CHAPTER V
CHAPTER-V

SUMMARY AND SUGGESTIONS

The main focus of this study is on identification of financial problems faced by small scale industries in Jammu and Kashmir. It is difficult to cover all units engaged which are diverse and widely dispersed, the focus of approach in the work is on the main activities of this sector.

The study is undertaken with the prime objective of examining the main causes of growing sickness (SSI) in state where any other sector except small scale sector hardly finds any place in industrial map. Need of the hour is not to prove from Statistical techniques or from Accounting Ratios that units is sick or not, the basic question is why this situation arises that the number of sick units is increasing day by day. The study is based on the assumption that finance is the pivot round which the whole economic science clusters. In this an attempt has been made to find the effects of scarcity of finance on production, labour, marketing and other related aspects. It also highlights that on papers various policy measures are taken, various incentives are available, various financial agencies are engaged in financing small
scale sector for the development of this sector. Are these policy measures implemented? How many units have taken benefit from facilities provided and to what extent financial agencies are fulfilling their expectation? In short the attitude of government, and financial agencies towards this sector has been examined.

In spite of the truth that the small scale sector has capacity of better utilization of local resources, providing more employment and a right way for balanced regional development, the state SSI sector has not shown any progress during 50 years and remains industrially backward as it was. Moreover, the painful experience of entrepreneurs who have setup their units with their personal savings and borrowings from various sources, come to know that the units instead of earning profit are incurring losses. After two or three years when entrepreneurs do not find the way to come out from the clutches of insolvency, their units become sick and ultimately leads to the death of units (i.e. closing of unit). Instead of reducing unemployment, it adds some more persons in the tally of unemployment.

This study is a modest attempt in the direction of finding the causes the flaws on the part of government
and entrepreneur. In spite of abundance of resources
gifted by nature and so many facilities provided for this
sector, the situation instead of improving is deteriorating
day by day.

To "nip an evil in the bud" is the best solution for
combating any problem. Forget the past, what wrongs
have been committed, there is no need to shed tears
on it, demand of time is to look at brighter side than
trace black spot and tackle the problems on war-footing.
The findings of this study may help policy makers in
many ways, planners, entrepreneurs and all those agencies
which are dealing with small scale sector and for all
those who are interested in the development of this
sector. Moreover, if the following suggestions are
implemented, it will be prove fruitful.

Professional skill and interest in business are important
for any entrepreneur to run a business successfully. In
SSI units success depends upon the person running the
show. A good entrepreneur can make a sick unit viable
whereas an incompetent one can make even a successful
unit sick. The old formula that "People will work for
us" has gone in antique. The modern business philosophy
is "People will work with us". It means that entrepreneurs
must be aware of all business tricks, and should have complete knowledge of running a business, then he can lead successfully, otherwise competition will throw him out. Since the success or failure of unit depends upon the man in charge of business, it is suggested that management development programme should be organised at regular intervals in order to keep them fully aware of changing trends of business environment. Short term entrepreneurial programmes should also be started in collaboration with universities, for prospective or existing entrepreneurs. Such programmes would help in preventing misuse of resources, finance, and ensure growth. Automatically it will help a lot in reducing sickness in small scale sector.

Sound equity based capital structure is important for both large and small industries. To some extent large industries can bear more debt as compared to their equity. But for small industries it is very important to have sound equity. It has been observed that unbalanced capital structure is one of the main causes of growing sickness in small scale sector. A 40:60 debt equity is very appropriate and the capital structure based on this, should be considered a balanced one. DIC and financial
institution must take every possible steps in this regard. They must try to make every effort in making entrepreneurs aware about pros and cons of excessive debt in the capital structure. It is certain in case of loss, for two or three years, it will become sick. So extra care must be taken in order to ensure that units capital structure is a sound one.

Geographical location of the state is such that it is difficult to find an ideal place for locating a unit where all facilities are easily available. It is suggested that at least two industrial estates under DIC must be established in every district with all facilities. Moreover, so far whatever steps have been taken in this regard, the governing authorities must ensure that from all these facilities provided, full benefits should be derived.

Again geographical location makes it difficult and has a very little scope for the establishment of medium and large scale industries in the state and thus all the hope is on Small Scale Sector for the industrial development of the states. There is shortage of raw material. Importing of raw material from other states casts a huge burden on SSI. It is suggested that in every district DIC should have its own raw material bank and should have every
type of raw material in sufficient quantity. DIC should allot raw material to SSI units on monthly basis and vigilance officers must visit these units twice in a month. So that progress of these units can be ascertained and must ensure that raw material is not misused by entrepreneurs. All entrepreneurs must be assured that raw material will be supplied regularly without any delay. DIC should make correct assessment of raw material needed by the unit. The quota system for longer period should be abolished because various shortcomings have been seen in this system. Raw material should not be allotted to non-functioning units. These measures will save a lot of money of the unit holder and this amount may be used for other purposes.

Government must take cue from Punjab where once shortage of raw material made many units sick but after the opening of raw material banks by government and private owners, it became possible to lay foundation of footloose industries in the state. Today these industries are flourishing and raw material of superior quality is always available in sufficient quantity. It is necessary for the development of J&K state that government should pave the way for establishing footloose industries.
The main complaint of small scale sector is about power. Already stated that power tariff, low voltage, and frequent cuts are the main complaints of unit holders. No doubt, state has vast potential for generating electricity and various Mou's have been signed by government. The dream of extra electricity supplying to other states comes true one day. Instead of providing subsidy for diesel generating sets, the state government should install high power diesel generating sets in the industrial estates and industry concentrated areas. Government should order to ensure adequate supply of electricity at least for 16 hours a day during normal working hours. Further, recurring annual turnover subsidy should be provided to encourage small units to increase their production and sales.

The national small scale industrial corporation (NSIC) was setup by the government of India in 1955 to promote the growth of small scale sector. Since its inception, NSIC has engaged itself in a wide range of activities. But in Jammu and Kashmir state only one branch of NSIC has been established at Jammu and that too was opened in June 1994 after 39 years of its inception. Its progress during 5 years is far from satisfactory. It is suggested that
in order to see that benefit reaches in all parts of the state from this corporation, the urgent need is to open a sub-branch office in all districts. It will help in solving various problems of entrepreneurs, through their hire purchase scheme, single point registration scheme, equipment leasing scheme, financial assistance schemes. It shall result in avoiding unnecessary wastage of money.

Lack of market for products, produced by small scale sector is another cause of sickness in this sector. Some measures have taken by government to solve the marketing problem but these measures meet only a small part of industrial production and for marketing bulk of their output, small industries have to depend on their own efforts. It is suggested the government as well as entrepreneurs should select a suitable market place where products of small units are exhibited and sold. It will help in boosting of sale. On one hand the problem of lack of advertisement of goods will be solved and on the other amount blocked in production would be realised and used for further production.

Value of finance in business is same as value of palpitation of heart in a human body. Normal palpitation
means good health, and in business adequate finance means, successful business. Without finance nothing can happen, dreams always will remain dreams. It is observed that scarcity of finance is the root cause of sickness. Other factors are dependent on finance in one way or the other. For the eradication of sickness financial agencies can play a leading role. But as observed, in Jammu and Kashmir state the attitude of bank and financial institutions towards this sector is far from satisfactory. Still a vast majority of unit holders are dependent on shrewd moneylenders, who exploit entrepreneurs weaknesses. The present need is, financial agencies must change their attitude towards small scale sector and try to play SAVIOUR'S Role for this sector.

It is observed that lack of expert and technical staff is one of the main problems which effects the working of these agencies. In every office and bank which are dealing with SSI units, at least one officer should be posted, who has full knowledge of small scale sector and must be an expert in financial matters also, so that he can guide the entrepreneurs properly regarding all ingredients necessary for any business. Such a step will definitely improve the progress and working of these agencies. For
that it is suggested that special training camps must be organised for staff members of commercial banks, DIC, SFC and other financial agencies, so that they remain fully aware about the techniques of monitoring of credit, modern changing banking system and have full knowledge of all facilities provided for this sector.

Lack of literature handicaps the entrepreneurs to take full benefits from the SSI policy, schemes and incentives. It is suggested apart from organising publicity campaign, some effective methods of displaying the relevant literature should be adopted. Adequate copies of bank instructions, schemes, RBI guidelines and literature provided by SIDBI, NABARD, state and central government agencies and all other relevant literature should be available in each and every office for the purpose of reference and guidance.

Coverage of financial agencies is limited to specific areas only. The need of the hour is that more number of specialised branches should be opened for SSI sector in every part of state particularly in those areas which are neglected so far. Opening of branches of JKSFC, JKB, NSIC and SBI with full modern system is the need of entrepreneurs. Red-tapism and unnecessary delay in
registration, sanctioning and disbursing of loan are the points where entrepreneurs raise their fingers on the attitude and working of concerned agencies. Various measures are needed to be taken in this regard. Application form for loan should be available in official language of state also [i.e. in Urdu], so that people can understand it easily. All formalities required must be explained to applicant at the time when he receives an application form, so that fulfilling formalities in piecemeal manner is avoided. The power of General Manager of DIC should be enhanced. The time delayed in the process of sanctioning of loan should be reduced. The bottleneck faced by entrepreneurs by way of security and valuation of security should be curtailed to reasonable norms. The valuation of security should be done according to price level accounting and not on the basis of historical accounting system. Very low interest rate on loan should be charged from those entrepreneurs who wish to setup small units in the rural areas, particularly in industrially backward areas. All concessions and facilities should be provided to them. This will help a lot in the development of backward regions as well as other parts of state.
Poor monitoring of utilized funds is another factor. As observed during survey most of the educated unemployed youths are entering in business only to enjoy subsidies. Proper monitoring is very necessary, whether the loan received is actually utilized or not on the activities for which it was drawn. DIC should ensure whether these unit holders acquire fixed assets or not and the unit exists or not.

Working capital requirement is very necessary for business to run smoothly. Proper training for entrepreneurs to make correct working capital estimates is very necessary. Less estimates will make it difficult for SSI to live or more estimates will be difficult to digest. On the other side it is important that the government and financial institutions make arrangements for timely genuine working capital. Need based financing of working capital should be the approach of institutions, rather than security oriented financing.

Circulation of money is very essential if fresh credit has to flow to this sector. Expediting recovery of old dues is necessary. For that concerned authority should designate those existing officers who have aptitude for work related
to recovery and should exclusively deal with the matters of recovery. Moreover, state government should provide all facilities and assistance for the recovery of loan.

These additional measures would be possible and prove fruitful only when concerned staff is honest, vigilant, and friendly towards entrepreneurs. Half of the problems will automatically get solved, if it happens. Concerned staff should change its attitude and approach from preference to deserving and remain away from hidden dealing or black mailing tactics.

Government alone cannot solve financial crisis faced by entrepreneurs. To tackle financial problems, apart from financial institutions, it is the duty of the people of state also. The people of state must take initiative in this regard. Development of small industry is not merely a business, it has vast benefits, it generates employment, income, provides shelter and improves standard of living. Standard of living depicts per capita income and per capita income is index of the position of the state in terms of economic development.

Islamic philosophy is to eradicate poverty not the poor. As per rural development department, 61000 families
are living below poverty line alone in Doda district. It can be said that the people of J&K are themselves responsible for increasing number of poor people. They are lazy and they are not willing to work. During survey it has seen, that the people who have no job, are involved in illegal activities. If the state wants to come out from poverty, one way is through small scale industry. The people are giving a handsome amount to beggars daily in small towns. Instead of giving alms to beggars, (who are physically fit and are able to work), they open a trust pool where they should deposit that money. From this money they can start a small scale unit easily after one month. Not only this, they will be able to provide finance for new units as well as for existing units, Which are sick and viable. It will give employment to about 50 persons in each town.

It will fulfil religious duty and social duty at one end and on other they will contribute a little bit towards nation's development.