CHAPTER I
INTRODUCTION

A cursory glance at the industrial structure of any country reveals the existence of units of varying sizes, which may broadly be classified as small, medium and large. This persistence of units of varying sizes, despite the innumerable difficulties besetting those of relatively smaller ones, is to be found both in the industrially developed and backward countries in the world.

In recent times, decentralised industrial development has assumed greater importance. A decentralised pattern of industrial development, while reducing local or regional unemployment and rural under-employment, also proves to be instrumental in distributing income and economic power more equally among the people and evenly among regions, thereby contributing to the emergence of an economically sound, politically and strategically stable, and regionally balanced democratic society. Fuller employment to a larger number of people, the most essential need of the hour in India - as more than 75 per cent of total population are dependent on agriculture which is subject to vagaries of nature in most of the cases - can be provided only through dispersal of industries. This dispersal is found easier if the units are of small scale.
Small scale industry has been recognised as a golden mean\(^1\) which can bring the benefits of modern technology and economic production and emerge as an important plank to tackle the problems of unemployment, under-employment, regional disparities and economic backwardness. Another writer points out that small industries have a number of plus points from the point of view of location, capital and import needs, employment and income distribution\(^2\). And mobilisation of small savings, which constitutes an important source of investible surplus, shall be generally easier to raise capital for many small industrial units than for a few large areas as experience has shown in other parts of Asia, (notably in China)\(^3\). In addition, it has been summarised by Staley and Morse that the small scale industry has an edge over large scale industry in terms of development of entrepreneurship, capital formation, capital saving, employment, dispersal of industry, labour and


social relations etc. But it is maintained by some that due to the implied emphasis on labour intensive techniques, decentralisation of production through small industries would tantamount to perpetuation of inefficiency in industrial spheres. But, according to Mumford, "To be efficient, the small plant need not be in continuous operation, nor need it to produce gigantic quantities of food stuffs and goods for distant market; it can respond to local demand and supply; it can operate on an irregular basis, since the overhead for permanent staff and equipment is proportionately smaller, it can take advantage of smaller wastes of time and energy in transportation, and by face to face contact, it can cut out the inevitable red tape of even efficient large organisations." Farooquee in his research study emphasised that small scale industries are a vital necessity, not only for relieving the pressure on agriculture, but for raising


the standard of living in the country as a whole. Even in quantitative terms, it has been summarised in one of the research reports of Small Industry Extension Training Institute that small scale industries are far more efficient than large scale industries in terms of gross output and value added per rupee of fixed investment. The following table is the basis on which the above conclusions are drawn.

TABLE 1.1

COMPARATIVE POSITION OF LARGE SCALE INDUSTRIES AND SMALL SCALE INDUSTRIES

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Particulars</th>
<th>Large Scale Industries</th>
<th>Small Scale Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Gross Output per rupee of Fixed Capital</td>
<td>1.38</td>
<td>5.34</td>
</tr>
<tr>
<td>2.</td>
<td>Fixed Capital/ Employment per person</td>
<td>19,128.00</td>
<td>2,799.00</td>
</tr>
<tr>
<td>3.</td>
<td>Value Added/ Fixed Capital</td>
<td>0.34</td>
<td>0.99</td>
</tr>
</tbody>
</table>

Source: Capital Requirement of Small Industries, SINT, Hyderabad, 1977, p.3.

A cursory glance at table 1.1 reveals even to a layman that the small scale industries have the ability to provide more employment with less amount of capital, a scarce resource in Third World Countries like India, and they can perform better in terms of gross output and value added when compared to large scale industries. Hence the importance of and the necessity for the development of small scale industries in developing countries as an instrument to provide gainful employment to disprivileged masses by using less amount of scarce capital to bring down the gap between 'have' and 'have-nots' and to achieve balanced regional development, need not be over emphasised.

Government of India, probably by recognising the merits of small scale industry, made a concerted effort to develop this sector. The thrust of the Government in this direction could be well judged if one cares to go through the successive Five-Year Plans and Industrial Policy Resolutions. Each one of them is discussed in the following sections of study.

