CHAPTER III

REVIEW OF PREVIOUS STUDIES

A literature review surveys scholarly articles, books, dissertations, conference proceedings and other resources which are relevant to a particular issue, area of research, or theory and provides context for a dissertation by identifying past research. Review identifies gaps in current knowledge, helps to avoid reinventing the wheel by discovering the research already conducted on a topic, sets the background on what has been explored on a topic so far, increases the breadth of knowledge in the area of research, helps to identify seminal works in the study area allows to provide the intellectual context for the work and position the research with other related research, provides with opposing viewpoints, helps to discover research methods which may be applicable to the work.

In this chapter an attempt is made to give related review of previous studies on Small Scale Industries with the focus on role of Financial Institutions in the development of Small Scale Industrial Sector in Tirunelveli District. In this review of previous studies during the years 1974 to 2015 have been taken. Thesis, Books, Journals and reports form part in this review.

Kopardekar (1974) ¹ attributed the unutilized excess capacity in small firms to lack of finance. The lack of finance, especially the storage in the capital had led to the inefficient utilization of the installed capacity. Inadequate funds usually led to inconsistent operations among the small scale units many units were not in a position to apportion funds to provide sufficient amount for the fixed and working capital.

A descriptive and diagnostic study of Madurai city by the **Gandhigram rural institute of higher education (1975)**\(^2\) pointed out four attributes of the small entrepreneur in Madurai city as (1) credit oriented pre-planning to realize aspirations (2) Dependency (3) initiative innovativeness pulse need for achievement (4) moderate traditionalism with occasional risk-shifting.

**H.S. Pareek (1978)**\(^3\) expressed in his article that commercial banks are by far the largest contributors of Institutional Finance in the most of the countries. In India too a place of pride can be assigned to them in the extension of credit to various segments of the economy. The condition that prevailed till the early years of the planned-era, however, was the portfolio advances largely geared to finance trade and commerce. In March 1951, the share of industry in the total Bank credit extended by Commercial Banks was only 34 percent.

**Rao N. Gangakhara (1978)**\(^4\) expressed about entrepreneurs ambitions. Ambitions or aspirations motivate men, activates them, broaden their vision and make the life meaningful. Ambition is an index of one’s own resourcefulness. Like an individual, nations or regions or families may have their own ambitions which speak of their resourcefulness. Ambition is the lever of all motives. The intensions and initiative of a man are directed by his ambitions. It is the ambition that electrified man’s actions. The common saying “aimless life is a goalless game” emphasizes the importance of the ambition in life. Therefore, what matters, much is not merely the

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man but their aspirations and means to reach their goal. Ambitions differ from individual to individual on the basis of the personal taste and temperaments, and family to family and nation to nation depending upon the circumstances in which they are placed and priorities which they have set for themselves. Sometimes, personal aspirations come in the way of family aspiration or national aspiration. Ambitions which nourish the achievement motivation bring in economic growth and development.

Rudden Dutt (1982)\(^5\) expressed in his article that Small Scale Industries have been defined differently in different countries, and these definitions have been revised from time to time, even within a country. It is so because there are no single functional economic criteria or a set of criteria by which an industry can be distinguished as small or medium, or big. In the context of the circumstances obtained during a period in a country definitions are recast. This variance of definition is purely evolutionary. Whatever definition is adopted by a Government during a particular period is at the most a definition for the purpose of identification so as to extend to a group of industries incentives, assistance, and inputs. As such the definition of small scale industry has undergone many changes.

S.K. Goyal (1984)\(^6\) in his study, “Small Scale Sector and Big Business”, pointed out that the number of areas reserved for the small scale sector has no significance. He estimated that changes in the share of the input and briefly commented on the structure of the exports of the assisted SSI sector units, further, as there were reportedly an equal number of industrial units which had not registered them with the state. Directorate of industries, the size of the assisted SSI sector units were to

be assessed only in relation to the total manufacturing capacity, according to the researches.

Mishra P.N. (1987)⁷ in his study of “Development Banks and New Entrepreneurship in India” made an attempt to examine the role of the specialized financial institutions (IDBI, IFCI, ICICI and state level institutions viz. SFCs and SIDCs/SIICs) in generating and developing new entrepreneurship in India. It was observed that these institutions followed conservative policies till the 1960s resulting into further concentration of economic power in a small section of the society drawn exclusively from traditional business communities. They however, change their policies in the 1970s and introduced package of new schemes to encourage entrepreneurs from different backgrounds to enter industry. This new thrust of policies and incentives created a favourable climate and the number of new entrepreneurs started swelling.

N. Durairaj and M.S. Nageswaran (1988)⁸ in their study “Entrepreneurship in Small Scale Industries in Paramakudi Taluk”, examined the growth of small scale industrial units and the socio-economic factors responsibilities for the growth of entrepreneur, their achievement factor and main problems. They concluded that the socio factor were favourable to entrepreneurs, nativity of entrepreneurs influenced the location of the industry previous working experience in industry relationship between education and emerging entrepreneurship was limited and initial capital investment was up to Rs.10000.

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Ram K. Vepa (1988)\(^9\) said that Small Scale Industries are now well recognized as an instrument of motion, enlarging employment opportunities, broadening of entrepreneurial base and securing dispersal of industries. They form an important part of the national economy. In 1984-1985, it accounted for 50 percent of the industrial production in India, and 80 percent of the employment in industrial sector. Even as regards to exports, small industry is responsible for 24 percent and considering only non-traditional items, as much as 40 percent of total exports.

S. Sankaranarayanan (1989)\(^10\) said that during the year ending 30\(^{th}\) June 1988, some of the promotional Scheme of IFCI was liberalized like schemes of Interest subsidy for Self development and Self employment of unemployed young person and scheme of interest subsidy for women entrepreneur. Further three new subsidy schemes with focus on Agro-based-Industries and non-conventional energy and energy-conservation effective from 1988 were introduced with this addition total no. of IFCI’s promotional scheme has gone upto 12, including 4 interest subsidy schemes.

B. D. Dikshit (1990)\(^11\) Made a study and written in his article the following. The Government of India, besides actively assisting the growth of the SSI sector has been stressing the need for (i) strengthening of programme of ancillarisation and improvement of linkages between large and small industries for the harmonious growth of the entire industrial sector and (ii) strengthening and improvement of the skill profiles, entrepreneurial base and management practices of the sector.

Several strategies have been suggested for realizing the above aims. The major among these are: (i) modernization, diversification, technology upgradation. (ii)

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Vertical expansion (growth of tiny to small units and small units into medium units) and (iii) development of basic and process oriented skills through training and demonstration.

V. Balu (1991)\textsuperscript{12} discussed some issues on the development of Small Industry in his article. The Industrial policy resolution 1948, witnessed the small scale industries as being particularly suited for better utilization of local resources and for achievement of local self-sufficiency in consumer goods. The industrial policy resolution stressed the need and importance of small scale industries and according to the policy they could create more job opportunities for masses and ensures for equitable distribution of national income by effectively mobilizing the resources of capital and skill of the people, which might otherwise remain unutilized.

V. Balu (1991)\textsuperscript{13} explained in the journal of ‘The Banker’ the reasons and the problems of entrepreneurs responsible for sickness in the units lie on the areas like production, marketing, finance, labour and overall management, which has to be carefully dealt by the small scale entrepreneurs. Of all these factors, the overall management plays a very important role in sustaining the growth of the units. The importance of adopting management principles in the SSI sector cannot be over emphasized. It can be also said that the management for any industry is just like what is mind for the body. By management, it is implied that, “the art of decision making and choosing from various alternatives at a particular point of time”. In other words the profitability, stability and growth of SSI sector depend upon the efficient and effective decisions taken with view to achieve the objectives of the industry.

\textsuperscript{12} V. Balu, Department of commerce, Jain college, Madras, \textit{“Development of Small industry: Some Issues”} Southern Economist, May 15 and June 1, 1991, p.9.

Chand Prakash Sharma (1991)\textsuperscript{14} observed that financial problem is the basic cause of industrial sickness in most of the units. The Government has taken steps to solve this problem. It has set up Industrial Reconstruction Bank of India in the field of reconstruction and rehabilitation of industrial units. It has also allowed the nationalized Banks to play their role in providing soft loan to sick industries. Industrial Bank of India has started providing loan up to a limit of 4 crores for modernization of weak industry at a meager rate of interest of 10\% per annum.

