Chapter- 7

SUMMARY, FINDINGS AND CONCLUSION

By: Prof. G S Popli
CHAPTER-7: SUMMARY, FINDINGS AND CONCLUSION

An attempt has been made to summarise the analysis and interpretation on the financial requirement and their uses by the Indian SMEs in the post WTO era covering the performance and financial appraisal of the industries taken as sample from the Indian SMEs and Bankers/Officials/Policy Makers in India as explained fully in the previous chapter and conclusions have been drawn on those basis in this chapter and some recommendations have been made to gear up the performance of Small and Medium Enterprises in India.

7.1. Summary

After war there raised economic gap between developed and underdeveloped countries. Industrialisation is a basic condition for the growth of all underdeveloped countries which are by and large primarily agricultural, and where agricultural growth too would come from industrial growth. Industrial plays a vital role in the economic development of a nation by increasing and diversifying the production capacity and raising the standard of living of the people. Indian economy is said to be underdeveloped but it has vast resources, which are either unutilized or under utilized. It has huge manpower but a major section of it is lying idle. Production is important process but technology used in this process is outdated. Inspite of industrialisation in many underdeveloped countries, per capita income remained unchanged.

The term industrialisation is used to denote the growth of manufacturing industries. Before industrialisation, Indian economy was backward and encountered serious obstacles like shortage of finance and material resources, dependence on the world market and foreign technical knowhow and limited domestic market etc. During the initial stage of industrialisation in India, the emphasis was on heavy industries and many were set up. In this process, Private Sector also got significant place. Without industrialisation rapid economic growth and effective rising of standard of living is not possible. The main goal of industrialisation was to be the creation of a self-reliant economy based on the domestic market. It has been observed that there is a close and positive correlation between the extent of industrialisation and the growth of the economy.

Industrial development is a complex process requiring the effective interaction and cooperation of all section of society. For this purpose, industrial policies were framed by the Government to accelerate the pace of industrial growth, rapid increase in levels of employment, productivity and income of industrial workers and wide dispersal of Small and Medium Industries and to achieve the willing cooperation of Industrial Workers, Managers, Entrepreneurs, Financial Institutions and various Government authorities responsible for implementing scheme of assistance. In the process of industrial development, Small and Medium Industries are best suited for under developed and capital scarce economic like India.

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Before independence, SME Industry was meant to denote the village and urban cottage industry. Small Scale Industries were indigenous with historical background. They received encouragement and support during freedom movement. But after industrialisation, Small Scale Industries played vital role in the progress of the country. These industries by and large represent technology. The primary object of developing Small and Medium Industries in rural area was to generate better employment opportunities, raise income and standard of living and bring about a more balanced and integrated rural economy. Small and Medium Industries are also essential for providing subsidiary or alternate occupations and the utilization of local raw materials or catering to local markets.

The industrial policy of a country reflects the directions and pattern of industrial development that it desires to achieve for socio-economic and political objectives of the country. Since, independence, India formulated its industrial policy at different periods of time. Besides this, the industrial policy resolution underlines the priorities of Large, Medium and Small Scale Sector in the country.

To a certain extent, the post independence success of Small and Medium Scale Industries in India underlines the government support through plan period. The total outlay increased from one plan to another. Government has promoted a number of institutions to assist the growth of Small and Medium Industries from selection to marketing. These agencies and institutions have been grouped into Advisory Boards, Government Institutions and Corporate Institutions. Industrialisation Policy Resolution, 1948 added that the healthy expansion of cottage and Small Scale Industries depends on a number of factors such as provision of raw material, cheap power, technical advice, organized marketing of their products and where necessary, safeguards against intensive competition by Large Scale Industries. During the Industrial Policy Resolution of 1956, the importance of locational factors like the availability of raw material, cheap power, water supply, transport facilities were recognized. It felt that these would be provided in those regions where they are not available. In the Industrial Policy of 1990, main emphasis was on the measure for promotion of Small Scale and agro based industries.

