Chapter - 2

REVIEW OF LITERATURE

2.1 Introduction

MSMEs are the engines of economic growth in the country. We need to develop strategies for sustainable growth. The hurdles faced by the MSMEs are in terms of human resource management, working capital, achieving sustainable growth, awareness and adoption of new technologies etc. This sector needs to address many issues to be competitive in the global market. Strengthening this sector to meet global competition would mean empowering the entire spectrum of MSMEs, including those in the informal sector and not just export-oriented units. There is no doubt that critical institutional mechanism is needed which provides support, mentoring, information and market intelligence, training opportunities and a technology dissemination system with a countrywide network that reaches out to all enterprises. Institutional setup to reach out to MSMEs in addressing such challenges does exist even in countries like U.S.A. In fact, there are about 1000 small business development centers that provide such support. But during the literature review it was found out that the support systems efficacy, effectiveness and efficiency varies from one country to the other, depending upon many factors such as culture, stage of economic development, level of competition etc.
2.2 Studies examining the general problems and prospects of small scale enterprises

The Japanese delegation which visited India\(^1\) (1961), found that most of the facilities and concessions provided were in excess of their requirements and they warned that it would lead to continuous dependence of these units on the government. Prasad\(^2\) (1974) in his study highlighted that small-scale industrial sector in India is small only in size but big on achievements. A study conducted by Bhati\(^3\) (1976) states that in a majority of cases, units outside the industrial estates, showed higher rates of surplus. Graham Bannock\(^4\) (1981) presents a vivid picture of the practical problems of individual small business, showing how they relate to the wider issues of economic policy. He believes the release of the economic dynamisms inherent in the small business sector could help to generate the social and economic change needed for the resumption of inflation-free growth\(^*\). Roy Roth Well and Water Zegveld\(^5\) (1982) reveal that SMEs have been and in general, continue to be, technologically innovative. SMEs, particularly, young technology based SMEs also make an exceptional contribution to employment creation. Independent SMEs, and their larger counterparts, do represent an important vehicle for regional regeneration. Narayana Reddy\(^6\) (1983) in his doctoral thesis reports that SSI units should equip themselves with better and improved methods of marketing, disseminated through proper training programmes conducted by the Institute of Marketing, which may be started exclusively for them. Hence there is a need for creating the Institute of Marketing for small industry at national level. Ram Vepa\(^7\) (1983) in his study reports that over the last 25 years a network of institutions and policies has been developed in the country but not all of them have been successful. But taken in totality, they have provided a well-organized frame
work in which the small and cottage industry have been allowed to grow. Vinayak, Shankarrao Bhoyar\(^8\) (1984) states that programme of co-operative industrial estates coupled with co-operatives in other related fields is a powerful instrument, which possesses the capacity to transform the backward areas into advanced ones. The task force on small-scale industries\(^9\) (1984) found that available subsidies and concessions are not distributed to eligible units at the right time. Such assistance announced by the government is badly delayed for several reasons such as delay in issuing detailed orders, inadequacy of budget provisions etc.