First Five-Year Plan (1951-56):

After Independence, Government of India, committed itself to planned development. Accordingly, the First Five Year Plan was brought into force in 1951. The state of affairs in which small scale industries were at that time was well
described in the plan document as "There have been hardly any considered and co-ordinated programmes of development and technical improvement, and a great deal of small industry has grown up without much direction and assistance from the Government".8

In the Plan it was outlined that the supply of the basic raw materials should be assured, a sphere of production earmarked and perhaps a small cess enforced on the large scale industry with a view to reducing the difference in the cost of production or merely with the object of providing funds for improving the efficiency and organisation of small scale units. Emphasising the need to take up the above measures, an amount of Rs.2704.1 lakhs (1.3% of total outlay)9 was earmarked for the development of this sector inclusive of village industries.

Second Five-Year Plan (1956-61):

For the first time after five years of planned economic experience, it was recognised that satisfactory arrangements for meeting the required amount of finance have a vital part in the development programmes for small industries. It was also felt that the then existing arrangements for provision of finance were unsatisfactory. And the Plan stressed

9 Ibid., p.89.
the need for a "Co-ordinated policy based on close
collaboration between the Reserve Bank, the State Bank of
India, State Finance Corporations and Central Co-operative
Banks"\textsuperscript{10}. In the plan outlay, an amount of Rs.55 crores
was allocated exclusively for the development of small scale
industries\textsuperscript{11}. Out of this, a provision of Rs.10 crores was
made for setting up of 'Industrial Estates' with a view to
providing conditions favourable to working efficiency,
maintenance of uniform standards in production and economic
utilisation of materials and equipment\textsuperscript{12}. As mentioned above,
some concrete steps were proposed to develop this sector which
was neglected till then.

\textbf{Third Five-Year Plan (1961-66) and
Three Annual Plans (1966-67, 67-68 & 68-69):}

Among other developments in the field of small
scale industries proposed in this Plan, a reference may be
made to the proposed development of depots for stocking
raw materials which are in short supply to be made available
to small units with a view to assisting in the fuller

\begin{flushleft}
\textsuperscript{10} Government of India, \textit{The Second Five-Year Plan}
\end{flushleft}

\begin{flushleft}
\textsuperscript{11} Ibid., p.442.
\end{flushleft}

\begin{flushleft}
\textsuperscript{12} Ibid., p.452.
\end{flushleft}
utilisation of existing capacity. A provision of Rs. 84.6 crores\textsuperscript{13} was made for small scale sector. It was also proposed to set up an industrial design institute and also to set up about 300 more new industrial estates (apart from 60 already established) of various sizes and types during the Third Plan Period\textsuperscript{14}. And the expenditure during the Annual Plans (1966-69) was Rs. 132.55 crores\textsuperscript{15} for the development of small scale industries.

Fourth Five Year-Plan (1969-74):

The plan document outlined, "The main aim of the development Programmes for small scale industries was fuller utilisation of the capacity already established, intensive development of selected industries including ancillaries and Industrial Co-operatives and, subject to the criteria of feasibility, promotion of industries in semi-urban, rural and backward areas"\textsuperscript{16}. It was also proposed to undertake a phased programme of modernisation of machinery and equipment for a

\begin{itemize}
  \item \textsuperscript{14} Ibid., p. 449.
\end{itemize}
group of selected industries such as machine tools, foundry and re-rolling. An amount of Rs. 123.33 crores\textsuperscript{17} was earmarked for the purpose of developing small scale sector.

**Fifth Five-Year-Plan (1974-79):**

The principal objectives of the programme for the development of different small industries in the Fifth Plan were to facilitate the attainment of some of the major tasks for the removal of poverty and inequality in consumption standards of the persons (engaged in small scale operations) through the creation of large-scale opportunities for fuller and additional productive employment and improvement of their skills so as to improve their level of earnings.

