

# CHAPTER VII

## Conclusions and Suggestions

### 7.1 **Conclusions**

#### 7.1.1

Realising the significance of finance, various institutions all over the world devised their own financial system to exercise control over the movement of finance. The financial system of any country consists of specialised and non-specialised financial institutions of financial market. The financial institutions operating at international, national and state level have been providing medium and long-term financial assistance to small, medium and large enterprises. At state level, state financial institutions have been set up to assist and guide entrepreneurs in setting up new industries and undertaking programmes of modernisation, renovation, expansion and diversification. This in turn leads to the balanced regional growth and widening of the entrepreneurial base through encouragement to new entrepreneurs.

#### 7.1.2

Most of the areas in the Pradesh are prone to heavy rainfall, snow and biting cold. Extreme weather conditions reduce the working season considerably. Despite these constraints, the economic developmental activities in the Pradesh since its inception have been geared up and activated in such a way that people living in the Pradesh have improved their living standard considerably. The per capita income at

current prices in the Pradesh which was only Rs.240 in 1950-51, stood at Rs.12,692 in 1998-99. The cost of providing schools, hospitals, roads, transport, irrigation and various other inputs, both for industry and agriculture, was comparatively high in the Pradesh. It is a matter of pride that today these facilities have been provided to the full aspiration of the people in the state.

### 7.1.3

The aim of economic development can be better achieved by ensuring the proper development of entrepreneurial talent. Therefore, the onus lies with the government which intends to promote its economic growth, to augment, develop and channelize the entrepreneurial energy and supply while formulating and implementing a judicious economic and industrial policy. To provide them medium and long-term finance at low interest rates Government of Himachal Pradesh established HPFC on 1<sup>st</sup> April, 1967. The Government of H.P. has also introduced various schemes in order to provide all facilities, services and support required by village and small entrepreneurs, the most prominent among such schemes is the Single Window Industrial Support System (SWISS).

Besides, the government strives for providing adequate infrastructure to the entrepreneurs of all types, within its means, so that the industry functions without the shortage of transportation, power and communication. With a view to wooing indigenous and foreign investments in the Pradesh so as to generate more and more employment opportunities for local persons, the Government has enacted industrial policy guidelines from time to time.

Another milestone achieved by the State in this direction is the establishment for non-financial promotional institutions. Some of the significant institutions directly involved in promoting the entrepreneurial development in Himachal include, The Store Purchase Organisation, HPSIDC, H.P. State Handicraft and Handloom Corporation Ltd., HPSEDC, HPSSIEC, HPGIC and HPKVIB. Since new entrepreneurs and technologists require considerable guidance during various phases of project cycle, the State Government went ahead with the setting up of technical consultancy organisation in the State which includes Him-con and SISI, to meet the clearly felt need of those state entrepreneurs who are unable to take the benefit of such technical consultancy organisations already operating in metropolitan centres.

#### 7.1.4

HPFC is providing medium and long-term loans on concessional rates to different sectors of industry in Himachal Pradesh.) The salient features of growth of loans released by the Corporation over the period of 33 years reveals that Phase I recorded an increase of 5.96 times at constant prices (1981-82 = 100) and Phase II gave a figure of 4.25 times whereas during Phase III the amount of loan released by the Corporation has been reduced to 58.37 percent at constant prices. Liberalisation and globalisation has also discouraged some budding entrepreneurs due to fear of competition, because a major portion of the available funds has been exhausted to meet its impending liabilities.

#### 7.1.5

The year-wise loan disbursement to sanction in terms of percentage during 1968-2000 discloses that most often there remained a gap between loan sanctions and disbursements. This

gap reduces the value of assistance because an applicant may not be getting the help when required. Further, this leads to the loss of business opportunities as far the applicant is concerned.

#### 7.1.6

The position of loan recovery has been declining gradually over the period of 33 years, both in terms of magnitude and percentage, and deteriorating the health of the HPFC. The low recovery of loan repayment of HPFC has been mainly attributable to the factors such as general recession, globalisation and liberalisation, erratic power supply, problem of raw material, marketing difficulties, non-availability of sufficient working capital, labour problems, transportation, etc. The position of default committed by the borrowers with respect to the repayment of principal and interest, and interest on balanced loans bring to the fore the fact that the districts of Hamirpur, Lahaul & Spiti and Una are leading the list of default portfolio of outstanding loans. This situation warrants proper, immediate and positive attention of the Corporation towards the recovery of debts due as well as over dues, to tide over the possibility of these debts becoming bad, failing which, the future projection of the recovery both principal as well as interest (with the method of least square), by the end of 2006, will be touching the zero point on Y-axis.

#### 7.1.7

The area-wise amount of loan released by the Corporation during 1980-2000 reveals that bulk of the loan assistance has been provided by the Corporation in the district Solan and Sirmour i.e. 40.48 percent and 21.33 percent respectively and very little amount of loan has been released in the districts of Kinnaur and Lahaul & Spiti. The main reasons

for unequal disbursements of loans is topography, density of population, inadequate infra-structure etc.

