Chapter 1
Introduction and Methodology

1.0 Introduction

In India, Small Scale Industries (SSIs) have an important role to play which is evident from their contribution to GDP, employment generation, regional development, export promotion etc. With the enactment of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 Small and Medium Enterprises (SMEs) sector is emerging in place of Small Scale Industries (SSI) sector. Both Govt. of India and Reserve Bank of India (RBI) have taken several initiatives to support SME sector by formulating various schemes and policy guidelines for promotion and development of SME enterprises. In addition, there are numerous incentives emerging from Economic Liberalization and Financial Sector Reform in India and this sector has been responding to the same very positively. While there are many achievements of this sector during the last one decade, there are certain issues which need to be addressed at length. These relate to the supply of credit and non-credit (infrastructure, raw materials, marketing, human resource development, etc.) inputs. In this chapter, it is attempted to discuss about these inputs which would help in identifying scope for research. To start with, the old definition of SSI sector and the new definitions since 2006 are worth studying.

1.1 Official Definitions

1.1.1 The Small Scale Industries (SSIs) was defined under the Industries (Development and Regulation) Act, 1951. Unlike most countries, which define small-scale industry in terms of employment levels, capital investment or turnover in India, the small-scale units are defined in terms of investment limit in plant and machinery. The definition of small-scale industries has
undergone several changes over the years, in terms of investment limit. The investment limit in fixed assets was set at Rs.5.0 lakh in 1950 with certain conditions on the number of persons employed. This definition was revised in a phased manner upwards. Till 2006, a small scale industrial unit is defined as an industrial undertaking in which the investment in plant and machinery, whether held on ownership terms or on hire purchase, does not exceed Rs.100 lakh. The Government of India enhanced the investment limit of Rs.100 lakh for classification as SSI to Rs.500 lakh in respect of certain specified items under hosiery, hand tools, drugs and pharmaceuticals, stationery items and sports goods.

1.1.2 Food and agriculture based processing units with investment in plant and machinery up to Rs.500 lakh were included under priority sector lending. Small Scale units wherein investments in plant and machinery (excluding land and building) up to Rs.25 lakh are classified as tiny industries. All small-scale units, which export more than 50 per cent of their output, are classified as Export Oriented Units. Industry related service business enterprises with investment in fixed assets, excluding land and building up to Rs.10 lakh are registered under Small Scale Service Business Enterprises (SSSBEs). The Internal Group to review Guidelines on Credit Flow to SME sector, appointed by the RBI in 2005 suggests that current SSI / tiny definition may continue. Units with investment in plant & machinery in excess of SSI limit and up to Rs.10 crore may be treated as Medium Enterprises (MEs). However, for the purpose of priority sector, the advances to SSI sector as per the current definition alone may be considered. For the purpose of lending, the Rs.1000 crore SME Fund, launched by Small Industries Development Bank of India (SIDBI) defines SMEs as those industries which invest more than Rs.1 crore but less than Rs.10 crore in plant
and machinery. With the revised definitions of SSI Units, the sector has also witnessed changes in its structure during the recent times.

**1.1.3 Micro Small and Medium Enterprises Development (MSMED) Act** was passed in 2006 which offers separate definitions for manufacturing and service enterprises. These are as under:

For enterprises engaged in Manufacturing activities, the criteria is investment in plant and machinery --
- **Micro** - Investment up to Rs 25 lakh
- **Small** - Investment above Rs 25 lakh and up to Rs. 5 crore
- **Medium** - Investment above Rs.5 crore and up to Rs. 10 crore

For enterprises engaged in providing or rendering services, the criteria is investment in equipment --
- **Micro** - Investment up to Rs.10 lakh
- **Small** - Investment above Rs 10 lakh and up to Rs.2 crore
- **Medium** - Investment above Rs 2 crore and up to Rs. 5 crore

**1.2 Structure of the Sector**

**1.2.1** Till recently, the SSI sector structure is broadly classified into "household enterprises (those establishments, which carry out their operations from their own residence)" and "non-household enterprises (all other establishments in the manufacturing sector)". The household enterprises engage in the manufacture of a variety of products that include food products, beverages, tobacco products, cotton textiles, textile products, wood products, paper, leather, rubber, plastics, etc. The manufacturing sector may be classified into 'registered' and 'unregistered'. Administratively, India’s SSI sector is divided into seven industry groups – (1) handicrafts (2) handlooms (3) Khadi, village and cottage industries (4) coir (5) sericulture (6) power looms and (7) residual small scale industries. The first
five sub-sectors are collectively called the “traditional” sector whereas the last two are known as the “modern” sector. The small-scale industrial undertakings can also be classified into ancillary units, tiny units, export-oriented units and small-scale service business enterprises.

1.2.2 The Ministry of SSI, Government of India has conducted three all-India censuses so far to capture the developments taking place in the small-scale sector in India. The first and second censuses were conducted in 1972 and 1987 respectively. The third census was carried out during 2002-03 covering information up to 2001-02. For the purpose of the third census, the Indian SSI sector has been categorized into small-scale industrial undertakings (SSIs) and small scale service and business enterprises (SSSBEs). It is interesting to study the findings of the third census in detail.

1.2.3 Major Findings of the Third Census

A) The SSI sector (registered and unregistered units) comprises 1,05,21,190 units. About 55.0 per cent of these units were located in rural India. Over 44 lakh (42.26 per cent) in the total SSI sector were SSIs and the remaining 61 lakh (57.74 per cent) were SSSBEs. The number of ancillary units among SSIs stood at 1.32 lakh which constituted 2.98 per cent of the total number of SSIs. Tiny units with original investment in plant & machinery up to Rs.25 lakh numbering 4.26 lakhs formed a dominating 99.5 per cent of the total number of SSIs. About 10.11% of the SSI units were women enterprises. In terms of State-wise spread, Uttar Pradesh (16.23 per cent), Andhra Pradesh (8.32 per cent), Maharashtra (7.64 per cent), Madhya Pradesh (7.54 per cent) and Tamil Nadu (7.49 per cent) were the top five States having a total share of 47.22 per
cent in terms of number of units. About 44.0 per cent of the units were in the services sector, followed by 40.0 per cent of the units in manufacturing and allied activities sector and 16.0 per cent of units in repairing and maintenance sector. Thus, Services sector is emerging as the dominant component in the total SSI Sector in the third census. Although the registered SSI sector formed only 13.0 per cent, it contributed 72.0 per cent of the total production of the SSI sector. Total output of the registered units in the year 2001-02 was estimated to be Rs.70,861.73 crore.

