CHAPTER 1
CHAPTER I

INTRODUCTION AND DESIGN OF THE STUDY

1.1 INTRODUCTION

Small Scale Industries sector has a dynamic role in Indian economic development. The modern SSI sector produced more than 7500 items, created more than 14 million jobs, contributed nearly 40% of India's exports and around 40% of industrial production. The SSI sector registered a growth rate of 7.1% in 1993-94 as against 6% for industry as a whole and SSI growth at 10.1% in 1994-95 was evidently more impressive than the growth rate of 8.6% achieved by industry overall and this sector has been the back bone of the industrial economy of India.

Finance is the lubricant of the process of economic growth. When Finance is made available, industrial activities would be initiated which would give rise to new investment opportunities activating industrialisation. Project financing assumes a prominent place in any planned economy since it translates the plan objectives into bankable propositions. "With a view to achieve industrialisation and better utilisation of national
reserves, a number of specialised financial institutions have been established by the Central and State Government since independence. From the beginning, in 1948, the machinery for the industrial finance has been strengthened and diversified, from time to time, both by the addition of newer institutions with more flexible structure and by enlarging the resources and the scope of functions of the existing institutions".

The development banks as a source of finance differ from other sources in the sense that they provide financial support in multiple forms under numerous schemes instituted by them to suit the industrial enterprises belonging to different industries of national importance situated in different regions of the country. They provide financial assistance to the industrial concerns not only in the form of rupee loans but also in the form of foreign currency loans. They are a channel through which foreign capital and skills flow into the national economy and reach those enterprises which are too small to attract foreign capital and technology themselves.

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The superiority of development banks over other sources of finance also lies in the fact that they do not confine themselves to the provision of financial support to the industrial enterprise but also assume a development role for the accomplishment of the goals of industrial development. Thus, their role in the industrial development of the country is not passive but positive. They act as catalytic agents in promoting balanced industrial development by assuming the promotional role of discovering project ideas, undertaking the preparation of feasibility studies and project reports, providing technical advice and managerial assistance for the implementation of the projects and on some occasion they even establish and manage the industrial units. They also play an important role in the promotion of entrepreneurship and development of village and small scale enterprises.

Development banks are, therefore, the conduits through which not only capital flows into productive fields but also fruitful ideas and schemes flow under proper direction so as to fertilise barren areas and convert them into economic pastures, green and beautiful.
State level development banks are actually the backbone of industrial strength of the State. These are the only institutions which extend direct financial assistance to all enterprises within the ambit of the state and they support the industrial communities through concessional finance activities for the rehabilitation and revival of industries.

1.2 PROJECT FINANCING BY TIIC

The Tamil Nadu Industrial Investment Corporation Ltd. (TIIC) is one of the leading industrial development institutions in the State of Tamil Nadu. It was incorporated in the year 1949 as a company under the Companies Act to promote industrial development in the state. TIIC provides financial assistance to small scale and medium scale industries for various purposes viz., for setting up new industries, for expansion, diversification, renovation and modernisation of existing industries etc. Project financing is the salient feature of TIIC. They are rendering assistance to manufacturing organisations, service industries such as Hotel, Electricity, Transportation and Nursing Home, Packaging Industries and also to Research and development organisations. It renders assistance to both existing and proposed industrial concerns set up anywhere in
Tamil Nadu and the Union Territory of Pondicherry. Thus, the various developmental programmes which are bankable (technically feasible and economically viable) are being financed by the TIIC out of their own sources as well as with refinance facility from other institutions such as Industrial Development of Bank of India (IDBI) etc. The present study describes the various aspects and issues concerning Project Financing by Tamil Nadu Industrial Investment Corporation Ltd. and its Impact on growth and development of Small Scale Industries in Tamil Nadu.

