CHAPTER VIII

FINDINGS, SUGGESTIONS AND CONCLUSION

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Introduction

Small-scale industrial sector has occupied a very significant place in Indian economy. As an employment generating sector as well as indicators of cultural and economic development this sector played its best in ancient India. At present, the planners, the policy makers all have put emphasis on this sector, as it renders multipurpose services and recognised this sector as an important tool of economic growth for India in future. Number of small-scale units in India shows a remarkable figure of 18.27 lakhs at the end of 1989-90 from a mere 8.75 lakhs in 1980-81. Volume of employment created has gone up from 71 lakhs to 119.6 lakhs during the same period. Plan outlay for this sector has also raised from ₹5.20 crores during the first five year plan to ₹1120.51 crores during the seventh five year plan.

Notwithstanding policies, schemes, incentives, plan programmes, the SSI sector has not properly developed in the State. We have seen a lot of paper works for this sector, but a clear cut policy has not still emerged to do away with the obstacles that still confronts the SSI sector.
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A number of studies have been completed on the SSI sector, and many sound recommendations were forwarded to revamp the SSI sector. But things have not improved to the desired extent. Mine is yet another attempt to throw some lights on the subject, more particularly in area of institutional finance to the SSI sector.

Even though I have made a sincere attempt to study the requirement and need of the SSI sector and role of the financial institutions, I cannot claim that I have not left out areas which should have been incorporated with the study. As the SSI sector is beset with problems, so is the research scholar. Non-availability of appropriate data, difficulty in extracting informations from the entrepreneurs as well as from the concerned officers of the development and financial institutions have made my work more difficult. Finance being the main constraint, further research work on the subject will definitely be forthcoming. However, I would like to emphasise that I have tried to make the study purposeful and fruitful and made inroads into the subject as much as possible.

Summary and Findings

On the basis of the study in the proceeding chapters, the following summary and conclusions have been
drawn and a number of suggestions have been incorporated so that institutional finance to the SSI sector are made meaningful and the sector can contribute to the development of the economy of the State.

**Role of SSI in Assam's economy**

Small-scale industries including the tiny-units occupies an important place in Assam's economy. Assam had a rich and prosperous heritage of traditional handloom and handicrafts. The number of registered SSI units in Assam as recorded by the Directorate of Industries has increased to 15,392 as on 1989 from 4,162 in 1981. Besides, there are a number of small and tiny units under KVIC, Directorate of Handloom & Textile and in unorganised sector. Plan expenditure has also raised from ₹9.64 lakhs in First five year plan to ₹50 crores during the Seventh five year plan. In accordance with the policy guidelines stated in our industrial policy, the State Government has provided various incentives through different agencies to this sector, with co-operation of the Central Government.

**Assistance to SSI sector**

A number of Central level and State level financial and developmental organisations have been
established in the State after independence to render financial and other assistance to this sector. However the SSI units of the State have not received timely and adequate help from these organisations. Though there are too much talk about the facilities and incentives provided for small-scale sector, in reality very little assistance is received by this sector. Even after 45 years of independence, the infrastructure for development of this sector has not properly built up.

Not only the national industrial policy, but the State's own industrial policy also has put emphasis on the development of small-scale sector. Assam Financial Corporation, Assam Small Industries Development Corporation, Directorate of Industries etc. all are working for the development of this sector. District Industries Centre, Industrial Estates, Growth Centres etc. are created for the development of this sector still, the small-scale sector of Assam requires more help for its survival.

Financial assistances are provided to this sector through the commercial banks, AFC, IDBI, ASIDC, etc. NSIC and ASIDC render marketing and raw-material assistances and distribute machineries on hire purchase basis. factory sheds are allotted for this sector through industrial estates
programmes. Training facilities and project reports are provided by Small Industries Service Institute, National Institute for Small Industries Extension and Training etc. The SSI sector gets margin/seed money assistances, capital subsidy, transport subsidy, power subsidy etc. from the Government and other developmental agencies. But, all these assistances are inadequate. Sickness amongst the SSI units is the proof of this fact. Number of sick units have increased to 11,438 as on 1988 from only 1,590 units in 1980, indicating a 7 times higher growth.

