CHAPTER - 7

FINDINGS AND SUGGESTIONS
The Small scale enterprise sector plays an important role in the industrially developing country like India. The special significance of the sector is that it is provides employment to a large number of people and helps in inducing the entrepreneurial base in the country. Besides, SSE sector has been become as an important instrument for development of backward regions. In considering the above significance role of the SSE sector, both the central and state government have taken keen interest in its growth with the number of policy measures for the promotion of SSEs. In this last chapter of the thesis, the major findings flouirng from the study are recapitulated in consonance with the objectives of the study. Suggestions are also made how to improve the management of SSEs in Sonitpur district of Assam, in particular, and in the backward areas of country, in general. The summery and suggestions are presented under broad heads as follows:

**Study area profile:** The Sonitpur district of Assam is characterized by agrarian economy. Approximately, eighty percent of the population depends on agriculture. It is revealed that the district has inadequate natural resources and man made assets for industrialisation. It is also relies more on outside sources for resources like raw materials, skilled labours, etc for management of SSEs. Besides, there is lack of big industry in the district except few tea gardens. Another aspect is also observed that the district is characterized by subsistence occupational pattern and restricted consumption norms. Hence, neither the local supply of resources nor any demand forces operate effectively to take risk to promote industrialisation. Hence, entrepreneurial activities are very less in the regions.
The government of India re-categorised the backward areas of the country in 1983. According to level of development the graded scale of incentives, Sonitpur district of Assam is categorized as “A” category backward district and eligible for central investment subsidy schemes.

Another aspect is noticed that there are lacks of infrastructure facilities like communication and credit. It is observed that the quantum of per capita bank credit was far too short of requirement to accelerate the growth of SSEs. The per capita bank credit of Rs. 9645 and deposit of Rs.34763 were evidence of the fact. From the field survey, it has been observed that the industrial estate, area and growth centre are located mostly in the area where communication is a big problem and those institutions are far from commercial activities which reduce their utility for the purpose it was established.

There is ample scope for the development of agricultural, horticulture, and sericulture based SSEs in the district. But due to insufficient amount of production of these raw-materials, the development of small scale enterprises are not developed as per requirement of the district. Besides, it is also noticed that there is tremendous scope for development of fishery, livestock, and tourism industries but this type of industry is still not developed although it has great scope to be developed into a full-fledged and vibrant income generating activity.

As regards the development of SSE in Sonitpur district, the number of units indicated poor performance in terms of growth rate of 5.35 percent as compared to 6.25 percent of Assam as a whole.

**Industrial policy:** Industrial policy since Independence aimed at developing SSEs along with large industries in a parallel manner. The policies were well conceived
documents but the major problems were in its implementation which resulted in slow growth of SSEs than expectation. The central government industrial policy since independence aimed at protection and offering incentives to SSEs up to 1990. From 1991, the industrial policy shifted its focus from protection to competition, technological improvement and de-regulation. Although the earlier policy statements since 1948 laid stress on the importance of cottage and small industries, the industrial policy 1956 emphasized role of government towards SSEs, the 1977 policy statement introduced the concept of DIC (district industries centers) for providing support of small industry in one roof. The policy statement from 1977 to 1990 stresses more in raising investment ceiling and reservation for small sector. In the recent days, industrial policy aimed at ensuring adequate credit flow, development of infrastructure, increasing competition for quality improvement by the de-reservation and technology upgradation.

Through the industrial policy 1991, government has taken two strategies for development of small scale enterprises. First, it is aimed at increasing competition and quality improvement by de-reservation and second, it ensures credit flow through different schemes such as national equity fund scheme for removing credit bottlenecks, single window credit scheme for procedural simplification for procuring credit, credit insurance scheme for security of re-payment, credit guarantee scheme for collateral security and PMRY scheme specially for micro enterprises, etc. for promotion of SSE development. These measures reflected in increased credit flow to the SSEs which increased from Rs.40, 041 crores in 1998 to Rs.60, 139 crores to 2001, offered by financial institutions. But the total credit flow for SSE development from financial institutions has decreased from 17.3 percent in 1998 to 14.0 percent in 2001. In spite of various initiatives, it is noticed that SSE management was lagging
far behind when compared with the countries like Japan and Taiwan in terms of number of units, output and employment generation. The credit flow reflected at national level increasing trend of number of SSE units from 20.82 lakhs in 1991-92 to 34.46 lakhs in 2001-02 i.e, an increased of about 40 percent . The impact of credit flow also touched the total production value of these units which rose from Rs.178, 699 crores in 1991-92 to Rs.690,522 crores i.e, 62.60 percent increase during 2001-02 and exports increased from Rs. 13,833 crores 'to 53,975 crores (74.30) during 1991-92 to 1999-02 but the trend of increase was relatively slow from 1995-96 onward in case of growth of units and exports mainly due to competition ushered by the industrial policy, 1991.