V. Desai (1991)\textsuperscript{15} in his article said that the first step towards building up a structure of development finance institutions was taken with the establishment of Industrial Financial Corporations of India (IFCI) in 1948. In view of the immensity of catering to the needs of small and medium scale enterprises the State Financial Corporations (SFCs) were established in 1951. SFCs grant financial assistance to public, private enterprises, partnership firms and proprietary concerns.

Document presented in the Indian Parliament (1991)\textsuperscript{16} stated that In India the latest definition of small scale industry reads as “all industries with a capital investment of Rs.60 lakhs in plant and machinery”.

S. P. Kaushik (1991)\textsuperscript{17} said about the financial implications of sickness. Sickness in SSI units leads to adverse effects on financial aspects of economic development. It checks the flow currency circulation, block the movement of capital and create inflation and unemployment in the economy, due to decrease in production. It directly hits the bank credit capacity. In 1981, the outstanding credit was Rs.322

crores only which has increased more than two times up to 1983, more than seven times up to 1985 and approximately twenty times up to 1987, while the increase in number of SSI units was in range of only ten times for the above period.

**SBI monthly review (1991)**\(^{18}\) it was given that SBI was the first Bank in studying the bank credit problems of SSIs. It has been reviewing its policies, and procedures from time to time with a view to stimulating the growth of SSIs in the country. A number reviews has been undertaken in 1963 by a team headed by R. K. Talwar. The team studied the problems of SSIs from the view point of finance. In 1970, another committee was appointed under the chairmanship of H. E. Chatelier for the improvement of the organization and procedures in financing the SSIs. In 1974, another committee, under the chairmanship of J. S. Varshney was set up to study the problems of small scale units with aggregate borrowings in exam of Rs.2 lakh.

**The Nayak Committee Report (1992)**\(^{19}\) set up by the Reserve Bank of India in December 1991 under the Chairmanship of P. R. Nayak, then Deputy Governor of the Bank, to look into the various aspects of credit requirements of the Small Scale Industries Sector has been submitted. The terms of reference of the Committee included examination of (a) the adequacy of institutional credit (both for working capital and for term loans) to SSI sector, (b) the need for modifications relaxations in the norms prescribed by the Tandon/Chore Committees, insofar as the SSIs are concerned, (c) revision, if any, required in the existing RBI guidelines for the rehabilitation of sick SSI units and (d) any other aspects related to the above.

S. Sankaran, (1992)\textsuperscript{20} said that “SSI will include all industrial Units with the capital investment is not more than Rs.7.5 lakhs irrespective of the number of persons employed. Capital investment for this purpose meant that investment in plant and machinery only”.

**The Hindu, Madras (1992)\textsuperscript{21}** The Nayak Committee has recommended the following to credit a congenial atmosphere for the thinking of the SSIs:

(i) Small unregistered units with a credit limit of exceeding Rs.1 lakh should be the first claim on the priority sector credit.

(ii) Under the new dispensation, working capital requirement should be provided to all tiny units with credit limit upto Rs.10 lakhs.

(iii) The working capital needs of other SSIs at 20% of the output should be pre-empted by commercial banks through an annual budgetary exercise. If these recommendations are implemented the SSI will get a face-lift.

**Vijay G. Kalantri (1992)\textsuperscript{22}** quoted about SSI’s contribution to the national economy at a press conference. All India Manufacturers Organisation (AIMO) suggests special Bank branches to deal with the small scale sector. This will help new units as well as rehabilitation package for sick units. For this purpose the Banking Sector should have its branches in Metropolitan areas and also in the semi-urban and rural areas. This will help in expediting the sanction and disbursal of loan and also in speedy rehabilitation sick units.


\textsuperscript{21} The Hindu, Madras, October 15\textsuperscript{th}, 1992. p.12.

\textsuperscript{22} Vijay G. Kalantri, President, All India Manufacturers’ Organisation, Bombay, “Small Scale Industries’ Contribution to the Nation’s Economy” Southern Economist, September 1, 1992, p.20.
Chandra (1993) in her study found that the importance of the small scale sector could be positively emphasized in view of its potential for creating employment on the assumption of a low capital output ratio. The employment generating capacity of the small scale sector and village industries was observed to be higher by eight times than that of the large scale industries with increasing mechanization of the SSI units this potential might get lowered.

Small Industries Development Bank of India (SIDBI) (1994) have since reviewed the Single Window Scheme (SWS) and decided to enlarge its scope in the light of the instructions issued by Reserve bank of India (RBI) following the Nayak Committee recommendations and the policy of giving a thrust to the implementation of SWS to accelerate the flow of assistance to small scale sector. Thus the ceiling on project outlay has been raised from Rs.30 lakhs to Rs.50 lakhs and the separate sub-limits earlier stipulated under the scheme on project cost and working capital components have been done away with as they are now proposed to be left to the discretion of the primary lending institutions (PLIs) depending upon the requirement of the borrowing units. Further looking to the need for encouraging modernization and technology upgradation of existing units and with a view to strengthening the efforts of PLIs in expeditious rehabilitation of potentially viable sick units in the small scale sector, it has been decided to further liberalise the scheme of SWS to cover such proposals with effect from April 1, 1994. (SIDBI circular No.F1.38/93-94 dated March 31, 1994).

Chandra 1993 “Small scale sectors prospects and problems”.
M. G. Basavaraja (1995) jotted down from the Union Budget: 1995-1996 and said that the budget for 1995-1996 has paid marked attention to the promotion of SSI sector compared to last year’s budget. By taking into consideration the crucial role played by SSI sector in the production of goods much needed by consumers and producers, in the creation of employment opportunities, in the development of backward areas, in the export front, etc., Singh has evolved novel schemes of assistance to this sector.

B. Yerram Raju (1995) expressed in his article that in the Eighth plan period, the SSI sector is expected to grow at an average rate of 7.8 percent compared to around 5 percent for the entire industrial sector. That this status has been attained mainly due to the supportive and complementary role played by the government, is a fact not to be forgotten. Development of infrastructure, assuring supply of raw materials, availability of cheap credit, concessionary tax and tariffs, financial subsidies, equity contributions are all the protective measures for the sector. Out of the 13 major industry groups in the SSI sector, readymade garments and leather products account for 50 percent of the exports of the SSI sector.

In Industrial policy and programmes (1997) it was given that the Government of Tamil Nadu continues to stand first among all the states in the country, in respect of reimbursement obtained under the scheme of capital subsidy from the Government of India.

According to the study made by T. Rajendra Prasad and K. K. Seethamma (2003)\(^\text{28}\) the small scale industry has made a significant contribution to the economy by increasing its share in exports, generation of employment opportunities, dispersal of industrial activities, reducing concentration of economic power.

K. Chidambaram and R. Rajendran (2005)\(^\text{29}\) expressed in their article that a financial institution which provides assistance to the organized sector like SSI in the present era must aim towards winning the confidence of the borrowers. This will not only keep the borrowers in good spirit but also make them more loyal to the institution. The borrowers who are at the high level opinion about the organization are the real assests.

Rashid R. Pansare in his article (2005)\(^\text{30}\) said that the small scale industry has been given a priority status in the matter of bank financing experience, however, shows that in a significant number of cases, bank branches have departed from the guidelines subjecting SSI units to unwanted delay and exposing them to the danger of losing viability.

A. Asok and S. Agilandam in their article (2006)\(^\text{31}\) discussed about The role of rural women in generating income or her economic participation is difficult to be analyzed in isolation as they are not a class in themselves. The problem becomes more

\(^{28}\) T. Rajendra Prasad, Senior Lecturer and K. K. Seethamma, Reader in Economics, Bangalore University, Bangalore, “Perspectives of SSI and employment generation in Karnataka”. Southern Economist January 15\(^{\text{th}}\), 2003.


complex when one looks into the precedence of NIA in which housewives activities are treated as activities outside the definition of production.

**B. C. Bannur (2006)**\(^{32}\) Suggested in his article that women entrepreneurs should be treated separate target group for all entrepreneurial Development programmes. Vocational training facilities are to be developed by the government for women. Special bank should be formed to finance only to the women entrepreneurs. Special subsidy should be extended to the women entrepreneurs other than the normal rate of subsidy to others. Government should try to involve women entrepreneurs in decision making process meant for entrepreneurship development. Separate commission should be established for the development of women entrepreneurs.

