

INSTITUTIONAL FINANCE TO THE INDUSTRIES OF MEGHALAYA STATE

by

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UNDER THE SUPERVISION OF

Dr. T. MATHEW

Dissertation

SUBMITTED IN PART FULFILMENT OF THE REQUIREMENT FOR THE
DEGREE OF

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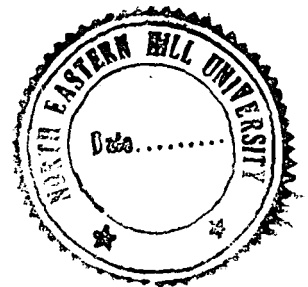
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Certified that the subject matter of this Dissertation is the record of work done by Miss. Y. SATYA, that the contents of this dissertation did not form a basis of the award of any previous degree to her, or, to the best of my knowledge to anybody else, and the dissertation had not been submitted by her for research degree in any other University or Institution.

In habit and character, Y.Satya is a fit and proper person for the degree of MASTER of PHILISOPHY (in Economics).



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The 16th December, 1987.



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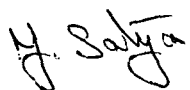
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P R E F A C E

In this remote North Eastern Hill Region of our country, Agriculture has been the major occupation of the people. However in the last 2 or 3 decades there was increased scope for industries in this region. This is largely to meet the local needs of low technology products which could be produced here itself. But curiously the major problem appears to be the availability of adequate finances. Due to remoteness, the difficulties in importing even minor industrial products from elsewhere tends to be prohibitively costly. This problem becomes more serious in a hilly terrain due to transportation difficulties. This adversely affects even the minimal industrial growth, industrial development, employment potential and general well being of the society.

Apart from these geographical and social problems these areas have an added problem. The industries face several difficulties in approaching and identifying a proper financial institution, make a case to its satisfaction, getting the assistance in time and lastly in repayment.

This is due to the fact that the industries (Particularly the small industries) are geographically spread out, whereas the financial institutions are concentrated only in a few centres. The communication gap

between the financial institutions and the industries tends to be below the desirable level. The role played by the national institutions and the relevant governmental agencies in ~~bringing~~ these various parties together cannot be over stressed.

Meghalaya is one of such isolated hilly state at a rather early stage of industrial development. In recent times, this state has been experiencing social tensions which are perhaps a consequence of growing unemployment. As is well known the industrial sector has a potential of giving employment to large number of people encourage entrepreneurship and there by reduce the social tensions. The area is reasonably rich in the raw materials and has favourable climatic conditions for the development of the required industries. The state has a good potential for exporting its products to the neighbouring areas. In spite of this the industrial growth is not up to expectations.

The title of the thesis reads as " Institutional Finance to the Industries of Meghalaya State". The study attempts to the financial requirements of the various sectors of industries, the extent to which the financing institutions are able to meet these needs and the work done by the governmental and other agencies for the promotion of industrial finances.

The main object of this study is to high light the pattern and problems of finance seperably dealing with industries, so that the possibilities of institutional

finance could be spent for the benefit of industries.

The thesis is divided into 5 chapters:

In the introductory Chapter I we discuss the various resources (Including financial) which are relevent to the development of industries. We cover Agricultural, Mineral, forest, water and power, and Man power resources. It also includes a brief introduction to the state of Meghalaya in the remote North Eastern Region of India.

The Second chapter summerises the existing industries of Meghalaya, it classifies them according to their size and type of their activities. Besides it surveys the industries proposed and the steps taken to promote them through the establishment of industrial estates.

The third chapter deals with financing and servicing institutions. These institutions are divided in to pure financial institutions, Pure servicing institutions and institutions which undertake an integrated help. The study includes the commercial and nationalised banks, financial corporations and Governmental agencies etc. We study their objectives, scope and requirements .

Chapter 4, studies in detail about the institutional finance to the industries done by various types of banks and other non-banking institutions. The second

part of this chapter studies about the problems they face which inhibit their proper functioning. Though most of their industries seem to be viable, the finance institutions have resources and willingness to render help, both are facing serious socio-cultural and administrative problems. These problems along with the difficulties of the communication among the institutions form this part of the chapter.

In the final chapter V after giving the principle conclusion we offer a few suggestions to ease the difficulties of obtaining institutional finance by the industries.

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C H A P T E R - IMeghalaya - Its Resources with Relevance to Industry

Meghalaya was established in 1972, as the 21st state of the Indian Union. It consists of 5 districts, viz. East Khasi Hills, West Khasi Hills, Jaintia Hills, West Garo hills and East Garo Hills. It is located in North East India between $25^{\circ}.45'$ and $26^{\circ}.10'$ north latitudes and between $89^{\circ}.45'$ and $92^{\circ}.47'$ east longitudes. The state has a hilly terrain and is bordered by the plains of Bangladesh in the South and the Brahmaputra valley in the North. The hills start from west and increases in height, as they go towards east, from 300 mts to 1800 mts or more in Khasi hills. Later the hills slope down as they join the north cachar hills of Assam.

The North Eastern Region is abundently gifted with various natural resources. The diversity of soil, climate, topography and culture provides great scope for developing complementarities and linkages with different parts of the region with Meghalaya. We give below a brief account about the various resources which have relevance for our study about the state.

1.1. Agriculture:

Due to the mountaneous terrain there is scarcity of suitable cultivable land. The agricultural practices are traditional and considerably differ from those in the plains. The available land is mostly under agriculture

depend upon fruits as their raw materials. There is a great demand for products of industries like fruit (Pine-apple, Orange, Plum etc.,) canning, fruit juice and jam making.

Minerals:

The hills in the state contain rich variety of rich minerals which are yet to be exploited. The main mineral deposits available in Meghalaya are : The coal limestone, dolomite, sillimanite, clay and glass sand etc. The coal deposits are extensive in Garo hills, Khasi and Jaintia hills; large deposits of lime stone are found in Jaintia hills along the southern margin of the Shillong Plateau. The other minerals are iron ore, quartz, gypsum and granite. There are proposals to start two more cement factories in east khasi hills. The Cherrapunji Cement Industry is located in this district because of the availability of required raw materials in the area. The Sonapahar region in Khasi hills is important for Sillimanite. There is a great scope in the state for hollow block industries, glass manufacturing, ceramics and pottary, fire bricks, soda ash, sanitary wares and coke manufacturing etc.

Forests:

The forests in Meghalaya occupy about 37% of the total area. They are broadly divided into:

- a) Ever green and Semi Evergreens of South Khasi and Jaintia hills.
- b) Moist Deciduous sal forests in the North Khasi and Jaintia Hills.
- c) Pine forests of Khasi and Jaintia in Central Plateau.
- d) Remaining is distributed bamboo forests.

The Reserved forests are 71.07 ('000 hectares), Protected forests are 1.17 and Unclassified forests are 779.18. The timber is the main resource from the forests. Bamboo, firewood, spices, cane, honey etc., are the other minor products from the forests. Important forest based industries at present are furniture works, wood carving and structuring, timber and card board products and Khasi herbal medicines etc.

There is great scope for industries like furniture works, manufacture of splints, safety matches, woodwool, chip boards, saw dust boards, pulp and paper, wooden and package boxes, crates, insulating panels etc. The shifting cultivation, frequent land slides, heavy rainfall and unauthorised sale of timber lead to the depletion of forest resources. The Forest Department Corporation of Meghalaya was set up for the protection and expansion of forests in the state,

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or forestry. A variety of agricultural crops including crops of commercial nature such as paddy, potato, turmeric ginger, betelnut and jute etc., are grown in the state. The horticulture is a dominant occupation with the growth of variety of fruits like Pine apple, Banana, citrus fruits, Plums, Papaya and other temperate fruits.

The major industry in the state is Bakery which consists of 54¹ units and next important industry is Flour and Rice mills with 25¹ units. Of other industries the main ones' are Oil industry and manufacture of Potato chips and Banana fibre. The agricultural products for various reasons are not sufficient to satisfy the basic needs of the people. Hence food crops are given importance over commercial crops. Hence, there is a scarcity of raw materials for Agro-based industries. At present with improved methods and modern practices, the state is concentrating on self sufficiency in food production and trying to promote increased production of commercial crops.

There is a good scope for industries like manufacture of gunny bags, processing of tapioca and sweet potato etc. They can make useful items like flour, sagu, chips and noodles etc., the fibre of arecanut paddy husk and tea waste can be used to make sound proof building materials. There are very few industries which

Source 1 : From The Statistical Hand Book, Meghalaya 1984.

Water Resources: 1.4.

The Meghalaya receives considerable amount of rainfall. The Umiam, Umtru and Umkhiu are important rivers in northern part of the state. Their tributaries are Kynshi, Umiew and Umsohrynkhiw. Their tributaries produce the surface water potential of 67216 Mm³. The Great lake Umiam is situated near the Capital city Shillong. The hydel power produced from various projects is being used for various industries.

Power Resources: 1.5.

The heavy rainfall in Meghalaya provides a great opportunity to produce hydro electricity. Bulk of the power comes from hydel projects (126,71 Mw) and 5Mw from thermal and 1,95 from diesel power. The principal hydro electric projects are Umiam and Kopoly. The Kopoly when completed in 3 stages is expected to produce 735 Mws. The state at present is exporting surplus power to neighbouring states. The Barapani area near Umiam Project and Burnihat are declared as Industrial areas. Various steps can be taken to increase the capacity of power generation so that the state can have advantage in encouraging power intensive industries to come up and assure uninterrupted power supply to the existing small scale industries at concessional rates.

Transport: 1.6.

The popular means of transport in the state is by road. The other transport systems like railways, waterways, are practically nil. The state capital Shillong is connected with regular air transport. The nearest railway station is in Gauhati which is more than 100 kms away from Shillong. The state contains a number of streams and rivers but due to mountainous nature of the land they are not useful for navigable purposes.

The road transport also faces serious problems. The heavy rainfall causes difficulties like land slides, rapid deterioration of roads and heavy investment for their maintenance etc. The total length of roads is 4187 kms in 1981 and increased to 5211 in 1982. With the development of roads the import and export of raw materials and finished goods of various industries is also increasing. The motor vehicles repairing, battery assembling and repairing, tyre retreading and vulcanising are some related industries.

People:

The total population is 13,28,343 according to 1981 census. The state ranks 21st according to population and its share in India's population is .19%. The density is 59 persons per sq. km. The estimated population in 1987 - 88 is 18 lakhs. Out of the total population the main workers constitute 5.2¹ lakhs

Source 1 : Basic Statistics, NEC, Meghalaya.

which includes the house hold industry. The total female workers are 1.6 lakhs and the male workers are 3.6 lakhs out of the 5.2 lakhs.

education: 1.8

The literacy rate of Meghalaya is 54.08 as compared to 50.25 which is national rate. The students mostly prefer to opt for arts than practical oriented subjects. There are very few technical and vocational training institutes like polytechniques in the state. The courses offered in engineering etc., will be mostly for the usefulness of the construction of roads and buildings rather than mechanical, electricals and electronics. Recently various workshops, Entrepreneur Development Programs and Management Programs are being conducted by various institutions to motivate the people.

Banks: 1.9

Banks are the promotive and service oriented institutions acts as an essential aid for the development of the state. There are commercial banks, co-operatives, regional rural banks and developmental banks like IDBI, AFC, etc., which do both finance and service assistance. Recently the number is increasing and their introduction to various schemes and programs is pretty helpful to the needy entrepreneurs and artisans. A detailed study will be made in the coming chapters.

Export and Import: 1.10.

The state is rich in various resources like Minerals, Forestry, Hydel Power etc. Rich mineral deposits of coal, limestone, sillimanite and other minerals are available which have good export market. The timber, pine oil, honey etc., are being exported to other states. The surplus hydel power is being sold to neighbouring states like Assam. The state imports various items like foodgrains, consumer goods electronic goods and synthetic textiles. The industrial goods produced in Meghalaya hardly stand for competition with the goods produced elsewhere in the country. Various efforts are being made to exploit the potential consumer market in this region.

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C H A P T E R - II

Industries of Meghalaya

Industrialisation plays an important role in any region for its economic growth and development. It contributes towards the progress of the society by exploiting various resources which are left unutilised. It tries to adopt a balanced and integrated approach towards fulfilling the economic aspirations of the society.

In Meghalaya the industrialisation process is still in a developing stage. Traditionally, the state's main occupation has been agriculture. The concentration on the industries is rather insignificant and very few industries even cottage and pigmy industries are found. The change in the industrial environment came with the establishment of various financial and service institutions. The other factors which influenced this situation were the development and expansion of transport and communications, inflow of technical and technological changes and setting up industrial estates.

We give below a short account about the various industries existing in Meghalaya. The industries in the country are classified according to their capital investment as large, medium and small industries.

The major industry in Meghalaya which can be categorised under large scale is Mawmluh Cherra Industry.

The location is ideal due to the availability of coal and limestone near plant site. This cement plant in turn helped in setting up to twelve small scale industries for making hollow brick making, cement pipe making and others of that nature. The Government of Meghalaya had requested the SIET, Hyderabad to study the prospects of setting up the ancilliary and auxiliary small scale industrial units as satellites around this cement plant.

The medium scale industries are set up on a collaboration basis with the assistance given by the State Industries Department and Government of Meghalaya. They also provide part of the financial and technical help required by the entrepreneurs. The big industrial concerns elsewhere are being invited in setting up their branches or subsidiary units in Meghalaya. The medium scale units are as the following:

- a. Meghalaya Plywoods limited
- b. Associated Beverages Private Limited
- c. Meghalaya Phyto Chemicals Limited
- d. Komorrah Lime Stone Mining Co. Limited
- e. Essential Oil and Chemicals Limited
- f. Meghalaya Towers and Trusses Limited.

