

FINANCIAL MANAGEMENT OF SELECTED SMALL SCALE INDUSTRIAL UNITS IN KOLHAPUR DISTRICT: AN ANALYSIS

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ABSTRACT

Small-scale industries (SSIs) play a very vital role in the economy of each and every nation. Nations firmly believe that rapid industrialization is possible only through a successful policy relating to small-scale industries. A leading, industrially advanced developing country, India has large, medium and small industrial units of production in almost all branches of the industry. The reasons are that they provide large-scale employment. They have comparatively higher employment potential per unit of capital employed and they need only shorter gestation periods in comparison with large industries. Main aim of the paper is to measure the employment generation and investment as well as awareness about credit facilities and payback period in the selected SSI units in Kolhapur district. They also facilitate effective mobilization of resources and capital and skill, which might otherwise remain unutilized and exploited.

KEYWORDS: SSI, Small-scale Industries, Industrialization, Capital Employed, Payback Period.

Introduction

The financial management is one of the most crucial, complex and continuing a managerial process. Financial management gets even more priority in case of small scale industrial units. Finance is the key input of production distribution & development. It is therefore aptly described as the "life- blood" of industry & is prerequisite for accelerating the process of industrial development. Especially in case of small scale industries, finance is the key input in growth & development. The financial investment of these small units comes mainly from within; most of them invest their own funds or borrowed funds. Much less comes from banks & government channels. Small scale entrepreneurs face a lot of problem while availing loan facility from commercial banks as well as Government agencies. Small Scale industries encompass vast scope covering activities like manufacturing, servicing, financing, construction, infrastructure etc. In view of Government of India's ever increasing importance given to the small scale industries in the national economy more & more small scale industries are to be set up in the years to come. By contributing its increasing share to the national production, employment & exports, small scale industries also contribute to the economic development of the country. This paper is an attempt to understand various financial techniques to help the entrepreneurs to avoid the situation of industrial sickness. For entrepreneurs, small business financial management is a vital aspect of growing a profitable company. Implementing sound economic principles and keeping a close watch on cash flow will help lay a solid financial foundation for the new venture. Monetary policies and procedures for effective cash management need to be part of the entrepreneur's business plan.

Statement of the Problem

Maharashtra is observed to be industrially progressive M.I.D.Cs with leading export oriented units (EOUs) districts of Maharashtra such as Sangli, Satara and Kolhapur etc. along with medium ancillary unit

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providing vital support to large units of Pune, Mumbai and Aurangabad. With reference to overall industrial market no study had been taken up to analyze the impact of liberalisation measures. Particularly the most important components in the production process namely 'Workers' have been completely ignored. As a result the gains and losses of industrialization in Kolhapur districts due to liberalization have never been documented. 154 In view of mentioned facts in the proposed research work the researcher intends to study the effect of the liberalization measures on the industrial workers in Kolhapur.

Significance of the Study

The present study is a path breaking event in the field of assessment of impact of financial management on S.S.I Units. This work is helpful to academicians, industrialists and policy makers in understanding the reality that how financial management affected employment and socio-economic conditions of industrial workers. In this study the economic aspects of industrial workers have been highlighted. Present research work tried to explore effects covering Economic, Social, Educational as well as income and employment growth etc. Present study has also helped in further enquiry with reference to effects an analysis of financial Management in selected S.S.I. units in Kolhapur district.

Objectives of the Study

- To know the nature and size of business of selected SSI units in Kolhapur district.
- To analyze the employment generation and investment in selected SSI units in Kolhapur district.
- To measure the awareness about credit facilities and payback period in selected SSI units in Kolhapur district.
- To offer suggestions to improve the effectiveness of financial management in the SSI units in Kolhapur district.

Hypotheses of the Study

- Due to lack of expertise financial management even in well-financed units may get disturbed.
- Most of the SSI units more aware about credit facilities and payback period.