A major reform process in the Indian Economic Policy regime has been underway since July 1991 in response to a serious macro-economic crisis. The new policy regime’s aim has been to liberalize the regulations on domestic economic transactions and a much greater integration with the world economy. The reforms on the external front included the devaluation of an over-valued Exchange Rate, removal of quantitative restrictions on the imports of a majority of the items, reduction in tariff rates, permission to Foreign Direct Investment for entry in every sector of the economy etc.

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Domestic Policy Reforms include the abolition of licensing requirements for investments in majority of industries, opening of hitherto reserved areas of the Public Sector to the Private Sector, removal of restrictions on the operation of large industrial houses, reduction in price controls, reforms in the financial sector and in the capital markets. As expected, policy reforms injected a good measure of competitiveness and market orientation in the Indian Economy.

These reforms are yet to touch the policies relating to the Small Scale Industries. However, the Government of India has realized the need for reforms in the existing policies for the Small and Medium Scale Industries to facilitate the growth of viable and efficient Small Enterprises in the changing environment. Therefore, the Government had constituted various Expert Groups / Working Groups to encourage the Small and Medium Enterprises in the country.

Under the World Trade Organization regime, new opportunities are being created for linkages among SMEs across the globe. The dismantling of the textile quotas has been received by the SMEs in India with great enthusiasm. Export of garments is a dominant characteristic of Indian SMEs. Other sectors, such as biotech, IT and IT enabled services, footwear etc. have shown a promising potential. Closer connectivity of India’s large agricultural resources affords growing opportunities for new ventures. India’s vast pool of talented and educated persons and low-cost labour can translate into possibilities for foreign collaborations.

7.2. Findings and Suggestions

The findings from this study have been presented in three parts, viz. pertaining to SME Industry, pertaining to Bankers/Officials and pertaining to comparison of two SME Accounts.

7.2.1 Findings from the study of Small and Medium Enterprises

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<th>Findings</th>
<th>Suggestions</th>
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<td>(i). Pertaining to problems of SMEs Sector in India.</td>
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<td>• It has been reported by 73.7 per cent SMEs, which accounts for 81.2 per cent Small Industries and 66.2 per cent Medium Industries that they are purchasing Raw Material from the local markets only</td>
<td>The SMEs should explore the big markets at national and international level.</td>
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<td>• It has been analysed that 66.3 per cent of the surveyed units are still using the flexible type</td>
<td>There is a need to upgrade the technology in the production,</td>
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</table>
of technology in the main processing in their units, which is outdated. This is 68.8 per cent for Small Industries and 63.8 Medium Industries.

- It has been observed that 19.4 per cent SMEs are still operating manually i.e. 23.7 per cent Small Industries and 15 per cent Medium Industries and 66.9 per cent SMEs are using the Semi-Automatic Machines in their production process. It accounts for 63.8 per cent for Small Industries and 70 per cent for Medium Industries. It shows that more than 86 per cent of the surveyed SMEs are still working either as manually or on semi-automatic machines.

- 61.9 per cent of the surveyed SMEs have reported that they are applying the system of Material Handling as Manual. It is 76.2 per cent for Small Industries and 47.5 per cent for Medium Industries. Chi-Square for Small and Medium Enterprises is 14.01557, which is significant at 0.01 level.

- It has been observed that 91.3 per cent of the surveyed SMEs are using phone as the communication code.

- 18.7 per cent of the surveyed SME Units have reported that they are still processing & storing information manually in their Units. It accounts for 30 per cent for Small Industries and 7.5 per cent for Medium Industries. Chi-Square 13.29231 is significant at 0.01 level.

- As for as the position of collection of Market Information is concerned 31.9 per cent has no such system. It is 47.5 per cent for Small

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Industries and 16.2 per cent for Medium Industries. Chi-Square 17.98885, is significant at 0.01 level.

- Out of the surveyed SMEs, which are collecting market information, 23.9 per cent are once in a month, 44 per cent once in a quarter, 16.6 per cent once in six months and 15.5 per cent once in a year.

- It has been reported by 50.6 per cent of the surveyed SME Units that they are facing the collection/payment problem. It accounts for 51.2 per cent for Small Industries and 50 per cent for Medium Industries.

