CHAPTER II

REVIEW OF LITERATURE

2.1 INTRODUCTION

Review of literature provides detailed knowledge on previous studies carried out in that subject. The literature over a subject matter of research can be had from the available standard books, periodicals, journals, published and unpublished research works, conference proceedings, government reports etc. In this study, reviews relating to SSI and bank performance are carried out.

2.2 MAJOR REVIEWS

Sivasankar. P.R, and Ekambaram.K, concluded that commercial banks continue to play an important role in financing small scale industrial sectors. The growth rate of bank credit has been low as compared to the growth rate of production from small scale industrial sector.

Rajan Kumar and Subhash Chander, focused that most of the small scale industries in Punjab depended heavily on the owner's capitals for financing fixed capital. They resorted to long-term borrowings under compulsion and not as a matter of policy or convenience to take advantage of favourable financial leverage. Commercial banks are the most prominent institutions approached by the units for long-term borrowings followed by

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Punjab Financial Corporation, Punjab Small Industries Development Corporation of India and District Industrial Center.

Ramana Reddy. K.V, Krishna Reddy. B and Maddileli. K, concluded that State Financial Corporation contributed to the emergence of 903 units in Mahaboob Nagar district with the credit disbursement of Rs.45 crores over the period of 40 years. This led to the capital formation of Rs. 57 crores and generated employment to 8251 persons.

Sindhu Vijayakumar, noted that commercial banks sanction loans to industries but their focus is generally on large-scale units. They hesitate to provide large funds to small-scale units because of two reasons. First, small-scale units generally need small amount of finance. Second credit worthiness of small-scale entrepreneurs is doubtful. So small scale entrepreneurs especially women entrepreneurs, largely depend on financial institutions other than commercial banks.

Ramachandra Rao. K.S, Abhiman Das and Aravind Kumar Singh, viewed that the definition and coverage of the small scale industrial sector is being revised from time to time by excluding more and more commodities from the reserved small-scale industries list and also through liberalizing the credit delivery mechanism of the banking industry. Despite

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increase in the coverage of the small-scale industrial sector, its share in bank credit decreased and growth fluctuated.

Thingalaya. N.K.\(^6\) described that new generation banks are normally not interested in small amounts of credit. They have ventured into this only after the upward revision is made in the definition of small and medium sector, and with a narrow base of advances made; their progress in credit disbursements appears impressive.

Prasain. G.P. Nixon Singh. E. and Sharat Singh. N,\(^7\) concluded that there was a severe lack of capital as well as credit, largely because of low productivity in many branches of small scale industries. The commercial banks and financial agencies may establish more small scale industrial specialized branches at least one in every district headquarters to cater to the financial needs of small entrepreneurs.

Srivastava. R.M.\(^8\), concluded that the operating feature of the State Financial Corporations is that they have provided three fourths of their assistance to small-scale sector. He also concluded that the state financial corporations existing resources are too limited to cater to the growing needs of smaller enterprises.

Basarkar.\textsuperscript{9} said that banks did not doubt technical capabilities of delivering on the project. The bankers probably expect small enterprises to grow at only 20-25 percent and not more. His study indicates that, 32000 small and medium enterprises and 2,500 large corporate by rating agency, CRISIL, shows that small and medium enterprises have lower access to bank funding.

Mary Jesselyn,\textsuperscript{10} concluded that in Philippines, the government agencies were able to direct financial assistance through banks, co-operatives etc to small and medium enterprises. The government has also increased its efforts in providing new modes of small and medium enterprises financing through the creation of Small Business Guarantee and Finance Corporation (SBGFC). Smaller enterprises can now avail funding which initially was available to larger and more stable firms only. The Magna Carta for smaller enterprises also contains provisions for mandatory allocation, which requires commercial banks and other financing institutions to set aside a portion of their loanable funds for the exclusive use of Small and Medium Enterprises.