The Meghalaya Plywoods Limited is situated in the Burnihat Industrial Estate with an initial capital investment of 80 lakhs. The associated Beverages Private Limited

is a collaboration with Parle Exports Limited. Out of the total capital investment of 35 lakhs the Meghalaya Industries Development Corporation (MIDC) provided two lakhs. The Meghalaya Phyto chemicals Ltd is in Barapani industrial area. It is a joint effort between MIDC and Indian Carbon Ltd. with 30 lakhs as capital investment. The Komorron Lime Stone Mining Co. was assisted by MIDC and Economic and Entrepreneurship Development Foundation Calcutta. The essential oil and Chemicals Ltd is a joint venture of MIDC and Camphor and Allied Products (Pvt) Ltd. Various ancillary and auxiliary units were set up in Meghalaya with the help of well reputed industrial units in the country.

Since the inception of the state in 1972 the Small Scale units in Meghalaya have shown a reasonably increasing trend though not to the desired extent. The table no, 1 gives a comprehensive picture of the classification of industries according to the persons employed and investment on machinery.

Table No - 2.1

Statement showing the Cumulative Number of registered Small Scale Industries by Type, Investment and Persons Employed (1986 - 87)

<u>Name of the Industry</u>	<u>Number of Industries</u>	<u>Number of Persons employed</u>	<u>Investment on machinery</u>
Furniture works	75	383	11.75
Plastic Industry	2	19	1.27

Motor Repairing			
Servicing and Painting	70	527	27.84
Wax-based Industry	9	68	3.57
Leather Based Industry	10	46	.54
Bakery	90	509	22.49
Honey Processing	4	14	.91
Flour and Rice Mills	48	180	19.77
Tailoring	49	276	3.04
Printing Press	27	242	21.39
Electrical Works (incl. Battery charges)	8	38	4.25
Cement based Industry	92	555	30.70
Brick Manufacturing	4	109	7.89
Acc and ACSR Products	1	32	5.35
Beehive Col.	1	17	2.70
Knitting and Embroidry	55	141	4;85
Oil Industry	3	29	2.89
Steel based Industry	27	214	20.48
Tyre retreading and Volcanising	17	98	14.06
Saw mills	30	389	48.46
Stone crushing products and stone chips	11	113	17.59
Soap Manufacturing	3	17	1.88
Boan meal	3	60	4.38
Cycling repairing	6	12	.16
Radio repairing	5	17	;66
Canes and Bamboo works	35	111	.37
Art Industry	6	18	.16
Black smithy & Agricultural tools	15	65	1.12
Woodcrafts	10	39	1.22
Pottaries	6	20	.07

Battery manufacturing	1	10	.23
Weaving	13	78	.87
Lime making	11	157	23.40
Card Board and file making	3	22	.85
Photostat	4	10	5.05
Lozenge and Candy	2	11	.72
Hoal and seat makers	2	6	.06
Bus and truck body bldg.	1	28	1.00
Rubber stamps	1	3	.01
Misc.	42	270	29.30

The total number of industries are 802 and persons employed in these industries are 4953 with a total fixed investment Machinery in 000's of rupees) is 34340.

A more appropriate distribution table will reveal the data clearly. Here the total industries are divided into 8 groups. According to the table no. 2.2 the total small scale industries can be divided into Agro-based, Forest based, Mineral based etc. This analysis of the existing pattern of industries consists of other similar industries which involves in the same line of production.

Table No - 2.2

Type of units	No. of units	% of inds to total	Persons employed	% to total	Value of P&M	% to total
Agro-based	148	18.4	760	15.3	50	14.5
Forest-based	153	19.7	944	19.6	63	18.4
Mineral-based	125	16.5	986	19.9	85	24.8

Contd ..

Source : State Industries Department, Meghalaya.

Livestock-based	22	2.7	174	3.5	8	2.4
Mechanical	46	5.7	316	6.3	23	6.7
Chemical	5	.62	36	.72	3	.9
Electrical	9	1.1	48	.96	4	1.1
Repairs and services	233	29.0	1323	26.7	77	22.4
Others	61	7.6	366	7.3	30	8.8

It is quite clear from the above table that bulk of the industries had fallen under the category marked as "Repairs and services". It occupied 233 industries out of 802 that is 29% of the total small scale units. with regard to the employment it occupied the lion's share i e 1323 out of 4953 with a percentage of 26.7, in machinery 77 out of 343 (000's) that is 22.4% with second largest position. The repairs and services are mostly employment oriented than capital orientation, which requires skilled and semi skilled labourers. This is the major industry which is offering self-employment opportunities to the local entrepreneurs. Most of the women entrepreneurs in Meghalaya belongs to this section. Besides concentration on E. Khasi hills the W: Garo hills are also encouraging industries under this category.

The second largest category is forest-based industry. Meghalaya is famous for its luxurious forests and furniture work. Beautiful wood carving and furniture is a hereditary art still prospering in these tribal

districts. This industry occupies 153 units out of 802 (19.7%) with .19 % (approximately) of the total investment and 18.4 % of total employment.

The Agro-based industry continues to be third most important industry of Meghalaya. The state is concentrating on the production of consumable goods rather than commercial goods. The climate is most favourable for the production of temperate fruits. Various manufacturing units like ginger processing, fruit canning etc., are coming up recently. The total number of units existing in 1986 was 148 out of the total number of units i e 18.4%.

The Mineral based industry occupy fourth position in employment (16.5%) with highest percentage in value of plant and machinery (24.8) The "Others" with fifth position (61 units) occupies 7.5% of employment and 8.8% in capital investment. The least of all (.62) was occupied by chemical industry i e soap making, detergents, match box making etc., with .7% of employment and .9% investment on machinery.

The trainees for EDP and EMP programs are selected after conducting an interview by District Industries Centre Small Industries Service Institute and Meghalaya Industries Development Corporation. These institutions have their own selecting processes and are being engaged in these programs individually. Recently there is a move from the state government to have a combined and regular Entrepreneurship Development Program (EDP) under joint guidance by the



institutions. The selected candidates are given training in a specialised field. The entrepreneur after the completion of the course is expected to start a business unit. The table gives the number of trainees selected under different fields:

Table No - 2.3

Productive Distribution of Entrepreneurs In Meghalaya

Agrobased	96
Readymade garments	107
Automobile	68
Chemicals	18
Cement Projects	12
Plastics	3
Printing	27
Electricals	10
Leather	34
Glass/ceramics	14
Rubber	-
Forest based	70
Others	61

Source: Statistics and Economics Evaluation Centre.

In table no. 2.3 the productive distribution of entrepreneurs in Meghalaya can be seen. The importance has been given to readymade garments (107) and next to Agro-based industries (96). Third comes the forest based

units (70). Here we notice that in Plastics and rubber industries sufficient interest is not given. The bulk of the entrepreneurs fall under the "Others" category.

The table no. 2.4 shows the distribution of Small Scale units with their distribution, investment in plant & machinery and employment ranges. The investment ranges started from 25000 to 6 lakhs and above. The worker's ranges are from 1 to 100 and above into 6 columns.

Table No - 2.4

Distribution of SSI Units -- Output by Investment in
Plant and Machinery and Employment Ranges

Investment in Plant and Machinery Value in 000's	Units	Number of workers						Total
		1-4	5-9	10-19	20-49	50-99	100& above	
Up to 25	"	385	29	5	7	2	-	428
25 - 50	"	174	11	4	-	-	-	189
50 - 100	"	7	-	4	-	-	-	11
100 - 300	"	-	-	1	1	-	-	2
300 - 600	"	-	2	2	-	-	-	4
Above 600	"	-	-	-	-	-	-	-

Source: Statistics and Evaluation Centre, Meghalaya. 1984.

From employment point of view more persons are employed below 1 lakh. The industries with an investment below 25000 employing less than 20 persons are 419. But

with an increase in investment on machinery the number of units have decreased i e only 6 units in between 1 to 6 lakhs. This table with percentages give more detailed picture about the distribution of units.

Table No - 2.5

Distribution of units According to Asset Holdings

Value of assets	Number of Industrial Units	Percentage to Total units
0 - 25	428	67.5
25 - 50	189	29.8
50 - 100	11	1.7
100 - 300	2	.32
300 - 600	4	.63
600 Above	-	-

It reveals that maximum of 67.5% of the total industrial units belongs to the lowest slab of asset holding. Similarly 97.3% of the total units belong to the category that the total assets of which do not exceed Rs. 50,000. There are only 6 units in between 1 to 6 lakhs forming .95%. It will further be interesting to find out as to what is the value of total asset holding under each slab of holding on the one hand and the average holding of each slab on the other.

Table No. 2.6Distribution of the Units According to the
Size of Assets

Value of Assets in 000Rs.	No, of units	Total value of assets in 000s	Value of asset per unit 000s	Percentage of total value of assets
0 - 25	428	127	29.6	46.6
25 - 50	189	90	47.6	33.1
50 - 100	11	36	327.2	13.2
100 - 300	2	7	350.0	2.6
300 - 600	4	12	300.0	4.4
600 above	-	-	-	-

The average asset holding per unit has been worked out as Rs. 43000 i e .43. The table no. 2.6 reveals that the averages holdings vary between a minimum of 29,000 to maximum of 3 lakhs. A comparative study of the percentage of the total assets held by different percentages of the industrial units in each slab of asset holding has been worked out in Table No. 2.7.

Table No - 2.7Comparative study of the Asset Holdings

Value of Assets in 000s	Percentage of total units	Percentage of total assets
0 - 25	67.5	46.6
25 - 50	29.8	33.1
50 - 100	1.7	13.2
100 - 300	.32	2.6
300 - 600	.63	4.4

Table no. 2.7 makes an interesting study to show that 67.5% of the total units falling in the 1st slab hold 46.6% of the total value of assets. On the contrary only 1.7% of the total industrial units holding as much as 13.2%. 79.7% of the total assets in the 1st two slabs have been held by 97.3% of the total units where as .95% of the units hold as much as 7% of the total assets in the last two slabs i e 1 lakh to six lakhs and above.

Table No - 2.8

Distribution of Industrial Units according to the persons Employed

Persons Employed	No. of Industries.	% to Total of person s employed	Total No, % to tot. employed	% to tot. employed	Av. No of employment per unit
Below 5	566	89.3	2752	74.3	4.8
5 - 10	42	6.6	262	7.1	6.2
10 - 20	16	2.5	205	5.5	12.8
20 - 50	8	1.3	347	9.4	43.4
50 - 100	2	.31	138	3.7	69
Above 100	-	-	-	-	-

The above tables shows that the industrial units employ on an average 6 persons in their establishments. Table no. 2.8 reveals that 89.3% of the total (Employment less than 5) establishments employ 74% of the labour force. Their average employment does not exceed 4.8 under any circumstances. Similarly the 1st two slabs of employment is 95.9% of the total establishments engage 81.4% of the total labour force.

on the contrary .31% of the units employing on an average of 69 persons which is 3.7% of the total labour force. 1.6% of the industrial units falling in the last 2 categories according to the size of employment engages 13.1% of of the total labour force. The industries whose employment above 100 is nil.

Table No - 2.9

Comparative Study of Labour and Capital Employed

Size of employ- ment	% of total units	Capital employed in 000s	%of capi- employed	Capital employed per unit
Less than 5	89.3	5144	72.3	9.1
5 to 10	6.6	589	8.3	14.0
10 to 20	2.5	275	3.8	17.1
20 to 50	1.3	204	2.8	25.5
50 to 100	.31	899	12.6	449.5
100 and above	-	-	-	-

It will be relevant to discuss here the positions of capital held by different categories of units according to employment. Table No. 2.9 reveals that 89% of the total units employing on average only 9% of total capital. On the other hand the industrial unit employing more than 50 persons consisting only .31% of the total units, employ 12% of the total capital. The biggest contribution of the capital falls in employing 51 to 100. In other words first two employment groups engaged 80.6% of the total capital and 71.4 of total labour force engaged in SSI of this state.

A comparative study of labour and capital employed per unit and the volume of capital employed per worker in different sizes of employment is given in table no. 2.10.

Table No. 2.10

Comparative Study of Labour and Capital Employed

Size of Employment	Av. No. of labourers employed per unit	Capital employed per unit in 000s	Capital employed per labourer in 000s
Less than 5	4.8	9.1	1.9
5 - 10	6.2	14.0	2.2
10 - 20	12.8	17.1	1.3
20 - 50	43.4	25.5	.58
50 - 100	69	449.5	6.5
100 and above	-	-	-

This table reveals quite interesting results. It shows that smaller units according to the size of employment are more capital intensive as compared to bigger units, where as the capital employed per worker is high as Rs. 2.2 in the employment group of 6 to 10 persons. The highest number stands between 50 - 100 employment group is 6.5 and lowest stands in 20 - 50 group is .58.

Table No - 2.11

Schematic Outlays and Expenditure of SSI

Name of the Scheme	1980-81		81-82		82-83	
	Outlay	Exp	Outlay	Exp.	Outlay	Exp
Head Quarter Orgn,	.60	.52	1.99	1.89	1.00	.73

District Orgn.	2.67	2.41	3.18	3.00	5.94	2.84
Apparantice Training	-	-	.06	.04	.06	.04
Training Program for artisans and entrepreneurs	.72	.64	.60	.97	1.00	.89
Training Institute (leather, black smithy and carpen tary	4.21	4.13	4.06	4.00	4.15	4.13
Knitting, train ing centre	5.17	5.11	2.16	2.10	3.40	3.33
Multi purpose service work shop	-	-	2.80	2.79	2.50	2.39
Grants-in-aid	3.08	3.00	1.00	.78	1.00	.81
DIC	8.0	7.88	18.65	17.01	14.00	13.91
Saw mill cum mechanised carpentry	1.54	1.49	-	-	.80	.26
Subsidy for supply of knitting machines	11.11	1.00	-	-	2.00	1.72
Margin money for entrepre- neurs	-	-	-	-	1.00	.75
Refund of sales tax to register- ed units	-	-	-	-	1.00	-
Industrial Estates	4.56	4.49	3.00	2.79	7.30	5.52
Khadi Inds.	6.15	NA	3.00	NA	3.00	NA
<u>Handi Crafts</u>						
Master crafts Training	.60	.45	.50	.43	3.00	.45
Handi craft Industries	4.37	NA	3.00	NA	-	-

NA : Not Available.