1.3 STATEMENT OF THE PROBLEM

The operational efficiency and effectiveness of any development bank is governed by the environment in which it functions. The Social, economic, political, cultural, natural, technological and entrepreneurial environment differs from country to country and from region to region in the same country. The working of development banks is also greatly affected by the operational pressure of the legal system, the major thrust of plan priorities and the spirit of national economic and fiscal policies. Thus, each development bank is subjected to environmental inhibitions. This study is an investigation into the performance of the
Tamil Nadu State Financial Corporation called Tamil Nadu Industrial Investment Corporation Ltd. which is the pioneer State Financial Corporation in the country. The study has relevance in the context of major thrust on industrialisation achieved in Tamil Nadu especially through promotion of small and medium enterprises in the less developed region of the country in the last 4 or 5 decades. Further, the renewed emphasis on balanced regional development, creation of new class of entrepreneurs, provision of self-employment opportunities to rural artisans and unemployed in every Five Year Plan through state intervention makes the present study even more significant. Moreover, in the context of growing unemployment, and regional imbalances a performance evaluation study of this nature may help in redefining the role of SFCs in future.

Some of the most urgent problem affecting the working of SFC include increasing overdues telling upon the internal resource position and bottlenecks in diversification of loan portfolio. Further, the stringent control of bureaucrats over SFCs lead to over caution and rigidity in operations on their part, leaving gaps in development banking and industrial structure of the country. The Corporation plays a catalytic role in increasing industrial production for
domestic market and exports and accelerating the process of economic development. The widening network of the Corporation has taken them nearer and nearer to the masses giving them increasing opportunities of ameliorating their living conditions. In this background, there arises a dire need for an investigation into the various factors influencing the performance of the TIIC and an evaluation of its contribution to the industrial prosperity of the State.

1.4 REVIEW OF LITERATURE

There has been a great deal of literature already in India on the subject of financing Small Industry. Many Committees have directly looked into this question. "The Planning Commission has been giving the entire sector of Small Industries a permanent place in the nation's policy of employment and balanced economic development". Financial assistance to Small scale Sector is available on priority basis. In the existing framework for the flow of financial assistance to the SSI sector, the State Finance Corporations have the features of development bank in as much as they

provide project and consultancy services like counselling, market intelligence and extension services. In view of importance of development bank in the economic development of the country, several efforts have been made to evaluate and monitor their performance. An attempt has been made to review some selected studies on financing of Small Scale Industries especially through development banks in the following paragraphs.

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Sujit Sikidar 1985 in his research work "Development Banking: A Study of the Workings of SFCs with special reference to Assam" has examined the functioning of Assam SFC in the North-Eastern Region. This work has identified that finance is not the constant factor always for industrial development of the State; and the entrepreneurial talents and skill are not present adequately here to enable it to avail of the assistance from the Corporation. There has been a growing tendency on the part of the Loanees not to refund money provided by the Corporation since, such money is conceived to be public fund and thereby its refund is not regarded as a prima facie

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duty. The entrepreneurs are not conversant and educated enough with regard to development banking and intricacies of modern industrial finance and hence they should be educated in this respect. The study has incidentally marked that without any regional credit policy suitable for different regions of the country particularly in small scale sector, industrial development and aim of removal of regional economic disparities will remain a far cry. The study discloses that Assam Financial Corporation has been instrumental in administering and disbursing the development finance provided by IDBI. But the discharge of the agency function assigned to the Corporation for disbursing the assistance out of funds provided by the Government has not at all been successful.

1. Appa and Sujatha 1985 in their study "Recovery Performance of SFC: An Analysis" have concluded that the bulk of funds of SFC is blocked as Overdues. Quite large number of loans are overdue even for more than 5 years. This sort of financing will not contribute to industrial progress of the country. The lending activities of the SFCs is quite satisfactory quantitatively but qualitatively it is

poor as their operations have not achieved the desired objectives. It is true that some industrial units do not repay loans because of some genuine difficulties, yet major reasons for genuine defaults is that SFCs on the whole do not function as supporting agents for the problems encountered by small and medium entrepreneurs. The absence of a system of regular inspection and follow-up of assisted units by SFC is also responsible for overdues.

1 Vinod Batra 1986 in his work "Development Banking in India" has attempted a diagnostic and comparative analysis of two SFCs, namely, Maharashtra and Rajasthan SFCs. The prime objective of the study had been to examine organisational effectiveness and operational efficiency of the Rajasthan SFC as a development bank. The study has clearly assessed the financial performance of these two public sector entities in terms of their capital structure, and other financial performance parameters. Besides, the qualitative aspects of the functioning of the corporations have also been studied. The study has vividly identified the role of financial and developmental agency in realistic terms and functioning in collaboration with the development of the state, on a practical plane.