Sanjiv Narayan,\textsuperscript{11} said that the best of Small and Medium Enterprises get credit at interest rates which are at least around 175-200 basic points higher than those of blue chip large corporate. He pointed out that even

aggressive private sector and foreign banks are of no help. They are willing to lend but only at bigger ticket sizes.

Parimalam. M.,\textsuperscript{12} concluded that commercial banks performance towards small-scale industries in Erode district is not satisfactory. They are confronted with so many problems. If they are expected to play the role assigned to them effectively, right type of climate and effective solutions of the problems has to be provided.

Anil kumar,\textsuperscript{13} has examined the financial challenge faced by urban, small and medium enterprises under financial sector liberalization in Ghana. Main challenges faced by Urban Small and Medium Enterprises access to affordable credit over a reasonable period. To manage these challenges small and medium enterprises should manage record keeping in an effective manner.

Khan. M.Y,\textsuperscript{14} remarked that State Financial Corporation's policies were characterized by excessive caution, their procedures were dilatory, they concentrated on traditional industries and more emphasis was laid on security rather than on prospects. Therefore, they failed to make any impact on the availability of long – term finance to industry and consequently, could not justify the expectation of solving the problem of chronic shortage of industrial capital in India.

Joseph Andrew Kuzilwa,\textsuperscript{15} viewed that lack of access to credit has been identified as one of the major constraints hindering the development of small business and the supply of entrepreneurial activities not only in Tanzania but also in other developing countries. Commercial banks have traditionally concentrated their lending on large formal enterprises which possess collateral and therefore, are deemed to be less risk from.

Ramakrishnan. D.E, \textsuperscript{16} President of the National Confederation of Small Industry said that the small scale and tiny sector industries in India have been hit hard by banking norms that had been implemented based on the Based International Standards. One of the causes of paramount concern to the small scale industry was the banking norm of treating a 90 days overdue account as non–performing asset.

The Banking news,\textsuperscript{17} Tamil Nadu Merchant Bank limited has introduced a new loan product called small and medium enterprises credit to cater to the exclusive needs of the small and medium enterprises sector. Under this scheme, an individual can get a maximum loan of Rs. 2 crore and group borrowers up to Rs. 10 crore.


Ruddar Datt and Sundharam. K.P.M,\(^\text{18}\) said that considering the vital role of small industries within the Indian Industrial Economy, the total amount of loans granted to small industry forms a very small part of the total loans of Indian industry. In March 1994, as against a total advance of Rs. 80,492 crores to all industries from commercial banks, small industries received Rs. 22,620 crores that is 28.1 percentages.

Chandak. B.L,\(^\text{19}\) viewed that credit portfolio of State Financial Corporations has stagnated around Rs. 11000 crore since financial year 1998. It means that there is little net inflow of credit from SDFCs that predominantly finances small scale industry projects. Further, with staggering Non- performing asset level of 64 percent at end of financial year 2003, State Financial Corporation's capability of recycling assistance is severely impacted.

Kamalakannan. R,\(^\text{20}\) in his study on “Financing of SSI in Kamarjar District” the main objectives of the thesis are to analyze the financial institutions provided by commercial banks, to find out major problems faced by SSI, to offer suggestions. He concludes that in the Indian economy where population pressure is high, resources abundant and capital scarce, SSI alone offers proper solution for economic ills. Pre SSI has a good export potential. The government of India also has emphasized the


importance of SSI for achieving socio-economic objectives like generating more employment, removing regional disparities and reduction in economic backwardness of the rural area. However the SSI often suffers from resources own preventing further investment. The development of SSI units depends upon the availability of required finance at reasonable cost at the right time.

Murugasean. P, 21 in his study on “A study of SSI in Madurai District,” has concluded that it is to be appreciated that, in spite of various problems, the SSI units in India are registered satisfactory performance. Their contribution to national economy is considerable and beneficial. In terms of labour employment, they carry a significant and major responsibility.