The broad strategy proposed to be followed in the Fifth Plan was to entail a considerable enlargement of the development programmes for providing assistance and facilities in various forms to these industries\textsuperscript{18}. For this purpose an amount of Rs. 241.28 crores\textsuperscript{19} was earmarked. This was almost double the amount spent during the Fourth Plan Period. Some of the important measures proposed to be initiated were:

1. Package and Consultancy Service
2. Technical Employment

\textsuperscript{17} Ibid., p.289.
\textsuperscript{19} Ibid
and Research (3) Dispersal of Industries. And it was decided to expand the activities of Central Small Industries Organisation, National Small Industries Corporation, Small Industry Extension Training Institute and Small Industry Service Institutes to facilitate the small industry sector. As regards the credit facilities, the broad approach in the Fifth Plan was to assist them in securing institutional finance to the maximum extent possible. For this purpose provisions for 'seed capital', 'margin money' or 'interest subsidy' were made.

Five Year-Plan (1978-83):

Owing to change in the Government after 30 years since independence a vital deviation in the outlook of the planners was found. More emphasis was laid on the dispersal of industries. Though the Sixth Plan Period was to commence in 1979, due to change in the Government, it was advanced by one year i.e., 1978. The major components of the strategy proposed in the Plan are to revitalize and develop the existing industries, promote intensive development of new viable small industries, promote the growth of these industries in rural areas and small towns; and to reduce the role of subsidies by providing these selectively for credit and development of skills, designs and marketing. The amount spent on small scale sector during the Fifth Plan Period (1974-78) was
Rs. 139.53 crores, whereas, in this Plan, an allocation of Rs. 590 crores has been made.

Thus, it could be seen that the emphasis on the development of small scale industries has been more and more in the successive Five Year Plans. At this stage, it is appropriate to recall the words of a noble laureate, about the stress of Indian Plans on small scale industry: "As early as in the First Plan, the promotion of small scale industry acquired the status of a public policy objective and in latter rounds of planning, it was given more and more stress." A well known researcher on small industry commented that India has, by all odds, the largest, most comprehensive and the best planned programme for small industry development.

**Industrial Policy Resolutions:**

The Government's actions are generally guided by the Industrial Policy Resolutions pronounced by it. So the study of the successive Industrial Policy Resolutions would reveal

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the priority lines of the Government at various stages. Hence, an attempt is made here to discuss the salient features of the Industrial Policy Resolutions in so far as they are related to small scale sector only.

Industrial Policy Resolution of 1948:

This policy resolution underlined that cottage and small scale industries are particularly suited for better utilisation of local resources and for achievement of local self-sufficiency in respect of certain types of essential consumer goods. And it was also identified that healthy expansion of cottage and small scale industries depends upon a number of factors like the provision of raw materials, cheap power, technical advice, organised marketing of their products, and wherever necessary, safeguards against intensive competition by large scale manufacturer as well as the education of the workers in the use of best available techniques. Thus, in the first resolution itself, Government had taken note of the importance of the small scale sector and of the possible safeguards needed to develop it.

**Industrial Policy Resolution of 1956:**

At the time of issuing this resolution, the Government of India was following a policy supporting cottage and village and small scale industries by restricting the volume of production in the large scale sector, by differential taxation, or by direct subsidies. The resolution reads, "While such measures (mentioned above) will continue to be taken, whenever necessary, the aim of the State Policy will be to ensure that the decentralised sector acquires sufficient vitality to be self-supporting and its development is integrated with that of large scale industry. The State will, therefore, concentrate on measures designed to improve the competitive strength of small scale producers. Likewise, in the resolution of 1956 also, the Government conveyed its thrust to develop the small scale industries and to provide suitable safeguards to make them attain self-sufficiency.

**Industrial Policy Resolution of 1977:**

According to the new statement of Industrial Policy announced in December, 1977, the main thrust of the Policy will be on effective promotion of cottage and small industries.

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widely spread in rural areas and small towns. The statement contains several policy measures which are outlined subsequently along with the contents of development programmes for different cottage and small scale industries for accelerating the growth of these industries. While 504 items were reserved exclusively for small industry, the Government also considered a special legislation for protecting the interests of small industries. And it was also proposed to set up District Industries Centres (multi-service agencies) to enable the small entrepreneurs to have all kinds of services under the same roof. Thus the Industrial Policy Resolution of 1977 is a landmark in the history of small industry sector.

