

## FINANCIAL MANAGEMENT OF SMALL SCALE INDUSTRIES IN GOA: CASE STUDY ANALYSIS

Priyanka D'Silva\*

### ABSTRACT

*Small scale industries are essential for providing subsidiary or alternate occupations and utilization of local labour & raw materials. They facilitate an effective mobilization of resources of capital and skill and also stimulate the growth of industrial entrepreneurship. Thus, the development of small scale industries is an integral part of the overall economic, social and industrial development of a country. This study aims to understand the financial management of the small scale industries in Goa. It also focuses on whether government schemes and financial assistance is helpful for the growth of industries.*

**KEYWORDS:** *Small Scale Industries, Economic, Social & Industrial Development, Financial Management.*

### Introduction

India is predominantly an agricultural country. Apart from agriculture, small scale & large scale industries have been also developed. Small scale industries are the backbone of our industrial structure as they provide a variety of non-traditional, low technology products. They are also engaged in the processing, preserving, manufacturing & servicing activities and play a vital role in balanced and sustainable economic growth. **Small scale industries** are small businesses that do not have a large output. They may be contrasted to large corporations that use huge factories to create thousands of products a day. Small scale industries are sometimes called cottage industries, referring to the traditional locations in which they were housed. Small scale industries (SSIs) also known as MSMEs are defined & categorized by the Micro, Small & Medium Enterprises Development Act, 2006. The act categorizes different scale of industries on the basis of investment in plant & machinery in case of manufacturing industries and on the basis of investment in equipment in case of service sector industries. The primary object of developing small scale industries in rural areas is to generate better employment opportunities, raise income levels & standards of living of people.

**Table 1: Showing the Level of Investment to be MSME**

	Manufacturing sector	Service sector
Micro	Up to Rs. 25,00,000	Up to 10 ,00,000
Small	Above 25 lakh not exceeding 5 Cr	Above Rs. 10 lakh not exceeding 2 Cr
Medium	Above 5 Cr but not exceeding 10 Cr	Above 2 Cr but not exceeding 5 Cr

Source: Compiled from Secondary data

### Objectives of the Study

This study is undertaken to study the Financial management of selected small scale industries in Goa. Specific objectives of the study are:

- To understand the concept of small scale industries.
- To analyse the financial management of Small Scale Industries.

### Research Methodology

To fulfill the above objectives, following research methodology has been designed and executed:

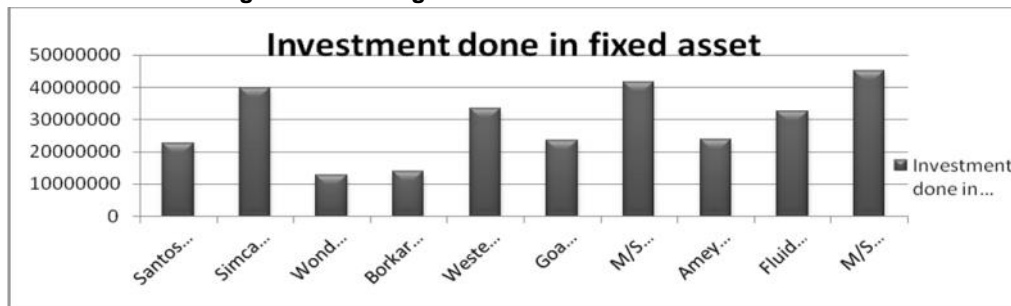
\* Assistant Professor, Government College of Arts, Science and Commerce Quepem, Goa, India.

- **Universe and Sample Study:** To study financial management of SSI, 10 small scale industries from Goa has been selected.
- **Period of Study:** The period of study is 3 months
- **Sources of Data:** The required data for the purpose of study is collected from both primary as well as secondary sources:
  - **Primary Data:** A questionnaire was served to the small scale industries in order to study their financial needs.
  - **Secondary Data:** The secondary data is collected from the Ministry of Micro Small and Medium Enterprises and official gazette. Various books and journals, magazines were referred. Information from the internet was obtained.

**Table 2: Investment done by SSI units in Fixed Assets**

Small Scale Industries	Investment Done in Fixed Assets
Santoshi Packaging	22600000
Simca Aluminium Pvt. Ltd.	40000000
Wonder Ice cream industry	12800000
Borkar packaging Pvt. Ltd.	14000000
Western Beverages Pvt. Ltd.	33500000
Goa ice and cold storage	23500000
M/S Cuncolim oxygen plant	41500000
Amey industries	23700000
Fluid Mac industries	32500000
M/S Good earth waste management	45000000