Assam's SSI units account for less than 1 percent of the total SSI units of the country, whereas, nearly 5 percent sick SSI units of the country is in Assam. This is not only unfortunate for the State, but for the country as a whole as huge amount of bank credit has locked with these units. As on 1989, ₹24.27 lakhs of bank credit is locked up with Assam's SSI units which was only ₹2.03 lakhs during 1980. But, it is not that the units are suffering and the authority is watching without taking any steps to stop this sickness.

The Government, Reserve Bank of India and other financial institutions are coming forward with a number of rehabilitation packages along with some preventive measures
also. Committees are constituted, recommendations are made, guidelines are also issued to commercial banks, and other financial institutions to overcome the problem of sickness. But, the problem is still there, for which the SSI sector of the State fails to play its role remarkably like the other State's SSI sector. However, authorities negligence can not be ruled out regarding the role of SSI units in the State.

Systematic survey of problems and prospects, planning for future development etc. are hardly carried out by the concerned authorities. If other States like Tamil Nadu, Karnataka, Punjab or our nearest West Bengal State authorities can collect and publish data regarding annual growth of the number of SSI units, volume of employment, value of production, capital invested, number of sick units etc., there can not be any special reason for our State not being able to do the same. Even, the 'Economic Survey' of the State is not available for the last six years except in 1988-89, which was published yearly by the Directorate of Economics and Statistics, a State Government wing. Data collection, survey, research and analysis etc. are recognised as the pre-requisites for development. But, in Assam's SSI sector, one finds these practices sadly missing.
Financial requirement of SSI

Although the sector is referred to as 'small', financial requirements of small-scale sector is not small. Finance is recognised as the life-blood of any kind industries. Like other industries, SSI units also need fixed capital finance to meet the expenses of fixed assets such as plants and machineries at the very beginning of their business. Again, working capital loan is required to meet the day to day operations of an units. Fixed capital assistance is provided mainly by the AFC, IDBI, ASIDC, NSIC and commercial banks. However, all the financial requirements are not fully met by banks or financial institutions.

It is necessary to asses the working capital requirement of an unit as it differs from unit to unit. So, it is also necessary to keep the records of all past documents, i.e., the operating expenses of previous years. After considering the different components of an operating cycle i.e., the shortage period of raw-materials, stores and spares, finished goods and the other factors, banks and other financial institutions calculate the extent of their financial assistances for each component. In maintaining the balance of promoter's contribution, that is known as 'margin' as it's permissible limits, commercial banks follow
the policy guidelines of Reserve Bank of India, recommended by the Tandon Committee and Chore Committee.

The Tandon Committee has suggested three methods. According to the first method, 75 percent of the working capital gap should be financed by the banks. Second method implies that atleast 25 percent of the gross current assets should be provided by the borrowers, others will be provided by the trade-credit, other current liabilities and the banks. The third method is similar to the second method but excluding core-current assets, it should be taken out from the total current assets and separately funded.

The Chore Committee suggested to follow the second method recommended by the Tandon Committee that ensures a minimum current ratio of 1.33 : 1 for the borrowers having aggregate working capital limit of ₹.50 lakhs and over.

Now, commercial banks follows the first method for the borrowers enjoying aggregate credit limit between ₹.10 lakhs to ₹.50 lakhs, and the second method for the borrowers of working capital of ₹.50 lakhs and more.

During the early periods of our planning, commercial banks paid little attention to this sector. State
Bank of India started to provide assistances to this sector in some selected centre through its 'pilot scheme'. It is only after nationalisation of fourteen major commercial banks in 1969 and subsequently six more in 1980, they came up with different schemes of assistance for this neglected sector. Commercial banks are asked to undertake liberal rate of interest from this sector by the Reserve Bank of India. A 'lead bank scheme' has also introduced to help the small-scale and other weaker sections. The small-scale industries sector with agriculture and some other weaker section has been recognised as 'priority sector' for bank lending and it is asked to give 40 percent of the total bank credit to this priority sector. Among the priority sector another category of 'weaker section' has also grouped with the agriculture and small-scale industries having a credit limit upto and inclusive of Rs.25,000 and banks are asked to provide 12.5 percent of the total priority sector lending.