#### 7.1.8

The profitability of HPFC is dipping both in terms of magnitude and percentage over the period of thirty three years. The position worsens during the phase III, in which the Corporation has suffered losses amounting to Rs. 103.13 lakh in 1991, Rs. 218.78 lakh in 1999 and Rs. 408.19 lakh during 2000. The main reasons attributable for the decline in profit includes writing off huge amount of bad debts, increased cost of personal expenses, interest on borrowings, etc.

#### 7.1.9

Internal funds generation from issue of capital had risen in absolute amount during Phase II, but this trend disappears and is later on reversed. Besides, the share of issue of capital in the total sources during the entire period from 1980-81 to 1999-2000 recorded a declining trend, which highlights the fact that with the passage of time the HPFC is depending more and more on other sources of finance instead of issuing its own shares.

#### 7.1.10

There has been diversification in the borrowings pattern of Corporation from IDBI to bonds and debentures during Phase II. However, the Corporation is resorting to its traditional method of external finance during Phase III i.e. borrowing from IDBI. The position of total borrowings by HPFC i.e from IDBI and issue of bonds and debentures and others, shows that though its total share has been declining, yet it is a vital source of funds to HPFC, since it still contributes about one-fourth of the total sources in 1999-2000.

## 7.1.11

The recovery of term loans from the borrowers, as a source of funds, has been going up on an average at an increasing rate during both the Phases. Its proportion in terms of percentage to the total sources closed at 26.37 percent in 1999-2000, which is a good indication. But the soundness of term loan recovery can be analysed in relation to the total amount due in each year.

## 7.1.12

There has been a gradual decline in the proportion of term loans to the total sources utilised for the disbursement of loans from 54.04 percent in 1980-81 to 29.63 percent in 1999-2000, which indicates that HPFC has not been utilising the maximum amount of funds for disbursing loans to industrial units in the State. Hence, HPFC is not keeping pace with its main objective .

## 7.1.13

The funds flow statement analysis depicts that the total amount available for disbursing loan is declining due to increase in the repayment of fixed liabilities such as, loan from IDBI, bonds and debentures, RBI-Adhoc bonds and also their interest payments. This indicates that the HPFC is mainly depleting its sources of funds towards the payments of debts and interest thereby curtailing the availability of funds for lending.

## 7.1.14

To accelerate the pace of industrialisation in the state, the Government of H.P has accorded special emphasis to the development of entrepreneurship. For this purpose industrial awareness programme has been undertaken by the government which aims at giving wide publicity amongst the

people by way of holding industrial awareness camps emphasizing the need, scope and role of industries in the development of different areas, facilities and assistance available for setting up industrial units from various financial institutions. Centre of entrepreneurship Development is also functioning at Parwanoo to enable the budding entrepreneurs to setup self-employment ventures. Besides, Him-con is also providing various technical consultancy services to the enterprenurers. The overwhelming growth of SSI setup in H.P. up to the March 2000, speaks about the tone and the pace of growth of industrialisation with the help of various institutions which are set up in the state for the very purpose of industrialisation.

#### 7.1.15

Inadequacy of technical experts leaves the room for improper assessment and appraisal of the project, which is mainly responsible for slow recovery of loans.

#### 7.1.16

Delegation of powers to the Branch Manager is important for effective implementation of the programme, timely sanction and disbursal of loans and business promotion. In order to upgrade the co-ordination of various promotional agencies, periodical meetings should be convened to review the policies of the State Government, etc. The gap between sanctions and disbursals is attributable to the delay on the part of the applicant in complying with the conditions laid down by the HPFC.

#### 7.1.17

The problem being faced by the industrial units, viz., raw material, market, transportation, shortage of working capital, competition, erratic power supply together

with the operational and infrastructural problems, are considered to be the external factors responsible for low recovery.

The default is also attributable to the fact that entrepreneurs are willful defaulters who merely want to avail various concessions and relief available under the settlement scheme at the later stage. Political interference is also attributable to the default.

#### 7.1.18

To improve the infrastructural facilities, wherever possible rail links should be provided, proper roads and their periodical maintenance should be carried out, Government should ensure maintenance of proper power supply, communication system needs to be made more effective and prompt, availability of civic amenities viz.; proper medical facility, education, normal rates of tariff, etc. should be ensured.

#### 7.1.19

The affairs of almost all the industrial units approached have been managed by the owners themselves and long-run survival and long-run expansion has been regarded as the main objective of their organisation by the majority of respondents. At the preliminary stage of venturing into the business they confront the problem of delay in loan sanction / cost overrun. The reasons for cost overrun include delay in sanction of working capital by banks, delay in the transfer of land and release of loan instalment.

#### 7.1.20

Due to non-availability of skilled workers, inefficiency of Himachali workers, irregularity in their

attendance, the industrialist has the tendency to employ non-Himachali workers.

#### 7.1.21

The industrialists setup their ventures in the State mainly to get the benefit of low cost and adequate power, backward industrial area tax benefits, subsidy etc. Only a few of the total units studied have availed financial incentives and those who availed such incentives have not been getting these incentives in time.

#### 7.1.22

The majority of entrepreneurs are satisfied with the attitude of HPFC towards their need of credit but they want simplification in the procedure. They are of the view that the political support and money power have become necessary evils to get the work done easily.

