This study is an attempt to highlight the lead bank finance to small-scale industries in Virudhunagar District. In this chapter, summary of findings and suggestions for improvement have been presented.

7.2 SUMMARY OF FINDINGS

The Virudhunagar District is located between 11° and 12° north latitudes and 77°28 and 78°50 east longitudes. It is bound on the east by the Western Ghats, on the North by Madurai District, on the North-East by Sivagangai District, on the East and the South-East by Ramanathapuram District and on the South by Thoothukkudi District. Virudhunagar does not have any perennial rivers.

For administrative convenience, Virudhunagar District has been divided into two revenue divisions, one at Sivakasi comprising Srivilliputhur, Rajapalayam, Sattur and Sivakasi Taluks and the other at Aruppukottai comprising Aruppukottai, Kariapatti, Virudhunagar and Thiruchuli Taluks. The District covers an area of 4243 square kilometers or 1638 square miles. The population of the District is 19,43,309. Of this total population, 9,67,437 (49.78%) are males and the remaining 9,75,872 (50.22%) are females. The density of the population of the District is 363 persons per square kilometer. The percentage of literate population in the District is 62.91.

Agriculture is the predominant occupation of the District. The District is a drought prone District. Paddy, cumbu, sugarcane, groundnut, cotton, cholam, maize, ragi, varagu, plantain, samai, chillies, greengram, blackgram, horsegram, and gingelly are the important crops of the District. Another important
commercial crop in the District is chilli. Internal trade of the district is developing on a large scale. Fireworks, matches, polythene articles, litho-printed calendars, posters, diaries and the like are manufactured in Sivakasi. Virudhunagar District is served by a network of banking giving an average of 15,680 persons per branch.

Indian Overseas Bank (IOB) is functioning as the Lead Bank of the District. There are 164 banks, both nationalized and scheduled, taking care of the banking needs of the District. The industrial growth is significant and it contributes much to the economic development of the district in providing employment for many people. There is ample scope for the development of resource-based and demand-based industries in this District. There were 34 large scale industrial units in the District as on March 31, 2001, comprising 16 textile units, 10 printing units, two cement factories, one cement product industry, two automobile industries, one food product, one chemical product and one engineering industry. There were 5,226 cottage and 4,548 handicraft industries in the District as on March 31, 2012.

The Indian Overseas Bank was founded on February 10th 1937 by Shri. M.Ct.M. Chidambaram Chettiyar, a pioneer in many fields, banking, insurance and industry with the twin objectives of specializing in foreign exchange business and overseas banking. IOB was one of the 14 major banks nationalised in 1969. IOB had the distinction of being the first bank in banking industry to obtain ISO 9001 certification for its Computer Policy and Planning Department from DCT Norska Veritas (DNV), Netherlands in September 1999.
The Indian Overseas Bank has the total number of 2532 branches as on 31st March 2012 to carry out the wide range of operations. In the case of the Indian Overseas Bank, the share of the SSI has also correspondingly increased during that period. It has increased from Rs.2018 crores in 2000-01 to Rs.7218 crores in 2011-12. The percentage share of the Indian Overseas Bank among the public sector banks ranged from 6.11 per cent in 2005-06 to 10.90 per cent in 2011-12.

It is seen from the analysis that the share of Indian Overseas Bank in the total public sector bank credit has steadily increased during the period under study. Total lending to SSI by public sector increased from Rs.1310.65 crores in 2000-01 to Rs.3591.40 crores in 2012-13. The lending to SSI by the Indian Overseas Bank alone ranged from Rs.323.63 crores in 2000-01 to Rs.906.30 crores in 2011-12. The Indian Overseas Bank’s lending increased from 24.69 per cent of total lending given by public sector banks in 2000-01 to 25.23 per cent in 2011-12. The Indian Overseas Bank lending to the SSI sector has been increasing at the rate of 0.105 per cent per annum. The growth was found high in the Indian Overseas Bank (11.05%) during the period under study compared to the public sector banks (7.81%) in Tamil Nadu.

It is evident that the Indian Overseas Bank had given more advances to small scale industries than the targeted amount in all the years except during 2001-02, 2010-11 and 2011-12. On an average target of the SSI advances and the actual amount of advances have been increasing at the rate of 0.122 per cent and 0.133 per cent per annum respectively. The growth was found high in the
target of SSI advances (12.97%) during the period under study followed by the actual amount of advances to SSI (11.95%) in Tamil Nadu.