To expand the area of credit facilities, number of commercial bank offices in the country increased to 58,901 as on March, 1990 as against 8262 in June, 1969. Besides, Regional Rural Banks were established which also provide assistances to small-scale sector. To look into the credit needs of SSI sector different committees were constituted by the Reserve Bank of India. The RBI has appointed another
committee to review the arrangement of credit in SSI sector under the Chairmanship of P.R. Nayak. There is always complaints from the SSI units against the delay in payment from Government agencies. The committee also asked to examine this matter of delayed payments.

For co-ordination between the lending institutions also, a number of committees were constituted by the RBI and IDBI.

Covering various matters of credit needs, the Government of India has announced a policy for small-tiny and village industries on August, 1991. Through this policy, equity participation upto 24 percent into SSI sector is allowed for non SSI sector and foreign companies. It also promises to meet 100 percent credit demand of SSI and tiny units.

Role of AFC

In Assam, AFC was established under the SFC Act, 1951 in 1954 to meet the term credit needs of SSI and medium scale industries of the State. But, its main area of operation is SSI sector. Upto March, 1990, AFC has sanctioned a total of 3648 applications involving an amount of ₹50,63
crore. That means 95 percent of the applications sanctioned by the AFC are from SSI sector and it gets 72 percent of the total loan sanctioned by the AFC upto March, 1990.

Size-wise analysis also shows that 60 to 70 percent of the total loan applications sanctioned by the AFC goes to the applicants of less than ₹.1 lakh category, i.e., small borrowers get preference in loan assistance. But, it does not show the actual benefit as out of this sanctioned amount, only ₹.35.33 crores are disbursed i.e., 30 percent of the sanctioned amount remains undisbursed. It indicates the inabilities of SSI units to fulfil the post-sanctioned formalities. It is also found that the incidence of disbursement is higher in non-SSI sector.

Lending procedure of AFC is lengthy. After receiving the loan applications AFC considers the eligibility of applicant, then cancels the non-eligible applications, then makes them effective. Effective loans are disbursed after fulfilling the post-sanctioned formalities. Thus, the long procedures affected the flow of finance. Although AFC's area of jurisdiction spreads to Assam, Meghalaya, Manipur and Tripura, Assam gets the lion's share of it's assistance. As on March, 1990, Assam's SSI sector accounts for nearly 95 percent of the total loan sanctioned by the AFC. But, it is
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observed that percentage of disbursement is lower in Assam compare to the three other regions.

In Assam, district-wise analysis shows that Kamrup and Dibrugarh districts accounting for the higher amount of financial assistance with highest number of units. In 1990, these two districts together accounted for 52 percent of AFC's total financial assistances. Though the entire State is recognised as 'A-Class industrially backward area' by the Committee constituted by the Central Government, these two districts are comparatively developed amongst the all districts. Despite it's special attention with liberal lending policy etc. towards backward areas, it is found that developed districts get more benefits than the less developed districts.

Problems of sickness amongst the SSI units also looked after by the AFC. It has a monitoring cell, through which AFC makes effort to identify sick-units and then provides necessary assistances to such units. But, in this field AFC's performance is not satisfactory.

In providing financial assistances, comparative study shows that AFC's performance is very poor than the other SFCs of the country. AFC's financial assistance
sanctioned to SSI units upto March, 1990, accounts for only 0.7 percent of the total financial assistances provided by all eighteen SFCs in India, whereas the Uttar Pradesh SFC accounts for 11 percent, Gujarat SFC accounts for 9 percent etc.

However, in case of distribution of loan among different sectors of industries AFC works in the same line with the all SFCs. As on March, 1990, 95 percent of the industrial units assisted by the AFC represent SSI sector as 91.5 percent of the total industrial units assisted by all 18 SFCs belongs to this SSI sector. On the other hand, upto March, 1990, 68.2 percent of the total loan sanctioned by AFC goes to SSI sector, whereas the share of SSI sector in all 18 SFC's financial assistance during the same period is 76 percent. According to AFC source, AFC is facing a number of bottlenecks. Poor recovery position is the main constraint of AFC. Number of defaulting units involving a huge amount of money shows a rising trend over the periods. It is found that more than 50 percent of the assisted units in every year are defaulted units.

