Factors like the location of the plant, the area of the plant location, the nature of the organisation and years of existence of SSI units have influenced the level of satisfaction of the SSI units regarding the lending services of the Canara Bank.

It is also observed that ‘Type of Industry’ influences the level of satisfaction of the SSI units with regard to Dimension I, ‘Application and Sanction’ and Dimension III ‘Repayment, Follow-up and Recovery’.

It is further observed that ‘Nature of Organisation’ influences the level of satisfaction of the SSI units with regard to Dimension II, ‘Security, Margin, Interest and Charges, Dimension IV, ‘Adequacy of Amount Sanctioned’.

CHAPTER VII
SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

7.1 INTRODUCTION

In developing countries like India, Small Scale Industries play a pivotal role in terms of employment and growth of economy. The spectacular expansion of the small-scale sector during the past four decades is as much the result of the policies and programmes of the Government as of the initiative and enterprise of the small entrepreurs. The performance of the small scale sector in the spheres of production, employment and exports has been impressive. In spite of liberalisation and the opening
of the economy, the small-scale sector has not only shown constant growth but also outperformed the large-scale sector.

Tamil Nadu has been one of the pioneering states in India in encouraging small-scale industries. It occupies the second place in the growth of small-scale industries. Madurai District is endowed with rich mineral resources. Labour is available in plenty. There are four small Industrial Development Corporation (SIDCO) developed industrial estates in the District. In order to solve the unemployment problem and to have an equitable growth of small scale industries in developed and backward areas, the District Industries Centre was formed during 1979 in Madurai District. Many programmes have been launched in order to encourage self-employment through the District Industries Centre. Yet, there is always the question whether the financial assistance provided by the banks to SSIs is enough to meet the ever-increasing demand for finance from the units. Hence, the present study is an attempt to analyse the adequacy of the financial assistance provided by the Canara Bank to S.S.I and its impact on the growth of S.S.I in Madurai District. The specific objectives of the present study are, (i) to review the government policy regarding the financing of small scale industries, (ii) to study the various institutional assistance and support to the small scale industries, (iii) to analyse the extent of financial assistance to SSI sector by the Canara Bank in Madurai district, (iv) to analyse the effectiveness of the Canara Bank financing on the growth of SSI, (v) to analyse the attitude of the SSI to the lending services of the Canara Bank., (vi) to study the level of satisfaction and to identify the
factors influencing the level of satisfaction and (vii) to offer suitable suggestions based on the findings of the study.

In order to evaluate the effectiveness of the Canara Bank’s Finances in Madurai District, 250 sample SSI Units were selected by adopting proportionate random sampling method from six categories namely (i) Food products, ii) Electrical and Electronics, iii) Rubber and Rubber products, iv) Metal and Metal products, v) Chemical and Chemical products and vi) Miscellaneous units including textile and textile products, ready garments and the like.

Both primary and secondary data have been used for the present study. The primary data have been collected from the sample of 250 SSI Units with a pre-tested schedule by the personal interview method. The secondary data for this study have been obtained from various published and unpublished sources particularly the Annual Reports of the Canara Bank (Lead Bank), Madurai, from 1997-1998 to 2005-06, the office of the District Industries Centre, Madurai, and the like.

In the foregoing chapters, an overview of small-scale industries, Institutional Assistance and support to small-scale industries, bank finances to small scale industries in Madurai District, its impact on the growth of small-scale industries and the attitude of the small-scale industries to the lending services have been discussed. The major findings, suggestions and conclusion are presented in the chapter.
7.2 SUMMARY OF FINDINGS

The following are the major findings of the study:

1. The Canara Bank was founded on July 1st, 1906 in Mangalore in Karnataka by Shri Ammembal Subba Rao Pai, an eminent lawyer, educationist and social reformer.

2. In March 2006, the net profit of the Canara Bank was 1343 crores, among nationalized bank. The capital adequacy ratio was 11.22 per cent and the net NPA ratio 1.12 per cent. The credit deposits ratio was 68 per cent and priority credit to net credit 41.39 per cent.

3. It is found that the number of branches, deposits and advances have been increasing at the rate of 0.014 per cent, 0.100 per cent and 0.111 per cent respectively per annum.

4. It is learnt from the analysis that the credit to priority sector, SSI sector and total credit to SSI by the Canara Bank in India have been increasing at the rate of 0.163 per cent, 0.144 per cent and 0.109 per cent respectively per annum.

5. In Tamil Nadu, the number of branches, deposits and advances of the Canara Bank have increased at the rate of 0.012 per cent, 0.146 per cent and 0.176 per cent per annum respectively.
6. The share of lending to SSI in the public sector banks has increased from 24.69 per cent in 1994-95 to 25.23 percent in 2005-06. The share of SSI lending to priority sector has declined from 43 per cent in 1994-95 to 32.21 per cent in 2005-06.

7. The advances to priority sector and SSI sector have increased at the rate 0.154 per cent and 0.113 per cent per annum respectively. Stability was found in advances to SSI during the period from 1994-95 to 2005-06.