Sekar. P, 22 in his study on “Institutional finance to SSI in Tamilnadu” the major objectives of the research are to assess the growth of SSI in Tamilnadu, to examine the contributions made by the various agencies in providing financial assistance to SSI, to study the flow of audit, to identify the problems of financial institutions in assisting SSI. His findings show that the State Bank of India, its subsidiaries and the nationalized commercial banks are the major sources of institutional credit for working capital.

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Gnanasoundari.P,\textsuperscript{23} noted in his study on "Role of SSI in Tamilnadu with reference to Madurai District" has concluded that this study reveals that the industrial sector of Tamilnadu witnessed a higher growth as compared to the rest of India. Madurai District has favorable climate for industrial development. It is also found that the SSI units have become more capital intensive than labour intensive.

Vellaichamy. R,\textsuperscript{24} in his study on "An economic Evaluation of SSI in Madurai district," the major objectives are to measure and analyze the growth of selected SSI units in terms of 10 elements designed as components of growth. The role of DIC has also been immense in promoting SSI in this district. Self employment schemes and measures of rehabilitation implemented by the DIC are in progress. Industry wise, Engineering and allied industries are found to progress well with higher efficiency. The main problem faced by the SSI units was in marketing this product and getting adequate working capital.

Neelamegam.R,\textsuperscript{25} in his study on "A study of institutional finance to SSI with special reference to Tamilnadu". has concluded that the suggestion is that there must be two separate independent and autonomous apex Financial institutions for large and medium SI and another for SSI with their constituent institutions, specialising in clearly demarcated are of

Operational in relation to the industrial sectors they cover, to facilitate and assure adequate and proper flow of institutional finance to industries as whole and particularly to SSI.

Dhas,\textsuperscript{26} in his study on “A study on the role of SSI in the Economic development of Virudhunagar District”, states that objectives of the study are to analysis both block wise and industry wise the trend and growth of unit registered, investment made, employment and production for developed and backward area. The contribution of SSI, to the development of blocks in both the developed and backward areas in terms of the seven identified growth factors is impressive. The contribution of SSI to the economic development of the district in terms of utilization of raw material, employment generation, asset creation and forex earning is not only significant but also unique. Thus it may be concluded that despite various short comings and problems, the SSI in Virudhunagar District has played a vital role in the promotion of the economic development of the district.

Inbalakshmi.R,\textsuperscript{27} in her study on “An Empirical Study of the Growth of SSI units in Dindigul”, points out that objectives of the research are to study the concept, origin and growth of SSI units in India, Tamilnadu and Dindigul district, and to analyze the growth of SSI in Dindigul district. She has concluded that the study is an attempt to probe into the growth of SSI units in Dindigul district.

Rajalakshmi.V, in her study on “A study of Institutional Finance to Marine Small Scale Fishers in Chidambaram district, Tamilnadu”, has concluded that among institutional borrowers, borrowers from banks are more in numbers. This may be due to very low disbursement of loans by co-operative societies. The borrowers accept the poor performance in repayment of loans. The main reason being, the uncertain income they get due to fluctuations in fish catching.

Ramasamy .T, in his study on “SSI in Virudhunagar district: An Empirical study of their growth and diversification” has studied the extent of growth of SSI and the diversification of them in Virudhunagar district. He has studied the factors influencing the growth of the SSI and the diversification of them in Virudhunagar district, to offer suggestions. He has concluded that the present study has been undertaken to help the planners, decision makers and the agencies implementing the poverty alleviation programme to take certain policy decision for the development of SSI. It is interesting to note that the study has brought to light certain latest problems faced by the SSI of Virudhunagar district. The suggestions offered in the study may be suitably incorporated by the government in their policy framework to share the problems of SSI.

Kalchetty Crasi.,\(^3^0\) has compared capital output ratios of a number of industrial concerns of different sizes and found that capital output ratio increases with an increase in the size of the unit.