Role of commercial banks

Commercial banks are recognised as the main source
of working capital. In Assam, banks entered into the economy in 1923 only. At present, Assam has as many as 1154 commercial bank offices as on 1990, which were only 77 at the time of nationalisation. As on March, 1989, 179 offices of SBI and its associates, 519 offices of nationalised banks, 369 offices of Regional Rural Banks and 44 offices of other scheduled commercial banks are operating in Assam. This accounts for 66 percent of the total bank branches of the North Eastern Region and 1.9 percent of the total commercial bank branches in India. There is one bank office for every 18,000 people of the State against the all India average population of 12,000 per bank office. Therefore, people of Assam gets less services from banks than the other part of the country, though the number of the bank offices shows a rising trend over the period of nationalisation. However, area-wise distribution of bank offices is satisfactory in Assam as it shows that 69 percent bank offices are in rural areas.

SBI, UBI and UCO banks are the lead bank of the State. Under the leadership of these banks, bank credit to priority sector of the State shows a tremendous growth. From 27 percent in 1969, priority sector bank credit in Assam went upto 52.36 percent during 1989.
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Coverage of SSI sector by all commercial banks has expanded to 39021 units as on 1989 from 395 units in 1969, as claimed by the local Head Office sources of SBI. Reserve Bank of India's data also shows that out of the total 6,56,707 accounts financed by all scheduled commercial banks in Assam, 49,999 accounts represent the SSI sector, indicating 7.6 percent of the total. In this case, similarity is observed with all India level, as it is found that 6.5 percent of the total accounts financed by all the scheduled commercial banks in the country are from SSI sector. However, of the total SSI accounts financed by all scheduled commercial banks in the country, only 1.5 percent represents the share of Assam.

Amount of outstanding credit to SSI by all scheduled commercial banks shows a rising trend in the State. As on March, 1989, the amount of outstanding credit with SSI increased from ₹16.44 crores in 1979 to ₹137.67 crores in March, 1989, which shows 10.4 percent of the total bank credit outstanding in the State. Thus, amount of credit limit sanctioned to SSI also shows a rising trend. It increased from ₹26 crores in 1980 to ₹155 crores in 1989. However, negative growth is also recorded in some years during this period. It is found that the growth rate varies from minus 43 percent to a significant 131 percent.
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Political unrest, social tension, and State Government's inadequate policies etc. are found responsible for the negative growth of bank credit. On the other hand, credit limit sanctioned by all scheduled commercial banks all over the country shows a steady and rising trend. This indicates differences in operation of commercial banks in different States, although they are covered under the same guidelines, issued by the Reserve Bank of India.

Bank group-wise analysis conveys that the performances of SBI is fair in terms of number of SSI units assisted and credit limit sanctioned followed by the 20 nationalised commercial bank group. Other scheduled commercial banks performance are very negligible.

An industry-wise analysis shows that in Assam, as on 1989, 21 percent of the total industrial credit goes to SSI units. But it is less than the national figure of 28 percent. It shows that SSI units in Assam get less attention from commercial banks than in other states of the country.

A district-wise analysis shows that in kamrup and Dibrugarh district, amount of credit outstanding from all commercial banks are higher than in other districts. As on June, 1989, nearly 27 percent of the total SSI accounts
involving nearly 39.6 percent of total credit outstanding represents the share of these two districts. The two districts also availed the highest amount of AFC's finances. As the largest number of SSI units are concentrated in these districts, they deserve the highest amount of credit.

A comparative study of bank finance to Assam vis-a-vis other States reveals that Assam's SSI units share to total bank credit is below the national average level. As on 1980, credit limit sanctioned by all scheduled commercial banks in Assam was ₹.26.48 crores as against the national average amount ₹.109.19 crores. As on 1989 also, credit limit sanctioned in Assam was ₹.155.49 crores against the national average amount ₹.474.88 crores.