Scope of the Study

- The geographical scope of the present study is confined to Kolhapur district.
- Analytical Scope of the study by using descriptive statistics like percentage, mean and compound growth etc. and presented by using tables, bar charts, and pie charts formulated through the computer software like MS Excel, and SPSS etc.
- The topical scope of the study is limited to the Financial Management of Small Scale Industries in Kolhapur District.
- The functional scope of study covers the problems of Small Scale Industries in terms of raw material, production, processing, research and development, finance, marketing etc. It has highlighted on the different aspects of the Small Scale Industries. The study may be path finding guideline to forthcoming entrepreneurs Small Scale Industries to establish their unit in future.

Sample Design

The present study focuses on the Kolhapur district of Maharashtra. In the district of Kolhapur, there is 7442 small scale industries are in operation. The industries are selected in the outskirts of the taluka's and towns of the Kolhapur district. For the present study by following the convenience sampling method 800 small scale industries were selected. Considering the concentration of units in karvir Hatkanagale and Kagal Taluka and also Halkarni and Gadhinglag have more weightage will be given to these taluka's from the rest of the districts. Randomly units will be selected. Random stratified sampling, Total number of units- 18698 in Kolhapur districts, No. of 12 talukas in Kolhapur districts.

Limitations of the Study

- Published information. Audited information may have inherent limitations.
- Time and monetary constraints.

Research Methodology

Data Collection

Primary Data

To collect primary data a detailed and comprehensive interview schedule was prepared with considering the objectives of the study. The primary data have been collected through survey of cashew-

nut industry in Kolhapur district, specifically from cashew manufacturers, workers, farmers and bankers etc. The different aspects of cashew-nut industry with considering their problems pertaining to the functional areas of management have been taken into account while preparing the schedules and questionnaires. The data have been collected by conducting interviews, informal discussions and non-participative observations.

- **Secondary Data**

The secondary data have been collected through different sources like Government reports, published and unpublished earlier studies, books and journals, other periodicals and internet etc.

Data Analysis and Interpretations

This chapter Section first examines the basic objective of the study is analysed the trends in industrialization in the reform period, in the Kolhapur District. The variables considered with reference to the industries are: Industrial at Glance, total employment, total investment, and Working capital invested earnings of workers and employees. All these variables together would show the boost to the process of industrialization the new reforms are providing.

Table 1: SSI Units in Kolhapur MIDC'S

S. No.	MIDC in Kolhapur Category	Shiroli MIDC	Gokul Shirgaon MIDC	Kagal MIDC	Halkarni MIDC	Total
1	Engineering	549	612	725	63	1949
2	Chemical	2	20	0	0	22
3	Textiles & Gining	4	4	54	1	63
4	Farm	1	3	0	0	4
5	Services	146	144	22	7	319
6	Miscellaneous	62	24	4	1	91
7	Electric	1	10	0	1	12
8	Residential	0	12	0	0	12
9	Silver Zone	0	0	245	0	245
	Total No of SSI	765	829	1050	73	2717

Source: www.kolhapur.nic.in

Above table 1 reveals that Small Scale Industries have been spread over the Kolhapur district. The Engineering industries and service industrial units were spread over the area, and the Farm industrial units were very less developed in the same area. Therefore Electric and Residential sectors have been developed as similarly. It means above four MIDC area's SSI units were development performance is considerable.

Table 2: Industrial Area of Kolhapur MIDC

S. No.	MIDC Area	Total Area (Hectors)	Total Plots	Distributed Plots	Functional Industry
1	Shiroli MIDC	269.714	700	640	-
2	Gokul Shirgaon MIDC	233.93	775	751	567
	Total	472.93	1489	1451	1207

Source : www.kolhapur.nic.in

The Shiroli Industrial estate covers 269 hectares. Of the total 714 plots in this estate, around 700 plots have been distributed. 640 industries are currently functioning in this area. MIDC has spent about Rs. 6 crores on providing basic infrastructure in this area. The major industries in this estate are Menon Casting, Manograph Industries, Lokmat, Kolhapur Steel, Saroj Iron Industry, Sriram Foundry, Mahalaxmi Masala Products, Bharat Udyog Ltd. and H.J.Iron. The Gokul Shirgaon industrial estate is spread over 233 etc. areas. It has 775 plots of which 751 are distributed. 567 industries function in this estate, most of them relating to engineering and foundry. The major industries are Gokul, Eurotex, Menon Bearings and Indocount.