#### 7.1.23

The main cause of industrial failure in Sirmaur district is attributable to the excessive rates of transportation due to the monopoly of the transport operators. Reason for wastage of all sorts includes, untrained labour, erratic power supply and ill-maintained network of infrastructure, which needs immediate attention of the Government.

#### 7.1.24

A large number of the projects submitted to HPFC are neither commercially viable nor technically feasible, which sometimes leads to the gap between sanctions and disbursements by HPFC.

#### 7.1.25

The entrepreneurial activities among these entrepreneurs were mainly stimulated by internal factors such as, strong desire to do something independent in life and

possession of technical, manufacturing and business related experience. Heavy demand, encouragement from big business and family business are a few other factors which also have their impact on entrepreneurial activities.

The agencies with which the entrepreneurs prefer to transact their business are commercial banks. No sort of training/consultancy services have been received by these entrepreneurs from the government agencies.

#### 7.1.26

Although the Government has established an Agency named 'SWISS' for Entrepreneurs Development Programme but due to the lack of co-ordination among its various constituents its working seems to be ineffective, like a 'Mirage' to entrepreneurs.

#### 7.1.27

The growth of SSI is exceptionally good in case of district Solan, which highlights the fact that the entrepreneurs have a tendency to setup their ventures in this border district of Himachal Pradesh. The growth rate is mainly attributable to the factor like better infrastructural facilities, increase in per capita income, availability of skilled labour, etc.

#### 7.1.28

Excessive formalities/conditions required in order to avail the terms loans from financial institutions result in delayed sanction of term loans which ultimately leads to the project cost escalation.

#### 7.1.29

Lack of arranging working capital adequately from commercial banks leads to the under-utilisation of capacity and thereby enhances the cost of production.

## 7.2 Suggestions

### 7.2.1

One of the weakest aspects of Indian economy is the mismanagement of infrastructure. These infrastructural deficiencies and inefficiencies have been telling upon the very vitals of Indian economy. To arrest the problem of mismanagement, high level of professional having expertise in their specific fields should be inducted and placed at vulnerable positions involving policy decision making. Besides, steps should be taken to check the low motivation and morale prevailing amongst Government officials.

### 7.2.2

The policy of the state for small modern enterprises should be directed towards a general improvement in efficiency of existing enterprises.

### 7.2.3

Himachal Pradesh is industrially backward but it has abundant mineral deposits of gypsum, limestone, dolomite pyrites and slate. Not only this, the forest and horticulture wealth of Himachal Pradesh can have large potential for industrial development. The large and medium units based on potatoes, maize, apples and other temperate fruits, nuts and dry fruits and citrus fruits are economically viable in Himachal Pradesh. The natural environment is also conducive to the establishment of electronic, hightech. industries and to the exploitation of the tourism potential in Himachal Pradesh. Therefore, there is a serious need to study these areas scientifically so as to formulate an appropriate policy.

### 7.2.4

The Government should encourage and educate

entrepreneurs primarily to establish industries based on local raw material to cater to the needs of the market.

#### 7.2.5

For those industries which entirely dependent upon other states for raw material as well as for marketing, social-cost-benefit analysis of such units becomes important before providing any type of incentive for their survival.

#### 7.2.6

The Government should remove those paper processing stages which are irrelevant or insignificant from certain industries point of view. so as to enable the entrepreneurs to spend less time on paper work and devote more time on production.

#### 7.2.7

The government should improve infrastructure facilities to provide healthy environment for the growth and development of industries. Additionally, for the maintenance of infrastructure facilities entrepreneurs / industrial units should also be involved invariably.

#### 7.2.8

The Government should develop proper infrastructure facilities before allotment of plots to the needy entrepreneurs in the new industrial areas so that units may starts production soon after completion of building work and installation of plant and machinery and may repay their commitments to the financial institutions timely.

#### 7.2.9

The problem based incentives should be provided only in those areas where the Government is unable to provide proper infrastructural facilities.

#### 7.2.10

The Government should give preference to bonafide entrepreneurs in the border areas than to outsiders where State is providing water, electricity and other facilities at much cheaper rates than neighboring states.

#### 7.2.11

The ancillary units which are not established in Himachal Pradesh for processing of goods, should also be given incentives/priorities for the survival of existing industries, to save on their time as well as to contain the 'to and fro' transportation cost.

#### 7.2.12

The tendency of entrepreneurs running the industries in the Himachal Pradesh seems to grab more and more incentives from the Government rather than devising the ways to reduce their product cost to enable themselves to compete in the market. None of the organisations studied, has been investing in 'Research and Development' to minimize the cost. In this context, the Government should reward those units which strive to minimize their cost of production without sacrificing the quality of product. Therefore, either Research and Development Tax should be imposed on them or they have to establish strong 'Research and Development' base to keep pace with the change in technology.

#### 7.2.13

The industries studied, more often, are confronted with the problem of absenteeism, high labour turnover, tardiness, etc. which are the warning signals of low morale of the employees. Creation of whole jobs; job enrichment which open opportunities for greater recognition, growth, advancement and responsibility of employees; flexing working

hours and rotation of jobs, etc. to name a few are some of the potent weapons with which these problems can be tapped. Additionally, provision of healthful and hygienic working conditions, provision of reasonable wages and allowance and job security of workers, motivation of workers, prompt redressal of greivances, liberal grant of leave, safety and accident prevention, cordial relations between supervisors and workers, etc. are also helpful in this respect.