However, Assam's SSI unit get highest amount of bank finance amongst the other States of the North East. But, unfortunately, bank finance to SSI units of the whole North Eastern Region accounts for only 1.34 percent of the total bank finance enjoyed by the SSI units of the country. As on March, 1989, Assam's SSI's share was only 1 percent of the total credit sanctioned by all scheduled commercial banks in India. During the same period, the share of some States, viz., Punjab, West Bengal, Uttar Pradesh, Tamil Nadu and Gujarat were 6, 7, 8, 10 and 13 percent respectively.
This shows that Assam, as an industrially backward State gets less bank finance than the other States, which are much more developed than Assam.

Role of some other financial institutions

A brief study of other financial institutions excluding AFC and commercial banks shows that these institutions have much more to do for the industrial development of the State.

Not only in SSI sector, but for the entire economy of the State aggregate flow of finance of all financial institutions is at a very low ebb. Hardly one percent of the total institutional finance in the country flows to this backward State.

IDBI, the noted financial institution, which has close link with SSI sector gives only 1.2 percent to Assam's SSI units of the total financial assistances sanctioned by it.

Another national level institution, NSIC, provides fixed capital in the form of machineries under hire purchase basis to SSI units. Assam's SSI units received only 2.3
percent of total assistances provided by the institution till March, 1990.

The only important State level developmental organisation for SSI unit is ASIDC. This Corporation came into operation from 1962 with a number of developmental scheme for SSI sector of the State. It provides machineries on hire-purchase, different type of subsidies, raw-material and marketing assistances, infrastructural assistances and works as an agency of the Government. But, ASIDC's performance is also found to be negligible when compared with it's counterparts in other States like Gujarat, Tamil Nadu etc.

SSI units now can avail all facilities from registration to finance, raw-material, marketing and all kind of assistances through DICs. At present, 17 DICs are working in the State for the industrial upliftment of the State. Assam Government's programme and policies for SSI, under 'Udyog-Sahayak-Cell', Central Government SEEUY programme etc. are operated through DICs. But, DIC's performance in the State are not found satisfactory. It is found that meeting of DICs are not held in time, monitoring services are not regular etc. But, it is not that
contribution of DICs towards industrial development of the State is nil. Still, there is scope for much more to be performed.

Another new financial institution for the development of SSI units of the country came into operation from April, 1990. That is Small Industries Development Bank of India, a subsidiary of IDBI. All the schemes of IDBI for SSI has been transferred to SIDBI. It will work as an apex, co-ordination body of all financial institutions meant for SSI sector. The North Eastern Regional office of SIDBI has already started operation from Guwahati office. It is hoped that SIDBI will concentrate on the development of the SSI sector of the State.

Problems of SSI units

A large number of problems are identified by the SSI units that retarded their growth. In course of our field survey, 99 percent of the sample units pointed out finance as their special problem. Most of the units are tiny in character as average amount of investment on fixed capital are found out to be Rs. 2.34 lakhs. Loan for fixed capital comes from different sources such as AFC, ASIDC, Commercial banks, NSIC and other sources, however more than half of the
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sample units borrowed from AFC for their fixed capital requirements. Average working capital of the sample units are found to be 3.70 lakhs per year. It is found that nearly 72 percent of the sample units borrowed less than Rs.1 lakh.

Borrowers common view on adequacy of loan from all kind of financial institutions is that loans are not sufficient and they are not made available at the right time.

According to them, whether it is AFC or commercial banks, it takes a very long time in getting loans. Besides, they have to observe many formalities that created problems for them. They also found that the application forms issued by the banks or financial institutions are too complicated to fill-up.

According to many entrepreneurs, attitude of the staff of banks or financial institutions towards SSI entrepreneurs are not satisfactory. They hardly get any guidance from the financial institutions in filling up the application forms or in other matters to be followed in availing loans. Our survey found that nearly 80 percent of the entrepreneurs needs guidance and other help from the
banks or financial institutions. They frankly disclosed that they have to incur heavy private expenses for a loan instead of getting these facilities.