**M. R. Chandawarkar (2006)**\(^{33}\) said that SSIs play an important role in the industrialization of our country, because they provide immediate large scale employment, need shorter gestation period, need lower investments and facilitate an effective mobilization of resources of capital and skill which may be otherwise unutilized. They encourage entrepreneurship and are considered harbingers of economic growth and development.

**D. C. Gohil (2006)**\(^{34}\) revealed through his study that Globalisation has opened some destination for the growth. The non-traditional product line is coming forward, but still developed infrastructure, efficient government mechanism and committed businessman would by key for the success of SSI.

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\(^{34}\) D. C. Gohil, Head & Associate Professor, Department of Commerce and Business Administration, Saurashtra University, Gujarat, “Growth and Development of SSI in Gujarat: A Study” Southern Economist, January 1, 2006, p.10.
D. Jery Josephine (2006) in her article suggested that under the PMRY scheme, more entrepreneurs should be encouraged to take up the venture in engineering, automobile, textile units, so that they can enjoy the different advantages of the unit. Women workers are to be encouraged still more.

N. Kavitha and A. Ramachandran (2007) in their study said a woman entrepreneur is one who owns and controls an enterprise having a share capital of not less than 51 percent as partners/shareholders/directors of private limited company/members of cooperative society. The functions performed by a women entrepreneur are categorized as risk bearing, organization and innovation. Women entrepreneurs are those women who think of a business enterprise, initiate it, organize and combine the factors of production, operate the enterprise and undertake risks and handle economic uncertainty involved in running a business enterprise.

Prime Minister Manmohan Singh’s (2007) speech at the National Awards function for MSME said that Micro and Small Enterprises provide employment to almost 41 million people in our country. Including the handloom and handicraft sector, the total employment provided by them is over 60 million. Hence, from the point of view of our people’s livelihood and well-being this sector is of tremendous importance. The fact that SMEs are widely dispersed across the entire country also makes them highly important from a regional developmental perspective and as a means to promote balanced and equitable growth all over the country.


The SME sector has contributed to the growth of new industries as well as new industrial centres. There is no doubt the Governmental and institutional support provided to this sector through incentives, infrastructural facilities and the assistance has helped.

S. Murali Krishna (2007)\textsuperscript{38} in his article stated about the Small Scale Sector (SSS) happens to be at crossroads at present juncture. The new economic conditions have thrown open new challenges in the form of competition and opportunities for scaling new heights. It is essential to remove the constraints which limit the competition strength of Indian Industry. It is not only the question of India coping with WTO regime but of greater issue of how Indian can leverage the benefits of larger access to global market.

Pongalur Palanisamy (2007)\textsuperscript{39} Hon’ble Minister for Small Industries at the Inaugural Function of STICON said that Banks are extending credit facility to traders based upon their asset value (66 to 75\%) upto Rs.5 crores with less interest to SSI. There is no compulsory registration of SSI and Micro industries under MSMED Act, 2006. This leads the dearth of required data on SSI and Micro Industries in our country, which in turn cause lack of data for demand of products, saturation in the particular fields, closure of units, etc. ultimately leading the wastage of national wealth. In the absence of SSI registration, Government will have any actual date to formulate new economic policies.

K. Prabakar Rajkumar (2007)\textsuperscript{40} quoted that Human development if not engendered is endangered. Empowering people particularly women is a sure way to


\textsuperscript{39} Pongalur Palanisamy, Hon’ble Minister for Small Industries \textit{“Incentives for SSI-for registration”}, Small Industry Volume:16-Issue:12-December2007, pp.24-25.

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link growth and human development. NABARD'S financial assistance through various schemes is to make the rural woman equal partners in the economic prosperity of India.

**N. Uma Rani (2007)** stated in her article that by its less capital intensive and high labour absorption nature, SSI sector had made significant Contributions to employment generation and also to rural industrialization. This sector is ideally suited to build on the strength of our traditional skills and knowledge by infusion of technologies, capital and innovative marketing practices.

The office of the development commission government of India has been conducting Fairs and exhibitions in various countries and it also reimburses 75% of the cost and provide 60% subsidy as space rental. But these attractive schemes have not reached most of the SSI in Semi Urban and Village areas.

**Valsamma Antony (2007)** in her article said that credit to the SSI sector is a sore spot even now when our banks are flush with funds. Clubbing the SSIs with the other components of the priority sector may be done away with, as this sector has acquired a very dominant status in the nation’s economy. Even if it needs to remain within the erstwhile priority sector, the share of advances to this most important contingent of our economy should be raised much above the present limit of 40 percent.

The existing system of financing the SSIs emerges from the component of priority sector lending. Out of the 40 percent earmarked for priority sector, 18 percent

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is due for agriculture, 10 percent for weaker sections and the balance only could do for this vast and credit-starved sector.

S. Venkatesh (2007)\(^{43}\) analysed in his study that there is a tendency to encourage the establishment of small units in the country. This encouragement is mainly provided by the provisioning of soft loan by the financial institutions and the commercial banks, the latter forming a major source of finance. The commercial banks are expected to sanction loans to small units focusing on project feasibility and viability. The banks and financial institution are extending loan assistance.

The perceptions of officers on the role played by the entrepreneurs, environment and the bank in sickness were inter-mixed to avoid the elusive perception of the officers on the role of banks as causal factors in sickness.

R. Zonuntiuanga (2007)\(^{44}\) quotes about unemployment problem. The much trumpeted New Education Policy has failed in its primary aim of meeting aspirations of individuals, requirements of society and needs and challenges of growing economy. The basic reason behind this failure is inability to equip out youths for gainful employment or role after completion of long and costly courses of study. This lacuna calls for a link between entrepreneurial development and education.

While reducing unemployment continued to be the major thrust of developmental planning, growing unemployment problem still remains as an alarming feature of the state. Job-seekers have been increasing over the years and there is a persistent problem of unemployment especially among the educated youths.


Indian Banks’ Association (2008)\textsuperscript{45} Mumbai implemented the following measures to meet the immediate needs of the MSME customers:

a) Public Sector Banks will grant need based adhoc Working Capital Demand Loans up to 20 percent of the existing fund.

b) Moratorium period will be extended in respect of loans availed by MSMEs.

c) Four units unable to repay term loan obligation of time, repayment will be rescheduled/re-phased on a case-to-case basis within the overall loan policy of the respective banks etc.,

T. Koti Reddy (2008)\textsuperscript{46} in Man and development article said that the decade of the 1990s was marked by considerable deregulation of the industrial economy through delicensing and reservations the urban area small business are considerably increased.

J. Sadakkadulla (2008)\textsuperscript{47} stated in his article about the Reserve Bank’s Policy support for MSME sector. For increased credit flow to SSI sector, a policy of priority sector lending through banks has been followed, not only for Indian banks but also for foreign. Foreign banks have 32% of NBC earmarked for priority sector, of which 10% is earmarked exclusively for SSI sector. Any shortfall in such lending by foreign banks has to be deposited in small enterprise development fund (SEDF) setup by SIDBI. The achievement is monitored at the highest level by the standing advisory committee on SSI/ME, headed by the deputy governor of RBI.

With a view to doubling the credit flow to SME sector by March 2010 as announced in the policy package, the RBI issued directions to all commercial banks

\textsuperscript{47} J. Sadakkadulla, Regional Director, Reserve Bank of India, Chandigarh, “\textit{Role of Micro, Small & Medium Enterprises (MSMEs) in Economic Development: A Banking Perspective}”. Cab Calling, January- March, 2008, p. 30.
that they may fix their target for funding SMEs so as to achieve a minimum 20% year on year growth.

Santhosh Pinto (2008)\textsuperscript{48} in his article quoted that A woman entrepreneur could be defined as “an adult woman who undertakes to organize, own and run an enterprise”, women represent 50 percent of the world’s population, account for two thirds of the total working hours, receive 10 percent of the world’s income and own less than one percent of the world’s property. Employment of women is characterized by low pay, long hours and lack of job security, low productivity and lower economic status.