1. Vinod Batra, "Development Banking in India",
K. Natarajan 1988 in his study entitled "Utilisation of Incentives by small scale industrial units" dealt at length the industrial development in India and Tamil Nadu and the different types of incentives, both financial and non-financial available for small scale industries and the impact of these incentives on the small scale industries.

Sharma 1989 in the research study entitled "Industrial Entrepreneurship in a Developing Economy" highlighted the role of Punjab Finance Corporation in accelerating the industrial development of the State. The study has identified that the formalities required for getting loan are so numerous that many intending borrowers feel discouraged even for sending applications for the loans. The loans are some time not disbursed even after they are sanctioned. It further reveals that the small entrepreneurs felt that they are not in a position to provide huge securities demanded for the loans.


Madhu Vij 1989 in her research study titled "Management of Financial Institutions in India: An Analysis of the Practices and problems of term lending institutions" has outlined the broad and impressionistic look at the management techniques of the development banks - Industrial Development Banks of India (IDBI) & Industrial Financial Corporation of India (IFCI). The study has analysed the performance of term lending institutions with respect to five aspects such as Resource management, Liquidity management, Spread Management, Lending operations and Capital adequacy and capital planning. The study revealed that the performance of the two development banks - IDBI & IFCI as reflected by the five management indicators, has been satisfactory during the study period 1972-73 to 1987-88. The increased emphasis on concessional assistance for SSI, infrastructural facilities and project in backward areas, the likely increase in cost of raising up promotional activities would tend to push the profit margin downwards. The future performance of IDBI & IFCI will therefore, depend to a considerable extent on their ability to raise its paid-

up capital adequately, mobilise additional funds at reasonable costs, exercise control over deferment and rescheduling of payment obligations of borrowers, recover dues, strike an appropriate balance in its portfolio of lending at concessional and normal rates of interest and exercise control over the administrative costs.

Satya Prakash Singh, Asha Arora & Manoj Anand 1991 in their research article entitled, "Performance Evaluation of SFCs: A Comparative Study of PFC & HFC", discussed the comparative operational and financial performance of the Punjab Financial Corporation (PFC) and the Haryana Financial Corporation (HFC). This article was the base for analysis of the operational performance and financial performance of TIIC in the present study. The operational performance has been measured over a period of 23 years from 1967-68 to 1989-90 in terms of the following variables: a. total assistance sanctioned and disbursed; b. assistance sanctioned and disbursed to SSI and c. assistance sanctioned and disbursed to backward areas. The financial performance of these two corporation was studied through certain

solvency and profitability ratios. The study revealed that operational performance of PFC was better than that of HFC. Further, the study found that the management of PFC was more effective than that of HFC. PFC seems to have had an edge over the HFC in this respect. Whereas, the profitability analysis indicates that HFC's performance was better than that of PFC. The main cause for better profitability of HFC's operation was comparatively lower interest expense to interest income ratio.

Gupta & Vashishat 1992 in their research study entitled, "Haryana Financial Corporation and Inter District Disparities" analysed the operational performance of HFC. The study discloses that the HFC is playing a vital role in financing and nurturing small and medium scale industrial units in all the districts of the State so as to remove regional imbalances in the industrial growth. Sanctioning and disbursement by HFC has been quite impressive but recovery position has been very poor because of lack of proper monitoring system.

Dangwal and Nagi 1992 in their research study entitled "Institutional Financing and Industrialisation of Garhwal Region" have revealed that the financial assistance sanctioned by the UPFC in Garhwal Region covered a wide range of industries. The study points out that the Corporation's objectives of promoting industrial development especially in the less developed area has not been fulfilled. But at least the hotel industry has been given special attention by UPFC owing to the region's potential for tourism and pilgrimage.

Rakesh Kumar Gupta 1993 in his research work entitled "The role of Development Banks in the Industrial Development of Himachal Pradesh" threw light on the various issues such as:

* the rationality of procedures and operation of these development banks while providing financial assistance to the entrepreneurs in the State.

* problems faced by entrepreneurs in seeking assistance from those development banks.

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the promotional activities undertaken by these development banks in the state.