The state industrial policy did not have exclusive tailor made SSE policies. The first industrial policy of Assam emphasised diversification of industries in backward areas, special stress on utilisation of local resources based on local demand. Besides, it created DIC centers and udyog sahayak. The industrial policy 1991 primarily highlighted the development of khadi and village industries with facilities like infrastructure and vigorous awareness programs. The 1997 policy aimed at use of local materials and creation of employment, encouraging women entrepreneurs and revival of sick units. The policy has given priorities to the infrastructure development, land conservation, power, finance and strengthening of DICs.

As regards the growth of SSEs in North-East India, Assam has contributed highest number of units, followed by Manipur. In case of Assam, the various parameters of industrial development show increasing trend with some exceptions. The district level analysis reveals the highest number of units in Kamrup district, followed by Dibrugarh district. It is noticed that the policies are beautiful documentation of
idealism rather than pragmatism and resulted wide gaps between the objectives and achievements in each industrial policy to promote industrialisation.

**Entrepreneurs Profile and their behaviour:**

Profile of the respondents: Like elsewhere in India, the entrepreneurs profile of the district is characteristic by features like young (73%), belonging to general category of population (64%), males (80%), greater number married, moderately educated, unemployed (65%), agricultural background and local natives.

The study used $x^2$ test to draw major conclusions on socio-economic background of the entrepreneurs and type of enterprise. The analysis revealed that between each of social status, family background, technique of production and production process. There is association or, in other words, it can be said that type of unit is not influence by above socio-economic characteristic. In case of production process, there is association or, in other words, it can be inferred that selection of production process is influence by type of unit.

**Entrepreneurial behaviour:** The major driving forces of entrepreneur respondents for starting enterprises were encouragement in the form of financial support, psychological and moral support from families and potential demand for products in the market. Regarding entrepreneurial competency of the respondents in general, it was found very moderate in case of initiative, persistence, self-confidence, persuasion, strategy, efficiency, information, leadership, desire for money and independence whereas, it was very low in case of assertiveness, monitoring, problem solving, quality, welfare and planning. As regards individual entrepreneur respondents' competency from holistic perspective, it is learnt that nearly one fifth of them were found to be high in competency, nearly fifty percent were moderate and
nearly thirty percent of them were found very low. It is understood that societal culture has great impact in molding entrepreneurial traits for variation among their performance. This is owing to the fact that majority of the respondents believed in external locus of control and a few believed in internal locus of control. The culture of Assamese society did not encourage risk taking capacity hence; majority of them avoided risk which could be attributed to collectivism nature rooted in the society. Most of their behavior was not conditioned by future orientation. So, they wanted easy income and refuse to take hard work i.e, a road map to success. Most of them were more involved with family affairs than running their business. The status of the business man in the society was considered very low in comparison with prestigious jobs. Dependable workforce was playing a key role either for success or failure of entrepreneurs. Lack of knowledge and risk bearing capacity was the major weaknesses of the respondents. Increased demand and availability of raw-materials were considered as opportunities for development of existing enterprises. Most of the respondents perceived competition as threat for them. They were taking measures for improving quality of the products and services. The measures were not adequate and need to be improved.

Small enterprise performance:

Enterprise Profile :- The majority (56.77 %) of the enterprises started business operation during 1991-99 while 32.29 percent started during the period 1981-90. Nearly seventy one percent of them established their units in rural areas and 28.13 percent were located in urban areas. The ownership pattern of enterprise is highly skewed in favour of sale proprietorship (96%) whereas a insignificant (3.13 %) of them were of partnership and the rest were found as private company Ltd and co-
operative. Another aspects is noted that around three fourth of them were using semi-automatic technology, whereas (3.96 %) were using labour intensive technology.

*Production Management*:- As regards plant capacity utilisation, except two respondents all others had utilised their plant capacity below 75 percent. The reasons for under-utilisation were low demand for finished goods, erratic supply of power, non-availability of requisite expertise, inferior machine which were seldom upgraded. Regarding the quality of the products, majority of the respondents preferred to setting up their own standard besides giving importance to customer preferences. The knowledge of quality was negligibles among most of them. Majority of the respondents were using locally available raw-materials and very few entrepreneurs were procuring these materials from outside the state. The raw-materials in huge quantity were sent outside the states resulting in scarcity of the same at home state. Lack of adequate finance, poor raw-materials, low quality, bad design were identified as the problems of production. To overcome these problems in production management, the entrepreneurs were preferred to meet the buyers personally. Loans from banks were preferred for overcoming lack of finance. Quality improvement and packaging were rarely introduced by the entrepreneurs and it is evident that only one unit was using imported machine from Germany. Most of them were set-up their business unit nearness to their residence due to less migratory character and present oriented cultural milieu.

