructed in the urban estates; the semi-urban and rural areas accounted for 10.7 percent and 14.3 percent of the total sheds respectively. Further, these facilities in the state have been concentrated in the districts of Cuttack, Puri and Sambalpur. These three districts together accounted for more than 2/3rds of the constructed sheds of the state. The district of Phulbani did not find a place in the industrial estate map of the state.

With regard to the utilisation of these facilities in the state, it is observed that these have been under-utilised (Table 7.10). Location error, inadequate provision of infrastructure facilities and allotment of sheds in favour of undeserving parties have been the major contributing factors for this phenomenon.
The above findings of the study in the area of institutional finances including all groups namely commercial banks, OSFC and Government Agencies confirm to the following hypotheses that -

1) The accessibility of the small scale industrial units to the institutional source of finance is greatly influenced and conditioned by their size and character. The smaller and traditional units have mostly remained outside the institutional fold.

2) the developed areas have been more favoured by the financial institutions than the backward areas in matters of financial assistance.

3) the financial institutions have hardly played any worthwhile role in correcting the regional and local imbalances by pursuing a sound and judicious policy of sanction and disbursement of financial assistance.

8.1.6. The problems encountered by the entrepreneurs while arranging for institutional finance.

A large number of the surveyed units are found to have inadequate knowledge on different kinds of loan and incentive schemes operated by the financial and promotional agencies. Further, a sizeable number of units have never applied for financial assistance because they felt it difficult to comply with the cumbersome formalities and procedures prescribed by the financial and promotional agencies. Some units also did not apply because of the distant location of
the offices of the financial and promotional agencies. However, the units who availed the financial assistance reported to have been facing numerous problems while arranging for these assistance from the financial and promotional agencies.

With regard to the commercial banks, the major complaints of the entrepreneurs were undue delay in the sanction of the loan, security oriented approach of the bankers, managerial rigidity with regard to the provision of temporary accommodation and pruning down of their working capital loan by the bankers. Because of these difficulties, some entrepreneurs preferred the money lenders for financing their current operations. The recommendations of the Puri Committee in order to improve the situation has not been heeded by the commercial banks operating in the state.

Among the complaints of the entrepreneurs against the OSFC; delay in the sanction and disbursement of loans, cumbersome procedure of disbursement and unsympathetic attitude of the inspecting officers are important. The formality of producing so many clearance certificates by the entrepreneurs for getting the sanctioned loans released has put the entrepreneurs into trouble. As a matter of fact, they reported to have spent a substantial part of their savings and time in arranging the clearance certificates.
In case of the government agencies only a few surveyed units found to have availed the financial assistance. However, the major complaint of the entrepreneurs against these agencies have been the undue delay in the release of the assistance. Further, in case of the capital investment subsidy the entrepreneurs reported not to have received the full disbursement. The OSFC, the disbursing agency adopted a method of deducting its own outstanding interest and principal from the subsidy amount and disbursed the balance. This practice has turned their financial problem from bad to worse.

The above observations testify the hypothesis that - "Procedural impediments continue to stand on the way of smooth release of institutional assistance."

8.2. Suggestions.

Projection of a problem is not the ultimate objective of research. Rather, few feasible suggestions to improve the problematic situation should be given equal priority. Keeping this in view, some suggestions have been incorporated in respective chapters at appropriate places. Here few other broad suggestions are given for consideration of the planners, policy makers and financial institutions so as to develop a sound and viable small scale industries sector in the state.

8.2.1. The multi-agency approach which is being currently adopted for financing the small scale industries in the State has made the process of getting the finance more cumbersome,
tiring and time-consuming for the entrepreneurs. Having been exposed to multi-channels of help and assistance, the small entrepreneurs get confused and at times overwhelmed. Hence, it is suggested that a single-agency approach be explored and examined to cater to all types of financial requirements of the small scale industries.

8.2.2. Since the DICs are identified and accepted as the nucleus points in the district levels for the promotion and development of small scale industries, they obviously need to be manned by people who have the requisite experience and expertise. Here it may be suggested that the DIC in general and the project evaluation department in particular should be manned by experienced and competent personnel. A sound project evaluation would help in minimising the chances of large number of applications being rejected on technical grounds. For rearing up of a team of committed and dedicated personnel at all the DICs, the government may also think in terms of creating a separate cadre of personnel to be exclusively put incharge of the administration of the entire small scale industries programme in the state. This will infuse in the people in charge of administration a sense of involvement and belongingness and identification with the programme of small industries development.