B) The seven states, viz. Maharashtra (14.53 per cent), Uttar Pradesh (9.72 per cent), Punjab (9.1 per cent), Haryana (7.08 per cent), Andhra Pradesh (6.47 per cent) together had a share of 53.48 per cent in the total gross output in the SSI Sector. While 89 per cent of the units had gross output of less than Rs.10 lakh, large output units (with output more than Rs.1 crore) had a share of about 70 per cent of the total output. In terms of number of units, these units constitute a share of just 1.88 per cent. This indicates that there is concentration of output in large units. A comparison of relevant data with the earlier censuses reveals that the concentration of output in large units is increasing over years.

C) About 95.8 per cent of the units in the total SSI Sector were found to be of proprietary type of ownership. The SSI sector employed 2,49,32,763 persons during the reference period. The five States, viz., Uttar Pradesh (16.05 per cent), West Bengal (8.7 per cent), Andhra Pradesh (8.58 per cent), Maharashtra 8.23 per cent) and Tamil Nadu (8.09 per cent) had an aggregate share of 49.65 per cent in the total employment.
The fixed investment in the entire SSI sector was estimated to be Rs.1,54,34,867 lakh. About 97 per cent of the units had a fixed investment up to Rs.2 lakh and these units had a share of about 61.5 per cent in the total fixed investment in the sector. The six states, viz. Maharashtra (18.13 per cent), Uttar Pradesh (11.2 per cent), Andhra Pradesh (8.01 per cent), Punjab (7.67 per cent), Gujarat (7.15 per cent) and Tamil Nadu (7.12 per cent) together had a share of 59.28 per cent in the total fixed investment in the sector.

The total original value of investment in plant and machinery in the SSI sector is estimated to be Rs.54,89,360 lakh. About 96 per cent of the units had the original investment in plant and machinery up to Rs. One lakh. The six states, Maharashtra (16.78 per cent), Uttar Pradesh (10.38 per cent), Andhra Pradesh (8.54 per cent), Tamil Nadu (8.45 per cent), Karnataka (6.35 per cent) and Gujarat (6.25 per cent) together had a share of 56.75 per cent in the total original value of investment in plant and machinery in the SSI Sector.

It is estimated that there were 50,606 exporting units accounting for exports to the tune of Rs.14,19,956 lakh. The registered SSI sector accounted for 87.0 per cent of the total SSI exports. The states like Madhya Pradesh, Uttar Pradesh, Jharkhand, Karnataka, West Bengal and Maharashtra together accounted for 55.4 per cent of the total exporting SSI units in the country. The states of Punjab, Tamil Nadu, Uttar Pradesh, Haryana, Maharashtra and Delhi together accounted for about 74.0 per cent of the total exports in the SSI sector.
D) As compared to the second census, the third census brought out certain structural changes that have taken place in the ‘registered’ SSI sector. The percentage of working units to total units and declined from 62.75 per cent in second census to 60.77 per cent in third census. This is a matter of concern which calls for a study to understand the factors responsible for the increase in the units sick / failed. This could be partly due to sickness and mortality on one hand and units being promoted to the next grade i.e. medium sector on the other. The percentage of working units in rural areas to total units had increased from 42.20 per cent in second census to 44.33 per cent in third census. This seems to be positive development taking into account that the SSI units in the rural areas are taking benefits of various facilities and incentives.

1.2.4 While the proportion of working units remained the same by and large, the domination of SSI units among the working units has been reduced considerably from 96 per cent to 66 per cent. This is mainly due to substantial increase in the number of units engaged in ‘services’ from 3.24 per cent to 34.45 per cent of total units. This seems to be a major change in the structure of SSI sector which needs to be noted down by banks and financial institutions.

1.2.5 The percentage of proprietorship working units to total SSI units had increased from 80.48 per cent in Second Census to 88.85 per cent in third census. This suggests that the banks and financial institutions are exposed to greater credit risk which varies from one form of organization to another. For instance, in respect of limited companies, banks and financial institutions obtain the required information very easily due to transparency in financial statements as compared to that of proprietorship
concerns. Similarly, proprietorship concerns lack in professionalism and consequently experience early mortality.

1.2.6 The per unit employment came down from 6.29 in the second census to 4.48 in that of third census. This could be due to technological upgradation in the units. This is another matter of concern since the SSI sector is known for employment generation. Hence, many more initiatives have to be taken to ensure greater employment by expanding the network of SSI units.

1.2.7 The per unit production had substantially improved from Rs.7.38 lakh in second census to Rs.14.78 lakh in third census. The per unit fixed investment had gone up from Rs.1.60 lakh to Rs.6.68 lakh. The per unit original investment in plant and machinery had also gone up from Rs.0.95 lakh to Rs.2.21 lakh. This is heartening to note the improvement in the per unit production. But the ratio of the per unit production to per unit investment has gone down. This calls for improving operational efficiency of the units.

1.2.8 The third census showed that the employment generated by the SSI sector per Rs. one lakh of investment was 1.62, as against only 0.20 in the manufacturing sector covered by the Annual Survey of Industries. This means that the organized sector requires an investment of Rs.5 lakh to generate employment for 8 persons with the same investment. With regard to investment-output ratio also, the SSI sector fared almost on par with the organized sector. An investment of about Rs.43,000 was required in the organized sector to generate an output worth Rs.1 lakh, whereas in SSI sector, a marginally higher investment of Rs.48,000 would be required to generate the same amount of output. Thus, the above Census results
highlight that the small-scale sector is evolving to be rural-oriented, self-employment-oriented, improving the technology and contributing to the development of services and exports.

1.3 PEST and MOST

1.3.1 In this section, it is attempted to discuss PEST and MOST aspects in the context of SMEs. The SME sector is given a special status in the Indian Economy taking into account Political, Economical, Social and Technological (PEST) aspects and accordingly, Mission, Objectives, Strategies and Tactics (MOST) have to be decided.

1.3.2 To elaborate, over the years, each political party in power has recognized the contribution of the sector in the economy and influenced the policy decisions. Every Industrial Policy Resolution, announced in the country from time to time, highlights the increasing role of the SME sector. A special mention is needed in respect of the recent enactment of Micro, Small and Medium Enterprises Act, 2006 which offers official definitions for each of these segments of the sector. Incentives are being offered by the Central and State Governments to promote and develop the enterprises. These are in the form of the supply of seed capital, tax rebates, reduction in the excise duties, sales tax rebates, income tax exemption in the initial years, etc. Special incentives are also offered for the units in the backward areas, women entrepreneurs, units in the tiny sector, etc. More importantly, several items are also reserved for the sector in order to protect the interest of the small enterprises from corporates. Service providing units are also being made a part of the sector. In this way, there has been continuous support to the sector by the ruling political system in the country.
1.3.3 Economic support from the government is always assured. This support is available right from inception of the unit. It starts with the equity support, financing of an industrial shed in the identified industrial estate, financing of fixed assets and working capital requirements, rehabilitation support when the unit becomes sick, one time settlement scheme when income generation is very week, etc. Thus, without economic support from the government it would not have been possible to promote and develop such a huge network of healthy SME units.