- The Bad Debts problem has been observed as <5 per cent of sales in 83.8 per cent of the surveyed Units, <10 per cent in 11.8 per cent Units and 10 to 15 per cent of sales in 4.4 per cent of the surveyed units.

- It has been observed that 50.6 per cent of the surveyed SME Units are using the selling directly to customer's method as the distribution channel. It accounts for 53.8 per cent for Small Industries and 47.5 per cent for Medium Industries. This is significant at 0.05 level.

- It has been observed that 63.1 per cent of the surveyed SMEs have no brand name. It accounts for 68.8 per cent for Small Industries and 57.5 per cent for Medium Industries.

- It has been reported by 46.9 per cent of the surveyed SMEs that there is a demand constraint in the post WTO era. This view has been expressed by 43.7 per cent of Small Industries and 50 per cent Medium Industries.

The SMEs should invest in Research & Development and should collect the market information on regular basis.

The Govt. should strengthen the recovery mechanism.

The SMEs should strengthen their distribution network.

The SMEs need to use brand name in this globalization era.

The Govt. should ensure easy and timely availability of funds for SME Industries.

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• 60 per cent of the surveyed SMEs have reported that the funds were not made available easily by the Financial Institutions. This view has been expressed by 70 per cent of the surveyed Small Industries and 50 per cent of the Medium Industries. Chi-Square 6.6667 per cent is significant at 0.01 level.

• It has been reported by 90.6 per cent of the surveyed SME Units that they are not availing any Government help. This view has been expressed by 96.3 per cent Small Industries and 85 per cent Medium Industries. Chi-Square 5.95862 is significant at 0.05 level.

(ii). Deployment of available funds by SME Industries

• It has been observed that 79.4 per cent of the sample units required funds for deployment from outside sources i.e. 127 out of 160 surveyed SMEs. This view was expressed by 72.5 per cent Small Industries and 86.3 per cent Medium Industries.

• Out of the above, the requirement of Funds for Fixed Capital <Rs. 25 Lacs was conveyed by 52.7 per cent, accounting for 63.7 per cent for Small Industries and 63.4 per cent Medium Industries. The requirement of <Rs. 50 Lacs was conveyed by 26.8 per cent of the sample units, accounting for 27.5 per cent Small Industries and 26.1 per cent Medium Industries. It was <Rs. 1 Crore for 12.6 per cent of the sample units, accounting for 1.7 per cent for Small Industries and 21.7 per cent Medium Industries. Further, > 1.00

The Govt. should publicise these policies and SMEs should also be aware of the Govt. help and assistance and should avail these facilities.

The Financial Institutions and Commercial Banks should encourage SMEs to avail loans on easy terms.

The SMEs and Fls/Commercial Banks should ensure proper deployment of funds.
Crore was required by the remaining 7.9 per cent of the surveyed units, accounting for 6.9 per cent for Small Industries and 8.8 per cent for Medium Industries. The Chi-Square 12.69401 was significant at 0.05 level.

- The requirement of finance for deployment in Plant & Machinery to the size of <Rs. 25 Lacs was conveyed by 53.5 per cent of 127 SMEs out of 160 surveyed Units, which required funds from outside. The requirement of <Rs. 50 Lacs was conveyed by 27.6 per cent SMEs, accounting for 19 per cent Small Industries and 34.8 per cent Medium Industries. The requirement of <Rs. 1 Crore was conveyed by 8.7 per cent of the sample units, accounting for 6.9 per cent for Small Industries and 10.1 per cent for Medium Industries. The remaining 10.2 per cent required funds > Rs. 1.00 crore for deployment in Plant & Machinery. This view was conveyed by Medium Industries only. The Chi-Square 23.70735 was significant at 0.01 level.

As far as the deployment of funds in Working Capital is concerned, the requirement of >Rs. 10 Lacs was conveyed by 41.7 per cent of the 127 SMEs, which required finance from outside. This view has been expressed by 56.9 per cent Small Industries and 29 per cent Medium Industries. The requirement of >Rs. 20 lacs was conveyed by 24.4 per cent SMEs, accounting for 27.6 per cent Small Industries and 21.7 per cent Medium Industries. The requirement of >Rs. 50 Lacs has been conveyed by 15.7 per cent SMEs, accounting for 8.6 per cent Small Industries and 21.7 per cent Medium Industries. The requirement of Funds >Rs. 1.00 Crore for
deployment in Working Capital was conveyed by 18.2 per cent SMEs, accounting for 6.9 per cent for Small Industries and 27.6 per cent Medium Industries.