Dr. Vimal Shankar Singh in his book "Development banking in India" presents an incisive analysis of the financial and promotional assistance provided by the IDBI and its role as an apex development bank of the country. Further, promotional role of IDBI has been examined in relation to its efforts in the area of identification and development of project ideas and potential entrepreneurs, industrial potential survey and feasibility studies, formulation, appraisal and implementation of projects etc. It also examined the institutional arrangements made by IDBI in order to co-ordinate and guide the activities of other development banks in the country.

The Research and Planning Department of IDBI's research article on "Performance of SFCs" in the P.R. Shukla and Roy Chowdhry edited book titled "Banking System, Credit and Development" has vividly explained the comparative evaluation of the Performance of 18 SFCs during the five year period 1978-79 to 1982-83. The comparative evaluation

1. Vimal Shunker Singh, Development Banking in India
2. Shukla P.R. & Roy Chowdhry., Banking System Credit and Development",

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has been made in terms of several indices of performance such as

a. Growth in assistance sanctioned
b. Utilisation of Sanctioned assistance.
c. Per capital assistance sanctioned
d. Share of assistance to small sector.
e. Share of assistance to backward areas and
f. Percentage of arrears and recovery rate.

Besides, the above inter-SFCs variations in industry-wise distribution of assistance, size-wise distribution of assistance, sources and requirement of funds, debt-service coverage ratio and debt-equity ratio have also been highlighted. The analysis in the study is based mainly on data obtained in various returns for annual report on development banking in India.

1
Hilla M. Wadia in his study "Role of All India Term Lending Institutions in the Industrial Development of Backward areas" made a critical assessment of the role of financial institutions by studying the resultant cost and time over runs and in this study specific attention has been paid to the impact of such institutional finance on industrial units in backward areas specially with respect to cost over runs since 1973. IDBI assisted projects have

been studied intensively to provide information on the reasons for their cost over-run, based on statewise, industry-wise, sector-wise and purpose wise analysis and operational performance of a sample of 50 industrial units, 25 each in backward and developed areas has been assessed through a series of ratios.

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B.Appa Rao & Kameswari Chinta in their research article entitled, "The Overdues Syndrome in APSFC" have analysed the problems, magnitude and other related aspects of overdues. The incidence of overdues in the industrial credit system has been increasing over the years and has been steadily eroding the financial soundness of the system.

2

S.S. Narta & Devinder Sharma in their research work entitled "Industrial Finance in Himachal Pradesh: A Comparative Analysis of effective Development Bank" highlighted the significant contributions of the four development banks in the promotion of industrial sector of the State of Himachal Pradesh. Two national Development


banks such as IDBI & SIDBI and two state level development banks such as SFCs and SIDCs were the study units. The study was made mainly to know the financial share of each of these development banks in industrial finance in Himachal Pradesh. The role of these institutions is meagre in the state in comparison to the total assistance of development banks in the country. The study has identified that the immediate need is to enhance their financial share in the state by involving the local and regional level organisations and institutions to bridge the gap with industrial enterprises so that it may develop cognizance and get benefits from these development banks. Further, development banks should make reforms to liberalise the legal and other forms for deployment of loan and to captivate the attention of the entrepreneurs towards these development banks.

1. Neelamegam R. 1981 in his doctoral thesis "Institutional Finance To Small Scale Industries - A Study with special reference to Tamil Nadu" sheds light on the finance which are available to small scale industrial units 

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through State Level and National Level Financial Institutions. He suggested the formation of an exclusive fund at the national level to suit the requirements of Small Scale Industries.

1
Upaulthus Selvaraj M. 1992 in his Doctoral Thesis titled, "Working of Financial Incentives in Small Scale Industrial Units in Composite Madurai District", dealt at length the small industrial entrepreneurs' level of utilisation of financial incentives, growth caused by utilisation of financial incentives, if any, and entrepreneurial growth as caused by these small scale industrial units that have utilised the financial incentives.

2
Namibiar K.A. 1989 in his article titled "Small Units: Tamil Nadu Plan to Tone Up Infrastructure" has explained that the Government wants to strengthen the infrastructure instead of providing fiscal incentives as a long term measure to stabilise industrial growth.