Training plays an instrumental role in bettering the chances of women to take up entrepreneurial activities. It gives women entrepreneurs confidence and power to choose a suitable venture, decide and recognize the potential areas more accurately for starting an enterprise. Training enhances the ability to study the market and identify viable and profitable ventures.

Dinesh Rai (2009)\textsuperscript{49} Secretary of MSMEs in his article mentioned that in today’s liberalized and globalised environment, there are several preconditions to enhancing the global competitiveness of the MSMEs. These relate mainly to simplified systems and procedures, easy access to capital, positioning the MSMEs in the global value chain by enhancing their productivity involving issues like technology upgradation, quality improvement, skill development etc. and access to markets both domestic and global. For the promotion and development of the MSMEs, the Government has put in place policy measures as well as implemented several schemes/programmes to address the requirements of the MSME sector in these areas.


\textsuperscript{49} Dinesh Rai, Secretary, Ministry of MSME, Govt. of India, New Delhi, “Development policies for micro, small and medium Enterprises (MSMEs) in India”, Laghu Udyog Samachar, ISSN 0970-7990, April-June 2009, pp.3-4.
Dinesh Rai (2009) also said that the SIDBI is the principal financial institution for promotion, financing and development of the MSE sector. Apart from extending financial assistance to the sector, it coordinates the functions of institutions engaged in similar activities. SIDBI’s major operations are in the areas of (i) refinance assistance, (ii) direct lending, and (iii) development and support services. Commercial banks are important channels of credit dispensation to the sector and play a pivotal role in financing the working capital requirements, besides providing term loans (in the form of composite loans). At the State level, State Financial Corporations (SFCs) and twin-function State Industrial Development Corporations (SIDCs) are the main sources of long-term finance for the MSE sector.

M. Maheswari and S. M. Chockalingam (2009) said that the level of indebtedness has also been considerably reduced. Due to the efforts of government under loan waiver scheme relief is passed on to NABARD and other financial institutions. This article tries to focus on the institutional support towards dept relief and rural credit granted by NABARD under refinance.

S. Murugan and N. Sindhu Kumar (2009) made an analysis that the shortage of finance affects the ability of the small severely. Every kind of problem whether of raw material, power, transport or marketing faced by an entrepreneur in its ultimate analysis turns out to be a problem of finance. The small industry gets elbowed

50 Dinesh Rai, Secretary, Ministry of MSME, Govt. of India, New Delhi, “Development policies for micro, small and medium Enterprises (MSMEs) in India”, Laghu Udyog Samachar, ISSN 0970-7990, April-June 2009, pp.3-4.
out by the large and medium scale industries in the procurement of bank finance and institutional credit.

K. V. Soundararaja and P. Singh (2009)\(^{53}\) said that the Small Scale Sector has performed exceedingly well and enabled the country to achieve a wide measure of Industrial growth and diversification. By less capital intensive and high labor absorption nature, SSI sector has made significant contribution to employment generation and also rural industrialization. Under the changing economic scenario, SSI has to progress, face challenges and exploit the opportunities before them.

K. Vetrivel and S. Iyyampillai (2009)\(^{54}\) highlighted in their article about the problems and prospects of SSIs in Tamil Nadu. Small scale industrial sector of Tamil Nadu is an important segment of Indian economy. The government policies do not reach all small scale industrial units due to the political interference and lack of awareness of the entrepreneurs. Thus, the government should revamp the existing policies to cover all SSI units. In addition to this, it may to provide more awareness to the entrepreneurs, through which we can enhance the performance of SSIs in Tamil Nadu.

M. B. Eswaran(2010)\(^{55}\) in his article explains about who is an entrepreneur? During the sixteenth century, people who organized and managed military and exploration expeditions in France were called “Entreprendre”. The word entrepreneur is derived from the French word and basically means, “to undertake”. Economists have


been concerned with the three factors of production—land, labour and capital which need to be combined to lead to production, but they often fail to consider who actually carries out the combination. The entrepreneur was the fourth factor or agent of production.

**V. R. Jyotsna Kumari (2010)** in her study said that Andhra Pradesh is among the top seven states in India in regard to small scale industries. According to a recent survey, there are 1,65,114 small tiny and medium industries in Andhra Pradesh. These industries are providing employment to 16,67,146 people. But the problem of sickness is no exception. Nearly 55,000 small scale industries have been closed due to sickness from 1995 to 2006. Lack of basic facilities in industrial estates, inadequate supply of electricity and increasing sales tax are throwing industries into sickness.

**M. Maheswari (2010)** expressed in her article that there are large numbers of schemes for which banks such as commercial banks Regional Rural Banks and Co-operative Banks are lending. As a refinancing agency NABARD is assisting financially for these banks. NABARD encourages the organized agencies to land for non-forming activities. NABARD plays a commendable role in various schemes in Thanjavur district.

**C. Paramasivan (2010)** stated that Small scale industries play a key role in our economic development which provides more employment opportunities,

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57 M. Maheswari, Lecturer, Dept. of Commerce, Annamalai University, Annamalainagar, *“NABARD: A Nodal Agency in Implementing various Scheme”*. Southern Economist July 1, 2010. p.43.

mobilization of small amount of capital, process of industrialization of small amount of capital, process of industrialization, Utilization of local resources and reduce the regional imbalances of the country. In Tirupur, sick units are mostly belongs to individual ownership and based by finance and marketing problems. If the responsible authorities take necessary action against the sick units, there is a possibility of re-entry of these industries and the sick units in Tirupur are curable with immediate actions.

N. V. Poovendhiran (2010) explained in his article about the problems and prospects of entrepreneurs in SSI. In the case of production, energy plays a vital role in running of a small scale industry unit. Government should make necessary arrangement to provide continuous energy in order to avoid the delay in the execution of orders. Hence the government should take necessary steps to motivate the small scale entrepreneur by sanctioning loans. Entrepreneurs should attend entrepreneurial development programmes to improve their skills.

R. Sundhararaman (2010) stated that Employment to self-employment has been a noticeable phenomenon in the emergence of new SMEs. Like men, SMEs too are equally endowed with all physical and psychological qualities and managerial abilities that are essential for successful entrepreneurship. SMEs are in no way inferior as many of them are ready to undertake any type of work if opportunities are provided. The process of liberalization, while providing tremendous opportunities has thrown open new challenges for the Indian Micro and Small Enterprises. Having been hitherto nurtured in a sort of protective environment, with industrial globalization it now finds itself vulnerable to cross-border enterprise activities, which include free international

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movements of goods, investment, strategic alliances for product development, production, sourcing and marketing.

**K. Vetrivel and S. Iyyampillai (2010)** said that the study gives a clear picture about the alleviation of poverty through the SSI units. The government is also upholding the entrepreneurs to start new SSI units by the way of providing the financial assistance and training programme through the industrial Promotional Agencies (IPAs) at national and state level in order to generate employment opportunity which would result in eradicating poverty from the industrial sector. It also increases the growth of our economy.

**Vidhya (2010)** stated in her article that the directorate of social welfare is the nodal agency for coordinating the implementation of the 18 point programme for women and children. Each of these indicators reviewed on a monthly basis. It points out the raising women’s literacy and statue and empowerment of women through self help groups.

**Waghmare Shivaji and Ravichandra Reddy (2010)** expressed in their article that Owners’ funds were insufficient to finance fixed assets requirements in the industry. The extent of shareholders’ funds was also declining in financing fixed assets. Consequently, the use of borrowed funds had become compulsory in financing the fixed assets.

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61 K.Vetrivel, Investigator, Audience Research Unit, All India Radio, Tiruchirapalli and Siyyampillai, Prof. & Head, Dept. of Economics, Bharathidasan University, “Role of SSIs in Eradication of Poverty: A Micro Study”. Southern Economist August 1, 2010, p.2.


K. Alamelu (2011)\textsuperscript{64} Associate Professor and R. Baskaran, Research Scholar, Department of Bank Management, Alagappa University, Karaikudi, in their article mentioned the challenges of MSME sector. The MSME sector in India is heterogeneous, dispersed and mostly unorganized. It includes diverse types of production units ranging from traditional crafts to high-tech industries. Yet, is it often considered to be limited to large units among the SSIs which deal with high-tech industries or serve as ancillaries to large industries. Segments such as power-loodoms, handlooms, handicrafts, food processing, coir, sericulture, Khadi, Village Industries, and wool, which are mostly unorganized are fragmented across various ministries and often seen only as rural livelihoods.