Balakrishnan. G,\(^3^1\) has analyzed the experience of joint stock companies in financing the SSI sector and found that they had low carrying capacity due to high cost of production and high rate of interest.

Dhar. P.N,\(^3^2\) in his survey of SSI in Delhi finds that the only source of external finance is considered of relatives, friends and traders.

Lakadawala. D.T and Sandesara. J.C,\(^3^3\) in the study of SSI in Bombay find that 342 firms in 391 cases have borrowed funds. In two thirds of these cases, loans have come from traders.

Balajit Singh,\(^3^4\) in his study of SSI in Moradabad district has found that 33 percent of units have borrowed from traders, 27 percent from relatives and friends and 21 percent from money lenders.

Ramakrishnan. P,\(^3^5\) in his study in Delhi found that entrepreneurs were prepared to pay high rates of interest to non-banking sources to avoid bank formalities.

\(^3^5\) Ramakrishnan. P (1975), “New entrepreneurship in SSI in Delhi”, Economic and Scientific research foundation, Delhi, p.36.
Ramakrishnan T,\textsuperscript{36} has pointed out the nature and magnitude of financial problems faced by the SSI of India and the role of government, SFC and Bank financing in this sector. The methods of financing followed by several countries like Japan, USA, UK, Europe, Canada, Australia etc, were highlighted in this study.

State bank of India\textsuperscript{37}, was the first bank as standing 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 SSI in the country. A number of reviews have been undertaken in 1963 by a team headed by R.K.Talwar. The team studied the problems of SSI from the view point of finance. In 1970, another committee was appointed under the chairmanship of the H.E.Chatelier for the improvement of the organisation 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 SSI with aggregate borrowings in excess of Rs 2 Lakhs.

Sathya Sundaram,\textsuperscript{38} has pointed out that inspite of awareness in the urban area, the SSI units are unable to progress beyond a limit because of delayed sanctions of loans. He makes out a case that timely financial help and relaxation of rules are necessary for the survival of SSI.

Geetha.K,\textsuperscript{39} has said that the lending performance of public sector banks seems to be inadequate in case of providing crop loans, minor

irrigation loans. The lack of personal involvement of the individual office at various levels plays a major role in affecting the lending operations. Another reason while advancing loans and advances as that the formalities are more in public sector banks than private sector. In order to increase their lending efficiency proper attention must be given to these aspects.

Reddy. K.C.\textsuperscript{40} has said that the level of education of the entrepreneurs and their utilization of finance show a positive correlation. Further, he has concluded that there is stagnation in the development of SSI in both rural and tribal areas which is due to the non availability of institutional finance.

Thilakam.C,\textsuperscript{41} in his study on “A Study of Financing of select SSI by Commercial banks in Tamilnadu”, has Studied the role of SSI in Indian development, to study the role of commercial banks in financing SSI units, to make an indepth study of financing of SSI by select commercial banks in Tamilnadu, to identify the factors influencing bank finance to SSI units and to study their relationship and to summarise the findings and suggest measures.

Chandrasekeran. K,\textsuperscript{42} has concluded that this study anyway helps the bank and the borrowers to cross the hurdles in their mutual interactions which will result in the development of SSI in the area. The researcher was amply rewarded.

Gurusamy.S.\textsuperscript{43} in his study on “An analytical study of the problems of SSI in the industrial estate of Tamilnadu”, Concludes that the SSI units in Tamilnadu are confronted with so many problems and if they are expected to play the role assigned to them effectively a right type of climate and effective solution of the problems have to be provided as problems of SSI are multi-dimensional.

Ramachandran.S.\textsuperscript{44} has concluded that for easy availability of finance, the activities of central and state government agencies must be coordinated in a fruitful manner by establishing a district level agency which should have a direct contract with the SSI units and the central government at large. The bank managers of the special branches should be vested with more power to grant easy credit to the needy units and the staff members of the special branches should be motivated through special lectures to rely the importance of SSI role for the development.