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A brief survey of the current literature available on development banking in India suggests that most of the studies conducted relate to financial institutions in general. These studies have also evaluated the performance of different financial institutions mostly form the quantitative dimensions. Since the performance of each institution differs from state to state, these aggregate studies are not of much importance from the state point of view. No detailed study has been conducted to evaluate the performance of development banking in Tamil Nadu with special reference to TIIC. The present study is examining the contribution of TIIC to the industrial development in Tamil Nadu. This study has evaluated the contribution of the corporation from three dimensions viz., from the point of view of the Corporation, from the point of view of the economy and also from the point of view of the Clientele units.

1.5 OBJECTIVES OF THE STUDY

The primary objective of the study is to evaluate the contributions of Tamil Nadu Industrial Investment Corporation to the Industrial Development of the state of Tamil Nadu in the light of its policies, objectives and functioning. More specifically the study intends:
1. To analyse and evaluate the project financing procedure and practices adopted by TIIC;

2. To examine the overall performance of TIIC based on the financial performance of the Corporation;

3. To assess the contributions made by the Corporation in the development of Small Scale Industries, in the state of Tamil Nadu, their diversification and expansion and the development of backward regions; and

4. To evaluate the effectiveness of the services provided by the Corporation through clientele perceptions.

The researcher has tried to find out whether the TIIC has acted as a mere financial entity or has had a broader coverage transcending to promotional, innovative and entrepreneurial roles.

1.6 METHODOLOGY

The framework of the study adopted is one that seeks to combine relevance to the research purpose with economy in procedure. The present study pertaining to working and performance of TIIC is based upon the exploratory research design. This type of approach is required to find out the most likely explanation about the functioning of the Corporation. Since an exploratory study largely interprets available information, it makes use of the secondary data and the emphasis is more on the analysis and interpretation of the existing and available information. Secondary data
have been collected from the Report on Development Banking in India, IDBI Publication and TIIC's Annual Reports, Circulars, Guide manuals as well as from literature works. Functioning of TIIC has been examined in terms of the schemes offered, procedure and policies practised, financial sources and contributions made by TIIC in the process of industrial development in the Tamil Nadu state. Secondary data were also collected by visiting the libraries of TIIC, Institute of Financial Management and Research(IFMR); Tamil Nadu Small and Tiny Industries Association (TANSTIA); District Industries Centres(DIC) of Trichy, Sivaganga and Madurai. Leading Journals like Finance India, Delhi; SEDME(Small Enterprises Development, Management and Extension) Journal, Hyderabad; SEDDOC Bulletin a Publication of National Institute of Small Industry Extension Training, Hyderabad were also referred to for the purpose to mention only a few.

To supplement the secondary source of data primary data have been also collected from the Industrial units who have availed assistance from TIIC. A detailed and comprehensive survey was conducted among the TIIC' Clientele Units to know their perception of TIIC. The functional aspects of
the corporation indicate that project financing procedures and norms adhered on various aspects of financing are the same in all regional and branch offices of the corporation. Hence it was decided to conduct survey among the assisted industrial units located in Trichy, Madurai and Sivaganga districts. This survey serves the purpose of evaluating the services of the corporation.

Keeping the objectives in view an exhaustive schedule was prepared which can be seen in Appendix - I. The schedule was pre-tested before commissioning them into the field for collection of relevant data. Twenty TIIC assisted industrial units have been approached for the purpose of pretesting and finalisation was done by alteration of some items and addition of some other provisions in the Interview Schedule. In the light of their suggestions, the interview schedule was modified to incorporate all the pertinent issues in the schedule for the purpose of bringing it in the present form. Data have been collected by personal contact with the owner-managers and managers of the industrial units. The field work started in June 1994 and was over by July 1996.
1.7 SAMPLING DESIGN

To obtain primary data, two surveys were undertaken in the study area. First, a detailed comprehensive survey was conducted among TIIC assisted units.