8. The percentage of the actual amount to target amount advances has declined from 103.51 per cent in 1994-95 to 98.72 per cent in 2005-06. Comparing that trend and growth of the actual amount of advances and the target amount, it has increased at the rate of 0.122 per cent and 0.113 per cent per annum respectively.

9. It is found that the outstanding in the priority sector has increased from 45.57 per cent in 1994-95 to 56.46 in 2005-06 whereas the outstanding in SSI credit has declined from 18.06 per cent in 1994-95 to 14.88 per cent in 2005-06.

10. In Madurai District, the number of branches, deposits, and advances in the Canara Bank have increased at the rate of 0.004 per cent, 0.091 per cent and 0.115 per cent per annum respectively. The growth rate was found high (12.15 per cent) in advances compared to deposits (9.47 per cent).

11. The share of SSI lending by the Canara Bank in public sector advances has ranged from 12.40 per cent to 19.38 per cent during the period under study. It is found that the advances to SSI by public sector Banks and the Canara Bank have increased at the rate 0.103 per cent and 0.060 per cent per annum respectively.
12. The trend and growth of the target amount were found high compared to the actual amount of advances made by the Canara Bank in Madurai District.

13. The outstanding in advances has been found high (17.51 per cent) compared to priority sector (12.23 per cent). It is found that the rate of recovery ranged from 58 per cent to 90 per cent during the period under study. The trend and growth of collection were found higher compared to Demand and balance during the period under study.

14. Regarding the general background of the sample Units, it is found that out of the 250, 82 per cent are managed by males and the maximum number of the Units belonged to backward communities (42.80 per cent).

15. More than 80 per cent of the respondents were Hindus and the maximum number of respondents came under the age group ;30-50 years (57.60 per cent). Out of the 250 respondents, nearly 75 per cent are having qualification above Higher Secondary Level.

16. Thirty-two per cent of the respondents do not have any work or business experience and just came into this line after the completion of their formal education followed by 25 per cent who had been engaged in private service.

17. Nearly 26 per cent of the entrepreneurs started SSI units to face challenges and record achievements and 24.40 per cent to make more money.

18. The location of the units is equally distributed in rural and urban areas including semi-urban. About 50 per cent of the units are found in backward areas and 55.20 per cent are partnership followed by sole proprietorship (36.60 per cent) units.
19. Nearly 65 per cent of the respondents possess only some elementary knowledge about the procedure for getting loans.

20. A majority of the respondents (54.80 per cent) felt that the loan application should be disposed within 3 months. Regarding the problems for getting loans from the Canara Bank, the inadequate assistance was ranked first followed by delay in the sanction of loan.

21. Among the sample 250 SSI units, 72 are food products units, 42 Electrical and Electronics units, 18 are Rubber and Rubber products units, 36 are metal and metal products units, 38 are chemical and chemical products units and 44 are miscellaneous units.

22. To measure the impact of Bank finance on the growth of SSI, it is found that the highest impact on growth of fixed assets was found in the chemical and chemical products units followed by miscellaneous units.

23. The highest growth score in the case of owned funds was found in the chemical and chemical products units.

24. It is observed from the analysis that the highest growth score in the case of borrowed funds was found among the chemical and chemical products units.

25. The maximum growth in the case of working capital is found among the chemical and chemical products units.

26. In the case of Raw material, the maximum growth is found in the Rubber and Rubber products units.
27. The growth score in the case of product-mix is found higher in the rubber and rubber products units followed by the chemical and chemical products units.

28. The highest growth score is found among the rubber and rubber products units for employment generation.

29. In the case of the value of productions, the highest growth is found among the rubber and rubber products units.

30. Rubber and Rubber products units have attained the maximum turnover and secured a high growth score.

31. The highest net profit is found among the metal and meal products units.

32. Regarding the levels of growth, out of the 250, 142 (56.80 per cent) come under the medium level growth, 60 (24 per cent) under the low level growth and the remaining 48 (19.20 per cent) under the category of the high level growth.

33. The co-efficient variation indicates the units that have high level are more consistent in their growth compared to other categories namely medium level and low level.

34. The estimated results of the Multiple Linear Regression Model showed that among the significant variables, capacity utilization had a greater influence on high level growth. In the case of medium level, the value of production had a greater influence on growth. In the case of low level, among the significant variables, working capital had a greater influence on growth.

35. To identify the attitude of small scale industries to the lending services of the Canara Bank, Factor Analysis was used. The results identified five factors namely,

36. As far the level of satisfaction to the lending services, out of the 250 respondents, 32 (12.80 per cent), 178 (71.20 per cent) and 40 (16.1) came under the category of high, medium and low levels of satisfaction.

37. In order to examine the factors that influence the level of satisfaction, Chi-square has been applied. The results showed that the education of the entrepreneurs, the nature of the organization, the number of years of existence of the units, the area of plant location and the location status of plants have influenced the level of satisfaction.

38. The five condensed factors from factor analysis were taken into account as five dimensions to examine the relationship with the level of satisfaction.

39. The type of industry influenced the level of satisfaction with regard to the dimension, “Application and Sanction” and “Repayment, Follow-up and Recovery”.