Chita and Lied Holm\(^10\) (1985) in a comprehensive study of SSI in Sierra Leone provide a new insight into the role of SSI in providing production, employment and earning opportunities. Besides giving an overview of the role of the rural and urban industry in Sierra Leone, the determinants of the demand for and supply of SSI products are examined. The report of the sub group on small-scale industries for the Seventh Plan\(^11\) (1985) had found that the efforts of the government have not met with the same degree of success in different parts of the country nor have they removed the basic weaknesses of the small-scale sector. Ashok Kumar Singh\(^12\)(1985) in his thesis made an effort to study the incentives and assistance provided by the government and the infrastructure facilities available in Bihar. A brief account of the potentialities and prospectus of SSI in Bihar is also given. Tara Nand Singh Tarun and Devandra Thanar\(^13\) (1986) reveal that the fundamental problem of industrial development in India is the problem of transplanting and acclimatizing the fruits of technology so as to raise the whole level of productivity. Sandesara\(^14\) (1988) made a study of assistance programmes for small-scale industries. The study revealed that units producing items in the
reserved list did not show superior performance over other units, mainly because the easy entry for new small-scale units had intensified the competition among the small units. Nasir Tyabji\textsuperscript{15} (1989) analyses the structure of small-scale industries and the role of small scale industry policy as a component of the Indian development process and changes in the structure of industry and nature of small enterprise development Sidhartha Shankar Dash and others\textsuperscript{16} (1990) in a study under taken in Balasore district in Orissa attempted to analyze the operational problems in launching SSI units. They conclude that although policies are good, often delay in implementation and faulty implementation upsets the entrepreneur’s plan and in many cases lead the production process to a stand still. Theophilus\textsuperscript{17} (1990) observed that the operation of SSIs in India and Nigeria encounter similar problems and show the same environmental characteristics for their progress. He suggests that there should be a separate ministry exclusively for SSIs at the central level headed by a central minister in both countries. Sharma\textsuperscript{18} (1990) in his study made an effort to make an over view of sports goods industry, micro industry of selected centers, problems at different levels, role of institutions and future perspective. A study conducted by Berry, Albert and Mazumdar Dipek\textsuperscript{19} (1991) states that small-scale industry has played important role in the successful development of many of the economies of East and South Asia, both in cases like Japan, Korea and Taiwan where import-substitution preceded and / or accompanied the manufactured exporting phase and in Hong Kong, the only essentially Laissez Faire economy\textsuperscript{*} in the region. An important general characteristic of the small-scale sector, and one generally commented upon in the Japanese case, is the prevalence of subcontracting relationships either with larger manufacturing firms or with traders.
Tambunan Tulus\textsuperscript{20} (1991) examines the role of small-scale industries in economic development of Indonesia. This survey at the macro-level leads us to a much less pessimistic view of the performance of SSI units in Indonesia though imperfections in comparison with medium and large-scale industries do exist. It also gives attention to a critical question of appropriate policies needed to support this sector. Steel William and Webster Leila.\textsuperscript{21} (1991) investigates the hypothesis that small enterprises play an important and dynamic role in the structural adjustment process and in Africa’s industrial development. It discusses the role of small enterprises in the industrial development and introduces the adjustment context, the evolution of large and small-scale industry in Ghana, and the economic recovery program and its impact. A study conducted by Benjamin Solomon \textsuperscript{22} (1991) explores the small-scale Industry that has grown and thrived in informally developed communities of rudimentary buildings and dirt roads surrounding the city of Delhi. It presents an overview of Delhi’s informally developed suburbs, called unauthorized colonies, discusses their growth and regularization, and introduces the setting in which small-scale manufacturing exists within such colonies. Dias Syrian\textsuperscript{23} (1991) examines the scale, nature and effects of current sub contracting linkages between small and large industries in Sri-Lanka. In general weaker relationships exist between large and small industries. However strong links are visible with respect to more organized few large firms. The reason for this weaker relationship is the immaturity of small industries in meeting the requirements of large industries in terms of technology, production cost, quality and delivery.

Prem Kumar, Asit Ghosh \textsuperscript{24} (1991) in their study on management of small-scale Industry explains the management practices and performance of small-
scale industries and their relationship with demographic features, production, planning and control of SSI, financial planning and control and institutional structure for assistance of SSI and also the technology change for SSI. Balla (1992) in his study discusses the centralized vs. decentralized policy towards small and medium enterprises, and technological policy for small and medium enterprises in China. Jamuar (1992) in his study discusses the development of small-scale and cottage industry in India and the role of small-scale industry in India, the present position and the problems of small-scale industry with special references to industrial sickness, government policy and measures to develop small-scale and cottage industry and new industrial policy on small-scale and cottage industry. Rama Swamy (1993) in his study examines three hypotheses regarding small-scale manufacturing units namely: small firms use more labor per unit of capital, they produce more output per unit of capital and small firms use resources more efficiently than large firms in terms of total factor productivity. The analysis indicates that capital intensity and productivity are sensitive to the size of the firm, and total factor productivity is not found systematically related. Ahmad Jaleel (1993) made an attempt to throw light on the question as to whether trade and industrial policies in developing countries discriminate against the development of small and medium scale industry. This is done by a detailed examination of the structure of tariff and non-tariff protection as well as industrial policy measure, such as foreign exchange allocation and licensing.