### (iii). Requirement of Funds by SMEs.

- It has been observed that 79.4 per cent of the surveyed Units have conveyed that they will require funds from Financial Institutions in the post WTO era. This view has been expressed by 72.5 per cent Small Industries and 86.2 per cent Medium Industries.

- It has been analysed that 68.7 per cent of the sample SMEs will require funds for change in production process in their industrial units.

- 53.7 per cent SMEs will require funds for changing their work allocation after the change of technology. This view has been expressed by 62.5 per cent Small Industries and 53.7 per cent Medium Industries.

- It has been reported by 70.6 per cent of the surveyed units that they will require funds for effecting change in material inventories after the change of technology.

- It has been observed that 45.6 per cent of the surveyed SMEs will require funds from outside for effecting change in their communication system in the plant. This view has been conveyed by 42.5 per cent Small Industries and 48.7 per cent Medium Industries.

- 46.2 per cent of the surveyed SME Units have conveyed that they will require funds for change in communication with the suppliers, accounting for 47.5 per cent for

The requirement of finance for SME Sector will increase sharply. The Financial Institutions and Commercial Banks should provide hassle-free finance to SMEs Sector on easy terms. The Commercial Banks and Financial Institutions should devise special schemes on easy terms for upgradation of technology in SMEs Sector.

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Small Industries and 45 per cent for Medium Industries.

- 53.8 per cent of the surveyed SMEs have conveyed that they will require funds for change in communication with customers, accounting for 50 per cent for Small Industries and 57.5 per cent for Medium Industries.

- It has been reported by 51.9 per cent of the surveyed units that they will require funds for effecting change in work allocation at plant level organization. This view has been expressed by 52.5 per cent Small Industries and 51.3 per cent Medium Industries.

- The frequency of effecting change at plant level organization has been conveyed monthly by 6 per cent SMEs, half yearly by 80 per cent and yearly by 14 per cent of the surveyed Units.

- 60.6 per cent of the surveyed SMEs have conveyed that they required funds for effecting change in work allocation at plant level organization after 1991. This view has been shared by 65 per cent Small Industries and 56.2 per cent Medium Industries.

- It has been reported by 67.5 per cent of the surveyed SMEs that they also required funds for change in work allocation at plant level organization after post WTO era. This view has been expressed by 70 per cent Small Industries and 65 per cent Medium Industries.

- The reasons for effecting change in Technology have been conveyed as: to improve the quality of the product (50.6%),
to reduce the cost of production (48.8%), to improve the production process (43.8%), to increase the flexibility (35%), production diversification (21.9%) and any other reason by 5%.

- It has been reported by 61.2 per cent of the surveyed SMEs that they will require funds for providing training, additional qualification of the staff after the upgradation of technology in their units. This view has been expressed by 55 per cent Small Industries and 67.5 per cent Medium Industries.

- It has been observed that 58.7 per cent of the surveyed SMEs have conveyed that they will require funds for arranging additional Managers/Staff after the upgradation of the technology. This has been conveyed by 52.5 per cent Small Industries and 65 per cent Medium Industries.

- The requirement of professionally/technically qualified additional staff has been conveyed by all the surveyed SME Units. The requirement of professionally qualified personnel having MBA/CA/CS/ICWA has been conveyed by 70 per cent, accounting for 85.1 per cent for Small Industries and 75 per cent by Medium Industries. The requirement of BE/B.Tech has been conveyed by 18.8 per cent of surveyed SME Units, which accounts for 12.4 per cent for Small Industries and 25 per cent for Medium Industries.

- Status & level of surplus staff has been conveyed by surveyed SME Units. 38.1 per cent has conveyed surplus staff at Middle Level i.e. 46.1 by Small Industries and 34.6
per cent by Medium Industries, 40.5 per cent at Supervisory level, accounting for 46.2 per cent for Small Industries and 37.9 per cent Medium Industries and 9.5 per cent at worker's level, accounting for 7.7 per cent for Small Industries and 10 per cent for Medium Industries.