D. R. Dogra (2011)\textsuperscript{65} MD and CEO, CARE Ratings, discussed in his article about the issues in SME Financing.

- Unstructured information flow
- Lack of evaluation expertise with limited information and its nature of operations
- High risk perception resulting in avoidance by many institutions and banks
- High transaction cost
- High operational risk due to inability to attract capable management and technical personnel
- Lack of collateral
- Historically high default rates

\textsuperscript{64} K. Alamelu, Associate Professor, Department of Bank Management, and R. Baskaran, Research Scholar, Alagappa University, Karaikudi, \textit{“MSMEs: The key of Entrepreneurship Development in India”}, International Journal of Industrial Engineering and Management Science, ISSN 2250-1096, Vol.1, Special Issue, December 2011, p.12.

\textsuperscript{65} D. R. Dogra, MD and CEO, CARE Ratings, \textit{“Credit Rating and MSMEs”}, SME World, January 2011.
• Diverse clients with its needs

• Credit rating dimension

The advantages of credit rating for MSMEs include:

• Increased funding options as credit ratings are widely recognized by banks, financial institutions and other investors

• Faster processing of loan applications by banks/FIs

• Assists in capability assessment by existing/prospective clients

• Credibility and favourable trade terms with suppliers and customers

• Meet regulatory requirements

• Assists in self-assessment

• Recognition (as ratings are made public)

Harshala Chandorkar (2011) 66 Senior Vice President – Consumer Relations, CIBIL quoted that a lending institution provides credit to a borrower on a mutual understanding that the borrower will repay the sum, along with interest, through monthly installments, over a decided period of time. The lender, may not know the borrower personally, but will decide to grant credit basis the borrowers existing income and past repayment record provided by CIBIL. The interest collected on these repayments serves as the capital for fresh lending to yet another deserving borrower who needs this money for his own growth aspirations. On the other hand, if the borrower defaults on the repayment of the loan, the credit guarantor will incur losses and will not be able to sustain capital for fresh lending for many more aspiring and deserving consumers.

66 Harshala Chandorkar, Senior Vice President – Consumer Relations, CIBIL, “Benefits of Credit scores for Consumers”, SME World, September 2011.
S. Krishnamurthy and P. Alagarsamy (2011) discussed bank credit to SSI Sector. The SSI sector is coming under primary sector the banks regularly provide loans to small scale industries. But the problems faced by the SSI sector are delay in sanctioning of bank loans in right time. The small industries also face the problem in giving collateral securities for obtaining loans. Most of the SSI units could not avail the bank loans because of insistence of collateral securities, which these SSI units could not provide. Hence the government should instruct the banks to sanction loans under credit guarantee scheme under which the banks should not ask for securities.

H. P. Kumar (2011) National Small Industries Corporation, Chairman and Managing Director, said in the dailies about the problems for MSMEs. High interest rates, the rising cost of raw materials and labour remained the key input challenges, while demand compression and tough competition, both in domestic and foreign markets, confronted the units as they ventured out to market their produce.

He also said that the Indian MSMEs are at a disadvantage when it comes to interest costs. “We were unable to compete with other Asian economies. The high borrowing cost of 13-15 percent naturally affected our competitiveness, compared to other nations where it was 6-8 percent.

The reasons for the closure were financial non-availability due to the changing business environment, lack of demand, obsolete technology, non-availability of raw materials, infrastructural constraints, inadequate and delayed credit and managerial deficiencies.

67 S. Krishnamurthy Associate Professor and P. Alagarsamy Research Scholar, Department of Commerce, Bodinayannur, “Bank credit to SSI sector: A case study” Southern Economist, ISSN 0038-4046, Vol.49, No.21, March 1, 2011, p.17.
68 H. P. Kumar, National Small Industries Corporation, Chairman and Managing Director, “Big problems for MSMEs in 2011”, Indian Express, New Delhi, Monday, December 26th, 2011.
Rajkumar and S. Topandsani (2011)\(^6^9\) have written the performance of SSI in India. World over, contribution of small scale industries sector to economic growth, diversification, employment generation potential, reduction of regional inequalities and higher export earnings are well recognized. Small scale enterprises are viewed increasingly as important vehicle for meeting both the growth and objective of developing economies. India too is no exception to it. The industrial policy resolution 1956 clearly states that SSIs could provide immediate large scale employment, offer methods of ensuring more equitable distribution of national income and facilitate mobilization of resources of capital and skill which might otherwise remain unutilized.

Suresh Chandra Bihari, (2011)\(^7^0\) IBS, Hyderabad, India, in his journal explains MSME with CRM practices. Though SMEs, have improved a lot in technological front but still there is a strategic gap when it comes to growing profitable customers over the years. This gap can be fulfilled by customer relationship management (CRM) by providing suitable platform to successfully identify, acquire and retain their clients.

MSMEs sector in India have started realizing the increasing importance of e-business are using updated technologies at a faster pace. But still MSMEs have not fully adopted or accepted the CRM tools while business firms trying to become more and more customer centric. The increasing failures of the CRM applications (nearly 75-80%) have made the firms skeptical about their success. Most of the times low motivation to adopt IT based CRM tools become the major issue leading to such less CRM enable business practices.


Urmila Moon (2011)\textsuperscript{71} in his article said the MSME sector primarily rely on bank finance for purposes like purchase of land, building, plant and machinery, to meet working capital needs and exports receivables financing etc. The prominent objective hence which follows is to ensure timely and adequate flow of credit. As per Reserve Bank guidelines, advances extended to the MSE sector are treated as priority sector advances and banks are required to extend at least 60 percent of their advances to the MSE sector.

It is also observed that though there has been several promotional initiatives taken by the Government of India and Reserve Bank of India to promote the growth of the MSE sector, the first generation entrepreneurs find it difficult to access credit from banks due to inability of providing secondary collateral, particularly in the form of immovable property as also third party guarantee. It is understood that banks undertake this measure of protection against default in payment. The Reserve Bank of India has instructed now that bank should not take secondary collaterals from MSE units.

Ashok Kumar Panigrahi (2012)\textsuperscript{72} in his journal explained about Risk Management in MSME in India. Risk Management, a term often linked to major corporations as a corporate governance requirement, is a useful process that MSME’s can adopt to improve their chances of sustained and successful longevity. Over the years, risk management has been identified as a vital process in the business institutions. It is further believed that risk management is less developed within the small business sector where strong enterprise culture can only help in managing risk in


a professional and structured way. This study focuses to investigate the risk management practices of small and medium enterprises in India and the attitude of the owner managers and their knowledge towards risk play and essential role and how systematically risks are handled.

The SME sectors are exposed to some specific risks:

- Constitution of business entity
- Leverage on financial structure
- Tough competition and inadequate margin
- Low collection in Account Receivables
- Incapacity to go for technological advancement
- High employee turnover
- Micro Finance
- Collateral Security
- Bank Lending to SMEs

G. Ayyanar (2012) quoted in his article about the employment opportunities and export performance of SSIs in India. By its less capital intensive and high labour absorption nature, SSI sector had made significant contributions to employment generation and also to rural industrializations. This sector is ideally suited to build on the strength of our traditional skills and knowledge by infusion of technologies, capital and innovative marketing practices. Small scale sector has emerged as a dynamic and vibrant sector of the economy due to the new reforms. In the year to come the SSI would be exploited of its fullest export potential. Our former president A. P. J. Abdul

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Kalam visualizes India as a developed nation by the year 2020. Certainly SSIs have a pivotal role to play in this transformation.

**K. C. Chakrabarty, (2012)**74 Deputy Governor, RBI at the Central Bank of India SME conclave on December 20, 2011 at Mumbai in his keynote address said that the MSMEs primarily rely on bank finance for their operations and as such ensuring timely and adequate flow of credit to the sector has been and overriding public policy objective. Advances extended to the micro and small enterprises sector are treated as priority sector advances. Over the years, there has been a significant increase in credit extended to this sector by the banks. As at the end of March 2011, the total outstanding credit provided by all scheduled Commercial Banks (SCBs) to the MSE sector stood at 4,575 billion as against 3,622 billion in March 2010 registering an increase of 26.3 percent. Despite the increase in credit outstanding to the sector, the MSME borrowers feel that the lenders are not doing enough for the MSMEs and are catering more to the needs of the large corporate.