In tune with the broad guidelines of Industrial Policy Resolutions and specific steps proposed in successive Five-Year-Plan, a number of incentives and financial assistance programmes like Central Financial GRANT/SUBSIDY, Transport subsidy, Credit Guarantee Scheme, Refinancing Scheme, Concessional Finance etc., have been formulated, to facilitate


the growth of small scale sector. In this regard, Davenport commented that India has experimented with unusually wide variety of financing measures of small industry.27

The Government of India, assessing the shyness of the people to invest in industries, has been constantly pursuing the financial institutions through its agency, the Reserve Bank of India, to provide finance irrespective of the security and the entrepreneur's financial stake in the venture provided the proposed project is potentially viable.

Inspite of all these programmes and measures for the smooth flow of finance to the small scale industries, many reported that the paucity of funds has become a normal feature as small scale industries are not served by the banking institutions in the country, which are the principal sources of finance to industry, particularly working capital.28 And some research work found that the institutional agencies have

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a preference for large, medium and bigger among the small
scale units, with the result that the really small units
which need institutional credit most, are left to fend for
themselves or take recourse to hundi system at an exorbitant
rate of interest. Some other charges turned against the
financing agencies are that they are security minded and the
entrepreneur has to spend a lot of time and money, as he has
to wade through a lot of forms, rules, regulations, and he
has to pay bribes. The counter charges levelled against
the small scale industrialists are that they generally never
furnish the required information in full at the first instance,
the proposals that they send are generally not supported with
sufficient backing of facts and they never submit the
feasibility (technical or commercial) reports. Even if these
reports were submitted, they were treated as a device for
obtaining bank finance rather than as a guide for future
operations. Thus, on one side financial institutions are
blamed for their conservative attitude and on the other, the

29 Government of India,
Administrative
Reforms Commission.

30 Indira Gidwani,

31 State Bank of India.

Report of the Working Group on
"Flight of Small Industry", 
Role of the Bank in Effective
Growth of Small Scale Industries 
small scale industries are found fault with for their indiscipline and inefficiency. The above controversy has been on such an important activity that, "Without proper finance, there will be neither efficient planning nor purchase of raw materials nor production nor marketing, nor any fair profit". Mathur also feels that adequate finance is a pre-requisite for proper organisation of production and the purchase of raw materials, investment of capital in manufacture and the ultimate profit from the venture.

As it would be natural for any researcher to have the curiosity to know the facts behind a controversial phenomenon, it was decided to take up the task of finding out how the small scale industries are financed and how far the financial institutions can be blamed for the failure of the small scale industry. In addition to this, one more factor which prompted enquiry in this area was that very few research works could be found in this field.

Review of Current Literature:

A few systematic research studies have been reported so far on 'Small Scale Industry'. These inter alia are, "Size


and Capital-Intensity in Indian Industry" by Sandesara, "Small-Scale and House-Hold Industry in a Developing Economy" by Shetty, "Small Scale Industries in Delhi" by Dhar, "Place and Problems of Small Industries" by Basu, "Finances for Small Scale Industry in India" by Ramakrishna, "Financing Small Scale Industries in India 1950-52" by Balekrishna, "Financing of Small Industry" by Inderjit Singh and N.S. Gupta, "Small Scale Industries - A Study in Investment and Output Aspects" by Kopardekar, "Financing of Small Scale Industries in a Developing Economy" by Pareek etc. Leaving apart the works of Ramakrishna, Balekrishna, Singh and Gupta, Kopardekar and Pareek, the remaining studies have dealt with all the aspects pertaining to 'Small Scale Industry' in general.