- It has been reported by 64.4 per cent of the surveyed SMEs that financial planning for retirement of the existing surplus staff will have to be carried out. This view has been expressed by 65 per cent Small Industries and 63.7 per cent Medium Industries.

- It has been analysed that 79.4 per cent has conveyed that they require finance from outside sources. This view has been expressed by 72.5 per cent of Small Industries and 86.2 per cent by Medium Industries. The Chi-Square 4.61942 is significant at 0.05 level.

- The overall sources of finance has been revealed as, Commercial Banks (75%), Personal (34.4%), Relatives (9.4%), Financial Institutions and Friends account for (6.9%) and mix of all the above sources is 5 per cent.

- It has been observed that 93.4 per cent SMEs have informed that they no equity participation by other firms. This view has been expressed by 96 per cent Small Industries and 90.8 per cent Medium Industries.

The SMEs should make use of equity participation by other firms to strengthen their financial position.
(iv). Govt. Policy for Protection of SME Sector in India

- The analyses of the responses received from surveyed SME Industries reveal that 68.1 per cent feel that the Govt. policies are protecting the SME Sector in India. This view has been expressed by 62.5 per cent Small Industries and 73.7 per cent Medium Industries.

- It has been informed by 94.4 per cent of the surveyed SMEs that Govt. assistance in marketing of their products is not available. This view has been expressed by 93.8 per cent Small Industries and 95 per cent Medium Industries.

- 58.1 per cent of the surveyed SMEs have informed that the Government is regulating this sector through it’s policies. This view has been expressed by 66.2 per cent Small Industries and 50 per cent Medium Industries.

- It has been revealed by 80.6 per cent of the surveyed SME Units that the Government policies are very helpful in the development of SME Sector in India. This view has been expressed by 72.5 per cent Small Industries and 88.8 per cent Medium Industries. The Chi-Square 6.76169 is significant at 0.05 level.

- It has been reported by 75 per cent of the surveyed SME Units that the interest rates be linked with Credit Rating System. This view has been expressed by 71.3 per cent Small Industries and 78.8 per cent Medium Industries. The remaining 25 per cent has preferred the linkage of interest RATE for

The Govt. should provide help in marketing of products produced by SMEs.

The interest charged from SMEs be linked with Credit Rating System.
SME Industries with PLR. This view has been expressed by 28.7 per cent Small Industries and 21.2 per cent Medium Industries.

- As high as 93.8 per cent have expressed that the Govt. Policies on obtention of collateral security for loans be abolished. This view has been expressed by 92.5 per cent Small Industries and 95 per cent Medium Industries.

- It has been reported by 91.9 per cent of the surveyed SMEs that the Government’s policies of other countries for SMEs Sector are better than the policies of our country. This view has been expressed by 90 per cent of the Small Industries and 93.8 per cent Medium Industries.

- 75.6 per cent of the surveyed SME Industries have revealed that there is a need for change in Government Policies for the development of this sector in India. This view has been expressed by 62.5 per cent Small Industries and 88.8 per cent Medium Industries.

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<th>(vi). Challenges before Indian SMEs in the post WTO era.</th>
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<td>- It has been reported by 73.8 per cent of the surveyed SME Units that they are not exporting. This has been conveyed by 82.5 per cent Small Industries and 65 per cent Medium Industries. The Indian SMEs are marketing their products at local, regional and national level only. This is multi facial question and hundred per cent are using local markets, 21.4 per cent national markets and 0.6 per cent regional markets.</td>
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The Govt. may consider waiverment of collateral security up to some agreed amount.

The Govt. should revise policies for SME Sector by incorporating the best policies of other countries.
• The demand constrained has been reported by 30.6 per cent of the surveyed SMEs Enterprises, in the post WTO era. This view has been expressed by 18.5 per cent Small Industries and 40 per cent Medium Enterprises. The remaining 69.4 per cent has informed that the demand is less constrained in the post WTO era.