The assistance provided by TIIC are availed of by the industries like Food products manufacturing, Paper and Paper products, Textiles and Textiles products; Engineering goods, Metal products, Chemical products, Manufacture of Transport equipments, Printing and publishing; Leather and leather products, Engineering and automobiles; RIMP Scheme. The above industries only have been taken as sample for this study. Table 1.1 reveals the list of industries and units covered by the study. The units of the study has been selected by following proportionate stratified random sampling method.
<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of the Industry</th>
<th>District wise Sample Units</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Trichy Dt.</td>
</tr>
<tr>
<td>1.</td>
<td>Textile and Textile products</td>
<td>6</td>
</tr>
<tr>
<td>2.</td>
<td>Chemical and Chemical products</td>
<td>4</td>
</tr>
<tr>
<td>3.</td>
<td>Engineering &amp; Automobile units</td>
<td>10</td>
</tr>
<tr>
<td>4.</td>
<td>Food products</td>
<td>4</td>
</tr>
<tr>
<td>5.</td>
<td>Metal and Metal products</td>
<td>3</td>
</tr>
<tr>
<td>6.</td>
<td>Transport operators</td>
<td>3</td>
</tr>
<tr>
<td>7.</td>
<td>Electricals and Electronics</td>
<td>4</td>
</tr>
<tr>
<td>8.</td>
<td>Others</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>36</td>
</tr>
</tbody>
</table>

The table shows that the selected units for the present study are located in the Trichy, Sivaganga and Madurai Districts.

Another sample survey among TIIC's branch managers and officers was conducted during the period of May 1992 - July 1992. The survey was undertaken to gather first hand data on their views about the procedural aspects of financing and industrial units responsiveness, involvement etc. It is to be mentioned that only managers and officers who are directly engaged in the loan sanction and disbursement processes were contacted.
1.8 TOOLS AND TECHNIQUES OF ANALYSIS

In the analysis and interpretation of data, statistical measures/techniques like percentages, averages, growth rates (Linear and Compound), regression co-efficients have been applied and the results obtained have been properly interpreted and inferences drawn. In addition, qualitative measures like Scaling technique was used to rate the clientele perception of TIIC.

The primary data collected in the course of interviews with the entrepreneurs were tabulated to make it suitable for further statistical treatment. This was supplemented with secondary data collected from the trade associations and Government reports etc. Simple statistical devices such as Percentages and Averages were extensively used to interpret and analyse the data collected. The clientele perception of TIIC were rated by using "Likert" Summated Attitude Scale. A five point scale was used to rate the level of perception of TIIC assisted units about its services. The level of perception was measured by awarding a scoring pattern.
TIIC's contribution to industrial development of the State of Tamil Nadu has been measured in terms of amount of assistance sanctioned and disbursed. Industry-wise, Size-wise, Region-wise analysis of the assistance provided by TIIC has also been made. In order to capture the trend more precisely, the amount of loan sanctioned to disbursed has been regressed on the basis of time. The trend growth rates such as Linear and Compound Growth Rates were computed especially to measure sanction, disbursement and collection performance of the Corporation.

Linear and Compound Growth Rates have been computed by using the following formula.

LGR = \( \frac{b}{a} \times 100 \)

\[ \text{CGR} = \left( \frac{\text{Current Year/Base year}}{\text{Base year}} \right)^{\frac{1}{n}} - 1 \]

Compound Growth Rate is a measure for an initial amount that grows to a specified future value over a specified number of period. The rate is the periodic growth rate and not necessarily an annual rate.

Karl Pearson's Co-efficient of Correlation has been used to test the relationship between Sanctions and Disbursement; Disbursement and Collection; Applications for sanctions and Sanctions made; Total sanctions and SSI sanction etc.
\[
\begin{align*}
    r &= \frac{\text{Edx} \times \text{Edy}}{N} \\
    &= \frac{\sqrt{\frac{\text{Edx}^2}{N} \times \frac{\text{Edy}^2}{N}}}{N} \\
    &\quad - \quad \sqrt{\frac{n - 2}{1 - r^2}}
\end{align*}
\]

"t" test for 'r' has been done with

\[
t = \frac{r}{\sqrt{n - 2}}
\]

't' test indicates the significance of an observed correlation co-efficient.

Financial performance of the TIIC, has been evaluated on the basis of ratios used by IDBI for evaluating the performance of SFCs like Debt - Equity ratio, Debt Service Coverage ratio, Cost of Borrowing, Arrears as percentage of loan outstanding, Recovery as a percentage of Total Demand. Besides these, some other well known ratios have been calculated for measuring Solvency and Profitability position of the Corporation.