*Financial Management*:- Majority of the respondents invested their capital in plant & machinery which was high in lower investment slab because of that entrepreneurs
on his own fund will not be position to offer sufficient security to get a loan from the bank. Another aspect was that majority invested very low in working capital compared to plant and machinery. Low working capital not only affected their profitability but also raised habits for further credit which added more debt for the units. Majority of the units procured funds from financial institution and indigenous bank. But, the share of latter in total borrowing was quite high. The reason being the latter involves relatively less formalities, though the rate of interest charged is much higher than that of the former. United Commercial Bank, State Bank of India, Pragjyoti Gaonlia Bank were dominant players in granting credit to the SSEs in the district. Majority of the borrowers faced the problems like delay, excessive documentation, bribe, security, margin money and so on. Pertaining to problem of managing financial resources, majority of them were lacking professional expertise, incurring expenditure lavishly without proper budgeting and not maintaining proper accounts may be the possible reasons for the problem of finance. Submitting improper financial statement to the financial institutions for getting credit was found to be a common practice followed by most of the units under the study.

The study also used co-efficient of correlation (r) to know the degree of relationship between profit and capacity utilisation, working capital, and age of the enterprise. It is found that profit can play a positive role in case of capacity utilisation, investment in working capital, enhance age of the enterprise. In case of relationship between plant and machinery and working capital, it is found that increase in investment on plant and machinery will lead more investment in working capital.
**Marketing Management**: Majority of the respondents sold their products within the state. It is surprising to note that two units supplied their products to foreign market. Though number is poor but it has some significance to encourage entrepreneurs of this regions. Majority were identifying customers' needs and preferences through personal experience which failed to identify the actual needs of customers. Majority of the respondents were fixing their product price on cost plus and a few on skimming pricing. There were great differences between product pricing of SSEs and big industries. Communication, unskilled labour, shortage of fund seem to be the reasons for high cost of production in case of SSEs. As regards product promotion, majority were following the methods of personal selling and majority of them sold their products directly. A significant portion was also selling to wholesale and large industries. The pricing change has been done mostly by the intermediaries. Inadequate promotion, low demand and lack of marketing expertise were the major marketing problems of SSEs.

**Human Resource Management**: Like elsewhere, most of the SSEs were family run business where the owner played multiple roles as manager, supervisor and employee. Most of the people working in these organisations were family members only. This was found particularly advantageous in terms of cost reduction and reliability. However, this seemed to be a stumbling block in introducing innovation and diversification in SSEs. Due to the small nature of the enterprise in all respects, the compensation package of the employees engaged was low among worker to supervisor level. This resulted in high absenteeism and high turnover among workers of the enterprises. The Employee performance appraisal was done generally by the top boss, i.e, the entrepreneur based on their personal relationship.
Training and development and empowerment were quite negligible in practice. The incentives and other facilities extended to motivate employees were based on personal relationship between the employee and the owner.

**Suggestion:**

**A. Rationalisation of industrial policy of SSEs:**

- The declining protection under new policy led to positive effect in case of growth in industrially advanced state and negative effect in industrially backward states. The government policy should give selective protection in backward district like Sonitpur as an industrially backward region in case of micro level marketing strategies. If the tea packaging is taken as an instance, a quota for the market of package tea for Sonitpur district will definitely boost such SSEs in the district. The raw material for this is easily available in the district.

- The government needs to focus more on setting up of Agro-based industries using the resources based on primary sector (agriculture) at Sonitpur district and big industries to support ancillary SSE units which will, in turn, boost SSEs in this backward district.

- The government should simplify the official formalities through organising training programmes where the procedure of motivational training, selection and loan disbursement should be completed under a single roof.

- The subsidising policy of the government needs to be rationalised on the basis of some criteria like project viability, entrepreneurs’ experience and capacity instead of getting subsidy on receiving credit.

- The industrial estates should be utilized for the true purpose it is developed instead of other activities which is a common occurrence in Assam. To quote,
the industrial estate of Dhekiajuli in Sonitpur district is presently utilized by the armed forces.