Source: Compiled from Primary data

**Figure 1: Showing Investment done in Fixed Assets**

Source: Constructed from table 2

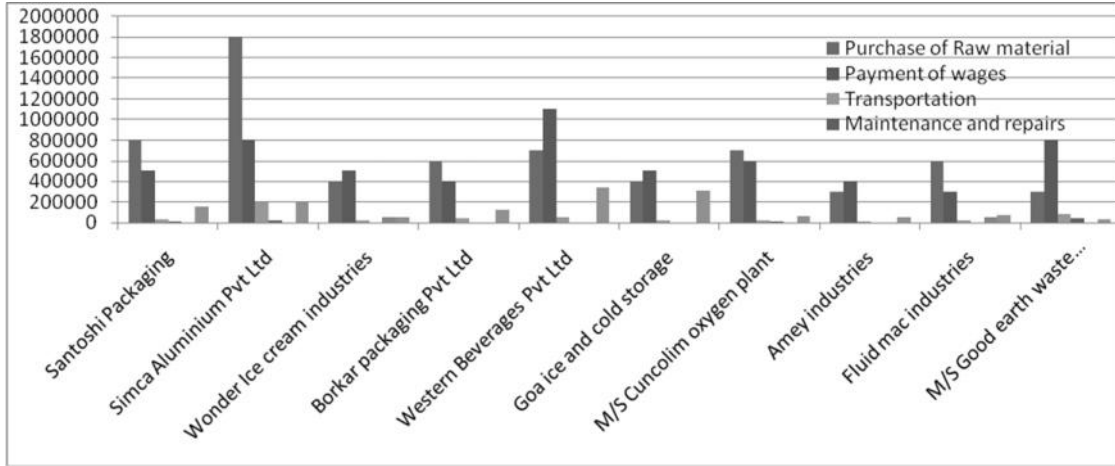
The above bar diagram depicts the total amount of investment done in fixed assets by small scale industries. It includes the investment done in Land, Building, Machinery and other fixed assets. From all the ten SSI units, the highest investment done in fixed asset is by M/S Good earth waste management that is 4,50,00,000. The least investment done in fixed asset is by Wonder Ice cream industry, which comes up to 1,28,00,000.

**Table 3: Working Capital Management**

Small Scale Industries	Purchase of Raw Material	Payment of Wages	Transportation	Maintenance and Repairs	Rent	Utilities
Santoshi Packaging	800000	500000	30000	20000	0	150000
Simca Alum. Pvt. Ltd.	1800000	800000	200000	30000	0	200000
Wonder ICE cream ind.	400000	500000	20000	6000	55000	48000
Borkar pack. Pvt. Ltd.	600000	400000	40000	10000	0	120000
Western Beverages Pvt. Ltd.	700000	1100000	50000	10000	0	340000
Goa ice and cold storage	400000	500000	20000	8000	0	310000
M/S Cuncolim oxygen plant	700000	600000	25000	15000	0	58000
Amey industries	300000	400000	15000	8000	0	54000
Fluid Mac industries	600000	300000	20000	6000	48000	74000
M/S Good earth waste Mgt.	300000	800000	80000	50000	0	35000

Source: Compiled from Primary data

**Figure 2: Working Capital Management**



Source: Constructed from table 3

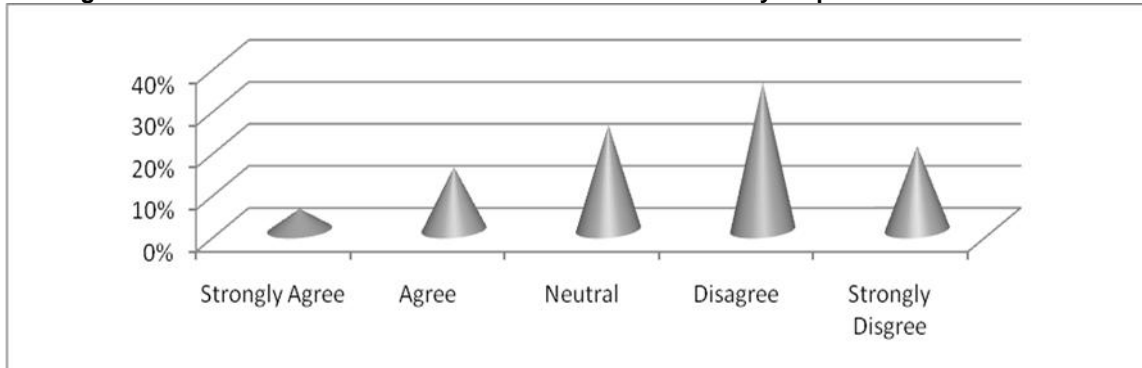
The above bar chart show the working capital required for various purposes like, to meet transportation cost, to purchase raw material, for payment of wages, utility (electricity, water charges etc) for the SSI units. The highest expenditure when it comes to purchase of raw material is incurred by Simca Aluminium Pvt. Ltd. that is it comes up to 1800000 per month and least is by Amey industries and M/S Good earth waste management which is 3,00,000. When it comes to payment of wages the highest amount paid is by Western Beverages Pvt. Ltd. as it has many employees. The minimum amount spent on wages is by Fluid Mac industry. The highest amount of transportation cost incurred per month is by Simca Aluminium Pvt. Ltd. and minimum amount spent on transportation is by Amey Industry. Highest maintenance and repairs cost is incurred by M/S Good earth waste management which comes up to 50,000 and least is by Wonder Ice creams which is 6000 per month. When it comes to payment of rent, some industries don't pay any rent as they have their own building. Only two SSI units Pay rent that is wonder ice cream and Fluid Mac industry as they are operating in leased premises. Utilities comprises of electricity and water expenses as highest amount is spent on utility is by Western Beverages Pvt. Ltd. The least amount spent on Utility is by M/S Good earth waste management.