#### 7.2.14

Keeping in view the low recovery of Regional Development Banks and SFCs, both should view financing functions as a secondary one, the primary being the promotional which incorporates project identification, preparation of feasibility reports, project formulation and assessment, resource mobilisation, implementation of project, and entrepreneurial guidance, training and motivation. The SFCs should also take up the underwriting, guarantee of issue of shares and participation in equity finance.

#### 7.2.15

HPFC should not believe in financing only those entrepreneurs who approach it, but it should extend its operations by organising seminars and meetings in different parts of the State, where the aspirant entrepreneurs should be informed of the incentives and concessions available and the role that HPFC can play in helping them.

#### 7.2.16

To safeguard the interest of State's economy, the management of HPFC should provide more industrial finance to deserving industrial units. Besides, the entire organisation has to play a pivotal role for effective and successful functioning of the Corporation. Through the principle of 'esprit-de-crops' the

organisation can create entrepreneurial atmosphere in the units concerned by offering full institutional infrastructural facilities to the private entrepreneurs.

#### 7.2.17

HPFC should setup a "monitoring cell" to solve the problem of follow-up of sanction and disbursements to check the gap between them.

#### 7.2.18

The internal introspection of the HPFC organisation requires that its organisation setup should be strengthened. For this purpose, experienced and qualified persons from different walks of life should be drawn so that HPFC may take up efficiently and effectively its new developmental activities. The top management needs to be re-organised so as to include professional experts, entrepreneurs, bankers, technocrats and financial experts.

#### 7.2.19

In order to effectively tackle the problem of over dues, a recommended package of measures includes :-

##### 7.2.19.1

In order to boost the recovery, there is a need to delegate the powers to Branch Managers, including the powers to review of performance of the unit financed on bi-monthly basis.

##### 7.2.19.2

Under the preventive measures, HPFC should follow sound project appraisal, regular and prompt follow-up inspection and supervision of assisted units, close monitoring of assisted units and effective Management Information and Control System.

### 7.2.19.3

Under the post-disbursal measures, HPFC, in order to improve the recovery performance, should go in for the setting up of separate recovery wing which makes an in-depth review of default portfolio and analyses the over dues. Reasons for default should be analysed on case to case basis and appropriate recovery strategies should be adopted in order to recover maximum amount at the same time, including framing of proper policy and co-ordination with banks. Besides, to observe the ethics of prompt payment a due date must be accepted at borrowers level. Further more, some schemes have to be devised by the HPFC either to stipulate higher penalty for arrears or to stipulate higher rate of interest and allow a substantial rebate for the timely repayment of instalment. Such measures are urgently called for.

### 7.2.20

The profitability of HPFC can be improved by reducing administrative and other expenses by utilising the latest communication technology. The profitability can also be increased by containing the cost of borrowing, which can be reduce by finding alternative sources with comparatively lower rates of interest. HPFC can also use underwriting and guarantee to supplement its income and also to increase its profitability.

### 7.2.21

Since the excessive borrowings are adversely affecting the lending of funds, it is recommended that the HPFC should also raise more funds from own sources such as issue of capital and ploughing back of profits, in order to keep a balance between these two.

#### 7.2.22

The HPFC is providing financial assistance to medium and small-scale industries through term loans only. It is not using other methods of financing such as, subscription of shares floated by newly established industries, underwriting of shares and debentures of these industries and providing guarantee against their loans, though these are also objectives of this Corporation. It is recommended that the HPFC should also actively use these methods of financing the industries in the State.

#### 7.2.23

Finance should be made easily available on lesser conditions to the entrepreneurs. In order to save on project cost escalation PERT/ CPM system of project implementation is to be used. As far as the working capital is concerned, it should be made easily available, preferably, simultaneously with the sanction of term loan and for this purpose joint appraisal both by the Bank and HPFC should be carried out.

#### 7.2.24

The entrepreneurs should be aware of the project he is going to setup and preferably he should have an industrial background before promoting new units. Besides, the Government should shoulder the responsibility of organising training to the entrepreneurs.

#### 7.2.25

The market of the product should be ensured, preferably, within the State before setting up the units and the Government should arrange for marketing through its various agencies.

#### 7.2.26

The promoter should follow the latest technology and should not compromise with the quality of plant and machinery. Workshops should be organised to keep up with the latest in the technology development.

#### 7.2.27

Raw material should be available neareby, preferably at concessional rate for industries established in remote and difficult areas. Government should come forward through its agencies to provide raw material in consultation with industrial units.

#### 7.2.28

Government should make a policy to make the 'SWISS' an effective operational unit.

#### 7.2.29

In order to have an effective co-ordination between the officials of both, commercial banks and HPFC, the awareness of these officials and their involvement at grass-root level is pre-requisite. This improved and effective co-ordination between both will certainly yield and ensure the healthy functioning of HPFC and banks as partners in providing financial assistance to various ventures on the one hand and will also contribute positively to improve the working of these industrial ventures.