The percentage share of the SSI credit in the total credit increased from 14.88 per cent in 2011-12 to 19.60 per cent in 2002-2003. From the analysis, it is concluded that the outstanding from the SSI to the total credit is only meagre. But it is always expected that there should be 100 per cent recovery. But it is not in practical. The Indian Overseas Bank has given more advances to SSI than the targeted amount in almost all the years under study. The targeted amount by the Indian Overseas Bank to the SSI in Virudhunagar has fluctuated during the period.

The targeted amount ranged from Rs.36317 thousand in 2003-04 to Rs.124440 thousand in 2010-11 while the actual advances to SSI ranged from Rs.36318 thousand in 2003-04 to Rs.126408 thousand in 2010-11. The average target of the SSI advances made by the Indian Overseas Bank and the actual amount of advances in Virudhunagar district were Rs.71803.33 and Rs.93449.22 thousands respectively during the period 2003-04 to 2011-12. The total advances of the Indian Overseas Bank increased from Rs.1773324 thousand in 2004-05 to Rs.4937496 thousand in 2011-12. The credit extended to priority sector increased from Rs.712612 thousand in 2003-04 to Rs.1857632 thousand in 2011-12. The outstanding position for SSI is only marginal and hence it is hoped that the lending institution will pay more attention to SSI among the other segments of the priority sector.
Details relating to the background of the entrepreneurs, location of plants, borrowings from the Lead Bank and problems connected with the borrowing, were collected from all the units. Out of the 250 entrepreneurs representing the SSI units, 205 (82%) were male. Out of the 250 entrepreneurs, 107 (42.80%) belonged to backward community; 81 (32.40%) to forward community and 62 (24.80%) to most backward community. About 30 per cent of the respondents were in the age group of 40 to 50 years and 26.00 per cent were between 30 and 40 years.

The entrepreneurs under study had varied educational qualifications. Two major reasons which influenced the respondents to start a small scale unit were. ‘Urge to face challenges’ and ‘Desire to make more money’. One hundred and thirty eight units (55.20%) are partnership firms, while 79 units (36.60%) are owned by individuals. Thirty-three units (13.20%) are run as private limited companies. Out of the 250 units which get financial assistance from the Lead Bank, 20.40 per cent have full knowledge of the procedure for obtaining loans from the Lead Bank, but 64.40 per cent of the units have only elementary knowledge. Out of the 250 SSI units which got financial assistance from the Lead Bank, 26.40 per cent were able to get their loan applications sanctioned within one month of submission while the remaining had to wait for more than one month. There are many reasons for the delay. In spite of the government providing different schemes for SSI units, banks do not encourage small-scale sector by granting loans in time. Though financial agencies claim that the liberal financial package available to entrepreneurs is sufficient for the implementation of their projects, in reality it is not so, as collaterals and securities are insisted upon. The inadequate assistance
and delay in the sanction were the major problems faced by the respondents in the study area.

An attempt has been made to condense the attitudes of the small-scale industrial units into a few factors by using the Factor Analytical Method. The loan application of the bank is short’ and ‘it elicits only the information required for the grant of loan’, ‘margin money fixed by the bank is too high’ and ‘SSI units find it difficult to pay the margin money’, ‘the repayment schedules fixed by the bank are always unrealistic’, ‘the amount sanctioned by the bank is always less than the required amount, thereby causing financial problems’ and ‘the investment limit of Rs. one crore in plant and machinery for a small scale industry affects the SSI’s share of financial assistance from the financial institutions’ are the variables influencing the attitude of the SSI units to the lending services of the Lead Bank in Virudhunagar District.

An attempt has been made to analyse the levels of satisfaction of the SSI units in Virudhunagar District with the lending services of the Lead Bank. It may be concluded that the level of satisfaction of the SSI units with the lending services of the Lead Bank is independent of their age.

It may be concluded that the level of satisfaction of the SSI units with the lending services of the Lead Bank is independent of their community. It may be concluded that the respondents’ satisfaction is independent of educational levels of the entrepreneurs. The level of satisfaction of SSI units with the lending services of the Lead Bank has an association with the nature of organization. The level of
satisfaction of the SSI units with the lending services of the Lead Bank is independent of the type of industry.

