ABSTRACT

We love small things because they can achieve big things. But being small, its capacity to face hurdles is also small. In spite of this, small sector has emerged as a big idea for the solution of many problems and for overall development of state, because of its numerous characteristics viz less capital requirement, labour intensive character, dispersal in rural/backward areas, contraction of regional imbalance, operation, flexibility and quick adaptability. Its past performance is commendable for combating chronic problems of nation, by proving its worth in absorbing a large number of persons, producing variety of products and earning of foreign exchange. Today, this sector is producing over 7500 varieties of products, employing about 168 lakh persons and earning valuable foreign exchange of about 35% of total export.

The progress of this sector is not up to its capacity. During the last 50 years the achievements have fallen short of our expectation. Today this sector faces numerous problems. But actually scarcity of finance creates other problems. Every problem of small producer is the ultimate analysis of financial one. The financial problem is a pivot round which all other problems revolve. Due to this problem various units are languishing and face closures.

The health of this sector is deteriorating day by day. Sickness in this sector has become endemic and epidemic and has become a hurdle in the development of nation.
Various factors were responsible for sickness and in past various committees were constituted and many researches have been undertaken to tackle these problems. These researches have helped a lot to measure, predict and suggest remedial measures for solving problems, but still a lot has to be done in this regard. The basic question is why does this situation arise? What is the root cause of sickness? Why financial agencies are blamed for sickness, that and more is the need of hour to be studied.

Due to sickness many units have stopped functioning all over India and Jammu and Kashmir is one of them. Already due to disturbed political condition, the economy is ravaged and sickness in small scale sector adds fuel to the fire in state economy.

The need of hour is to look at brighter side. Instead of shedding tears on it, pinpoint the reasons, which are responsible for deteriorating health and these problems should be tackled on war footing.

**Need and Scope of the Study:**

Jammu and Kashmir’s disturbed conditions have pushed back the state to the 23rd position in the list of annual income rate from 6th before 80s.\textsuperscript{17} Insurgency has given a shattering blow to the developmental process and the worst affected is small-scale industry. Geographical location and climatic condition of state is such that it is impossible for the people to depend upon agriculture only. SSI’s are
the only hope for people but due to political disturbance most of the units are on closure-stage. The number of sick units is increasing day by day. Almost every day problems faced by SSI’s are discussed in local newspapers. In spite of so many incentives and packages available, evidence shortage of financial resources is the main cause of sickness.

The focus of the study is on the problems faced by SSI units in J&K, in spite of the fact that various incentives, packages, schemes are available to these units. The position is deteriorating day by day. The deteriorating factor is also evident from Jammu & Kashmir’s finance minister’s budget speech on March 1998 that "out of 35641 only 1000 units are functional while 8500 of these are non existent, while subsidy and financial assistance for them has already been drawn".

The span of study is spread over post militancy and post liberalisation period. The study has been limited upto 31.3.1998, because of prevailing situation of administrative and political disorder, which has handicapped industrial offices and it is difficult to collect data. However, all efforts have been made to include latest and necessary information wherever required. This is the main reason that in certain places data of short period has been mentioned.

A special nursing treatment is most urgently required to save small-scale industry from calamity. This could only
be possible if we are able to exactly pin point problems and take remedial steps.

There is need of such study, which has particular relevance and significance for small industrial units, which can pinpoint the causes of sickness in small scale industry.

Various studies in past on small-scale industries have been done. Some important studies have been reviewed this chapter under review of earlier studies. These researches have helped a lot to measure, predict and suggest remedial measures for solving problems. The present study has been undertaken with the intention to pinpoint main reasons behind sickness, and how to use existing available resources to the maximum extent.

**Objectives of the Study:**

The specific objectives of the study are as follows.

1. To assess major financial problems of small-scale units in Jammu and Kashmir.

2. To identify various sources of finance available to small-scale units and assess their progress.

3. To find out problems faced by the units while obtaining finance from institutional and non-institutional sources.

4. Analysis of the policies of Government for small-scale units.
5. To assess the remedies to overcome the financial problems of the small-scale units.

**Methodology:**

The study is based on primary and secondary data.

(a) **Primary Data:**

Data has been collected from selected centers of production/financial institutions/ various departments linked with small-scale industries. Necessary information for the study was collected through questionnaire, personal interviews, and discussions with managers/owners of small-scale units and chief officers of concerned departments. Comments and suggestions were also invited from managers/owners, officials of the Government/non-Government agencies directly or indirectly related to the industry. The emphasis is on examining various dimensions of financial problems. Initially, a plot survey was conducted of twenty units to know the reactions of the respondents towards questionnaires. As a result of this testing, some irrelevant questions were dropped and some other relevant questions to the study were incorporated. Though the questionnaire was in English, the questions were also explained in the local language i.e. Kashmiri or Dogri to elicit correct information.

**Sample:** Total number of SSI registered units as on 31.3.1998 are 39436. These are engaged in various activities, out of these units only 200 units are selected for sample for different types of activities in which most
of the units are engaged. Samples have been selected from all the districts of the state on the assumption that those units which are not selected are facing the same problems. The units which are not registered with the District Industrial Office, were left out because their location and concerned data are not available.

(b) Secondary Data

The secondary data are collected from the published and unpublished documents, correspondence, and records maintained by the concerned departments at the centre, state and district level. Moreover, the study of Government policies, schemes and programmes and their implementation and progress are totally based on official records and newspaper reports.

Layout of the Study:

The present study, "Financial problems of small-scale industry with special references to Jammu and Kashmir" is divided into five chapters.

First chapter has been devoted to introduction of small-scale industries. The chapter deals with the role of SSIs in the development of Indian economy, need of study, review literature, objectives, methodology and limitation of study.

Chapter 2 deals with perspective of SSIs of Jammu and Kashmir in which Geo-physical features, state income, resources available in Jammu and Kashmir are discussed.
Chapter 3 outlines the organizational structure and industrial policy in which apart from discussion of industrial policy and incentives available in Jammu and Kashmir, the progress of these schemes is also examined.

Financial problems faced by small scale industry in production, marketing and problems faced by entrepreneurs while financing their business has been presented in chapter-4.

The last chapter presents summary and suggestions so that the difficulties faced by entrepreneurs should be solved in order to open gateway for development of the state economy.

**Limitations of the Study:**

During the survey, many difficulties while collecting the data cropped up. The problems faced in the collection of data are presented below:

1. Because of the political and administrative disorder in the state, it was very difficult to visit every nook and corner of the state. However, every possible effort was made to include the information whenever and wherever required and available.

2. The small-scale industries in Jammu and Kashmir are highly unorganized and many of these units are very small in size. Entrepreneurs are mostly uneducated, so these units do not maintained proper records viz. Cash-book, ledger, stock statement, profit and loss and balance sheet. While no stone has been left
unturned to make this study authentic, however, due to above mentioned weaknesses of industry, certain shortcomings are unavoidable.

3. During the survey it has been found that a few units selected from the list of samples are closed/defunct/untraceable/de-regd. Or occupied by security forces. As a result, smaller fresh units were later on added in sample.

4. It has been observed during survey that it was relatively difficult to collect data directly from small-scale industrial units. The entrepreneurs were reluctant to discuss matters pertaining to their business. In spite of the best efforts to convince the owner/managers that the information collected would be kept confidential and used only for the purpose of research, some owners/managers did not cooperate to the desired extent. Probably this was due to a psychological fear of fact being disclosed to various authorities it was almost impossible to overcome this apprehension in most of the cases.

In spite of all these difficulties, every effort has been made that these factors would not effect the overall findings of the study in one way or the other.

**Finding and Suggestions:**

There is no need to introduce Jammu and Kashmir State. It is famous all over the world for its natural beauty.
The state remains always in limelight because of its strategic position on the world map. But irony is that at present the state is passing through tumultuous period and its economy is totally ravaged.

The state is divided into three regions and all the three regions have their own characteristics.

1. The barren rock landscape of Ladakh region.
2. The verdant valley of Kashmir region.
3. The sandstone slope of the Shivalik range of Jammu region.

All the three regions have abundance of natural resources gifted by nature. But climatic condition, diversity in terrain, poor accessibility and resource base resulted in uneven distribution of population. The state is true example of religious unity where every community is in good number. Muslims are in majority followed by Hindus, Sikhs, Buddhists, Christians, and Jains. The working force of state is mostly engaged in agricultural activities, (about 60% of total working force). Industrial sector provides employment only to 5.57% of the total working force. But the position of state is that 60% agriculture based working force provides livelihood only to 15%.

As far as natural resources are concerned, it is beyond the capacity to count. Almighty has bestowed all natural resources on this state. But state has not taken full benefits from these resources and is still industrially backward.
These resources are not fully utilized due to various reasons. Small-scale sector which was one of the main sources for utilizing these resources. The study shows a very pathetic picture of this sector. No doubt, Small scale sector has dominance in industrial economy but condition of this sector is that only 1000 units out of 35641(registered) are functional while 8500 of these are non existent, subsidy and other financial assistance for which have already been drawn. As far as the number of units is concerned on papers there is significant growth but actually as compared to no. of units this sector provides very less employment.

In past policy makers gave full importance to this sector, which it deserved. Separate industrial policy for small-scale sector was formulated and this was changed from time to time according to the need of changing business environment. There is comprehensive policy and friendly attitude towards this sector in vogue. Various organizations are working on that policy, various concessions are given and various incentives are provided. But on examining of these schemes, conclusion comes out that the progress of these schemes is not satisfactory. On various schemes not a single penny has been spent in past, if some amount is spent on these schemes, it is only in selected areas or on selected units only. The problem remains is it was.