1.3.4 Social support is a must for the development of the sector. Luckily, this is also assured despite several constraints. Since these units are tiny, mostly unorganized and widely spread, they need to be differentiated from large corporates which have competitive advantages. A large number of items of goods and services are reserved for the sector. The units located in backward areas deserve incentives and support on social considerations. Similarly, sick units are rehabilitated in order to protect the interest of entrepreneurs, workers, government, etc. The government develops preference for the sector in the context of purchase of its requirements. A sympathetic view is also taken by banks and financial institutions in respect of financing SMEs. In this way, the sector is respected on social considerations.

1.3.5 Technological support is very much required to make SMEs more competitive. It does call for heavy investment for upgrading technology from time-to-time. But SMEs are lacking in this regard. Hence, the Govt. has introduced certain schemes for enabling the units to receive financial support for upgradation of technology. Such support is offered on soft terms. In addition, technical advice is offered by technical consultation
units promoted by the government. SIDBI has taken a lead role for encouraging technically qualified entrepreneurs to set up hi-tech projects. Special efforts have been put in to modernize the out-dated machines to take the advantages of the latest technology. A special mention is needed in respect of hi-tech projects set up by SME units in the IT sector which adopt the latest technology. Thus, efforts are on to make the sector more technologically oriented.

1.3.6 In the light of PEST aspects, efforts have been made to spell out Mission, Objectives, Strategies and Tactics. Promotion and Development of the SME sector is the overall responsibility of the Ministry of Small Scale Industries, Government of India. Which was created in 1999. This is a nodal agency for formulation of policies, programs and schemes and their implementation of the same with the assistance received from the organizations attached to the Ministry which include Small Industry Development Organization (SIDO), National Small Industry Corporation Ltd. (NSIC), Entrepreneurship Development Institutes (EDIs) etc.

1.3.7 Mission of the Ministry is to promote the growth and development of the SMEs and to enhance their competitiveness so that these enterprises contribute to accelerating the expansion of productive employment opportunities in the country. The Ministry seeks to fulfill this Mission by formulating the appropriate policies and designing/ implementing support measures in the fields of credit, technological upgradation, marketing entrepreneurship development etc. and undertaking effective advocacy of these purposes.

1.3.8 Keeping the above mission in mind, the Ministry sets certain Objectives to be fulfilled. These include:
Facilitating the adequate supply of credit from financial institutions/banks;
Arranging for funds for technology upgradation and modernization;
Making available integrated infrastructure facilities;
Creating modern testing facilities and quality certification laboratories;
Providing access to modern management practices and skill upgradation through appropriate training facilities;
Rendering assistance for better access to domestic and export markets; and
Working out the cluster-wide measures to promote capacity-building and empowerment of the units and their collectives, in addition to all or some of the above-mentioned supports.

1.3.8 To fulfill the objectives, several Strategies have been taken from time to time. Most important and recent Strategies include:
Creating a separate Ministry of Small Scale industries at the Centre; Enacting a separate legislation for the sector viz., Micro, Small and Medium Enterprises and Development Act (2006);
Announcing a special Package of incentives for SMEs by the Finance Minister on August 10, 2006 which include One Time Settlement of bank dues by SMEs, Debt restructuring scheme for SMEs, rating of SMEs by setting up a specialized SME Rating Agency (SMERA), Developing a data-base on each identified cluster with the help of SIDBI, advising banks to double the credit flow to SMEs during the next five years etc.
Reserving certain items for the SME sector; Creating infrastructure in the identified clusters; Extending marketing support to SMEs; Encouraging women entrepreneurs to set up units; Offering tax incentives etc to SMEs in backward regions; Providing financial assistance to upgrade technology etc. There are many more promotion and development oriented strategies
adopted by the Government, Reserve Bank of India, SIDBI, Commercial Banks and Industry Associations.

1.3.10 Lastly, different Tactics have been adopted for promotion development of SMEs which are different from large corporates. It is a deliberate tactic to reserve certain items of goods and services for SMEs in order to protect their interest. Several schemes have been specially introduced by the Government for SMEs to provide equity support. Reserve Bank of India includes Small Scale Industries as part of Priority Sector to offer certain concessions in lending rates. Sick units are sympathetically considered for rehabilitation. Banks have introduced One Time Settlement scheme mainly for SMEs. The Government put up SMEs in the preferred categories for purchase of its requirements. In this way, there are numerous tactics specially adopted for SMEs.

1.4 Methodology

1.4.1 Introduction
There seems to be a gap between demand for and supply of the bank credit to the SMEs. Over the years, this gap is widening. Consequently, there are numerous challenges before the banks to meet the recent expectation of the government to double the credit flow to SMEs during the next five years. In other words, the average annual growth in bank credit to SMEs is expected to be 20% per annum in the coming five years. In addition, banks have to provide the minimum credit of 20% of the projected sales which is found to be difficult to achieve considering the performance. During the last few years, the growth rate is less than 20%. Thus, the credit gap is widening at a time when the SME sector has proposed to grow more than 12% during the Tenth Five Year Plan. Hence, there is an urgent need to examine various issues relating to this credit gap and suggest
appropriate strategies. In this backdrop, the present study is undertaken.

1.4.2 Hypothesis

“During the financial sector reform period in India, growth of the SSI sector and supply of bank credit are expected to be correlated. The adequate and timely supply of bank credit enhances the growth of the SME sector. Reverse is the case when there are constraints in the supply of bank credit to the sector.” The study attempts to test this statement of problem.

Null Hypothesis: If the difference between the growth in bank credit and the growth in production value is found to be marginal, it is stated to be a null hypothesis testing.

1.4.3 Objectives

Keeping in mind the above hypothesis, the study sets the following objectives:

1. To study the relationship between growth of the SSI sector and supply of bank credit during the recent past.
2. To assess the progress made in implementing the recommendations of the expert committees/study groups, appointed by the Government of India and Reserve Bank of India during the financial sector reform period.
3. To spell out expectations of the SME units as perceived by the entrepreneurs and banks.
4. To draw lessons from the success stories in the SME sector in which banks have been found to be more customer friendly.
5. To examine various constraints associated with the credit supply and suggest strategies to resolve the same.