Lack of co-ordination between banks and AFC also created problems for the entrepreneurs. Arrangement made to ensure effective co-ordination between banks and development agencies are found to be inadequate.

On the other hand, opposite views are expressed by the commercial banks and financial institutions. According to them, financing SSI in Assam is not a problem free task. Giving a clarification to the delay in submitting the proper statements and fulfilling the proper requirements of the institutions by the units. In many cases, the entrepreneurs donot submit their stock statements in time. They hardly submit their annual statement. Therefore problems arise in the time of scrutinising the financial position of the borrowers.

They also admit that amount of loan to this sector is inadequate, but this is because of the short security position of the SSI units. Their main problem is poor recovery position. According to them, most of the entrepreneurs are willful defaulters.
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Most of the entrepreneurs, who were covered through our survey are first generation entrepreneurs and lacks proper experience in case of industries. Unfortunately, their educational background is also not satisfactory.

Nearly 85 percent of our selected entrepreneurs read upto high school level. A good number of them read out upto primary level. Lack of proper educational qualification of the entrepreneurs in most cases create problems for the entrepreneurs themselves, specially in case of management.

Although, there are several service and training institutions, only a few entrepreneurs got training facilities organised by the institutions like NISIET, SISI etc. Lack of training facilities for the workers are also observed in the State.

We even met such entrepreneurs specially in the tiny units who do not have any knowledge about the existence of the SFC, NSIC, ASIDC, etc. They hesitate to go for a bank loan, because they do not know the formalities, even, they do not know how to fill-up the application form. Sometimes, it has been reported that in such cases they seek help of the third person. But, without an attractive commission, the
middleman refuses to help. In such condition the poor entrepreneurs are the losers as a good percentage of bank loan is pocketed by the middlemen.

Recommendation

On the basis of our findings, the following suggestions are made so that the difficulties faced by the SSI units as well as by the financial institutions may be overcome.

Formalities/Procedural aspects

As the flow of finance from financial institutions to SSI are not adequate in the State, it is suggested that the financial institutions specially the AFC and commercial banks should review the formalities and procedures that acts as constraints in the flow of finance to SSI sector in the State. As an apex institution, the Reserve Bank of India can constitute a special committee consisting of representatives of the State and Central Governments as well as from the SSI sector and other financial institutions to look into the procedural aspect or sanctioning of loans and other aspects which is frequently complained by the entrepreneurs.
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Left to ourselves, we would prefer the following suggestions to take care of immediately.

As most of the entrepreneurs are not adequately qualified and they find it difficult to understand the complicated provisions contained in the application forms, these should be made available in regional language and in a simplified manner, so that the forms can be filled up by the entrepreneurs without the help of a middleman.

Delay in processing of loan application should be minimised. AFC and commercial banks should maintain a regular time bound programme, say, within one month of receiving the application they should finished the process of examining and sanctioning of the loan proposal. Otherwise, the RBI should take necessary actions for unnecessary delay made by commercial banks. At least, AFC can follow such a policy easily, as it does not have a wide network of branches.

Rate of interest

Rate of interest at which banks and other financial institutions offer loans to the SSI units should be minimised, specially for the tiny units of the State. At
present, difference of rate of interest, charged by the financial institutions for the units of backward areas and of general areas is negligible. As the State is a backward one and the entrepreneurs are also not financially sound, they should be charged at a nominal rate of interest.

**Customer service**

Emphasis should be given on improvement of banker customer relationship. Commercial banks or AFC may publish booklets containing useful information on formulation, implementation and monitoring of projects, different types of schemes, procedures for availing of Government subsidies etc.

Each branch manager should be educated on techniques of counselling and at least each regions or zonal offices should be equipped with a counselling cell.

Besides organising "Banker-customers meet" occasionally, the financial institutions may maintain personal contacts with defaulting borrowing entrepreneurs and help them to improve their position.

For easy and quick service, a separate cell for
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SSI customer may be opened in each bank branch. In such cell, commercial banks can appoint bank officers with special knowledge of Assam's industrial culture.