It may be concluded that the level of satisfaction of the SSI units with the lending services of the Lead Bank is dependent on the number of years of existence of the SSI units. The level of satisfaction of the SSI units with the lending services of the Lead Bank is dependent on the area of the plant’s location. The level of satisfaction of the SSI units with the lending services of the Lead Bank is dependent on the location status of the plant. It may be concluded that the type of industry has an association with the level of satisfaction with regard to the Dimension ‘Application and Sanction’. The nature of the organization has association with the level of satisfaction of the SSI units with regard to the Dimension ‘Application and Sanction’. The type of industry is independent of the level of satisfaction of the SSI units with regard to the Dimension ‘Security, Margin, Interest and Charges’. The nature of organization has an association with the level of satisfaction of the SSI units with regard to the Dimension ‘Security, Margin, Interest and Charges’. It may be concluded that the type of industry has an association with the levels of satisfaction of the SSI units with regard to the Dimension ‘Repayment, Follow-up and Recovery’. The nature of the organization influences the levels of satisfaction of the SSI units with regard to the Dimension ‘Repayment, Follow-up and Recovery’.

It is clear that out of the 250 entrepreneurs, 24 (9.60 %) have a low level of satisfaction, 169 (67.60 %) have a medium level of satisfaction and 57 (22.80 %) have a high level of satisfaction with regard to the adequacy of amount sanctioned
by the bank. The type of industry has no relationship with the level of satisfaction of the SSI units with regard to the Dimension ‘Adequacy of Amount Sanctioned’. The nature of the organization has no relationship with the level of satisfaction of the SSI units with regard to the Dimension ‘Adequacy of Amount Sanctioned’. It may be concluded that the type of industry does not influence the levels of satisfaction of the SSI units with regard to the Dimension ‘Government Policy and its Financial Assistance to SSIs’. The nature of the organization does not influence the level of satisfaction of the SSI units with regard to the Dimension V ‘Government Policy and its Financial Assistance to the SSIs’.

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

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

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

7.3 SUGGESTIONS
In the light of the findings the few suggestions offered to improve the functioning of Indian Overseas Bank as the Lead Bank of Virudhunagar District especially towards financing the SSI units.

1. The Lead Bank Scheme (LBS) is useful and needs to continue.

2. The overarching objective of LBS shall be to enable banks and State Governments to work together for inclusive growth.

3. It is necessary to broad base the scope of the scheme to cover initiatives for financial inclusion, role of State Governments, financial literacy and credit counseling as also 'credit plus' activities, formulate action plans to facilitate 'enablers' and remove /minimize 'impeders' for banking development for inclusive growth, develop grievance redressal mechanism and so on.

4. In every district, a sub Committee of the District Consultative Committee may be constituted to draw up a road map to provide banking services through a banking outlet at least once a week at every gram panchayat. In the first instance, a banking outlet may be accessible to each village having population of over 2000, at least once a week on a regular basis. The services may not necessarily be through a brick and mortar branch but can be provided through various forms of branchless banking including through Business Correspondents (BCs). The sub committee should come out with a time frame within which this can be achieved.
5. Lead banks are expected to open a Financial Literacy and Credit Counseling Centre (FLCC) in every district where they have the lead responsibility.

6. The State Government machinery may support the efforts made by banks for financial literacy. Towards this, State Government may proactively provide the assistance of the government machinery, especially at the grass root level such as schools, panchayats and so on for dissemination of the products and services of the banks.

7. Banks should involve themselves actively in the selection of beneficiaries and focus on the bankability and viability of the scheme in the overall interest of ensuring better recovery and ensuring that the subsidy is effectively used for the intended purpose. Governments should evaluate outcomes rather than whether the amounts allocated is fully spent.

8. Priority sector lending as a whole and small scale sector loans in particular has declined after the implementation of New Economic Policy.

9. SSIs are also adversely affected by the implementation of New Economic Policy, which is favorably to large scale sector. Implementation of New Economic Policy has increased the financial and other needs of SSIs.

10. In the context of New Economic Policy it is suggested to continue with priority lending as far as possible at concessional rate of interest.

11. In summary it may be stated that to promote small scale industries it is very much necessary to have a comprehensive policy supported by proper and
adequate availability of credit by commercial banks so that units can work up to their capacity.