In order to expedite sanction and disbursement of loan to MSMEs, a single window concept could be provided by Central Bank of India, if not already done. Loan facility to small units, say Micro-enterprises, should be sanctioned at the level of the branch. A Centralised Credit Processing Cell (CPC) for MSMEs could be introduced. These cells may be utilized for single point appraisal, sanction documentation, renewal and enhancement. The arrangement is expected to help in reduction in delay and multiple queries, utilisation of the available talent in an optimal fashion besides building reliable MIS, developing fair practices and easier tracking.

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Hari Govinda Rao and N. Apparao (2012)\textsuperscript{75} in their case study vividly brought many aspects about the role of MSME and its economic obstructions in India. MEMEs are the biggest contributors to GDP, employment and play a core role in the supply chain of large business. One of the major problems faced by MSMEs in South Asian countries is lack of finance to advance business growth. MSMEs are short of setup capital, liquid capital, working capital and investment capital to survive and grow in a dynamic and predatory competitive business environment. MSMEs heavily depend on the financial institutions such as banks, credit corporations and development banks for the supply of finance to meet their daily financial needs.

The MSME sector employs about 42 million persons in over 13 million units throughout the country. There are more than 6000 products, ranging from traditional to high-tech items which are being manufactured by the Indian MSMEs.

The Ministry of MSME has adopted the cluster approach as a key strategy for enhancing the technical and physical infrastructure as well as capacity building of micro & small enterprises and their collectives in the country. It launched a special scheme known as ‘Integrated Technology Upgradation and Management programme’ (UPTECH) in 1998. In August 2003, the scheme was renamed as Small Industry Clusters Development Programme (SICDP) and made broad-based by adopting holistic development encompassing soft interventions (viz, technology, marketing, exports and skill development) and hard interventions (viz, setting up of Common Facility Centre (CFC), etc.). The report recommended that a total allocation of Rs.11360 crore for various schemes under Infrastructure vertical during 12\textsuperscript{th} plan period, of which Rs.7500 crore is proposed for establishing new and modifying existing tool rooms/TDCs/CFTIs,

\textsuperscript{75} Hari Govinda Rao, Department of Management Studies, Vignan’s Institute of Information Technology, India and N. Apparao, Department of Management Studies, JNTUK University, India. IOSR Journal of Business and Management (IOSR-JBM), ISSN: 2278-487X, Volume 4, Issue 4 (Sep-Oct.2012), pp. 20-25.
Rs.1560 crore for industrial infrastructure development project Rs.1000 crore for setting up new and up scaling existing Testing Centres/Testing stations, Rs.800 crore for MSE-cluster Development Programme and Rs.500 crore for establishing Marketing infrastructure for MSMEs under PPP mode.

Ishu Garg, Assistant professor (2012)\textsuperscript{76} Department of Economics, M.L.N. College, Yamuna Nagar, Haryana. Suraj Walia, Research scholar, Department of Economics, Kurushetra University, Haryana, said in their journal about the problems faced by MSMEs in Indian economy. The small and medium scale enterprises are suffered with many severe problems, which are mainly depending on the level of economic and social development of the country. India as a developing country is not an exceptional one to the above condition.

- Difficulties in obtaining credit, competing with imported products, indentifying appropriate technology and technical assistance, investment promotion and maladjusted project preparation and evaluation.
- Inability to offer liberal credit terms in the sale of their products, obscene of management expertise, under capitalization and bureaucratic red tapism and regulations.
- Lack of industrial training and skill formation, quality control and testing facilities, proper market promotion both domestic and export, scientific and industrial research, lack of management and reorganization of small and medium scale enterprises through various schemes and productivity increase through modernization.

P. M. Mathew (2012)\textsuperscript{77} in his article stated about the New Role for MSMEs in India. Employment promotion measures should be supported by some incentive system that operate within the private sector itself. This can be achieved by a National MSME employment programme, using ‘employment credit’ as an incentivizing tool. Employment credit, like carbon credit can be transacted with an assigned value. Both individual enterprises, NGOs and other agencies can participate in this scheme, and thereby extent.

Puli Subramanyam and Mr. B. Ramachandra Reddy (2012)\textsuperscript{78} in their journal expressed that MSMEs have advantages of generating gainful employment with low investment, diversifying the industrial base, reducing regional disparities through dispersal of industries into rural, semi-urban and backward areas. The manuscript places of interest the result of micro, small and medium enterprises and their position in the economy and the impact of economic reforms on growth pattern and performance of MSME. In the 11\textsuperscript{th} plan notes that MSMEs are in the beneficiaries of the investment incentives for moderation, upgradation and additional capacity creation giving in schemes like technological upgrading schemes for textile sector.

The number of MSMEs has increased from 67.87 lakh units. In 1990-1991 to 311.52 lakh units in 2010-2011. There has been steady growth in investment production employment and export during 2010-2011 over 1990-1991. The investment and production increased from Rs.93,555 crore and 78,802 crore in 1990-1991 to Rs.7,73,487 crore and Rs.10,95,758 crore in 2010-2011 respectively at current prices.

\textsuperscript{77} P. M. Mathew, Senior fellow and Director, Institute of small enterprises and development, Cochin, YOJANA, “New Role for MSMEs in India” ISSN 0971-8400, August 2012, p.59.

\textsuperscript{78} Puli Subramanyam, Assistant professor, Department of Management of Studies, KMM Institutes of Post Graduate studies, Tirupati, Andhra Pradesh, B. Ramachandra Reddy, professor Department of Commerce, Sri Venkateswara University, Tirupati, Andhra Pradesh, “International Journal of Business and Management Research”, ISSN No. 2319 - 2194, Vol . 2 , No.11, Nov. 2012.
There has been a steady increase of employment and exports of MSMEs. The employment in MSMEs increased from 158.34 lakh in 1990-1991 to 732.17 lakhs during 2010-2011.

**Pushpadeep Dagar (2012)**\(^79\) in his article said that working capital management is extremely important in small business since it is relatively more important in small companies than in large companies. A firm may sometimes be able to reduce investment in fixed assets by tenting or leasing plan and machinery but it cannot avoid investment in current assets. The management of working capital also helps the management in evaluating various existing or proposed financial offerings.

**Rajib Lahiri (2012)**\(^80\) in his research journal said that the MSME sector is highly dependent on the supply of credit by the banks and other financial institutions. The formal bank credit system is not sufficient to meet the credit needs of the MSMEs. The unconventional modes of financing MSMEs have a vital role to play. The author analysed the issue of Poor credit support to the MSMEs by the banks from 1994-1995 to 2009-2010 and importance of unorthodox methods of financing MSMEs.

**Sudha Venkatesh and Krishnaveni Muthiah (2012)**\(^81\) in their research article discussed the supporting agencies of SMEs, and Factors affecting SMEs. Some of the important organizations that are associated with SMEs in India are: Small Industries Development Organisation (SIDO), National Industries Corporation Ltd. (NSIC), Small


Industries Development Bank of India (SIDBI), Confederation of Indian Industry (CII), Laghu Udyog Bharti (LUB), Federation of Indian Chamber of Commerce and Industry (FICCI), Associated Chamber of Commerce and Industry of India (ASSOCHAM), National Institute of Small Industry Extension Training (NISIET), World Association for Small and Medium Enterprises (WASME), Small Scale Industries Board (SSIB), PHD Chamber of Commerce and Industry (PHDCCI), Federation of Indian Exporters Organisation (FIEO), Federation of Association of Small Industries of India (FASII), Consortium of Women Entrepreneurs of India (CWEI), Indian Council of Small Industries (ICSI), Indian Institute of Entrepreneurship (IIE), National Institute for Entrepreneurship and Small Business Development (NIESBUD) and Small Entrepreneurs Promotion and Training Institute (SEPTI).

MSMEs in India face several problems such as, lack of availability of adequate and timely credit, high cost of credit, lack of collateral requirements, limited access to equity capital, problems in supply to government departments and agencies, procurement of raw materials at a competitive price, issues of storage, designing, packaging and product display, lack of access to global markets, inadequate infrastructure facilities like power, water and roads, low technology and lack of access to modern technology, problems of skilled labour for manufacturing, services and marketing, multiplicity of labour laws and complicated procedures, absence of a suitable mechanism which enables the quick revival of sick enterprises and measures to close down the unviable entities and issues relating to direct and indirect taxation.