Table 3: Industrial at Glance

S. No.	Category	No. of Enterprise	Employment Generation	Investment (Rs. in lakhs)
1	Micro	16225	94604	97001.00
2	Small	5378	67668	126096.00
3	Medium	17	4340	12737.00
4	Large	553	164072	243100.00
	Total	22173	330684	478934.00

Source: www.kolhapur.nic.in

Above table 3 shows that industrial at glance in selected Kolhapur district. The micro enterprise proportion is very large as compared to other category of industries. Medium categories of industries developed only 17, Small units are also very large then large units in this area have very sufficient. It also reveals that employment generation and investment in money in these sectors have been considerable.

Table 4: Distribution of SSI Units in Term of Availability of Credit Facilities from Suppliers

S. N.	Response	Engineering	Chemical	Textiles & Mining	Pharma	Services	Miscellaneous	Residential
1.	Yes	30	40	45	75	70	45	12
2.	No	70	60	65	25	30	65	88
	Total	100	100	100	100	100	100	100

Source: Field Survey

As per above table percentage of unit received the credit facilities from suppliers. Majority of the units (55 percent) did not get credit facility because the working of the SSI units is on small scale. It is concluded that majority of the suppliers have not been availability of credit facilities from suppliers.

Table 5: Distribution of SSI Units in Term of Awareness of Pay Back Period

S. N.	Response	Engineering	Chemical	Textiles & Mining	Pharma	Services	Miscellaneous	Residential
1.	Yes	24	12	4	1	2	1	-
2.	No	76	68	76	67	78	99	100
3.	Manual Production	00	20	20	32	20	00	00
	Total	100	100	100	100	100	100	100

Source: Field Survey

The survey reveals that majority of the units are dependent upon own funds as well as cooperative societies for finance. As per above table percentage of unit received the credit facilities from suppliers. Majority of the units (55 percent) did not get credit facility because the working of the SSI units is on small scale.

Findings

- The problems related to working capital management are common in any small enterprise.
- In a small enterprise, these problems and issues get magnified because of its low capital base and weak bargaining power in a competitive environment.
- In addition, the inflationary trend in the country causes considerable pressure on the small enterprises due to frequent increase in the cost of goods and services.
- Inadequate management of working capital exposes the small enterprises to various adversities quite often.

Suggestions

- The small scale units should improve their overall efficiency by application of modern management techniques in production, marketing and finance. All these techniques have a definite impact on working capital management of the S.S.I units.
- The S.S.I units should improve their inventory turnover rate in order to minimize investment in inventories to generate higher sales leading to higher profits.

- Standardization and variety reduction for stores and spares items should be introduced in those units where it is nonexistent.
- The S.S.I units should try to improve organizational liquidity due to under-utilization of available resources through creation of motivating behavior in manpower and holding cash by proper management of working capital.
- Effective co-ordination of construction activities at different stages and also among the various units of plants make it easy to minimize the construction stores which is an important part of stores and spares in the selected units.

Conclusion

In conclusion, this study's major findings would hopefully help focus the attention of researchers, business practitioners and policy makers on the needs and challenges facing small businesses in the field of working capital management. These small business units/firms can be formidable competitive forces both domestically and internationally, as they often are the sources of technological innovation and employment generation for developing country like India. Such findings should accelerate the search for ways to improve the efficiency of small business units to match their high growth rates in sales with higher achievement level.

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