Source: The Statistics and Economics Evluation centre,
Meghalaya.

The schematic outlays and expenditure of SSI can be seen in table no. 2.11. Here the total outlay has been dispersed among the schemes which helps in rapid industrial development. The schemes include training small loans subsidies and refunding of taxes etc. The table reveals the growing enthusiasm towards development the corresponding share of each scheme has been increased in 1983 - 84 it grew up to 50.15. More attention has been given to DICs as their number grew from 2 to 4 in 1983. Their outlay rose from 8.00 to 18.65 by 1982. The growth of industrialisation was encouraged with the establishment of industrial estates. The margin money for entrepreneurs is one of the recent schemes introduced to produce more local entrepreneurs. It was started only in 1982. Some industries are so small that their presence cannot be counted as industry such as tailoring etc. For such tiny industrial purposes the loans are generally informed. This is the reason here that the outlay for those industries is relatively small.

Table No - 2.12

Industries Recommended

	E.K	W.K	Jaintia	W.G	E.G	Total
Forest Based	23	18	22	21	14	98
Chemical based	18	7	12	20	7	64
Repair & Servicing	19	13	18	24	14	88
Demand based	18	10	8	18	8	62

Agro based	23	20	35	40	18	136
Mineral based	19	9	12	12	10	62
Livestock based	11	7	10	10	8	46
Mechanical & Metallurgical	16	5	10	16	7	54
Electrical and Electronics	13	6	8	13	8	48

Source: Directorate of Industries, Meghalaya.

A committee was appointed by the state government to make a survey about the scope of setting up industries under different categories. The committee made some recommendations on the basis of the discussions with Directorate of Industries at Shillong, District Industries Centres, State level and District level officials, commercial banks and individual entrepreneurs. The assessment of the industrial climate, specific needs of the state, demand pattern, plan priorities etc., are taken into consideration while making the identification of the potential candidate industries.

It will be seen from the above matrix of industrial units and their location that West Garo Hills takes a share of 26.4% of the number of units, as against E.Khasi Hills District, which accounts for 24.3% of the units. As per 1981 data 80% of the units are located in E.Khasi hills and that too in Shillong, the capital of Meghalaya. Any further undue concentration in this town will lead to

ecological disturbance and also will not be conducive to regional balance. From this point of view more and more units would need to be dispersed in the west Garo Hills and also in the E: Garo hills which have lot of potential for new industries to come up based on resources and demand,

Since in Meghalaya, no significant exploitation of agricultural based and forest based raw materials have taken place, the recommended units in the agro-based industries and forest based industries sector accounts for 35.6% of the total units which will give rise to processing and value addition.

Further, mechanical and metallurgical industries, chemical based industries, electrical and electronic industries together account for 34.6% of the total number of units. The thrust of these units will be to give an edge to the import substitution strategy in producing such goods with local effort and skill as were earlier imported from outside.

The other category is repairing and servicing industry. It has been given given 13.4% share of the total number of units. This sector offers more employment at less investment and trains the future potential entrepreneurs from the local people to venture out into new manufacturing activities.

The committee also made a recommendation for the District Industry Centre at each district to make actual assessment of market assessment of market situation and

infrastructure. The implementation of the valuable suggestions of this committee could not be done during the last one year due to the uncertain social situation in Meghalaya. It is expected that of these recommendations will be attended to next year.

The Industrial Estates :

The entrepreneurs who are enthusiastic to establish their industrial units basically face the problems of acquiring a site which satisfied in various respects i.e. proximity to raw materials and markets, good transportation and communication, cheap power and water resources, availability of cheap labour and financial institutions to satisfy the credit requirements etc. Acquiring all these factors is time consuming and is not possible by a single entrepreneur. This difficulty can be overcome through establishment of industrial estates. There are three potential industrial estates existing in E. Khasi Hills of Meghalaya. One is located in Shillong, the capital of Meghalaya. Various industries like Roller Flour Mill, Watch Assembling Factory, RCC pipes, ACSR Conductors, Polythene Sheets and bags etc., occupied this area. The others are in Burnihat and Barapani regions. In Burnihat there is only one medium scale unit - Steel and Concrete Products and rest can be categorised as pigmy industries. But in Barapani (Umiam) area quite a number of units have come up like Meghalaya Phyto Chemicals and Umiam Calcinate (P) Ltd

have already started functioning. But Ri-lum Match splints M/s Galaxy Asbestos Cement Ltd, M/s Meghalaya Tubes Co Ltd, and Meghalaya Minerals Ltd are yet to start their production. The Directorate of Industries had set up an Industrial Estate in Mendipathar in East Garo Hills and one at Rongjung of W. Garo hills. The Industrial Estate in Shillong is functioning actively than others. Various concessions in power, water and supply are being given in these industrial areas to encourage the new entrants.

CHAPTER - IIIFINANCING AND SERVICE INSTITUTIONS3.0.0. Introduction:

The principal aim of financing and service institutions is to provide the foundation for a self-sustained growth of the economy. This is achieved through establishing institutional setups which promote and aid the industrial units. They assist the development of the industrial atmosphere in any region by motivating the entrepreneurs, providing them with technical and financial help, acquiring first hand information about the developments and present position of industries, drawing their attention towards particular problems faced by the units and finding out their solutions.

They can be divided into Pure Financing Institutions (like Banks and Financial Corporations) which deal with financial aspects, the Service Institutions which draw their attention wholly on the matters relating with service (like District Industries Centre, Small Industries Service Institute, Poly-technology Transfer etc.,) and the third category of Institutions deals with both finance and service aspects (like Meghalaya Industries Development Corporation and North Eastern Council). The financial institutions like banks are also engaged in service activities and the service institutions like District Industries Centre are doing financial help. Thus these institutions are interlinked and their activities are overlapping, for meeting the requirements of the region.

SECTION - I**3.1.0. The Banks:**

The banks are important in providing financial support for the development of any region. In the present environment the trade and industry depend upon banks not only for their financial needs but for other services. Their main object is to raise funds from the general public and invest them for maximum returns. The banks' branch network is wide and powerful which stretches from cities to remote rural areas.

Their terms and conditions for lending have been liberalised and various schemes have been introduced for the purpose of facilitating the lending and other promotional activities within the reach of the general public particularly the small entrepreneurs.

3.1.1. General Requirements to be satisfied by the Industries:**3.1.1.1. Viability of the Project:**

The initial task of the banker is to carefully study the project. He observes the viability of the project and checks several related factors like demand for the product, availability of raw materials, use of machinery, manufacturing process, need of skilled labour, technology needed, market for the finished product and financial requirements etc. If any alterations are to be made, the banker normally advises the entrepreneur in this respect.

3.1.1.2. Borrower's Stake:

Once the project is accepted the next important factor is to observe the borrower's character, his capacity to utilise the

borrowed money for proper use and his means for its repayment. The repaying capacity is difficult to assess because it depends on various factors like nature of business, amount of loan, period and purpose of advance and source of repayment etc. The banker should use his discretion and judgement through evaluating the creditworthiness of the customer.

3.1.1.3. Registration:

The banker should check the registration of the firm. The firm acquires temporary registration either from District Industries Centre or State Industries Department. Once the firm is able to stand it will be given permanent registration. The banker normally prefers units which have attained permanent registration for their lending purposes. The firm's name will be included in the registrar of Industries Department and it will become eligible to claim subsidies, grants and concessions etc., from the state government.

3.1.1.4. Security:

The security provided against the loan may be movable or immovable property. It should be free from encumbrances and must be readily marketable. The fluctuations in market value often cause difficulties in estimating the real value of the property. The banker takes great care to evaluate the property.

3.1.1.5. Safety Margin:

The safety margin is generally not required for the loans given by national level organisations like Industrial Development Bank of India. The safety margin is also not required if the entrepreneur belongs to the lower middle or the poorer sections of the society.

But, the commercial banks prefer the margin money from the entrepreneurs to create borrower's stake in the business.

3.1.1.6. Financial statements:

They give the total picture of the assets and liabilities, sources and uses of the mnsst along with profit figure. They will be useful to develop analysis about the creditworthiness of the borrower.

These requirements to provide a loan are more or less same in every financial institution.

3.1.2. Types of Banks:

The banks can be majorly grouped as commercial banks, co-operative banks, Regional Rural Banks and Development Banks. Let us study the objectives and functions of each bank. The following table gives the picture about the number of bank branches existing in Meghalaya (1983 & 1986).

Table No 1

Districts	Number of Banks at the end of 1983				Number of Banks at the end of 1986			
	Commer cial	Co-op	RRBs	Total	Commer cial	Co-op	RRBs	Total
East Khasi Hills	44	5	6	55	45	6	18	69
West Khasi Hills	3	3	3	9	3	3	13	19
Jaintia Hills	6	3	2	11	7	3	10	20
East Garo Hills	7	3	-	10	10	3	-	13
West Garo Hills	19	8	-	27	24	8	-	32

Source: Directorate of Industries.

3.1.2.1. The Commercial Banks:

The Commercial Banks run their business mainly on commercial terms. They are mostly security conscious and their principles are quite rigid. After nationalisation they have introduced several schemes like Composite loan Scheme, Self-employment for Poor Urban People etc., which liberalised the lending activities and formalities. The table number 2 reveals that the commercial banks occupy the highest position. Out of total bank branches (153) the commercial banks are 89 which is 58%. There is an increase of 10 banks in 2 1/2 years. The East Khasi Hills consists of 45 branches followed with 24 branches in West Garo Hills. The growth of 5 banks in West Garo Hills alone shows the preference given to this area in setting up bank branches.

Table No - 2

The List of Bank Branches as on 15th Dec 83'

Name of Banks	E.Khasi	W.Khasi	Jaintia	W.Garo	E.Garo	Total
<u>Commercial Banks</u>						
State Bank of India	18	3	3	17	6	47
United Bank of India	5	-	3	-	1	9
United Commercial Bank	4	-	-	-	-	4
Bank of Baroda	2	-	-	-	-	2
Bank of India	1	-	-	-	-	1
Allahabad Bank	1	-	-	-	-	1
Central Bank	1	-	-	-	-	1
Indian Bank	1	-	-	-	-	1
Punjab National Bank	3	-	-	-	-	3
Indian Over Seas Bank	1	-	-	-	-	1
Union Bank	1	-	-	1	-	2
Vijaya Bank	2	-	-	-	-	2
Purbanchal Bank	1	-	-	1	-	2
Federal Bank	1	-	-	-	-	1
Central Bank	1	-	-	-	-	1
Syndicate Bank	1	-	-	-	-	1

<u>Regional Rural Banks</u>	7	2	2	-	-	11
<u>Co-operative Banks</u>	5	3	3	8	3	22
Urban co-operative Banks	1	-	1	1	-	3

The above statement will indicate the district-wise position of the branches of different banks in the state.

It will appear that the total number of bank branches in East Khasi Hills is 56 and 28 in West Garo Hills. Among the commercial banks the State Bank of India consists of 47 branch in Meghalaya out of the total 79 branches. But the remaining commercial banks like Central Bank, Syndicate Bank and Bank of Baroda etc., have their banks in Shillong, the capital itself, There was a branch expansion program in 1982 - 85 and it was as follows:

<u>Districts</u>	<u>Number of Identified Centre</u>
East Khasi Hills	21
West Khasi Hills	21
Jaintia Hills	1
East Garo Hills	15
West Garo Hills	10

The licenses were issued by Reserve Bank of India to State Bank of India in favour to open branches in Amlaram of Jaintia, Selshella and Zikzak in West Garo Hills. The licenses to United Commercial Bank (2Branches) and United Bank of India (1branch) are still pending. The Reserve Bank of India allotted 13 centres to RRBs (Regional Rural Banks) in East and West Khas and Jaintia Hills.

Various schemes of Commercial Banks:

1) Lead Bank Scheme: The scheme is an area approach for the

development of banking and credit structure in a particular district or locality. In Meghalaya the State Bank of India (SBI) has been working as a lead bank for all the districts.

2) Differential Interest Rate:

The scheme is meant for backward and weaker sections whose family income per annum does not exceed 2000/- in rural and Rs. 3000/- in urban areas. The total amount of loan is 6500 (1500 for working expenditure and 5000 as term loan) given at 4% interest rate. In Meghalaya the banks and other financial institutions have adopted this policy. The total advances under this scheme were 27.83 lakhs which was 2.42% out of the total advances (1146.00). This amount was fixed in 1971 and apparently has not been changed since then.

3) Under Self Employment for the Educated Unemployed Youths Scheme the entrepreneurs can set up Services, Industry or Business as a source of self employment. A composite loan of 25000/- with 10% interest rate and a moratorium of 6 - 18 months is given to the entrepreneurs. The District Industries Centre sponsors the cases to the financial institutions in this respect. Another scheme of similar nature is (SEEPUP) Self-Employment for Educated Poor Urban People. Under this Scheme the eligible entrepreneurs are given Rs.5000/- with very nominal rate of interest without any safety margin.