Sandesara34 concentrated on the study of economic feasibility of small scale industry in terms of output and employment in comparison to large scale industry. Shetty35 had dealt with all the problems encountered with the growth of house hold and small scale industries without any specific


emphasis on any one of them. Dhar\textsuperscript{36} and Basu\textsuperscript{37} were of thought in the same line though they showed marginal differences in the approach and methodology. But diverging from the above works, Ramakrishna\textsuperscript{38} concentrated on the financial aspects. He analysed the problem from a broad outlook. So, his study is mostly of macro nature. Balsekrisna\textsuperscript{39} analysed the financial experience of public limited joint stock companies in India during 1950-52 in certain manufacturing industries in which small units predominated. And a comparison was made between small scale industries and large scale industries in each line of manufacturing. He paid little attention for external sources of finance and internal flow of finance. Singh and Gupta\textsuperscript{40} undertook the study of small artisans and

\begin{center}
\begin{tabular}{ll}
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36 & P.N. Dhar, Small Scale Industries in Delhi \textit{(Published Thesis)} (Bombay: Asia Publishing House, 1956). \\
38 & K.T. Ramakrishna, Finances for Small Scale Industry in India \textit{(Published Thesis)} (Bombay: Asia Publishing House, 1962). \\
40 & Inderjit Singh and N.S. Gupta, Financing of Small Industry \textit{(New Delhi: S. Chand & Company Ltd., 1977).} \\
\hline
\end{tabular}
\end{center}
small enterprises operating in Srinagar, the capital of Jammu and Kashmir State. They discussed aspects such as organisational structure, capital plan, personnel, production and marketing besides the discussion of the role of banking finance in the industrial development of that Province. Though, many aspects were attempted, none of them was paid adequate attention. Then, coming to the remaining two studies, Kopardekar emphasized on the composition of investment in the selected units, mode of disposal of output, and the relationship between capital layout and output. He dealt more with the internal structure and efficiency of the units by paying a little attention to the external sources of finance. Pareek in his study discussed various aspects such as importance of small scale industries in the economy of Rajasthan, the capital structure of the selected sample units, the role played by different financial institutions in the provision of credit in the State of Rajasthan and in India. But, he studied the aspects from the view point of financial institutions, but not the selected sample units.

41 Shash D. Kopardekar, *Small Scale Industries - A Study in Investment and Output Aspects (Published Thesis)* (Pooana: G.V. Rane Prakashan, 1974)

And he paid no attention to the internal flow of finance in the selected units. Hence a need was felt to make an integrated study of both external and internal sources of finance besides operational flow of finance in small scale industry.

Objectives:

The main objectives of the study are:

1. to assess the capital requirements of different categories of industrial units,
2. to evaluate the role played by different financial agencies in the provision of credit,
3. to analyse the financial discipline and managerial efficiency of the units,
4. to point out the deficiencies in the present pattern and suggest remedies to create healthy atmosphere wherein the small scale industry can develop well and,
5. to test the proposition whether the institutional agencies are biased towards bigger among small scale units.

Scope:

The scope of the present study is restricted, as has been referred earlier, to those units which fall under the category of small scale sector. The Government of India has defined a small scale industry as one, "Which has investment in plant and machinery not in excess of Rs.10 lakhs". In the case of ancillary units, the limit has been extended upto Rs.15 lakhs. A detailed note of this is given in the Appendix A.
Methodology:

In the following sections, it is proposed to give, first, the need for the field survey, and the factors which weighed in the selection of the area for field work and secondly a brief account of salient features of the area besides the selection of sample.

The Need for the Survey:

The need for the field survey arose mainly on account of the necessity for verifying the phenomenon which was spelt out in the preceding paragraphs. It is a fact that the data relating to small sector is scanty and such data as is available today cannot be regarded either satisfactory or adequate for the purpose of any integrated and comprehensive analysis.

It was therefore thought necessary to undertake an independent enquiry so that the requisite data could be collected in the required form and manner suitable for the present study. However, on account of practical considerations, such as the unorganised nature of these industries, their dispersed location and difficulties of coverage, lack of accounting habits, reluctance to part with information and so on, it was felt necessary to restrict the coverage of the field investigation to a manageable area.
In view of all the above considerations, it was decided to select for this enquiry, the Rayalaseema Region of Andhra Pradesh State. The special characteristics of this tract on account of which it was selected for this study has been dealt with at length in this section. Here it may be mentioned that one of the objectives in selecting Rayalaseema Region for the present study was the desire to make an integrated study of Financing of Small Scale Industry in this region, where no research study on this aspect has been reported hitherto.