### 7.3 **Suggested Areas for further Research**

1. Role of Commercial Banks and Regional Rural Development Banks in the Industrial Development of Himachal Pradesh.

2. Social-Cost-Benefit Analysis of Development of Industrial Area/Estate in border areas.
3. Comparative Performance Analysis of HPFC and HPSIDC.
4. Role of Financial Institutions in the Development of Entrepreneurship in Himachal Pradesh.

# ANNEXURE – I

Institute of Management Studies.  
Himachal Pradesh University, Summer Hill,  
SHIMLA – 171005

*Questionnaire to study the reasons for gap between Loan sanctioned and disbursement by HPFC and to study and identify the main factors responsible for Low Recovery of Loan disbursed by HPFC.*

*The present Questionnaire is a part of research work of Ph.D. You are requested to provide the information asked in the questionnaire. The study is purely for Academic purpose and all the information will be used strictly for research purpose. Your cooperation will be highly appreciated.*

## Part – I

1. Name & designation of Informant .....
2. Official Adress .....

## Part – II

### Information of Activities

1. Do your corporation have adequate financial personnel to look into the financial aspect of the project?  
(a) Yes  
(b) No
2. Do you look into cost structure of the project while sanctioning of the loan?  
(a) Yes  
(b) No

3. Do you have adequate technical staff to look into technical aspect of the project?
  - (a) Yes
  - (b) No
  
4. Do you agree that there should be specialised institution to finance the small entrepreneurs in the state?
  - (a) Yes
  - (b) No
  
5. Do you associate banks also in the appraisal of the project?
  - (a) Yes
  - (b) No
  
6. Your Corporation provide financial assistance to, please tick,
  - (a) Small Scale Industrial Unit
  - (b) Medium Scale Industrial Unit
  - (c) Large Scale Industrial Unit
  
7. You feel the necessity of delegation of powers to the branch for, Please tick,
  - (a) Effective implementation of programme
  - (b) Timely sanction of loans
  - (c) Business Promotion
  
8. Are you satisfied with the co-ordination of promotional agencies?
  - (a) Yes
  - (c) NoIf No, please indicate problems in brief.
  
9. In your opinion, gap between sanction and disbursement are due to:
  - (a) Lot of conditions for availing loans from HPFC.
  - (b) Delay in complying with the condition on the part of the applicant (before actual disbursals).
  - (c) Late arrival machinery.
  - (d) Cost over run due to cost escalation of building materials.
  - (e) Delay in transfer of land.
  - (f) Delay in sanction of working capital by the bank.
  - (g) Any other (please specify)
    - (i)
    - (ii)
  
10. Do you think that existing monitoring and evaluation system is effective?
  - (a) Yes
  - (d) No

11. Do you satisfied with the existing recovery system?  
 (a) Yes  
 (e) No  
 If No, please specify, what type of set-up you want to deal with it, State briefly.
12. In your opinion the industrial units in the State have been facing the following problems, Please tick,  
 (a) Raw Material  
 (b) Market  
 (c) Transportation  
 (d) Shortage of working capital  
 (e) Competition  
 (f) Erratic power supply  
 (g) Any other (please specify)
13. In your opinion the industrial units in the state have been facing the problem of wastage due to, Please tick,  
 (a) Erratic power supply  
 (b) Untrained labour.  
 (c) In adequate of raw material.  
 (d) Low quality of raw material.  
 (e) Frequent breakdown.  
 (f) Any other, please specify.
14. In your opinion, for the industrial unit in the state the type of infrastructure facilities viz.  
 (i) Roads (ii) Communication (iii) Power  
 (a) Are adequate and well maintained.  
 (b) Are Inadequate and poorly maintained.  
 (c) Are adequate but poorly maintained.
15. Please give suggestion to improve infrastructure facilities as appended in Q.No.14.  
 (i)  
 (ii)  
 (iii)
16. In your opinion default occur due to the fact that:-  
 (a) The entrepreneurs are willful defaulters.  
 (b) The entrepreneurs want to avail various concessions and reliefs available under settlement schemes at the later stage.  
 (c) The entrepreneurs face various types of problems and find it difficult to pay the loan installments timely.  
 (d) Any other,(please specify)  
 (a)

(b)

(c)

17. Please pinpoint main problems of industry in H.P. and give suggestion for industrialisation in your area.

Problems:-Suggestions

- (a) Financial.  
(viz. Project Cost Escalation)
  - (b) Entrepreneurial
  - (c) Skill
  - (d) Market
  - (e) Technology
  - (f) Raw Material
  - (g) Plant & Machinery
  - (h) Transportation
  - (i) Advertisement
  - (j) Competition
  - (k) Power
  - (l) Any other
18. Slow recovery is attributable for the reasons, Please tick.
- (a) Lack of proper study of project report viability
  - (b) Low rate of interest
  - (c) Improper Monitoring by HPFC
  - (d) Political Interference
19. Please give your suggestion to improve loan recovery.
- (i)
  - (ii)
  - (iii)

## ANNEXURE – II

Institute of Management Studies.  
Himachal Pradesh University, Summer Hill,  
SHIMLA – 171005

*Questionnaire to study the reasons of gap between sanctioned and disbursement by HPFC and to study and identify the main factors responsible for Low Recovery of Loan disbursed by HPFC.*

*The present Questionnaire is a part of research work of Ph.D. You are requested to provide the informations asked in the questionnaire. The study is purely for Academic purpose and all the informations will be used strictly for research purpose. Your cooperation will be highly appreciated.*

### Part – I

1. Name and address of the establishment .....  
.....
2. Industry / Firm / Unit / Type .....
3. Owner(s) of the unit are : Himachal / Non-Himachal / N.R.I.
4. Type of industrial activity : Manufacturing / Trading / Service.
5. Status of industrial unit : Tiny / Small-scale / Medium / Large.