The financial institutions while processing applications and sanctioning loan to SSI units should not be guided by the profit motive alone. The financial institutions should act as friend, philosopher and guide of the entrepreneurs.

Supervision and follow-up

The requirement of the working capital should be assessed well and adequate finance should be given in proper time, so that the SSI units are not forced to approach non-institutional sources for their temporary requirement even. But, the responsibility of the financial institutions does not end with the release of funds, they should supervise and follow-up the activities of the entrepreneurs. Supervision should start from the stage of disbursement of the loan, so that the fund are not misutilised or diversified. Regular supervision will also be helpful in maintaining financial discipline of SSI borrowers.

Although commercial banks have different cadre
persons for supervision and follow-up and AFC has also a monitoring cell, the performance of such cell are not found satisfactory. Sound supervision and follow-up system is sine-qua-non for the benefit of the lenders as well as the borrowers. There should be a proper 'Inspection Manual' to prescribe the fruitful methods of supervision, periodicity of inspection etc. and all these should be maintained strictly. It will improve the recovery position, as well as will control sickness of the units.

In this field, DICs have an important role to play. The responsibility of DICs does not end with recommendation of the proposal. They can help the financial institutions in follow-up and recovery of dues especially in respect of cases recommend by them. They can inspect the units regularly and report to the lending institutions on working of such units.

Co-ordination

There should be close co-ordination between the commercial banks and AFC. They should jointly appraise the loan proposal. If it is necessary, an apex body to co-ordinate the works of all financial institutions, training institutions, service institutions and
developmental institutions for SSI should be set up. However, SIDBI by opening a regional office at Guwahati, has promised to perform this function of co-ordination.

The working of the State Level Inter Institutional Committee should be reformed, meetings of SLIIC should be organised regularly as per RBI's guidelines.

There should also be a strong body which will ensure that the RBI guidelines are properly implemented by banks and other financial institutions.

**Government Policy**

There is no doubt that both the Central and State Governments have given priority to the SSI sector and have undertaken a number of policies. But, what is necessary is its implementation. There should not be any gap between the promises and performances of schemes.

For the first time, the Government of India has notified a separate industrial policy for the small, tiny and cottage industries. However, it is doubtful whether this policy will help such units in backward areas like Assam. The withdrawal of locational criterion may however encourage
the growth of tiny and small units in developed areas. Thus, the newly accepted definition of SSI units with higher investment limit will also help only a small percentage of the SSI units.

The provision of equity participation by large and foreign companies have created some apprehension in the minds of the entrepreneurs.

Therefore, the Government should take steps to clear their apprehensions and lay down policies in unambiguous terms.

**Capital Investment Subsidy**

It is unfortunate for the SSI entrepreneurs of Assam that the Central Government has stopped the capital investment subsidy for small scale sector. For the new units, capital investment subsidy is a kind of fixed capital. So, it used to be continued till a strong industrial base is established in the State. The State Government has also come forward with a new industrial policy in 1991 and announced to provide capital subsidy from it's own end to the needy SSI units of the State. But, the scheme is not implemented till now. Not only this, but in
case of other incentives also, the contents of the schemes are not properly implemented in time. Very few of them have materialised and many of them have not seen the lights of the day. Therefore, emphasis should be placed on simplifying the procedures instead of bureaucratic red tapism. Specially at present, the State Government should implement the State capital investment subsidy scheme immediately as this particular incentive is meant for initial financing, that was formerly provided by the Central Government and discontinued now.

**Development of Infrastructure**

The State Government should take effort to develop the infrastructural facilities, power subsidy, allotment of shed in the industrial estates.

The State Government can set up an 'Infrastructural Development Corporation' with branches in each district which will provide factory shed with all required facilities and other facilities to the SSI entrepreneurs specially for the traditional tiny units.

As power is the basic need of industrialisation proper arrangement should be made. The Government should
modify the power subsidy scheme, specially for the tiny units allowing sanction of subsidy without any ceiling. Till the power supply situation becomes satisfactory, the policy of giving subsidy on generating sets should be continued.

