

ABSTRACT

Sickness in industries which is a common feature in almost all the economies in the world, has been with our country since a last decade and more. Infact one major ailment of Indian economy is the growing industrial sickness, the dimensions of which have taken serious proportions over the years. The incidence of sickness has not only adversely affected the industrial sector but has created a host of problems for the banking sector thereby impairing their profitability and ability to recycle funds.

Acknowledging the need and importance of rehabilitation of sick industries, nationalised banks being the largest purveyors of finance particularly to sick small scale and medium scale industries, have made efforts to revitalise these industries under the guidance of Government and the Reserve Bank Of India. However, the steps taken so far towards rehabilitation of sick industries seemed to be inadequate and have not yeilded the desired result, as the number of new small and medium scale industrial units becoming sick has been on the rise particularly from 1980. This has resulted in mounting overdues and large quantum of Non-Performing Assets with nationalised banks. For which these banks are criticised at large. The available data with the Reserve Bank Of India reveal that as at the end of March 1994 the total number of sick industrial units in the country were 300,000 and amount of bank credit blocked in these units was Rs.15000 crores. Nearly ninety nine percent of the total

number of sick units were from the small scale sector. Hence to know the reasons for such malady it was thought necessary to study the role of these banks in rehabilitating sick industries.

For which a detailed study of policies, procedures, systems of a selected bank in the Pune Region towards rehabilitation of sick industries is made by undertaking a 'field survey' at different levels of the bank i.e. Central office, Zonal / Regional office and branch level. Further to have knowledge about the impact of rehabilitation an interaction with the sick units of the selected bank is also made.

PERIOD SELECTED FOR THE STUDY

Though the problem of sickness was present in the country even before 1979, its ill effects on our economy, industry and banks were seriously realised at all levels from 1980 onwards. For which the RBI issued uniform guidelines to all banks towards rehabilitation of sick industries. In view of this the period for the present study has been chosen from 1980 to 1993.

THE OBJECTIVES OF STUDY

1. To study the measures adopted by nationalised banks regarding rehabilitation of sick small and medium scale industries in the Pune Region.
2. To study the performance of the banks in rehabilitation of sick small and medium scale industries in the area in general.

3. To examine critically the role played by the selected bank for rehabilitation of sick small and medium scale industries and thereby to study the efforts made towards release of funds blocked.

HYPOTHESIS :

The blockage of funds of nationalised banks are partly attributed to sickness in small and medium scale industries.

The efforts made towards rehabilitation of these industries by nationalised banks have to some extent contributed in releasing the funds so blocked.

However, on removal of certain limitations in policies, procedures and systems of nationalised banks, more favourable results can be achieved towards early rehabilitation and thereby enhancing the release of funds blocked.

FRAMEWORK OF THE STUDY

The present research work is spread over Six Chapters. The broad contents of each chapter are given below.

The very problem under consideration is defined in Chapter I which interalia covers objectives, hypothesis, methodology followed by review of literature and working definitions.

The role of nationalised banks and industrial development since planning is reviewed with specific emphasis on Maharashtra and Pune Region in Chapter II.

Before proceeding to study in detail the role of nationalised banks towards rehabilitation of sick industries, it was thought necessary to create a conceptual framework about various aspects of rehabilitation which is discussed in Chapter III.

The Reserve Bank of India with certain expectations, has issued guidelines from time to time to all banks in respect of major areas in the process of rehabilitation and also the parameters for granting reliefs / concessions to sick units. These are explained in Chapter IV. On this background the performance of nationalised banks is reviewed by focusing attention on nationalised banks in the Pune Region.

Chapter V is concerned with a detailed analytical study of a selected nationalised bank and its sick units on the basis of a field survey undertaken. The findings related to various vital aspects and areas regarding rehabilitation policies, procedures, systems of the bank are presented in part 'A'. The findings/responses of survey of sick unit owners of the bank are explained in part 'B'. The conclusions drawn and suggestions offered are presented in part 'C' of this chapter.

Chapter VI deals with a review of the whole research work undertaken through summary of survey findings, conclusions and recommendations. The recommendations so made for the bank/s are divided mainly into the policy aspect, procedural aspect, systems aspect and other general areas relevant to the rehabilitation of sick industries.