Venugopal (1993) observed that Government agencies set up for promoting village and cottage industries are inactive and their performance is below the level of expectations. He argues that the survival of village and
cottage industry depends upon its ability to become competitive. Its efforts should be to reduce cost and improve quality through technological upgradation. Pillai K. R\textsuperscript{30} (1994) states that there is a need for extensive education of the promoters of small-scale industrial units in general management and specifically in the fundamentals of marketing management.

Rao\textsuperscript{31} (1995) reported that the potential for investment related to technology acquisition and transfer in small-scale and medium sector has assumed considerable significance in their interest to face the challenges of liberalization and globalization of markets. Schmitz, Hebert\textsuperscript{32} (1995) in their study are concerned with the growth of small and local industry in developing countries and explores one particular route for understanding and fostering such growth. It focuses on the clustering of firms and the competitive advantage, which they derive from local external economies and joint action, captured in the concept of collective efficiency. The international prospective planning team\textsuperscript{33} (1995) which made an extensive study of India’s small-scale industries, was of the opinion that government’s efforts for the promotion of this sector were largely scattered and dealt with only isolated segments of the problem. Prasad and Kaushik\textsuperscript{34} (1997) have traced the focus of comprehensive policies and programmes of the small-scale sector during the 50 years of independence. Salim\textsuperscript{35} (1998) in his study proves that in most categories of industries there is more number of high performing units followed by moderate performing units. High performing units have more market orientation than low performing units. There is a strong positive correlation between market orientation and business performance. Sindhu Hina\textsuperscript{36} (1998) in their study state that, employment generation has increased over a period of time. The other findings of the
study are related to a decline in employment in the household industries, and a decline in the contribution of the large-scale sector to employment generation. A study conducted by Hayami, Yujiro, and others (1998) reveal that marketing channels be established which connect small rural producers with large urban and/or foreign demand. This study investigates various forms of production and trade contracts being practiced at the grass root level in the metal craft manufacturing industry on the outskirts of Greater Manila in the Philippines. Balasubrahmany (1998) in his study describes the elements of India’s small industry policy with specific reference to protective measures, and reviews its impact on the growth and efficiency of the sector. Datey (1999) in his study titled “Practice manual to small-scale Industries” discusses the importance of small-scale industries, clubbing of clearances of SSI and an overview of income tax, central sales tax, finance to SSI and management of SSI units. Mathew (2000) reports that the Small Industry Policy in India is ambivalent. Divergence of interests and their expression through lobbying is a characteristic of any democratic policy. It is also not correct to consider the government as a machinery to be immune to such influences.

Vasandhara Raje (2000) states that credit is an essential input for the working of small-scale industries. Any delay or inadequate supply of credit is detrimental to the growth of the SSI units. Therefore timely and adequate availability of credit is of crucial importance for setting up and for expanding the existing SSI units.

Moli. Koshy and Mary Joseph (2000) in their study reported that the considerable increase in the number of women entrepreneurs is a result of
the various support measures extended by governmental and non-governmental agencies and the changing attitude towards women entrepreneurship. However, no. of women entrepreneurs are few in backward districts of Wynad, Kannur and Kasargod. Specific programme may be implemented in these areas to increase the level of entrepreneurship. Sunil George43 (2000) in his study observed that the policy of protection with privileges for SSI has induced this sector to remain small, to become more inefficient with poor product quality. It is not protection but competition should be the rule of the day. Barerjee, Cole and Duflo44 (2003) using a 1998 enhancement in investment limit as eligibility criteria for preferential bank loans for SMEs in India, find that firms that newly came under the preferential lending criteria were able to obtain more loans with a consequent beneficial impact on increase in sales, suggesting that these firms were previously credit constrained. The other argument is that SME firms have lower profitability and therefore banks are reluctant to lend to them. SMEs are also regarded as high risk borrowers, because of their low capitalization, insufficient assets and high mortality rates. Dietsch and Petey45 (2004) use a one-factor credit risk model to provide new estimates of default probabilities and asset correlations in French & German SMEs. The results suggest that on average, SMEs are riskier than large businesses.

