ABSTRACT

Small Scale Sector with a total strength of about 30-40 lakh units is the backbone of the Indian economy. It plays a key role in the industrialisation of the country. The SSIs provide immediate large-scale employment, offer a method of ensuring a more equitable distribution of the national income and facilitate an effective mobilisation of resources of capital and skill, which might otherwise remain unutilised.

The small-scale industries are not only creating employment opportunities but also their capabilities and acceptibilitis have been proved in the World Economy being a major contributor of export earnings of our country. By taking advantage of liberalisation of the economy, small-scale industries have achieved more than 40 percent of the total exports and if non-traditional village and cottage industries products and indirect exports are taken into account, it will cross the figure of 65 percent of the total exports in the country.

One of the unique features of Indian economic development during the past four and a half decades has been the phenomenal growth of small scale industries, since the inception of the planning process, has stimulated enormous economic activity across the country and to a large extent it has been successful in ensuring utilisation of local resources both human and material locally and thereby bridging inter regional gaps in industrial growth. The other significant aspect associated with small scale industries development is the possibility of indigenous technology development on the one hand and on the other speedy diffusion and adoption of modern
technology apart from providing breeding ground for successful entrepreneurs which is urgently required in the present move of privatisation.

Despite its crucial importance in the Indian economy small-scale sector has been facing numerous problems like marketing, finance, raw materials, infrastructure, etc. Of these the problem of finance is the most acute one. Finance is considered as life-blood of industry and is a pre-requisite for accelerating the process of industrial development. In the absence of proper credit flow to this sector the overall production, export and employment performance is bound to suffer. The Government has initiated various policies from time to time in view of the recommendations made by various committees but the flow of credit to the small-scale sector has been found to be inadequate. Therefore, a proper study in this area is very much necessary in order to find out the causes underlying it and suggest suitable measures which will help in the overall industrial development of Assam in general and Kamrup district in particular.

Hence, the present study was undertaken as a modest attempt to highlight this crucial aspect of economic development.

Objectives of the Study:

The main objectives of the study were as follows:

1. To identify the different sources of financing Small Scale Industries from institutional sources.

2. To assess the problems of Small Scale Industries in availing term loan from financial institutions.
(3) To examine the problems faced by Small Scale Industries in getting working capital from financial institutions.

(4) To seek remedies and give pragmatic solutions having policy implications.

Hypotheses:

The following hypotheses were formed for the purpose of the present research work.

1. Lack of finance act as a major constraint in the growth of small-scale industries in Assam.

2. The problem of finance is the same in every type of small-scale industries.

Methodology:

The study is based on primary and secondary data. The primary data has been collected by visiting various SSI units. But before that names and addresses of the SSI units were collected from the records of District Industries and Commerce Centre (DICC), Kamrup. Thereafter, a pilot survey was conducted of 15 SSI units to know the reactions of the respondents and later on some questions were incorporated and a few were deleted. Then the required information was collected through well-structured questionnaire. The questionnaires were distributed among the Managing Director, Manager or the Chief Executive Officer of the units or Proprietor. Moreover, the investigator himself undertook personal interviews and discussions with Proprietors, Managing Directors of the SSI units. Comments and suggestions were also invited from them. Though the
questionnaire was in English but regional languages were also used while asking questions to entrepreneurs.

Sample: Total number of registered SSI units in the Kamrup district was 12,260 in the year 2001. They are engaged in various activities out of which only 90 units of the Kamrup district were selected for the study. More units could not be covered due to the unwillingness or non-cooperative attitude of the SSI entrepreneurs as well as time and financial constraint on the part of the researcher. Only those units that are registered with the District Industries and Commerce Centre (DICC), Kamrup are taken into account and those units that are not registered are not covered under study.

The secondary data were collected from journals, newspapers, annual reports of the financial institutions, published and unpublished documents, newsletters, etc.

Limitations:

1. The main limitations is that the entrepreneurs are not co-operative enough and don't want to disclose information especially related to finance. It is after a lot of persuasion that they get convinced and provide the information.

2. The majority of the SSI units never maintained proper records viz. cash book, ledger, stock statement, profit and loss, balance sheet etc. In spite of this, the investigator left no stone unturned to get the correct information from these SSI units.

3. Although the general conclusions of the study would help in developing insights and understanding of the problems faced by the small scale sector in the field of finance, the conclusions of the
study may not be applied to all the districts in Assam as well as other parts of the country. This is because different districts and area may have different problems and may need different solutions.

**Outline of Chapters:**

Chapter-I primarily deals with a brief introduction on small-scale industries and the importance of the study, significance in the context of Assam. Moreover, it describes a brief review of literature on small-scale industries scenario with special reference to financial and institutional support and also some review of enquiry committee reports. Apart from these, objective, hypothesis, methodology and limitations of the study are taken into account as well as chapter scheme.

Chapter-II deals with the role of small-scale industries in economic development and includes definitions, its role in regional development of backward areas, growth of small-scale sector in national context and industrially backward state. Moreover, general and major constraints of small-scale industries are covered. Institutional and supportive infrastructure for the promotion of small-scale sector are also taken into consideration.

Chapter-III includes socio-economic profile of Assam and Kamrup district i.e. a general background, geography, natural resources and economic scenario, economic indicators, infrastructural development and inter-district or inter-regional variation.

Chapter-IV deals with industrial sector in Assam and Kamrup district as well as problems and future prospects.
Chapter-V is the core chapter under study and it includes the major sources of financing small-scale industries (SSIs) in Assam and their credit to the SSI sector in Assam. Moreover, it shows the analysis of the survey undertaken in the Kamrup district.

Chapter-VI presents summary, conclusions and recommendations.

Conclusion and Recommendations:

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.

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 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 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.

The Bank officials who are posted in the region show 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 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.