8.2.3. In view of the poor development of the small scale industries in the backward districts of the state, immediate steps should be taken to accelerate their industrialization. Since the financial resources are limited, it may not be
feasible to take up industrialisation in all these districts at a time. The rich natural resources in these districts increase their potential for establishing resource based industries. Such industries, being labour intensive require less of capital investment. So it is suggested that, some growth centres should be selected at first instance. These centres should be subjected to intensive care of selected agencies entrusted with the singular task of nurturing industrial units till they attain self-sustaining stage. When one batch of growth centres reach a self-sustaining stage, another batch should be taken up. In order to maintain such continuity, the team of officials for these centres should be meticulously selected with full delegation of powers.

8.2.4. In view of the insignificant share of the state of Orissa in the total financial assistance rendered by the all-India financial and promotional agencies to the small scale industries in the country, it is suggested that the Directorate of Institutional Finance in Orissa should take up the matter with the corridors of power irrespective of the political equation of the state with the centre and see that the small scale industries of the state are not denied their due share from these agencies.

8.2.5. With a view to minimise the working capital constraints of the small scale industries of the state and to arrest the out-flow of deposits mobilised by commercial banks
from within the state, it is suggested that efforts may be made to set up a commercial bank with its head office in Orissa and branches at each district, sub-division headquarters and growth centres.

8.2.6. While formulating the District Credit Plans, the Directorate of Institutional Finance of the State should see that the backward districts of the state get their due share.

8.2.7. Capital circulation is an essential factor for the growth of the small scale industrial units. Evading recoveries check this process. The sick industries do not have the capacity to pay back the credit taken. But there are some units who deliberately evade recovery, even if they are financially well off. This causes capital stagnation and thereby some fresh units are deprived of financial assistance. So, it is suggested that, the financial and promotional agencies should make an endeavour to locate such units and make them pay their dues, if necessary, by using force.

8.2.8. The Government of Orissa should consider setting up of a state level committee to study the problems of the small scale industries and to suggest suitable measures at frequent intervals. Further, this committee should report to the government from time to time on the progress made with regard to the implementation of vital government policies in relation to the promotion of small scale industries sector in the state.
8.3. Conclusion

A state pitched against a backward economy has to turn towards various ladders of support and industrialisation in general and small scale industries in particular is one of the supporting ladders. The role of small scale industries in Orissa's economy is very vital because, it is a rich state (in terms of natural and other resources) inhabited by poor people. These resources if exploited properly would certainly result in the all round development of the state.

Keeping in view this idea, right since late 1950s, the Government of Orissa has been taking persistent measures to improve the small scale industries in the state. Even then, the overall picture of the growth and development of this sector in the state is dismal and discouraging. Not only their rate of growth has remained relatively slow and sluggish; but also their pattern of growth has remained very much uneven, unbalanced and lopsided. Although the reasons attributed range from raw material to marketing; yet, finance seems to be the main hindrance.

The flow of finance to small scale industries from institutional sources has never been steady and encouraging as it is evident from the fact that the entrepreneurs have relied more upon their own resources and non-institutional sources, specially the money-lenders. The central and state governments have formulated policy directives, and established financial and promotional agencies for financing the small scale
industries. But the flow of finance has never been timely and adequate despite the credit worthiness of the small scale industries of the state; because of procedural impediments, official red-tapism, shyness of entrepreneurs and timely non-recovery of the loans extended. This has led many units to be placed under sick list which ultimately result in the failure of the small scale industries in the state of Orissa. The suggestions made earlier are vital for the future of this sector in the state.

Thus, the State of Orissa more or less confirms to the general trend prevailing in the country in matters of financing the small scale industries.

8.4. Pointers for further study

This study is not considered to be an end in itself, in matters of financing of small scale industries of the state. It is a macro-analysis of the financing of small scale industries of the state of Orissa. There still exists scope for micro-studies covering utilisation of different incentives and subsidies, correcting regional imbalances etc. The main contribution of this study being to bridge the gap between what is known and what is unknown about the financing of small scale industries in the state, also provides an exploratory picture which can serve as an infrastructure for future study. This study further provides methodological refinements which can be adopted in future studies in determining the relation between the financial and promotional agencies and the entrepreneurs.
It is also felt that besides financing, ample scope is there to study the growth and development of small scale industries in Orissa and problems like raw-material, marketing, manpower-management etc. Such studies will provide a wholesome picture with suggestions for the growth and development of small scale industries in the state.