3.1.2.2. Co-operative Banks:

In Meghalaya the State Co-operative Bank was registered in Shillong on 6th Feb. 1971. It has 6 branches in E.Khasi

hills and 8 in West Garo Hills. The Apex bank of the co-operatives controls all the branches from its head quarters. The policies of the co-operative banks are considerably flexible when compared with the commercial banks. They provide direct financing and financing through co-operative societies. The direct financing can be obtained through acquiring a temporary membership from the bank. The co-operative bank mostly concentrate s on small and pigmy sectors. The requirements to obtain finance are more or less the same as that of commercial banks. But certain concessions regarding term of repayment and interest rate etc., will be given. In Meghalaya various industries are benefited through establishing societies like honey growers co-operative society, leather wear manufacture co-operative society and others.

3.1.2.3. The Regional Rural Banks (RRBs):

Development of rural economy is to be considered important to achieve social stability and economic growth. In the rural sector the credit requirements of village artisans, craftsmen and cottage units are in a pitiable state.

The commercial banks and others have been extending their help for the development of rural areas but they normally do not venture with out fulfillinggtheir requirements. Moreover the total help given by these banks may be only a fraction when compared with the total assistance required for their proper development.

In Meghalaya, there is only one RRB - Ka Bank Nongkya dong Ri Khasi and Jaintia hills with its branches exteading in East Khas West Khasi and Jaintia hills district. It came into existence on 29th Dec, 1981. In 1983 only 11¹¹ branches used to exist out of which 6¹were in S. Khasi hills. By 1986 there was a tremendous increase in the number of branches(41)¹ which was nearly a 400%¹ increase. Source of the data 1: Directorate of Industries.

The distribution of banks is rather uneven. The E.Khasi Hills, W.Khasi hills and Jaintia hills contain all the branches but East and West Garo Hills are left with no branch. The functioning of the bank is efficient but it has not been able to accumulate the deposits like that of commercial banks. The RRB does not concentrate on all districts but is limited to a particular region. It looks after the needs of small and marginal industrial units, rural artisans and small entrepreneurs and persons who are engaged in small businesses.

3.1.2.4. The Development Banks:

An important feature in the structure and organisation of the banking system is the establishing of the financial corporations, which provide to those sectors to which the commercial banks do not provide finance. The development banks mainly concentrate on long term finance to the industrial units.

The Industrial Development Bank of India (IDBI) is an organisation which deals with a systematic development program to provide finance to the industries and concentrates on solving the problems of industrial finance. It grants loans, subsidies and concessional finances to the industrial units. It also subscribes debentures, purchased bonds and stocks of industrial concerns, underwrites the equity capital and by far the most important function is that it creates refinance facilities to the financial institutions.

The various services done by this institution are providing technical and administrative assistance, conducting investment and market research programs, surveys on techno-economic needs of industries and restoring the lacuna between various industrial sectors.

In Meghalaya the branch IDBI came into existence in 1986. Though the IDBI is an important organisation the branch IDBI in Meghalaya is rather a new institution and will take time to participate actively. The various schemes implemented by this organisation in Meghalaya are refinancing of industrial loan scheme, soft loan scheme, seed capital scheme and concessional refinance scheme etc. At present it is providing financial help to various institutions to conduct the training programs, workshops etc. The setting up of Meghalaya mainly helps to overcome the difficulties of raising finances and providing refinance facilities to the various financial and service institutions.

3.1.3.0. The Financing and Servicing Institutions

3.1.3.1. Introduction:

In between the financial organisations which provide the necessary help to acquire resources and purely service organisations which are interested in the development of the region, there are some institutions which try to balance the dual function of financing and servicing. They provide finances after a careful study of the viability of the proposals of the industries. Some times they may take a risk of promoting an industry of doubtful viability but of social utility. Generally these institutions are either wholly financed by the government or supported (Guaranteed or Underwritten) by the government. There are four such major institution operating in this state with these policies. They are Meghalaya Industries Development Corporation (MIDC), Assam Finance Corporation (AFC), North Eastern Council (NEC) and Khadi and Village Industries Board/Commission (KVIC/KVIB).

The first two institutions are interested in the regional development. The AFC concentrates on four states of the North East, where as the third one the NEC is interested on the balanced growth of the entire North Eastern Region. The last one is targeting on the development of pigmy, small and village industrie of Meghalaya.

3.1.3.2. The Meghalaya Industries Development Corporation (MIDC):

The MIDC is a premier institution which functions as a policy formulating, co-ordinating and monitering agency for the development of the industries of the state. It maintains close relations with various financial and service institutions at state and central level. It provides both financial help and service to the large, medium and small industrial sectors. The corporation provides a comprehensive range of consultancy services like technical, economic, managerial and marketing assistance to the entrepreneurs.

Objectives:

1. The organisation encourages the entrepreneurs to set up, expand and modernise the industrial unite of public and private sectors.
2. It undertakes the responsibility of establishing business units in particular lines where there is no sufficient demand from entrepreneurs.
3. The corporation underwrites or participates in equity capital and provides medium and long term loans.
4. It helps the unit through evaluating the projects, prepares feasibility reports, undertakes the responsibility of supplying raw materials and machinery on a hire purchase basis.

5. It takes active interest in bringing technology and expertise from other parts of the country. This encourages setting up of industries through collaboration with prominent industries at the national level.
6. It conducts the motivational programs like seminars, workshops demonstrations and various technical training courses like Entrepreneurial Development Programs (EDP) and Entrepreneurial Motivational Programs (EMP) etc.

The MIDC is eligible to advance a loan up to 90,000 to an individual unit with 12.5%¹ as interest rate. The loan requirements above 90,000 will be recommended to the banks on the guarantee given by MIDC.

The requirements:

1. The firm should be a registered unit.
2. The project should be viable.
3. The borrower should contribute 25% as margin money out of the total project cost.
4. Loans are to be guaranteed by the third person who is financially sound or the borrower should provide security for the same.
5. The formalities like mortgage and hypothecation should be complete in all respects.
6. The loan is to be incurred and all assets of the unit are to be in the favour of the corporation.
7. The borrower should periodically submit the financial statement which reveals his financial position.

Source 1: MIDC Corporation.

Subsidies:

1. A capital subsidy of 25% on fixed capital investment (only plant and machinery) is given to the entrepreneurs.
2. A transport subsidy of 90% will be given to local entrepreneur whose purchases and sales are from outside the state.
3. An exemption of 50% of stamp duties and preferential treatment to sanction the loans to the tribal entrepreneurs.
4. Price concessions upto 15% are allowed.

The MIDC identified certain projects which have good scope

T A B L E - 3

MIDC Projects in the Seventh Plan

Name of the Project and location	Project Cost (Crores)	Amount in Crores
		Year of expected commissioning of the factory
1. SIDU Cement Plant Garohills	Rs. 68.60	1988-89
2. Tantalum Capacitors Project, Khasi Hills	Rs. 5.00	1985-86
3. Clay Washery (Nucleus Plant for a number of downstream small scale Inds).	Rs. 1.26	N.A.
4. Meghalaya Phyto Chemicals (Rehabilitation)	Rs. 5.45	Existing
5. Steel Rolling Mill Burnihat Indi. Area	Rs. 1.20	1986-87
6. Hotels at Shillong, Jowai and Tura	Rs. 1 Crore Each	During the 7th Plan
7. Tapioca Starch Pro- ject, W.Garohills	Rs. 2 Crores	N.A.

Source of the Data : MIDC Organisation, 1987.

for coming up through utilising locally available resources. As a developing agency it is encouraging new entrepreneurs by providing accommodation and organising technical and marketing assistance to set up the industries in industrial estates. The units in industrial estates are being provided with various benefits like concessions in rent, water and power supply and raw materials. The technical training courses by this organisation are beneficial to improve technical processes, selection of machinery, use of modern techniques, layout and designs etc. The Entrepreneurial Development Programs (EDP) are helpful for the development of entrepreneurship in the state. The trained unemployed graduates and diploma holders are also being financed under Self Employment for Educated Unemployed Youth (SEEU) scheme by MIDC or it sponsors the cases to banks or other financial institutes.

The organisation invites private finance from industrial units or from recognized financial institutions in setting up new industrial units. Various industrial units are requested to open ancillary units and subsidiaries in Meghalaya. The Meghalaya Phyto-chemicals in E.Khasi Hills is a collaboration with India Caruch Limited Group. The Associated Beverages Limited is a collaboration with Parle Exports Limited. Out of the total financing a certain amount is financed by MIDC in all these industries. The MIDC invited a group of experts from SIET, Hyderabad, to study the scope of setting up cemented based industries in Meghalaya. A watch assembling unit in Shillong, is an ancillary of HMT and was sponsored by MIDC. It is also making efforts to establish a Meghalaya Electronics Corporation with the imported technology from France.

The organisation is also providing special assistance to small and pigmy units. The government purchase stores program provides much assistance to the small units. The products manufactured by these small units are exclusively purchased under this program. The corporation is encouraging the Common Production Program under which a group of entrepreneurs are collectively engaged in a particular product. Thus the MIDC is adopting an integrated approach for the development of industrialisation in state.

3.1.3.2. The ASSAM Financial Corporation: (AFC)

The AFC is a development institution which concentrates on the sectors where the commercial banks gives least or no preference in providing finances. Meghalaya does not have a financial corporation of its own but depends upon the AFC. The AFC looks after the affairs of four states i e Assam, Meghalaya, Tripura and Manipur. At the state level, AFC is the second important financial institution immediately after MIDC. A branch of the AFC has started functioning in Shillong.

The Objectives:

1. The corporation renders financial help to medium and small units. It assists the entrepreneurs in setting up new units.
2. It encourages the establishment of business units in remote village and backward areas.
3. It assists in utilising locally available resources as raw materials for industries.
4. The corporation underwrites and participates in capital investment.

The conditions for sanctioning loans are the same as that of MIDC and the commercial banks. The various schemes adopted

by APC are:

1. Special Capital Scheme: It assists the entrepreneurs who are unable to bring the 25% margin money to start the business. The gap between the required margin money and entrepreneurs' contribution is financed by APC under this scheme.
2. Composite Loan Scheme: (Already discussed under Banks)
3. Seed capital Scheme: A qualified new entrepreneur who could not start a business unit due to lack of sufficient money will be financed with a minimum of two lakhs and maximum of 15 lakhs under this scheme.
4. Scheme for SC/ST Entrepreneurs: This scheme helps the SC/ST entrepreneurs for establishing new units with a minimum of 2500 and a maximum of three lakhs.
5. Equipment Finance Scheme: It provides assistance to medium and small scale units to purchase the plant and machinery and other capital goods required for their business.
6. Small Loan Scheme: This is mainly for the self-employment of the qualified unemployed entrepreneurs or persons who desire to stand on their own.

The evaluation of the project at the branch level is done by a manager. The project should be technically, economically and financially feasible. Once the conditions are satisfied the credibility of the borrower is observed. The time consumed to accept a proposal is considerably less than other financial institutions.

The following table reveals the interest rates charged for different schemes:

T A B L E - 4
AFC Interest Rate Structure

1. Small scale units in backward areas	12.50
2. Other new units in specified backward areas	12.50
3. Modernisation Assistance (All units)	11.50
4. Rehabilitation Assistance (Small units)	10.00
5. Composite loan upto Rs. 25000/- per unit to Artisan, Village and Cottage and small industries in tiny sector	10.00
6. For units promoted by scheduled caste/ Scheduled Tribe Entrepreneurs	
Loan above Rs. 25000/-	12.50
Loan up to Rs. 25000/-	7.50
7. Technical and Medical Graduate Scheme	11.00
8. Small Loan Schemes (up to 10,000/-)	11.00
9. Equipment Finance Scheme (EFS)	14.00

The AFC in Meghalaya is active and is making efforts to develop the region industrially.

3.1.3.3. The North Eastern Council: (NEC)

This organisation has come into existence in 1972 as a Central government agency. It is an institution which endeavours to bring the economic development in the North Eastern Region. To encourage this trend the council has co-ordinated several developmental activities for the greater use of locally available resources. The NEC acts as a financial institution and provides finance to the state government. It does not provide directing financing to the state government. It organises surveys and area research programs which are useful for inter and intrastate

development. The North East states differ in their language, cultural and social factors. The size of the states is small and the proximity between these states causes them to influence each other in various aspects. The schemes and policies of NEC as a whole concentrates on socio-economic development of the entire north east.

The various activities of the NEC are:

1. It conducts surveys through appointing a set of experts on different fields like planning, industry, banking (finance), minerals, power and water resources.
2. Conducting special training programs by inviting institutional heads and information officers from other parts of the country.
3. The study is made to understand the problems of the NE region. It formulates co-ordinated schemes and projects for the development of the north east.
4. It provides finances to various schemes, arranges workshops and seminars on different aspects like development of manpower, horticultural growth, pilot projects for watershed management and rural development workshops etc.
5. The council assists the state governments in raising finances from various financial institutions through participating in seed/equity capital. The projects should be beneficial for more than one state. The organisation takes interest on the developmental activities of border areas like construction of roads, setting up of power projects after carefully study. The state governments usually show lack of interest to do any sort of investment

programs in these areas. The NEC thus provides the necessary infrastructural requirements and other service activities which are important for the development of the industries of this region. It finances the total expenditure for the training programs given by various institutions like National Institute of Small Scale Extension Training (NEITCO) etc. It prepares feasibility reports on various schemes which consists ample potentiality like Hydro-electric Projects, Projects on Road Research Laboratory and watershed management.

The council invites various institutions like National Remote Sensing Agency, Polytechnology Research Institute, North Eastern Electric Power Corporation (NEEPCOP), Institutes on Hotel Management for advising on relevant branches. Thus the NEC is envisaging a bright future for the development of the North East.

3.1.3.4. The Khadi and Village Industries Commission: KVIC/KVIB:

Most of the financial institutions provide financial assistance to large industrial units. The other sectors like village industries, small traders and pigmy entrepreneurs often suffer to raise finances for their needs. The KVIC is mainly a financial institution which helps the business units run by very small entrepreneurs in remote village localities. It is provided with various package schemes like supply of raw materials, tools and equipment, provides marketing facilities etc. In Meghalaya the KVIC is situated at Shillong in 1975 by an act of Meghalaya

Legislative Assembly. Later two branch offices have started functioning in Sura, the West Garo hills district.