Venkatachalam.T.\textsuperscript{45} in his research work could have revealed many more facts had the adequate data been available. Commercial banks should also own the responsibility of financing adequate working capital. The need based financing of working capital should be the approach instead of reliance on security oriented financing. Separate cash credit limits for Raw material, SFG, Bills sent for collection has been granted as per need of

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business. The commercial banks out of their experience should help the small entrepreneurs in estimating the working capital needs of the unit.

Rajendran.N,\textsuperscript{46} has said in “Institutional Assistance for the Development of SSI in Tiruchirappalli District” that the main objectives of the study are to study and evaluate the policies and plans relating to the development of SSI, to study and analyze the role of industrial promotion institutions in the development of SSI, to highlight the problem faced by the SSI in availing the facilities from various institutions. He concluded that for advancing loans, the collateral security sought by the banks is also a major problem.

Joseph Xavier.S,\textsuperscript{47} in his “Study on the Contribution of Commercial Banks to the development of SSI in Tiruchirappalli district” makes an attempt to assess the financial needs of SSI, to identify different sources of finance to SSI, to study the role of financial institutions in providing financial assistance to the SSI, to identify the problems of SSI in availing bank finance and to suggest solutions to the problems identified.

Suresh.S,\textsuperscript{48} concluded his study on “An Economic Analysis of SSI Pudukkotai district” that financial and lending agencies should not allow the defaults for more than limited installments, rather, they may be checked and


reported to the authorities concerned for further extension or stopping assistance.

Manoharan.P,\textsuperscript{49} in his research work "SSI with special reference to bank financing in Karur district", says that the objectives are to review the programmes both by government and other institutions for the development of SSI, to study the financial conditions of SSI, to identify the causes of sickness among the SSI and to study the role expectations, its fulfillment and failure.

Pareek.H.S,\textsuperscript{50} studied the financing pattern of 181 small industries enterprise in Rajasthan state and made an attempt to evaluate the contribution of different institutional and non institutional sources for meeting the financial needs of SSI. On an average about half of the net capital employed was owned by the entrepreneurs.

Sethuraman.T.V,\textsuperscript{51} studied on institutional finance of economic development in India, reveals that there is lack of co-operation among different institutions. The different financial institutions follow different patterns of processing techniques for availing financial assistance; the entrepreneurs have to bear increased cost in the form of additional expenditure being incurred separately towards application fee and legal charges.

Somasundaram.G and C.Muniramappa,\textsuperscript{52} in their article on “Commercial bank and SSI Finance” have pointed out the steady decline in the share priority sectors. The total credit due to the commercial banks negative attitude explained the following reasons for this short of attitude.

Erraiah.G and Vasudeva Rao. P,\textsuperscript{53} analyzed the Reserve Bank of India sample survey of SSI financed by banks. An important fact emerges that more that 20\% of the total production of all units do not receive bank finance at all inspite of the high priority that has been assigned to SSI 40 to 50\% or even higher portion of the SSI has not received any loan.

Vikram Chandha,\textsuperscript{54} in his study on financing the modernization of small industries, has stated that the problems encountered by the SSIs range from the storage of credit and finances, under utilization of capacities, in competitiveness in the output and product markets, to the inadequacy of industrial facilities like power.

Hrishkesh Battacharya,\textsuperscript{55} conducted a study on the problems faced by SSI located in Howrah and Calcutta of West Bengal. All the units were assisted by units of banks. The study found that the need for proportionate increase in capital is inversely related to the size of the small firms. In other

\begin{itemize}
  \item \textsuperscript{54} Vikram Chandha (1999), “Financing of modernization of Small industries in India-opportunities and constrains”, Southern economist, May 15, p.5.
  \item \textsuperscript{55} Hrishkesh Battacharya (1984), “Entrepreneurs bankers and SSI”, Deep and Deep Publication, New Delhi, p.82.
\end{itemize}
words, the smaller the firm, the larger the proportionate increase in finance required to enable it to effectively respond to the demand of its products.