12. Considering the findings of the field survey, problems and suggestions of both banks and beneficiaries, we would like to give some policy suggestions in order to make priority sector lending more beneficial to the target industrial units.

13. The financial needs of the SSI vary according to the orders them receive from customers. Therefore, banks have to consider this point while providing loans. In order to enable the SSIs to meet the demands during peak period at least temporary borrowing arrangements should be made and flexibility in lending is the need of the day.

14. In the context of increased need for credit from priority sectors, commercial banks should provide more financial assistance to these sectors.

15. Commercial banks should open specialized branches to deal with SSI credit.

16. To make available credit facilities in a better manner, specialised banks should prepare credit plan for that particular area.

17. Special attention should be given for assisting tiny units.

18. Many of the small entrepreneurs are not in a position to borrow from banks due to their inability to provide proper security. Considering the viability of the project and needs of the entrepreneur there should be relaxation regarding security.
19. In the context of Liberalisation and Globalisation Policies it is essential for the SSIs to modernize their process of production in order to meet the challenging competition. This, of course, requires huge amount of capital. So, banks have to make proper arrangements to bear this increased responsibility in order to back SSIs.

20. It is learnt from the secondary data that the registration of small scale industries with DCC, Virudhunagar, is purely voluntary. Therefore, a few units in the unorganized sector may not have registered themselves with the industries department. In order to rectify this situation, the government should make the registration of SSI units compulsory.

21. The projects prepared by the DIC officials are often unsuited to the local environment. Therefore, DIC should identify suitable schemes and offer them to the SSI units. It should be the responsibility of the local SSI units, to tap the local potential resources for the implementations of the schemes.

22. As foreign exchange earners and savers, small scale industries have a great potential. They earn foreign exchange not only through the export of their increased production but also by their assistance to production in other sectors of the economy. Small scale units located in areas like Virudhunagar, Sivakasi and Rajapalayam blocks of Virudhunagar District are famous for producing chilly powder, fireworks, matches, surgical cotton and surgical cloth of international standard. These products have wide international market and
earn sizeable foreign exchange. Hence, these export oriented SSI units should be given a package of export promotional incentives such as simplification of procedures, tax concessions, grants and subsidies, continuous supply of power, credit facilities with low rates of interest, supply of raw materials at concessional rates, waiving of customs and the like.

23. The consistent and impressive growth of the SSI sector in terms of the number of units registered, employment, investment, output and exports leads to the impression that the path pursued so far for the SSIs in the study area has been successful. But the performance of the small scale industry in terms of dynamic efficiency (that is, technological progress) is very low. It is felt that the SSI units in Virudhunagar District need technology upgradation, innovation, productivity, improvement in managerial talents and the growth of international competitiveness of the industry. This will pave the way of making the industry viable and competitive to contribute much to the economic progress of the District. Hence, the government should establish a Research and Development Centre in the District to impart timely technical guidance to the SSI units.

7.4 CONCLUSION

The Lead Bank is useful and needs to continue. The Indian Overseas Bank which is the Lead Bank of Virudhunagar District should focus on addressing in greater financial inclusion and flow of credit to the target SSI units in Virudhunagar District. Then only the over reaching objective of the Lead Bank Scheme shall enable the branches to work together for the inclusive growth of the
target groups. An integrated approach is required on the part of Indian Overseas Bank as the Lead Bank of the District and as a consortium leader with regard to assessing the potentiality of Virudhunagar District and meeting out the credit needs of SSI units. The shortfall noted in the operation during the study and the preparation of annual credit plans should be overcome through useful and realistic approach. Although the performance of Indian Overseas Bank as the Lead Bank in respect of financing SSI units in Virudhunagar District is satisfactory, it has to go further to formulate strategies and instructing the bank officials in bringing down the overdue and other operational problems related to financing the SSI units in Virudhunagar District. If these hurdles are sorted out, then the Lead Bank Scheme will certainly foster the growth of SSI units in Virudhunagar District. The Virudhunagar District which is industrially and economically backward will grow as the SSI units grow. The key is the Lead Bank Scheme.
CHAPTER VII
SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

7.1 Introduction
7.2 Summary of Findings
7.3 Suggestions
7.4 Conclusion

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BOOKS:


