CHAPTER – VI

6. SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.1 Summary and Conclusion:

The study of Kamrup district was undertaken where major sources of financing SSIs from institutional sources are highlighted and the problems faced by the SSIs in availing loan from these institutions are shown.

Assam is situated in the northeastern region of India. The total area of Assam is 78,438 sq.km. The climate of the state is sub-tropical with maximum temperature of 38°C and minimum temperature of 7°C.

According to the 2001 census the total population of Assam was 266 lakh. The total literacy in the state according to 2001 census is 64.28%. Assam is mainly an agricultural state. The total production of foodgrains crops in the state is 40.28 lakh tonnes in 2001-2002. Major minerals found in the state are crude oil, natural gas, limestone, etc. Main forest products are industrial wood, fuel wood, bamboo, stone, cane sand etc. The main livestock population in the state are cattle, buffaloes, sheep, goat, pigs, duck etc.

The main agro based industries are tea industry, sugar industry, food processing industry and grain mill products industry (Rice oil and
flour mill). Major mineral based industries are cement industry, engineering industry, re-rolling mill, steel wire net etc. Main forest based industries are paper and paper pulp industry, match industry, hard board industry etc. Moreover, fertilizer industry, printing press, brick and tiles industry, ice industry, chemical industry are also found here.

For the industrial development of the state, the Government has set up various industrial estates, industrial areas and growth centres in Assam. Apart from these, the Government has established various state level and National level Organisations and Institutions in the state. Major state level organisations are District Industries and Commerce Centre (DICC), Assam Industrial Development Corporation (AIDC), North Eastern Regional Agricultural Marketing Corporation (NERAMC) etc. The main National level organisations are National Small Industries Corporation (NSIC), Indian Institute of Entrepreneurship (IIE), Small Industries Services Institutes (SISIs) etc.

The total number of registered factories in the state was 2515 in 2001-2002. According to the fourth Economic Census (1998) there were altogether 5,93,169 enterprises in Assam.

The State has 132 large and medium scale industries (excluding tea industry), which are engaged in the manufacturing of various products
ranging from food processing to petrochemical items. The total tea production was 450 million Kgs.

At the end of March 2001, there were 41,875 SSI units in the state. Assam accounts for only 1% of the total SSI units in the country.

Small Scale Industries in Assam generally faces number of problems like ignorance, illiteracy and conservative attitude connected with these industries, scarcity of raw materials etc. but the major problems are infrastructure, finance, marketing and management.

Kamrup district is situated in central Assam. The total area of the Kamrup district is 4345 sq. km. The climate of the district is sub-tropical with semi-dry summer and cold in winter. The maximum temperature is 38.5°C and the minimum temperature is 7°C. The total population of the district is 2515 thousand: The literacy percentage in the Kamrup district is 74.69%.

The total cropped area in the Kamrup district is 253195 hectares. Roadways, railways, airways and waterways link the district. Road length per thousand sq.km. is 56.7 km.

Major crops found in the district are rice, wheat, jute, maize. Main plantation is tea. Major fruits are nuts, banana, pineapple, guava, orange and major vegetables are spices, potato, cabbage. The major minerals found are granite, feldspar and quartz.
For the industrial development Government has set up various Industrial Estates and Industrial Areas in the district. Major ones are Industrial Estate, Bamunimaidam, Industrial Area, Amingaon, Export Promotion Industrial Park, Amingaon etc.

The total number of registered factories in the Kamrup district in 2000 was 507.

Out of the 132 large and medium scale industries in the state, Kamrup district has more than 50 units. The number of tea gardens in the district was 53. The production of tea was 4941 thousand kg in 1999.

The total number of small-scale industries registered under the Directorate of Industries and Commerce, Assam in Kamrup district in 2001 was 12,260.

In the Kamrup district also SSIs faces a number of problems ranging from inadequate finance, marketing problem, production cost is too high, management problem, raw material problem, lack of skilled personnel, no testing and R&D facilities etc.

For the purpose of the present research effort information was collected through questionnaire and personally meeting the entrepreneurs of the SSI units of the Kamrup district. Moreover, interview and discussions with the owners or managers of the SSI units and few industrial consultants were also taken.
The study found that SSIs in the Kamrup district are engaged in various activities. The major types of industries exist are printing, publishing and allied (30%) followed by steel fabrication (22.22%), but units of food processing, plastics, chemicals, engineering are also found in the district.

The family background of the entrepreneurs shows that majority of them were from service background (53.34%), followed by business background (42.22%).

It was found that majority of the entrepreneurs were graduates (37.79%), followed by matriculation (23.33%), post-graduates (14.44%) technical and higher secondary (12.22%) each.

The survey showed that majority of the SSI units were proprietorship (64.44%) concern followed by partnership (15.67%), companies (17.78%) and only 1.11% were cooperatives.

The analysis of the data revealed that majority of the SSI units (44.44%) were established between 1991-2000 followed by 1981-1990 (26.67%), before 1980 (16.67). About 12.22% units were established after 2001.

Out of the 90 SSI units covered during survey, 34.44% of units have investment within the range of less than Rs.1 lakh (investment on
plant and machinery) followed by 17.78% in the investment range of Rs.20 lakh and above and Rs.2 lakh to Rs.4 lakh (12.22%) and so on.

The study revealed that a large number of SSI units didn’t avail any financial assistance from banks or financial institutions. Majority (3.33%) in case of term loan and (58.89%) in case of working capital have contributed from own funds. 36.67% and 30.00% units approached financial institutions for term loan and 36.67% and 4.44% in case of working capital availed loan from commercial banks and other financial institutions.

The employment pattern of SSI units in Kamrup district shows that majority of the units (37.78%) have employment size of less than 5 persons followed by 6-10 persons i.e. 35.56%. It is found that employment is very less in most of the SSI units.

The major financial problem faced by the SSI units in the Kamrup district shows that both in case of term loan and working capital the entrepreneurs found the procedures of taking loan cumbersome, delay, too many formalities, penal interest are heavy, inadequate finance is provided to them and finally corruption involved at the time of sanctioning the loan.
The study found that various types of credit facilities are not provided by banks or other financial institutions. Only cash credit – hypothecation and overdraft facilities are provided by banks.

Though term loan is provided by the financial institutions and banks delay in the sanction of working capital severely affects the production and therefore entrepreneurs cost overruns and he has to incur losses. Moreover, he has to pay a higher rate of interest and that affects his profitability.

The bank officials harass the budding entrepreneurs so much that the entrepreneurs lose interest in the venture due to these and start working other things.

The banks and financial institutions do not show interest in financing new entrepreneurs. In most of the cases they finance the second-generation entrepreneurs. This is due to low risk involved in lending to those who are already financially sound.

The procedure of taking both term loan and working capital is so cumbersome that people take the help of relatives, friends and moneylenders in times of need or they use funds from their own sources.

There is no proper coordination among the financial institutions, promotional agencies and the institutions which provide sheds and land to
entrepreneurs. This results in delay and the ultimate sufferer is the entrepreneurs.

It has been found that due to the Supreme Court ban on cutting of trees in the northeastern region the related industries that are dependent on wood suffered. Moreover, the railways, which were previously using wood in rails, now uses concrete for the same purpose. This results in many SSI units to close down.

Previously, it was a trend among the government undertakings to purchase office equipments and other stationery items from the local entrepreneurs. But with the severe cash crunch in the state the government offices have also changed their approach and now they purchase the same items at competitive rates from the wholesalers and traders who use to purchase goods from outside the state and sell them in Assam at lower prices. SSI doesn’t withstand competition in Assam.

There is lack of proper business culture among the people of the region. People are still unwilling to take business as their profession.

No proper project reports are prepared before starting any venture. Project reports are also not available so that the aspiring entrepreneurs can know the pros and cons of any business.

People only become entrepreneur if they don’t get a government job. So, there is a lack of previous experience in the chosen field which
led to the problem in the later stage and thus it leads to units become sick or closed.

Though it should have been a routine affair for the DICC officials and bank officials to inspect the working of the SSI units. But they never visit the concerned SSI unit whether they are working properly or not.

Bank officials who are posted in the region shows escapist attitude and they do not want to take risk in their tenure which used to be very short at most three years. So, they do not take unnecessary risk which may hamper their professional profile.

There is lack of awareness among the entrepreneurs of the new machinery and technology, which have come in other region.

No R&D (Research and Development) facilities in the SSI units and this retards the growth and innovation among the entrepreneurs.

Some entrepreneurs do not purchase the new machines because they have to hire the technicians from outside the state. If they do so production costs will increase.

There is no specialised SSI bank branches in the state which can look after the working of the SSIs.

The study proves the first hypothesis that lack of finance acts as the major constraint in the growth of small scale industries in Assam as well as in Kamrup district as was manifested by the case study of SSI units.
As far as second hypothesis is concerned, the well-established SSI units and the second-generation entrepreneurs do not have the same degree of problem of finance as they manage to obtain the raw materials etc on credit. So, the problem of finance is not the same for all types of SSI units.

6.2 Recommendations:

The study makes the following recommendations having policy implications.

(1) The banks and financial institutions should provide both the term loan and working capital without delay to the SSIs.

(2) The government should take the help of mass media in order to improve the business culture among the people of the region. It would also enhance the business prospects of the funding agencies.

(3) There must be accountability on the part of District Industries and Commerce Centre (DICC) and bank officials and a special tribunal should be established so that stringent action can be taken against the erring officials.

(4) All the institutions and organisations which are related with the working of SSIs should set up a separate department of customer care for the benefit of entrepreneurs.
(5) The Government with the help of Directorate of Industries should form database wherein latest information on SSIs as well as new machinery and technology available in other parts of the country can be stored and known.

(6) The procedure of taking loan from banks and financial institutions should be simplified and more power should be delegated to the branch manager so that unnecessary delays may be avoided.

(7) A specialised institution should be set up which can provide project reports to the prospective entrepreneurs easily and at affordable cost.

(8) The Government should ensure that all the facilities related to finance, marketing etc needed by SSIs should be made available at one place so that entrepreneurs do not have to go in different parts of the city for a single work. This will save a lot of time and delay on the part of entrepreneurs.

(9) Cross border trade should be promoted so that the entrepreneurs can come out of the shackles of geographical barriers. This will improve competitiveness and minimise cost.
(10) Consortium approach should be adopted by the SSI entrepreneurs in the purchase of raw materials so that cost of production may decrease.

(11) The Government should promote the SSI units to develop R&D facilities and concessions should be given to those units which have R&D facilities.

(12) Efforts should be made by the Government to revive the sick units in the Industrial Estates and Industrial Areas.

(13) Marketing Research Companies should be established so that entrepreneurs can be benefited from these companies.

(14) Specialised SSI bank branches should be set up in the state to cater to the special financial needs of the SSI units.