### Part – II

1. Sources of Finance :
  - (a) Term Loan HPFC
  - (b) Term Loan HPSIDC
  - (c) Term Loan Banks
  - (d) Equity / Own Share

- (e) Any Other
2. Reason(s) of delay / overrun (if applicable) :-
- Delay in release of loan installments.
  - Late arrival of machinery.
  - Delay in release of power connection.
  - Delay in sanction of working capital by the bank.
  - Delay in transfer of land.
  - Any other (please specify).
3. Working Capital requirement (estimated) : Rs. .... Banker  
 ..... Sanctioned W/C : Rs. ....
4. The main objective of setting up industrial unit is :-
- Profit maximization.
  - Sales maximization at fair prices.
  - Long run expansion.
  - Long run survival.
  - Any other objective.
5. The affairs of the unit are managed by the :-
- Owners themselves.
  - Hired managers.
6. Reasons for employing Non-Himachalies.
- Non-availability of skilled workers.
  - Inefficiency of Himachali workers.
  - Irregularity in attendance.
  - Any other (please specify).
7. You setup unit in Himachal Pradesh due to :-
- Cheap power.
  - Backward industrial area tax benefits.
  - Subsidy.
  - Any other.
8. Do you feel that existing rate of interest is higher.
- Yes
  - No
9. Do you feel that there is delay in the loan sanction and disbursement from HPFC.
- Yes
  - No

10. Have you availed any financial incentives? An existing incentive sufficient or adequate? Please state in brief.
11. Are you getting applicable incentives in time?
  - (a) Yes
  - (b) No
12. Do you satisfy with the attitude of HPFC towards your need of credit?
  - (a) Yes
  - (b) No
13. Do you want any simplification in the procedure laid down for getting the loan assistance from HPFC?
  - (a) Yes
  - (b) No
14. Do you agree that officials of HPFC expect your treatment after sanctioning your loan?
  - (a) Yes
  - (b) NoIf Yes, in what form.
15. Have you ever realized that political support is necessary to get your work done easier?
  - (a) Yes
  - (b) No
16. Reason of low turnover (tick applicable):-
  - (a) Inadequate working capital.
  - (b) Raw material problems.
  - (c) Erratic power supply.
  - (d) Marketing problems.
  - (e) Transportation problems.
  - (f) Any other
17. The reason of wastages are:-
  - (a) Erratic power supply
  - (b) Untrained labour
  - (c) Inadequate quality control
  - (d) Low quality of raw material
  - (e) Frequent breakdown
  - (f) Any other (please specify)
    - (i)
    - (ii)

18. Type of infrastructure facilities viz.
- |           |                    |             |
|-----------|--------------------|-------------|
| (i) Roads | (ii) Communication | (iii) Power |
|-----------|--------------------|-------------|
- (a) Are adequate and well maintained.  
 (b) Are inadequate and poorly maintained.  
 (c) Are adequate but poorly maintained.
19. Please give suggestion to improve infrastructure facilities
- (i)  
 (ii)  
 (iii)
20. Are you satisfied with the dealing of:-
- |                       |        |
|-----------------------|--------|
| (a) HPFC              | Yes/No |
| (b) HPSIDC            | Yes/No |
| (c) Banks             | Yes/No |
| (d) Govt. departments | Yes/No |
21. After getting the loan sanctioned but before its disbursal to you, at any stage in between you ever realized that the project is not commercially feasible and technically viable.
- (a) Yes  
 (b) No
22. Please pinpoint main problems of industry in H.P. and give suggestion for industrialization in your area.
- |                 |                     |
|-----------------|---------------------|
| <u>Problems</u> | <u>Suggestions:</u> |
|-----------------|---------------------|
- (a) Financial  
 (viz. Project Cost Escalation)  
 (b) Entrepreneurial  
 (c) Skill & semi skilled labour  
 (d) Market  
 (e) Technology  
 (f) Raw Material  
 (g) Plant & Machinery  
 (h) Transportation  
 (i) Competition  
 (j) Advertisement  
 (k) Power  
 (l) Any other.