Jackson, Linde and Roszbach46 (2005) in a study of the SME portfolio of two Swedish banks, find no evidence that SME loan portfolios are consistently less risky or require less economic capital than corporate loans. Ghosh47 (2006) reports in a study covering the period 1995-2004, that since liberalization, cash flow has become less important for the firm's investments, implying that financial liberalization improves the access of
financially constrained firms to external finance and thus financing has become easier for smaller firms. While it may be too early to conclude that SME firms in India are not financially constrained, the reforms in the financial sector and the improvement in the lending infrastructure has certainly improved access to finance for smaller firms.

Berger and Udell48 (2006) have proposed a conceptual framework for the analysis of SME credit availability issues. They argue that in the context of loans to SMEs, two factors affect the availability of loans and the nature of the credit facility. First is the lending technology which refers to the combination of primary information source, screening and underwriting policies and procedures, loan contract structure and monitoring mechanisms which are used in the lending business. Second is the lending infrastructure which includes the information environment including the quality of accounting information, the legal, judicial and bankruptcy environments, the social environment, the tax environment and that regulatory environment in which financial institutions operate in a given country. Carbo, Rodriguez and Udell49 (2008) argue that the issues of bank competition and credit availability may matter most to SMEs for two reasons. First SMEs are more vulnerable to information problems. Second, SMEs are much more bank dependant than large enterprises. Bankers consider two aspects of the loan in their credit decision the interest rate on the loan and the credit risk of the loan. However, the interest rate itself affects the risk of the loan due to two factors. First, in adverse selection only more risky projects would come forth for loans at higher interest rates, and second, moral hazard, as borrowers who have been granted the loan at a higher interest rate would undertake a more risky project in order to earn higher expected returns. As a result, at
higher interest rates, the expected return from a loan would start decreasing after a point due to higher defaults. Thus in the presence of information asymmetry in the market for loans and costly monitoring, banks would not use interest rates alone to equate demand and supply, but would ration credit.

2.3 Studies evaluating the functional performance of institutions financing small scale enterprises

There are a number of studies evaluating the functioning of institutions that have been set up for the purpose of promoting small-scale industries. These are as follows

Suresh Chandra Jain\textsuperscript{50} (1973) in his study emphasizes the need for greater co-ordination of financial institutions and non-financial institution and agencies engaged in the promotion of small-scale industries. Pritam Singh\textsuperscript{51} (1976) in his study argues that some incentives, for example capital subsidy schemes of the central and state government based on capital cost of fixed assets are not favorable to labor intensive units. It could be related to the number of persons employed in the units. Murthy\textsuperscript{52} (1980) points out that though the problem of SSI is a multi dimensional one, it is revolving around the availability of adequate finance, more so with working capital. Unless the financial institutions mend themselves they cannot move hand in hand with SSI in solving its problems sympathetically as a friend, philosopher, and guide for the much talked about rural industrialization, balanced regional development etc. S Ravi Prakash Singaravelu\textsuperscript{53} (1982) pinpoints the need to establish national level institutions or institutions at state level to finance tiny units, which come with in the scope of small-scale sector. He
also states that the loan should be project based, not security based. Prahalad Kumar Suman\(^54\) (1986) examines the overall performance of the Bihar State Industrial Development Corporation and expresses systematically and scientifically the troubles faced by the corporation. Sandesara\(^55\) (1988) describes the institutional framework for the small and medium Industries in India. The impact of assistance on the firms in this sector and the working of these institutions are also analyzed. He argues for a fresh approach to the institutional set-up and policy framework for this sector. Rao\(^56\) (1989) makes an enquiry into the functioning of all state Industrial Development Corporations in India with a view to find out to what extent the objectives have been fulfilled. The causes for good and poor performance are also identified. Akram\(^57\) (1997) in his study pinpoints the working results of the SSI corporation of various states and their national counterpart, National Small Industries Corporation (NSIC). Berger et al.\(^58\) (2002) studied the relationship between the size of the institution and lending to small scale sector. According to him the large institutions have comparative advantages in transactions lending to more transparent MSMEs, while small institutions have comparative advantages in relationship lending to informational opaque MSMEs, based on soft information.