More importantly, the study is expected to suggest new approaches in bank finance to the SME sector and work out plan for effective implementation of the same.
1.4.4 Data/Information Requirements

Keeping in mind the broad objectives of the study, it was first attempted to identify the data / information requirements which include:

1. Statistics relating to the flow of bank credit to the SME sector during the post financial sector reforms period.
2. Findings of the various research studies already conducted on the supply of bank credit to the SME sector.
3. Initiatives taken by the Government of India and the Reserve Bank of India. Based on the recommendations of the various committees/study groups with special reference to the credit flow to this sector.
4. Problems as experienced by SME entrepreneurs in availing of timely and adequate bank credit and their suggestions to overcome them.
5. Constraints in the supply of credit as perceived by the branch managers and their suggestions to overcome them.
6. Experiences of banks in rehabilitating sick SME units.
7. Lessons from the successful entrepreneurs who have been able to set themselves as a good example to many others.
8. Views and suggestions of the Chiefs of SMEs in banks and financial institutions with special reference to policies and procedures relating to credit flow to SMEs.
9. Strategies to strengthen the credit flow to the SME sector based on the views and suggestions of bankers, borrowers, etc.

1.4.5 Sources of Data/Information

(A) A Review of Literature

Initially, it was attempted to refer to the Report on Trend and Progress of Banking in India, RBI publication, to collect the secondary data relating to bank credit to the SME sector. Reference was made to the SIDBI annual reports and also the latest report of the Ministry of Small
Scale Industries 2005-06, Government of India. In addition, the Third Census, conducted by the GOI and Statistical Tables relating to Banking in India, RBI publication, were looked into to obtain necessary details of the profile of the SME sector and trends in bank credit. It was also attempted to go through findings of surveys/studies conducted by the researchers on the subject. To share the global experiences in financing of SMEs, certain articles were examined. Studies conducted at the RBI, GOI, NIBM (National Institute of Bank Management) and also by many other researchers were also perused. For understanding the measures taken by the GOI and the RBI, it was referred to their publications during the recent past. In addition, reference was made to the reports of the Nayak Committee, the Gupta Committee, the Abid Husain Committee, the Ganguly Committee, Internal Group on Credit Flow to SME sector and the Finance Minister’s statement made in the Parliament on August 10, 2005 etc. From the study of these reports/papers/data, it was possible to develop a good understanding of various measures taken by the banks, Government, RBI, SIDBI etc.

(B) **Surveys/Studies**

The study conducts the following Surveys/Studies:

1. Survey of Entrepreneurs
2. Survey of Branch Managers
3. Survey of Sick Units under Rehabilitation
4. Survey of Chiefs of SMEs in Banks and Financial Institutions
5. Study of Successful Entrepreneurs

The Survey of Entrepreneurs covers 39 entrepreneurs in Pune who were selected on randomly basis, wherein the entrepreneurs shared their views and suggestions relating various aspects of bank credit. Data/information were collected by administering a questionnaire, specially developed for the survey. These aspects include: their educational and professional background, credit sanctions availed by
them, how they were motivated to start their unit, project formulation, filling up the loan application, managing both project cost and sources of funds, rehabilitation support if extended, loan recovery arrangements of banks, the role played by the credit institutions, their future plans, training support received by them, etc. This survey enabled to understand their expectations from banks and financial institutions in regard to credit sanctions besides receiving valuable suggestions on matters concerning overall development of the sector.

Regarding the Survey of Branch Managers, 70 branch managers were contacted on randomly basis who shared their experiences in providing credit to SMEs. These managers attended training programmes at National Institute of Bank Management (NIBM) during 2004-05. It was attempted to administer the questionnaire on them after the training sessions. Through the survey, it was possible to understand their expectations from entrepreneurs in regard to lending operations which include: formulation of project proposal, project appraisal, documentation, disbursement, credit monitoring, rehabilitation of a sick unit, loan recovery, etc. In particular, their suggestions for stepping up of credit flow were also understood. Thus, it was also possible to identify the areas in which improvement was needed.

The Survey of Sick Units under Rehabilitation is aimed at drawing various lessons from rehabilitation. Out of the branch managers contacted (70), 15 branch managers had direct experience in rehabilitation of sick units. These (15) managers narrated their success in rehabilitation. Each manager quoted one sick unit which was rehabilitated successfully. Thus, it was possible to form a sample of 15 sick units which were successfully rehabilitated. According to the managers, the unit is considered “successful” if the bank is able to recover its dues from the unit through the process of rehabilitation. To discuss on various aspects of rehabilitation, a checklist of data/
information requirements was developed. From the study of experiences of branch managers and their perceptions about revival of sickness through rehabilitation, it was possible to draw lessons relating to identification of a sick unit, study of causes of sickness, assessment of viability of the project, preparation of rehabilitation of sick unit, implementation of the rehabilitation plan, monitoring of the progress in rehabilitation, review of the progress made in rehabilitation at the end of the rehabilitation period, involvement of the borrower and the banker, factors responsible for success in rehabilitation and suggestions from the bankers in making rehabilitation exercise more effective.

The Survey of Chiefs of SMEs in Banks and Financial Institutions was conducted in which 22 Chiefs were participated. These Chiefs were available for discussion when they were attending a conference at NIBM. Initially, their perceptions about expectations of SME customers were understood. Thereafter, it was attempted to seek their suggestions to meet such expectations. These suggestions relate to organization structure for SME lending; systems procedures and technology; and people involved in SME lending. Many of the suggestions are found to be useful to step up the credit flow to the SME sector.

Lastly, the Study of Successful Entrepreneurs was conducted. This was done by going through interview text of the entrepreneurs which were published in Economic Times during October – November 2005. In all, 19 entrepreneurs were covered/interviewed. Based on the interview text as published in Economic Times, many factors which were responsible for their successful venture, were understood. The interview text covers various points including their background; involvement in the venture; support received from banks/ Government, suppliers of materials, customers, etc.; co-operation received from family members; importance given to strategic planning; development
of leadership; market forces etc. More importantly, it was worth going through the strategies adopted by them in removing various hurdles in business operations.

The Survey of Entrepreneurs was conducted in Pune. These units were approached with the help of Branch Managers of various bank branches in Pune. As many as 10 banks in the public sector were approached in this regard. With a great difficulty, it was possible to receive co-operation from 39 entrepreneurs. As stated earlier, the Chiefs of SME Department in banks and financial institutions were approached in Pune when they were attending a Conference, organized by NIBM in November 2005. It was an open ended discussion, but a checklist of discussion points was prepared. The survey of the Sick Units under rehabilitation was completed by asking them to provide information on certain aspects for which a check list was developed. It was attempted to develop a structured questionnaire/ a checklist for each of the surveys/studies.