40. The nature of the organisation influenced the level of satisfaction of SSI unis with regard to the dimension “Application and Sanction”, “Security, margin, interest and charges”, “Repayment Follow-up and Recovery” and “Adequacy of Amount sanctioned”.
The adequacy of bank finance and the sanction of loan in time are very crucial for the development and survival of SSI Units. The followings suggestions are offered based on the findings of the study.

1. The role of the SSI sector in economic growth is important and this sector is the only segment of the economy wherein employment is generated continuously even when other sectors in the economy are floundering. Inspite of this, five year plan outlays for the SSI sector has been low in successive five year plans. The Government should increase the plan outlay in the Tenth Five Year Plan to the extent of 2 per cent of the total plan outlay. The plan outlay needs to be utilized to build up infrastructure for setting up new industrial units, market assistance, venture capital funding and subsidization of communication and marketing services.

2. It is observed that the advances made by the Canara Bank in Madurai District are less compare to the target. It is suggested that the Canara Bank should take proper action to disburse more advances to the SSI sector so as to reach the target.

3. A majority of the respondents felt that the assistance given by the Canara Bank was inadequate and delayed. Hence, it is suggested that bank should give
sufficient amount of loan to the SSI sector and in time. The entire process is to be streamlined so as to expedite decisions.

4. It is seen from the analysis that working capital had a greater influence on the growth of the SSI sector. Hence, it is suggested that the bank should provide higher loan for working capital so as to facilitate significant growth of the SSI sector.

5. It is suggested that the bank should inspect documents without delay, simplify the procedures for getting loans and fix the time limit for the sanction and disbursement, so that SSI units can get timely credit at lower interest.

6. To reduce the time involved in credit sanctions, it is essential that the small scale industries should submit all the required information in one instalment.

7. The branch managers should be given more discretionary powers to sanction loans. In the case of huge loan amounts the Committee Approach may be adopted to avoid several layers of hierarchy. The Committee Approach will reduce the time taken to forward the application to the Regional Office/Head Office for sanction of big loans.

8. There is an imperative need to bring about an attitudinal change among the officers of banks for improving the credit flow to the SSI Units.

9. The training programme will have to be arranged to motivate the staff of banks to ensure smooth loan recovery.
10. Some banks have insisted on compulsory deposit mobilisation as a condition of sanctioning credit to SSI units. Banks should be instructed not to insist on any pre-condition to the sanction of credit.

11. It is suggested that the banks should give up the traditional approach of assessing the credit needs of SSI according to rigid norms.

12. It is suggested that to reduce the cost of credit, delay, and lenders’ risk, credit rating services may be extended to SSI units.

13. A monthly Newsletter on SSI sector must be issued to all staff at specialized branches. The Newsletter should project the latest developments in the SSI sector and the important data of the bank, banking industry and economy and the necessity to meet the needs of the SSI borrower at the branch level.

14. Technological improvement has become essential in today’s environment. When services are offered at doorstep through internet, traditional practices do not hold much value. The Bank should examine the effectiveness of the information flow to the borrower through the traditional channels and bring out an effective information supportive system through IT-based services. It already has sufficient technical staff to undertake this exercise. Customer focus should become the hallmark of business development.

15. The Canara Bank has not so far examined the potentiality of women entrepreneurs as successful small scale industrialists. This segment of ownership has been growing in the past few years. It is an indication of business potential. The viability of this segment for business needs is to be urgently examined in
Madurai district. This is an imperative need not only to boost SSI but also to empower women in society.

16. It is seen that after obtaining loans, the SSI units are not regularly furnishing their periodical stock statements and other important documents required by the Bank. The SSI units should be compelled to maintain and submit their periodical stock statements to the banks. A penalty may be introduced for non-submission.

17. The Canara Bank should organise monthly borrowers’ meets’ for mutual understanding of problems and exchange of viewpoints. The monthly ‘borrowers’ meets’ are now only on paper. The bank must introduce a system of recording the complaints/grievances of SSI borrowers and appoint an internal authority to look into them and direct the concerned officials to do justice.

7.4 CONCLUSION

Finance is the lifeblood of any business. Adequate finance at the right time at the lowest cost without administrative hassles will give the greater fillip to the growth of SSI. The suggestion made, if implemented, will undoubtedly make the SSI competitive viable and meaningful. Proper treatment to SSI in so far as financing is concerned will help them to contribute significantly to the national economy. The strategies suggested in the study would make the SSI highly competitive and strong to meet all the challenges of the new environment created by globalization. This in turn helps the priority sector to contribute its share to the gross domestic product of the
country. In the wake of globalisation, the Canara Bank should adopt all the supra-strategies mainly to ensure adequate loans to the SSI.

7.5 FURTHER SCOPE FOR RESEARCH

The present study is aimed at evaluating the effectiveness of bank finance to the SSI. There is a lot of scope to make indepth research in this field. A few angles may be suggested:

(i) A comparative analysis of the help provided by public and private sector banks to the SSI sector.

(ii) A study of the overdue position and recovery performance of the banks financing the SSI.

(iii) An indepth study of the attitude of the SSI units to bank finance.

(iv) Challenges and opportunities for small enterprises through technological upgradation and better financial management.

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