Namasivayam.N and Ganesan.S,\textsuperscript{56} in their article on “Financing of small-Scale industries by Banks”, assert that the commercial banks have played a significant role in supporting the SSI movement in India. They have continuously been evolving special schemes and approaches to suit the rapidly growing and changing needs of the sector.

Ganesan.S and Navaneethakrishnan.K\textsuperscript{57}, studied that Financing of Small and Medium Enterprises, Indian banks and Financial institutions catering to the SME sector will have to focus more on providing marketing finance, venture capital micro finance and factoring assistance at reasonable costs to make SMEs domestically and globally competitive.

Subbiah.A.Dr. and Navaneethakrishnan.K,\textsuperscript{58} studied Small-Scale industrial units and their problems, Lack of finance is one of the major obstacles in the development of small scale units. Since most of the SSI units are either partnership firms or sole proprietary concerns, their internal resources are inadequate to meet their requirements. The commercial banks providing financial assistance to SSI units should take into consideration economic viability of units rather than the value of the security provided.

Ramana Reddy, Krishna Reddy.B and Maddileti.K, in their article "Impact of APSFC on Small Industry Development" say that the State Financial Corporation constitutes an important policy instrument in fortuning the development of small industry in back ward areas. This paper has developed an appropriate methodology in estimating units, employment and investment due to credit deployment and analyzed their nature and pattern. It also studied the role of SFC in providing entrepreneurship development

Sivasankar.P.R. and Ekambaram.K, noted the Role of Public Sector Banks in the development of Small Scale Sector in India. Financing, Promoting and development of Small-Scale Industries including Village and Cottage Industries (SSIs) have been a specific focus on India's economic policies since independence. The country has made many special dispensations and created a network of financing and support infrastructure to nurture SSIs. Further, from time to time, expert committees have been constituted to analyze the flow of credit to SSIs and suggest appropriate measures to enlarge and accelerate the credit flow to this sector.

Kadakol.A.M, "studied "An Analysis of the policy measures initiated by the government of India to promote the small scale industrial

sector" the Government is trying hard to see that a national consensus is formed by discussions with all the political parties. A stage is now reached when the Economic Reforms, including the industrial policy reforms, are irreversible. The Government, time and again, has reiterated that the fundamental objectives of the Economic Reforms, including the industrial policy reform process are to bring about rapid and sustained improvement in the quality of life of the people of the country.

Natarajan.S and Parameswaran.R,\(^62\) in their books state that the concept of priority sector was evolved in the late sixties in order to focus attention on the need to ensure adequate credit facilities to certain neglected sectors of the economy particularly in the rural areas where banks had hardly made their presence felt. The involvement of banks in priority sector lending has grown considerably since then along with the extension of the branch network of banks into the rural areas with special emphasis on opening branches in unbanked areas.

Naga Sridhar,\(^63\) in his article “Steady Growth in Public Sector Banks” SME lending money says that the small and medium enterprises (SMEs) are departing from their traditional strong hold sectors and are venturing into new areas if the trends in SME lending by some banks in 2007 are any indication to go by. There has been greater interest float SMEs in relatively newer sectors such as hospitality, hospitals and travel agencies.

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\(^63\) Naga Sridhar (2008), article on “Steady growth in public sector banks” Business line 1/January, p.8.
in addition to the popular areas such as textiles, fertilizers, gems and jewellery, according to bankers.

Yerram Raju, B,⁶⁴ concludes that the impact of reforms on the small industries seems to have upset the apple cast and many small industries bemoan that the financing institutions distance them because of the fear of accumulation of non-performing assets. All the expert studies have confirmed that the small industries are denied adequate and timely credit facilities and therefore losing their competitiveness. The author suggests the financing options that could be exercised by the Banks and financing institutions like a) Banks have to set up information banks on different products. b) Working capital should be assessed on the projected cash flows.