## ANNEXURE – III

Institute of Management Studies.  
Himachal Pradesh University, Summer Hill,  
SHIMLA – 171005

*Questionnaire to study and analyse the various factors affecting the Entrepreneurs Development in H.P.*

*The present Questionnaire is a part of research of Ph. D. work. You are requested to provide the information asked in the questionnaire. The study is purely for Academic purpose and all the information will be used strictly for research purpose. Your cooperation will be highly appreciated.*

- I. Name of the informant.....
- II. Age of Entrepreneur.....
- III. Whether Entrepreneurs has acquired any special training. Yes/No.  
If yes, State the training acquired.  
.....  
.....
- IV. Educational Qualifications of the entrepreneur.
- V. Form of Business Organisation (Please tick the relevant).  
Sole-proprietorship / Partnership / Company (Public/ Private)
- VI. Factor which prompted the New Entrepreneurs to enter the business.  
(Please tick the relevant and assign them ranks in ascending order viz.,  
R<sub>1</sub>, R<sub>2</sub>, R<sub>3</sub>)

### **A. Factor internal to Entrepreneurs :**

1. Strong desire to do something independent in life. ( )

- 2. Technical knowledge and / or manufacturing experience. ( )
- 3. Business experience in the same or related line. ( )
- 4. Could not find a suitable job. ( )
- 5. Any other personal factor / factors.
  - i) .....
  - ii) .....

**B. Factor external to the Entrepreneurs :**

- 1. Financial assistance / incentives from the institutional sources. ( )
- 2. Machinery on hire purchase basis. ( )
- 3. Attitude of Government to help new units. ( )
- 4. Financial Assistance from Non-Government sources. ( )
- 5. Encouragement from big business. ( )
- 6. Heavy demand. ( )
- 7. Profit Margin. ( )
- 8. Unsound / sick unit available at a cheep price. ( )
- 9. Availability of Raw material indigenously. ( )
- 10. Political influence. ( )
- 11. To have a footing in H.P. ( )
- 12. Non-acceptance of suggestions by employer for this industry / business. ( )
- 13. Family Business ( )
- 14. Incentives and schemes of financial Institutions which prop up you to start the business.

If yes, detail there of :

.....  
 .....  
 .....

VII. Please tick the name of agency / s with which you are dealing or you have dealt with.

<u>Name of Agency</u>	<u>Detail of Transactions</u>
1. HPFC	
2. IDBI	
3. HPSIDC	
4. DIC	
5. SISI	
6. Commercial Banks.	
7. Any others.	

VIII. Do you face any problem while dealing with these financial institutions.

Yes / No  
 If yes, please tick at the appropriate point. Also, assign them ranks in ascending order viz., R<sub>1</sub>, R<sub>2</sub>, R<sub>3</sub>)

---

Problem / s

- 
- (a) Malpractices by staff.
  - (b) Undue delay in Sanction of loan.
  - (c) Undue delay in disbursal of loan.
  - (d) High rate of interest.
  - (e) Strict repayment schedule.
  - (f) Any other.
- IX. Have you utilised the services of Training / Consultancy Organisation.  
Yes / No.  
If yes,
- (1) Name of organisation.
  - (2) What facilities were made available.
- (a) Entrepreneurial Development.
  - (b) Preparation of Project Report.
  - (c) Help in execution of Project.
  - (d) Routine / operational Problems.
  - (e) Any other.
- X. In the running of this business, what type of problems relating to location do you face? Please tick and assign them ranks in ascending order viz., R<sub>1</sub>, R<sub>2</sub>, R<sub>3</sub>.
- (a) Scarce Raw Material.
  - (b) Bad transport facilities.
  - (c) Erratic power.
  - (d) Bad communication.
  - (e) Non-availability of local market.
  - (f) Any other.
- XI. Any other important point, which you feel is relevant but not still covered.

## ANNEXURE – IV

### **Package of Concessions, Incentives & Facilities to Village Industry, Tiny units, SSSBE's and Small Scale Units (Excluding Units in Priority Sector) :**

Sr.No.	Concessions, Incentives & Facilities	Period	Rule No. of the Industrial Policy	No.
			Guidelines, 1999	
1)	GST exemption for new village industries with investment upto Rs. 10 lakhs and wholly assisted by 7.1.1&7.1.2 HPKVIB \ KVIC. For other new village industries and new tiny units, GST @ 25% of the applicable rate. GST deferment in case of new SSI units.			
	Industrially backward areas	8 years		
	Industrially developing areas	5 years		
2)	GST @ 1% on raw material processing and packaging material except timber, shale and limestone :- UPTO 31-03-2009		7.1.4	
3)	CST @ 1% for new and existing units.	UPTO 31-03-2009	7.1.5	
4)	Electricity Duty exemption on captive power generated from D.G. \Hydel plant		7.2.3.	
5)	Price preference upto 15%		7.5	
6)	Subsidised land \ shed in industrially backward areas		6.1	
7)	Subsidy on the cost of preparation of feasibility report.		7.6	
8)	Exemption from payment of State taxes and duties (excluding levies in the shape of cess, fees, royalties etc.) in tax free zone.	10 years		9

### **PACKAGE OF CONCESSION, INCENTIVES & FACILITIES TO UNITS IN MEDIUM/LARGE SCALE SECTOR. (EXCLUDING UNITS IN PRIORITY SECTOR) :**

Sr.No.	Concessions, Incentives & Facilities	Period	Rule No. of the Industrial Policy	No.
			Guidelines, 1999	
i.	GST deferment to new units.		7.1.2	
	Industrially backward areas	8 years		
	Industrially developing areas	5 years		

ii.	GST @ 1% on raw material, processing and packaging material except timber, shale and limestone.	upto 31-03-2009	7.1.4
iii.	CST @ 1% both for new and existing units.	upto 31-03-2009	7.1.5
iv.	Exemption from Electricity Duty on captive power generated from D.G. set/ hydel plant.		7.2.3
v.	Price preference upto 3%		7.5
vi.	Exemption from the payment of state taxes and duties (excluding levies in the shape of cess, fess, royalties etc) in tax free zone.	10 years	9