**Marketing**

Marketing is one of the most prominent problems faced by the SSI sector. The marketing outlets opened to the entrepreneurs are limited. Not to speak of marketing outlets outside the State, even within the State also the units face stiff competition from the outside agencies.

The Industries Department and other agencies associated with marketing of products of the tiny units should review the problem faced by this sector and take appropriate action in conformity with the need and requirement of these units.

The Government may consider the setting up of a new Marketing Organisation with branches in each district for procuring and storing products from SSI units. These products can be marketed even outside the State through State Government's own emporiums.
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The Government can also set up permanent exhibition halls in all districts headquarter to display the products of SSI sector.

Trade fair for the SSI products can be organised by the Government annually at different places within the State.

As the present schemes of Government marketing assistance to SSI is not adequate, the State Government should amend the "Assam Preferential Store Purchase Act" and extend it for more SSI products.

Although, the Assam Government has directed all it's departments to buy their required things from SSI producers, there is allegation by the small producers that their dues are not promptly paid by the departments. Therefore, the State Government should notify the relevant departments with specific orders to release all outstanding amount of SSI units without delay.

**Raw-material**

The State Government should also look after the raw-material availability problem.
Although the State is rich in natural resources, these are not explored properly due to the absence of right technology. Therefore, even the locally available raw-materials became scarce. Hence, the Government should take proper policy to explore these raw-materials.

The SSI entrepreneurs, who brought raw-materials from outside the State have to incur heavy expenditure. The State Government should procure these raw-materials through its agencies and distribute the same through 'quota' system to the units.

Emphasis should be put on setting up of raw-material depots in each district from where the SSI entrepreneurs will be able to collect raw-material in suitable price. The Central level organisations such as MMTC, IPCL, SAIL and other such bodies may be urged immediately to start raw-material depot in different districts of the State.

Motivation

Regarding motivation programme, the Government should increase the number of motivation programme in backward area through industrial campaign, seminars, workshops, training programmes etc.
On the other side, the Government should organise motivation programme for the officers also, who are involved in money matters with the SSI entrepreneurs, so that they can help in simplifying the matters.

Publication

Government can publish a hand book collecting all the schemes operated by AFC, ASIDC, SIDBI, commercial banks and other financial institutions for SSIs, through the Directorate of Industries and can make available through every DICs at a nominal price.

The Directorate of Industries should also publish the performance of DICs and other data relevant to the SSI sector of the State and should be updated regularly and made available to the public. This will also realise the objective of 1991 Industrial Policy of Assam for building up a 'data bank'.

The Government should direct the Industry Department to conduct a regular survey of the SSI units, number of persons employed in such units, value of production etc. and publish these regularly, which are not available presently.
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Attitude of the entrepreneurs

One of the prime problems of industrial development is the unawareness of the entrepreneurs about various aspects of industries. They must be aware about the activities of the financial institutions or Government policies, marketability prospects etc. Each and every entrepreneur should take personal initiative for the sound financial health of their units.

The entrepreneurs should appreciate the problems of financial institutions. They should submit their stock statements, other financial statements, renewal papers etc. properly and in time. They should not hesitate to fulfill the requirements of financial institutions. They should properly maintained the book of accounts and other documents regarding their respective units.

Above all, they should not misutilise or diversify their loan into other purpose and should repay their loan regularly.

Conclusion

It is complained by the entrepreneurs of the State that neither the Tandon Committee in 1974 nor the Chore
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Committee in 1979 visited the North East Region. It implies that adequate attention has not been paid by all concerned for the development of the region, which faces innumerable handicaps.

The common view of the mass people of the State is that they are always looked down upon by the Central level organisations and this perhaps leads to a number of agitations, which naturally retarded the economic growth of the State.

To make the State an industrially developed one, it is necessary to develop the SSI sector and to develop the SSI sector it is necessary to curb the financial problems of such industries which is perhaps an integrated working of the financial institutions, the State Government and other developmental agencies.

Timely and adequate flow of finance from the institutional agencies backed by proper supervision and guidance as well as determination and zeal of the entrepreneurs might usher in the much needed industrial culture and a developed industrial base of the State.