

CHAPTER 3 V

SUMMARY AND CONCLUSION

## C H A P T E R - V

### SUMMARY AND CONCLUSION

#### 5.1 INTRODUCTION

In the preceeding chapters, an attempt has been made to focus the attention on the twin problems of financing of Small Scale Industries and their Financial Management. It is noted that of all the problems financing is the main problem faced by Small Scale Industries. Procuring finance, use of finance and having proper dividend policy are the areas where the Small Scale Industries have to focus their attention. All the activities of a small scale Industries are ultimately reflected in Financial results. Laying down a Sound Financial system and policy and practising it becomes necessary.

#### 5.2 BRIEF RESTATEMENT OF PROBLEM AND PROCEDURES

The study of financing of Small Scale Industires in Karwar Town was conducted with the objectives of-

(1) Studying the role of financial institutions in financing Small Scale Industries.

(2) Studying the Financial Management of Small Scale Industires.

The data for the purpose of study was collected from Primary and Secondary sources. A questionnaire was prepared and circulated among all the Financial Institutions in Karwar Town to know how far they finance

the Small Scale Industries. A list of Small Scale Industries in Karwar Town in 1986-87 was obtained from District Industries Centre. The Number of Small Scale Industries in Karwar Town in 1986-87 was 146. They were grouped into six industries and stratified sample of 20 percent of the units were selected at random. As fraction of a unit cannot be studied the number of units are rounded off to a full unit. A questionnaire was prepared and circulated among the sample units. The data sought is more oriented towards the opinion of each on the other. Officials of the District Industries Centre and lead Bank were consulted and interviewed for additional information. Secondary data was obtained from books, magazines and brochures.

### 5.3 PRINCIPAL FINDINGS

The Small Scale Industries occupy an important position in the national economy. In the face stiff competition from large firms they have survived and the country. However they face several problems. Finance is the main problem faced by them. /

The study conducted revealed the following-

(1) Though the Unit with an investment in machinery and plant upto Rs. 45 lakhs is considered as Small Scale Industries, most of the units i.e. more than 90 percent of them have less than Rs. 2 lakhs capital and thus are in tiny industry group.

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(2) Eighty percent of the units considered are sole proprietorships. Thus it is found that sole proprietorship form of business organisation is more popular among Small Scale Industrialists.

(3) Capital invested in fixed assets by sole proprietorship units is less than the capital invested by partnership firms, joint stock companies and co-operative societies.

(4) The amount of loan of Sole proprietorships is less than other forms of business organisation. Thus it is found that sole proprietorship firms are smaller in size compared to other forms of business organisation.

(5) The capital brought in by owners of small scale units is insufficient. Hence borrowing becomes very essential.

(6) Though there are many sources of external finance, the Small Scale Units have found that borrowing from a financial institution is more reliable and cheaper source compared to other external sources of finance.

(7) The Small Scale Industrialists have found that borrowing from financial institution is a lengthy and difficult process.

(8) It is found that though the Small Scale Industrialists are in need of finance from financial



institutions, they have no knowledge of preparation of Project Report.

(9) The Small Scale Industrialists ~~feels~~ that the sanctioning of loan depends more on branch manager of a financial institution. If he takes interest, he can approve their application for loan in a very short period of time. If not he may pull on the issue.

(10) The financial institutions have started taking keen interest in financing small scale industries. They opine that small scale industrialists want to start business without proper estimation and market survey. ✓

(11) The financial institutions take up project appraisal from the point of view of safety and security of the amount they lend. They lend only when the project is economically viable and technically feasible.

(12) The financial institutions have found that recovery of ~~principal~~ amount and interest is, in majority of cases, satisfactory. ✓

(13) The financial institutions opine that the small scale units do not have financial discipline.

(14) The Financial Management of Small Scale industries is found to be dissatisfactory. They are not aware of modern tools for financial management.

(15) Majority of the owners of Small Scale units manage their financial affairs without any assistance from others.

(16) The ploughing back of profits position of Small Scale Industries is not satisfactory. Many of the Small Scale Units do not create reserve because of lack of knowledge of importance of creating reserve.

(17) The Small Scale Units purchase and sell mainly on cash basis.

(18) It is found that their investment in fixed assets for exceed their investment in current assets.

#### 5.4 SUGGESTIONS

(1) The promoter of a Small Scale industry should have complete plan and make market survey and prepare a project report. He may take assistance of others in preparing a project report.

(2) While appraising project report, the officers of Financial Institutions should appreciate the special problems of small scale industry. It is suggested that they should co-operate with the small scale institutions industrialists and come forward to solve their special problems.

(3) The small scale industrialists should give due importance to financial institutions and use modern financial tools and techniques for managing their financial affairs. They may get assistance of experts in this regard.

(4) As investment in working capital appears to be

less, they should try to increase their working capital.

(5) The Financial Institutions may consider to reduce the lengthy procedure and save time of small scale industrialists.

#### 5.5 RECOMMENDATIONS FOR FURTHER RESEARCH

There is necessity to conduct further research to know how far provision of finance is cause for the success of a Small Scale Unit. Also, some Small Scale units fail even when sufficient finance is made available. There may be other reasons for the failure. There is scope to conduct further research to know how far financing or lack of it is responsible for failure of a Small Scale Unit.

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