Rajan and Petersen\(^59\) (2003) did the study on relationship between banking market competition and credit availability. Competitive banking market can weaken relationship building by depriving banks of the incentive to invest in soft information. Therefore, less competitive markets may be associated with more credit availability. Basant, Das, Morris, Ramchandran and Kosly\(^60\) (2004) argue that there are strong structural underpinnings to the inadequate flow of funds to the SME sector. They argue that the
organizational structure of banks in India and processes with them, have taken them far from task orientation, and have created a specific bias against small loan portfolios. The EPW Research Foundation (2006) in a study of financial inclusion argued that foreign banks tend to follow "exclusive banking" by offering services to a small number of clients, instead of "inclusive banking". Foreign banks charged higher fees from customers for providing banking services and maintaining a bank account in a foreign bank required substantial financial resources. Evidence from Latin America suggests that foreign banks are especially risk averse and that significant market penetration by foreign banks in a developing economy might adversely affect credit disbursal to small and medium enterprises. However, some researchers also find that some foreign banks make more loans to small businesses than domestic banks. Haselmann and Wachtel (2007) find in their study of 20 transition economies that foreign banks are more inclined to lend to small and medium enterprises if creditor protection is strong so legal environment is also an important factor that impacts the willingness of banks to lend to small firms. In order to strengthen the framework for tackling loan defaults and contract enforcement, India enacted the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFA ESI) Act in 2002.

2.4 Studies discussing the financial problems of small scale enterprises

* trillion-dollar economy that boasts of the highest number of billionaires in Asia must ‘include’ the two-thirds of India that remains ‘unbanked’ before staking a claim to wider progress. Lowering the cost-of-credit for hundreds of millions more, or just making it available, will help shore up livelihoods and generate aggregate demand in the entire economy, while vastly expanding all manner of markets for products and services.
The seminar conducted by the Reserve Bank of India (1959) on financing the small-scale industries in India went deep into the problems of small-scale industries, the institutional setup, role of govt. in assisting small-scale industries, resources of credit institutions and miscellaneous issues. Narayanan (1964) in his thesis discusses the financial problems faced by the industries in general and recommends the setting up of an industrial development bank at the state level for mitigating the problems. Inderjith Singh & Gupta (1997) state that the expansion of the bank credit is not only desirable but also essential for the economic development of Jammu and Kashmir. Commercial banks have to take up this task of credit expansion on a challenging basis and should exploit the tremendous potentiality by establishing personal contact with small industrialists. Study conducted by Papola and Tewari (1981) on the impact of concessional finance on industrial development of backward areas found that the concessional finance was one of the important considerations in the location of new unit in the backward districts. Report of high-level committee (1984) on trade and power states that, on the credit front, the effort of Kerala Financial Corporation and banks were found to be inadequate and were riddled with delays and too many formalities. Samara Kuamr Misra (1984) in his study states that due to lack of coordination between DIC personnel and implementing agencies, procedural delays, non-availability of services of important agencies and lack of entrepreneurship, the present system is not functioning well. Kalchetty Eresi (1989) throws light on the various sources of long term and short-term finance and the problem faced by the units in raising such funds. He also enquires into the policies, procedures and practices of small units in managing their finance. Ashok Arora (1992) in his study examines the role of various institutions at the state level.
responsible for rendering assistance for the growth of small-scale industries in Punjab. This study also outlines a profile of the growth of small-scale industries in Punjab.

