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Self Employment :—Success or Failure ?

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There has been a lot of talk about self-employment in the past few years, both in Government and Banking circle in the country. To define a self employed person one may think of a person engaged in agriculture, trade, small business, transport operator, small scale industries, etc. We will look into one of these categories, self-employed in small scale industries, in details and try to review the situation as it stands today with special reference to people living in West Bengal.

Small Scale Industries may be set up by young entrepreneurs having qualification in engineering & technology or backgrounds in the field of fabrication, or manufacture of small items like chemical industries including animal feed, leather goods. electronics equipment, etc. How does one go by to start such a small scale industry ? Any young entrepreneur hoping to start a venture, will have to go through certain processes. Firstly, whether this will be a partnership venture or individual proprietorship. Secondly, he must submit a full project report to government and other autonomous agencies like SISI for their approval. Thirdly, he has to complete the formal registration procedure with different official bodies at the local and state levels.

To submit a project report, the entrepreneur must make a thorough market survey for

the kind of product in demand, availability of raw materials and machineries at reasonable prices for manufacturing this product, his knowledge or experience to handle such product and the prospective buyer with goodwill for prompt payment on receiving goods.

Before approaching any financial institution for loan to start the business, the entrepreneur must make sure that he will be able to invest a certain amount which is normally within ten percent of the total loan application. When he approaches Banks for loan he will be confronted with volumes of papers to be filled in, and the number of documentations to be made. Also, on the part of the Bank Officials they are to prepare at least a dozen different kinds of proforma and take into account the voluminous project report submitted by the entrepreneur.

Let us take the time element behind all these exercises. One such entrepreneur is aspiring to start fruit canning or food processing business. He submits the project report, after a considerable home work, market study, earmark a plot of land for factory or rent a shed and so on. All these calculations and estimates are based on prevailing market price for raw materials (fruit is a seasonal thing). The project report is submitted ahead of the fruit season

so that the entrepreneur may start working during the growing season of the chosen fruit. Bank usually takes two to three years to consider the project report. If, after such a lapse of time the entrepreneur receives a rejection of his proposal, he should consider himself a lucky person. He is saved by Providence.

On the other hand if the person receives the loan from the Bank, the first thing he will find that his financial estimate (requirement of term loan, working capital, etc) has been slashed by 50 to 70 percent on some pretext or other. In the meantime the market prices for every material have gone up by 8% to 10% in the two years of hold up period. Further, the sanction may come in such a time that the growing season of the fruit is over for the year.

In case this small scale industry survives and the business needs expansion or diversification, fresh application is usually made for enhancement of limit. With the hope of getting additional financial help from the Bank, the entrepreneur may employ a few persons, invest a little in machinery in advance. Unfortunate delay from the Bank's side in giving a decision strains the existing unit and gradually the unit becomes sick. Once the sickness appears then it is all the way down to closer of the establishment and ruination.

We take here the case of one food processing unit around Calcutta to stress upon our point. The unit became sick after doing well for a few years. This unit applied for a rehabilitation and submitted proposal to the concerned Bank. Rehabilitation was prayed for under various schemes of financial institutions. By the time the Bank got through appraising

the rehabilitation proposal and sanctioned additional fund, the food processing unit became more sick for idle wages, maintenance of machinery, payment of rent, etc. As it happened the fruit season for that year was also over. So, even with infusion of capital the condition of the unit did not improve. All these happened because of inordinate time gap between the submission of rehabilitation project and receiving financial sanction from the Bank. The management of this company had again submitted a fresh rehabilitation proposal.

The delaying process mentioned earlier was repeated, fund sanctioned and the unit became sick again. After the third attempt for rehabilitating this company, the Bank stopped further help and went to the Court of law for realisation of their money. The poor entrepreneur would have to pay previous frozen account dues, interest on all loans, legal expenses etc, which added up to three to four times the amount he would have paid to the Bank had he folded up earlier without going for rehabilitation. One will be surprised to know that hundreds of such entrepreneurs are languishing under the burden of debt because of closure of one's unit and legal litigation in the Court of law whereas the Banks are very liberal in writing off staggering sums of crores of rupees in instalment and interest payment due from large industries and business houses.

One sound advice to entrepreneurs of small scale industries will be not to come under the high sounding speeches of pious people and jump on the bandwagon for self-employed scheme. Look before you leap !