1.4.6 Tools for Data/Information Collection
Two questionnaires were prepared separately for the Survey of Branch Managers and the Survey of Entrepreneurs. For the Survey of Sick Units under Rehabilitation, a checklist of data/information requirements was developed. Details of the questionnaires and the checklist are discussed as under:

1.4.7 Questionnaire for the Branch Managers
The main purpose of the questionnaire developed for the Branch managers is to seek information from them regarding credit sanction to the units, experience in dealing with the units, problems in bank lending to these units and suggestions to overcome the same. The questionnaire contains four parts: Part I - Introduction, Part II - Project Formulation, Part III - Sanctioning of Loans, Part IV - General Category.
In Part I, profile of the branch and branch manager is built up by seeking certain details such as business profile of the branch, branch manager’s background, organization structure of the branch etc.

In Part II, it is attempted to find out the involvement of the branch managers in assisting the entrepreneurs in formulating the project proposal. Most of the entrepreneurs are not having the required competence in formulating the project proposal on their own, whereas the branch manager is being well versed with the art of project formulation. Many entrepreneurs do not know the contents of the project proposal, various schemes of the government etc. Hence, in the questionnaire, the questions are asked whether timely and adequate credit sanction is offered by the branch manager. If there are delays in credit sanction, the reasons should be sought for. Further, involvement of the branch manager should be seen at various stages of lending which include project formulation, credit sanction, implementation of the project and recovery from the borrowers.

At all these stages, the branch manager is expected to be the friend, philosopher and guide. Through the questionnaire, it is intended to find out whether this expectation is fulfilled.

Part III of the questionnaire deals with sick units and rehabilitation. The branch manager is expected to help the entrepreneurs whose units have become sick. To start with, timely identification of a sick unit is a must. Thereafter, reasons for sickness have to be identified. Viability of the project should be assessed on economic considerations. Rehabilitation package has to be prepared by offering concessions in the form of lower rate of interest, longer period for loan repayment, equity support by offering loan on softer terms etc. The branch manager should help entrepreneurs in implementing the scheme on timely basis. Lastly, recovery of the bank-dues should be made the units are expected to generate sufficient cash surplus. If
there is no success in rehabilitation, the reasons should be sought for. In the questionnaire, it is tried to gather information on all these aspects by asking suitable questions.

In the last part i.e. Part IV, it is attempted to seek information on many other related aspects of credit sanction. For instance, the role of SIDBI is expected to provide the equity support to the entrepreneurs. The branch managers should encourage the entrepreneurs to go through a training programme to fill up knowledge and skill gaps. They are also expected to play the role of a counselor. From time to time, the branch managers should interact with the borrowers to understand their problems and extend necessary help in solving them. For this purpose, a Borrower’s Meet is essential. Thus, the branch managers should be capable of financing the SSI units in a true sense.

A copy of the questionnaire is enclosed in Appendix I-A.

1.4.8 Questionnaire for the Survey of Entrepreneurs

In the questionnaire, there are six parts: Part I - Introduction, Part II - Project Formulation, Part III - Financing of Project, Part IV - Project Implementation and Performance, Part V - Sickness and Rehabilitation of the Project and Part VI - General Category. The purpose of the questionnaire is to collect the information about the profile of the entrepreneur and the unit, experience generated during the process of business development right from project formulation till bank dues have been paid back, etc. The success of any business unit depends upon the competence of the entrepreneurs, his approach, support extended by the bank and other agencies business environment. Among the other things, timely and adequate credit supply is a must. In this regard, perceptions of entrepreneurs on the role played by the branch manager are understood. The questionnaire addresses all these issues.
In Part I, the background of the entrepreneur is assessed by asking certain questions. Further, details of bank credit facilities are inquired.

Part II deals with project formulation wherein sufficient information is gathered by asking relevant questions. For instance, factors motivating the entrepreneurs for starting the unit are looked into. Formulation of the project proposal has to be done by obtaining the help of a consultant and a branch manager. For filling up the loan application form, necessary assistance from the branch manager is called for. Various projected statements have to be prepared and should be enclosed to the project proposal. In particular, the entrepreneurs should have a good understanding of bank schemes. Thus, experience generated in project formulation is documented in this part.

In Part III, questions are asked about financing of the project. In this regard, the estimated cost of the project for purchase of fixed assets and also working capital requirements are ascertained. Nature and extent of financial help extended by the bank is looked into by asking the relevant questions. In particular, it is attempted to find out whether adequate sanction is offered. Problems experienced by the borrowers in obtaining the loans from the bank are understood by asking several questions. In case of delayed sanctions, reasons were understood. Experience of the entrepreneurs in fulfilling the terms and conditions was noted down by asking questions.

Part IV, refers to project implementation and performance. In particular, project over-run (i.e. delays in implementation and actual cost exceeding estimated cost), if any, was understood. The suggestions from the entrepreneurs were sought to overcome project over-run. Loan repayment performance was examined at length. Reasons for loan default were understood by asking relevant questions. Assistance received from the branch manager during the loan default period was examined. In this part, the perceptions of the
entrepreneurs about the involvement of the bank during the difficult period were understood.

In Part V, questions are asked to the entrepreneurs of the units being sick, for which rehabilitation scheme has to be prepared. Information was gathered about reasons of sickness, plan for revival of sickness, assessment of viability, preparation of rehabilitation of the scheme, implementation of the scheme and reasons for success or failure in respect of rehabilitation. At every stage of rehabilitation, the entrepreneur was requested to comment on the role and involvement of the bank and the government agencies. In particular, the branch managers are supposed to be the consultants besides offering the liberal help. In the end, the entrepreneur was requested to discuss all his problems related to rehabilitation and offer suggestions.

In the last part i.e. Part VI, questions are asked on various aspects of SSI units. For instance, the entrepreneur should be aware of various schemes for the development of the SSI units. His/her experience in dealing with the development agencies should be understood. The entrepreneur has to undergo an Entrepreneurship Development Programme (EDP). He/she should avail of the services of a consultant. He should be in touch with the branch manager to seek the assistance for availing of timely and adequate financial help. Problems of ancillary units have to be understood. There are many other questions asked in this section to document the experience of the entrepreneur.

A copy of the questionnaire is enclosed in Appendix I-B.