**B. New Entrepreneurial mind set of SSE:**

- The religious and cultural institutions like the "Namghar" can be used to increase entrepreneurship awareness conducting motivational and training programmes. Major festivals such as Bihus, Tithis, etc, can be used as good platforms to develop the cognition of local entrepreneurs based on cultural ethos and values.
- The partnership business and self help groups should be emphasised due to its employment capacity. On the other hand, financial institution will get more security regarding repayment of loan.
- A trained psychologist in every motivational program can be used to increase the confidence of local entrepreneurs.
- The strengths and weaknesses need to be identified from time to time by forming an association. It can be done by periodic review by similar SSEs among themselves.
- EDP need to be re-oriented based on successful entrepreneurs from inside and outside the state for development of self-confidence.
- Entrepreneurs should use competition as a booster for improvement instead considering it as a threat for quality improvement.

**C. Measures to improvement of SSEs performance:**

*Production Management:*

- The enterprise should be set up based on locally available raw-materials.
• The Government can open collective depot for locally available raw-materials for supplying the same to the local entrepreneurs at affordable prices.

• Another notable setback in SSE development in Sonitpur district is the lack of co-ordination among its different development agencies of SSEs. For instance, the ASEB does not have any record for future demand of electricity for potential SSEs in the district. If the DICs and the ASEB have co-ordination, such problems can be overcome. The government should have policies to achieve similar co-ordination and cooperation among different agencies. The agencies can have joint meetings with their representatives at least every six month to discuss the problems of SSEs in the district.

Financial Management:-

• The financial agencies need to ensure adequate credit flow for both plant and machinery and working capital and the credit should be disbursed in one installment. The monitoring mechanisms of the financial agencies need to be strengthened for assessing credit utilization.

• To guide SSEs, a special cell should be made available in all the financial agencies which entrepreneur can be approach at any time to discuss their financial problems.

• The partnership business and self help groups should be emphasised due to its employment capacity. On the other hand, financial institution will get more security regarding repayment of loan.

• Regarding securities, (margin money, documentation), banks should be flexible in case of potential entrepreneurs and they should be educated about
the concept of securities. In the same way, entrepreneurs should also be educated about the different financial schemes of the banks.

**Marketing Management:**

- The micro enterprises are not sound to go for big promotional strategies. Joint venture promotional strategy is effective for local SSEs of similar product.
- The preferential purchase scheme of the governments for boosting SSEs needs to active role.
- To enhance the viability of SSEs, the industrial growth centers can be built in urban areas and it will boost the SSEs in several ways such as it will market their products, it will increase the publicity of the products and reduce the unviable marketing channel.
- Association of related SSEs for pricing of finished products will reduce competition. It will remove the middle men which decrease the price of the product.

**Human resource Management:**

- The family run businesses with a traditional background are sustainable in the region and such enterprises should be identified and suitable manpower need to be trained for modernization.
- Requisite amount of involvement of all strata of employees in decision making should be encouraged to enhance the attachment of employees to the organisation.
- The compensation and incentive package should be planned by unit before hand and it should also be a policy matter for an organisation. It will reduce
migratory character of workers and enhance attachment of the employees and increase productivity.

- The government can enact legislation of compulsory training programs for all levels of workers working in SSEs for renewal of license.
Figure 7.1: A Model on Management of Cultural Driven Enterprise Process
Figure 7.2 A Model on Management of Cultural Driven Enterprise Process
Explanation of Model:

Models one and two highlight the relationship among cultural elements and attributes, entrepreneurial traits, organisational functional performance processes and customer satisfaction. As explained in the chapter four, five and six, societal cultural elements like customs, traditions, beliefs, values and rituals etc, plays a significant role in the process of entrepreneurs cognitive development towards cultural attributes like locus of control, risk taking capacity, time orientation, individualism, collectivism, gender equality and power distance, etc. The entrepreneurial attitude influenced by the cultural attributes moulds the level and strength of entrepreneurial traits. Ultimately, the nature and degree of entrepreneurial traits that influence the organisational functional performance like production, finance, marketing and human resources management. The customers' satisfaction and loyalty is greatly influenced by the orientation of enterprise management processes. The relationship that is explained above among various variables is prevalent among the entrepreneur respondents studied for the purpose. Based on the observations and findings of the study, it is understood that entrepreneurs who are oriented based on the positive relationship explained above by various institutions timely, they are able to win the hearts of customers by way of developing customers' satisfaction and loyalty towards their respective enterprises. In model one, it is explains that entrepreneurs who are oriented as explained above are able to increase and sustain the level of customers'
satisfaction and loyalty whereas model two explained entrepreneurs who are not re-oriented as explained above could not attract good number of potential customers. In model one, sun symbol reflects the timely orientation and action and the other symbol reflects the behaviour of entrepreneurs. In model one the timely orientation and action prompts entrepreneurs to be more customers oriented whereas model two where sun is clouded and entrepreneurs became very unhappy by losing customers and profit.