The Objectives:

1. To develop the small and pigmy industries in rural areas.
2. To create employment opportunities to the entrepreneurs who desires self-reliance.
3. To produce the goods which can satisfy the local demand.
4. To utilise the locally available resources as raw materials to the industrial units.
5. To provide financial assistance for fixed and operating expenditure.
6. The corporation provides machinery, tools and implements required by the unit at concessional rates.
7. Various grants, rebates and subsidies are given to the entrepreneurs.
8. The organisation offers training programs to the individual artisans, entrepreneurs members of registered institutions and co-operative societies who seek loans from the KVIC.

The qualified entrepreneurs or individuals are selected for the training by the KVIC. They will be given Rs. 200/- as stipend and get their training from KVIC Training Institute. Once the entrepreneur is a qualified trainee, he will be given a loan to start a business. The loan will be given either by KVIC or the KVIC sponsors the case to the bank or any other financial institution. As a part of the loan the entrepreneur will be given machinery, tools and equipment from KVIC or any other authorised supplier.

A subsidy of 25% on the total capital investment will be given as grant by state government. The grant may extend up to 75% if the entrepreneur belongs to the hill, border, tribal or weaker sector of the society. This opportunity will be given to a permanent registered unit.

The institution advises in the operation of machinery, maintenance and quality of the products, economic usage of raw materials etc. Thus the organisation has been implementing various developmental activities for the upliftment of small village units of Meghalaya.

Section - II

The Service Institutions

3.2.0. Introduction:

Let us now take into consideration about the various institutions in brief whose main objective is to provide service assistance to the industrial units and entrepreneurs. They can be advisory bodies like District Industries Centre (DIC), Small Industries Service Institute (SISI), Polytechnology Transfer Centre and the Government Institutions like Directorate of Industries and The Directorate of Economics and Statistical Evaluation Centre.

3.2.1. Districts Industries Centre: (DIC)

The DICs are such institutions which were introduced during the Janata party period. They are primarily service institutions at district level which look after the needs of small and village industries of that district. In Meghalaya

The DIC was set up in 1982. Since then it has been taking active participation and considerable interest in building up an industrial environment in the state. To facilitate its activities three branches DICs are functioning in East and West Garo Hills and Jaintia Hills.

The Objectives:

1. To make a survey of the number of industries already existing and about new entrants, to identify the potential projects, evaluating, preparing techno-economic feasibility reports and offering advices to entrepreneurs.
2. To develop the entrepreneurship, to prepare action plans on each district and to upgrade the skills of rural artisans.

The Services:

1. The DIC provides temporary registration to the viable projects for a period of one year. This helps the entrepreneur to avail the benefits like bank credit at concessional rates, industrial accommodation, acquiring raw materials on quota systems etc.
2. The centre recommends the projects to various financial institutions like banks, MIDC, APC etc. Under different schemes the units can acquire the loans at concessional rates. Once the unit starts functioning the DIC will recommend for permanent registration.
3. The unit can be benefited by claiming various subsidies from the state government under DIC's recommendation.

The various subsidies are:

- a) Cash subsidy: The projects identified by DIC will be eligible to get a subsidy of 25% on Plant and Machinery with a maximum up to 25000/-.

- b) Interest subsidy: The gap between the interest rates chargeable by financial institutions and the effective rate of interest which is 6%, is covered by the state government.
- c) Transport subsidy: The local units purchasing raw materials and selling finished goods outside the state are given a subsidy ranging between 75% to 90%.
- d) The raw materials: The units which depend wholly or partially on scarce raw materials are provided with the raw materials under priority basis.

The DIC is headed by a General Manager and seven functional managers who are specialised in different fields like raw materials, economic investigation and research, machinery and equipment credit, marketing, cottage industries, extension and training assists the General Manager.

They are helpful in evaluating the project applications advising the G M in necessary situations, acts as consultancy to the entrepreneurs on relevant matters. The DIC provides technical consultancy which helps the entrepreneur in solving technical problems. It provides various training programs to young enthusiastic entrepreneurs like:

RIP/RAP: The Rural Industries Project and Rural Artisans Project provides training programs with stipend, loans at concessional rates and preference in allotting the raw materials under specified areas.

BDP & EMP: They are the training programs to encourage the entrepreneurship in the state.

SEEPUP & SEEUJ: (Discussed under the Banks).

Demonstration-cum-Training Program: It introduces various modern methods and techniques for modernisation and expansion of existing and new units.

The centre conducts workshops, arranges demonstrations and exhibitions, Industrial fairs, market meets, buyer and seller meets, seminars and meetings for the benefit of entrepreneurs. DIC acts as a link between state level organisations like SFC, MIDC and central level organisations like IDBI and NEC etc. It is a co-ordinating agency which accepts assistance from several institutions, The activities of KVIS, SISI, State Industries Department and other institutions at state and central have been integrated with DIC. Thus the DIC operates with the co-operation of all the above institutions.

3.2.2. The Small Industries Service Institute: (SISI)

The SISI primarily concentrates on small scale, village and handi-craft industries. It is a subordinate institute of SIDO (Small Industries Development Organisation), which is a national level organisation for small units. The SISI in Meghalaya was established in 1973 at Shillong in E.Khasi hills and a branch SISI in Tura was set up on 31st Oct, 1983., in W. Garo hills. The state government takes the responsibility regarding the functioning of the organisation but the policy frame work is drawn from SIDO.

The services provided by this organisation are more or less the same as that of DIC. They are:

The technical services: The institute prepares various schemes and project profiles, provides technical literature, equipment and designs which are useful for the existing units.

Consultancy Services: These organisations in Meghalaya are not provided with experts on various fields but this work is being done by the manager himself. He assists the entrepreneurs by giving advices on how to set up new units, evaluates the project report, helps in writing feasibility reports, purchase of machinery, installation and operation of machinery etc. He also provides assistance in giving information about raw materials, finance and market.

The organisation conducts area surveys to identify the ideal locations to set up industries and market research to understand the demand of the new product and consumer satisfaction.

The training programs: Various courses on different management aspects like industrial management, finance, marketing and production management etc, are being given. The courses on technical aspects like carpentry, electroplating, welding, automobile repairing are given to the interested entrepreneurs. The institute bears the expenses of the trainees who get training from reputed training institutions like Central Foot Wear Training Centre etc. It also demonstrates on the process of production like chalk crayon, detergent powder and metal sheets.

These training programs help the trainees to learn various skills in a specialised field. It will be useful for them to start setting up industries in that particular field, in

which they were trained. Certificates are given after the completion of the course. The preference will be given to the trained entrepreneurs than untrained, in getting finances, accommodation, raw materials etc., to set up an industry. The Entrepreneurial Development Programs and Entrepreneurial Motivational Programs also conducted by SIET will be encouraged by this organisation.

The Market Assistance: The units which are registered under NSICs (National Small Industries Corporation) Single Part Registered Scheme get the benefit of selling their produce to the Government Preferential Purchase Stores. It also provides information about competition. Besides setting up new units the organisation encourages ancillary units by providing services for their development. Thus the organisation supplement various activities of the small industries in Meghalaya.

3.2.3. The Polytechnology Transfer Centre: (PTC)

The PTC is an agency which bridges the gap between the technology generation and technology users in the North East Region. It Primarily concentrates on identifying the scientific and technological problems of the industries of the NER. The PTC in Meghalaya was established in August 1979. The institute helps to find out solutions to the various problems from Research and Development Centres and research organisations in terms of scientific and technological methods.

Several units were recovered from the industrial sickness. In Meghalaya a dal mill had recovered due to the adoption of modern technology and knowhow, a wheat mill had found

a solution to the economic utilisation of its waste bran and a manufacturer of caffeine was benefitted by utilising the decaffeinated tea waste into briquetted fuel.

In the basis of the surveys made the institute proposed to start a rice mill which minimises the investment and operation costs, to set up Tapioca based industries, fruit processing industries and manufacture of citronella oil etc. It also conducts workshops, meetings, seminars, get-togethers and consultative meetings. It also invites representatives from Government Departments, Educational and Educational and Research organisations and Industry to advise on different aspects of development. Thus it is an institution which provides guidelines on several aspects for the development of industries in Meghalaya.

3.2.4. The State Industries Department:

Apart from supervising the programs of its branches such as Meghalaya Industries Development Corporation (MIDC), DIC, SISI, The Polytechnology Transfer Centre and the Industrial Estates (all of whose activities are described else where), they also operate a number of industrial units themselves such as cherra cement factory, and Watch Assembling Unit etc.

They are also responsible for licensing and registering industries, supplying raw materials and power etc. They also co-ordinate the requirements under Industries Act and Employment State Insurance Act etc. They also monitor the industrial hazards and pollution. In few instances they also joined hands

with private entrepreneurs in establishing joint sector undertakings.

3.2.5. Directorate of Statistics and Economics Evaluation

Centre:

This institution monitors and collects and compiles all the information including information about the statistics of industrial units, number of financial institutions, banks and their credit deposit ratio, raw materials available etc. however, the compilation is not very timely and comprehensive. Consequently the information compiled by this directorate is only of marginal interest.

CHAPTER - IVInstitutional Finance -- Their support to the Industries

In this chapter we shall consider the scope of operations of the various financial institutions which have offered finance to the industrial units of Meghalaya. The non-availability of timely and adequate finance acts as a severe restraining factor for the development of industries. Prior to the attainment of the state hood the industries often used to raise finances either from money lenders or some other private sources. Later with the introduction of institutional finance the banks and the financial corporations were set up at state level and central level which have played an important role in credit operations.

The industries which have some linkages with other established units in the major industrial towns (auxiliary and ancilliary units) in the country have a natural advantage of financial support and easier access for their credit requirements. On the other the really small independent units of Meghalaya which are purely local, draw upon the local material resources, market their products and services to the local needs have necessarily to depend on the locally available financial resources. This sector of industries is really the back bone of industrial climate in this state and supports a sizable number of entrepreneurs and employees. Most of these people are in the middle or lower income groups. As a matter of social justice the government and the nationalised banks and even other financing institu-

tions owe a duty to give a helping hand to this sector.

The industries which fall under this category are the Hollow Block industry, Automobile repairs, saw mills and furniture works etc. The entrepreneurs involved in these types of industries do not have the resources to go to far off places like Calcutta or Gauhati to run around the financial institutions for a loan of a paltry sum. Their needs necessarily have to be met by the financial institutions located in their own districts. Recognising this problem the Meghalaya Government had demanded and got the concurrence of the central government that all national level banks (Private and Nationalised) have to establish atleast one branch in this state. Though this was done in 1979 even till today there are some nationalised banks which do not have even a single branch here.

In the light of this there is a good case for a review of the performance of financial institutions in giving support to the local industries. It would be necessary to evaluate their performance as to whether they could meet the requirements. If they could not one should try to understand their difficulties which prevent them in performing the task.

Initially let us take about the financing done by the commercial banks. The following table presents the picture of deposits, advances and Credit / Deposit C/D Ratio of the commercial banks in 1982 and 1985.

Table No - 4.1

Deposits, Advances and Credit - Deposit Ratio
of Commercial Banks

Districts	As at the end of Dec-1982			As at the end of Dec-1985		
	Dep	Adv	C/D Ratio	Dep	Adv	C/D Ratio
E. Khasi Hills	6032	1351	22.40	10625	2722	25.6
W. Khasi Hills	69	32	46	166	76	46
Jaintia Hills	346	83	24	604	227	38
E. Garo Hills	52	12	22	142	75	53
West Garo Hills	351	138	39	788	341	43

Dep : Deposits.

Adv : Advances.

C/D Ratio: Credit/Deposit Ratio.

Source : Directorate of Industries.

According to this table the commercial banks played an important rôle in collecting deposits from general public. Out of the total deposits (6850) the E.Khasi hills alone amounted 6032 which was 88% in 1982 and it was 86% in 1985. The reasons for the growth in E.Khasi hills are - - Shillong the present capital of Meghalaya is situated in E.Khasi hills only. Up to certain extent the pact of influence made by Assam government had given an opportunity to develop this part of the state industrially. This made the banking institution to take interest in this area. It is important to note

that the C/D ratio in E.Khasi hills is lowest among all districts. But compared with rest of the districts the deposits and the amount of advances is satisfactory in E.K. hills. The W.Garo hills stands second with 788 in deposits and 341 (lakhs) in advances with 43 as C/D ratio. The deposits as well as advances in W.Khasi and E. Garo hills remains insignificant. But their C/D ratio is quite high which suggests that there is a good demand for bank finance.

After the commercial banks the next important banks are co-operative banks. Their branch network is well spread they are taking initiative in collecting deposits and providing advances to the industrial units. According to the table no. 4.2 except the Jaintia hills rest of the districts consists a high C/D ratio in 1982. In 1985 there was a good

Table No - 4.2

Deposits, Advances and Credit - Deposit Ratio
OF Co-operative Banks

Districts	As at the end of Dec-1982			As at the end of Dec-1985		
	Dep	Adv	C/D Ratio	Dep	Adv	C/D Ratio
E. Khasi hills	522	327	63	790	495	63
W.Khasi hills	36	17	47	94	192	203
Jaintia Hills	142	26	18	301	64	21
E. Garo Hills	33	26	77	102	44	44
W. Garo Hills	139	92	66	344	73	21

Source: Directorate of Industries, Meghalaya.

increase in the deposits and advances but the C/D ratio is rather disappointing in Jaintia and East and West Garo Hills. However in W: Khasi hills there is a tremendous increase in the C/D ratio which was 203 in 1985 when compared with 1982. This shows an uneven credit system of the co-operatives.