• The competition level for SME Industries is highly competitive as conveyed by 58.1 per cent of the surveyed SME Units. This view has been expressed by 61.3 per cent Small Industries and 55 per cent Medium Industries.

• As high as 94.4 per cent of the surveyed SME Units have forecasted that there will be increase in demand in the post W.T.O. regime. This view has been expressed by 92.5 per cent of the Small Industries and 96.3 per cent of the Medium Industries.

• The reasons for markets being competitive in the post WTO Regime has been conveyed due to the reasons explained herewith. The reasons as, Entry of multinational companies in the post W.T.O era, increase in number of substitutable/ new products, customers are demanding in terms of quality/cost, number of suppliers are increasing and capacities of existing suppliers are enhanced.

• It has been reported by 93.1 per cent of the surveyed SME Units that the market will expand in the post W.T.O era. This view has been expressed by 88.8 per cent of the Small Industries and 97.5 per cent of the Medium Industries.
The increase in Credit Requirement has been predicted by 73.8 per cent of the surveyed SMEs. It accounts for 72.5 per cent for Small Industries and 75 per cent for Medium Industries.

The requirement of funds from outside sources at 10% of the working capital has been conveyed by 33.6 per cent of the surveyed SMEs i.e. 36.9 % by Small Industries and 39.7% of Medium Industries, 20% of working capital by 25.5 % of the surveyed SMEs Units i.e. 25% Small Industries and 25.9% of Medium Industries, 30% of working capital by 18.2% of the surveyed SME Industries i.e. 26.9% Small Industries and 10.3% Medium Industries and 50% of working capital by 22.7% surveyed SME Industries i.e. 21.2% Small Industries and 24.1% Medium Industries.

The strategy development by the SME Industries in the post W.T.O. era has been suggested by the surveyed SME Industries. The preference-wise, it has been reported as, Improving the quality of products (77.9%), Improving the quality of machines (49.7%), Cutting down cost (40.9%), Improving delivery schedules (30.9%) and improving after-sales service (11.4%).

A strong and supportive Financial System is required for development of SME Sector in India.

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<th>7.2.2. Findings from survey of 25 Bankers / Officials</th>
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<td>(i). Change in Technology</td>
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<td>• 75 per cent of the Officials/Bankers interviewed feel need to upgrade technology in the post WTO era in order to compete with foreign players.</td>
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75 per cent has expressed technology upgradation after change of policy in 1991.

The reason for change of technology (preference-wise) as: To improve the production process so as to increase the amount of output, to improve the quality of products, to reduce the cost of production, need of the hour and product diversification.

60%: Need for change in the production process.

70 per cent change in work allocation.

70% Change in Material Handling.

70 per cent change in the ways of Communication within the Plant, with Suppliers and with Customers.

75 per cent feel that additional training will be required by the staff in the post WTO era.

60 per cent feel that additional well qualified Managers/Staff will be required after upgradation of the existing technology.

70 per cent has expressed that with the introduction of new technology some of the existing staff will be surplus.

They also feel that some funds will be required to offer them retiring package.

70 per cent Funds Requirement for retraining the existing staff for handling the new technology.

50 per cent feel that they will approach Financial Institutions/Banks for this purpose.

A strong and supportive Taxation System is required for the development of this sector in India.
(ii). Taxation Pattern for SME Industry

- 70 per cent feel Taxation Holiday Policy of Government is beneficial.
- 70 per cent Present Taxation Policy is very important and crucial for the growth of this Sector in India.
- 85 per cent: Fewer Taxes should be charged from SMEs for growth and development of this sector in India.

(iii). Financing Pattern for SME Industry

- The main source of finance for SME Sector remains the Commercial Banks, as conveyed by 55 per cent of the Bankers/Officials covered in this study. Financial Institutions by 15 per cent and the remaining 30 per cent Mix of All the Available Sources of Finance is required for financing of the SME Sector in India.
- 80 per cent: Generally the SMEs invest 50% of the total financed amount in Fixed Capital.
- 80 per cent: Generally the SMEs invest 25% of the total financed amount in Plant & Machinery.
- 80 per cent: Generally the SMEs invest 25% of the total financed amount Working Capital
- 80 per cent feel that Indian SMEs are not yet resorting to Equity Participation from other firms.
- It has been observed by 65 per cent of the Bankers/Officials interviewed that credit requirement of SMEs will increase after the WTO era.