Suresh Bedi,⁶⁵ concludes that most of the small scale industries support programmes and incentives are becoming less and less relevant and most of such facilities go unutilized. The state support system must be simplified to make it relevant and convenient to the small scale industry. Small scale industry units on their part have to restrategise and seek new relationships with the medium and large industry.

Gupta C.B. and Srinivasan N.P,⁶⁶ suggest that commercial Banks have not confined themselves to mere extension genuine concern for their progress and development. They have now entered the challenging field of

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promoting new small scale entrepreneurs through entrepreneurship development programmes. They are now holding Entrepreneurs Development Programmes in collaboration with specialized institutions such as District Industries Centre, SISI, TCDs, etc with a view to identifying entrepreneurs especially in backward areas and training and monitoring them to start new venture.

Somu Griappa,\(^{67}\) concludes that small scale entrepreneurs require finance to meet fixed investment on land and buildings etc. The state directorate provides assistance for Industry Construction. The State Finance Institutions allow them term loans, the commercial Banks extend working capital assistance and also for construction. The SIDBI, NABARD, IDBI, ICICI etc extend priority credit and refinancing facilities. The State Finance Institutions mobilized Rs.8526 crores during the seventh plan for the small scale industries and the amount has been doubled in the ninth plan.

Uma Kapila,\(^{68}\) said that the cabinet committee on economic affairs (CCEA) has approved a series of amendments on the on-going credit linked capital subsidy scheme for the small scale industry including raising the ceiling for loans under the scheme to One crore from the existing Rs.50 lakh. Besides, the Cabinet Committee on Economic Affairs also extended the validity of the scheme till March 31, 2007.

\(^{68}\) Uma Kapila (2005), “Loan Ceiling of SSI raised to one crore”, Banking Finance, Vol XVIII, No.11, pp.3-5.
Krishna Kant,\textsuperscript{69} suggested that credit flow to small units gets a Boost Bank of India and SIDBI signed to boost credit flow to the Small Medium Entrepreneur sector. The Bank will leverage the term loan assessment skills of SIDBI in meeting the requirements of the Small Medium Entrepreneur sector.

Ramachandran.T,\textsuperscript{70} concluded that the Government has announced to boost small and medium enterprises. It has raised the excise exemption limit for small scale industry with a tenuous of upto Rs.4 crore instead of Rs.3 crore earlier, Rs.500 crore for Small Medium Entrepreneur growth fund under the SIDBI will provide equity support to knowledge base industries.

Shashi.K Gupta and Sharma R.K,\textsuperscript{71} suggests that financial requirements of small scale industries can be classified by equity or risk capital, loan or bounced capital. This loan capital is divided into long-term loans and short-term loans. Small scale sector owners try to run the units with their own funds. As the requirements for funds increase they have to look to outside sources also.

Srivastava . S.B,\textsuperscript{72} in his “A Practical Guide to Industrial Entrepreneurs” has concluded that the credit provided by Commercial Banks to small scale industries is treated as credit to 'Priority Sector'. Since

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\item \textsuperscript{69} Krishna Kant (2005), Credit to SSI by SIDBI, “Banking finance”, Vol XVIII, No.8, pp.3-6.
\item \textsuperscript{70} Ramachandran.T (2005), “Small and Medium Industry to grow up (Budget 2005)”, Banking finance, Vol. XVIII, No.4, p.4.
\item \textsuperscript{72} Srivastava.S.B (2003), “A Practical guide to industrial entrepreneur”, Sultan Chand and sons Publication, New Delhi, p.198.
\end{itemize}
the nationalization of commercial banks, greater attention is being paid for providing loans to the small scale industry sector. At the end of June 1998, advances of public sector banks to small scale industrial units amounted to Rs.10874.24 crores. The nationalized banks including State Bank of India have almost the same schemes of assistance with uniformity in the rate of interest on advances given to small scale industry sector.