P. Sumathi and G. Vasanthi (2012) explains in their article social banking in general and priority sector lending in particular are revolutionary financial
management mechanisms designed to speed up the socio economic development of the country and its people. Bank expansion into unbanked areas and priority sector lending to targeted sectors have succeeded in reducing the poverty in India and bringing about a uniform sectoral development particularly in the rural areas has led to increase in aggregate economic growth and these increases were driven by agricultural and non agricultural output.

The lending to SSI units having more than 25 lakhs and retail trade occupies third and fourth position in lending to priority sector in terms of sectors.

R. R. Azad (2013) in his article mentioned the key challenges and problems faced by MSME sector. In India too, the MSMEs play a pivotal role in overall industrial economy of the country. Despite the sector’s strategic importance in overall industrialisation strategy and employment generation, as well as the opportunities that the Indian landscape presents, the MSME sector confront several challenges. Technological obsolescence and financing problems have been associated with the sector since long. Also, constraints such as high cost of credit, low access to new technology, poor adaptability to changing trends, lack of access to international markets, lack of skilled manpower, inadequate infrastructure facility, including power, water, roads, etc., and regulatory issues related to taxation (state-central), labour laws, environmental issues etc. are also linked with its growth process.

Thus, inspite of the immense contribution of such a pre-capital sector towards economic development, it is invested with a host of challenges and problems. The challenges and problems are not only many in number but they are multidimensional also. A few acute challenges and problems are mentioned below:

- Lack of availability of adequate and timely credit

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• High cost of credit;
• Collateral requirements;
• Limited access to equity as well as risk capital;
• Non availability of raw materials at competitive cost;
• Lack of access to global market;
• Inadequate infrastructure facilities, like road, communication system, power etc;
• Complex labour laws and complicated procedures to compliance of such laws;
• Issue relating to taxation and their procedure;
• Lack of modern technology;
• High competition in the global market;
• Lack of skilled manpower relating to production, marketing, service etc;
• Problems of storage, packaging, product display etc;
• Lack of suitable mechanism to revival of viable sick units and allows unviable units to close down speedily;
• Lack of marketing promotion both domestic and export; poor local initiative;
• Bureaucratic re-tap and regulation;
• Lack of industrial training and skill formation;
• Difficulty in identifying appropriate technology and assistance;
• Lack of linkage between large industries and MSMEs and the creation of sub-contracting facilities at the national, regional and international level;
• Lack of quality control and testing facility;
• Poor scientific and industrial research;
• Lack of information collection and dissemination about various aspects among MSMEs;
• Poor co-operation among the developing countries; etc.
and their procedures (report of Prime Minister’s Task Force, 2010).

R. R. Azad (2013) in the magazine SME World quoted the policies to promote MSMEs in India. The development of small industries sector has been given a top priority in India’s national development plan policy agenda. In order to protect, support and promote small enterprise and also to help them become self supporting, a number of protective and promotional measures have been undertaken by the Government such as:

- Industrial extension services
- Institutional support in respect of credit facilities
- Provision of developed sites for construction of sheds
- Provision of training facilities
- Supply of machinery on hire-purchase terms
- Assistance for domestic marketing
- Special incentive for setting up enterprises in backward areas etc.
- Technical consultancy and financial assistance for technological up-gradation including felicitating access to IT/ICT and e-marketing.

While most of the institutional support services and some incentives are provided by the Central Government, others are offered by the State Governments to attract investments and promote small industries in varying degrees with a view to enhance industrial production and to generate employment in the respective States.

Dilip Salvekar (2013) Secretary General., Chamber of Small Industry Associations, Thane, in brief said that now MSEs, will be getting collateral free loan upto Rs. 10 lakhs without any dispute in all cases. Banks may provide collateral free

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85 Dilip Salvekar, Secretary General, Chamber of Small Industry Associations, Thane, “Promise, protection and practice – MSE Banking code”, SME World, January 2013.
loan under CGFTMSE Scheme upto Rs.100 lakhs in deserving cases. All MSEs, particularly Micro, should know this that with a rider upto 100 lakhs, they are entitled for collateral free loan and ergo must insist on it.

One peculiar ground reality needs attention and action by Govt., CGFTMSE in covering MSE cases under the said scheme. The majority of MSEs in India for ease in getting loans; deal with Co-operative banks. The Co-operative banks are not the member for this scheme due to which the MSEs obtaining working capital from the Co-operative Bank still require to provide collateral. To assist such MSEs, at least Multi-State Co-operative Banks be permitted to give loans under CGFTMSE scheme. This step will provide a relief to almost all Micro Enterprises dealing with Co-operative Banks.

The banks are to dispose of MSE loan application within two weeks from the date of receipt of it, if it is for credit limit upto Rs.5 lakh. Loan applications, complete in all respects as per check list, above Rs.5 lakhs and upto 25 lakhs are to be disposed of within four weeks and those above Rs.25 lakhs within two months, the code further mandates.

T. K. Jisana and P. C. Basheer Ahammed, (2013)\textsuperscript{86} said the challenges of MSME Sector: (i) Access to technology, (ii) Absence of adequate and timely banking finance, (iii) ineffective marketing strategy, (iv) constraints on modernization and expansion, (v) wasteful usage of resources and manpower, (vi) low ICT usage, (vii) low production capacity, (viii) quality assurance and certification and (ix) non availability of highly skilled labour at affordable cost.

\textsuperscript{86} T. K. Jisana and Dr.P.C.Basheer Ahammed, Department of commerce, P.S.M.O College, Tirurangadi, “Role of Cluster Development Programme on Micro, Small and Medium Enterprises in Kerala” Southern Economist, ISSN 0038-4046, Vol.52, No.7, August 1, 2013, pp.6 and 7.
The cluster development programme is an important programme which helps a common development of the micro, small and medium enterprises. The major benefits of the scheme are technology upgradation, quality upgradation and certification, credit facilitation, marketing support including exposure to the global markets and collective capacity building of the cluster units with a view to enabling them to ultimately operate as collection of their own.

Madhavi Sharma, Chief General Manager, Reserve Bank of India, (2013) in his sub-committee on MSME to create a structure mechanism for the MSME sector quoted in view of the concern emerging from the declaration in credit growth to the Micro and Small enterprises (MSEs), there is a need for a structured monitoring mechanism to be put in place in banks at every supervisory level (Branch, Region, Zone, Head office level etc.) for holistic monitoring of all credit related matters pertaining to the MSE sector and for follow-up of action points on a continuous basis. This proposal was placed in the 14th standing Advisory Committee on MSMEs wherein it was decided to set up an IBA led Sub-Committee of banks (Chairman: K. R. Kamath) to examine the issue. Following the submission of the Report by the Sub-Committee, it was proposed in paragraph 66 of the monetary policy 2013-2014 that banks need to strengthen their monitoring mechanism and monitor their loan disposal process so as to step up credit flow to the SSI sector and ensure timely rehabilitation of sick MSE units.

G. H. Nagaraju and Gundegowda (2013) made a case study on the role of SSI in alleviation of poverty. The growth of SSIs holds the key role to resolve the

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87 Madhavi Sharma, Chief General Manager, Reserve Bank of India, “sub-committee on MSME to create a structure mechanism for the MSME sector” RBI/2012-13/495, RPCD. MSME & NFS. BC.No. 74/06.02.31/2012-2013. Dated May 9, 2013. P. 1.
88 G. H. Nagaraju Department of Political Science and Public Administration, University of Mysore and Gundegowda, Department of Political Science, University college of Arts. Tumkur, “Role of SSI in Alleviation of Poverty: A case study” Southern Economist, ISSN 0038-4046, Vol.51, No.17, January 1, 2013, p.5.
problems of poverty and unemployment. That is why every country gives importance to the development of different types of SSIs. The growth of SSIs is a precondition for the economic development of any nation, particularly the developing ones like India. In India, SSIs occupy 123 lakh units; contribute 40 percent of industrial production; 35 percent of its exports; and provide employment to about 295 lakh persons (SIDCO Annual Report, 2008). The strength of the sector lies in its ability to create jobs at low cost in less developed regions and at a rapid pace.