**PACKAGE OF CONCESSIONS, INCENTIVES & FACILITIES TO  
PRIORITY SECTOR EXCEPT FRUIT, VEGETABLE & MAIZE BASED UNITS  
CONSUMING LOCAL PRODUCE AND LOCATED IN  
INDUSTRIALLY BACKWARD AREAS :**

<u>Sr.No.</u>	<u>Concessions, Incentives &amp; Facilities</u>	<u>Period</u>	<u>Rule No. of the</u>	<u>No.</u>
			<u>Industrial Policy</u>	
		<u>Guidelines, 1999</u>		
i.	GST exemption for new village industries with investment upto Rs. 10 lacs and wholly assisted By HPKVIB/KVIC. For other new Village industries and new Tiny	8 years	7.1.1 & 7.1.2	

	Units, GST @ 25% of the appli- Cable rate. GST deferment to other New industries unit(s).		
ii.	GST @ 1% on raw material, processing and packaging material except timber, shale and limestone.	upto 31-03-2009	7.1.4
iii.	CST @ 1% both for new and existing units.	upto 31-03-2009	7.1.5
iv.	Exemption from Electricity Duty Industrially backward areas Industrially developing areas	8 years 5 years	7.2.1
v.	Exemption from Electricity Duty on captive power generated from D.G. set/ hydel plant.		7.2.3
vi.	Interest subsidy to tiny/SSI units in industrially backward areas.	6 year	7.3
vii.	Price Preference of upto 15% to Tiny/ SSI sector and upto 3% to Medium & larger sector.		7.5
viii.	Out of turn allotment of land/shed.		6.3
ix.	Subsidised land/shed in industrially backward areas.		6.1
x.	Capital Investment subsidy to tiny units in industrially backward areas.		7.4

- |      |   |            |
|------|---|------------|
| xi.  | Subsidy on the cost of preparation of feasibility report to tiny and SSI units.   | 7.6        |
| xii. | Exemption from the payment of state Taxes and duties (excluding levies in the shape of cess, fess, royalties etc) in tax free zone. | 10 years 9 |

**SPECIAL PACKAGE OF CONCESSION, INCENTIVES & FACILITIES TO FRUIT, VEGETABLE AND MAIZE BASED UNITS CONSUMING ATLEAST 60% OF THEIR TOTAL CONSUMPTION FROM LOCAL PRODUCE AND LOCATED IN INDUSTRIALLY BACKWARD AREAS (EXCEPT BREWERIES, DISTILLERIES, NON-FRUIT/VEGETABLE WINERIES AND BOTTLING PLANT BOTH FOR COUNTRY LIQUOR AND INDIAN MADE FOREIGN LIQUOR) :**

<u>Sr.No.</u>	<u>Concessions, Incentives &amp; Facilities</u>	<u>Period</u>	<u>Rule No. of the</u>	<u>No.</u>
			<u>Industrial Policy</u>	
		<u>Guidelines, 1999</u>		
i.	GST exemption	10 years	8.2	
ii.	GST @ 1% on raw material processing and packaging except timber, shale and limestone.	upto 31-03-2009	8.3	
iii.	CST @ 1% for new and existing units.	upto 31-03-2009	8.4	
iv.	Exemption form Electricity Duty.	10 years	8.5	
v.	Electricity Duty exemption on captive power generated		8.5	

	from D.G. Set/ Hydel plant.		
vi.	Exemption from Excise Duty to new units.	7 years	8.6
vii.	Interest subsidy on term loan from financial institutions.	6 years	8.8
viii.	Capital Investment subsidy.		8.9
ix.	Price Preference upto 15% to Tiny/SSI and upto 3% to Medium/Large units.		8.10
x.	Allotment of land/shed on out of turn basis at nominal price/rent.		8.1
xi.	Subsidy on the cost of preparation of feasibility report.		8.10
xii.	Exemption form payment of State taxes and duties (excluding levies in the shape of cess, fees, royalties etc.) in tax free <u>zone</u> .	10 years	9

### **CENTRAL GOVERNMENT INCENTIVES**

In addition to the incentives provided by the State Government as listed in para 3.2 above, the Central Government has allowed following incentives to the industrial units set up in Himachal Pradesh.

#### **(i) Income Tax**

Industrial units being set up in the State are eligible for the incentive of exemption from payment of income tax for a period of first 5 assessment years under section 801A of the Income Tax Act. After this period Industrial units are allowed deduction from the profits at the normal rate of 30% in case of companies & 25% in

case of non-corporate assessees. These deductions are limited to 12 assessment years in the case of Co-operative societies and 10 assessment years in the case of other assesses.

(ii) **Central Transport Subsidy**

Central Transport Subsidy on the transportation cost of raw material and finished goods from the nearest designated rail heads to the location of the unit is payable as Central Transport Subsidy, to such units. This subsidy is available for a period of first 5 years from the date of commencement of production.

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