**Special Characteristics of the Region:**

In order to obtain a correct understanding of the data gathered for the field work, and also to serve as a general background for proper appreciation of the resultant analysis, it is necessary to have a bird's eye view of the salient features of the area.

Rayalaseema Region consists of four districts viz., Anantapur, Chittoor, Cuddapah and Kurnool which occupy an area of 67,251.4 square kilometers and as per 1971 Census, the population of the region is estimated to be 79,40 lakhs. Other characteristic features of the region are as follows.

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1. Dependence on agriculture: In this region the percentage of cultivators and agricultural workers to total working population is 74.86 as against the State Average of 70.11. This indicated the excess dependence of the region on agriculture.

2. Less irrigation facilities: Though a majority of population is dependent on agriculture, the availability of irrigation facilities is meagre. In this region, percentage of gross area irrigated to gross cropped area and net area irrigated to net area sown are 21.2 and 17.2 as against the State averages of 31.6 and 27.7 respectively.

3. Low agricultural productivity: Perhaps due to the uneconomic pressure on land and poor irrigation facilities, the region has very low agricultural productivity. The gross value of output per acre was Rs.390 as against the State average of Rs.412.

4. Low per capita income: This region is lagging behind even in this aspect also as the average per capita income of the region is Rs.450 as against the State average of Rs.478.

46 Ibid.
47 Ibid.
Thus, the above analysis indicates that there is uneconomic pressure of working population on agricultural land which resulted in low productivity and low per capita income. Hence, there is a need to provide non-farm employment to relieve the uneconomic pressure of working population on agricultural land and to enhance the per capita income of the region. So, there is a need for the development of small scale industries in this region as a source of non-farm employment. Hence, it was decided to choose Rayalaseema Region for in-depth study.

Since it was not possible to cover all the small scale units prevailing in the region on account of financial implications and the time required for such a wide coverage, it was decided to select a representative group of units from the population using an appropriate sampling technique.

**Definition of Population or Universe:**

Defining the population or universe of the small scale industries was a critical exercise because the term small scale industry embraces village industries, house hold industries, modern small scale industries etc., whichever have capital investment in plant and machinery less than the specified amount. And some of them were registered and many of them were not. The required information of unregistered units was not available. It was decided to limit the scope to only the units registered with the Director of Industries.
Hence, the word Universe or Population would mean only the units registered with the Director of Industries without taking into consideration, the category to which they belong.

There was no consolidated list of small scale industries situated in the whole region. So the latest lists industries in the four districts prepared by the respective District Industries Officers were collected. These lists uniformly consisted of all the units registered on or before 31st March, 1978. Hence, the universe was limited to the small scale units registered with the Director of Industries on or before 31st March, 1978.

Selection of Sample:

Depending on the nature of the work to be carried out, it was decided to use stratified sampling technique to select the units from the universe. The variables considered for stratification at first instance were "Type of Industry" and "Size of Investment". But it was found in the pilot study that particulars of the size of investment of the units given in the list differed from the actual information gathered from the respondent units. Hence, it was decided to consider 'Type of Industry' for stratification prior to sampling and 'Size of Investment' for post-sampling stratification.
Pre-Sampling Stratification:

The universe was divided into seven groups based on the type of industrial activity. For classification of units industry-wise, the main product of the unit (the product accounting for the maximum value of production) was taken into consideration. Then, the question of choosing the system of allocation—proportional or equal—arose. The proportional allocation system was ruled out for the reason that some groups (Agro, General Engineering) consisted of too large a number of units and other groups (Metal, Mineral, Chemical) consisted of too small a number of units impeding an analytical study. So, it was decided to adopt equal allocation system. And to maintain precision, it was decided to take a sizable number i.e., 16 units from each strata. Then, all the units in each strata (i.e., 16 units) were selected at random by using random numbers. And another eight units were selected from each strata and were kept in the waiting list, with a view to substituting in case of non response from the units in the main list. Thus, the final design of the sample is as shown in table 1.2.
Post-Sampling Stratification:

As expressed earlier, it was not possible to stratify based on 'Size of Investment' prior to sampling. Moreover, it has been held by the researchers that from the viewpoint of the theory of probability sampling, it is essentially irrelevant whether stratification is introduced in the procedure of sampling or otherwise. Hence it was decided to resort to post-sampling stratification. The 'Size of Investment' here means the original cost of fixed assets as well as working assets and in case of land and buildings held on lease/rent, 12½ times of lease amount/rent is taken as both the original and book value as followed in the preparation of Census Report on Small Scale Industries by the Development Commissioner (Small Scale Industries), Government of India. The selected 112 sampled units were stratified based on 'Size of Investment' into four groups. The sample design is shown in table 1.3.