1.9 LIMITATIONS OF STUDY

The study suffers from various limitations as detailed below:
The study has not covered the entire population of the industrial units located in the sample districts due to limitation of resources, both technical and personnel and time at disposal. Attempt has been made to throw light on the character of population through the limited sample coverage.

Certain difficulties were faced by the researcher while collecting the data. Researcher has faced the reluctant attitude of the staff of the TIIC in giving vital and relevant information. Sometimes, their passive attitude discouraged the researcher in pursuit of his work.

Comparative study would have been done to evaluate the relative efficiency of two or more corporations, but due to time constraint and non-availability of sufficient literature about the other corporations, the researcher has restricted his study only to the Tamil Nadu Corporation.

Another limitation relates to the qualitative nature of several responses which were analysed on the basis of ranking and views expressed by the study respondents. The result is limited to the reliability of clientele units located only in the three districts of the study area. However, explaining the purpose of the study rapport was
established with the clientele units and finally relevant responses were elicited from the respondent units.

1.10 OPERATIONAL DEFINITIONS

Small Scale Industry

Small industrial Undertaking is an industrial undertaking in which the investment in fixed assets in plant and machinery whether held on ownership terms or on lease or by hire-purchase does not exceed Rs.300 Lakhs.

Tiny Enterprises

Investment limit in plant and machinery in respect of "Tiny Enterprises" is Rs.25 Lakhs irrespective of location of the unit.

Development Bank

Development bank is promotional agency which promotes, encourages and stimulates entrepreneurial process of enterprise creation in all sectors of the economy. It creates entrepreneurial environment through entrepreneurial efforts to foster entrepreneurial and development spirit among the dormant and fledgling entrepreneurs.
Women Entrepreneurs

A small scale industrial unit/industry related service or business enterprise, managed by one or more women entrepreneurs in proprietary concerns, or in which she/they individually or jointly have a share capital of not less than 51% as partners/shareholders/directors of private limited company/members of co-operative society.

Promoter's Contribution to project cost

The minimum promoter's contribution prescribed is 25% of project cost. However, wherever subsidy is not available then minimum promoter's contribution shall be 331/3%. Also the corporation may stipulate higher promoter's contribution as considered necessary depending on the project, type of industry etc. Subsidy is not treated as part of promoters contribution but soft loan/seed capital wherever available is treated as part of promoter's contribution.

Collateral Security

In addition to primary security of assets financed the corporation may stipulate collateral security which will depend on background of the promoters, nature of the project and primary security offered, the past experience etc. The
collateral properties shall be inspected and valued as per corporation norms.

Repayment period

The loan repayment period is generally spread over a period of 5 to 9 years with a moratorium (for the repayment of principal) ranging from 3 months to 24 months. However during the moratorium period, interest is to be paid in monthly/quarterly instalments.

1.11 SCHEME OF THE RESEARCH REPORT

The present study titled "A Study on Project Financing by Tamil Nadu Industrial Investment Corporation Ltd. and Its Contributions to Industrial Development in Tamil Nadu" has branched off into seven chapters.

The study begins with the present chapter of introduction which mostly concentrates on the framework of the study, Objectives of the Study, Survey of related literature, Operational definitions of the Concepts, Methodology and Sampling design, Data Collection and Analysis made, and scheme of the present report.
Chapter II presents the economic profile of Tamil Nadu state and the growth profile of TIIC Ltd. It includes the Constitution of TIIC, the scheme of TIIC's financial assistance, organisational setup etc.

Chapter III describes the project financing procedures and practices adopted by the study units. It narrates the formalities adhered to in rendering financial assistance, problem encountered by the officials etc.

Chapter IV deals with the financial performance of the TIIC in terms of its capital structure, profitability, liquidity and solvency aspects.

Chapter V depicts the role of TIIC in industrial development of the state of Tamil Nadu. It specifically attempts to study the operational performance of TIIC in quantitative dimensions.

Chapter VI focuses on the qualitative appraisal of TIIC in terms of clientele perception.

Chapter VII presents summary of the findings and offers suggestions for the issues raised and measures to be taken to enhance the organisational effectiveness and operational efficiency of the corporation.