1.4.9 Checklist of Data/ Information for the Survey of Sick Units under Rehabilitation:
Sick units under rehabilitation were requested to provide data/information on vital aspects of rehabilitation. Based on such data/information received for each of 15 units, it was possible to draw
lessons. In this regard, a checklist was developed to provide data/information on the following aspects;

- About the unit - location, year of establishment, industry, product/s, constitution, credit facilities etc.
- Factors responsible for motivating the entrepreneur to start the unit
- When did the unit start experiencing the problems?
- When was it declared as a sick unit?
- Causes of sickness
- Details of rehabilitation package
- Implementation of the package
- Strategies adopted by the entrepreneur to revive the unit
- Progress shown during the post implementation period
- Involvement of the entrepreneur, banks and others
- Latest position
- Any other useful information

1.4.10 Data Analysis

The study attempts to suggest several strategies to strengthen the credit flow to the SME sector based on analysis of data/information collected through 1. The survey of entrepreneurs, 2. The survey of branch managers, 3. The survey of sick units, 4. The survey of Chiefs of SMEs in banks and financial institutions and 5. The study of success stories on SME units. The analysis of data is done by following simple statistical tools such as average, proportion, ratio, CAGR, etc. It was possible to identify various issues relating to the credit flow to the SME sector and suggest strategies based on interactions held with entrepreneurs, branch managers and chiefs of SMEs in banks and financial institutions besides reviewing the literature on the subject.
1.5 Conclusion

The study attempts to suggest various strategies to strengthen the credit flow to the SME sector by approaching all those concerned. It is also attempted to provide a practical orientation to the strategies for which perceptions of bankers are sought for. As discussed above regarding the methodology adopted for data/information collection, it is not possible to generalize based on the random sample and also of the limited number of units and branch managers. The study develops a fair understanding of various issues associated with the credit and offers suggestions based on perceptions of entrepreneurs, branch managers, chiefs of SMEs in banks and financial institutions. But the findings of the surveys/studies are worth examining from the point of view of doubling the credit flow to the sector during the next five years. To start with, it is necessary to assess the role of the SME sector. The next chapter deals with the same.

In the next Chapter 2, the changing role of SME sector is discussed. Various developments in strengthening credit flow to the SME sector in India and abroad are reviewed in the Chapter 3. In Chapter 4, Rehabilitation of sick units - concept and process is discussed. Findings of the success stories on SMEs are presented in Chapter 5. In Chapter 6, it is attempted to analyze the responses received from Entrepreneurs. A survey of Branch Managers is discussed in Chapter 7. A study of successfully rehabilitated cases and lessons drawn from the are presented in Chapter 8. Suggestions emerging from the survey of Chiefs of SMEs in banks are dealt in Chapter 9. SME Lending Operations are extensively discussed in Chapter 10 with a view to suggest new approaches. In the last Chapter 11, summary and recommendations are offered.
QUESTIONNAIRE FOR THE SURVEY OF BRANCH MANAGERS

PART I : INTRODUCTION

1.1 (a) Bank : 

(b) Branch : 

(c) Year of Establishment : 

1.2 Branch Manager's background

(a) Age : 

(b) Educational & Professional Qualifications : 

(c) Date of joining the present Branch: 

(d) Present Grade/Scale : 

1.3 Organization Structure of the Branch

(a) Officers (including BM) : 

(b) Clerks : 

(c) Sub-Staff : 
## 1.4 Statistics

(Rs. In lakhs)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i)</td>
<td>Current A/C</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii)</td>
<td>Savings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iii)</td>
<td>Fixed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b)</td>
<td>Advances</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i)</td>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Advances</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Industry</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Advances</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Large &amp;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Medium</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Industry</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Advances</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SSI advances</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tiny Sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
1.5  (a) Does your branch have technical officer?  
Yes/No 

(b) If yes, have they been trained in SME advances?  
Yes/No 

PART II : PROJECT FORMULATION AND SANCTIONING OF LOANS

2.1  
i. Do the entrepreneurs consult you before formulating a project proposal?  
Yes/No 

ii. If yes, do they expect any help from you?  
Yes/No 

iii. If yes, what type of help is sought from you? 

   a) Items to be covered in project proposal 
   b) Bank schemes  
   c) Preparation of projected cash flow statement  
   d) Others 

iv. While offering help to entrepreneurs in formulating the project, do you experience any problems?  
Yes/No 

2.2  
i. If answer to question 2.1 (i) above is negative, do the entrepreneurs prepare a project report on their own (or take help of consultants)?  
Yes/No 

ii. If no, are the consultants local?  
Yes/No
2.3 i. Do the applicants fill-up an application form on their own?  
    Yes/No

    ii. If no, do they take your help?  
        Yes/No

2.4 i. Are the entrepreneurs aware of the Government Schemes 
    towards margin money, subsidy etc?  
    Yes/No

    ii. If no, do you counsel them on these aspects?  
         Yes/No

2.5 i. Do you hold an interview with an entrepreneur and conduct 
    pre-sanction inspection?  
    Yes/No

    ii. Do you get co-operation from entrepreneurs in conducting the 
        interview and pre-section inspection?  
        Yes/No

2.6 i. How much time you normally take from the date of application 
    for sanctioning credit facility to the entrepreneurs seeking 
    assistance for the first time from you?  

    ii. Do you feel that time presently taken as stated above is 
        reasonable?  
        Yes/No

    iii. If no, what according to you, could be the ‘reasonable time’ 
         taking into account the existing system of appraisal and the 
         constraints of the branch?  

    iv. Do you receive complaints from the entrepreneurs in regard to 
        time taken in credit sanction?  
        Yes/No
2.7  
   i. Do you receive co-operation from entrepreneurs in executing loan documents?  
      Yes/No

   ii. Are there delays in the executing loan documents?  
       Yes/No

   iii. Would you like to offer suggestions on documents presently executed for loans to SSI?

2.8  
   i. Do you experience problems in disbursing the sanctioned loan amount?  
      Yes/No

   ii. If yes, please state your problems?

   iii. Do you carry out inspection of the site or factory immediately after the disbursement of loan amount?  
        Yes/No

   iv. If yes, how soon?

   v. For disbursement of loan in respect of construction of building, do you receive a Progress Report from the unit from time to time?  
      Yes/No

2.9  
   i. Are there delays in implementation of project sanctioned by you? If so, in how many cases as on this date?

   ii. What may be the possible reasons for delayed implementation of the project?
iii. Does the borrower extend co-operation in conducting factory inspection and holding regular meeting till the project is implemented?

iv. Does the borrower involve a consultant in implementation of the project?

2.10 i. What is your experience with regard to recovery of loans sanctioned to SME Units?
   a) Term Loans
   b) Working Capital Loans
   c) Non Fund Based Limits

ii. What may be the reasons for low recovery of loans?

iii. If the poor performance of the entrepreneurs is responsible for low recovery of bank dues, what may be the reasons for the same (poor performance)?

iv. Do you receive stock statements regularly from the entrepreneurs?
   Yes/No

v. Do you receive co-operation from borrowers for stock inspection?
   Yes/No

vi. Do you get financial statements from borrowers regularly?
   Yes/No

vii. If yes, are there any delays?
   Yes/No
2.11  
i) Do you receive papers relating the renewal of limits on timely basis?

ii) If no, what may be the reasons?