As it was found that the rest of the banks are keen in collecting deposits than advancing loans, the state government concentrated on the development of Regional Rural Banks (RRBs) in the state. They are the new start in Meghalaya. Their branch network is expanding rapidly. According to the table no. 4.3 only E.Khasi, W.Khasi and

Table NO - 4.3

Deposits, Advances and Credit - Deposit Ratio
of Regional Rural Banks

Districts	As at the end of Dec-1982			As at the end of Dec-1985		
	Dep	Adv	C/D Ratio	Dep	Adv	C/D Ratio
E.Khasi Hills	-	-	-	132	52	39
W. Khasi Hills	-	-	-	43	24	55
Jaintia Hills	-	-	-	37	14	39
E.Garo Hills	-	-	-	-	-	-
W.Garo Hills	-	-	-	-	-	-

Source: Directorate of Industries, Meghalaya.

only E.Khasi, W.Khasi and jaintia hills consists the RRBs.

There is no branch in E.Garo and W.Garo hills. The deposits are meagre and the C/D ratio was not up to mark. The state government besides concentrating on the branch expansion, should also make efforts for their efficient functioning.

The process and achievement under the annual action plans of the banks in Meghalaya can be seen in the following tables for the years 1984, 1985 and 1986.

Table No - 4.4

Progress and Achievements
Achievements Under Annual Action Plan -
as on 31.12.1984

Districts	Industries		Total	
	O	A	O	A
East Khasi	30.06	36.90	488.86	789.00
West Khasi	6.04	1.09	83.21	74.71
Jaintia	24.15	7.99	83.61	131.38
East Garo	6.99	2.73	44.53	29.73
West Garo	7.28	9.47	76.86	128.37

Source : Directorate of Industries, Meghalaya.

The above table reveals the percentages given to the industrial outlay out of the total outlay was only 9.5% The industrial achievement out of the total achievement out which was only 5% shows that the outlay could not be reached. The East Khasi and West Garo hill districts exceeded the targets out rest of the districts were unable to meet their targets.

Table No - 4.5
Progress and Achievements
as on 31.12.1985

Districts	Industries		Total (Amt in 000s)	
	O	A	O	A
East Khasi	40.00	100.34	316.26	910.13
West Khasi	2.63	3.49	88.38	93.38
Jaintia	14.14	6.50	99.56	79.64
East Garo	7.65	3.51	71.66	40.12
West Garo	10.82	12.57	168.34	180.83

The percentage of total achievements out of the percentage of total outlay was increased by 2.2. The E.Khasi hills shown a sharp increase in its performance when compared with the 1984 achievements. The total outlays in W. Garo hills were exceeded considerably. The outlays of W.Khasi hills and Jaintia hills were reduced which followed with the decrease in achievements. But the E.Khasi hills far exceeded its achievements over outlays by 1 1/2 times i e from 40 to 100. It is quite clear from the percentages of outlays there is considerable decrease in all districts except E. Khasi hills. However there was an increase in the achievements in percentages of W.Khasi and W. Garo hills.

The table no. 4.6 reveals that there was not much change in the outlays of 1985 and 1986. The achievements also show a similar pattern expect in E. Khasi hills.

Table No - 4.6
Progress and Achievements
as on 31.12.1986

Districts	Industries		Total Amt in lakhs	
	O	A	O	A
East Khasi	60.17	40.53	501.80	675.40
West Khasi	4.25	3.86	124.90	143.14
Jaintia	9.50	6.44	82.59	77.06
East Garo	9.00	3.21	77.22	49.55
West Garo	15.00	12.27	204.49	141.86

O : Outlay

A : Achievement

There was a substantial decrease in the achievement of E.Khasi hills from 100 to 40.53. The percentage of the achievements also showed a decreasing trend in all the districts except in W. Garo hills. Thus the actual performance had changed noticeably, with a tremendous increase following with a depressing phenomenon of reduction in 1986. This shows the tempo of growth continued monotonically in outlays but the achievements had been fluctuating vigorously.

The following table shows the group-wise distribution of the number of reporting offices, the aggregate deposits and gross Bank Credit from Dec 1982, 83, 84, 85 and 86. The banks majorily divided into State Bank of India Group, Nationalised Banks, RRBs and other Scheduled Banks. It was followed

by the total bank picture of all scheduled banks. The table reveals the above details with a division of the state in to rural, semi-urban and Urban/Metropolitan.

Table No - 4.7

State Bank of India Group

Year	Rural			Semi - Urban			Urban		
	(a)	(b)	(c)	(a)	(b)	(c)	(a)	(b)	(c)
1982	32	5,29	2,58	10	20,18	5,45	-	-	-
1983	36	7.76	3,84	12	29,45	5,87	-	-	-
1984	39	9,48	5,01	5	7,85	2,81	8	27,46	6,04
1985	42	11,16	6,24	5	9,15	3,55	9	34,48	8,41
1986	44	16,56	7,59	5	14,12	4,09	9	36,02	9,14

Amt in lakhs.

(a) : Number of Offices

(b) : Amount of Deposits

(c) : Amount of Advances

Source : R B I Bulletins, Statistics and Economics Evaluation Centre, Meghalaya.

The State Bank of India has become one of the challenging banks with its increasing consideration and effort to uplift the economic development. The activities of the commercial banks in this state and all the north east region are co-ordinated by the development officer, Lead bank scheme, at the regional office of SBI, Shillong. The rural areas consists 32 branches out of 42 total bank branches in 1982. By 1986 there was an increase of 16 branches and the amount of the deposits also increased by 1 1/2 times in 4 years from 25,47 to 66,70. It is interesting to observe that out

of the 44 branches in rural areas, the deposits were 16,56 but, in 5 branches of semi-urban areas the deposits were 14,12. But in these years there was an increasing trend in semi-urban areas. This may be due to the opening new branches in urban areas.

Table No - 4.8

Nationalised Banks (Group I & II)

Year	Rural			Semi-urban			Urban		
	(a)	(b)	(c)	(a)	(b)	(c)	(a)	(b)	(c)
1982	-	-	-	2	3,76	73	-	-	-
1982'	11	3,81	86	16	29,94	5,83	-	-	-
1983	-	-	-	2	5,35	86	-	-	-
1983'	11	4,35	1,02	16	38,48	7,42	-	-	-
1984	10	3,86	1,62	5	9,07	1,73	14	44,38	8,64
1985	10	4,44	1,87	5	11,58	2,46	14	48,07	10,93
1986	10	5,78	2,25	5	13,71	2,67	14	57,16	13,58
<hr/> Group I : Nationalised banks (1969). Group II: " " (1980).									

According to the table the nationalised banks includes the 14 nationalised banks in 1980. Their concentration was mostly in semi-urban areas and continued in urban areas. Their deposits were mostly from these banks from semi-urban localities. The C/D ratio is nearly 1/5th of the total deposits in urban areas where as in rural areas it is around 40.

This shows that the credit requirements are higher in rural areas and the rural industrial units are much depending upon bank credit.

Table No - 4.9

Regional Rural Banks

Year	Rural			Semi-urban			Urban		
	(a)	(b)	(c)	(a)	(b)	(c)	(a)	(b)	(c)
1982	-	-	-	2	3,76	73	-	-	-
1983	9	12	6	2	23	4	-	-	-
1984	27	53	29	1	9	6	1	26	8
1985	36	1,37	72	2	15	9	1	60	10
1986	39	2,45	1,41	2	36	13	1	93	12

The number of branches of RRBs had increased from 2 in 1982 to 42 in 1986. Most of their expansion was in rural areas. Their C/D ratio was more than 50, in rural areas but in semi-urban and urban areas their amount of credit ranging between 19 - 60.

Table No - 4.10

Other Scheduled Banks

Year	Rural			Semi-urban			Urban		
	(a)	(b)	(c)	(a)	(b)	(c)	(a)	(b)	(c)
1982	-	-	-	3	3,44	66	-	-	-
1983	-	-	-	3	3,70	77	-	-	-
1984	-	-	-	1	43	24	2	4,24	80
1985	-	-	-	1	43	26	2	5,26	69
1986	-	-	-	1	50	30	2	6,04	83

The other scheduled banks were only 3 branches in 1982 with no increase in the branches till 1980. Their deposits are meagre and this is same with their credit. It shows that they are not taking participation in the Meghalaya.

Table No - 4.11

All scheduled Banks 82-86

Year	Rural			Semi-urban			Urban		
	(a)	(b)	(c)	(a)	(b)	(c)	(a)	(b)	(c)
1982	43	9,10	3,44	33	57,39	12,68	-	-	-
1983	56	12,23	4,92	15	77,21	14,96	-	-	-
1984	76	13,87	6,92	12	17,43	4,84	25	76,33	15,56
1985	88	16,97	8,83	13	21,31	6,35	26	88,42	20,13
1986	93	24,79	11,25	13	28,69	7,20	26	100,15	23,67

This table gives the total banking picture since 1982 to 1986. In rural areas the growth of branches is rapid i e from 43 in 1982 to 93 in 1986. This is an increasing trend. But in semi-urban areas there was a decreasing trend i e from 33 in 1982 to 13 in 1986. where as their number more or less remained same in urban areas. The C/D ratio reveals that approximately 1/5 the of the total deposits had been used as credit.

Meghalaya Industries Development Corporation: (MIDC)

After the seperation of the state, it was expected that the activities of the Assam Finance Corporation would be further improved by the corresponaing organisation in the new state of Meghalaya - - MIDC.

It was expected that this corporation due to its strong roots in the local region and due to its knowledge of the problems of the industries, it could do a lot for the development of industries in this state. However the MIDC had taken enough difficulties into its stride in identifying the problems of several industries. It has done only a marginal help to most of these industries. It is hoped and expected that they will be able to do better in future. The various financed by the MIDC can be divided into different categories. The Small Scale Production Organisations, Servicing Institutions and Commercial Organisations.

The basic data of the various industries regarding their total capital, contribution by the entrepreneur, subsidy and the loan given by the MIDC are given in the following tables. As can be seen from the tables bulk of the industries belong to small sectors. They could be divided as manufacturing industries, repairing and maintenance industries and trading industries.

Table No - 4.12

Industries Financed by MIDC in 85-86

Name of the Industry	Total Capital	Contribution	Subsidy	Loan taken
<u>East and West Khasi Hills</u>				
Betel nut	.62	-	-	.45
Bakery	.78	.15	.05	.58

Cont...

Barbed wire	1.90	-	-	1.40
Black smithy	.14	.03	.03	.08
Brush making	1.68	.42	-	1.26
Hotel	60.00	-	9-45	27.00
Flour Mill	64.00	-	-	44.00
Rice Mill	.44	.14	-	.30
Press	.80	-	-	.60
Automobile	1.27	-	.27	.85
Tailoring	.13	.01	.02	.10
Steel Fabrication	.14	.03	-	.11
Weigh Bridge	5.74	1.70	-	4.04
Saw mill	2.50	.66	-	1.90

Jaintia

Steel Fabrication	1.29	.29	.25	.75
Gold Smith	.22	-	.03	.17
Saw mill	3.51	1.31	-	2.20
Hotel	9.50	4.00	-	5.50

East & West
Garo Hills

Hotel & Restaurant	5.40	1.67	1.03	2.70
Rice mill	1.06	.34	-	.72
Knitting	.15	.05	-	.09
4 units Weaving	.15	.05	-	.10
Black smithy	.08	.02	-	.06
2 units Weaving	.15	.05	-	.10
Furniture 4 units	.46	.12	-	.34
Motor works	2.92	.62	-	2.30
Rice Mills	1.55	.69	-	1.03

Watch repairing	.11	.03	-	.09
Bakery	.12	.03	-	.09
Type writer repairing	.10	.02	-	.08
4 units Bakery	.12	.03	-	.09
2 " Cane & Bamboo	.06	.02	-	.08
Bakery	.15	.05	-	.10
Saw mill	2.60	.75	-	1.85
Handloom	.15	.05	-	.10

Table No - 4.13

Industries Financed by MIDC in 86-87

<u>Name of the Industry</u>	<u>Total capital</u>	<u>Contribution</u>	<u>Subsidy</u>	<u>Loan taken</u>
Automobile Industry	6.62	3.00	-	3.45
Saw mill	4.00	1.00	-	3.00
Bakery	1.59	.52	-	1.07
Auto-repairs	2.61	.61	-	2.00
Press	1.98	.58	-	1.40
Handicrafts	.19	.05	-	.14
Tailoring	.30	.03	-	.27
Color Photo Processing	9.00	2.50	-	6.50
Off-set printers	27.65	7.65	-	20.00
Hotel	16.29	4.29	-	12.00
Tyre and tube repairing	.32	.08	-	.24
Mining	42.17	29.67	-	12.50
Hotel	8.85	2.50	1.35	5.00

T.V Assembling unit	4.90	1.40	-	3.50
Barbed wire unit	2.26	.66	-	1.60
Lathe machinery	.87	.22	-	.65
Hotel (Hotel Centre Point)	111.00	35.00	15.00	74.00
Hotel (Tibrewal)	150.00	-	25.00	90.00
Trade and Industries	1.20	.45	-	.75
Hotel (Pegasus)	91.63	28.63	15.00	60.40
Shoe Upper (Virgo leathers)	45.00	8.00	8.00	29.00
Bows and Arrows (3 Units)	.72	.45	-	.27
Saw mill (W.K.)	3.00	.80	-	2.20
<u>Jaintia Hills</u>				
Bakery	1.37	.35	-	.02
Hotel	18.42	7.24	3.68	7.50
<u>E. W. Garo Hills</u>				
30 Weaving Industries	.15	.05	-	.10
3 Rice Mills	.93	.26	-	.67
Carpentry	.15	.05	-	.09
Charka	.08	.02	-	.06
Dakmanda House	.15	.05	-	.10
Bakery	.15	.05	-	.10
Handicrafts	.15	.05	-	.10
Cane and Bamboo	.07	.02	-	.05
Vehicle Repairs	1.55	.40	-	1.15
X - Ray	5.15	1.29	-	3.86

Barbed wire	3.22	.80	-	2.42
3 units Knotting	.30	.08	-	.28
Cane and Bamboo	.07	.02	-	.05

The number of units which had taken financial help in 1985-86 were 38 but the number increased by 6 i e 44, by 1986-87. The total amount sanctioned in 85-86 was 102.08(in lakhs) where as it was 346.71 lakhs in 86-87. The subsidies were taken by very few industries. This shows that most of the entrepreneurs were non-locals. This is because the local entrepreneurs are eligible to a capital subsidy of 25% out of the total fixed assets. Out of the total 102.08 lakhs 86.5% i e 82.22 was spent in East and west Khasi Hills alone(1985-86). Where as in 1986-87 , 97.3% i e out of 338.71, 329.77 was spent on E. Khasi hills (which includes W.Khasi Hills with 3 lakhs to a single unit). In the rest of the districts the amount given as advances was almost insignificant.