**Table 4: Showing Government Schemes and Assistance is Very Helpful or No for the SSIs**

Satisfaction Level	
Strongly Agree	5%
Agree	15%
Neutral	25%
Disagree	35%
Strongly Disagree	20%

Source: Compiled from Primary data

**Figure 3: Shows Government Schemes and Assistance is Very Helpful or No for the SSIs**



Source: Constructed from table 4

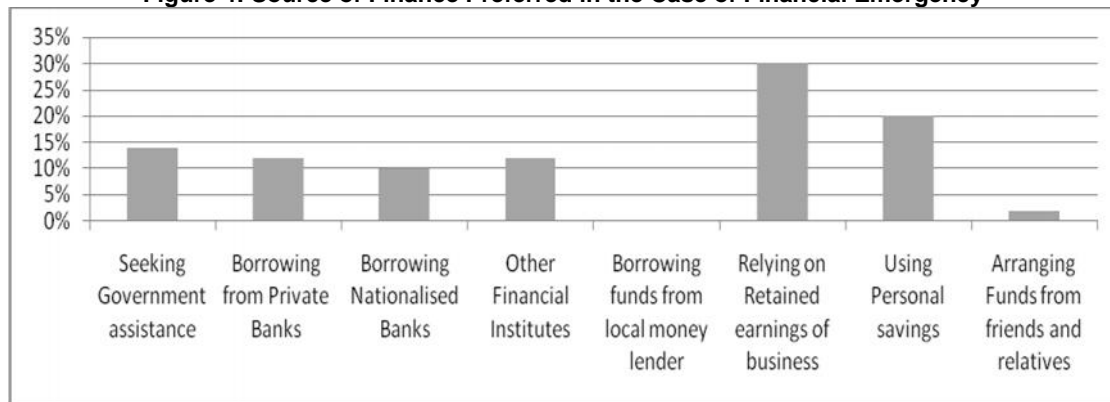
From the above figure it can be seen that 35% of the small scale industries are not happy with government subsidies and assistance they feel that the procedure is very tedious and it takes time to avail those facilities. Only few that is 5% of the respondents feel that government subsidies are very helpful.

**Table 5: Source of Finance Preferred in the Case of Financial Emergency**

Seeking Government assistance	14%
Borrowing from Private Banks	12%
Borrowing Nationalized Banks	10%
Other Financial Institutes	12%
Borrowing funds from local money lender	0%
Relying on Retained earnings of business	30%
Using Personal savings	20%
Arranging Funds from friends and relatives	2%

Source: Compiled from Primary data

**Figure 4: Source of Finance Preferred in the Case of Financial Emergency**



Source: Constructed from table 5

From the above bar chart it can be noticed that most of respondents that is 30% of the small scale industries rely on business retained earnings and none of the industries depend on local money lenders for financial assistance.

### Conclusion

There are many small scale industries in Goa. With Small Scale Industries is the back bone of our industrial structure as they provide a variety of non-traditional, low technology product. They are also engaged in manufacturing, processing and other activities which does not have a large output. SSI units are classified traditional sector and modern sector. The SSI units are the roots and fruits of the economic activities. Through the large and medium types of industries make the infrastructure and selection of an economy the blood, flesh and skin of a flourishing economy is made up of SSI units. SSI provides numerous jobs opportunities to various classes of people they are not only paying them their salaries but also enabling them to improve their lifestyle, sending their children's to school to gain education who will become partner in the nation building in time to come. From the study it can be concluded that:

- The financial needs of SSIs are mostly met from the personal savings or from profit of the company.
- The working capital requirements of the SSIs changes as per the type of business and the nature of product
- Excessive bureaucracy cumbersome application processes hinder small businesses from accessing the incentives from the government.
- Tedious bank loan application and sanctioning procedure which cannot be opted in times of emergencies.

### Suggestions

- Existence of proper infrastructural facilities is necessary for the development of indoctrination in absence of proper infrastructural like power supply, transportation etc it is difficult for the industry to reach satisfactory level.

- The operation of small scale industry in the state is badly affected due to non-availability of fund in time.
- Existing industrial unit are suffering from lack of working capital, so the financial institution should provide working capital loan with reasonable interest rate.
- Transportation problem can be solved by improving road and rail network.
- Banks co-operative sector should provide sufficient working capital to all types of industrial units.
- Government should have given training to the entrepreneurs during every year.
- The small scale industries should follow different acts given by the government such as trade union act, worker compensation act; payment of bonus act, payment of gratuity act etc.
- Proper measures should be taken to keep the industry and the area clean and free from littering.

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