PART III
SICKNESS AND REHABILITATION OF THE PROJECT

3.1 i. Do you have sick SSI units?  
Yes/No  

ii. If yes, please indicate information as under:
No. of sick units _______  Amount involved _______

iii. What may be the main causes of sickness (Please put Tick Mark):
   
a) slow down in the economy
b) delayed payments from customers
c) managerial deficiencies
d) power cut
e) delayed bank sanctions
f) others

3.2 i. In how many cases, viability studies have been conducted?

ii. How many of them are found to be viable?

iii. Do you receive required information and co-operation from borrowers for conducting the viability study?
Yes/No
3.3  
i. Do the entrepreneurs prepare their proposal for seeking finance for rehabilitation on their own?  
Yes/No

ii. If no, who assists them?

iii. Do the entrepreneurs seek your assistance in preparing such proposal?  
Yes/No

iv. If yes, what is your experience?

3.4  
Are the entrepreneurs aware of concessions granted to sick units by banks?  
Yes/No

3.5  
i. How much time is presently taken by the bank in preparing the rehabilitation scheme?

ii. Do you find the time presently taken is reasonable?  
Yes/No

iii. If no, what are your suggestions?

3.6  
i. How much time is presently taken for implementing the scheme?

ii. Do you experience delays in implementation of scheme?  
Yes/No

iii. If yes, would you like to offer suggestions for avoiding such delays?

iv. Do you receive co-operation from the borrowers in implementing the scheme-particularly in regard to the promoter’s contribution?

3.7  
i. Do you receive co-operation from co-bankers?  
Yes/No
II. Are the consultants involved in implementing the scheme?  
Yes/No  

iii. In how many cases, the revival exercise is successful?  

3.8 If success in rehabilitation of SME units is not encouraging, what may be the reasons (Please put Tick Mark):  
   a) slow down in the economy  
   b) liquidity problems  
   c) lack of co-ordination between bank and SFC  
   d) lack of involvement of Government  
   e) lack of seriousness on the part of entrepreneurs  
   f) others  

3.9 Would you like to offer suggestions for effective rehabilitation of sick units?  

PART IV : GENERAL CATEGORY  

4.1 Do you provide any help to SME units to get assistance from state level developmental organizations?  
Yes/No  

4.2 How do you visualize the role of SIDBI?  

4.3 i. Have you been involved in organizing/participating in Entrepreneur Development Programme (EDP)?  
   Yes/No  
   ii. If yes, what has been your experience?  

4.4 i. If small entrepreneurs want non-financial help in the form of counseling services, would you like to offer them?  
   Yes/No
ii. If yes, what could be such non-financial services? (Please put Tick mark)
   a) Preparation of project proposal on the basis of entrepreneur’s information
   b) Filling-up of loan application form
   c) Obtaining clearance certificates
   d) Formation of partnership firm
   e) Others

4.5 i. Have you organized a ‘Borrower’s Meet’ to discuss their problems?
     Yes/No

ii. If yes, what has been your experience?

4.6 What kind of support you expect from your regional office?
   a) Timing
   b) To know latest policies of the Government
   c) Recovery from Non Performing Assets
   d) Participation in Borrower’s meet
   e) Others

4.7 What changes you may suggest in enhancing the overall quality of bank services to borrowers?
QUESTIONNAIRE FOR THE SURVEY OF ENTREPRENEURS

PART – I : INTRODUCTION

1.1 Name of the enterprise : 

1.2 Year of establishment : 

1.3 Is your unit located in industrial estate? 

   Yes/No 

1.4 Nature of activity : 

   (a) Industry 
   b) Products 

1.5 Constitution : Proprietary/ Partnership/Private Ltd. Co/Public Ltd. Co./ Co-operative Society 

1.6 i. Was there any change in the constitution of the enterprise during the recent past? 

   Yes/No 

ii. If yes, was it done on the advice of the bank? 

   Yes/No 

1.7 Entrepreneur’s background 

   a) Age 
   b) Educational qualifications 

   c) Professional background 
   d) Work experience before starting the enterprise
1.8 i. Indicate the name of the bank/financial institution from whom financial assistance has been obtained.

ii. Credit facilities (term loan/working capital)

<table>
<thead>
<tr>
<th>Sanctioned</th>
<th>Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working capital</td>
<td>Working capital</td>
</tr>
<tr>
<td>Term Loan</td>
<td>Term Loan</td>
</tr>
</tbody>
</table>

Details of Non Fund Based Limits:

iii. Provide details of the financial assistance (period, purpose, interest, etc.)

1.9 i. Since when the enterprise has been dealing with the banks?

ii. Who introduced you to your bank?

1.10 i. Is your unit registered?  
Yes/No  

ii. Did you face any problem in registration?  
Yes/No  

iii. If yes, state the nature of problems

PART II: PROJECT FORMULATION

2.1 What motivated you to start the enterprise?

2.2 Whom did you consult for setting up your enterprise?

2.3 i. Did you discuss your proposal of setting up new enterprise with the banker?  
Yes/No  

ii. If yes, were you satisfied and encouraged in working out your initial ideas?
2.4 i. Did you prepare a project proposal on your own for availing of the bank finance?  
Yes/No

ii. If no, who helped you?

iii. If the bank’s help was sought by you for preparing the project proposal, what was your experience?

2.5 Did you get any help from the bank in obtaining necessary clearances/certificates/licenses?  
Yes/No

2.6 i. For receiving the loan from the bank for the first time, did you fill up the bank loan application form on your own?  
Yes/No

ii. If no, who helped you in filling the loan application form?

2.7 i. Did you experience any problem in filling up the bank loan application form?  
Yes/No

ii. If yes, specify the problem.

2.8 Did you experience any problem in compiling data requirements (statements/schedules) while submitting the loan application form?

PART III : FINANCING OF PROJECTS

3.1 What was the estimated cost of the project at the commencement of business? (Rs. ‘000)

a) Land
b) Building
c) Plant & Machinery
d) Margin Money for Working Capital
e) Others (specify)

3.2 i. How much did you apply for bank assistance to meet the initial project costs?
   a) For term loan
   b) For working capital
   c) Non Fund Based Limits
ii. Were you satisfied with sanctioned amount?  
   Yes/No

iii. If no, how did you bridge the gap?

3.3  
i. Did you borrow the finance from any private party?  
   Yes/No

ii. If yes, what were the terms and conditions?

3.4  
i. How much capital did you bring in to meet the project cost?  

ii. Did you face any problem in raising funds while setting up the unit?  
   Yes/No

iii. If yes, please state the nature of problems.

3.5  
i. Did you receive any subsidy, grants etc. from the government under various schemes?  
   Yes/No

ii. If yes, please give the amount of assistance received.

3.6 Did you receive any help from the bank in availing of subsidy, grants from the government?  
   Yes/No

3.7  
i. Do you think that the time taken by the bank in sanctioning the first loan was reasonable?  
   Yes/No

ii. If no, what, according to you, could be the reasonable time?