Assam Finance Corporation:(AFC)

The Assam Financial Corporation was established in the year 1954 by the Assam State Government ct 1951 to be the main agency for the term loan assistance to the industrial units in the North Eastern Region including the areas currently under Assam, Meghalaya, Tripura and Manipur. This organisation mainly provides financial assistance to small units. The various activities done

by this organisation regarding financial help in Meghalaya are: Granting loans to industrial concerns, financial assistance to hotels and transport industries and Industrial estates. It also undertakes the guarantee for the loans raised by banks and state co-operative banks. The following table summarises the total financial help done by this organisation in a period of 5 years.

Table No. 4.13

Details of the Industrial loans sanctioned at Meghalaya from

1982 to 1987

(Amt in Lakhs)

Type of the Industry	NO. of Concerns	Total Sanction
Transport	4	7.50
Rice Mill	1	.30
Hollow blocks	6	.95
Tailoring and knitting	10	.95
Saw mills	2	1.90
Mechanised Carpentry	4	2.15
Automobile workshop	5	2.10
Hume pipe	1	8.25
Printing Press	2	5.75
Stone crusher	22	2.88
Lime Industry	1	2.60
Paper Bag industry	1	1.70
Steel Fabrication	2	.40
Hotel	2	51.82
Spice Grinding	2	.50

Candle industry	1	.50
Tyre retreading	2	.70

Source: AFC, Meghalaya.

The total units benefited by this corporation have been 48 and their total loan sanction to all these units amounted to 90.95 lakhs. The hotels and service industry was given 51.82 lakhs which was 57% out of the total advances. The Hume pipe industry stands second with an amount of 8.25 lakhs which was 9% followed with Transport industry. The amount of loan sanctioned to this industry was 7.50 lakhs which was 8.2% out of the total amount of advances. These three industries together accounted 74.2 % which was nearly 3/4 ths of the total advances. Rest of the units like Tailoring and Knitting, Tyre retreading, pipe grinding etc., were given very nominal advances. However, the total amount of advances in total 5 years shows that the organisation was not quite active in lending activities. The hotel and transport even though comes under service industry they cannot be really called industries. The organisation should try to encourage more small manufacturing units instead of few large concerns.

The Industrial Development Bank of India: IDBI

The organisation is a development bank started functioning since April, 1986. As such the activities

of IDBI are very large and its orientation towards developing the industries and institutions are quite strong. But the branch IDBI in Meghalaya is totally a new institution. The activities of this branch in this state was already discussed. Let us observe from the following table for the financial assistance given by this organisation.

Table No - 4.15

Assistance by IDBI

Types of loans	Units	Disbursement	
		April 1986	June 1987
Composite loans	168	13.6	12.88
Vehicles (Transportation loans) and others . . .	305	310.41	315.08
Women entrepreneurs	106	2.28	2.28
Small Scale Industries . . .	20	46.30	30.36

(Amt in lakhs)

Source: IDBI, Shillong.

The above tables reveals that almost 83% of the total loan sanction goes to vehicles and transportation sector. Though their share is small it seems that a substantial number of entrepreneurs in women and other weaker sections seem to get assistance from the bank. The number of the small scale units though is small gets about 10% of the total share of the money with in the period of 86 - 87.

Table No. 4.16Assistance by IDBI

Types of Institutions	(Amt in lakhs)	
	Composite loans	General Loans
Canara Bank	.50	7.5
Bank of Baroda	-	33.01
State Bank of India	.92	101.13
Vijaya Bank	-	12.52
Indian Bank	-	3.68
Indian Overseas Bank	-	.45
Federal Bank	-	1.34
Ka Bank Nongkyn Dong Ri khasi Jaintia	2.20	3.64
MIDC	8.18	158.81

Source: IDBI, Shillong.

The IDBI does refinancing through the commercial banks, financial institutions under two categories: Composite loans and general loans. More than 90% of this refinancing is through the second scheme. Bulk of their activities are through MIDC and State Bank of India, together accounting for 80% of the loans. The remaining share is through the other commercial banks. It appears that the general loan scheme is favoured as it enables the entrepreneur to use the money judiciously as per his requirements.

The Khadi and Village Industries Board: (KVIB)

In the last chapter we have already discussed

about the objectives and the assistances done by the KVIB. The following table observes the financial assistances done by this organisation in 1983-84, 84-85, and 1985-86.

Table NO - 4.17

Industrywise summary of progress of disbursements

Name of the Industry	1983-84	1984-85	1985-86
Village oil	.46	.46	1.00
Village Leather	.35	.10	.12
Laundry soap	.16	.16	N11
Village Pottary	1.14	.70	2.16
Fibre unit	.45	.11	N111
Carpentary & Blacksmithy	1.48	3.27	3.04
Lime making	.76	.11	.07
Cane & Bamboo	.58	.68	.83
Processing cereals & Pulses	1.26	1.57	1.99
Bee keeping	1.48	.33	.78

Source: KVIC, Shillong.

The total disbursement of advances is about 10 lakhs and is distributed among several industries. The bulk of the share goes to (3.04 out of 9.99) carpentary and blacksmithy. As can be seen from the table below the pottary industry gets the next share (2.16). The processing cereals and pulses occupies third place with 1.99 i e 19% out of the total a

advances. The loan amount increased considerably to the village oil, village pottary and PCPI but the village leather and laundry soap were given no loans. The organisation should focus its attention towards other industries besides giving loans to the existing industries.

From the above studies it is clear that these institutions have to strive harder in identifying, advising and financing the potential industries.

SECTION - IIProblems of General, Financial and Service Nature

In the previous pages we had discussed the data of institutional finances for industries. The financial inputs to the industries are of vital importance. They should be available adequately and timely. However in the course of study we found a related and equally important problem. This involves the study of difficulties in collecting information. Even if the industry is a good risk and the financial institutions have resources to help the industry in Meghalaya, there seems to be a communication gap and lack of information about the availability of finances and the procedures involved.

Thus besides dealing with the financial aspects it is also important to concentrate on the various problems which influence the financing of industries. These problems can be divided into General, Social and Cultural and Institutional Problems (Finance and Service).

The industries which are large and medium occupy a very minor proportion of the total industries. Major concentration is given to small scale units. Even though the present problems are affecting all industrial sectors, the small businesses are more affected. The industrial units present a fascinating picture in planned industrial development and providing opportunities for self-employment to educated men, experienced technicians and contribute to the growth of industrial entrepreneurship. They

are powerful tools for the balanced regional economic development of an underdeveloped state like Meghalaya with low technology and machinery.

The problems faced by the industries and institutions are discussed in the following paragraphs.

General Problems:

The general problems are the non-availability of raw materials, inadequate and uncertain power and water supply, lack of knowledge of marketing, costly labour, difficulties in credit and expensive consultancy services etc.

The Social and Cultural Problems:

1. Problems of Land:

The government policy regarding land transfer is quite rigid. It is a serious problem faced by the industrial units. The purchase and sale of land can be done only by the tribals and not by others. On the other hand the people and the local headmen have more authority and ownership over the land than the government.

2. Matrilinial society:

The matrilineal and matriarchal society is quite peculiar which is rarely seen in the rest of the country. The female members of the family are given importance rather than the male members in Education, performing family rituals and inheritance of property. The property

usually goes to the youngest female member of the family. Like the women elsewhere in the country, the women here mostly concentrate on household works etc., and very few businesses like sale of fish, vegetables are being done by women. But the male members are enterprising and enthusiastic in setting up industries. It is quite difficult for them (men) to raise finances for their business units. The entrepreneur has to raise money either from his savings or depending upon institutional finance. If he is fortunate enough he will get married to the youngest female member of a family. This dual system (enthusiastic men without property and non entrepreneurial women with property) is quite an important problem in setting up industries in this state.

3. Social Conflicts:

Besides the various tribes existing in five districts of Meghalaya like Khasi, Jaintia and Garo, people from the areas of North East like Assamese, Nagas, Mizos and Arunachalees etc., even more from the rest of the parts of the country like North and South Indians can be seen in this region. The social conflicts, misunderstandings and disbeliefs are arising between different ethnic and linguistic groups. The proper person for a particular job may belong to a certain community. However, the social pressures and

political situation may demand that the choice be made from a different ethnic group. This is not only seen in employment but also in setting up industries and availing the finances given by the state government.

Entrepreneurship: 4.

The industrial environment is still at the development state. The people of Meghalaya not been very much exposed to the industrial atmosphere and that is an important hindrance to rapid industrial development. The entrepreneur should be capable of handling various aspects like purchasing, processing and technical and managerial problems etc. Recently there was a move to encourage the local young entrepreneurs to establish industries. Various service institutions are conducting exhibitions, industrial meets, seminars, workshops and programs like (EDP) Entrepreneurial Motivational/Development Programs (EMP), to motivate the people.

5. Money Lenders:

Most of the villagers in Meghalaya are simple folks. Their desires and life styles are quite simple and most of them are illiterate. This aspect is being taken advantage of by money lenders. Money lending is still prevalent in most of the villages of Meghalaya. A private money lender has the following advantages over an organisation like a bank in this region. He

is easily approachable when ever required. He has very few formalities. His procedures are simple and requires less time in meeting the needs of the borrower. Quite often the payment may be made in kind when ever it is found convenient. He asks fewer questions for which the loans are taken.

The banks may put rigid stipulations for the purposes for which the loan is utilised. The procedure may become too cumbersome as compared to a loan without any conditions by a money lender. Atleast 90%¹ of villages in Meghalaya suffer from this malady of indebtedness. The percentage of indebted households varied from 49% in E.Garo, 66% in E: Khasi and 68% in W. Garo hills. The interest rates for such loans were found to vary from 50 - 400% in different situations.

Source 1 : Directorate of Industries, Meghalaya.

Institutional Problems:

Finance:

1. The Land Transfer Act:

As mentioned earlier the financial institutions are regarded as outsiders. The financial institutions do not accept land as a security for giving a loan to an entrepreneur. The land mortgage is more complicated here than in the rest of the country and these institutions are not well equipped in handling this problem effectively. Various banks and other financial institutions in several meetings

urged the state government to amend the land transfer act. The state government has taken this point into consideration but effective steps are yet to be taken.

2. Less usage of deposits:

The entrepreneurs and institutions usually criticize each other in this respect. The entrepreneur feels that the banks is collecting deposits but is not utilising them for local needs. There should be a regulation which demands the banks to use a certain fraction of the deposits for the local industrial needs. He also feels that the rules and conditions for the advances are quite rigid and the formalities are lengthy and time consuming. The bankers on the other hand complain that very few entrepreneurs are coming with viable projects. The managers of the financial institutions are also afraid of taking the risk because of a few unfortunate cases where the loans turned out to be irrecoverable. (There was one case in which the job of a particular manager was terminated).

3. Targeting Large Firms:

The number of Small Scale Industries is much larger than the large and medium scale industries in Meghalaya. The demand from Small industries will naturally be small when compared with medium and large firms. The commercial banks are mostly targeting large firms which demand large sums of money with sufficient

security. The paper work, expences and time taken is large in case of small units. More over the tact and patience required by the manager is much more than large units. This causes the financial institutions to be attracted towards large firms.

4. Concentration of Banks:

The spread of banking is highly uneven. Till Nov. 1982 there were 5 Community Development Blocks (CDB) that were totally unbanked and 11 CDBs with only one branch, where as a particular CDB (Myllem) was served by 29 bank branches. The commercial banks and other nationalised banks mostly concentrate on the capital city, Shillong and other CDBs like Tura and Jowai. This shows that the remote areas are not being benefitted by financial institutions.

5. Heavy Overdues:

The loans taken from commercial banks and other financial institutions are not being used for the purpose mentioned by the borrower. Sometimes the loans are being used for consumption purposes of various kinds and also for the repayment of the loans and interest to money lenders etc. This aspect has not been given sufficient care by these institutions.

6. Lead Bank:

In Meghalaya the lead role is played by State Bank of India. It is not quite efficient in its activities.

The bank keeps the data regarding the number of villages, along with names, number of defaulters and other related statistics of the State Bank of India alone, but not of the operations of other banks. The bank does not have a proper library and valuable published material it receives from Reserve Bank of India. It never keeps any type of information regarding the total picture of banking at any point of time.

