INTRODUCTION

In India, the Small Scale industries play a vital role in our economy today. Many authors have written books on this subject and various universities have conducted research pertaining to the problems of the small scale industries. The Central & State Governments have also undertaken studies to find out specific problems of the small scale sector.

In the present study, an analysis is made to prove that the bank credit is not the major constraint which is responsible for the growing sickness amongst the small scale units, but there are other constraints also which are equally or more responsible e.g. irregularity in supply of power, shortage of materials, delayed payments by the big industries etc.

The industries blame the banking sector for sickness of the specific industrial units and the general recessionary trend in the industrial field as if bank credit is the only problem faced by them. The only general rule born out by business census figures and studies is simply that any business succeeds if it is correctly managed & fails if it is not. Type, Size, Capital, Creed and Colour have little to do with it. The financial aspect though a major

one is not only the aspect of recessionary trend. Efficient management of industries without resorting to manipulations is also an important aspect which must be looked into not only by the banker but also by the entrepreneur and the industrialists who are running the industrial units. As a matter of a disciplinary measure the present credit squeeze was imminent. In other words the inefficient management of industries & the manipulating tendencies on the part of the entrepreneur & industrialists have invited such a credit squeeze for which bankers are not responsible. A banker's job is just not to distribute money in the fields where any result oriented activity is not faithfully carried on and a banker's insistence on the follow up of proper utilization of bank credit is quite justifiable. It is a part of the overall economic policy of optimum utilization of resources.

It is an obligatory duty for an industrialist to cooperate with the bankers in bringing about optimum utilization of resources. While in the U.S.A. the decline of the small firm is viewed with considerable concern the more rapid decline in the U.K. is accorded little attention. Indeed there is even a tendency to view its continued survival in many sectors as an indication of structural weakness. Steindl, in particular has emphasised the negative aspects of the survival of the small firm; he has argued that it is
dependent on a series of factors not very creditable to our economic system, monopolistic exploitation of labour, imperfection of markets due to 'irrational' reasons, unemployment, & the 'gambling preferences' of small entrepreneurs, with all the waste of energy attendant on the high turnover of small business. In other cases their continued existence is only due to the toleration of the big businessmen and affords a mere semblance of independence. Since nationalisation, sufficient time has been given to the industrialists for their own self assessment. What is desirable is the adoption of objective approach by the industrialists instead of the prejudice towards any radical change introduced by a banker, in his approach to lending. Security orientation & conservatism in lending are the outcome of bankers' experiences with credit utilization by the industrial units. Consequently, the credit curbs applied by bankers should cause enlightenment among the borrowers as to whether their conducting their businesses is on the right lines. Sometimes the difficulties in the management of industries are genuine & are the result of macro factors beyond their control. However, the factors at the micro unit level have also an important bearing in so far as banker's relation with the specific units are concerned.

Most of the units under the survey are not found making major complaints about the adequacy and timeliness of banks' facilities. They are also aware of the malpractices & manipulations in which they have been indulging and as a result of which bankers are helplessly driven to apply curbs to the credit facility. It can be admitted that relatively the cost of borrowing has gone up. However, this can be understood as quite a natural phenomenon because whereas costs of other inputs are growing, the cost of capital as a factor of production should also go up. If credit facility is made available at relatively cheaper rates by the banks, it may lead to development of a mania on the part of the borrowers that whatever is easily available & at low cost is not that important from the point of view of business administration. Such casual approach on the part of the borrower is going to aggravate the problem of improper utilization of bank credit. In any case credit facility provided by a bank for a short period is meant to help industrialists tide over their difficulties of temporary financial stringencies. Moreover, it is not supposed to induce speculative tendencies and tendencies which increase borrower's personal unproductive consumption expenditure. If the banks' facilities are utilised for such consumption expenditure, it would be quite illogical
on the part of the borrowers to say that bankers are not helping them to bring about asset formation or expansion.

Under the circumstances if the units are required to resort to alternative sources of finance at comparatively higher rates of interest the bankers are not to be blamed but high interest rates are the costs of inefficiency in management which is responsible for not generating for business funds either for survival or for expansion. So long as adequate funds are not generated from within, the borrowers would continue to rely on bank credit for all types of purposes for which bank credit is not meant.

Under the circumstances, it is the responsibility of the organised banking sector to impose discipline on the industries for improving utilization of the money lent.

My study confirms this conclusion.

One important observation which is made by the borrowers is about the bureaucratic delays which result in the process of providing credit facilities to the borrowers from time to time. At the same time it can be said that bankers should not go in for casual approach just to suit the convenience of the borrowers. They can-
not be casual in considering the various loan proposals made by the industrialists from time to time. As a matter of business principle, a banker cannot always take a compassionate view of the problems faced by the borrowers and go out of the way to take the undue risk which is prevalent in the uncertain economic situation. The borrowers integrity is not always a relevant consideration. Many a time, a banker is found to have taken the compassionate view about the situation & later on coming across so many unforeseen difficulties which increase risk in lending and many a time a banker is faced with a situation wherein money lent is as good as a bad debt. Under the circumstances, banker's insistence on submission of documentary evidence for a particular loan proposal is quite theoretically justifiable. Manipulations on the part of bankers in the form of resorting to informal methods of sanctioning credit are not at all justifiable because it would amount to increasing unnecessarily risk in lending to undeserving units whose economic viability remains unascertained. Such manipulating tendencies on the part of the bankers is also undesirable. Both the borrower & the banker should be aware of the constraints resulting from impersonalisation of the situation & a banker need not be apologetic about his insistence on completion of certain important formalities before the loan is sanctioned.
An officer in a commercial bank is a part of the total bureaucratic machinery and therefore, need not pay any heed to the spirit in which his approach to lending has been taken by the borrower. Economics of lending does not permit a banker to take a sympathetic or a compassionate view of the total lending procedure. As a banker, he is accountable to his immediate superiors & to the society in general for optimum utilisation of bank's money.

In so far as a banker insists on fulfilling this commitment to the society, convenience of the borrower is of secondary importance in the whole process of lending money.

If a banker does not use proper discretion while lending it would not only amount to a total loss for the banking business but would also lead to increase in unproductive expenditures of litigation which is not necessarily fruitful for a bank. Thus the legal, technical and economic aspects of lending business demand a high integrity on the part of the borrower as well as vigilence on the part of the banker. If a banker exercises his authority in the observance of such vigilance it is a welcome feature of banking business. It would help the process
of survival of sick units and diversion of funds from the undeserving sick units to the deserving needy units. If a banker helps the process of survival of and strengthening of the deserving units, it would amount to fulfilling the most important social obligation viz. capital formation for long-term development and the resultant increase in productivity and employment of resources.

Paradoxically, a car runs fast because it has brakes. The same thing can be said about the process of economic growth. Credit squeeze is one of such brakes applied for increasing the tempo of economic development in future and is therefore justified—infact it was long overdue.