3.8 If delays were experienced in availing of the bank finance, what do you suggest?

3.9  
i. Did you experience any problem in executing the loan documents as required by the bank?  
   Yes/No
ii. If yes, please state your problems and offer suggestions to overcome the same.

3.10 i. Do you think that documents presently obtained by the banks are difficult to execute?  

Yes/No

ii. If yes, what do you suggest?

3.11 Did you satisfy with the mode of disbursement of loan amount?  

Yes/No

PART IV : PROJECT IMPLEMENTATION AND PERFORMANCE

4.1 How much time did you take to commence the commercial production from the date of sanction of the loan by the bank?

4.2 i. Did you implement the project and commence commercial production as per the anticipated time schedule and within the original cost estimate?  

Yes/No

ii. If no, what were the reasons for project over-run?

4.3 i. Did you experience any project over-run on account of delayed disbursement of loan by the bank?  

Yes/No

ii. If yes, in what way this could have been avoided?

4.4 i. Have you been able to repay the term loan installments to the bank regularly?  

Yes/No

ii. If yes, is it because of your success in running the enterprise on profitable basis?  

Yes/No
iii. If no, please state the number of installments in arrears and the period for which irregularity persisting in the cash credit account?

4.5 If your project has incurred cash losses on continuous basis, state the reasons for cash losses.

4.6 Did you seek any help of the bank to overcome the problems attributing to cash losses?
   Yes/No

If yes, please state the nature of assistance received by you from the bank for solving the problems particularly in the area of management of funds.

PART V : SICKNESS AND REHABILITATION OF THE PROJECT

5.1 i. Has your unit already been declared as a sick unit by the bank?
   Yes/No

ii. If yes, when was it done? State the reasons for sickness.

iii. If no, do you consider your unit as a potentially sick unit?
   Yes/No

iv. If yes, what are the warning signals?

5.2 i. Has the bank helped you in detecting the warning signals and then suggesting remedies to overcome liquidity and other problems?
   Yes/No

ii. If yes, have you found the bank’s approach being co-operative and helpful?
   Yes/No

5.3 What are your plans to overcome sickness and what type of assistance that you expect from the bank?
5.4  i. Have you carried out the viability study of the enterprise?  
Yes/No □

ii. If yes, did you do it on your own?  
Yes/No □

iii. If no, have you taken any help of the bank for this purpose?  
Yes/No □

iv. If yes, how much time did it take to complete the viability study?

5.5  i. Do you think that time taken by the bank for viability study was reasonable?  
Yes/No □

ii. If no, what according to you, could be the reasonable time in this regard?

5.6  i. Has your project been assessed viable?  
Yes/No □

ii. If yes, whether the rehabilitation scheme is prepared in the light of the viability study?  
Yes/No □

iii. If yes, please indicate salient features of the scheme, (concessions in the rate of interest, margin money, moratorium period, funding of interest and rescheduling of payment of interest arrears, etc.)

5.7  i. Have you received concessions from the government departments (Central, State and Local institutions) under sick unit scheme?  
Yes/No □

ii. If yes, please state the nature of concessions received by you in respect of statutory dues etc.
iii. Have you been satisfied with the concessions?

   Yes/No

iv. If no, what suggestions would you like to offer?

v. Did you receive any guidance from the bank in availing of such concessions?

   Yes/No

5.8  

i. Are you satisfied with the concessions offered by the bank as a part of rehabilitation scheme?

   Yes/No

ii. If no, what suggestions would you like to offer?

5.9  

i. How much time was taken by the bank for working out the rehabilitation scheme from the date of your application for rehabilitation assistance?

   

ii. What was the time taken by the bank for implementation of rehabilitation package after the same was approved?

5.10  

i. Did the bank insist upon the appointment of a consultant to conduct a viability study?

   Yes/No

ii. Who did the viability study? How much time it took? What was the fee charged by the consultant? Who paid the fees?

5.11  

i. Do you think that the time taken by the bank in working out and implementing the rehabilitation scheme was reasonable?

   Yes/No

ii. If no, what, according to you, would be the reasonable period?
5.12 What suggestions would you like to offer for early implementing rehabilitation scheme?

5.13 i. Has the bank implemented the rehabilitation scheme in your case?

Yes/No

ii. Has your unit improved its performance after the implementation of rehabilitation scheme keeping in view the main causes of sickness?

Yes/No

5.14 If the business results are satisfactory in terms of profit generation, have you been able to repay the bank dues as per the approved rehabilitation scheme?

Yes/No

5.15 i. If the business results are not satisfactory in terms of profit generation as per the rehabilitation scheme, what may be the reasons?

ii. Has the bank been helpful to you in overcoming problems, if any, after implementation of the project?

Yes/No

5.16 What are your future plans to overcome the present problems?

5.17 What kind of help you expect from the bank?

5.18 If your enterprise has been found non-viable by the bank, what are the steps taken by it?

**PART VI : GENERAL CATEGORY**

6.1 i. Are you aware of other development institutions which are promoted for the development of SMEs in the region?

Yes/No

ii. If yes, can you please state name of such institutions?
6.2. i. Have you approached any of the development institutions/government agencies to get certain assistance/concessions?
   Yes/No    

   ii. If yes, have you been satisfied with the service and assistance provided by them?
   Yes/No

   iii. If no, what do you suggest for improvement of their services?

6.3 If you have approached any of the development institutions/government agencies till this date, what may be the reasons?

6.4 Are you aware of SIDBI?
   Yes/No

6.5 Are you aware of factoring services?
   Yes/No

6.6 i. Have you undertaken any expansion/diversification plan?
   Yes/No

   ii. If yes, have you approached the bank for additional financial assistance?
   Yes/No

   iii. If yes, give details of assistance sought for

6.7 Because of small size of your unit, have you experienced any discrimination between your unit and other big units by banks?
   Yes/No

6.8 i. Have you attended any Entrepreneurial Development Programme (EDP) or any other similar training programme?
   Yes/No

   ii. If yes, who organized it?

   iii. If the bank has organized such programme, what are your views and suggestions?
6.9 i. Do you expect any non-financial help from the bank in the form of counseling services in key areas such as maintenance of accounts, selection of product line, location, planning and control, market survey, etc.

   Yes/No

   ii. If yes, are you prepared to bear some costs if you are called upon to pay?

   Yes/No

   iii. Has the bank organized a Seminar or a ‘Borrower’s Meet’ during the recent past?

   Yes/No

   iv. If yes, what are your experiences?

6.10 Have you been satisfied with the overall attitude of branch manager and his staff?

   Yes/No

6.11 Would you like to offer any suggestions for improving the bank services to the small industries in the region?

6.12 i. Are you functioning as an ancillary unit of a large enterprise?

   Yes/No

   ii. If yes, give details of your principal customers including rough estimates about their shares in total sales.