James Manalel\(^7\) (1994) reported that the working of banks and financial institutions showed that the total assistance made available in Kerala for SSI units was comparatively small. The effectiveness of any incentive package, however well designed it may be, depends on the quality of the system of delivery. The state has comparable package on record, but the delivery of the same was perceived by the entrepreneurs to be poor in relation to what units in other states get. Prasad \(^7\) (1995) in his study states that, there has been a steady growth in the flow of institutional finance to SSI during the last two decade. But inadequate access to credit both short term and long term remains a perennial problem of the small-scale sector. Himachalam, Jayachandran, Narendra Kumar\(^7\) (1995) in their study on financing of small-scale units by Andhra Pradesh state finance corporation reveals that though the state financial institutions came into existence to promote small-scale units, their effort to extend financial, managerial and technical assistance have been far from satisfactory, and they have failed to fulfill the expectations. Bagchi\(^7\) (2000) reports that though the small-scale sector contributes significantly to industrial output, employment and earning of foreign exchange it suffers from severe technological obsolescence and lack of economies of scale. The Small Industries Development Organisation under the ministry of SSI and ARI has been providing institutional support for the promotion of technology but in a vast country like India these facilities are inadequate. Srinivasan and Woosley\(^7\) (2001) study found that credit rating tends to enhance SME access to debt capital. Recognizing that
better credit information can directly increase the amount of financing for SMEs by reducing the risk and costs arising from information asymmetries, the Credit Information Bureau of India Ltd. (CIBIL\textsuperscript{*}) has been established as a public-private partnership to enhance the availability of credit information to member financial institutions. The availability of credit scores for SMEs would lead to greater use of transaction technology for lending to SMEs. Love and Mylenko\textsuperscript{76} (2003) find that the existence of private credit registries is associated with lower financing constraints and a higher share of bank financing. They also find that small and medium firms, as well as younger firms, benefit from bank financing in countries with private credit registries. Rajan and Peterson\textsuperscript{77} (2002) find that small firms, though informational opaque, have been borrowing from institutions further away from their works and they attribute this to the development of firms such as Dun and Bradstreet, which specialize in rating small businesses. The possible reason is that credit scoring helps to reduce the information asymmetry, particularly with respect to small firms and hence geographic proximity of the borrower and lender is not crucial to loan decisions. Other studies also find that credit scoring tends to enhance SME access to debt capital. Das\textsuperscript{78} (2007) study said that unless fairly detailed information on small firms is available, banks would hesitate to take the risk and may prefer to lend to relatively larger firms to comply with regulation, thus leaving smaller firms significantly constrained for capital. Improving the quality of financial information is an important requirement for enhancing the flow of funds to the SME sector as the quality of information also influences decisions on loan finance.

\textsuperscript{*} CIBIL (India's first credit information bureau) is a repository of information, which contains the credit history of commercial and consumer borrowers. CIBIL provides this information to its members in the form of credit information reports.
2.5 Studies analyzing the role of financial institutions in small scale enterprises

Basu\textsuperscript{79} (1957) makes an attempt to examine the financial problems of small-scale industries and assess their place in the country's second five year plan. The study highlights the role of SFC in financing small-scale industries. Sharma\textsuperscript{80} (1973) in his study explains industrial financing by national level financial institutions. It also discusses the role of the state financial institutions in financing industries of Bihar. He suggests that the financial institution should act as a guide philosopher and promoter of industries and recommend the setting up of small industries bank. Jit Singh Chandan\textsuperscript{81} (1976) observed that there is very little effort on research and development in industries for traditional items. The glaring needs in management are in respect of training in capital, investment, costing, and budgetary control. Pareek\textsuperscript{82} (1978) in his work reveals the role of financial institutions and state agencies in extending credit to small-scale units and pinpoint their attitude of indifference in catering to the need of the tiny units. He suggests that financial institutions have to tune their polices in consonance with the needs of small-scale sector in general and the smaller among small-scale units in particular. Ram Dawar\textsuperscript{83} (1986) has made an attempt to examine and appraise the operation of the hire purchase schemes of the National Small Industries Corporation and the state small industries corporation, particularly the Andhra Pradesh small-scale industrial development corporation and found the encouraging result. Agarwal\textsuperscript{84} (1987) reports that the Indian banking system has failed to extend appropriate amounts of loan to SSI. He is of the opinion that lending institution should be more practical and flexible in their attitude rather than strictly legal with a view to enabling the borrowing units to overcome any temporary difficulties. Genesh Kuamr\textsuperscript{85}
(1993) in his study observed the Kerala Finance Corporation (KFC) has disbursed more amounts of loans and all the loans are of long term nature. The cost and terms of the loan from KFC are found to be more attractive. In addition obtaining loan from KFC is found to be less difficult process. Despite all these positive factors, it is observed that KFC has made less impact on the development of SSI in Kerala. Sharmila Daya86 (1996) reported that the available resources of Uttar Pradesh Finance Corporation (UPFC) has increased manifold during the period of study, yet it failed to cope with the growing needs of industrialization of the state. Kulkarni and Kaveri87 (2000) examined the need for support and extension services in accelerating the growth of small scale industry. Such support and extension services include, market intelligence, marketing services, modernization, technology upgradation, quality testing etc. It also attempted to discuss the available institutional network in India to provide support and extension services.

Parag Pande88 (2000) in his study emphasizes the need for extension of definition of small-scale industry and revitalizing the law governing small-scale industry and recommended the setting up of growth centers to provide adequate infrastructure facilities. According to Tannan89 (2001) the behavior of banks in the credit markets of emerging economies may not be some monotonic function of ownership. Credit disbursal by banks in such inherently high risk markets may depend on a host of other factors. Hence it is worthwhile exploring the credit market behavior of banks in emerging market contexts.
Benerjee and Duflo\textsuperscript{90} (2004) have argued that credit rating on account of risk averseness is not specific to domestic private and foreign banks. They show, using Indian data, that public sector banks can also exhibit such risk averseness, albeit more on account of the political economy of ‘blame sharing’ in the event of bad performance of banks rather than profit motive. Berger et al\textsuperscript{91} (2005) in a study of bank organizational form and its impact on lending, find that banks that are large, centralized and have their headquarters situated abroad may lack the organizational dexterity to engage with small and young firms successfully.

2.6 Studies on sickness of small scale enterprises

Abraham\textsuperscript{92} (1991) reports that the success or failure of any small enterprise depends mainly on the entrepreneur, support system and the environment. He stressed that the success or failure is determined mostly by the human element involved in industrial enterprise. Panda and Meher\textsuperscript{93} (1992) studied the sickness of the SSI sector in Orissa state, and sectorwise growth of sickness in the SSI units between 1979 and 1987. It is seen that industrially backward states like Bihar, Orissa Andhra Pradesh, Madhya Pradesh and U.P. have high rate of sickness than that of industrially advanced states like Gujarat, Maharashtra West Bengal and Karnataka. Hari Kumar\textsuperscript{94} (1994) in his doctoral thesis states that the industrial sickness is spreading in the country at an alarming rate. Compared to other sectors, the incidence of sickness is significantly higher in the SSI sector. Sickness is growing at an alarming rate in southern region of India. Kerala witnessed phenomenal increase in sickness. In Kerala, entrepreneurs lack entrepreneurial culture and heritage. Entrepreneurship development programme are not achieving desired results.
At a seminar on prevention and cure of sickness among SSI units held in (1990) at Hyderabad, it was stated that experience from Kerala shows that an overdose of incentives was one of the main reason for turning healthy units in to sick units. NGO, reports ⁹⁵ (1996) that the high incidence of sick units in this sector was largely due to inconsiderate banking policies. The financial institutions must play a more active role in keeping track of the financial status of the units. Despite the large number of studies conducted on various aspects of small-scale industries no comprehensive study has been undertaken to find out whether

a) A predominant proportion of small scale industries support system goes grossly underutilized.

b) Capacity to avail and utilize those facilities is positively correlated with the size of the firm.

c) Marketing and implementation of Govt.'s promotional scheme has significant correlation with their utilization at the unit level.

The present study is an attempt to fill the gap.
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