There is no need to discuss the importance of finance. For business it is lifeblood, it is force which rotates its activities. Scarcity of finance effects all departments of
business. The problem of the small industries together is a vast complex where parts regarding, material, labour, production, quality control, finance and marketing cannot be solved separately. The credit and finance problem have to be tackled as one problem. The causes by which small scale sector is languishing, are the co-faults of government as well as entrepreneurs. The problems of J&K states small sector are peculiar. Lack of professional character, planning, poor capital structure, poor marketing strategy are basic factors responsible for growing sickness in this sector. The hurdles in the path of running business smoothly are geographical location, non-availability of timely raw material, lack of skilled labour and shortage of power. These problems are not so serious that they cannot be solved. “Money makes the mere go”, all is dependent on availability of finance and utilization of available finance.

Various institutions are engaged in financing this sector. But after examining the progress and working of these institutions, it comes to negative. Almost all institutions have pushed back their hands in financing small-scale sector. On one side shrewd moneylenders are exploiting the weakness of entrepreneurs and on the other, the policy of institutions is to "see which way the cat jumps".

Various shortcomings are observed during survey in credit delivery system. Fault on the part of entrepreneur’s is lack of information of all facilities provided for small-scale sector and on the part of institution the procedure
of financing this sector is bogged down in legal complexity, faulty conditions of loan, wrong policy of security valuation, redtapism and time consuming process. Recovery process is very slow and administrative malpractices have become major hurdles in the path of credit delivery system.

Forget the past, it is better to solve these problems on war footing instead of shedding tears on it. On the basis of observation some suggestions are given on last pages. Success or failure of business is totally dependent on the person who controls it. The man, incharge, must have full knowledge of business. For that entrepreneur's development programmes should be organized in order to make them aware. They must know all business techniques and have full knowledge of all the facilities and concessions provided for this sector. Poor capital structure leads a healthy unit to sickness. Every possible step should be taken, so that capital structure of unit should be a balanced one. Industrial location is the main problem of entrepreneurs to select a suitable place for locating their units. Improper location has made many units sick. Government should select suitable place for industrial purposes where facilities can be provided easily. Raw material is an important component of production. Shortage or non-availability of timely raw material, inferior quality and high priced raw material are main complaints of entrepreneurs. DIC should establish own raw material banks in every district; so that raw material problem faced by entrepreneurs can be solved.
Moreover, these units which are not functioning, raw material should not be allotted to them.

Electricity is one of the most vital infrastructure inputs for economic development. In spite of that state has vast potential of power generating, the state faces acute power crisis. This study reveals that power is the main cause of underutilization of capacity. Necessary steps should be taken in order to make sure that entrepreneurs get adequate supply of power. The process of getting diesel generating sets should be smooth. High power DG generating set should be installed in industrial estates and in industry concentrated areas instead of providing subsidy to entrepreneurs on DG sets.

NSIC progress in past is far from satisfactory. At least in every district there should be one branch of NSIC so that people can avail full benefits from this high status institutions through their various schemes. Lack of market for products is another main problem, which not only hinders their further production but also a large amount is blocked. It is only market, which can develop this sector. Suitable markets should be made available where products of these units could be absorbed.

All depends on availability of timely finance, as working capital is very necessary for running business. Arrangement should be made so that entrepreneur can free themselves from the clutches of moneylenders. In the working of
financial agencies which are engaged in financing small-scale sector, there is need of a drastic change in their approach and attitude. Staff appointed, should be expert in its job and in each office one officer should be appointed who has full knowledge of SSI sector. Lack of knowledge of facilities provided and concessions available for this sector handicaps various entrepreneurs in getting full benefits of all schemes available. An effective system should be adopted for displaying all relevant literature. The agencies that are dealing with SSI, relevant literature should be available in every office for the purpose of reference and guidance. The study reveals that very less number of branches are present and, those too only in specific areas. Need of the hour is that more branches should be opened for SSI units, particularly in industry concentrated areas.

Unnecessary delay in the process of registration, sanction and disbursement should be shortened. Legal and administrative hurdles in the way of getting loan should be reduced to reasonable limit. Proper monitoring of funds is also very necessary, so that misuse of funds can be avoided.

Institutions working capacity depends upon circulation of money. Study reveals that recovery process is very slow. Necessary steps should be taken in order to improve recovery process, so that working of institutions may not suffer.

Government alone can not solve financial crisis faced
by entrepreneurs, it is also the duty of the people of state to help government in tackling this problem. A trust pool should be opened in each town and persons who have ability to pay should contribute to it. This amount should be utilized in opening of new units or financing to existing units, which are in need of finance. The opening of small units, will provide employment to about 50 persons in each town. If it happens in fact the people of state will have some contribution in states development.

All depends on the people and the govt. of the state, if they are interested in the development of state it will develop. All suggestions will give result if they are considered, for that staffs attitude should be friendly and cooperative towards this sector.