Ramachandra Rao K.S, Abiman Das, Arvind Kumar Singh have concluded that the growth in bank credit to small-scale industry vis-à-vis the growth in credit to industry as a whole and total bank credit, while the average annual growth in credit to small scale industry sector was 11.4 percent during 1991-1992 to 2003-04, similar growth in credit to total industry was high at 14.4 percent and that total credit was at 16.3 percent during the same period. The share of credit to total industry in total bank credit increased in the first half of 1990s, declined after 1996-07, with fluctuations from 49.3 percent to 38 percent in 2004.

Agarwal A.N has concluded that finance for small scale industries comes from the traditional and modern sources. Traditional source of finance is the money lender. They predominate rural areas and urban areas. In urban areas, it is the indigenous bankers who do much of the financing of small industries.

Parimalam . M,\textsuperscript{75} has concluded that commercial banks’ performance towards small scale industry in Erode district is not satisfactory. As such they are confronted with many problems and if they are expected to play the role assigned to them effectively, with a right type of climate and effective solutions of the problems have to be provided. Further, the problems of small scale industries are multi-dimensional.

Thukaram Rao. M.E,\textsuperscript{76} suggests that Small Medium Entrepreneurs in service sector are to get the status of small scale industry in manufacturing sector. To fund them a corpus will be raised by SIDBI for Rs.2, 500 crore from the present Rs.1, 122 crore in the next five years.

Sindhu Vijayakumar,\textsuperscript{77} concludes that commercial banks sanction loans to industries but their focus is generally on large-scale units. They hesitate to provide large funds to small-scale units because of two reasons. First, small-scale units generally need small amount of finance. Then credit worthiness of small scale entrepreneurs is doubtful.

Balu .V,\textsuperscript{78} concludes that it is evident that the industrial development requires a conducive atmosphere where entrepreneurial habit and spirit can be activated right from the initial stage. Both the central and state governments have taken many policy decisions to speed up industrialization.

all over the country. Through five years plan, many financial and promotional institutions were established to implement the policy decisions.

Badi. R.V,\textsuperscript{79} concludes that Tamilnadu Mercantile Bank Ltd has introduced a new loan product called Small Medium Entrepreneur credit to cater to the exclusive needs of the Small Medium Entrepreneur sector. Under this scheme, an individual can get a maximum loan of Rs.2 crore and group borrowers up to Rs.10 crore.

Joseph Andrew Kuzilwa,\textsuperscript{80} has confined that the objective of this article is to examine the role of credit in generating entrepreneurial activities. The paper is based on a recent research combining case studies with a sample survey of businesses that gained access to credit from a Tanzanian government financial source. A substantially increased output is observed following access to credit.

Thingalaya.N.K,\textsuperscript{81} in his article “Who is financing the SME segment” says that New generation banks are normally not interested in small amounts of credit. They have ventured into this only after the upward revision is made in the definition of small and medium sector.

Rajan Kumar and Subhash Chander,\textsuperscript{82} “studies on the Textile Industry in Punjab” The small-scale industry (SSI) occupies a very

\textsuperscript{81} Thingalaya.N.K (2006), article on “Who is financing the SME segment”, Industrial Economist, 15-29 January and 30 January to 14th February, p.6.
important place in the economies of all the developing countries. But in no economy has its role been given such recognition as in this country. India has undertaken, since the mid-fifties, an extensive programme of small industry development.

The article of Joseph Andrew Kuzilwa,83 “The Role of Credit for Small Business Success: A Study of the National Entrepreneurship developing Fund in Tanzania”, The Objective is to examine the role of credit in generating entrepreneurial activities.

2.3 THE PRESENT STUDY

Many studies have been conducted in this field of small scale industries. Some studies have been carried out in bank performance. This study is unique in the following aspects;

So for, no study is carried out with regard to bank performance as a whole. This study aims at analyzing the bank performance in relation to various social and economical aspects. The present study includes the analysis of problems faced by SSI Units in relation to finance aspects. Thus, the study is unique in nature.