TABLE 1.3
DESIGN OF SAMPLE BASED ON SIZE OF INVESTMENT

<table>
<thead>
<tr>
<th>Code No.</th>
<th>Size of Investment (Rs.000)</th>
<th>No. of Units</th>
<th>Percentage to Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Below - 100</td>
<td>43</td>
<td>38.39</td>
</tr>
<tr>
<td>II</td>
<td>100 - 500</td>
<td>41</td>
<td>35.61</td>
</tr>
<tr>
<td>III</td>
<td>500 - 1000</td>
<td>17</td>
<td>15.18</td>
</tr>
<tr>
<td>IV</td>
<td>1000 - and Above</td>
<td>11</td>
<td>9.82</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>112</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Field Survey.

Method of Collection of Data:

The data was collected from the sampled small scale units through personal interviews with the entrepreneurs by using a pre-tested schedule prepared for the purpose. In some cases, the sampled units were dormant at the time of survey. As the study of these units is as important as the units in existence, efforts were made to meet the entrepreneurs at their residence. In most of the cases, it was rather a success in deriving the information. But in some cases, it was not possible because of non-availability of the entrepreneurs, or lack of proper accounts needed to augment the information. In those cases, the immediate units in the
second list were drawn and the data was collected from them. In addition to this, information was drawn by having personal discussions with the banks' officials, District Industries Officer's APBFC personnel, APSSIDC officials, and officers of different Government Departments concerned with the promotion of small scale industries. And a lot of information was collected from published books, journals, research reports etc.

Plan of Study:

The total study has been divided into seven chapters, viz., (I) Introduction, (II) General Profile of the Units, (III) Capital Structure, (IV) Sources of Finance, (V) Flow of Finance (Operation), (VI) Repayment of Loans and (VII) Conclusions and Suggestions.

Chapter I deals with the Statement of the Problem, Review of Current Literature, Objectives of the Study, Scope, Methodology, Method of Collection of Data, Plan of Study and Constraints in the Study.

Chapter II provides general information of the units such as Locational Pattern, Type of Ownership, Family Background, Educational Background and Occupational Background of the Entrepreneurs, Period of the Establishment of the Units, Mode of Acquisition of the Units, Sources for the Idea of Starting the Units, Size of Employment, Gestation Period.
Chapter III deals with the Composition of Total Capital - Fixed and Working, and Components of Fixed and Working Capital and their Relationship in Different Categories of the Units.

Chapter IV discusses Different Sources of Finance—Internal and External — Institutional - Non-institutional and their divergent relationship in Different Categories of the Units.

Chapter V deals with the aspects related to inflow and outflow of finance as a result of industrial operations such as Volume of Raw Material Consumed, Credit Period Allowed by Suppliers, Volume of Sales, Share of Cash Sales, Retention Period, Area of Marketing, Channels of Distribution, Quantum of Accounts Receivable and Accounts Payable, Cash Balance besides the tools of testing operating efficiency.

Chapter VI attempts to find out the position of repayment of loans to institutional agencies and to evaluate the post-disbursement operation by the agencies.

Chapter VII summarises the conclusions arrived at different stages of the work, and proposes some suggestions to overcome the hurdles.
Constraints:

The major constraints in the study are as follows.

1) Most of the units were not maintaining all books of accounts systematically. Hence it was not possible to obtain information with absolute accuracy.

2) The most disappointing feature was the lack of interest on the part of small manufacturer - respondents themselves who seem to think that such research studies do not bring them any good.

3) With regard to transactions with institutional agencies, cross verification of the facts furnished by the industrial units could not be done because of the agencies' reluctance to augment the information of individual units.