The Govt. should charge less taxes from SME Industries.

A strong and supportive Financial System is required for the development of this sector in India.

The Indian SMEs should explore this new source of finance.
• 65 per cent: credit flow to SME Sector is sufficient.

• 95% practicing the Composite Loan Scheme formulated by RBI.

• 80% : Encouraging the Technology Up-gradation Loan Scheme formulated by RBI.

• 75% of the Bankers that they are not using any model in SMEs financing.

• 90% Model of Credit Appraisal & Rating Tool, Risk Assessment Model and Comprehensive Rating Models developed by SIDBI is very helpful in SME financing.

• 85 per cent Cluster Based Approach is more beneficial in SME financing.

• 80% change in the present system of Credit Appraisals. The assessment of the person and activity is also important alongwith the assessment of the project.

• 75% change the system of SMEs financing on the lines of system prevailing in the developed countries.

(iv). Recovery in SMEs Accounts

• 40 per cent Recovery of amount advanced to SME Sector is a problem.

• 80% Debt Restructuring Scheme formulated by RBI helpful in recovering the Bad Debts amount.

• 75% that the One Time Settlement Scheme formulated by RBI is also helpful in recovery of the Bad Debts.

• 60 per cent Credit Guarantee Scheme should be made more effective.

The Commercial Banks and Financial Institutions should provide Technology upgradation

The bankers should use the latest models for credit appraisals & rating tools for financing of SMEs.

Cluster Based Approach be used for SMEs financing.

The Commercial Banks/Financial Institutions should consider the assessment of the person and activity alongwith the project.

The Indian Banks/FIs should finance SMEs on the lines of system prevailing in some developed countries of the world.

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• 75% need to make the recovery system more effective.

(v). Govt. Policy Measures for SME Industry

• 55 per cent Govt. is giving more freedom to SMEs Unit in taking decisions.

• 75% Govt. is supporting and not regulating the SMEs industries.

• 70 per cent Govt. providing enough protection to the Financial Institutions.

• 75% feel that SMEs need Govt. full support and assistance to compete at the international level.

• 90% feel that the definition of the SMEs be linked to employment and turnover as prevalent in developed countries.

• 70% Interest Rates be linked to PLR and the remaining 30% feel that it should be linked with Credit Rating System.

• 90 per cent more Specialized Branches be opened to increase the SME Financing in India.

• 60 per cent Small Industry Development Bank of India should play more effective role in the SME Financing in India.

• 80% Govt. should fix targets for SMEs financing for Public Sector, Private Sector and Foreign Banks.

• 80% of the Bankers/Officials that SIDBI should play more active & effective role to ensure more aggressive SME Financing.

The Govt. should establish a strong recovery mechanism to ensure speedy recovery of amount advanced to SMEs sector in India.

The Govt. should keep on providing full support through policies measures to this sector.

The Govt. should consider the change of definition by linking the same with employment and turnover as prevalent in developed countries, instead of investment in Plant & Machinery

The charging of Interest from SMEs Sector be linked to PLR.

RBI should advise commercial banks to open more specialized branches for SME financing.

SIDBI should play more effective and direct role in SME financing.

RBI should fix targets for SME financing for all the commercial banks in Public, Private and Foreign Sector.
65 per cent of the Bankers/Officials interviewed feel that Govt. should conduct training programmes for SME Entrepreneurs.

There should be special training programmes for SME’s Entrepreneurs.

7.2.3. Findings and Suggestions from Case Study

1. There should be a thorough study on the location of the units. We should not set up the SME Units in the unapproved/unauthorized or residential areas.

2. Laws of the land should be known to the Entrepreneurs and complied with strictly.

3. We should avoid the short cuts for some immediate gains and should focus on the permanent methods for the growth and future of the company.

4. Use of funds should be judiciously and properly. The companies should ensure that these are being used only for the business purposes and these should not be withdrawn from the business for some other uses.