Shihabudheen.N (2013)\(^89\) in his journal expressed that the programmes undertaken by the Ministry and its organizations seek to facilitate or provide: i. adequate credit from financial institutions ii. Support for technology upgradation and modernization iii. Integrated infrastructural facilities iv. Modern testing facilities and quality certification v. access to modern management practices vi. Entrepreneurship development and skill upgradation through appropriate training facilities vii. Support for product development, design intervention and packaging viii. Welfare of artisans and workers ix. Assistance of better access to domestic and export markets and x. cluster-wise measures to promote capacity building and empowerment of the units and their collectives.

The objectives of making available credit to micro and small enterprises without collateral/third party guaranties the scheme is being operated through the credit guaranty fund trust for MSMEs setup jointly by the government of India and SIDBI.

Entrepreneurship development programs are being organized regularly to nurture the talent of youth by enlightening them on various aspects of industrial activity

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required for setting up MSMEs. These programs are generally conducted in DICs where skill is available to motivate them towards self-employment. The course contents of such programs are designed to provide useful information on product process design, manufacturing practices involved, testing and quality control, selection and usage of appropriate machinery and equipments, project and profile preparation, marketing and pricing techniques.

More than half of the entrepreneurs opinion that the technical backwardness, unavailability of the skilled labour, deficient market mechanism and insufficient finances stands in the way of the easy running of the industry. Insufficient finances and defiant market mechanism is the problem about 90% of the respondents considered the biggest obstacle in competing in the market and their survival.

Surendar Kumar Gupta (2013), Research Department, Monad University, Hapur, in his journal discussed the various schemes for MSMEs. The Small Industries Development Bank of India (SIDBI) is as an apex and principal financial institution for promotion, financing and development of the Micro, Small and Medium Enterprises (MSME) sector and thus co-ordinates the functions of other institutions engaged in similar activities. The SIDBI at the apex level supports the MSME sector to gain the needed strength and has introduced various schemes and initiatives to meet the various needs of the sector.

Schemes of SIDBI for MSMEs:

- Flexible Assistance for Capital Expenditure (FACE)

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• NSE Trade Receivables Engine for E-discounting in association with SIDBI (NTREES)
• Direct MSME Credit
• Set up of Risk Capital Fund
• MSME Receivable Finance Scheme
• Direct Retail Credit
• Green Loan scheme
• Support for Marketing Activities
• Non-Fund based Services
• SIDBI as Nodal Agency for Government Schemes
• MSME Financing and Development Project (MSMEFDP)
• Credit Information and Credit Rating Schemes
• Address information asymmetry
• Support for Green Energy
• Computerised information Centre.

**Tanya Gupta (2013)** had quoted in his journal about Abid Hussain Committee, de-reservation and reservation of products for SSI’s, Prime Ministers task force of MSME’s, Government and Non-Government Financial Institutions who provide financial assistance to MSME’s, Government which provides many opportunities for small business and Government which has formed many policies and financial institutions for helping small units like industrial policy resolution, import and export policy 1994-1997, the pricing policy, the textile policy, policy for development

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of handloom industry, policy for khadi and village industries, industrial estate programme, promotion of Ancilllary industries etc.

S. K. Gupta (2014) explained that the Reserve Bank of India has also advised all Banks to formulate a loan policy governing the extension of credit to MSME sector in the light of recommendations of the working group. It is here that banks and financial institutions have to play an important role in providing credit to these enterprises. In the light of the above background, an attempt has been made to highlight the Role of Financial Institutions in providing credit to MSMEs.

He also observes that MSMEs are facing lot of problems, due to which these enterprises are not in position to compete with their counter parts in the market.

- Lack of awareness of MSME schemes/activities
- Lack of adequate infrastructure
- Finance and Credit
- Marketing problems
- Lack of Entrepreneurship Development
- Low recovery and NPA’s

G. Sasikumar, Principal, D. Sethuraman, (2014) quoted that self employment through micro finance was perceived as a powerful tool for emancipation of women. It has been observed that gender equality is a necessary condition for economic development. Women entrepreneurs play a vital role in the significant of

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93 G. Sasikumar, Principal, Sun Arts and science college, Thiruvannamalai, D. Sethuraman, Assistant prof.in Commerce, pattammal Alagesan College of Arts and Science, Athur, “Role of Micro Finance in Women Enterpreneurship Development – A case study on making of pickles” Kissan World, ISSN 0971-9229, April 2014, Vol.41, No.4, pp.55-57.
income generation and the growth of microfinance enterprises. These type of microenterprises give social status to the women, in terms of increase in income, savings, employment generation, asset creation, decrease in dependency, decision making skills etc.

Selvaraj .N and Balajikumar .P (2015) have analyzed “the Attitude of Owners of Small-scale Industries towards the Lending Services of the State Bank of India in Tamilnadu–A Study”. The small-scale industry is widely recognized as a powerful instrument for socio economic growth and balanced sectorial development. Considering the large employment level and backlog of creation of new jobs to provide employment to all able hands today, hopes are pined on the small-scale sector. A growing economy needs the support of a financial structure which is responsive to the needs of development. In India, in the process of financial deepening, commercial banks have to shoulder special responsibilities for meeting the financial needs of diverse sectors of the economy. There are many factors which influence the overall opinion of owners of SSI units on lending services of the banks. The level of satisfaction of SSI units towards lending policies of State Bank of India has been analyzed and the factors affecting the level of satisfaction have been studied with the help of chi-square test. On analysis it was found that factors such as educational qualification of SSI entrepreneurs and nature of industry were significant in relation to their level of opinion and all other selected independent variables were found to be independent of level of opinion of respondents in respect of services rendered by the selected bank.

Umesh C. Patnaik\textsuperscript{95} in his article entitled “Growth of SSI and problems of small entrepreneurs”, he evolved a comparative study on the growth of SSI before and after the launching of the DIC’s he used secondary data for this purpose. He measured growth of units, production investments and employment generation. The outcome of the study showed that the growth of SSI sector was not much after the establishment of DIC.

P. Lourdes Poobala Rayan\textsuperscript{96} entitled “Entrepreneurship in tiny sector industries – an empirical study in Tamil Nadu District”, the Small and tiny sector is considered as an ideal nursery for the rapid growth and development of entrepreneurship. The problems of the dominant tiny sector are multidimensional. These can be solved by the coordinated efforts of the entrepreneurs coordinated functioning of promotional agencies and Government assistance. The need of the hour is an appropriate industrial policy exclusively for accelerating growth.

Incentives to SSIs, DC, SSI, GOI, New Delhi,\textsuperscript{97} Under this scheme the difference between the interest rate of 7% and the interest actually charged by the financial institutions on loan is granted to the engineer entrepreneurs. The claim to interest subsidy is limited to 5 years of the engineer entrepreneurs set up small scale industries in any of the backward areas and a period of 3 years, in the case of other areas.

A. S. Shiralashetti\textsuperscript{98} in his journal made a study about problems and prospects of MSMEs in India. Despite of commendable contribution to the nation’s economy,

\textsuperscript{95}Umesh C.Patnaik in his article entitled “Growth and SSI and problems of small entrepreneurs”.
\textsuperscript{96}P. Lourdes Poobala Rayan, “Entrepreneurship in tiny sector industries” - an empirical study in Tirunelveli District” p.248.
\textsuperscript{97}Incentives to SSIs, DC, SSI, GOI, New Delhi, p.276.
\textsuperscript{98}A. S. Shiralashetti, Faculty, P.G. Dept. of Commerce, Karnataka University, Dharwad-3, “Prospects and problems of MSMEs in India-A study”, International journal in
the MSME sector does not get the required support from the concerned Government Departments, Banks, Financial Institutions and Corporate, which become a handicap for more competitive in the National and International markets. The MSMEs faces a number of problems. The main problems of MSMEs in India are:

- Absence of adequate and timely supply of bank finance,
- Limited capital and knowledge,
- Lack of power,
- Low quality inputs,
- Low return,
- Non-availability of suitable technology,
- Low production capacity,
- Ineffective marketing strategies,
- Identification of new markets,
- Constraints in modernization and expansions,
- Transportation problems,
- Lack of adequate warehousing,
- Lack of information,
- Lack of training,
- High competition,
- Non-availability of highly skilled labour at affordable cost.