Service Problems:

1. The Communication gap between Institutions:

The District Industries Centre, Small Industries Service Institute, and Meghalaya Industries Development Corporation invites applications from the candidates who are interested in participating the training programs conducted by these institutions. After formal interviews the candidates are selected and are given training in various specialisations. The trainees who have undergone the training under EDP, IMT, EMP programs (a special program is SEBUY) are asked to prepare project reports of the industries which they intend to start. Once the project reports are evaluated the units are given temporary registration, either by DIC or by State Industries Department. The entrepreneurs who have not undergone the training also can apply for temporary registration. The entrepreneurs after the registration enable to acquire accomodation in industrial estate, concessional water and power supply, raw materials

under quota system etc. The unit which cannot raise its own finances is recommended to the banks and other financial institutions in the state. The DIC takes the responsibility of evaluation of the credibility of the unit and sponsors the application. The banks and the institutions verify the information in the application. They also make a recheck over the evaluation done by DIC. If the reports are positive they advance the loan to the unit other wise they reject the application. These financial institutions are expected to mention the grounds for the rejection. This feed back about the number of applications accepted and rejected is important for the DIC or state Industries Department in processing the next batch of applications.

The communication gap is so wide that the banks rarely bother to inform the DIC or the State Industries Department about the number of applications in various branches and accepted or rejected. The DICs are also helpless as it sends the applications to various branches and institutions. It is difficult for the DIC to go around to each branch enquiring about rejected applications and the causes for their rejection.

b. There is no systematic policy among various financial institutions regarding advancing the loans. In other parts of the country the borrower is given an identity card by State Industries Department which is to be produced without fail to the bank from which he

intends to take loan. This enables the banker to know that the unit is a registered unit and checks the borrower from taking loan from some other bank at the same time. In another policy the banks with mutual trust and understanding form a committee and divide the total area into zones. The credit requirements of a particular zone will be looked after by selected bank branches according to the agreement. The borrower can have a loan from the concerned bank branch before approaching a bank branch in another zone. This also checks the borrower to acquire more than one loan at a time from different banks. In Meghalaya there are instances where a single borrower has taken more than one loan from different branches at a time. Worthless cases rejected by some banks are often dumped on a different bank. Due to various reasons they get accepted without proper verification.

c. There is no co-ordination among service institutions in conducting the training programs for young entrepreneurs. These institutions have their own rules and conditions to conduct programs and giving certificates to the trainees. The period of the program varies between 7- 15 days. Atleast 5 to 10 programs p a are conducted throughout Meghalaya by each institution. The period is quite insufficient to acquire the total knowledge of entrepreneurship. There is a policy by the state government of having a single and regular training program by all these institutions instead of having seperate and irregular program is yet to be implemented.

2. The service institutions mostly have one or two branches in district head quarters like Tura and Jowai. The staff employed in these institutions is inadequate. The managers of these institutions are the only persons who look after the total functioning of these institutions. The manager will be away most of the time for some purpose (like valuation of site, machinery, credibility of entrepreneur etc.). The entrepreneurs who reside near these institutions will not find it difficult but for the entrepreneurs who are relatively poor and reside in distant villages, it becomes quite a costly and time consuming affair to visit these institutions regularly.

3. The Transfer of the Employees: Most of the bank employees and employees of central government developmental agencies like NEC and MIDC etc., are regularly transferred. These officers even though ambitious to do something creative, by the time they understand the full picture and situation of industries they will be transferred to some other place. Besides this the language problem is a serious hazard in the interiors. The non-tribals do not take sufficient interest in learning local languages. Most of the tribal people are totally unaware of the various schemes these institutions are providing.

Other problems:

1. In most of the states of the country the tribal areas form a part of the state. The various schemes and

and developmental policies are implemented both in tribal and non-tribal areas. Out of the total central grants only a portion goes to tribals and backward areas. In Meghalaya, the state itself is a tribal state and the special preferences, grants and subsidies are given to the state as a whole. This should encourage the entrepreneurs to set up industries by availing all these benefits. Unfortunately this aspect is misunderstood. Some of the entrepreneurs feel that the financial institutions as their guardians who provide finance when ever necessary but who should never ask to pay back the loan. The grants and subsidies instead of providing support to the entrepreneurs are encouraging less stake and seriousness about the business. The unduly liberal loans often encourage wastefulness in the industries. They often harm the interests of the industrial development rather than help it.

2. The state is facing severe conflicts between various communal groups. This type of environment discourages industrial development in the state. The state is still in its infant stage regarding technology and modern developments. Due to the prevailing situation it has become difficult to import the technology and expertise as it has become difficult to invite non-tribals from other states as they are somewhat reluctant to settle here.

3. The candidates attending the training programs like EDP and ENP conducted by these institutions are very few

in number. Most of the candidates prefer white collar jobs in the offices. After the training very few trainees are coming up with industries. There are several schemes where the candidates are sent to reputed training schools for a fulfilled training programs along with stipend. The expenses of the training, accomodation and food etc., will be borne by the institution. But most of the tribal candidates are reluctant to use these opportunities. Thus the development program cannot be successful in isolation.

4. Most of the institutions are facing problems in expansion of their units. They are finding it difficult to have suitable accomodation and permanent qualified staff. There is a necessity of employing experts in various fields like marketing, finance and research etc,. But most of the people are untrained and inexperienced. Due to this reason the valuation of the projects reports is not being done efficiently.

5. The lead bank prepares the credit plans which are useful for the development of industries in Meghalaya. The state planning is considered more important for the preparation of the state budget. There is a lacuna between these two plans for those schemes where the bank finances are a component the finance from banks is not at all utilised.

6. Although the Meghalaya is rich in various resources there is a deficiency of skilled labour (human resource).

The cost of the labour is much higher than the rest of the country which relatively influences the cost of production. The products manufactured elsewhere in the country are available at much cheaper prices than those manufactured in Meghalaya. Thus the locally manufactured products hardly stand for the competition with goods produced elsewhere in the country. The government has not yet framed any policy to safeguard the interests of the goods produced locally.

7. The last but not the least is that the Government of Meghalaya is mostly a coalition government. No single party having the required majority. Thus the government is rather weak and cannot be assertive in taking proper steps for the industrial growth of the state. Any industry costing crores of rupees has to be run by the government. Only a few concerns are being operated by the government at heavy losses.

The findings of this chapter can be summarised as follows. Most of the small industries are in a healthy and viable state. There is the potential to increase their size and number. The financial institutions have enough potential resources to help the industries. The state government and central government departments who are to co-ordinate the financiers and industries also exist here. However, the co-ordination of the various activities is below the expectations. There seems to be a severe communication gap between these three different sectors.

CHAPTER - VCONCLUSIONS AND SUGGESTIONS5.0. Introduction:

Various communities and Tribes, Their strong and weak points: Each community has its own distinctive strengths and weaknesses. An entrepreneur who can take advantage of these strengths has a better chance of success. For understandable reasons the government wants to encourage the local people to set up industrial units. Quite often they do not have the expertise in different fields such as formulation, execution, sales and maintenance etc. This is not a problem faced by people else where in the country. No one section of population in any part of this country can claim to be self-sufficient to take care of solving the problems arising in industries. A judicious choice of expertise available in different communities would make the industries more profitable. Further this demands a farsightedness and pervasiveness on the part of the entrepreneur which is unfortunately lacking in this region. For the healthy growth of industries the proper selection of persons for the particular jobs must be done without any prejudices as to their ethnic origin. Due to the power and varied population in Meghalaya, most of the manpower and capital is available only in Shillong, and the rest of the area does not contribute even 10 percent of the total extent of industrialisation. Even in Shillong most of the potential investors would rather invest in building for rental purposes as this is a highly fetching investment. In very few entrepreneurs are taking the risk of investment in industries. The

construction activities are mainly carried by mizos and anasis.

The ANAB society due to its own peculiar customs and traditions has an important bearing on the potential to set up industries. As already discussed the youngest daughter inherits the property of the parents. Due to this inheritance tradition the elder off-springs having no right to the property and would have to search their own ways and means of financing any venture they may want to adopt. Thus a sizable section of the population is denied the privilege of having to derive the support from the property. Curiously the Jaintias and Garos do not have this problem to such an extent.

The Technical Education:

Unlike other parts of our country the technical education is some what weaker in the state of Meghalaya. There is only one institution which offers technical courses at a diploma level. Even the existing commerce courses attract much people mostly from other regions and the local people do not show much interest. The available seats are very few and the government has not taken any steps to set up some more technical training institutes. Similarly the professional education is utterly lacking. The government does not conduct any exams in commercial subjects such as type-writing, shorthand and commercial graphics etc. Similarly there are no training programs or workshops to develop the entrepreneurship or to train the industrialists to make use of the financial facilities offered by the government and institution. Only recently the Meghalaya Industries Development Corporation, District Industries Centre and Small Industries Service Institute etc., are taking initiative in conducting the training programs like IDP and EMP.

5.2. Suggestions:

As mentioned in earlier chapters there is only one large scale industry with few medium scale industries. The SSIs (Small scale industries) dominate the industrial picture, but most of them are too small to be classified as SSI and may appropriately be called Pigmy Industries. They do not have enough influence in the government or with the financial institutions, and secondly, they find it difficult to obtain finance. Forming co-operatives by such units would solve the problem as it did so in other states.

The procedures outlined by individual money lenders are some what simpler though costlier as they give loans through the headman -- a sort of collective security at higher interests. And the entrepreneur consequently has to pay not only the largest interest but the headmen's commission as well. If the government funding agencies and the banks could use this social set up of the headman's snare only to evaluate the viability of the unit and use the total set of units in a village through a group financing scheme to minimise the risk which would benefit the units.

The banks are operating various schemes such as refinancing scheme and bill rediscounting scheme under IDBI, and margin/seed money scheme to provide finance to entrepreneurs at concessional rates. Most of the entrepreneurs are not aware of the existence of such schemes. As a result, flow of institutional finance to industrial units in the state is very meagre. The state Bank of India, the lead bank of the state may prepare a

booklet containing various concessional schemes in operation in the state in consultation with other banks, Meghalaya Industries Development Corporation and Directorate of Industries. Such booklets may be distributed to the entrepreneurs through the information counters of the banks, Small Industries Service Institutions and District Industries Centres. In addition, propaganda and publicity may be made in this regard to make the entrepreneurs aware of the existence of such facilities.

All the bank branches in the state should be adequately strengthened with technical and managerial manpower and delegation of authority should be made to the Branch Managers to dispose of the cases of industrial units at their level, provided the scheme is technically feasible and viable.

The state government should channelise the potential sources of finance for the industrial units through co-operatives formulating by themselves rather than a departmental set up like the MIDC. Similarly the distribution may be channelised through co-operatives.

Instead of opening the bank branches at a few places, diversification can be made by establishing small branches in remote areas for closer contact of these branches with the industries. This may reduce the paper work and delays in providing finances. It may be easier to find out the credit worthiness of the unit by informal investigation.

The National Small Industries Corporation assists small

scale units in getting machinery on hire-purchase. As there is no office of NSIC in Meghalaya, the government should give this responsibility to the MIDC.

The government should also bear the full expense for providing necessary amenities such as water supply, electricity and building of roads etc. The government should provide enough publicity in the local news papers and other sources of communication about various facilities offered by the governmental agencies to the industrial units.

The government should set up an independent machinery where complaint against other agencies particularly in matters of refusal of applications or unreasonably long delays.

The state government should enforce a uniform code of conduct against the rules of lending money and the various limits to give loans among the financial institutions. So that the entrepreneur is not forced to run around to several banks to find out which are the most profitable terms.

The bank officers are to be given orientation courses and their discretionary powers should be enhanced. More over they should not be blamed if an account goes bad as a result of their bonafied actions. The banks should be encouraged to take a more dynamic promotional approach rather than a cautious role.

Financial discipline of the industries has to be encouraged by insisting on proper maintainance of accounts and audit

procedures. The training courses are to be framed in such a way that the entrepreneurs understand the benefits of modern accounting systems, procedures of borrowing money and spending it profitably for productive use.

It is possible that the banking institutions are diverting their deposits to much more lucrative investments in heavy industrial sectors. They should be made to realise their social obligation in this region.

The central Investment subsidy is available to all industrial units in the state at the rate of 25% of the fixed assets subject to a ceiling of Rs. 25 lakhs. In computing, the value of land and building is not taken into account. Most of the small units are on rented premises which are not taken into account. The capitalised value of the rent at the rate of 150 times of the monthly rent paid by the small scale units may be taken in to account for computing the value of building as per norms laid down by National Building Organisation in case of small units when they are in rented premises. Otherwise the benefits of this subsidy scheme to the small scale units would be very negligible. The procedures and formalities in getting the subsidy should be simplified and a simple proforma be devised and the subsidy should be disbursed with in a short period of time from the commissioning of the fixed assets.

The industrial units in the state are eligible for transport subsidy equivalent to 75% of the total transport cost of both raw materials and finished goods on railway freight from the rail head at Siliguri to the location of the units. As a result a vast majority of the units are not benefited by this scheme as the state is not connected by railways and most of the small scale units due to their inherent constraints depend on Gauhati and other markets in the region for purchasing their raw materials and selling their finished goods. Capital goods and construction materials like cement, steel etc., have been kept outside the perview of this scheme. Many units are compelled to bring their raw materials by road from Calcutta and other places due to the inadequate railway facilities.

The quantum of transport subsidy may be raised from 75% to 100%. Instead of Siliguri, Howerah and Patna are also to be taken as nodal points for granting transport subsidy. The other suggestions are the transport subsidy should also include road transport for procuring raw materials and finished products, and the transport subsidy should be made applicable not only to the raw materials and finished goods, but also to the capital equipment and construction materials.

Regarding the service institutions the branch SISIs in Tura and Shillong are to be strengthened adequately so that they may serve the entrepreneurs in a better way. To provide Common Facility services these institutes are to be provided with workshops.

Lastly the District Industries Centres in the state should be strengthened by providing them with the necessary technical manpower. There should be a policy to induct personnel from Small Industries Service Institutes, in District Industries Centres and Meghalaya Industries Development Corporation on deputation to increase the interaction between these promotional agencies.

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