5. Projections should be made realistic one. If the company is not able to achieve the projections continuously, the goodwill of the owners and company suffers.

6. The Bankers/Financial Institutions should always be given the true picture. We should not hide anything from them and should discuss our financial problems before thing go out of control.

7. The SME Companies should upgrade their technology to enable them to compete in the markets.

8. The quality of the products must be maintained.

9. The company should concentrate on Research & Development also.

10. The SME Companies should diversify their products and markets.

11. Reserves and Surplus must be created out of profits.

12. Good marketing strategy should be adopted for their products.
7.3. Conclusion:

On the basis of conclusions drawn in the present study based on Questionnaire and interview from the Entrepreneurs/Bankers & Policy Makers the following suggestions are given for the development of Small and Medium Enterprises in India.

1. The SMEs in India lacks in knowledge and use of modern techniques of production.

2. There is a need to upgrade the technology in the Indian SME Sector.

3. A strong and supportive Financial System is required for development of this sector in India.

4. SMEs consider lack of quality consciousness, inadequate Govt. support, growth conducive environment and raising funds from market as major problems.

5. Market research, welfare of employees and research & development are top ranking areas for making investments.

6. Inadequate access to institutional finance has led the SMEs to depend upon informal sources of funding. Access to appropriately priced capital in order to enable SMEs to invest in capacity augmentation, technology and marketing is critical to achieve and maintain competitiveness.

7. The requirement of finance for deployment in Fixed Assets, working capital and plant & machinery by SME Sector will increase sharply. The Financial Institutions and Commercial Banks should provide hassle-free finance on easy terms to this Sector.

8. The Commercial Banks and Financial Institutions should devise special schemes on easy terms for upgradation of technology in SMEs Sector.

9. The SMEs should make use of equity participation and Joint Ventures as alternatives sources of finance to strengthen their financial position.

10. RBI should fix targets for SME financing for all the commercial banks in Public, Private and Foreign Sector.

11. The SMEs and Financial Institutions should ensure proper/optimal deployment of funds in fixed assets, plants & machinery and working capital.

12. The SMEs should select the location of their units very carefully. They should ensure that the law of the land is implemented properly.

13. The SMEs should focus on diversification of products and markets for their production.

14. There should be no diversification of funds.
15. The bankers should use the latest models for credit appraisals & rating tools for financing of SMEs.

16. Cluster Based Approach be used for SMEs financing.

17. The Commercial Banks/Financial Institutions should consider the assessment of the person and activity alongwith the project.

18. The Indian Banks/FIs should finance SMEs on the lines of system prevailing in some developed countries of the world.

19. The Govt. should provide help in marketing of products produced by SMEs.

20. SMEs should be given some special concession on interest charged and should be linked with Credit Rating System.

21. The Govt. may consider waivement of collateral security upto some agreed amount.

22. Definition of SME Sector be linked to employment or turnover of the units instead to investment in Plant & Machinery.

23. The Govt. should provide some protection to SME Sector in India in the pro WTO regime.

24. SIDBI should play more effective and direct role for the development of SME Sector in India.

25. In credit appraisals, not only the assessment of project, but also the assessment of the person and activity be considered.

26. The Govt. should issue instructions to the Banks and Financial Institutions to avoid delay in sanctioning the Term Loans and Working Capitals. The procedure should be simplified.

27. Tax structure should be revised. Transparency and simplification in tax procedures be ensured. There should be a system of charging fewer taxes from Small and Medium Enterprises.

28. There should be more training Institutes for workers to ensure the availability of efficient and skilled workers e.g. ITIs.

29. Most of the SMEs are inherited and their owners are not professionally qualified. As such, there should be specialized courses and Training Centers for owners of SMEs.

30. There should be more specialized branches for ensuring finance to Small and Medium Enterprises.

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31. There should be aware-generation programmes about Government policies pertaining to SME Sector.

32. The Government should establish more Specialised Export Zones for Small and Medium Enterprises.

33. Increased use of Information technology by SMEs in all the spheres of the business activities should be encouraged.

34. There should be an overall Improvement in quality, cost and service to customers by the SMEs.

35. The Government Agencies should provide guidance to SMEs on regular basis in marketing strategy.